



Annual Report **2023**



Photo by Jesip Pelikan,
Museum of recent history
Celje.

In 2023, Cinkarna Celje completed
150 years
of continuous operation.



Annual Report of Cinkarna Celje d.d. for **2023**



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Cinkarna Celje has its own character. Intergenerational, heartfelt, hardened, but at the same time youthfully curious. Wisely thought out and boldly innovative; this gives us stability and momentum. We combine all these aspects of characters and professional personalities into the great story of Cinkarna Celje, which has been written for 150 years. We continue to write it with a refreshed vision and bold energy. We present ourselves to you with glimpses from the working environment, with a professional and personal view. There are even more of us, and together we are Cinkarna Celje. We are ready to push the boundaries of green and responsible chemistry, strengthen a caring attitude towards the environment and expand sincere relationships between people.

Key highlights for 2023

Responding to market changes and maintaining business stability

EUR 176.5 mio	in turnover.
EUR 12.7 mio	in net operating result.
76%	of value sales account to the EU market (excluding Slovenia).
60%	of sales by value are paints (including decorative paints) and varnishes.
97%	of planned investments were realised, i.e. almost EUR 20 million was earmarked for investment.

A responsible approach to managing our environmental impacts

18%	reduction in total energy consumption*.
3%	of the total electricity needed comes from solar energy from own sources.
32%	reduction in total annual dust emissions from all sources*.
1,700 MWh	of energy saved through energy efficiency measures.
0	No significant spills or major accidents in the environment in the last five years.

* Note: Lower energy consumption and total dust emissions from all sources are due to lower production as a result of major overhauls in titanium dioxide and sulphuric acid production in the last quarter.

Providing training and competence development for our employees

6%	of employees have a career plan.
16 hours	of training per employee.
125	internal mentors with a mentoring qualification.

*A safe working environment
is our priority*

18%	fewer days lost due to work-related injuries.
38%	more potential hazards identified than the year before, mainly due to a more systematic approach to identifying potential hazards.

*Supporting the development
of the local environment*

EUR 706,035	was allocated to sponsorships and donations.
95%	of sponsorships and donations go to sports clubs and associations.



As a development engineer, I mainly deal with the optimisation of production processes, which improve the final properties of the TiO_2 pigment. I feel I am drawn to work that involves creative thinking and technical skills.

Nika Veronovski,
Ph.D., division
coordinator, Titanium
Dioxide BU, R&D
Group



GOVERNANCE

Concise overview of performance and alternative performance measures

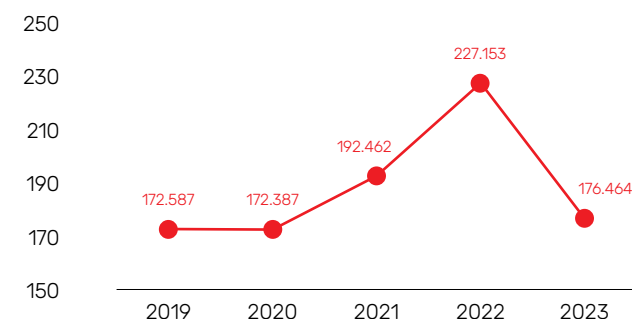
Cinkarna Celje d.d. also uses Alternative Performance Measures (APMs) as defined by ESMA to show the past performance of the company. The selected performance measures reveal the performance and efficiency of the Company's business in the context of the cyclical nature of the pigment industry.

OPERATIONS (in 000 EUR)	2023	2022	2021	2020	2019
Turnover	176,464.29	227,153.12	192,462.10	172,386.90	172,587.00
Operating profit (EBIT) ¹	12,722.75	53,175.64	39,976.60	22,534.40	25,726.90
Operating profit + depreciation and amortisation (EBITDA) ²	25,078.12	65,326.33	51,258.00	32,467.20	32,296.30
Net operating result	12,653.41	43,396.47	33,227.10	18,950.70	21,436.40
Non-current assets (end of period)	114,522.70	108,559.53	110,511.61	110,888.70	107,753.80
Current assets (end of period)	145,392.97	142,388.47	131,373.20	100,251.70	100,516.50
Equity (end of period)	221,230.46	209,010.15	190,165.80	174,820.90	170,806.10
Non-current liabilities (end of period)	18,844.14	18,831.72	23,273.00	20,876.40	22,578.00
Current liabilities (end of period)	19,841.07	23,106.14	28,446.00	15,442.00	14,886.20
Investments in intangible and tangible fixed assets	19,825.30	10,546.50	11,325.40	12,233.00	11,956.00

[1] The difference between operating income and operating expenses.

[2] The difference between operating income and operating expenses, plus depreciation and amortisation. Reflects operating performance.

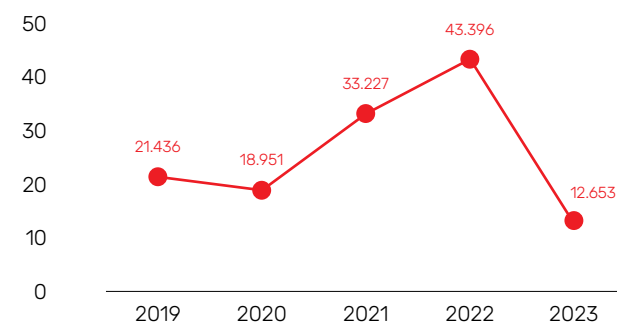
Turnover (in mio EUR)



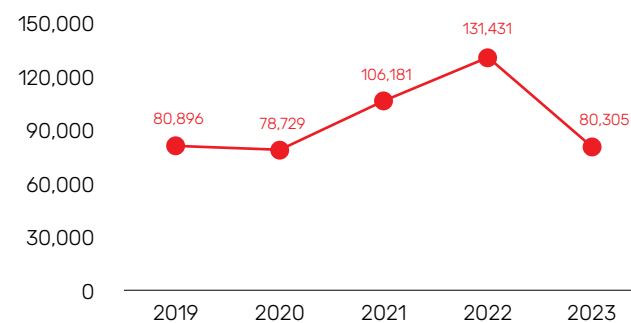
12 Concise overview of performance and alternative performance measures

	2023	2022	2021	2020	2019
Indicators					
EBIT as a percentage of turnover	0.07	0.23	0.21	0.13	0.15
EBITDA as a percentage of turnover	0.14	0.29	0.27	0.19	0.19
Net profit as a percentage of turnover (ROS)	7.17	19.11	17.26	10.99	12.42
Return on equity (ROE) ³	5.88	21.74	21.40	12.50	14.70
Return on assets (ROA) ⁴	4.95	17.61	14.70	9.00	10.20
Value added per employee ⁵	80,305	131,431	106,181	78,729	80,896
Number of employees					
End of year/period	742	775	793	824	846
Average end of year/period	754	776	801	838	874

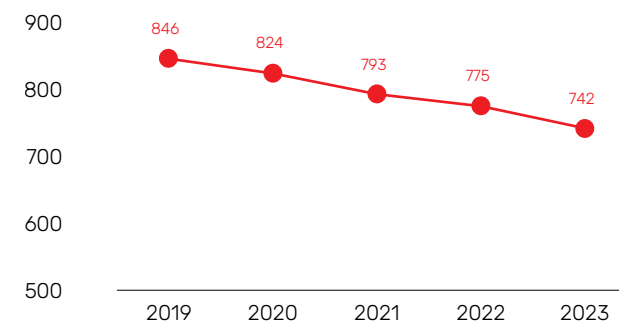
Net operating result (in mio EUR)



Value added per employee (in EUR)



Number of employees (end of year/period)



- [3] Net profit/average equity for the year. The indicator reflects the efficiency of the company in generating net profit in relation to capital. Return on equity is also an indicator of management's performance in maximising the value of the company for its owners.
- [4] Net profit/average balance for the year. The indicator reflects the efficiency of the company in generating net profit in relation to assets. Return on assets is also an indicator of management's performance in using assets efficiently to generate profits.
- [5] Operating profit plus depreciation, amortisation and labour costs divided by the average number of employees after accrued hours. A productivity indicator reflecting the average new value created per employee at Cinkarna.

13 Concise overview of performance and alternative performance measures

	2023	2022	2021	2020	2019
Share information*					
Total number of shares	8,079,770	8,079,770	8,079,770	8,079,770	8,079,770
Number of own shares	264,650	264,650	264,650	219,510	106,520
Number of shareholders	2,651	2,321	2,077	1,920	1,920
Earnings per share in EUR ⁶	1.57	5.37	4.11	2.35	2.65
Dividend yield ⁷	n.a.	10%	9%	11%	13%
Gross dividend per share in EUR	n.a.	3.19	2.10	1.70	2.83
Share price at end of period in EUR	20.50	23.00	25.90	17.80	18.75
Book value per share in EUR ⁸	27.38	25.87	23.54	21.64	21.18
Market capitalisation in EUR 000 (end of period)	165.635,29	185.834,71	209.266,04	143.819,91	151.495,69

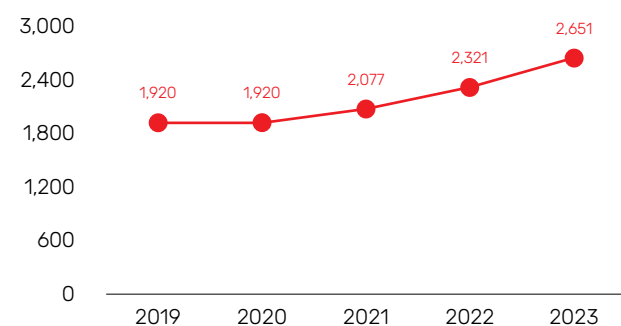
* Share split recalculated for previous periods.

[6] Net profit/average number of shares in issue.

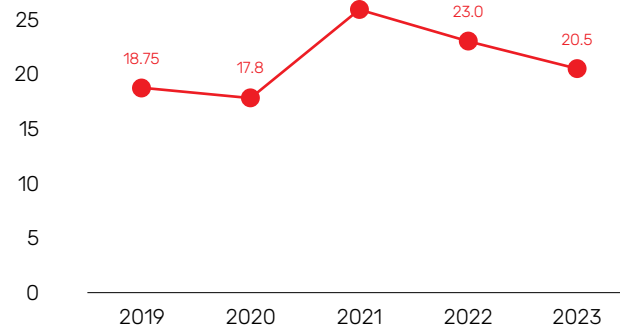
[7] Amount of dividend/share value (at the date of the resolution).

[8] Capital at end of period/total number of shares in issue.

Number of shareholders 2019-2023



Share price at end of period (in EUR)



Report of the Management Board



Aleš Skok,
univ. dipl. in Chemical
Engineering Technology,
MBA – USA,
President of the
Management Board

Cinkarna Celje d.d., a modern and forward-looking chemical company, has entered its 150th year of continuous operation in very good shape, with ambitious sustainability goals. As part of the chemical industry, which is 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 dynamics of the pigment industry.

In 2023, we realised 22% lower sales than in 2022, mainly due to lower sales volumes and, to a lesser extent, lower average selling prices for titanium dioxide pigment. European pigment producers are facing lower demand, partly due to cheaper Chinese imports, partly due to unused inventory, and partly due to lower demand for pigment-embedded products. This is particularly evident in the construction sector and the do-it-yourself (DIY) segment. The consideration of possible anti-dumping measures and the logistical hurdles in the Red Sea towards the end of the year prompted some European buyers to consider changing their sourcing strategies.

Focusing on our core titanium dioxide pigment programme and rationalising our portfolio of strategic business areas are key building blocks of our business performance. Titanium dioxide pigment is our most important product and is an indispensable raw material in the modern world, and we are committed to its further development and continuous quality improvement, as well as exploring its use in sustainable applications.

We estimate that the achieved operating results are in line with the forecasts for the period. Cinkarna Celje d.d. is a relatively small pigment producer, so we face market conditions and changes as a typical follower, but of course we try to make the most of the market potentials within the given framework, both in terms of level and

time dynamics. In the market conditions at the end of the year, we adjusted our production volumes to market needs. The period of reduced production was used to a greater extent to carry out major overhauls or maintenance work.

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

Sentiment indicators point to weak momentum in economic activity. Economic growth in the euro area is expected to be slightly stronger over the next two years. This will be driven by a further gradual decline in inflation, low unemployment and strengthening private consumption. Changes in forecasts and scenarios will be largely linked to developments in the conflicts in the Middle East and Ukraine.

The macroeconomic situation mentioned above, in the context of the specific markets and products of Cinkarna, means that we are facing weaker demand and sentiment. In addition to European pigment supply, very low-priced volumes from Asia emerged in 2023, linked to the downturn in construction activity and the bankruptcy of the largest property developer in China. The unravelling or redevelopment has not yet had a clear impact on Chinese demand for pigment.

Nikolaja Podgoršek-Selič,
univ. dipl. in Chemical Engineering, Spec.,
Member of the Management Board – Deputy Chairman
of the Management Board –
Technical Director



The difference between the selling price in China and Europe has been at historically high levels over the last two years. Recently, the Red Sea conflicts have increased the cost of container transport between Asia and Europe, which is helping to improve somewhat the competitiveness of pigment of European origin. We are closely monitoring these factors and adjusting our marketing activities accordingly. Nevertheless, we estimate that weaker demand and price pressure will continue in the coming quarters. In parallel, the prices of some key raw materials are at high levels or are declining only to a lesser extent, resulting in a similar profit margin to that which would have been achieved in 2023 without taking into account the State aid for energy products. In view of these facts, we formulated a plan for 2024 which takes into account the weaker performance and the increased capital expenditure in the energy and sustainability transformation.

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

Cinkarna Celje d.d. generated sales revenues of EUR 176.5 million in the period under consideration, 22% less than in 2022. The total value of exports reached EUR 161.6 million in the period under consideration.

Net profit amounted to EUR 12.7 million, 71% lower than the EUR 43.4 million achieved in the comparable period of the previous year. Operating profit plus depreciation and amortisation, or EBITDA, amounted to EUR 25.1 million, representing 14% of sales. EBITDA is down 62% year-on-year.

In the area of employee relations and human resources management, we are focusing on optimising the organisational structure, with the aim of ensuring the smooth operation of the Company and, as a result, the conditions for maximum safety and health for our employees. We follow the principle of a positive and motivating remuneration policy and of ensuring an appropriate level of employee satisfaction and motivation. We implement IT support for competence development and improvement of the organisational climate. At the end of 2023, we presented a project to the social partners to renew the competency and pay model. The aim is to have a modern system that will be co-designed by employees and will provide the basis for the Company's future growth.

In 2023, we spent EUR 19.8 million on investments in tangible and intangible assets, acquisition of fixed assets and replacement equipment. We invest in programmes that show growth potential. Our investments in production are primarily aimed at reducing operating costs, ensuring profitable volumes of volume production, and achieving higher quality, regulatory compliance and energy sustainability.

Our development activity follows a five-year strategy. At the end of 2023, we approved our strategy for the period 2024-2028, which is based on four pillars: sustainable development, energy transformation, increasing capacity and product quality, and digitalisation. Development activities were carried out according to the perceived opportunities in the areas of our expertise, trends and customer expectations.

We have a number of interlinked projects to manage spatial and environmental risks in a comprehensive way. The most important of these are: the alternative water supply project, the harmonisation of zoning acts at the Za Travnikom Red Gypsum Filling Plant, the remediation of the Bukovžlak Non-Hazardous Waste Landfill (ONOB) and ensuring the stability of barrier structures.

All our activities are planned and implemented with the principles of sustainable development and the circular economy in mind. In the context of ensuring the sustainable development of titanium dioxide production, we continued with our multi-year development project on integrated water management and waste minimisation. We also set up and implemented new activities in the areas of carbon footprint reduction, use of renewable energy and re-use of materials. We drafted an ESG strategy with a particular focus on climate strategy, which will be complemented in 2024 with the requirements of the ESRB standards.

The rich and at times dramatic history of Cinkarna Celje speaks eloquently about the exceptional ability of its leaders to identify challenges in time and to courageously find the right answers in challenging circumstances. The current management of the Company, together with all its employees, is also capable of bold visions and decisive sustainable steps – for a green company, a green wider society and a promising future for the present generation and all future generations. The management of Cinkarna Celje d.d. is personally and collectively committed to this. Our efforts, achievements and challenges are disclosed in this report, and we are confident that in the future, in cooperation with our stakeholders, we will meet and exceed many of the objectives to which we are currently still seeking answers. This visionary optimism has become part of our DNA over the years.

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

Management Board of Cinkarna Celje d.d.



Filip Koželnik, M.Sc. in
Accounting and Auditing,
Member of the Management
Board – Labour Director

**Supervisory
Board of
Cinkarna
Celje d.d.**



Mario Gobbo, Ph.D.,
President (from 26 May 2020)



Luka Gaberščik, *univ. dipl. in law*
Deputy President (from 4 June 2019)



David Kastelic, M.Sc.,
Member (from 18 June 2020)



Mitja Svoljšak, *univ. dipl. in economy*,
Member (from 16 June 2020)



Aleš Stevanovič, *chem. tech.*,
Member (from 8 March 2023)



Jože Koštomaj, *mechanical engineer*,
Member (from 18 June 2020)

Report of the Supervisory Board of Cinkarna Celje d.d.

In 2023, the Supervisory Board met and took decisions at six meetings, five of which were ordinary and one of which was a correspondence meeting. Attendance at meetings was generally full. Within the legal framework established by laws, regulations, the Company's Articles of Association and relevant codes, as well as the approach of a prudent steward, we diligently fulfilled and exercised our powers, duties and responsibilities. We considered the materials submitted, the presentations made, the specific clarifications and explanations provided, and organised and conducted interviews with individual external experts. We sought to further clarify and examine specific topics through constructive suggestions, questions and requests for additional data, analyses and reports. In our opinion, the Supervisory Board acted diligently in its work, in accordance with the law and in accordance with the best conscience and knowledge of the individual, thereby adequately safeguarding the interests of the Company and its shareholders.

At the end of 2023, the Supervisory Board of Cinkarna Celje d.d. was composed of Mario Gobbo, Ph.D., – Chairman, Luka Gaberščik – Deputy Chairman, David Kastelic, M.Sc., Mitja Svoljšak, Aleš Stevanovič and Jože Koštomaj, the latter two appointed by the Works Council.

The Supervisory Board devoted time and attention to reviewing current operations, investments, business plans and regular internal audit activities. The Management Board briefed the Supervisory Board members in detail on the risk of shortage of process water and possible solutions. Attention was also paid to the setting of the new strategic business plan for the period 2024-2028.

The efforts of the employees and the Management Board in an exceptional situation resulted in good results

in 2023. The Company maintained its market shares despite the challenging market conditions and actively pursued new opportunities in industries and markets. In 2023, investment realisation was 97% of the planned value. The total value of investments thus amounted to EUR 19.8 million, mainly for the production of titanium dioxide pigment to improve product quality, ensure the planned volume production and reduce environmental impacts. The Company traditionally follows a strategy of conservative financial management, operating without long-term borrowings or external financial resources, and is therefore financially stable and sound.

In November 2023, we discussed and adopted our business plan for 2024, based on relatively pessimistic macroeconomic forecasts and with traditional conservatism. The sales plan amounts to more than EUR 186.6 million and the planned net profit to EUR 4.0 million. The planned drop in the latter is mainly due to market pressures towards lower average selling prices and higher purchase prices. The Supervisory Board considered that the plan is appropriately formulated and that it adequately reflects both the situation in the business environment and the competitive situation, and the Company's potential for generating results.

The focus will therefore continue to be on improving or raising the competitive position, increasing market shares and increasing the physical volume of business. In parallel, the possibility of further diversification of the product portfolio will be explored.

The Supervisory Board considers that the actions taken by the Management Board were also successful in implementing the investment plans and targeted development work. The efficient operation, sustainability and stability of the system provide an answer to its long-term prospects. The main lines of business and

development of the Company, as set out in the medium-term strategy, were implemented to a high standard at the most important points. In 2018, the Supervisory Board was involved in the preparation and adoption of the development strategy until 2023. A key focus of this strategy was the Company's focus on the core business of titanium dioxide and the change in the sales portfolio of this core product towards increasing quality, optical properties and product development for more demanding customer applications. The Supervisory Board actively supports a business policy focused on reducing risks and uncertainties and ensuring a stable financial position of the Company. Together with the Management Board, we pay attention to the requirements and ensure compliance also with the continuous progress in the environmental and employee health protection areas.

In the opinion of the Supervisory Board, the present Annual Report, which contains the statutory financial statements, disclosures, explanatory notes and the management report, contains the most important information and indicators as well as adequate explanations of individual events and facts, and therefore, on the proposal of the Audit Committee of the Supervisory Board, the Supervisory Board approves the Annual Report of Cinkarna Celje d.d. for 2023.

The Supervisory Board has also read the independent auditor's report and considers that it adequately presents the statutory audit of the financial statements and notes, and accepts the auditor's opinion that the financial report is consistent with the audited financial statements. This sufficiently satisfies the requirement that the information given about the Company's financial position during the period under review be true and fair.

Report of the Audit Committee of the Supervisory Board on its work in 2023 and verification of the Annual Report of Cinkarna Celje d.d. for 2022

The Audit Committee of the Supervisory Board of Cinkarna Celje d.d., composed of David Kastelic, M.Sc., – Chairman, Jože Koštomaj – Member, and Gregor Korošec – Independent External Expert held five regular meetings in 2023. The Audit Committee members focused on their regular and ongoing tasks and responsibilities.

Members of the Audit Committee were present at all meetings. Aleš Skok, President of the Management Board, and Karmen Fujs, Head of Accounting, were also present at the meetings to present documents and to answer or clarify questions from members. Two of the meetings were attended by two certified auditors, Sanja Košir Nikašinović and Lidija Šinkovec, from Ernst & Young d.o.o. The Head of Internal Audit, Mateja Rupnik, was also present at the meetings.

At all meetings, the Audit Committee was informed about the interim results of Cinkarna Celje d.d. and paid particular attention to financial and accounting data. It paid close attention to the content of the Company's interim and annual financial statements and made proposals and recommendations for corrections. As already mentioned, it also reviewed and examined on an

ongoing basis the internal audit reports, which included, inter alia, reporting on the status of action taken on its recommendations, while at the same time cooperating constructively, suggesting improvements and guiding the work of the Internal Audit Department.

The Audit Committee again reviewed the system for identifying, evaluating and managing risks in the operations of Cinkarna Celje d.d. The system is adequately integrated into the Company's business processes in 2023. This significantly improves its responsiveness and, above all, it represents a desirable tool for the active management of the Company. The risk management system, which is integrated into the integrated management system, is based on the regular updating of a risk catalogue, in which risks are systematically classified according to the assessment of the probability of occurrence of each type of risk and the amount of potential damage. The system also includes a set of actions aimed at managing these risks. The Audit Committee assessed the system as satisfactory.

In accordance with its responsibilities, the Audit Committee was active in the regular audit procedures of Cinkarna Celje d.d. in 2023. The main activities were:

- Meeting with the auditors and taking note of the progress of the final audit of the financial statements of Cinkarna Celje d.d. for 2022;
- Taking note of the findings of the audit of the financial statements of Cinkarna Celje d.d. for 2022 and the auditor's opinion;
- Taking note of the management letter on the findings of the audit of the financial statements of Cinkarna Celje d.d. for the year ended 31 December 2022.

The meetings and activities in 2023 were aimed at familiarisation with the final audit of the Company's financial statements for 2022, review of the Annual Report of Cinkarna Celje d.d. and review of the annual internal audit report, as well as familiarisation with the periodic reports for the financial year 2023. In 2023, the Internal Audit Department performed all internal audit tasks successfully and in accordance with its plan, and reported to the Audit Committee on an ongoing basis.

The Audited Annual Report of Cinkarna Celje d.d. for 2023 was received and examined by the Audit Committee at its meeting. The Audit Committee concluded that the Annual Report of Cinkarna Celje d.d. for 2023 was prepared in accordance with International Accounting Standards and the provisions of the Slovenian Companies Act.

The business section of the Annual Report of Cinkarna Celje d.d. provides a concise overview of the business in 2023, including a comparison with previous years. The analysis of results and operations provides a detailed picture of the Company's financial position, with full explanations of assets and resources, sales, operating result, expenses and costs.

The annual report also contains a statement of non-financial performance, which includes the required information on social responsibility, the environment, human resources, and anti-corruption and anti-bribery.

The financial statements of Cinkarna Celje d.d. for 2023, together with the accounting policies and notes thereto, were audited by Ernst & Young d.o.o. and approved by the General Meeting of Shareholders of the Company at its 23rd Ordinary Meeting held on 4 June 2019. The auditor issued a positive opinion on the financial statements of Cinkarna Celje d.d. for 2023 and also confirmed that

the information in the business report is consistent with the accompanying financial statements. In the auditor's opinion, the auditor highlighted the key audit matters disclosed in the accounting part of the report, namely:

- Note 13 - Other provisions to the financial statements, where it is disclosed that the Company has environmental provisions of EUR 14.2 million as at 31 December 2023, which were established on the basis of projects developed, reports prepared and estimates made by external consultants and management of the costs that will be incurred in the remediation of landfill sites and the coverage of future liabilities.
- Note 21 - Other operating income, where it is disclosed that in the financial year 2023, the company recognized subsidies for mitigating the growth of energy prices in the amount of 7.6 million euros as part of other operating income. Revenues recognized from subsidies for mitigating the growth of energy prices, based on the Act Governing Aid to Businesses to Mitigate Impact of Energy Crisis (ZPGOPEK), are important due to their impact on the company's net profit in the current financial year. All conditions for their recognition are met.

Based on the positive opinion in the auditor's report, additional explanations provided by the auditor and Cinkarna Celje d.d.'s professional services, and the information and disclosures in the Annual Report of Cinkarna Celje d.d. for 2023, the Audit Committee is of the opinion that the Annual Report was prepared in accordance with the requirements of the Companies Act (ZGD-1) and that the financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2023 and the results of its operations and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

The Audit Committee considers that the auditor acted impartially and independently and in accordance with the Audit Act. The auditor will provide the Company with the service of reviewing the European Single Electronic Format (ESEF) Report and will also review the Remuneration Report of the Company's Management and Supervisory Bodies.

The Audit Committee reported to the Supervisory Board on the outcome of the statutory audit and explained that the statutory audit contributed to the integrity of the financial reporting. The Audit Committee has no comments on the Annual Report of Cinkarna Celje d.d. for 2023 that would in any way delay it in proposing to the Supervisory Board that it adopt a decision on the approval of the Annual Report of Cinkarna Celje d.d. for 2023 in accordance with Article 282 of the Companies Act (ZGD-1).

Chairman of the Supervisory Board

Mario Gobbo, Ph.D.



I work in the titanium dioxide R&D and quality assurance field where we are developing a new iron oxalate product. In collaboration with my colleagues, I study the effects of fluctuations in the quality of the TiO_2 pigment and propose measures to stabilise the quality of the pigment.

Maja Lešnik, Ph.D.,
division coordinator,
Titanium Dioxide BU,
R&D Group



Internal audit report

Internal auditing at Cinkarna Celje d.d. is performed by the Internal Audit Department, which is an independent organisational unit, organisationally responsible to the Management Board and functionally to the Audit Committee and the Supervisory Board of the Company. In his/her work, the Head of the Internal Audit Department complies with the International Standards for the Professional Practice of Internal Auditing and other rules included in the hierarchy of internal auditing rules. He/she acts in accordance with the Charter and is guided by the principles of impartiality, professionalism, professional diligence and independence. The Department's role is to provide independent and impartial assurance and advice, focusing on the Company's key risks and on areas where it can contribute to the improvement of the Company's performance, the transparency and reliability of information and the achievement of the Company's objectives.

In 2023, the internal audit activities were interrupted due to staff changes. The work was based on an approved annual plan and all six planned internal audits were carried out in accordance with this plan, one with the involvement of an external expert. The engagements carried out resulted in recommendations, evaluated according to risk levels, which are subject to regular monitoring and verification of their implementation.

The implementation of internal audit recommendations contributes to improving the internal control systems in place and their functioning. The results of the audits were regularly reported to the responsible auditors and to the Management Board. The audits carried out, significant findings and the implementation of recommendations were reported periodically to the Audit Committee and the Supervisory Board.

In addition to the assurance engagements, other internal audit activities were carried out in 2023, such as regular follow-up of the implementation of recommendations from the previous and current period, a management succession activity, the preparation of the annual plan for 2024, and the provision of regular training. Activities in the form of internal audits were carried out as part of the quality assurance and improvement programme and the last external quality audit of the Department was carried out in 2022.

Mateja Rupnik, M.Sc.,

Head of the Internal Audit Department



● *The Internal Audit Department functions as an autonomous and independent support function that is organisationally directly subordinated to the Management Board and functionally to the Audit Committee or the Supervisory Board. The mission of internal auditing is to provide assurances about the adequacy of the internal control system in achieving the set goals in individual areas of operation, processes, and functions. This means applying good practices, judgments, legislation and internal rules to systematically and methodically assess whether the procedures are carried out in a planned and appropriate manner, and – in case shortcomings are identified and quantified – initiate improvements to the existing system of controls and risk management. On the other hand, the goal of the department is to add its value through consulting based on comprehensive and in-depth understanding of the company's operations.*

Mateja Rupnik, M.Sc., Head of the Internal Audit Department

Highlighted events in 2023

European Coatings Show 2023

At the European Coatings Show 2023 in Nuremberg, Germany, we strengthened our market presence with our most important product group (titanium dioxide).



Foto: Dušan Mastnak

150th anniversary celebrated with a commemorative exhibition of Pelikan's photographs

In the photographs on display, photographer Josip Pelikan depicts the motifs of life and work in the factory in the years from 1920 to 1970, when he settled in Celje. As the Company transformed over 150 years from a predominantly metallurgical to a chemical company, the motifs of the long-gone zinc smelter with its old rolling mill, the production of lead oxide, better known as minium, zinc bleach, lithopone and copperas are of particular interest.

Open Doors Day

The Open Doors Day in 2023 was held under the slogan Our products in your home. Using a 3D house simulation, we showed visitors where all the Company's products are in the objects we all have at home. Visitors were pleasantly surprised by what they saw. In addition to the Company's management, the gathering was addressed by the Deputy Mayor of Celje, Uroš Lesjak, and in Mozirje by the Mayor of Mozirje, Ivan Suhoveršnik. In Celje, the visitors were taken by bus through the production site to Za Travnikom, and by train to Cinkarna's exhibition through the lens of Mr Pelikan.





16th Competition

The aim of the competition was to encourage the search for the most original solutions to show how water works on our planet, and to bring the best idea to life or make it so that it could be tested later by all visitors to Tehno-park Celje. More than a thousand pupils from the Celje region take part in the Cinkarna Celje competition every year, and as such it is certainly one of the most visible in the region.

Staff-organised "An Hour for Culture"

Painter Amina Kolarič, photographer Dušan Mastnak, sculptor Ilija Kelavič and writer Bojan Ekselenski joined forces in the exhibition An Hour for Culture. By presenting original artworks and accompanying short stories, the amateur artists, who share the commonality of being our colleagues in the morning, conveyed a message about culture as the foundation of interpersonal relations. The artists celebrated the Company's 150th anniversary in the language of art.



Platinum Certificate of Rating Excellence 2023

The certificate shows that the Company has an excellent track record of performance and payment discipline over the last five years, and has a very low probability of going bankrupt, going into receivership, having a blocked transaction account or being listed as a tax defaulter in the next 12 months.



Foto: Blaž Črepinšek

As a project manager, I work with my colleagues to upgrade production processes and implement improvements that follow the outlined company strategy. By installing a condensing steam turbine, we will satisfy more than 20% of our electricity needs by ourselves.

Mitja Gračner, M.Sc.,
independent
technologist, Titanium
Dioxide BU, Investments
and Technological
Improvements



Presentation of Cinkarna Celje d.d.

• Company	Cinkarna, metalurško-kemična industrija Celje, d. d.
• Short name	Cinkarna Celje, d. d.
• Headquarters	Kidričeva ulica 26, 3000 Celje, Slovenija
• Telephone – Central Office	03 427 60 00
• Telex	36517 METKEM SI
• E-mail	info@cinkarna.si
• Website	www.cinkarna.si
• Person responsible	Aleš Skok, President of the Management Board
• Dislocated business unit	Kemija Mozirje
• Headquarters	Ljubija 11, 3330 Mozirje
• Telephone	03 837 09 00
• Ownership	Presented in the financial report

150 years

Content

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Cinkarna Celje d.d., with its 150-year tradition of continuous operation, is one of the most resilient companies in the Slovenian economy. Until 1968, the Company's defining activity was metallurgy, but with the launch of the production of titanium dioxide pigment in 1973 and its subsequent expansion, Cinkarna Celje d.d. now operates in the chemical processing industry.

Mission

Through the professional and socially responsible application of chemical processes, we produce a wide range of products essential to our daily lives. We provide work and personal growth for our employees and expected returns for our shareholders.

Vision

The Company aims for growth and efficiency gains in existing and new technologically demanding, high value-added products. We will achieve our objectives while respecting the principles of sustainable development and the circular economy.

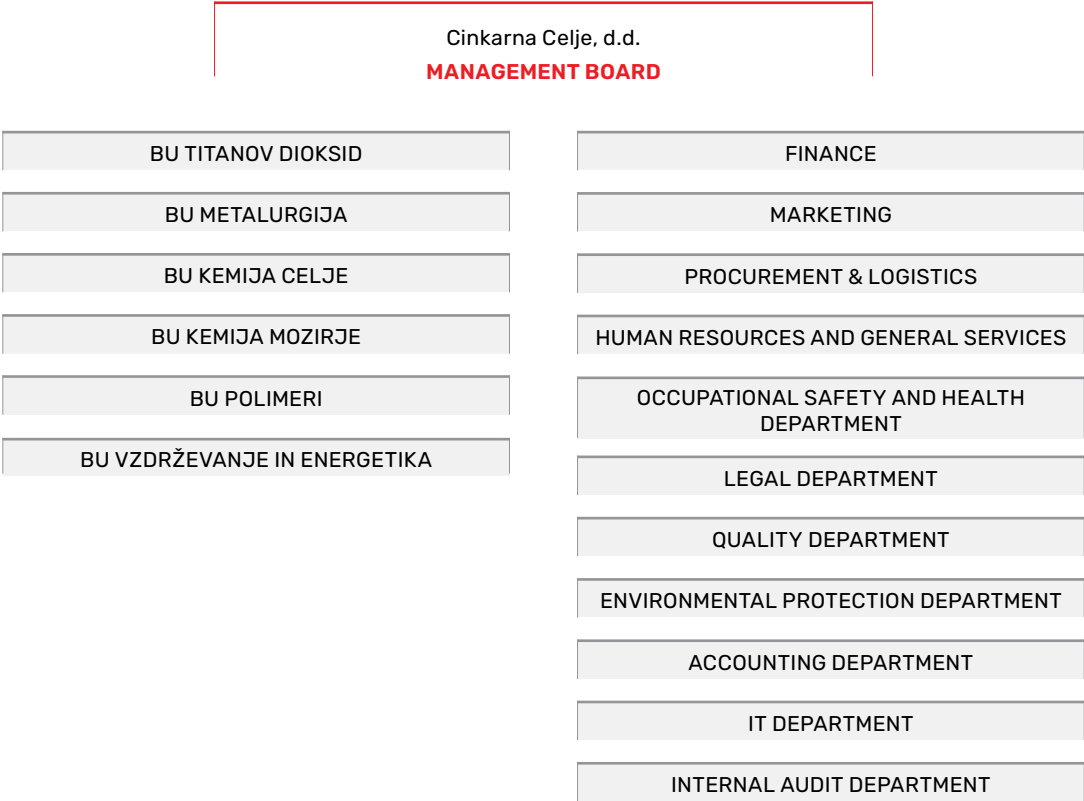
Values

- Partnership and trust
- Honesty and respect
- Creativity and development orientation
- Commitment to sustainable development and the circular economy
- Belonging and working together to achieve common goals

Organisational structure

The organisational structure comprises the Company's management, six business units and 11 professional departments.

From 2024, BU Metalurgija is no longer included in the organisational structure. The Marketing department was reorganised into Marketing and Procurement & Logistics at the end of 2023.



Business units:

- **BU Titanov dioksid:** Tomi Gominšek, Director
- **BU Metalurgija:** Miran Špegel, Director
- **BU Kemija Celje:** Andrej Lubej, Director
- **BU Kemija Mozirje:** Irena Vačovnik, Director
- **BU Polimeri:** Roman Deželak, Director
- **BU Vzdrževanje in energetika:** Boštjan Podkrajšek, Director

Joint professional departments:

- **Finance:** Dejana Starčević, Head of Finance
- **Marketing:** Irena Franko Knez, Director
- **Procurement & Logistics:** Dejan Skok, Director
- **Human Resources and General Services:** Marko Cvetko, Head of Department
- **Occupational Safety and Health Department:** Otmar Slapnik, Head of Department
- **Legal Department:** Gregor Gajšek, Head of Department
- **Quality Department:** Ksenija Gradišek, Head of Department
- **Environmental Protection Department:** Bernarda Podgoršek Kovač, Head of Department
- **Accounting Department:** Karmen Fujs, Head of Department
- **IT Department:** Boris Špoljar, Head of Department
- **Internal Audit Department:** Mateja Rupnik, Head of Department

Activities, value chain and other business relationships

Cinkarna Celje d.d. is a company with a broad production and sales programme. The different sales sub-programmes can be grouped into sales groups, which group together products with similar utility. In recent years, we have discontinued a number of product and sales programmes which did not meet the profitability or performance criteria.

Our major product and sales programmes are:

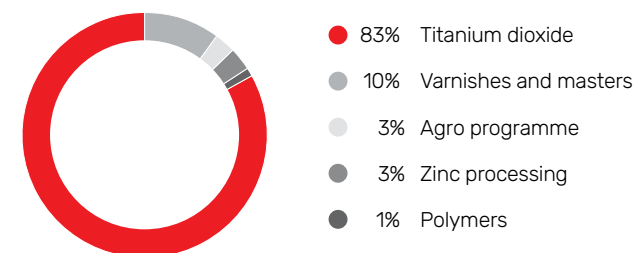
- titanium dioxide (TiO₂) production;
- sulphuric acid production;
- zinc processing, covering zinc alloys, anodes and zinc wire;
- manufacture of agricultural products, including plant protection products and growing media;
- production of masterbatches and powder varnishes;
- a group of fluorinated polymers and elastomers whose properties make them useful for the transport of aggressive media and the protection of process and hardware equipment;
- intermediates of titanium dioxide pigment production: titanyl sulphate, metatitanic acid and sodium titanate;
- by-products of titanium dioxide pigment production: white gypsum CEGIPS and red gypsum RCGIPS (47% : 53%, calculated on the dry matter of these by-products

The core product and sales group is titanium dioxide pigment, which combines the sales of different pigment types. This group also includes ultra-fine forms of titanium dioxide, which are high value-added products since, depending on their crystalline form, they can act as photocatalysts or UV absorbers. They are integrated into high-technology products (self-cleaning systems, UV-stabilising materials, etc.). The production and marketing of titanium dioxide pigments account for 83% of our total turnover.

Plant protection products are a very important sales group, as they are one of the pillars of the company's future development. We see this as an opportunity to address the global challenges of ensuring sufficient and safe food. The flagship products of this group are copper fungicides of different formulations and different active substances used (copper hydroxide, copper oxychloridin, tribasic copper sulphate). In the area of plant protection products, we pursue a strategy focusing on product quality and environmentally safe use.

The powder varnishes and masterbatches group represents a vertical extension of the core titanium dioxide pigment production and is becoming an increasingly important sales group for the Company. Powder varnishes are sold primarily for anti-corrosion and decorative purposes in the manufacture of household appliances, heating elements and other metalware. Masterbatches

Chart: Share of value sales by product group in 2023



are intended for incorporation into plastics to improve their performance properties.

The other areas are the production of PTFE (polytetrafluoroethylene) products, half for internal consumption and maintenance, the other half for marketing, mainly in the plant protection and chemical industries. The production of sulphuric acid is mainly for internal use, with any surplus sold on the market. CEGIPS, the so-called white gypsum, is sold on the cement and plasterboard markets and for agricultural use. The RCGIPS by-product is used entirely for dry filling at the Za Travnikom Waste Disposal Facility. Given its properties, it can be used for backfilling in low-rise construction, low-rise embankment construction and the construction of cover layers.

In terms of end use, paints (including decorative paints) and varnishes comprise the largest value sales chain of Cinkarna Celje d.d. Together they account for 60% of sales. This is followed by plastics and the incorporation of titanium dioxide pigments into other building materials. Other areas are less well represented in terms of sales. Paints and varnishes, plastics and building materials account for the majority of titanium dioxide sales. Our sales product does not go to end-users, but to companies that process the product to a finished product.

Chart: Share of sales by end use for 2023

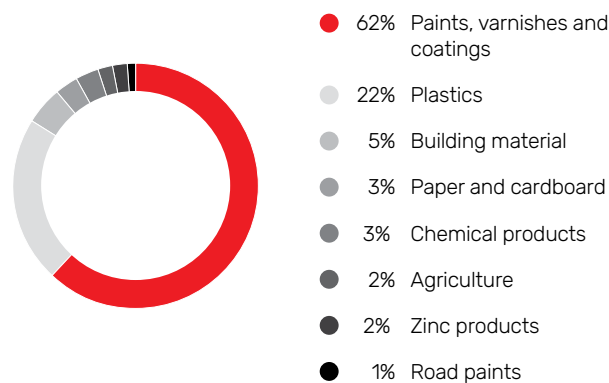
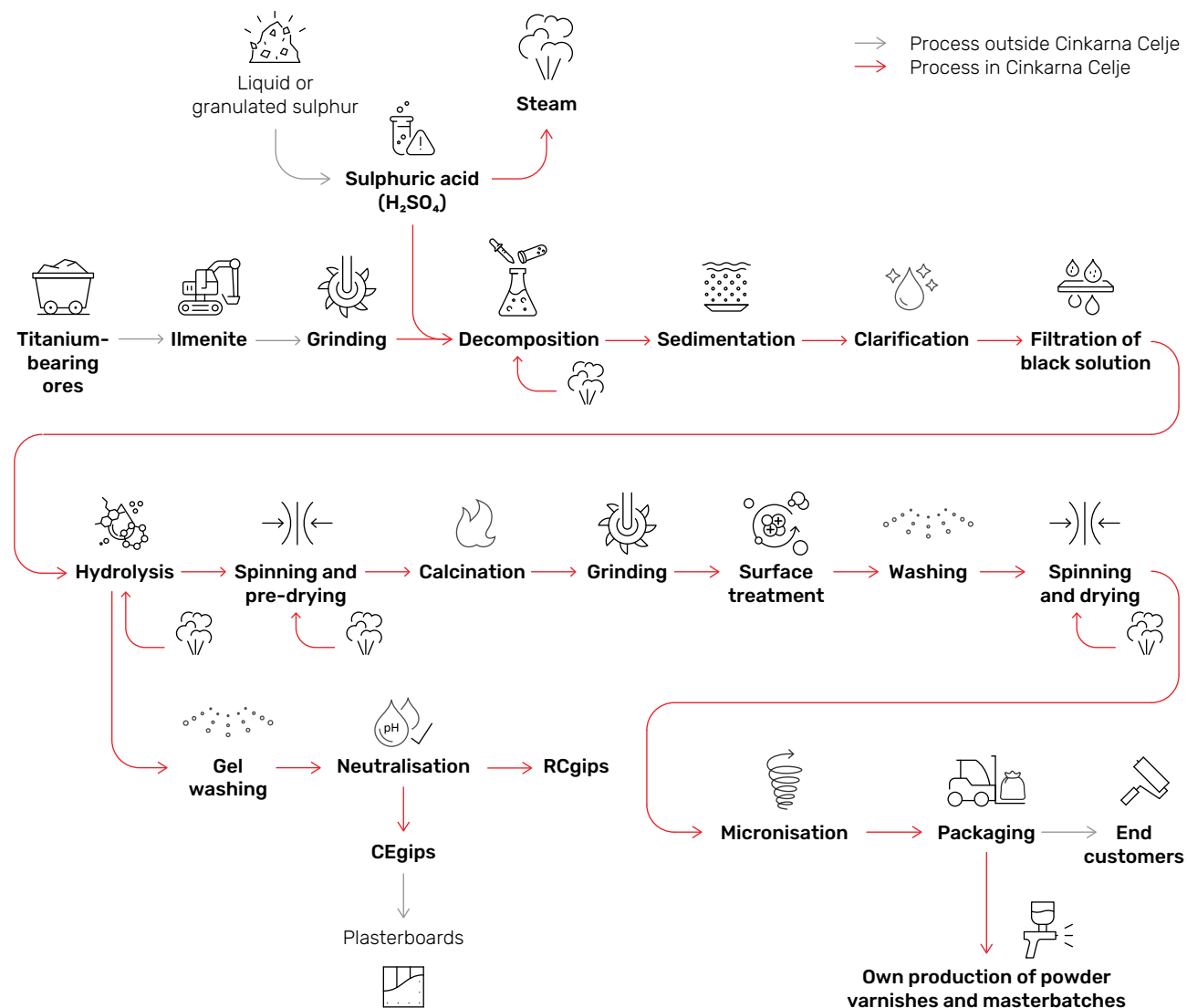


Figure: Production process



Market presence

We operate mainly in the European market, where we generate the majority of our revenues. To a lesser extent, we are also present in offset markets, mainly in the US dollar currency area. In terms of geographical location, we identify the most important markets as EU Member States (excluding Slovenia), followed by the domestic market (Slovenia), the so-called third world countries and the markets of the former Yugoslavia (excluding Croatia and Slovenia).

The countries where we have the largest presence and a sales share of more than 1% are:

- Germany (26%)
- Italy (11%)
- France (10%)
- Slovenia (8%)
- Turkey (7%)
- Poland (5%)
- Netherlands (3%)
- Greece (2%)
- Croatia (2%)
- Hungary (2%)
- Austria (2%)
- Serbia (1%)
- USA (1%)
- Sweden (1%)
- Spain (1%)
- Romania (1%)
- Denmark (1%)



As a share of value sales by market, sales to the EU market (excluding Slovenia) account for the majority.



● When selling titanium dioxide, our priority is fair and mutually beneficial cooperation with customers, proper responsiveness and the search for innovative, sustainable solutions that the product offers in its final applications. We treat the requirements of existing and new customers with the utmost attention and respond to them by finding appropriate solutions when trialling the product in new applications. As a European producer of titanium dioxide, we boast maximum presence on European markets where we are strengthening our market position. We are also directing our sales activities to other global markets where we are gradually consolidating our recognition as a stable, reliable and high-quality supplier.

Tomaž Pevcin, B.Sc. (Econ.), Director of Titanium Dioxide Sales

I deal with the processing of waste acids, which we want to use as new raw materials and thus contribute to better production efficiency and the development of new materials and products that would be useful in the chemical, construction and high-tech industries.

Martin Rozman, Ph.D.,
independent division
technologist, Titanium
Dioxide BU, R&D Group



Corporate Governance Statement

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- 40 Information on the functioning of the Company's General Meeting, including its powers, shareholders' rights and their exercise
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Cinkarna, metallurško-kemična industrija Celje, d. d., is organised as a joint-stock company with its registered office in Celje. The Company has a two-tier management system - with a Management Board and a Supervisory Board. The Company is managed by the Management Board for the benefit of the Company, independently and on its own responsibility. The Management Board represents and acts for the Company and is accountable to the General Meeting and the Supervisory Board.

The Management Board is the collective body of the Company. It is composed of a president and up to three members. One of the members of the Management Board is a Labour Director. Within the framework of the general rights and obligations which all members of the Company's Management Board have under the law and the Company's Articles of Association, the Labour Director represents the interests of the employees with regard to personnel and social matters. The conditions and procedure for the appointment and dismissal of the Labour Director and his/her powers are laid down in accordance with the Slovenian Act on Workers' Participation in Management (ZSDU).

The President of the Management Board has a deputy, who is one of the members of the Management Board, but is not the Labour Director. The President of the Management Board is appointed by the Supervisory Board. The members of the Management Board are appointed by the Supervisory Board on a proposal from the President of the Management Board, with the exception of the Labour Director, who is nominated by the Works Council. The term of office of the President and the members of the Management Board is up to five years, with the possibility of reappointment. The members of the Management Board take their decisions by resolutions adopted by a majority of the votes cast. In addition to the statutory conditions, the President or a member of the Management Board may be a person who fulfils two other conditions, namely that he or she has at least a university degree and at least five years' professional experience. The President of the Management Board is also a member of the Management Board and is the Chief Executive Officer. Conflicts of interest of the members of the Management Board are defined by sectoral legislation, according to which the members of the Management Board are obliged to disclose conflicts of interest upon taking office and thereafter whenever

er such circumstances potentially arise. The interrelationships, powers and responsibilities are set out in the Company's Articles of Association and the Rules of Procedure of the Management Board.

The Company's Management Board has the following responsibilities:

- prepares information on company matters, technical material and resolutions within the competence of the General Meeting,
- convenes the General Meeting,
- implements the resolutions adopted by the General Meeting.

The Management Board reports to the Supervisory Board on:

- the profitability of the Company,
- planned business policy and transactions that have a significant impact on the profitability or solvency of the Company, and other matters in accordance with the law and if so requested by the Supervisory Board.

Members of the Management Board of Cinkarna Celje d.d. as at 31 December 2023:

- **Aleš Skok**,
President of the Management Board,
- **Nikolaja Podgoršek Selič**,
Member of the Management Board – Technical Director,
- **Filip Koželnik**,
Member of the Management Board – Labour Director.

All board members are from Slovenia, the Technical Director and the Labour Director are from the local area where the company is headquartered, representing two thirds of the board.

The Supervisory Board is composed of six members. All members of the Supervisory Board have the same rights and responsibilities. Two members of the Supervisory Board are representatives of the Company's employees, elected by the Works Council and notified to the General Meeting of Shareholders. A member of the Supervisory Board cannot be a person who is a member of the Management Board, a member of the Supervisory Board of three other companies, a member of the Management Board of a subsidiary, a proxy or business agent of the Company, an employee of a competing company where there is a conflict of interests, or a member of the Management Board of another capital company on whose supervisory board a member of the Management Board of Cinkarna Celje d.d. is a member.

The Supervisory Board is appointed by the General Meeting of Shareholders by a simple majority of the votes cast by the shareholders present, except for two members appointed by the Works Council. The powers of the Supervisory Board are laid down by law. The detailed arrangements, modalities and conditions for the work of the Supervisory Board are governed by the Rules of Procedure of the Supervisory Board. The Management Board must obtain the Supervisory Board's approval for the establishment of business policy, the adoption of plans, the creation and co-creation of companies, the increase and transfer of the Company's founder's deposits in companies, the purchase and transfer of the Company's shares and interests in companies, the granting of a procuration, etc.

Meetings of the Supervisory Board are convened by the Chairman of the Supervisory Board on his/her own initiative or on the initiative of any member of the Supervisory Board or on the initiative of the Company's Management Board. The Supervisory Board takes decisions at its meetings. A quorum is present if at least half of the members are present at the meeting. The Supervisory Board meets, as a rule, five times a year.

Members of the Supervisory Board of Cinkarna Celje d.d. as at 31 December 2023:

- **Mario Gobbo**, Chairman,
appointed by the General Assembly,
- **Luka Gaberščik**,
appointed by the General Assembly,
- **David Kastelic**,
appointed by the General Assembly,
- **Mitja Svoljšak**,
appointed by the General Assembly,
- **Aleš Stevanovič**,
appointed by the Works Council,
- **Jože Koštomaj**,
appointed by the Works Council.

In 2023, the proportion of women on the Management Board was one-third. There were no women on the Supervisory Board. Both the composition of the Management Board and the composition of the Supervisory Board aim at heterogeneity in terms of professional profile, gender and age.

The Management Board appointed an Ethical Business Conduct Committee, composed of Filip Koželnik, Marko Cvetko and Gregor Gajšek. In 2023, the Committee did not meet due to the absence of reports or cases related to its work.

The Supervisory Board has an Audit Committee, composed of David Kastelic (Chairman), Jože Koštomaj and Gregor Korošec (external member), and a Human Resources Committee, composed of Mario Gobbo (Chairman), Aleš Stevanovič, Luka Gaberščik and Mitja Svoljšak.

The Audit Committee:

- Monitors the financial reporting process and makes recommendations and proposals to ensure its integrity;
- Monitors the effectiveness and efficiency of the Company's internal control, internal audit and risk management systems;
- Monitors the statutory audits of the annual accounts, in particular the performance of the statutory audit, taking into account any findings and conclusions of the competent authority;
- Reviews and monitors the independence of the auditor of the Company's annual report, in particular with regard to the provision of additional non-audit services;
- Is responsible for the auditor selection process and proposes to the Supervisory Board the appointment of a candidate as auditor of the Company's annual report;
- Monitors the integrity of the financial information provided by the Company;
- Assesses the drafting of the annual report, including the drafting of the proposal to the Supervisory Board;
- Is involved in the identification of major audit areas;
- Participates in the drafting of the contract between the auditor and the Company, subject to the prohibition of any contractual provision that restricts the choice of the auditor's appointment by the General Meeting. All such provisions are null and void;

- Reports to the Supervisory Board on the outcome of the statutory audit, including an explanation of how the statutory audit has contributed to the integrity of the financial reporting and what role the Audit Committee has played in this process;
- Performs any other tasks set out in the Statutes or by resolution of the Supervisory Board;
- Cooperates with the auditor in the audit of the Company's annual report, in particular by informing each other of the main matters relating to the audit;
- Cooperates with the internal auditor, in particular by informing each other of the main matters relating to the internal audit.

The Human Resources Committee prepares proposals for resolutions, positions and opinions within the competence of the Supervisory Board, in particular with regard to the preparation of proposals on criteria and candidates for membership of the Company's Management Board, membership of Supervisory Board committees and support for the establishment and implementation of the remuneration system for the Company's Management Board.

Key policies, standards and other corporate governance documents include:

- Code of Ethics for Procurement (2023)
- Code of Ethical Conduct and Practice (2015)
- Policy on the Prohibition and Prevention of All Forms of Workplace Violence, which replaced the Policy on the Prohibition of Sexual and Other Harassment and Workplace Bullying (2023)
- Information Security Policy of Cinkarna Celje (2021)
- Diversity Policy (in preparation, expected 2024)

Procedure for determining the remuneration of members of management and supervisory bodies

The remuneration of the members of management bodies is defined in individual employment contracts, which are drawn up taking into account the remuneration policy, legislative constraints, best practice guidelines and the definitions in the Articles of Association. The variable part of the remuneration of the members of the Management Board is determined in accordance with the rules adopted by the Supervisory Board of the Company. The final amount of the variable remuneration of the members of the Management Board is approved in accordance with the policy. The remuneration and allowances of the members of the Supervisory Board are determined by resolutions of the General Meeting of Shareholders.

Corporate Governance Code for Listed Companies

The Company applies the Corporate Governance Code for Listed Companies adopted by the Ljubljana Stock Exchange and the Slovenian Association of Supervisors in 2021. In accordance with the business decision of the Company's Management Board, the Company adopts the Code in the form set out in the notes. Due to the specificities of the governance of a particular company, the legal basis (ZGD-1, ZTFI-1, MAR, etc.) is strictly followed in areas deviating from the Code. Below we provide an overview and explanations of deviations from the individual provisions of the Code.

Point 4 – The Company does not have a specific Diversity Policy document. The Diversity Policy section outlines the framework guidelines.

Point 5.6 – The compliance of the components of the Governance Statement with the provisions of ZGD-1 was verified by the external auditor as part of the regular audit. No additional external compliance audit was carried out.

Point 6 – The Supervisory Board, in cooperation with the Management Board, developed the Remuneration Policy for Management and Supervisory Bodies in accordance with the relevant legislation and best practice recommendations in this area and submitted it to the General Meeting for approval. The document was not approved by the General Meeting. For more information, see Remuneration of members of the management and supervisory bodies.

Point 7 – The Company does not have a specific Sustainable Operations Policy document, as sustainable operations are disclosed in the context of the present report and the Quality Assurance, Environmental, Health and Safety Policy.

Point 10.1 – The Company has concentrated ownership, where the two largest shareholders hold more than 20% of the voting rights. The majority of shareholders are from Slovenia.

Point 16 – The evaluation of the work of the Supervisory Board is carried out by the members themselves, following the methodology and the Manual for the Evaluation of the Effectiveness of Supervisory Boards prepared by the Association of Supervisors of Slovenia. The evaluation process was carried out in a professional and objective manner and therefore there was no need for external expert support and no external audit of the Supervisory Board's work was carried out in cooperation with a specialised institution or other experts.

Point 20.5 – The function of Secretary of the Supervisory Board is performed by a person employed by the Company who receives no additional remuneration for performing this function.

Point 26 – The Company does not yet have pre-established procedures in relation to related party transactions to assess whether a transaction is one that will be entered into in the ordinary course of the Company's business and on arm's length terms. The Company did not record any related party transactions during the reporting period.

Point 30 – The Company does not have a defined corporate communication strategy as an integral part of the Corporate Governance Policy. The Company's communication or transparency is the responsibility of the Company's management and professional services. Public announcements (SEOnet and the Company's websites) comply with legal requirements and contain information that enables an investor in securities to assess the situation and to evaluate the impact of a business event on the price of securities.

Code of Ethical Conduct and Practice

The fundamental principles and rules of conduct and behaviour of the management and all employees of the Company are set out in the Code of Ethical Conduct and Practice. It includes a standard of performance, management and leadership that contributes to the creation of a corporate culture and excellence. The Code commits the Company to the highest standards of business and ethical conduct and to the development of a culture of ethical behaviour based on ethical criteria that are binding for members of the Management Board and senior executives as well as for all other employees. Any breach of the ethical criteria is sanctioned accordingly. In case of ambiguity about the Code, doubts regarding proper conduct, open questions and possible borderline cases, employees may seek clarification of the Code from the management or from a person authorised by the management.

The Company is committed to ethical conduct in all aspects of its business. Employees are required to conduct their work in an ethical and professional manner, in accordance with the Code and the Company's values, and in compliance with applicable laws, rules, regulations and the Company's internal documents. Employees are obliged to refrain from any conduct that materially or morally damages the business interests and reputation of the Company.

If employees know of or receive information about violations or actions that could lead to violations of the Code of Ethical Conduct and Practice, they must report them to their superior or report them anonymously by providing the information:

- to razkritja@cinkarna.si,
- in writing to the address of the Management Board, or
- in the mailboxes provided for this purpose.

The Management Board immediately forwards the information received on misconduct to a standing group of at least three members, i.e. the Ethical Conduct Committee, for review and appropriate consideration.

Diversity policy

The sum total of the individual differences, life experiences, knowledge, ingenuity, innovation, self-expression, unique skills and talents that our employees bring to their work is an important part not only of our culture, but also of our corporate reputation and achievements. We accept and encourage differences among our em-

ployees based on age, colour, disability, ethnicity, marital or family status, gender identity or expression, language, national origin, physical or mental ability, political affiliation, race, religion, sexual orientation, socio-economic status and other characteristics that make our employees unique. All employees have a duty to treat others with dignity and respect at all times.

A Policy on Diversity of Management and Supervisory Bodies has been developed but not yet adopted. The aim is to optimise the performance of these bodies in order to enhance the development, competitive advantages and corporate reputation of the Company.

The diversity policy in the management and supervisory bodies is implemented through an appropriate recruitment and selection process, with the involvement of the Human Resources or Nomination Committee. The Company's bodies comply with and implement it in accordance with the applicable legislation under the Labour Relations Act (ZDR-1) and with the principles and provisions of the codes which specify the content and make recommendations in this area.

Any individual who expresses an interest and meets the criteria laid down by law, the Company's Articles of Association and the Corporate Governance Code is eligible to apply for membership. The following aspects of the diversity policy are taken into account in the composition of the Supervisory Board and the Management Board: gender, age, education and professional experience.

Once adopted, expected in April 2024, the policy will be published on the Company's website and on the SEOnet portal.



● *The Legal Department at Cinkarna Celje is not just a department providing support in legal matters, but an active partner in all business segments, which ensures that our operations not only meet existing legal requirements, but also anticipate future trends and regulations. Our work is aimed at supporting the company's strategic goals, which include expanding into new markets, developing sustainability goals, and strengthening our role in the field of chemistry in Europe and beyond. In this context, we actively participate in negotiations, contract structuring, intellectual property management and the assurance of compliance in our operations. We also play a key role in the design and implementation of corporate responsibility and sustainability policies. Our work requires constant learning, proactivity and innovation.*

Gregor Gajšek, LLB, Head of the Legal Department

Respect for human rights

We respect human rights as set out in internationally recognised principles and guidelines. We are committed to tolerance, mutual respect and basic human rights. We reject any form of ill-treatment, harassment or discrimination. We act ethically and professionally and in accordance with the values of the Company. We expect this commitment from our management, employees and business partners. The Company did not experience any cases of human rights violations, nor did we record any cases of discrimination in 2023.

Policy on prohibition of sexual and other harassment and ill-treatment in the workplace

The Company's Management Board has adopted Rules on the Prohibition of Sexual and Other Harassment and Ill-Treatment in the Workplace. Accordingly, an Internal Representative is designated to receive reports, provide assistance and give information. The Representative is a trusted person to whom a person/victim who has suffered sexual or other harassment and ill-treatment in the workplace may turn for advice, support and information on measures to protect against sexual and other harassment and ill-treatment.

Combating corruption and bribery

In performing their duties, exercising their rights and obligations and taking business decisions and actions on behalf of Cinkarna Celje d.d., employees are obliged to consider the best interests of the Company before their own interests or the interests of third parties. Donations and sponsorships are made in accordance with the Company's mission, vision and values, mainly in the field of sports.

We seek and develop competitive advantages by increasing our own productivity and efficiency, never through unethical or illegal activities. We compete in the marketplace in a fair and honest way. Appropriate and expected conduct is further defined in the Code of Ethics and Conduct. A mechanism is in place to disclose or report possible improper practices and cases of corruption, which have not been identified to date.



● The operation of the company is aimed at complying with legal provisions and financial reporting standards. Constant amendments to the legislation are continuously incorporated by the company in its operations. Every accountant must strive to continuously keep in step with the professional achievements in the field of accounting and advance their professional knowledge as they must maintain high standards of professional competence, morality and dignity.

Karmen Fujs, M.Sc., Head of the Accounting Department

Internal control and risk management system in relation to the financial reporting process

We have a system of operational and supervisory internal controls in place at all levels and in all areas of our business to manage the risks affecting our ability to achieve our objectives. These are targets for:

- efficiency and business performance,
- reliability of financial reporting,
- compliance with legal and internal regulations.

The control activities and the persons responsible are set out in internal documents (job descriptions, authorisations, organisational regulations, internal rules, rules of procedure).

At the Company, we ensure the following:

- Accounting control of data, which involves assessing the accuracy of accounting data and correcting any irregularities identified. Implementation is the responsibility of the Accounting Department and the Finance Department;
- Verification of the reliability of accounting data, carried out by means of an inventory of assets and debts. The inventory is carried out by a permanent inventory commission in accordance with the annual inventory schedule. The head of the inventory and the members of the inventory commission are organised in the Accounting Department. Special inventory committees may also be appointed by

the Company's Management Board for specific types of inventories or extraordinary inventories;

- Assessing deviations between the magnitude of what has been achieved and what was planned, which can show shortcomings in implementation, as well as in the planning of objectives. These activities are carried out within the Accounting Department;
- Internal control over the implementation of the prescribed procedures in the areas of procurement, storage and consumption of materials and production, storage and sale of products (control of the use and approval of the prescribed documentation, analysis of any discrepancies and proposal of measures). These activities are carried out within the Accounting Department and the management of the Company;
- Internal controls in the computerised information system relating to the management, infrastructure, security, procurement, development and maintenance of software support are provided by the IT Department. The completeness and accuracy of data capture and processing is ensured by application-specific controls or by controls at the users of the software solutions;
- The system of internal controls is complemented by a system for carrying out assessments based on:
 - ISO 9001 – Quality Management Systems,
 - ISO 14001 – Environmental Management Systems and the EMAS regulation for BU Kemija Mozirje,
 - ISO 45001 – Occupational Health and Safety Systems;
- Internal audits of processes, carried out by qualified internal auditors, in order to verify that activities are performed in accordance with the requirements of the management system and that

the management system in place is adequate and effective to achieve the objectives set. External audits are carried out by a selected certification company;

- Audit of the annual accounts by an external audit firm;
- Once a year, based on a decision of the Management Board, a review of the functioning of the operational and supervisory internal controls. The Management Board determines by resolution the responsible party, the areas of control and the timetable for the control.

The Internal Audit Department was set up in 2016. Based on the adopted core charter, rules of procedure and plan, it has been fully operational since 2017. Its purpose is to review and assess the adequacy and effectiveness of the system of internal controls in achieving the Company's significant objectives by performing internal audit engagements.

Deviations identified in each form of internal control are analysed by the persons responsible and the management of the Company and, on that basis, action is taken to eliminate or prevent the causes of risks that have caused or could cause deviations from the rules and objectives set by the Company.

Information on the functioning of the Company's General Meeting, including its powers, shareholders' rights and their exercise

The General Meeting is convened by the Management Board of the Company on its own initiative, at the request of the Supervisory Board or of the shareholders of the Company representing one twentieth of the share capital. The General Meeting takes note of the annual report and validly decides at the meeting by a majority of the votes cast, in particular on the following:

- use of balance sheet profits,
- appointment of the members of the Supervisory Board,
- discharge of the members of the Company's Management Board and Supervisory Board,
- appointment of the auditor, etc.

It decides, in particular, by a three-quarters majority on the following matters:

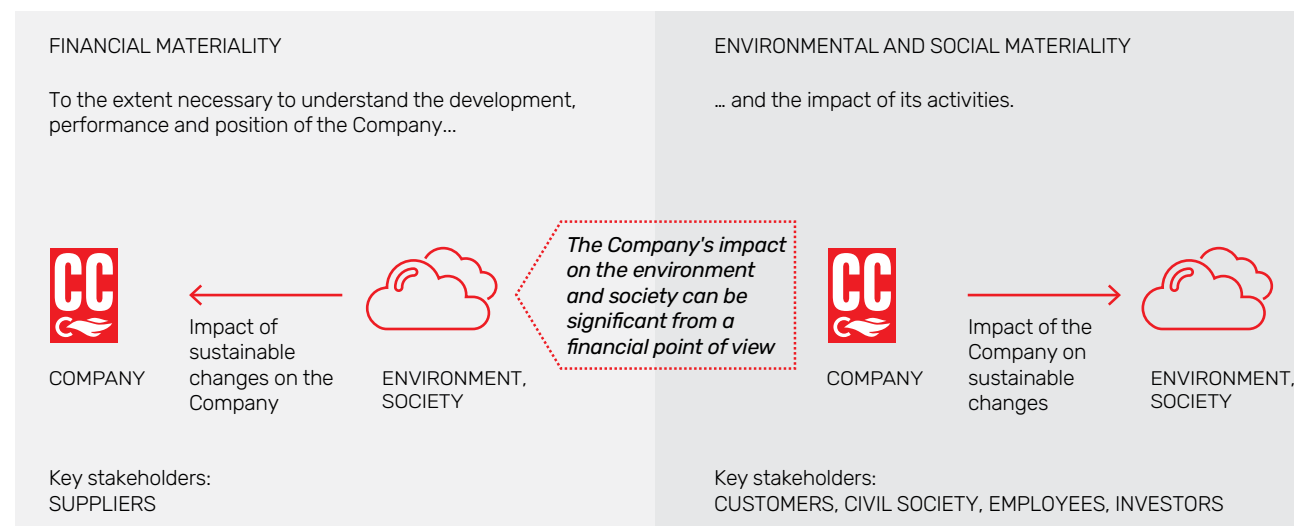
- amendments to the Articles of Association,
- measures to increase or reduce share capital,
- changes in the Company's status and dissolution, and in any other case provided for by law or by the Articles of Association.

Shareholders may attend the General Meeting and exercise their voting rights only if they have notified the Company's Management Board in writing of their attendance at the General Meeting not later than the end of the fourth day before the General Meeting. At the General Meeting, the number of votes of each shareholder is determined by the votes of the shares which, according to the share register, are held by that shareholder as at the end of the seventh day preceding the date of the General Meeting. Shareholders may exercise the rights attached to their shares directly at the General Meeting or by proxy. The proxy must be given in writing and lodged with the Company. As a general rule, one General Meeting is held per year.

Identification and management of impacts

The mission and vision of Cinkarna Celje d.d. is based on sustainable development, which means that we strategically identify and manage all significant impacts on the environment, society and the economy, while at the same time identifying and managing all significant impacts that the wider society has on the Company (environmental-climate, social and economic-political aspects). Due to the complexity of the impacts, which are dynamically changing, we have identified the key material impacts according to the three pillars of Environment, Society and Governance (ESG), and ranked them

Figure: Interdependence of impacts between Cinkarna Celje d.d. and key stakeholders that can contribute to sustainability



in order of importance in an inter-stakeholder dialogue with representatives of the stakeholder groups. More on this is revealed in the Materiality matrix section.

The commitment to sustainability is set out in the Policy on Quality Assurance, Environmental, Health and Safety Management and Sustainable Development, the Code of Ethical Conduct and Practice and the Integrated Management System Rules of Procedure, which are drawn up by the responsible departments and approved by the Company's Management Board. The Management Board appointed a Sustainable Development Team to assess impacts, prepare the basis for the strategy and for reporting.

The Management Board and the Supervisory Board are involved in compliance monitoring and processes to identify and manage the environmental, social and governance impacts of Cinkarna Celje in the context of

risk management systems, framework and performance targets, and to communicate the results of audits, inspections and assessments.

Top management delegates responsibility for managing impacts to the responsible persons of each organisational unit within the company, either by means of a job description or by delegation. Non-conformities identified in audits, inspections and assessments are addressed in the relevant organisational units or processes. The implementation of the correction is monitored by the Management Board and the Supervisory Board through the reporting system. The Management Board and the Supervisory Board communicate directly with stakeholders or authorise the responsible departments to do so.

The effectiveness of the organisation's processes is reported to the Management Board and the Supervisory Board:

- once a year at the annual management review,
- three times a year at the wider Expert Panel of the Management Board,
- once a year at the meeting of internal auditors of integrated management systems,
- once a year at a meeting with external auditors of integrated management systems,
- at project management team meetings,
- through internal audit reports,
- through business unit and department minutes.

At Cinkarna Celje d.d., we follow and comply with all legal obligations under national and European regulations. During the reporting period, there were no cases of fines or other sanctions for non-compliance with legal obligations. As a rule, cases of non-compliance are detected by chance discoveries and audits by the Internal Audit Department. Appropriate action is taken in response to the findings.

Management Board

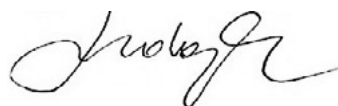
President of the Management Board

Aleš Skok, univ. dipl. in Chemical Engineering Technology, MBA – USA



Member of the Management Board – Deputy Chairman of the Management Board – Technical Director

Nikolaja Podgoršek Selič, univ. dipl. in Chemical Engineering, Spec.



Member of the Management Board – Labour Director

Filip Koželnik, M.Sc. in Accounting and Auditing



I search for solutions in the field of digitisation of maintenance to optimise work processes. My main duties include connecting and automating data systems and providing innovative solutions for better and simpler management of maintenance services.

Matic Hribnik,
M.Sc. (Mech. Eng.),
independent
technologist,
Maintenance and Energy
BU, Technological
Preparation of
Maintenance



Statement of non-financial performance

Content

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Responsible management that respects and pursues the sustainable development objectives applies to the entire Company's business and is reflected in the way it relates to the social and natural environment. In 2023, we embarked on a more comprehensive journey to align our business with sustainable development considerations and have taken into account the Environment, Society and Governance (ESG) areas in our Business Strategy for the next five-year period 2024-2028. We recognise that identifying and effectively managing the risks associated with climate change is a key aspect of our short- and long-term performance and an important consideration in our relationship with our stakeholders. We are therefore progressively integrating sustainability considerations more comprehensively into our strategy and all our processes, depending on their importance. We are preparing to report in line with the European Sustainability Reporting Standards (ESRS) and are working on a sustainability strategy, where we will also address our climate change adaptation and mitigation objectives.

Governance bodies are actively involved in setting and implementing policies and are responsible for ensuring that sustainability is a driver of development and part of the Company's vision and mission. The responsibilities of the highest governance body are set out in the Corporate Governance Statement. Governance is based on an ethical approach towards employees, external stakeholders and competitors, and recognising the impact on the social and natural environment.

At Cinkarna Celje, the Sustainability Review is an integral part of the integrated management system review, which identifies, prevents, mitigates and addresses actual and potential negative impacts on the environment and people (including human rights) associated with our operations. These include both negative impacts directly related to our own activities and (potentially) negative impacts of our products or services through business relationships.

The Sustainability Review responds to changes in the Company's activities, business relationships, operations, procurement and sales approach.

In the company-wide report, we disclose the following aspects of the Sustainability Review:

Our own expectations and those of external stakeholders were tested in 2022 using a materiality matrix. In 2023, an assessment was made of possible changes in circumstances, which did not affect the matrix. We prioritised 12 environmental indicators and 18 corporate and governance indicators. In this way, we identified which areas are most important to us and our stakeholders. The stakeholders and the materiality matrix are presented in more detail in the section "Approach to stakeholder involvement". However, we are still working on identifying all the important indicators.

Our employees are also important stakeholders, and we are committed to providing the right conditions for their personal and professional development, health, safety and well-being at work. Recruitment and staffing is based on the principle of non-discrimination and equal opportunities. We ensure regular professional development and encourage innovation among our employees. We are aware of the high age structure of our employees and we strive to attract new young and technically qualified staff, including through a mentoring system and the awarding of staff scholarships. We respect the right of employees to freedom of association within the Company's representative trade unions. We report on our relations with our employees in the section "Own workforce".



● *We are facing challenges that require constant adaptation and innovation in areas such as ensuring a high level of health and safety at work, care for the environment and sustainable development, training and motivating the staff, optimising production processes and increasing competitiveness on the global market. Our mission is to provide high-quality and innovative solutions for customers in order to meet their needs and expectations. The goals are to increase production, sales and profits, reduce costs and emissions, improve product quality and employee satisfaction, strengthen relationships with our stakeholders and contribute to social and economic development. In our aspirations of fulfilling our mission and achieving our goals, we rely on our greatest asset – our people. Employees are a great competitive advantage as they have extensive experience, knowledge and skills.*

Tomi Gominšek, M.Sc., Director of the Titanium Dioxide BU

We operate in the chemical industry, which is subject to certain occupational health and safety risks, so we regularly invest in safety equipment, improve technological processes and update technologies, educate our employees and introduce activities to prevent workplace accidents. We are ISO 45001 - Occupational Health and Safety certified and have a system in place to assess workplace risks according to their incidence and intensity. Our overarching goal is zero injuries at work. We encourage our employees to lead a healthy lifestyle. As part of our health promotion programme, we offer them various activations such as various sports activities, preventive health check-ups, training, etc. More on our approach in this area is defined in the section "Occupational health and safety".

We operate in a global market and are part of global supply chains. We evaluate our key suppliers annually. The assessment includes checking whether the supplier is certified to ISO 14001 - Environmental Management Systems, or whether and how it manages emissions to air and water, raw material and energy efficiency, packaging waste management and excessive noise. We also included other sustainability indicators in the assessment, which take into account the areas of environment, society and governance (ESG) and are laid down in the Code of Sustainable Business for Business Partners. Our key supplier groups and how we assess our supply chain are set out in the section "Value chain and value chain workers".

Our business is mainly focused on the European market, where we have identified an opportunity to develop high-quality products with higher added value. We are aware that market demands are increasing and require greater flexibility, so we are developing new solutions on our core product, titanium dioxide pigment, and other ancillary programmes such as copper fungicides and polymers. Our customer relations, new product development and complaints handling are described in the section "Customers".

We recognise the importance of developing the local environment in which we operate, which is why we invest in sport and culture and provide practical training for young people. We take part in socially responsible activities in the local environment and support the most vulnerable groups. We regularly communicate with external professionals and the general public and build good neighbourly relations, including through participation in various events, open doors days, press conferences and other socially responsible actions. We regularly work with schools to raise awareness among young people about the role of the chemical industry in tackling climate change and the low carbon transition. We explain how we work with the local community in the section "Local and other communities".

We strive to reduce our negative impacts and increase our contribution to society and the natural environment, which is why we invest in the best available technologies, renewable energy, efficient energy management, responsible waste management and innovative solutions for the re-use of waste materials, as described in the section "Environmental management".

We support and carry out research to protect water resources, soils and natural habitats, and to conserve and restore biodiversity. We regularly monitor emissions to the air and control emissions below the permitted limit. We also demonstrate our responsible attitude towards the environment by participating in the Responsible Care Programme for the Chemical Industry, which is a voluntary commitment to ensure continuous improvements in environmental protection, health and safety at work, often going beyond what is required by law. Environmental and other risks are managed through an established ISO 9001 quality system, ISO 14001 environmental management system and ISO 45001 occupational health and safety system, and we are registered in the EMAS environmental management and audit scheme at the Kemija Mozirje site. We also regularly comply with legislative requirements in the environmental field.

Report on environmentally sustainable economic activities and investments of Cinkarna Celje d.d. for 2023

Cinkarna Celje d.d. discloses information on how and to what extent its activities are related to economic activities that are considered environmentally sustainable in accordance with Articles 3 and 9 of the Taxonomy Regulation (Regulation (EU) 2020-852 of the European Parliament and of the Council of 18 June 2020 establishing a framework for the promotion of sustainable investments, Commission Delegated Regulation (EU) 2021/2139 of 4 June 2021, and amending Regulation (EU) 2019/2088). The disclosure of information relates to Commission Delegated Regulation (EU) 2023/2486 of 27 June 2023 supplementing Regulation (EU) 2020/852 of the European Parliament and of the Council by laying down technical screening criteria for determining the conditions under which an economic activity is considered to contribute significantly to the sustainable use and protection of aquatic and marine resources, the transition to a circular economy, the prevention and control of pollution or the protection and restoration of biodiversity and ecosystems, and for determining whether that economic activity does not significantly harm any of the other environmental objectives, and amending

Commission Delegated Regulation (EU) 2021/2178 as regards specific public disclosures for those economic activities.

Proportion of revenue from products or services related to economic activities aligned with the taxonomy

Cinkarna Celje d.d. specialises in the production and marketing of titanium dioxide, an activity that has not yet been assessed for suitability or compliance with the taxonomy, i.e. it is not listed among the taxonomically acceptable activities in terms of meeting the climate objectives. This does not in any way imply that the activity is not carried out with a high degree of environmental responsibility and a commitment to decarbonisation. Nor does it mean that it does not have actual or potential significant impacts on the decarbonisation of the economy (in particular as an enabling activity for the construction industry). The activities of Cinkarna Celje d.d. are complemented by a wide range of other products such as: powder varnishes, masterbatches, zinc

wires and alloys, agricultural products, manufacture of chemical process equipment, sulphuric acid, with which the Company also seeks its opportunities for taxonomically aligned revenues in terms of so-called enabling activities. For the disclosures and the presentation of the indicators, we used the formats set out in EU Regulation 2023/2486.

In calculating the indicators shown in the tables, care was taken to ensure that there was no duplication in economic activities that make a significant contribution to multiple environmental objectives.

The taxonomically aligned activities shown in the first table are:

- Collection and transport of non-hazardous waste 5.5
- Material recovery of non-hazardous waste 5.9
- Manufacture of equipment for the production and use of hydrogen 3.2
- Photovoltaic power generation 4.1

The largest share of taxonomically aligned activities as a proportion of revenue is generated by the material recovery of non-hazardous waste, which is down by just over 4% compared to the 2022 benchmark year. This is clearly due to reduced volume production, which is also evident from the Kemija Celje performance statement. The problems with the distribution of our products are largely due to unforeseen adverse weather phenomena (droughts, floods, storms, etc.), the general economic and political climate in the country and beyond, as well as a partial loss of market. The collection and transport of non-hazardous waste showed a positive trend, with an increase of 1.22 percentage points. Progress was recorded in the production of equipment for the production and use of hydrogen.

Table: Share of revenues from products or services related to economic activities aligned with the taxonomy – 2023 disclosure

Financial year	2023			Criteria for material contribution						Criteria for non-material contribution ^(h)						Minimum pro-tection measures ⁽¹⁷⁾	Share of revenues aligned with the taxonomy (A.1) or acceptable for the taxonomy 2023	Share of revenues aligned with the taxonomy (A.1) or acceptable for the taxonomy 2022	Enabling activity category ⁽¹⁹⁾	Transi-tional activity category ⁽²⁰⁾		
Economic activities ⁽¹⁾	Code ^(e) (2)	Revenue ⁽³⁾	Revenue share, 2023	Mitigating climate change ⁽⁵⁾	Adapting to climate change ⁽⁶⁾	Water ⁽⁷⁾	Pollution ⁽⁸⁾	Circular economy ⁽⁹⁾	Biodiversity ⁽¹⁰⁾	Mitigating climate change ⁽¹¹⁾	Adapting to climate change ⁽¹²⁾	Water ⁽¹³⁾	Pollution ⁽¹⁴⁾	Circular economy ⁽¹⁵⁾	Biodiversity ⁽¹⁶⁾							
Text	NACE	EUR	%	YES; NO; N/A ^(e) ^(f)	YES; NO; N/A ^(e) ^(f)	YES; NO; N/A ^(e) ^(f)	YES; NO; N/A ^(e) ^(f)	YES; NO; N/A ^(e) ^(f)	YES; NO; N/A ^(e) ^(f)	YES/- NO	YES/- NO	YES/- NO	YES/- NO	YES/- NO	YES/- NO	YES/- NO	%	%	E	T		
A. ACTIVITIES ACCEPTABLE FOR THE TAXONOMY																						
A.1 Environmentally sustainable activities (aligned with the taxonomy)																						
Collection and transport of non-hazardous waste	E38.11	89,948	0.05	NO	YES	N/A	N/A	YES	N/A	/	/	NO	YES	NO	NO	YES	2.87	1.65	/	/		
Material recovery of non-hazardous waste	E38.11F42.99	2,889,260	1.64	NO	YES	N/A	N/A	NO	NO	/	/	NO	NO	NO	NO	YES	92.13	96.30	/	/		
Manufacture of equipment for the production and use of hydrogen	C28.14	63,098	0.04	NO	YES	N/A	N/A	N/A	NO	/	/	/	/	NO	NO	YES	2.01	1.14	E	/		
Production of energy using hotovoltaic technology	D35.11 F42.22	93,628	0.05	NO	YES	N/A	N/A	NO	N/A	/	YES	NO	/	NO	/	YES	2.98	0.90	/	/		
Revenue from environmentally sustainable activities (aligned with the taxonomy) (A.1)		3,135,934	1.78	100	0%	0%	0%	0%	0%	YES	YES	YES	YES	YES	YES	YES	100	100				
Of which enabling		63,096	0.04	NO	0%	0%	0%	0%	0%	/	/	/	/	NO	NO	YES	2.01	1.14	E			
Of which transitional		0	0	NO	0%	0%	0%	0%	0%	/	/	NO	/	/	NO	YES	0.00	0.00		T		
A.2 Activities that are acceptable for the taxonomy but are not environmentally sustainable (activities not aligned with the taxonomy) ^(e)																						
				SP; N/A ^(f)	SP; N/A ^(f)	SP; N/A ^(f)	SP; N/A ^(f)	SP; N/A ^(f)	SP; N/A ^(f)													
/	/	0	0.00	/	/	/	/	/	/								0					
Revenue from activities that are acceptable for the taxonomy but are not environmentally sustainable (activities not aligned with the taxonomy) (A.2)		0	0.00	0%	0%	0%	0%	0%	0%								0					
A. Revenue from activities acceptable for the taxonomy (A.1 + A.2)		3,135,934	1.78	0%	0%	0%	0%	0%	0%								1.78					
B. ACTIVITIES UNACCEPTABLE FOR THE TAXONOMY																						
Revenue from activities unacceptable for the taxonomy		173,268,778	98.22																			
TOTAL		176,404,712	100																			

We have been present in this field for a shorter period, but comparative indicators show a growing demand and an increasing market share. Significant growth is reflected in the production of energy using photovoltaic technology. The fact that we are investing relatively large amounts of money in the construction of solar power plants and will continue to do so in the future has a significant impact on the calculation of the percentage as a share of total revenue. This indicator is 2.08% higher than in the previous period. All figures are also presented in more detail in the financial disclosures and the targets for future periods in the business section of this report.

Share of investments in fixed capital in products or services related to economic activities aligned with the taxonomy

The taxonomically aligned activities for investments in fixed assets are as follows:

- Energy production through photovoltaic technology 4.1
- Installation, maintenance and repair of energy efficient equipment 7.3
- Data processing and data hosting 8.1

The increase in the percentage of investments in fixed assets of the taxonomically aligned activities is in the case of investments in the construction of solar power plants, which represents an increase of 17.64% and accounts for 93.28% of total investments. In energy-intensive economic activities, the supply of green energy is not only important in terms of reducing energy costs, but also in terms of reducing the carbon footprint, energy consumption is also important in terms of reducing energy costs. Green energy consumption aims to adapt production processes so that the largest electricity consumers are switched on at the times of the day when the most energy is available and at the lowest cost. This adaptation requires a great deal of organisational know-how, adapting to market conditions, customer preferences and purchasing channels. A negative trend is seen in the installation, maintenance and repair of energy efficient equipment such as energy efficient drive motors and frequency controllers. This share is down by 57%. This is due to the gradual replacement of a large number of drive installations, which can be carried out at the time of breakdowns and planned overhauls. The share of investments is also lower than in the comparable period for investments in data processing and data hosting, where there were no planned purchases or other investments in the year under review.

Share of investments in fixed assets in products or services related to economic activities aligned with the taxonomy

The table on investments in working capital shows that the trend for the activity Non-hazardous waste recovery (5.9), which is aligned with the taxonomy, is negative compared to the previous reporting year. Similarly to the share in revenue, this is due to a decrease in volume production and thus lower consumption of basic raw materials and processing materials. Despite the difficult economic situation, we are planning a significant increase in both volume production and planned sales, which will undoubtedly have a positive impact on the calculations of investment ratios in the coming reporting year.

Table: Share of fixed asset investment in products or services related to economic activities aligned with the taxonomy – 2023 disclosure

Financial year	2023			Criteria for material contribution						Criteria for non-material contribution ^(*)								Minimum protection measures ⁽¹⁷⁾	Share of investment in fixed assets aligned with the taxonomy (A.1) or acceptable for the taxonomy (A.2), 2023	Share of investment in fixed assets aligned with the taxonomy (A.1) or acceptable for the taxonomy (A.2), 2022	Enabling activity category ⁽¹⁹⁾	Transitional activity category ⁽²⁰⁾
Economic activities (1)	Code ^(*) (2)	Investments in fixed assets ⁽³⁾	Share of investments in fixed assets ⁽⁴⁾	Mitigating climate change ⁽⁵⁾	Adapting to climate change ⁽⁶⁾	Water ⁽⁷⁾	Pollution ⁽⁸⁾	Circular economy ⁽⁹⁾	Biodiversity ⁽¹⁰⁾	Mitigating climate change ⁽¹¹⁾	Adapting to climate change ⁽¹²⁾	Water ⁽¹³⁾	Pollution ⁽¹⁴⁾	Circular economy ⁽¹⁵⁾	Biodiversity ⁽¹⁶⁾							
Text	NACE	EUR	%	YES; NO; N/A ^(*) ^(*)	YES; NO; N/A ^(*) ^(*)	YES; NO; N/A ^(*) ^(*)	YES; NO; N/A ^(*) ^(*)	YES; NO; N/A ^(*) ^(*)	YES; NO; N/A ^(*) ^(*)	YES/- NO	YES/- NO	YES/- NO	YES/- NO	YES/- NO	YES/- NO	YES/- NO	%	%	E	T		
A. ACTIVITIES ACCEPTABLE FOR THE TAXONOMY																						
A.1 Environmentally sustainable activities (aligned with the taxonomy)																						
Energy production using photovoltaic technology	D35.11 F42.22	3,181,959	16.05	NO	YES	N/A	N/A	NO	N/A	/	YES	NO	/	NO	/	YES	93.28	75.98	/	/		
Installation, maintenance and repair of energy efficient equipment	C33.20	92,346	0.47	NO	YES	N/A	N/A	NO	NO	NO	YES	NO	NO	NO	NO	YES	2.71	4.73	E			
Data processing and data hosting	J62.03 J63.11	136,823	0.69	NO	YES	N/A	N/A	N/A	N/A	NO	YES	NO	/	NO	/	YES	4.01	19.29	E			
Investments in fixed assets in environmentally sustainable activities (aligned with the taxonomy) (A.1)		3,411,128	17.21	%	%	%	%	%	%	0	0	0	0	0	0	0	100	100				
Of which enabling		229,169	1.16	%	%	%	%	%	%	0	0	0	0	0	0	0	6.72	24.02	E			
Of which transitional		0	0	%						0	0	0	0	0	0	0	0.00	0.00		T		
A.2 Activities that are acceptable for the taxonomy but are not environmentally sustainable (activities not aligned with the taxonomy) ^(*)																						
Investments in fixed assets in activities that are acceptable for the taxonomy but are not environmentally sustainable (activities not aligned with the taxonomy) (A.2)		0	0	0%	0%	0%	0%	0%	0%								0					
A. Investments in fixed assets in activities acceptable for the taxonomy (A.1+ A.2)		3,411,128	17.21	0%	0.00%	0%	0%	0%	0%								17.21					
B. ACTIVITIES UNACCEPTABLE FOR THE TAXONOMY																						
Investments in fixed assets in activities not acceptable for the taxonomy		16,414,176	82.79																			
TOTAL		19,825,304	100																			

Table: Share of working capital investment in products or services related to economic activities aligned with the taxonomy – 2023 disclosure

Financial year	2023			Criteria for material contribution						Criteria for non-material contribution (*)											
Economic activities (1)	Code ^(*) (2)	Investments in working capital (3)	Share of invest- ments in working capital (4)	Mitigating climate change (5)	Adapting to climate change (6)	Water (7)	Pollution (8)	Circular economy (9)	Biodiversity (10)	Mitigating climate change (11)	Adapting to climate change (12)	Water (13)	Pollution (14)	Circular economy (15)	Biodiversity (16)	Minimum pro- tection meas- ures (17)	Share of investment in working cap- ital aligned with taxon- omy (A.1) or acceptable for taxonomy (A.2), 2023	Share of investment in working cap- ital aligned with taxon- omy (A.1) or acceptable for taxonomy (A.2), 2022	Enabling activity category (19)	Transi- tional activity category (20)	
Text	NACE	EUR	%	YES; NO; N/A (*) (*)	YES; NO; N/A (*) (*)	YES; NO; N/A (*) (*)	YES; NO; N/A (*) (*)	YES; NO; N/A (*) (*)	YES; NO; N/A (*) (*)	YES/- NO	YES/- NO	YES/- NO	YES/- NO	YES/- NO	YES/- NO	YES/- NO	%	%	E	T	
A. ACTIVITIES ACCEPTABLE FOR THE TAXONOMY																					
A.1 Environmentally sustainable activities (aligned with the taxonomy)																					
Material recovery of non-hazardous waste	E38,11 F42,99	1,975,589	1.16	NO	YES	N/A	N/A	NO	NO	/	/	NO	NO	NO	NO	YES	1.16	1.89	/	/	
Investment in working capital in environmentally sus- tainable activities (aligned with the taxonomy) (A.1)		1,975,589	1.16	%	%	%	%	%	%	0	0	0	0	0	0	0	100	100			
Of which enabling		1,975,589	1.16	%	%	%	%	%	%	0	0	0	0	0	0	0	0		E		
Of which transitional		0	0.00	%						0	0	0	0	0	0	0	0			T	
A.2 Activities that are acceptable for the taxonomy but are not environmentally sustainable (activities not aligned with the taxonomy) (*)																					
				SP; N/A (*)	SP; N/A (*)	SP; N/A (*)	SP; N/A (*)	SP; N/A (*)	SP; N/A (*)												
/	/	0	0	/	/	/	/	/	/												
Investment in working capital in activities that are acceptable for the taxonomy but are not environ- mentally sustainable (activities not aligned with the taxonomy) (A.2)		0	0	0%	%	%	%	%	%								0				
A. Investments in working capital in activities acceptable for the taxonomy (A.1+ A.2)		1,975,589	1.16	0%	1.16%	%	%	%	%								1.16				
B. ACTIVITIES UNACCEPTABLE FOR THE TAXONOMY																					
Investments in working capital in activities not acceptable for the taxonomy		167,691,448	98.84																		
TOTAL		169,667,037	100																		

Management Board

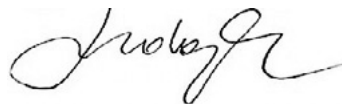
President of the Management Board

Aleš Skok, univ. dipl. in Chemical Engineering Technology, MBA – USA



Member of the Management Board – Deputy Chairman of the Management Board – Technical Director

Nikolaja Podgoršek Selič, univ. dipl. in Chemical Engineering, Spec.



Member of the Management Board – Labour Director

Filip Koželnik, M.Sc., Accounting and Auditing



As an independent technologist at the laboratory level, I optimise the sand grinding process with the goal of even more successful control of grinding processes in production. I am also involved in the management of H₂S emissions and the development of effective methods for their removal.

Petra Jagodič,

M.Sc. (Chem. Eng.),
independent
technologist,
Titanium Dioxide BU,
Product Development
and Technical
Customer Support



Strategic orientations

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The Strategic Business Plan lays the foundations for the Company's activities in the period from 2024 to 2028. By setting new strategic objectives and defining new strategies to achieve them, we are building on the achievements made by the Company in the past period. The Strategy sets out the paths and ways to give the Company new business momentum for the period ahead.

The Company will:

- Meet customers' needs comprehensively through the services provided by its business;
- Build partnerships with suppliers and customers;
- Continuously create value for its stakeholders;
- Maintain and develop a supportive environment for its employees; provide training and development for its staff; and progressively improve its age structure by recruiting young, professionally qualified staff;
- Create a partnership with the social environment, which is the basis for the long-term development of both the Company and the social community as a whole;
- Strive for sustainability in its activities.

The strategic objectives are:

- Maintain its position as a reliable supplier in the field of titanium dioxide pigment sales;
- Remain a dynamic, flexible and customer-oriented company;
- Ensure comprehensive customer service;
- Introduce modern technologies for efficient energy use and environmentally sound production;
- Pursue operational excellence, quality, and customer and employee satisfaction.

The Company's strategy will continue to be focused on ensuring the highest possible levels of volume production and sales and on exploiting the potential of the most profitable pigment markets. The future development of the Company is based on the following four pillars:

- energy transformation,
- digitisation,
- sustainable development,
- increasing capacities.

Sales will continue to be oriented mainly towards European markets. The Company's presence in existing markets will be strengthened in the key strategic business area of titanium dioxide, as well as in ancillary areas and in the programmes of Kemija Mozirje (Masterbatches, Powder Varnishes), Kemija Celje (Agro programme combining Humovit and copper fungicides) and Polimeri.

In the future, the Company will continue to strive to work closely with its employees, business partners and the local community to continue the success of its business and to ensure adequate returns for its owners. It is planned to continue optimising the human resources structure by rehiring and recruiting new young and technically qualified staff. Investments in development, training and further improvement of the working environment of employees will also continue.

In the coming years, the investment cycle necessary for stable ongoing operations and growth will continue. We will continue to seek and implement additional ways to reduce potential adverse environmental impacts, while continuing to monitor and adapt to the requirements of environmental legislation and regulation. However, a tightening in this area could pose an additional risk in terms of the time and cost of immediate adaptation.

The new five-year strategic period 2024-2028, which takes into account the peak of the cycle in 2028.

The dividend policy will be stable. 50% of net profit will be paid out as dividends.

Plan for 2024

In the next financial period, we intend to stick to our long-term business strategy, which is primarily based on an active marketing approach to find and develop the most profitable customers and markets, to increase market shares in the highest quality markets and to build long-term partnerships with key customers. We plan to adopt a more restrictive policy in the area of cost management of materials, raw materials, energy and services. At the same time, we recognise that employees are an important cornerstone of business success and we will continue to work with the representative trade unions and employee representatives to ensure that employee remuneration also adequately reflects the Company's performance and the quality of its results.

We focus on maximising production capacity, exploiting market potential to sell higher value-added products, optimising production costs and implementing investment plans. Financial management is traditionally conservative, the Company is financially stable, cash levels are high and allow for the smooth and timely coverage of all liabilities.

In 2024, in line with industry expectations and cycles, we will achieve a turnover of EUR 186.6 million. The planned net operating result for 2024 is a net profit of EUR 4.0 million. The lower net profit is a direct consequence of the falling selling prices of titanium dioxide pigment and the high level of purchase prices. The EBITDA margin is expected to reach 10%. The Company's strategy will continue to focus on ensuring the highest possible levels of volume production and sales and on exploiting the potential of the most profitable pigment markets. We will allocate sales volumes to the most profitable markets with a high degree of flexibility. Traditionally, we follow

the principles of a conservative financial policy and care for a sound cash position, being aware of market volatility and the associated risks. At the same time, good performance, the existence of cash surpluses and forecasts also imply appropriate and adequate reward for owners.

In terms of enabling sales growth, investments will be made mainly in the procurement of new titanium dioxide production facilities and in maximising the availability of existing ones. Investments will be made on a programme-by-programme basis according to need, capacity and prospectivity, and in line with the five-year strategic plan. We will invest primarily in projects to remove bottlenecks, increase energy efficiency, reduce negative environmental impacts and improve safe and healthy working conditions. The largest share of our investments will be in titanium dioxide production. The total planned investment amounts to EUR 18.4 million.

The Company will also focus on managing the purchasing process in the face of unpredictable business cycles with significant changes in selling and purchasing prices, which can have a significant impact on the operating result and cash flow.

In the coming years, a new investment cycle will be implemented, which we need for stable ongoing operations. By investing in the expansion of production capacity at the existing site, the production volume of titanium dioxide pigment is approaching the limits of the environmental permit and alternative options will have to be sought in the future to further grow the business volume.

Investments implemented and planned

In planning and implementing investments, we focus on our strategic objectives, removing bottlenecks and technological upgrades to ensure quality work, efficient product production, reduced environmental impact and a low-carbon transition. We are introducing the best available technologies in our production processes, circular resource use models, increasing energy efficiency and energy self-sufficiency. Ensuring a safe working environment for our employees is an important factor, so we regularly update our work equipment and introduce digitalisation where possible.

Investments made in 2023

The total planned amount of investments in 2023 was EUR 20,479,040 – 97% of the planned amount, or EUR 19,825,304, was realised.

During the autumn maintenance of the sulphuric acid plant, the absorption tower and the IT2 heat exchanger were replaced.

The basic engineering for cogeneration of electricity from the steam produced by burning sulphur was developed. A total of 5.7 MWp of installed solar power capacity is in regular operation.

Implemented investments in titanium dioxide production:

- installation of dust suppression pipes at the Za Travnikom waste disposal plant,
- storage tank for vacuum cooling of hydrolysate,
- third sand mill,
- dust extraction system for captured dust sources at the Black Mill and Final Processing.

As a precautionary measure against the foreseen possibility of a partial reduction of natural gas supply, we rehabilitated the extra-light fuel oil (ELFO) tank, carried out the necessary installations and equipped one calcination furnace with a burner that would allow the use of ELFO in addition to natural gas. We carried out a trial run.

The Ministry of the Environment, Climate and Energy is rehabilitating plot 115/1 of the Teharje cadastral area, where our gypsum pipeline runs. In order to avoid subsequent restrictions on the rehabilitation in the event of a leak, we started the relocation of our gypsum pipeline at the same time as the rehabilitation of plot 115/1. The investment will be completed in 2024.

A filter press for pigment spinning was supplied. Installation will take place in the first half of 2024.

The installation of the additional storage tank 12.10 C was carried out as planned.

In 2024, the investments in the modernisation of the storage and preparation of lime and calcite slurry and the upgrading of the storm water drainage system with oil traps, which started in 2023, will also continue.

Upgrades to the data transmission network of the production processes at BU TiO₂ are underway, as well as upgrades to the control and management of the processes with the most outdated software. The upgrade of the production information system Spectrum was also ongoing and will be completed in 2024.

Table: Planned and implemented investments and percentage of realisation in 2019-2023 and plan for 2024

Year	Planned investments (EUR million)	Implemented investments (EUR million)	Percentage of realisation (%)
2019	11,209,417	11,955,998	107
2020	19,897,510	12,232,990	61
2021	14,361,931	11,325,408	79
2022	14,229,490	9,969,311	70
2023	20,479,040	19,825,304	97
Plan 2024	18,378,200	/	/

Due to the market situation, titanium dioxide production volumes were rather limited throughout the year. We took advantage of the downturn to carry out more extensive overhauls on a number of positions.

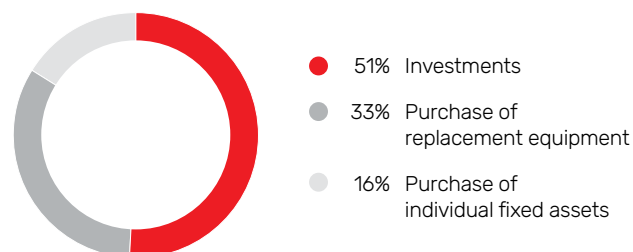
The planned 10% of the funds from the environmental provisions were realised for design activities, while implementation will take place in 2024.

Plans for 2024

The total amount of planned investments in 2024 is EUR 18,378,200. This includes capitalised own products and services of EUR 1,505,090, but excludes planned activities for the release of environmental provisions of EUR 3,475,100. The planned value of investments, including capitalised own products and excluding planned funds for the release of environmental provisions, is 11% below the 2023 plan. It represents 10% of planned sales in 2024 and 138% of depreciation.

51% of the total investment will be for capital expenditure, 33% for the purchase of replacement equipment and 16% for the purchase of individual fixed assets.

Chart: Proportion of funding by planned investments in 2024



Investments will be made on a programme-by-programme basis, according to need, capacity and prospectivity, and in line with the five-year strategic plan. With the aim of increasing energy efficiency and energy self-sufficiency, we will:

- Continue with the solar power project;
- Continue the preparation of projects for cogeneration of electricity from the steam generated by burning sulphur, if a feasibility study confirms the expected return;
- Renovate the Marketing transformer substation to allow the connection of a solar power plant;
- Invest in a project for better use of waste heat (preheating of secondary and primary air in the calcination process);
- Implement measures to reduce electricity consumption (replacement of lighting and energy-wasting electric motors, installation of frequency converters, cooling of process water);
- Replace the compensation at TP Ljubija 1.

We will continue to invest in increasing the share of process water re-use and alternative water supplies from the Tremerje WWTP. We will also replace the rubber bag on the soft dam at Hudinja, where we pump water for our process needs.

In addition to investing in energy transformation, we continue to invest significantly in projects to remove bottlenecks, reduce negative environmental impacts and improve safe and healthy working conditions. The largest share of our investments will be in titanium dioxide production, where we will continue to prepare projects and permits and to implement pending and new investments.

These include:

- Construction of a pumping station for sulphuric acid tankers;
- Installation of an additional 12.10 C storage tank for the discharge of the solution from the unloading towers;
- Modernisation of lime and calcite slurry storage and preparation;
- Installation of a central vessel for the third vacuum cooling line;
- Third filter press for metatitanic acid spinning;
- Capacity expansion in Surface Treatment 2.

With the aim of reducing the amount of waste disposed of from titanium dioxide production, we will initiate the process of preparing the project documentation for the installation of a 7th centrifuge for the extraction of Ce-gips.

We will rebuild one of the key technological bridges and start the systematic renewal of the structural joints of the TiO₂ steel hall.

We will continue our multi-year project to upgrade the data network for the production processes at BU TiO₂ and to upgrade the control and management of the processes with the most outdated software. We will complete the upgrade of the Spectrum production information system and the maintenance information system. To enhance information security, we started an investment in 2023 to prepare the platform for setting up a virtual environment of PCS7 servers and operating stations, thus enabling the establishment of a redundant system, which will take place in 2024. We will renew the server system for business systems.

At BU Kemija Celje, we will continue our investment in automated sodium hydroxide addition and blowdown reactors for the preparation of copper oxychloride, and will purchase a new filter press for the filtration of dissolved cupric ash.

At BU Kemija Mozirje, we will start an investment to install an additional line for the production of white masterbatches. We will set up digital warehouse operations and, as a prerequisite, reinforce the Wi-Fi system and purchase scanners.

We will also purchase some individual fixed assets for quality control (DSC device for the characterisation of polymeric materials, FTIR device for the determination of individual substances in polymeric materials, dryer for biodegradable masterbatches).

BU Polimeri is about to start investing in the construction of an automated coating line.

Investments will also take place at our Bukovžlak and Za Travnikom sites. In Bukovžlak, the construction of a sealing curtain on the NE barrier of the Bukovžlak Non-Hazardous Waste Disposal Site (ONOB) and the construction of drainage C1 will take place. In the Bukovžlak high embankment barrier, activities are foreseen on the drainage ditch with a gauging point and a level lowering facility, and in the Za Travnikom high embankment barrier, the construction of a reinforcement embankment with drainage on the western flank, drainage ribs on the eastern flank, and the rehabilitation of a landslide triggered during heavy rainfall in August 2023. The environmental provisions will be used for these purposes.

We will continue with the phased construction of oil traps on storm drains and rehabilitation of part of the sewer network.

Major investments for the purchase of replacement equipment and fixed assets will include:

- Renewal of one electrostatic precipitator to clean the flue gases from the calcination process;
- Replacement of the first of two filter presses for pigment spinning;
- Replacement of part of the vehicles (cars, forklift trucks) with electric ones;
- Setting up a 5G network.

Each year, we also invest in measures to improve fire safety (renewal of external and replacement of internal hydrants with Euro hydrants, installation of AJP systems, fire doors).

We will purchase some additional equipment for quality control (sonifier, particle size and distribution measuring device).

In line with plans, actual needs and financial possibilities, we will also prepare and implement new projects, procure replacements and new individual items of fixed assets during the year.

We plan to finance the project from our own resources and, to a lesser extent, from external sources.



● Maintaining brand recognition in the wider region is at the heart of powder coatings sales. We are focused on the quality of our powder coatings and excellent commercial and technical service, which provide customers with optimal solutions according to their specific requirements and specific field of application. We offer our customers solutions in the form of products that feature lower energy consumption in the painting process, thereby satisfying sustainability requirements.

Andrej Čuček, M.Sc. (Knowledge Management), Head of Powder Coatings Sales

As a system administrator, I am responsible for ensuring a reliable, secure and efficient IT infrastructure. I am tasked with the management and maintenance of servers, network systems and key technological components, which are the basis for the successful operation of the company.

Matic Jarh,
IT engineer, system administrator, IT Operations and Infrastructure, Professional Services



Analysis of results and performance

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62	Operating result
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Sales

Total sales in 2023 were 22% lower than the sales achieved in the comparable period of 2022. Total sales or net sales revenue amounted to EUR 176.5 million. Total sales to foreign markets decreased by 22% compared to the comparable period of the previous year. The decrease in sales to foreign markets is undoubtedly due to lower pigment volumes. In absolute and relative terms, the most significant drop in sales is to the EU market, which is our most important market. The breakdown of countries by market is explained in the section “Market presence”.

Sales to the EU market were 23% below the previous year. The fall in sales was due to lower pigment volumes and, to a lesser extent, lower selling prices. The latter is due to cheaper Chinese pigment volumes and also to lower demand in general due to lower economic activity. Germany is one of our key markets, accounting for 27.9% of export sales and 25.6% of total company sales. The

importance of the German market has decreased slightly compared to the previous year due to the objective maturity of the market.

Sales to the markets of the former Yugoslavia decreased by 32%, due to lower value sales of pigment and powder varnishes.

Domestic sales were 21% lower than in 2022, with all business units (BUs) experiencing a drop in sales, with the exception of the Polimeri BU.

Sales to third country markets are 18% lower overall compared to the same period of the previous year. As already mentioned, the main contributor to the decrease in sales in this segment was the lower pigment volumes. We are gaining market share in the US dollar markets. In the next medium term, we intend to focus our marketing activities more on these markets as they offer us good geographical diversification. The 99% increase in sales is the result of accelerated activities in US markets.

The share of total exports in the Company's total sales in the year under review was 91.7%, a decrease of 0.1 percentage points compared to the previous year. The lower share of exports relates to a decrease in value sales to the key markets of Germany, Italy, France and Turkey. The main export performance is achieved through exports of titanium dioxide pigment.

The structure of sales by national market varies quarterly according to the conditions prevailing in each market at a given time. Roughly speaking, the structure is determined by the profitability of the markets, the marketing strategy and the political-economic stability and reliability of the markets.

In the period under review, sales of the flagship titanium dioxide pigment programme amounted to EUR 146 million. The EUR 41.5 million lower sales in value terms is due to significantly lower volumes and, to a lesser extent, lower average selling prices. A decline in customer orders was already observed at the end of 2022, and the challenging market situation continued throughout

Table: Sales by market 2022-2023, in EUR

Market	2022	2023	ΔPY %
Slovenia	18,781,919	14,889,861	-21
EU	173,950,706	134,006,280	-23
Ex-YU	4,959,791	3,395,401	-32
Third countries	27,117,372	19,504,886	-28
Third countries – dollar markets	2,343,328	4,667,861	+99
Total	227,153,116	176,464,289	-22

Chart: Sales value by market in 2020-2023, in EUR million

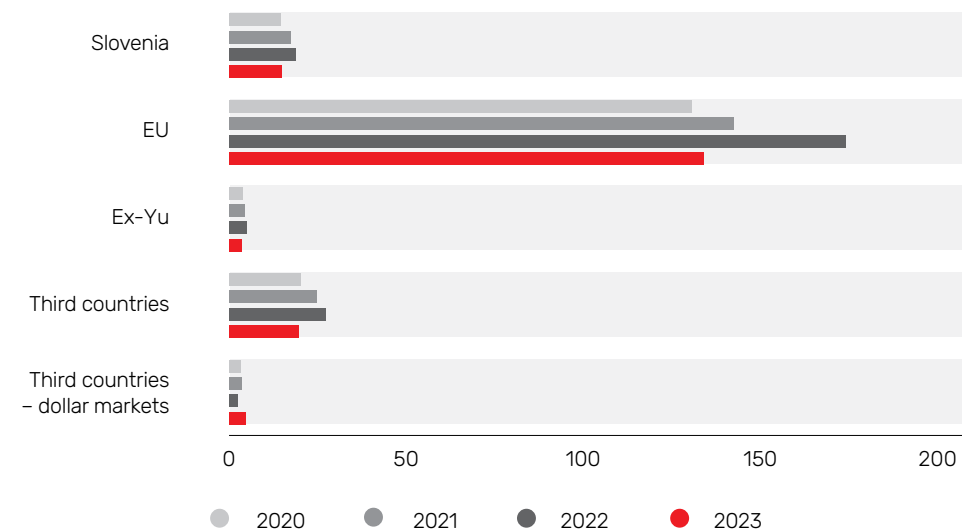


Table: Sales by product programme in 2022-2023, in EUR

Product programme	2022	2023	ΔPY %
Titanium dioxide	189,740,282	146,042,369	-23
– of which TiO_2 pigment	186,385,200	143,356,887	-23
Zinc processing	8,240,209	5,637,539	-32
Varnishes, masters and printing inks	18,516,808	16,579,785	-10
Agro programme	8,481,917	5,443,530	-36
Polymers	1,647,402	2,148,761	+30
Other	526,498	612,307	+16
Total	227,153,116	176,464,289	-22

2023. The downturn in economic activity in most industries, in particular the decline in new investments, led to a high drop in demand. In addition to lower demand from pigment buyers, the economic slowdown in China and the resulting excess inventories in Asia also led us to face very aggressive competition from China, which directed most of its pigment inventories to European markets, which, unlike the US, are not protected by import duties. Chinese competition was taking market shares from European producers at a lower price, against an already reduced demand for pigment. Recently, in light of the consideration of anti-dumping measures against Chinese pigment and the conflicts in the Red Sea, the purchasing strategy of European buyers has been changing in favour of European pigment producers.

CEGIPS should also be highlighted in the programmes of this sectoral section. We sold 128.9 thousand tonnes of CEGIPS, which is important in the context of extending the lifetime of the Za Travnikom facility.

The zinc processing sales programme combines the product groups zinc wire, anodes and alloys. The performance was 32% below that of the comparable period of the previous year. Due to low added value and poor prospects, the programme was discontinued at the end of 2023.

During the period under review, there was a 10% decrease in sales of varnishes and masters on a comparable basis. The main reason for the decline in sales of powder varnishes, in addition to the general downturn in economic activity, was mainly the restrained attitude of consumers towards the purchase of household and home furnishings. In fact, the market experienced a general decline in sales in the home furnishings, household appliances and warehouse and shop equipment segments. In the masterbatches business, we increased

sales volumes by shifting in time to more demanding application segments and entering the personal care business, where consumption is above average.

Sales of the agro programme, which includes sales of copper fungicides, Pepelin, copperas and Humovit, decreased by 36% compared to the comparable period in 2022. The reduced sales volume is due to the extreme drought in 2022, which affected the whole of Europe, and as a result, all distributors in Europe sold old inventory of plant protection products in 2023. In addition, there was a decline in sales to Eastern European distributors who exported copper fungicides to the Ukrainian market. Towards the end of 2023, a higher demand was observed, which is expected to be maintained in early 2024. Humovit sales are at the level of the comparable period in 2022. Sales of soil are dependent on local and nearby market conditions, as the product does not withstand the additional transport costs to enter distant markets.

For the period under review, we find that the relative proportions have changed again. With the exception of BU Kemija Celje, the other business units recorded an increase in their share of sales.

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

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



● *We follow the principles of a reliable and professional business partner. We build long-term partnerships with our customers that ensures mutual added value. The ultimate goal in relation to customers is not only the sale of our products, but also the exchange of technical and commercial information and consultancy, which contribute importantly to the search for new solutions and improvements. This market approach enables us to acquire and retain the most demanding of customers who value quality, stability and reliability. The values we follow in our relationships with business partners are above all honesty, trust and mutual respect."*

Irena Franko Knez, B.Sc. (Econ.),
Marketing Director

Operating result

In 2023, an operating result of EUR 12.7 million was achieved. This result represents only 24% of the 2022 operating result of EUR 53.2 million. Operating performance was therefore below the previous year, while exceeding the business plan by 65%. This underperformance of the previous year was due to significantly weaker sales in volume and value terms, and to the decline in the sales prices of the flagship product. The over-performance of the plan is due to State aid of EUR 7.6 million for the purpose of mitigating energy prices under the Act Governing Aid to Businesses to Mitigate Impact of Energy Crisis (ZPGOPEK). The operating result with write-downs, or EBITDA, amounted to EUR 25 million, representing 14.2% of the sales achieved. Compared to the previous year, EBITDA is 62% lower.

After accounting for the impact of financial income and expenses, a pre-tax result of EUR 13.8 million is reported in 2023, with a profit of EUR 52.7 million in 2022. The pre-tax result compared to the previous year is only 26%.

In 2023, a positive financing balance of EUR 1.1 million was achieved (in 2022 the negative financing balance was EUR 460 thousand). The resulting financing balance is due to a positive exchange rate balance (forward purchase and sale of dollars) of EUR 105 thousand and a positive balance of investment and interest income and expenses of EUR 977 thousand. The positive exchange rate balance throughout the financial year represents the effective use of hedging instruments to manage the volatile movement of the USD/EUR currency pair in the purchase of titanium-bearing ores.

The net operating result for the period is EUR 12.7 million, 71% lower than the result for 2022 (EUR 43.4 million). Taking into account developments in the international economy, the titanium dioxide pigment market and, above all, the results of competitors in the titanium dioxide industry, we consider the result to be satisfactory and above expectations. The net result comprises the profit before income taxes of EUR 1.1 million (effective tax rate of 8.3%).



● At the Finance Department, we ensure current and long-term solvency, contribute to the profitability and financial independence of operations, and mitigate financial risks. Knowledge of the company as a whole is a prerequisite for successful management of the Finance Department. The terms of content, the financial function extends across all organisational units of the company, which is why we act as the coordinator of financing processes in the entire company. Additional challenges include modern trends on the financial market such as changes in interest rates, exchange rates fluctuations, abuses and cyberattacks.

Dejana Starčević, M.Sc., Head of Finance

Shares – value and turnover

The share capital of Cinkarna Celje d.d., amounting to EUR 20,229,769.66, is divided into 8,079,770 ordinary freely transferable bulk shares. The shareholder structure is disclosed in the section General Meeting/Capital structure.

The shares of Cinkarna Celje d.d. are listed on the standard quotation of the Ljubljana Stock Exchange under the designation CICG. The single quotation price on the first day of trading, i.e. 6 March 1998, was EUR 33.71 per share, or EUR 3.37 taking into account the share split in 2022.

The total number of shareholders on the last day of 2023 was 2,628 and the total number of issued shares was 8,079,770, of which 7,815,120 are voting shares and 264,650 are treasury shares.

The value of the share of Cinkarna Celje d.d., listed on the Ljubljana Stock Exchange's first quotation (CICG), fluctuated between EUR 20.0/share and EUR 30.2/share. From the last trading day of 2022 to the last trading day of the period under consideration 2023, the share is down 12%.

Table: Share price and cumulative monthly turnover outliers in 2021-2023, in EUR

Year	2021		2022		2023	
	Highest	Lowest	Highest	Lowest	Highest	Lowest
Share price in EUR/share	25.90	17.40	32.00	22.40	30.20	20.00
Cumulative monthly turnover in EUR 000	1,966.4	701.1	3,381.2	1,231.5	2,384.9	826.1

Chart: Comparison of monthly turnover of Cinkarna Celje d.d. shares by month in 2022-2023, in EUR

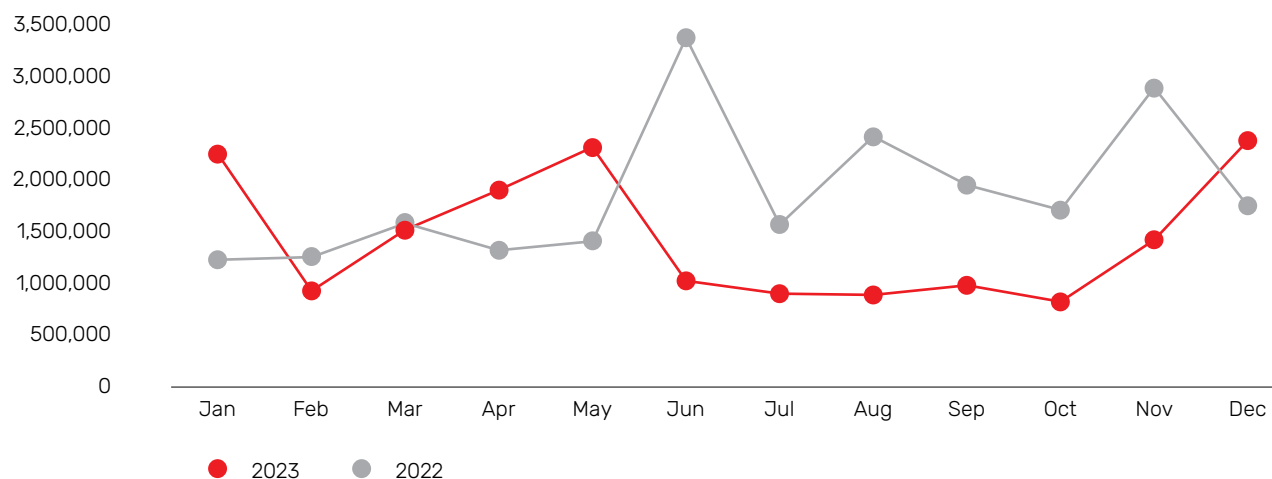


Table: Movement of the CICG share value in 2023 by month (single end-of-month price) and in 2020-2022

Year	2020	2021	2022	2023											
Month	12	12	12	1	2	3	4	5	6	7	8	9	10	11	12
CICG price in EUR	17.80	25.90	23.00	25.80	28.20	28.80	27.80	24.40	24.80	24.80	23.20	22.60	23.90	22.00	20.50

The average cumulative monthly turnover of Cinkarna Celje d.d. shares in 2023 was EUR 1.5 million, 23% lower than the average monthly turnover in 2022, which was EUR 1.9 million. The total annual turnover was EUR 17.4 million (EUR 22.5 million in 2022). The Company has a liquidity maintenance agreement in place for the shares.

Dividends

In 2023, the Company was a beneficiary of aid under the Act Governing Aid to Businesses to Mitigate Impact of Energy Crisis (ZPGOPEK), according to which the consequences apply to the cases defined in Article 16(12). According to the cited provision, a beneficiary (company) that has claimed economic aid under this Act, if it has, since the entry into force of this Act in 2023 or for the year 2023, made a payment of profits, purchases of its own shares or its own business holdings, payments of bonuses to the management or part of the performance-related salaries to the management, must notify the competent authority thereof no later than two months after the payment. It must repay the funds received within 30 days of notification of the decision issued by the competent authority, together with statutory interest at the statutory rate of interest from the date of expiry of the time limit for repayment of the aid received until the date of repayment.

By adopting the 2022 Annual Report, the Management Board and the Supervisory Board generated a balance sheet profit in an amount that allows for a payout in line with the dividend policy and, in this respect, did not prejudice shareholders' dividend rights by proposing the use of the balance sheet profit.

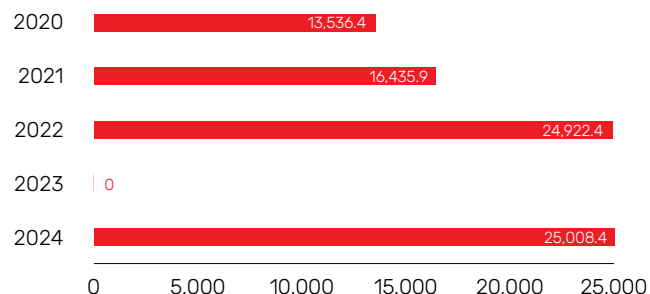
The Company convened an Extraordinary General Meeting in early 2024, where a counter-proposal was voted, namely to use the balance sheet profit, not including 2023 net profit, of EUR 25 million for the following purposes:

- Part of the balance sheet profit to pay a dividend of EUR 3.2 gross per share;
- The remaining part of the balance-sheet profit of EUR 6,007.4 remains unallocated.

The Company paid the dividend on 23 February 2024 to shareholders registered with the KDD on 22 February 2024.

The total amount earmarked for dividend payments is shown below. Dividends paid, with the corresponding calculation, are shown in the section Concise overview of performance and alternative performance measures. No dividends were paid in 2023 due to the restrictions of the ZPGOPEK act.

Chart: Total value of dividends to be paid in 2020-2024, in EUR 000



Expenses and costs

The analysis of expenses and costs relates mainly to the costs of materials, raw materials, energy and labour, which also have the greatest impact on the Company's performance, as the Company is capital intensive. Labour costs are mainly determined by the constructive dialogue between the social partners and the business performance. The Company did not incur any interest costs in 2023 due to the full deleveraging and cancellation of financial debts before the end of 2014. The most important factor in the volume and dynamics of costs is the situation in the global and European economy. Uncertainties related to the energy market and supply chains are increasing. Prices of key commodities in the so-called "commodities" markets (non-ferrous metals, steel, energy, basic chemicals) are on an upward trend. The gradual rise in energy prices was contained to the best of our ability, but further increases are inevitable. Titanium-bearing raw material procurement prices are at similar levels.

The combination of the above macroeconomic situation and the situation in the titanium dioxide pigment industry led to a closing of the cut-offs of the bid-ask spreads. Further closures are expected in the coming quarters. The upward pressure on labour costs increased due to the situation in Slovenia and the understandable rise in employee expectations, but the Company's remuneration policy enabled us to remain within our performance plans.

The structure of consumption of raw materials, packaging and energy in 2023 shows deviations compared to 2022. This is due to the different dynamics of change of the individual categories of direct production costs. In relative terms, the most significant increase is in the cost of energy, which has risen significantly by 23% due to energy risks. The cost of raw materials is 28% lower due to lower production. This and the focus on bulk packaging results in a 19% lower cost of packaging.

At the end of the period, raw materials accounted for the largest share of production costs (77.1%), followed by energy (21.3%) and packaging (1.6%). Compared to the previous year, there was a marked change in the structure, with an increase in the share of energy by 56 percentage points.

The starting points for the wage policy were the agreements and orientations of the social partners at national and company level. In 2023, an annual leave allowance of EUR 2,000 gross/employee was paid to employees in

May. As a result of the good performance of the business, a Christmas bonus of EUR 850 gross/employee was paid to all employees at the date of the decision. The company-wide labour costs achieved are 4% higher compared to 2022.

In 2023, the amount of depreciation charged is 2% higher than in the previous year, as a result of the level of investment in previous periods. We plan to invest a comparable amount in 2024.

In 2023, the Company did not incur any interest expense as it did not have any financial debt (the last time the Company recorded interest expense was in 2014 for bank loans received). Interest expense is therefore not a factor in the Company's operating performance and the Company is no longer exposed to risk in the context of potential changes in interest rates.

We generated a net profit of EUR 12.7 million. Corporate income tax for 2023 was levied at EUR 1.1 million

Assets and resources

The source of financing of the achieved volume of operations in 2023 consisted mainly of own funds accumulated in the course of current operations and, to a lesser extent, of corporate debt. The financing of the additions and upgrading of production and operating equipment and buildings, and of investments in progress was carried out exclusively using own funds accumulated in the course of current operations. In the past year, we did not use bank resources. We paid particular attention to the management of our net current or short-term assets, thereby ensuring a reliable, secure and stable cash position and liquidity at all times.

The share of **non-current (long-term assets)** in total assets increased by 0.8 percentage points to 44.1% in 2023 compared to the end of 2022. The largest category of non-current assets is tangible fixed assets (96%), which increased by EUR 5.8 million or 6% in 2023 for the difference between the amount invested in tangible fixed assets and the actual depreciation charged. Long-term investments decreased by EUR 0.4 million in 2023 due to revaluation and comprise shares and interests in companies. Deferred tax assets increased by 17% due to higher provisioning than release and utilisation, and recalculation to a 22% tax rate. Other non-current assets consist of emission allowances obtained free of charge from the State. Their balance as at 31 December 2023 is EUR 16 thousand higher than the balance as at 31 December 2022 due to the positive balance between the acquisition of the allowances for 2023 and their surrender to the Slovenian Environment Agency, ARSO, for CO₂ emissions for 2022.

Table: Operating expenses in 2022-2023, in EUR and %

Operating expenses	2023		2022	
	Value in EUR	Share in %	Value in EUR	Share in %
Cost of materials and services	122,720,736	72	151,383,601	76
Labour costs	30,656,494	18	29,483,416	15
Depreciation and amortisation	12,355,367	7	12,150,684	6
Other expenses and impairment of business receivables	3,934,440	3	5,265,971	3
Total operating expenses	169,667,037	100	198,283,672	100

The share of **current assets** in total assets decreased by 0.8 structural points compared to the end of the previous year to 55.9%. The most important categories in the structure of current assets in terms of value are inventory (37%), financial receivables (27%), trade receivables together with other current assets and income tax receivables (26%), and cash (11%).

Inventory decreased by 26% in 2023 compared to the end of 2022, with a 27% decrease in the value of material inventory (including advances), a 24% decrease in work-in-progress inventory and a 24% decrease in the total value of the Company's finished goods and merchandise inventory (all compared to the end of 2022). The main reason for the decrease in finished goods inventory is the lower volume production of pigment in the last quarter of 2023.

Current financial receivables as at 31 December 2023 are investments in treasury bills with a maturity of up to 6 months in order to use cash efficiently.

Current trade receivables comprise current trade receivables from customers and current trade receivables from others (mainly from the State for input VAT). Compared to the balance as at the end of 2022, receivables in 2023 increased by 30%. Trade receivables also increased by 24%, while other current receivables increased by 86% due to receivables from the State. The maturity profile of trade receivables shows that the age structure of receivables continues to be of good quality and secured by an external institution or other form of collateral.

Table: Assets in 2022-2023, in EUR and %

Assets	2023		2022	
	Value in EUR	Share in %	Value in EUR	Share in %
Non-current assets	114,522,696	44	108,559,530	43
Current assets:	145,392,966	56	142,388,473	57
- Inventory	53,841,480	21	72,754,823	29
- Financial receivables	38,616,117	15	0	0
- Trade receivables	31,545,008	12	24,290,543	10
- Cash	15,687,805	6	45,210,098	18
- Income tax receivable	5,493,528	2	0	0
- Other current assets	209,028	0	133,009	0
Total non-current and current assets	259,915,662	100	250,948,003	100

Cash (and cash equivalents) represent 11% of total current assets. Cash decreased by 65% compared to the previous year due to accelerated investment, weaker operating performance and the transfer of funds to current investments. The remaining cash is necessary to ensure the day-to-day operations.

Income tax receivable arise from the excess of advance payments in 2023 over the actually calculated profit tax for 2023.

Other current assets comprise prepaid expenses accrued. The value increased by 57%.

The value of **capital** in the structure of the liabilities to resources as at 31 December 2023 represents 85.1%, a decrease of 1.8 percentage points compared to the end

of 2022. The amount of capital increased by 6% compared to the end of 2022. The increase (EUR 12.2 million) relates to the difference between the net profit in 2023 of EUR 12.7 million and the EUR 0.5 million decrease in the fair value reserve. As at 31 December 2023, the Company holds 264,650 treasury shares (after a split of 1:10 as at 15 August 2022). The Company did not make any purchases of treasury shares in 2023. As at 31 December 2023, on the basis of a decision of the Management Board, EUR 7,033,608 was transferred to retained earnings from other reserves arising before 2023. There were no other significant movements in capital.

In total capital, the share capital amounts to EUR 20,229,769.66 and consists of 8,079,770 ordinary freely transferable bulk shares after a split of 1:10 as at 15 August 2022 (of which 264,650 are treasury shares sub-

scribed in the treasury shares pool). The book value of the share as at 31 December 2023 is EUR 27.4 (increased by 5.8% since the beginning of the year when it was EUR 25.9).

Provisions and deferred income account for 7.3% of the payables. Provisions for pensions and similar liabilities were made as at 1 January 2006 (retirement and jubilee bonuses) and are adjusted annually on the basis of actuarial calculations. Other provisions were established in the course of the ownership process under the Ecology provision. In recent years, we additionally made the following environmental provisions: EUR 5 million in 2010 for the rehabilitation of the Bukovžlak non-hazardous waste landfill and EUR 7 million and again EUR 5 million in 2011 for the rehabilitation of the Za Travníkom waste disposal facility and the destruction of low-level radioactive waste. At the end of 2017, the provisions were reviewed in detail, verified and only the provision for the elimination of old burden risks of EUR 6.4 million was re-established. At the end of 2023, similarly to the end of 2022, the scope of the provisions was reviewed and the provisions were re-established/re-adjusted accordingly, based on the actual market conditions and the reasons for their existence. The volume of environmental provisions decreased by 4% or EUR 0.6 million over the period due to the earmarked increase and at the same time the earmarked coverage of the costs of the above mentioned rehabilitation projects, as well as the necessary reversal of provisions for which there is no longer an underlying basis for their creation. Non-current deferred income increased by 111% due to the funds obtained for the co-financing of the installation of solar power plants.

Table: Capital and liabilities in 2022-2023, in EUR and %

Capital and liabilities	2023		2022	
	Value in EUR	Share in %	Value in EUR	Share in %
Capital	221,230,458	85	209,010,148	83
Non-current liabilities	18,844,136	7	18,831,718	8
Current financial liabilities	103,692	0	59,392	0
Current operating liabilities	18,530,350	7	19,518,145	8
Other current liabilities	1,207,025	0	3,528,600	1
Total capital and liabilities	259,915,662	100	250,948,003	100

Short term trade payables decreased by 14% compared to the end of the previous year due to a decrease in other current liabilities. Trade payables decreased by 2% due to repayments to suppliers and other current liabilities decreased by 16% due to lower payables to employees and government institutions. There is no liability for income tax for the financial year 2023 as at 31 December 2023 as the advance payments made during 2023 exceed the tax liability for 2023. All financial and trade payables are of a current nature. The Company's gross gearing ratio is 8%, a decrease of 1% compared to the situation as at 31 December 2022.

Current financial liabilities as at 31 December 2023 amount to EUR 104 thousand, compared to EUR 59 thousand at the end of 2022. The Company's gearing ratio is therefore 0.4 ‰ (0.2 ‰ at the end of 2022).

Current trade payables decreased by 5% over the period. Current trade payables to suppliers amounted to EUR 14.7 million on the last day of 2023, down 2% compared to the end of 2022, due to the repayment of payables to raw material suppliers. Other payables decreased by 16% (or by EUR 746 thousand), mainly consisting of EUR 2 million payable for net salaries and other net employment benefits, EUR 1.9 million payable for contributions and taxes from and on remuneration, and payables for VAT and to other institutions.

Other current liabilities decreased by 66% in the period under review, mainly comprising accrued liabilities for annual leave and other staff costs, accrued ecological contributions and taxes, VAT on advances and income tax. In 2022, the obligation to pay profit tax was included.

My work is dynamic because new challenges reflect the characteristics of smaller business units. My duties in this job are varied and include new product development, preparation of technical documentation, quality assurance and optimisation of production processes.

Tadej Slapnik,
B.Sc. (IT Security),
independent
technologist, Polymers
BU, Development
and Operational
Preparation of Work



Risk management

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The risk management process is a key process and the cornerstone of the Integrated Management System (IMS). Risks are managed through regulations, performance targets or objectives, the implementation of which is tracked through protocols.

The risk management system includes risk identification, risk assessment and classification, action, monitoring and reporting. Monitoring and analysis of the external and internal environment provides input to identify key risks and opportunities, which is crucial for our operational, tactical and strategic planning.

Identification procedure

The key factors in identifying risks are the uncertainty and significant negative financial consequences that must be perceived by the risk owners in the business unit.

There are two ways to identify risks:

- Bottom-up recognition is the responsibility and right of all employees in the company. Anyone who identifies a risk to the business in the course of his or her work must immediately inform his or her supervisor, who in turn informs the risk owner, who then enters the risk into the risk database for each risk group.
- Top-down identification is carried out by risk owners on the basis of information they may receive from the Management Board at the time of any major business decision, project or material change that may have the effect of altering an existing risk or creating a new one.

The sources for identifying the risks that have occurred and are recorded in the codebook are:

- own observations of risks in the performance of regular work tasks and assignments,
- records and reports on operations,
- statistics and incident investigation reports,
- findings of internal and external audit and inspection services, auditors or assessors,
- analyses of the economic, political, legislative and operational environment,
- brainstorming with staff or external participants,
- business process studies and
- other sources.

We group individual risks into the following categories:

- I. Sales and procurement risks
- II. Production risks
- III. Financial risks
- IV. Spatial and environmental risks
- V. Human resources and organisational risks
- VI. Support process risks

Risk assessment and classification procedure

For each of the identified risks, we determine what its negative consequences are. The assessment of risks is carried out by defining the frequency and impact in terms of financial consequences, which are made up of three factors:

- incurrence or increase of costs,
- loss or reduction of revenue,
- mitigation of financial consequences.

The frequency (probability) of occurrence of risks is based on an assessment of the frequency with which each adverse event/risk has occurred in the past or is expected to occur in the future. The impact (financial consequences) of each event is quantified in monetary units according to how the individual risk affects the Company's results or the amount of damage it may cause.

The basis for calculating the financial implications is the annual revenue plan for the Company and for the individual organisational units.

The qualitative score is calculated using the following formula:

Risk assessment = frequency or likelihood of occurrence * (incurrence or increase of costs + loss or reduction of revenue – mitigation of financial consequences)

The assessed risks are classified on the basis of a graduated risk scale, which is defined in terms of value at two levels:

- Corporate risks are risks that, if they materialise, have a significant impact on the Company as a whole or even threaten its existence. Their management is the responsibility of the management of the business units and departments, the Management Board and the Supervisory Board.
- Operational risks are risks that may affect the performance of individual units, but do not represent a significant risk to the business as a whole. They are part of day-to-day operations and work processes. They are managed at the level of one or more organisational units.

The process of identifying, assessing and ranking risks is carried out on a regular basis at the end of each quarter of the year and, on an exceptional basis, immediately prior to the preparation of the Company's business plan, whenever a major business decision, project or material change occurs that may have the potential to change an existing risk or create a new one.

Adoption procedure, implementation of measures

The risks identified and classified in the Risk Register are managed through performance targets and objectives.

Monitoring and reporting

Risk owners report results in writing and verbally at the Management Board's quarterly Broader Expert Colleges.

Responsibilities for the risk management system

The risk management process involves the Supervisory Board, the Management Board, the Risk Management Committee, the Internal Audit Department, directors or heads of departments and employees at all levels of the Company. The Management Board is directly responsible

Identification of the level of risk (potential impact) – corporate risks

Level	Percentage of revenue at Company level of the annual plan in the current year
1 – Low	> 2.5% < 5%
2 – Medium	> 5% and < 10%
3 – High	> 10%

Note: The definition of corporate risks at company level represents the sum of the individual assessments for a given risk at the level of business units (BUs).

Identification of the level of risk (potential impact) – operational risks

Level	Percentage of revenue at the level of the business unit of the annual plan in the current year
1 – Low	< 1%
2 – Medium	> 1% and < 5%
3 – High	> 10%

for the risk management system and its effective functioning. The Management Board defines the process, oversees it and takes decisions on strategic development, investments, divestments, portfolio of business lines, etc. The risk management system is managed by key areas, with responsibility for each risk group being assigned to team leaders. Risks at the company level are reviewed quarterly by the Risk Committee, which is composed of all team leaders and a member of the Management Board. In accordance with the Companies Act (ZGD-1), the Supervisory Board monitors and is informed of the performance and findings of the risk management and internal control system.

The successful operation of a risk management system requires the coordinated action of all stakeholders in the system to ensure the successful integration of risk management into the Company's strategic, business and operational processes.

We also communicate to external audiences about the risks of our business and how we manage them in our quarterly and annual reports. The reports are published publicly on SEOnet and on the Company's website www.cinkarna.si.

Here are the responsibilities and accountabilities at each level:

Supervisory Board / Audit Committee of the Supervisory Board:

- monitors the effectiveness and efficiency of the overall risk management system,
- supervises risk-taking,
- monitors exposure to particular types of risk,
- monitors the management of key corporate or business risks.

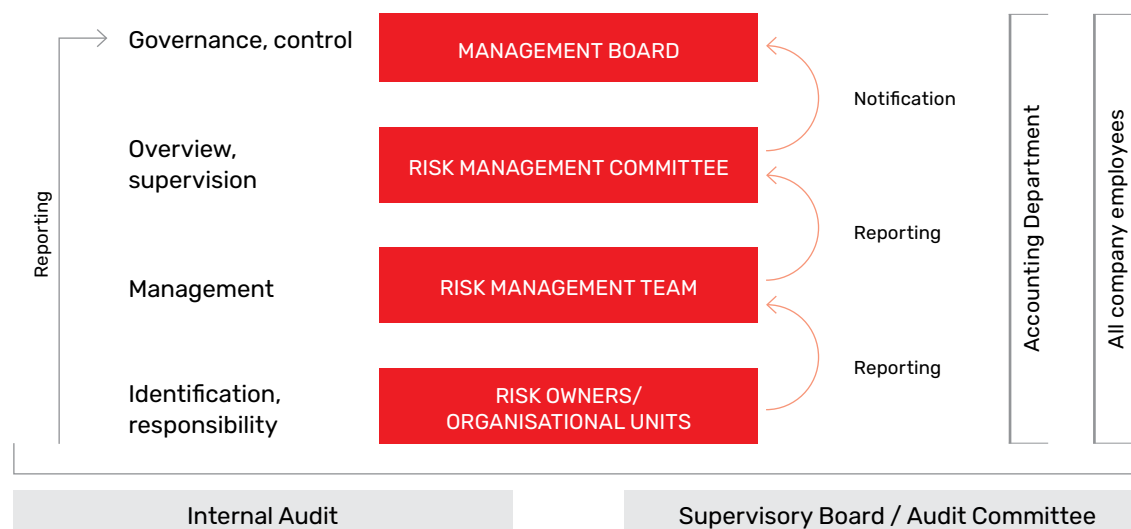
Management Board:

- sets the strategy and objectives for risk management,
- defines and monitors the risk management process,
- defines and delineates responsibilities and accountabilities in the risk management process,
- defines different responses for each type of risk under certain conditions.

Risk Management Committee:

- defines the methodology and improvements in the assessment and ranking of risks, with the aim of ensuring uniform criteria across the Company,
- reviews and defines revenue percentages for determining risk scores at company level and for organisational units,
- reviews and defines corporate risks at company level,
- reviews and validates the results of the assessment and ranking of mainly corporate risks,
- informs the Management Board on corporate risk management,
- monitors the results of external and internal audits, inspections, assessments and evaluations.

Diagram: Responsibilities in the risk management system of Cinkarna Celje d.d.



The Risk Management Committee is composed of the Head of the Risk Management Committee and the team leaders for each risk group, i.e. the members. The Head and the members of the Committee are appointed by a resolution of the Company's Management Board.

Risk management team:

Risk management teams are formed for all the risk groups that the Company manages. Each risk group has a designated team leader who is part of the wider risk management team and has the following tasks:

- Defines risk designations and generic risk descriptions at company level within the risk group for which it is responsible;
- Enters the identified and approved risks in a specific group into the risk codebook, which is the basis for risk owners to then define the relevant specific data in their organisational units;
- Monitors and reviews the risks arising in the risk pool from the organisational units identified and defined by them into individual groups;
- Coordinates and convenes meetings to identify, define and prioritise individual risks. He/she may also convene the Risk Management Committee in the case of significant risks;
- Communicates with risk owners on identified risks and changes;
- The team leader ensures, through professional oversight, that risks are appropriately recorded, classified and managed in his/her team and verifies the appropriateness of the assessment of individual risks, if they have been identified by different organisational units;

- The risk team leader proposes corporate risks to be defined in the system. The Risk Management Committee reviews the proposals, agrees on them and aligns the risk type;
- Reports quarterly results to the Risk Management Committee on all corporate risks for the team's risk group.

Risk owners:

- Identify risks in their organisational unit process area and communicate this to the team leader for the specific risk group;
- Define specific risk profiles in their organisational units based on the overall risk identified;
- Are responsible for risk management in their organisational units (they are responsible for the appropriateness of entries, assessment and management of identified risk);
- Report on the identified risks to the team leader for each risk group over a three-month period through performance targets or objectives.

Risk owners are directors and heads of departments, or their deputies in their absence. They may also be team members of individual risk groups.

Internal Audit Department:

- Audits the risk management process and reports to the Management Board and the supervisory body on its effectiveness and efficiency;
- Audits the effectiveness and efficiency of internal controls in business processes, focusing on the management of key risks;

- Assesses the adequacy of reporting on key risks;
- Plans audit reviews based on the applicable risk assessment;
- Communicates findings on the management of key risks to the Management Board, the supervisory body and the responsible auditors as part of the internal audit engagements performed;
- May advise on the establishment and implementation of a risk management process, subject to limitations under the rules of the internal audit profession.

Accounting Department:

- Provides the basic data for calculating revenue and cost shares at company level and by organisational unit;
- The Head of the Accounting Department coordinates the definition of the revenue percentages with the Risk Management Committee before the start of the planning process (revenue percentages are defined for corporate and operational risks);
- The person responsible in the Accounting Department enters the relevant parameters and values, which are the basis for the further calculation of the risk assessment.

All company employees

Employees must be involved in identifying risks in their workplaces or in the Company and informing their supervisors, who are obliged to take appropriate action.

Corporate risks identified in 2023

I. Sales and procurement risks			
Risk name	General description at company level	Risk management	Risk level
Energy sources	Price non-competitiveness of our products due to high energy prices (natural gas and electricity)	<ul style="list-style-type: none"> • We conclude contracts, monitor trends and carry out forward purchases of energy products. We negotiate PPAs - long-term power purchase agreements. • We implement measures to increase energy efficiency. • We systematically increase our own electricity production from renewable sources - solar power plants on buildings, cogeneration of electricity from steam. • We regularly rebalance our energy consumption structure, implement energy management and ongoing energy optimisation measures or projects. 	Low
Key customer	Loss of market share and revenue due to (price) non-competitiveness with customer expectations compared to price-aggressive competitors	<ul style="list-style-type: none"> • We choose optimal marketing strategies and appropriate sales channels. We provide pre- and after-sales service to increase the added value of our service. We ensure competitive selling prices and align ourselves as far as possible with the selling prices of our European competitors. We provide quality products while increasing productivity and reducing production costs. We are increasing our presence in spot markets. 	Low
Competition	Loss of market share and revenue due to (price) non-competitiveness with customer expectations and with price-aggressive competitors from China and Eastern Europe	<ul style="list-style-type: none"> • We limit risk by expanding our sales network, diversifying our product and sales portfolio, introducing new sales channels, developing marketing partnerships and developing new products to enter new markets and industries. Through targeted technology investments, we are focusing our sales portfolio on applications and markets that are more demanding in content, high in quality and represent a departure from the so-called "commodity" markets, which are characterised by lower added value and high exposure to low-priced Chinese and Eastern European pigments. • We choose optimal marketing strategies, appropriate sales channels, pre- and after-sales service, ensuring quality products while increasing productivity and reducing production costs. We are also increasing our customer portfolio in so-called spot markets. • We also indirectly manage sales risks through systematic monitoring and benchmarking of relevant industries (competitors and customers), participation in marketing and industry meetings and the introduction of quality, safety, environmental and health management standards. 	Medium

I. Sales and procurement risks			
Risk name	General description at company level	Risk management	Risk level
Work items	Loss of revenue due to unforeseen extensions of delivery times throughout the supply chain	<ul style="list-style-type: none"> • We place orders on time, make bookings with suppliers, look for alternative suppliers and alternative testing procedures. • We ensure timely planning of requirements and procurement of raw materials, taking into account the time reserves of experience and increasing minimum inventory where necessary. We will develop a business case and checklist for all strategic raw materials. 	Low
Work items	Loss of production due to failure to supply work items from monopoly suppliers	<ul style="list-style-type: none"> • We pursue the objective of adequate protection by contract. • In critical cases, we provide larger inventory. We carry out thorough market research on raw materials and potential substitutes, and act on our findings in a timely manner. • We search for, test and introduce new sources of raw materials into production. We also evaluate alternative raw material sources by producing catalogues of verified alternative raw materials and suppliers. We build long-term and stable partnerships in a targeted manner. We monitor and analyse the state of international markets ourselves and with the help of market specialists. We also maintain regular contact with suppliers that we do not deal with operationally, but which represent a quality potential alternative. 	Low
Legislative compliance	Loss of revenue due to the new chemical sustainability strategy	<ul style="list-style-type: none"> • Within the Titanium Dioxide Manufacturers Association (TDMA), we follow the requirements of the new legislation with a working group and initiate the necessary/possible actions 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 at company level	Risk management	Risk level
Storage and production capacity	Shortfall in volumes due to under-utilisation of production capacity	<ul style="list-style-type: none"> The Kemija Mozirje business unit obtained a conceptual design (IDZ) for the installation of an additional line of white masterbatches: <ul style="list-style-type: none"> in an existing building that would be renovated, a new building on the Mozirje site. <p>An IDZ for a third option – to be located at the Rolling Mill site in Celje – is also under preparation.</p> <p>The risks in the Titanium Dioxide business unit are managed through the following activities:</p> <ul style="list-style-type: none"> optimising the performance of devices and lines, increasing the efficiency of slag and ilmenite discharges, updating and establishing cleaning protocols for reactors, storage vessels, settling tanks and clarifiers. <p>In order to increase the capacity to 71,000 tonnes, the decision was taken to demolish the Final Processing 2 extension and to install a spinning and drying line in the newly built facility.</p> <p>We are working on a technology project to expand production.</p> <p>We are carrying out pilot tests of pigment drying, steam micronisation and decanter centrifuge equipment.</p>	Low

III. Financial risks			
Risk name	General description at company level	Risk management	Risk level
Credit risk (payments by customers)	Decrease of expenses due to non-payment by customer whose receivables are not secured, which represents about 2% of receivables.	<ul style="list-style-type: none"> • We carry out internal credit control for each individual customer, who is assigned an individual credit limit based on payment discipline, credit rating and good standing with the Company. The process of monitoring and controlling credit risk is enhanced due to the collateralisation of receivables 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 customer's payment discipline and the announcements made on the AJPES in connection with the announcement of proceedings under the Act on Financial Management, Insolvency and Compulsory Winding-up Proceedings (ZFPPIPP) are monitored on a daily basis. • We also remind the customer of the due date of the receivable by reminder, first by telephone and then in writing. We charge interest from the due date until repayment. • We regularly obtain up-to-date information for more accurate cash flow planning. 	Low
Liquidity risk (payments by customer)	Loss of payments within agreed deadlines due to customer insolvency or indiscipline, which may cause liquidity problems for the Company	<ul style="list-style-type: none"> • We ensure a stable cash flow. The Company's business is traditionally conservative with a high level of cash. Liquidity management includes, inter alia, planning and covering expected cash commitments on a daily, weekly, monthly and annual basis, ongoing monitoring of customer solvency and regular collection of overdue receivables. • Updated information is obtained on a regular basis to allow for more accurate cash flow planning. The cash flow is produced in a detailed, deliberate and accurate manner on a daily, monthly and annual basis. 	Low
Currency risk	Loss of revenue and higher costs due to the euro/dollar exchange rate on the purchase of materials and raw materials in US dollars (titanium-bearing raw materials, partly copper compounds)	<ul style="list-style-type: none"> • We continuously monitor the movements and forecasts regarding the dynamics of the EUR/USD currency pair. Basically, we limit the short-term risk of adverse changes in the dollar exchange rate through the standardised and consistent use of financial instruments (dollar futures). We also regularly obtain more accurate data for forward purchases of foreign exchange. 	Low

IV. Spatial and environmental risks			
Risk name	General description at company level	Risk management	Risk level
Climate risks	Occurrence of acute or chronic physical risks caused by climate change (drought, heat waves, storms, etc.)	<ul style="list-style-type: none"> The company identifies the potential lack of water to power production as both the biggest risk from drought and an opportunity to pursue sustainable business principles. It is fed by the Hudinja River, partly also from water wells at Za Travnikom. The water abstraction licence limits the amount that does not pose a risk in relation to production needs. On the Hudinja watercourse, the ecologically acceptable flow rate (Qes) is also included as a limitation for pumping. In the case of a water level below Qes, pumping is not allowed. To ensure that the Company can survive even in such extreme cases, we have already increased our re-use rate, and with the additional activities planned, we will increase this rate even further in the near future. This would allow us to keep production to a minimum and avoid negative environmental impacts due to unplanned stoppages. In the past, several possible solutions for alternative supply were examined (reservoirs, groundwater pumping, use of the existing reservoirs of the lakes Slivniško and Šmartinsko jezero, relocation of the pumping site to the confluence of the Hudinja and Vzhodna Ložnica or from the Savinja). The most suitable, and above all sustainable, solution was the use of wastewater from the Celje Central Wastewater Treatment Plant (WWTP). This source is sufficient in quantity for the long term, but needs additional treatment. Its use results in an improvement of both the biological and hydromorphological status of the watercourse. Together with an external contractor, the Company prepared an IDZ design for the pipeline layout and a conceptual design for the additional treatment. Pilot trials are currently underway at the WWTP site. We also obtained an opinion from the Ministry of the Environment, Climate and Energy (MOPE) that the planned pipeline siting and pumping does not require an environmental impact assessment. We obtained project conditions from Slovenian Railways and the Water Directorate of the Republic of Slovenia for the pipeline siting. In accordance with the decision of the Municipality of Celje, we prepared a petition for the adoption of a decision on the initiation of the procedure for the preparation of a Municipal Detailed Spatial Plan (OPPN) for the installation of the pipeline. For the other climate risks in this class, we maintain the facilities, identify and address potential hazards and rectify deficiencies (e.g. additional cooling of rooms with electronic equipment). 	High

IV. Spatial and environmental risks			
Risk name	General description at company level	Risk management	Risk level
Security	Negative impact on the Company's business due to a natural disaster (such as an earthquake or major flood, lightning strike, sleet, etc.)	<ul style="list-style-type: none"> • We carry out activities in accordance with the preventive actions set out in the Register of Potential Hazards for the Environment and Employees (regulations, organisational rules, compliance with storage instructions in the flooded part of the site, ongoing cleaning of manholes and maintenance of facilities, work instructions, measurements, preventive and periodic inspections, etc.). • New buildings are designed to comply with earthquake standards and regulations. • Existing buildings are inspected and maintained. The Bukovžlak high embankment barrier is equipped with seismic monitoring. • The Company is flood-proofed with a wall to prevent water ingress in the event of a flood. We have pumping stations in place to pump out any excess water. • Based on our experience during the August 2023 floods, we are preparing or putting in place a series of preventive measures. We have also increased our insurance coverage. • Lightning conductors and earthing systems are regularly inspected and maintained. 	Low
Security	Negative impact on the Company's operations due to an industrial accident (fire, explosion, spillage, etc.)	<ul style="list-style-type: none"> • Risk is managed by systematically evaluating the impact on the environment and employees, periodic fire risk assessments and by organising jobs according to risk assessment. • +In the area of environmental impact reduction, we systematically introduced European environmental standards by implementing the principles of the Responsible Care Programme and harmonised our operations with the requirements of the IED and SEVESO Directives. • +We carry out internal audits of the adequacy of the implementation of the measures required by the SEVESO permit and remedy the deficiencies identified. • +We update the Environmental Risk Reduction Design (ZZTO) to reflect the changes and implement operational safety assurance when changes are introduced. We implement our processes taking into account the Best Available Technique (BAT). • In the area of fire safety, we have our own fire brigade and the Company is adequately covered by fire insurance. • In the area of accidents at work, a professional service is organised to monitor compliance with health and safety rules and measures. Regular training and education for employees is provided. The Company is insured against liability for damages. • We enter into written agreements with external contractors and train them. We have a permanent Health and Safety Coordinator. We have introduced work instructions for carrying out maintenance interventions in terms of fire prevention, accident prevention and improving the cleanliness of the working environment. 	Low

IV. Spatial and environmental risks			
Risk name	General description at company level	Risk management	Risk level
Old burdens	Removing old environmental burdens	<ul style="list-style-type: none"> • The Bukovžlak Non-hazardous Waste Disposal Facility (ONOB) and the barriers, with their specific materials, are old burdens. We have an environmental provision for them and are carrying out remediation activities. • Technical observation and monitoring is regularly carried out in the area of the high embankment barriers (Bukovžlak and Za Travnikom). • Based on the results of the observations, systematic and long-term maintenance measures are taken to ensure the stability of the barriers or, where necessary, to remedy the consequences of adverse weather conditions. • One of these is the triggering of a landslide after heavy rainfall in August on the lower western part of the high embanked barrier of the Za Travnikom site. The landslide is being monitored by measurements and urgent remediation is being carried out, followed by full rehabilitation, for which an environmental provision will be made. 	Low
Legislative compliance	Loss of production and increase in costs due to non-compliance with spatial planning acts	<ul style="list-style-type: none"> • The Company fills waste red gypsum from titanium dioxide production into the Za Travnikom waste disposal facility. The existing zoning plan (ZN) and the building permit allow filling up to an elevation of 300 metres above sea level, which will be reached in about 7-8 years. • Due to the new circumstances and lessons learnt during the infilling process, the implementation as conceived by the project is not possible or could lead to the demolition of the planned structures in certain parts. Another negative point is the planned inadequate drainage, which would lead to the partial re-flooding of the site with rainwater. • The engineer, together with the expert support of the Faculty of Civil Engineering and Geodesy in Ljubljana (UL FGG), Department of Geotechnics, prepared an amendment of the project. The new design provides for increased quantities of red gypsum and a different form of backfill. The planned volumes were already registered in the environmental permit and the MOPE issued a decision that the planned modification does not require a reassessment of the environmental impact. However, an amendment to the zoning plan and building permit is required. • We submitted an initiative for a revision of the ZN to all three municipalities concerned. The conditions for the signing of the contract between the municipalities are being coordinated, followed by the submission of the rezoning petition to the MOPE. 	High

IV. Spatial and environmental risks			
Risk name	General description at company level	Risk management	Risk level
Legislative compliance	Loss of production and increase in costs due to non-compliance with spatial planning acts	<ul style="list-style-type: none"> According to the Šentjur Municipality Decree, the filling of the Cinkarna site should have ceased on 27 October 2023. Due to the leaching of white gypsum and the large subsidence not foreseen in the filling project, this deadline was not achievable in practice. Representatives of the Municipality of Šentjur and KS Blagovna have been informed about this since 2017, but they insisted on understanding the need to respect this date. We obtained a legal opinion on the validity of such a decree. This concludes that the decree is incompatible with the applicable legislation, and we therefore sent a petition to the Ministry of Natural Resources and Spatial Planning for a review of the legality of the Decree on Amendments and Additions to the Decree on the Za Travnikom ZN. The Ministry of Natural Resources and Spatial Planning referred the application to the Ministry of the Environment, Energy and Climate for consideration, which agreed with the legal opinion and called on the Municipality of Šentjur to bring the Decree into line with the applicable legislation. The Company is also developing processes to reduce the amount of red gypsum and is looking for other options for filling in different locations, with the aim of sustainable development and a circular economy, as well as extending the time available for disposal. 	High
Legislative compliance	Imposition of penalties in the event of non-compliance with the requirements of the Soil Contamination Assessment	<ul style="list-style-type: none"> We are implementing the measures set out in the findings of the Report on the Review of Technical Measures to Prevent Contamination of Soil and Groundwater. We need to ensure that catch basins, platforms, storage soils, drains and transport routes are fully sealed to prevent contamination of soil and groundwater with the hazardous substances concerned. The plan of measures to be taken was sent to supplement the requirements for the partial baseline report. 	Low
Loss of reputation	Loss of reputation of the Company due to various factors (inadequate communication, negative environmental impacts, etc.)	<ul style="list-style-type: none"> The Company has processes in place by department and designated individuals responsible for investor relations, environmental prevention, health and safety, marketing, product sustainability and recruitment. We also prepared a sustainability report for 2023 as part of the annual report. We collect and consider stakeholder feedback and feed it into our corporate risk management process. We behave in a socially responsible way. We prepared a draft ESG strategy, which will be upgraded in 2024 in line with the European Sustainability Reporting Standards (ESRS). 	Low

V. Human resources and organisational risks			
Risk name	General description at company level	Risk management	Risk level
Competence and availability of staff	Loss of production and revenue due to incomplete succession policies and inadequate staff competences	<ul style="list-style-type: none"> • A recruitment system is in place, with a job-training programme and a mentor for each post. • As part of the 2023 implementation targets, we are setting up a system to inventory all specific and generic skills in the Company for all business units/departments, a renewed system of onboarding for new hires and a review of existing skills for employees, along with a revision of the competency model. • Based on the revised competences per job, we will train staff in areas where competences are lacking. • 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. • We inventoried the key positions in the Company, identified possible successors, and defined the time to replacement and the additional competences needed. • For the most promising candidates, we run a leadership development programme called the Leadership Academy. In addition, we provide coaching for employees. 	Low
Competence and availability of staff	Loss of production and revenue due to staff shortages, untimely replacements and inadequate organisation of work	<ul style="list-style-type: none"> • 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 are continuously implementing organisational change and adapting with agility to new circumstances. • In addition to traditional recruitment methods, we use innovative social recruitment solutions to find new employees. • We offer scholarships. We have deepened our cooperation with secondary schools. We provide students with compulsory internships and student work. We give students the opportunity to work on their bachelor's, master's and doctoral theses in the Company. 	Low
Legislative compliance	Imposing penalties on the Company and the persons responsible and compensation for breaches of labour law	<ul style="list-style-type: none"> • We regularly monitor changes in legislation and implement them in our system. • We organise meetings with our business units, keep each other informed and take action to resolve any non-compliance. • We have an open dialogue with our social partners. 	Low
Corruption, theft, fraud	Potential loss of credibility and damage to the business	<ul style="list-style-type: none"> • 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, subject to competing only fairly and honestly. • We have a system in place to prevent corruption in procurement. • The appropriate and expected conduct of employees is set out in the Code of Ethical Conduct and Practice. A mechanism is in place to disclose or report misconduct. 	Low

VI. Support process risks			
Risk name	General description at company level	Risk management	Risk level
Digitalisation	Loss of production and competent workforce due to slow digitalisation of control and management processes	<ul style="list-style-type: none"> • We continue to implement a number of performance targets that increase the level of digitisation and computerise and simplify business processes: • we are upgrading the modules in Power BI business analytics as planned, • we increased the share of users and upgraded modules in Moja Cinkarna, • we are continuing with the roll-out of the new document system, • we are continuing the migration of Oracle Forms 6 to 12, • activities related to the modernisation of the maintenance information system are progressing according to plan. 	Low
Risk of cyber attacks (Security)	Outage due to a cyber-attack on the workstation and/or the server system for the management system by malware with the intent to extort or steal data	<ul style="list-style-type: none"> • The "phishing" test we carried out alerted us to certain shortcomings, which we are addressing. • We placed an order for the purchase of two advanced network monitoring systems to monitor the network against possible intrusions. • With the help of an external expert, we carried out an internal audit process in this area. We will put the improvement opportunities identified into practice in the coming months. 	Low
Risk of server system failure (Security)	Production downtime due to failure of the server system for the management system (fire, earthquake, water, etc.)	<ul style="list-style-type: none"> • We are setting up a virtualised back-up server system for management systems in two locations. Until the project is completed, we are managing the risk with physical backup servers. • We are continuing with electrical and network modifications in both server rooms and adding other components where there are delays. 	Low

Integrated management system

An integral part of the management of Cinkarna Celje d.d. is an integrated management system, which covers the basic elements of management and operations for all the Company's activities, in accordance with the requirements of ISO 9001 – Quality Management System, ISO 14001 – Environmental Management System, ISO 45001 – Occupational Health and Safety Management System, and at the BU Kemija Mozirje site, we are registered in the EMAS environmental management and assessment system. For more information on compliance with the standards, please see the section Compliance and standards.

- Three horizontal audits: Corporate Risks and Objectives, Information Security, Risk Assessment for Employees and the Environment, and Fire Safety;
- One horizontal audit reviewing actions from previous audits – Preliminary Audits.

Content

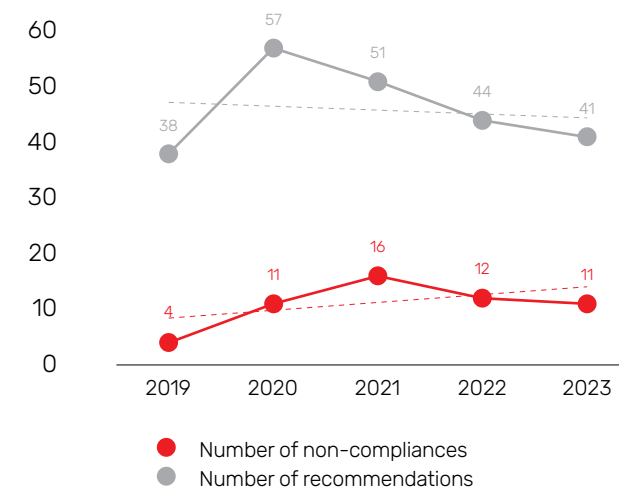
- 83 Internal audits
- 84 External audits
- 84 Other audits and reviews
- 85 Financial and legal due diligence
- 85 Information security

Internal audits

According to the annual internal audit plan, 11 audit areas were planned for 2023:

- Seven areas by organisational unit: BU Kemija Celje, BU Kemija Mozirje, BU Polimeri, Marketing-Nabava, HR and General Services, Environmental Protection Department and Quality Department;

Chart: Number of non-compliances and internal audit recommendations in 2019-2023



External audits

The external audit of the integrated management system according to ISO 9001, ISO 14001, EMAS Regulation and ISO 45001 for 2023 was carried out at the end of May 2023. No non-compliances were found. The auditors made 17 recommendations.

Other audits and reviews

The Company's annual accounts are audited each financial year by an external auditor. A signed list of related parties in accordance with International Accounting Standard 24, a list of officers, directors and controlling shareholders on the audited side is reviewed and sub-

mitted annually. The Company's Management Board responds annually to the Management Questionnaire and declares that it is not related to the external auditor or its partners, professional staff and individuals who would have a significant role in the accounting or financial reporting.

Members of the management and supervisory bodies are required by law to declare the absence of conflicts of interest, disclose potential conflicts of interest or, in the case of conflicts of interest, report them when taking up their duties.

Chart: Number of non-compliances and recommendations from external audits in 2019-2023

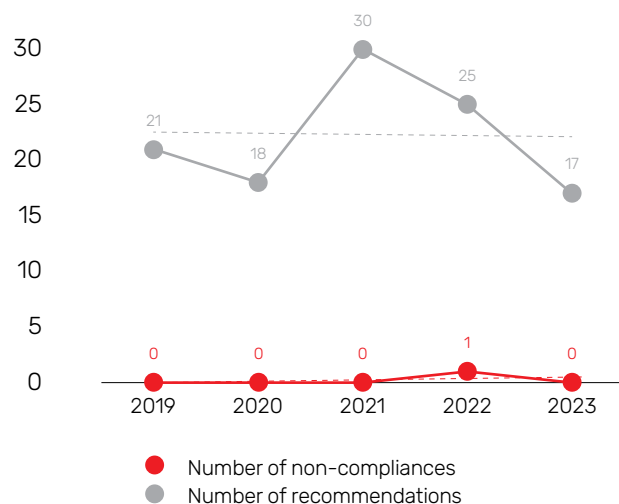
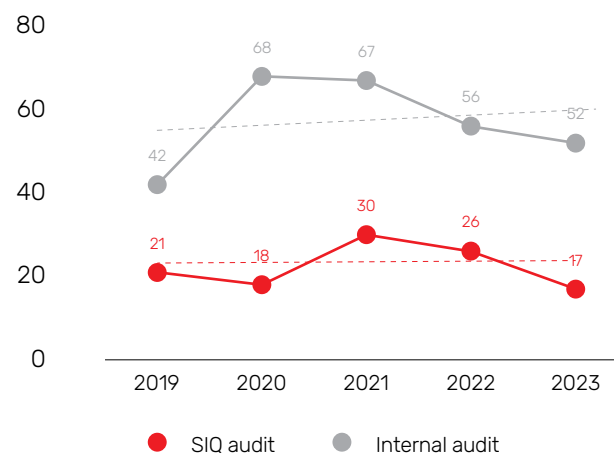


Chart: Comparison of the number of internal audits and external audits carried out by SIQ in 2019-2023



The dynamic environment of the polymer industry leads us to constantly develop the business environment and follow the trends in our industry to identify opportunities and challenges in due time. We employ a strategic approach to adapting our business, based on the understanding of market needs and the competitive environment and the attainment of business objectives. Our focus is on improving processes, technologies and staff development. We strive to create an environment that encourages creativity, collaboration and responsibility. We are observing our industry moving towards greater digitisation and automation, and focusing on sustainability. We introduce advanced technologies, robotisation and automation into production processes and follow sustainable practices throughout the entire business process. Our goal is to keep up with the competition through continuous adaptation and innovation, which will lead us to success in the future.

Roman Deželak, B.Sc. (Mechanical Engineering), Director of the Polymers BU

Financial and legal due diligence

We do not have a specific policy on financial and legal due diligence. In the case of financial and legal due diligence, the procedures are carried out in accordance with the needs of the client and information is disclosed in accordance with positive legislation in the relevant areas.

Information security

At Cinkarna Celje d.d., we are aware of the importance of information security, which is key to the smooth and secure operation of the Company. Our Information Security Policy, which was established in 2006, contains the basic rules and principles for ensuring security.

The Information Security Team, made up of members from different organisational units, plays an important role in monitoring information security risks and developing measures to mitigate them. Their tasks include:

- approving strategic guidelines for information security,
- approving information security policy documents
- assisting in the implementation of major information security projects,
- monitoring major changes in the exposure of information assets to security threats,
- monitoring and evaluating security effectiveness and performance.

Over the past year, we carried out a number of activities that have contributed to improving information security:

- checking and responding to incidents on an ongoing basis,
- educating staff and raising awareness,
- systematic review of business IT systems, showing risks and recommendations to address them,
- implementing actions and recommendations from external reviews,
- development of rules for communication between networks to ensure secure communication,
- updating the information security policy to ensure compliance with legislation,
- regular communication with the management and risk reporting,
- organising a phishing attack simulation to raise awareness and educate staff.

We regularly inform employees about information risks and encourage them to be vigilant against suspicious messages.

An e-mail address is set up to forward suspicious reports, which are then professionally examined.

No information security incidents were reported in 2023.



● *Digitisation is a constantly changing field, but at the same time it is also a privilege that brings many advantages and contributes to the optimisation of processes. Introducing modern digital solutions into existing processes is not an easy task by any means, but we recognise that there is no progress without adequate IT support, which is why the company's digital development is a permanent element of our development processes. We boldly look to the future and recognise great potential in the digital age. We search for opportunities to co-create innovations that will shape our future.*

Boris Špoljar, B.Sc. (Computer and Information Science), Head of the IT Department

I perform regular ecological monitoring to monitor the impact on the environment, ensure compliance with environmental legislation and verify and evaluate the effectiveness of activities aimed at reducing pollution and reusing resources.

Irena Stupan Rozman,
M.Sc. (Metallurgy),
independent
professional associate,
Environmental
Protection Department,
Professional Services



Sustainable development

Content

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92	Approach to stakeholder involvement
92	Stakeholder involvement
95	Materiality matrix

We recognise the importance and urgency of implementing the principles of sustainable development, which we see as a commitment and fundamental responsibility towards society and the environment, while pursuing diligent corporate responsibility and strengthening economic performance. We are also driven to do so by increasing demands from owners, customers and legislation. In 2023, we continued our activities in the area of sustainable development.

As part of our sustainability performance, we recognise the impacts we have both in relation to our key stakeholders and in relation to the natural environment in which we operate. We continuously strive for improvements in all areas of our operations, seeking innovative solutions that we implement in our operating model to achieve a balance between economic performance, energy efficiency, environmental protection and social responsibility.

We have already implemented sustainability indicators to some extent in relation to our suppliers, and we will build on this in the future in order to manage our supply chain, encourage our suppliers to be more sustainable and enable our customers to achieve their sustainability goals.

Key Sustainable Development Goals in 2023

In the face of increasing climate change and our competitiveness in the global market, we also included sustainability activities in our Strategic Business Plan for the 5-year period. We recognise that only by taking a strategic approach will we be able to meet the challenges and implement adaptations effectively.

We prepared a draft ESG strategy, with a particular focus on the climate strategy, which will be complemented in 2024 by the requirements of the ESRB standards. It will further define the environmental, social and governance objectives.

We prepared a sustainability report for 2023, which is included in our regular annual report and is the second such report (the first was for 2022). The Company's Sustainability Report follows the Guidelines for Non-Financial Reporting (Methodology for Reporting Non-Financial Information), adopted and published in the Official Journal of the European Union in July 2017, and takes into account the provisions of the Directive on disclosure of non-financial and diversity information by certain undertakings. We report in accordance with the GRI (2021) standards for the whole Company, and references to the indicator are given at the end of the report. We are committed to transparency in our disclosures, ensuring the credibility of the data and pursuing clarity in reporting.

To prepare the Sustainability Report, we set up a cross-functional team of staff responsible for carrying out all the necessary sustainability activities. We also brought in an external consultancy firm to help us prepare the groundwork and to train the management team and key staff. This included a number of training sessions on the role of sustainable business and the legislative framework in this area, presentations on the ESRB standards and the approach to preparing sustainability reporting and reporting compliant with the Taxonomy Regulation. Bernarda Podgoršek Kovač, Head of the Environmental Protection Department, is responsible for the implementation of the project.

Due to errors identified in the 2022 report, we added certain corrections to the information in the chapters on climate change, water resources and waste management.




Goal	Status
Build solar power plants with a total capacity of 6,300 kWp of renewable electricity, using solar energy.	Eleven additional solar power plants were built in 2023, amounting to 3,979 kWp. Due to some of the Company's buildings being structurally unsuitable, it was not possible to reach this goal. The total capacity of the plants in 2023 is 5,793 kWp. ●
Reduce the specific water consumption of our main product, titanium dioxide, by 5% in the plan year.	In 2023, we did not reach the planned reduction goal due to lower utilisation of the production line (overhaul). ●
To pursue the goal of re-use - with elements of the equipment we will refurbish and by recycling waste water. The latter is a medium-term objective that requires prior in-depth development work (ongoing), as well as the acquisition of the necessary documentation.	In progress. ●
Calculate the carbon footprint of all our main products and systematically reduce it in the coming years through analysis and consequent action.	Calculated carbon footprint of the Company (Scope 1 and 2) and of titanium dioxide, our main product. ●
Reduce energy consumption by recovering waste heat. We will implement several improvements indicated by the 2021 energy audit. We will produce a mass and heat balance of our main production process. We already achieved energy improvements in the pre-drying process. We are continuing with the energy improvement project in 2024.	For a more detailed description, see the section on climate change. ●




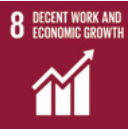
● Achieved





● In progress

● Not achieved

Areas of priority sustainability activities of Cinkarna Celje in relation to the United Nations Sustainable Development Goals by 2030

UN Sustainability Goals	Areas, activities	Objectives
Eradicating hunger 	<ul style="list-style-type: none"> • Manufacture of agro products for chemical plant protection, also suitable for organic farming • Once a year food collection for the SIBAHE food bank for distribution to people in need 	<ul style="list-style-type: none"> • Increase organic production through the production of organic plant protection products • Contribute to reducing the proportion of socially disadvantaged people in the local environment
Health and well-being 	<ul style="list-style-type: none"> • ISO 45001 - Occupational Health and Safety Management System implemented • Taking care of employees' health and implementing occupational health and safety measures • Implementation of the Minute for Safety activity among production employees • Implementation of a workplace risk assessment system • Activities to identify, record and eliminate potential hazards and near misses in the work environment • "CC um" application for employee suggestions in the field of occupational health and safety • Annual development of an employee health promotion programme • Financing or co-financing of sports activities for employees outside working hours • Supporting socially responsible actions and sponsorship of sports activities in the local environment 	<ul style="list-style-type: none"> • We are working towards the goal of zero workplace injuries • Provide the healthiest and safest possible environment for employees and all external visitors • Minimise employee exposure to hazardous working conditions • Encourage employees to lead healthy lifestyles and exercise • Minimise or reduce potential risks to the health of the local population as a consequence of Cinkarna's operations to a minimum or below the permissible limit. • Promote health and exercise among young people and older people in the local community
High-quality education 	<ul style="list-style-type: none"> • Conduct regular training for staff in various areas of expertise • Conduct a mentoring programme for new recruits • Staff scholarship opportunities for technical students • Opening up compulsory internship opportunities for students • Organising competitions for young people in the local environment on the role of chemistry for sustainable development 	<ul style="list-style-type: none"> • Maintain and improve employees' skills and competences to work safely • Develop employee competences for adequate process control and new product development • Facilitate effective knowledge transfer between employees • Develop young people's interest in chemical skills and professions and open up opportunities for their career development • Raise awareness among young people in the regional environment of the importance of chemistry in various fields for sustainable development.

UN Sustainability Goals	Areas, activities	Objectives
Gender equality 	<ul style="list-style-type: none"> Diversity policy in preparation Ensuring equal pay, not on the basis of gender, but on the basis of workplace 	<ul style="list-style-type: none"> Ensuring equal opportunities for employment and promotion regardless of gender Prevent and eliminate any discrimination within the Company
Clean water and sanitation 	<ul style="list-style-type: none"> Regular monitoring of wastewater, surface water and groundwater Implementation of the projects Integrated Water Management and Alternative Source of Process Water Supply from the Tremerje Municipal WWTP 	<ul style="list-style-type: none"> Minimise the risks of contamination of local watercourses from which water is abstracted for production processes. Conserve local water resources and their habitats, and maintain the good status of watercourses Reduce water abstraction from watercourses and increase internal water recycling
Affordable and clean energy 	<ul style="list-style-type: none"> Energy management systems Implementing targeted energy monitoring Implementing energy efficiency and renewable energy measures and investments Installation of solar power plants on the roof of production facilities 	<ul style="list-style-type: none"> Optimise energy use in the company Increase the share of energy generated from own renewable sources Reduce energy costs and increase the competitiveness of the Company Reduce CO₂ emissions from our activities
Decent work and economic growth 	<ul style="list-style-type: none"> Employment of people with disabilities Adopted Code of Ethical Conduct and Practice Coordination of the collective agreement with the Company's two representative trade unions Funding plan for supplementary pension insurance for all employees established Adoption of the Policy on the Prohibition of Sexual and Other Harassment and Mistreatment in the Workplace 	<ul style="list-style-type: none"> Enable decent work also for people who have any health limitations due to the long-term nature of their work. Develop an excellent culture of business and ethical conduct among employees in all aspects of our business Create an effective dialogue with employee representatives on employee rights Enable employees to live with dignity after their working life Provide a safe and decent working environment for all employees and prevent any sexual or other harassment and ill-treatment in the workplace

UN Sustainability Goals	Areas, activities	Objectives
Industry, innovation and infrastructure 	<ul style="list-style-type: none"> • Development of new products with improved properties in the field of TiO₂ pigments, powder varnishes, masterbatches, etc. • Encouraging innovation among employees by creating an environment for suggestions (CC um app) 	<ul style="list-style-type: none"> • Provide high quality products with high added value • Contribute to the competitiveness of the European economy in TiO₂ and in the value chain • Provide environmentally sound products • Obtain as many useful suggestions as possible from employees for internal process improvements • Build partnerships and open new links for cross-industry networking • Strengthen awareness of the importance of sustainable development and spread a culture of responsible behaviour to bring about the necessary changes.
Responsible consumption and production 	<ul style="list-style-type: none"> • Investments in new product development, best available technologies and environmental process improvements • Re-use of materials in production processes • Manufacture of CEGIPS and RCGIPS by-products 	<ul style="list-style-type: none"> • Optimising the use of materials in the value chain • Reduce waste in the value chain • Reduce environmental impacts from production processes • Increase the re-use of waste raw materials in the Company
Climate measures 	<ul style="list-style-type: none"> • ISO 9001 – Quality Management System and ISO 14001 – Environmental Management System implemented • EMAS implemented for the Mozirje site • Calculation of the carbon footprint of the Company (Scope 1 and 2) • TiO₂ carrier product LCA calculation (for our product and at TDMA level) • Air emissions monitoring • Ambient air quality monitoring 	<ul style="list-style-type: none"> • Manage and reduce our own climate and value chain impacts through a standardised approach • Measure, monitor and reduce the carbon footprint of the Company and individual products • Manage emissions from our activities • Monitor our impact on air quality
Life on land 	<ul style="list-style-type: none"> • Implementing pollution prevention measures and monitoring its own impact on the environment through regular monitoring • Introducing technological change with minimum impact on the natural environment 	<ul style="list-style-type: none"> • Contribute to improving the management of Natura 2000 sites in Slovenia • Contribute to improving the status of species and habitats in the Volčke Natura 2000 site

Membership in associations

We are aware of the partnership links we need to achieve sustainable goals and to act together on the market, and we are members of several associations, namely CEFIC (European Chemical Industry Council), ESA (European Sulphuric Acid Association), TDMA (Titanium Dioxide Manufacturer Association), the European Union Copper Task Force and the Green Network of Slovenia.

Aleš Skok, President of the Management Board, is a member of the Management Board of the Association of the Chemical Industry (Chamber of Commerce and Industry of Slovenia - GZS) and the Celje Regional Chamber of Commerce. Marko Cvetko, Head of the HR and General Services, is a member of the Supervisory Board of the Chamber of Commerce and Industry and a member of the Management Board of the Chemistry Section of the Association of Employers of Slovenia. Cinkarna is also a member of this association. Miran Špegel, Assistant General Manager, is a member of the Management Board of the Association of Metallic Materials and Nonmetals (ZKMN) of the Chamber of Commerce and Industry.

We are also members of the Slovenian Accreditation, with Lorna Flajšman representing the compliance assessment bodies.

We are committed to responsible, safe and sustainable TiO₂ production through the TDMA/Titanium Dioxide Manufacturers Association.

Approach to stakeholder involvement

We cannot operate successfully without good and partnership relationships with our key stakeholders. We strive to create honest and long-term relationships at all levels of our business. In doing so, we follow our Code of Ethical Conduct and Practice and build on our respect for human rights. We communicate regularly with our stakeholders and involve them in our business processes where appropriate. Stakeholders are also our source of feedback, so we take all their responses and any complaints with care and address the content appropriately. We build relationships on constructive dialogue.

Stakeholder involvement

Our activities have an impact on a wide range of stakeholders, the most important of which are our owners and supervisors, employees, suppliers, customers, the local community and other interested publics. We communicate with our stakeholders through a variety of communication tools, with the aim of transparency in the Company's operations and stakeholder engagement in the local and global environment. The table below presents our key stakeholders and how we communicate with them.

Information is provided through the channels presented in accordance with established procedures and rules, most of which are produced on a regular periodic basis (annual, quarterly, monthly, etc.) or as the need arises or is triggered.



● When implementing the marketing strategy, we follow the B2B business guidelines of our industry. We focus on strengthening the recognition of our corporate brand as one of the important levers of growth. We focus our activities on identifying and understanding the needs of existing customers and leads. This enables us to form constructive frameworks for designing and selecting effective communication channels with the goal of consolidating the market's loyalty to a trustworthy corporate brand.

Dubravka Kunst, B.Sc. (Graphic Arts Technology) Head of Propaganda and Market Research

Table: Overview of communication with stakeholders

Stakeholders	Communication objectives	Communication channels	Communication frequency
Owners and supervisors	Effective governance and strategic decision-making Notification of changes Monitoring, implementing and improving activities Identifying and managing risks and opportunities	• Company's annual report	1 time per year
		• General Meeting	Normally 1 time per year
		• Meeting of internal auditors of integrated management systems	1 time per year
		• Meetings of the Supervisory Board and its Committees	5 times per year
		• Materials and minutes for the General Meeting of Shareholders, Supervisory Board and Committees meetings	For each general meeting or session
		• Quarterly report on operations	Every quarter
		• Ljubljana Stock Exchange's electronic information system (SEOnet)	Regularly
		• Quarterly reports and annual report	Quarterly and annually
Employees	Strengthening company loyalty and creating good team relations Building relationships between employees and managers Creating a good working climate Employee involvement in work process improvements Building employee competences Professional and personal growth and staff development Informing employees about new developments and changes in the company, in their field of work, etc. Caring for the health of our employees	• Cinkarnar internal newsletter	2 times per year
		• Annual interviews	1 time per year
		• Regular training	Several times per year
		• Picnics or other forms of employee socialising	Normally 1 time per year
		• Electronic notifications	Regularly
		• CC um	Regularly
		• Social networks	Several times per week
		• Regular health check-ups	Depending on the risk assessment for the workplace
Suppliers	Supplier compliance check Notification of changes and news concerning our suppliers Coordinating purchasing arrangements, resolving challenges, etc. Communicating the code of conduct for sustainable business partners to key suppliers and obtaining confirmation of adherence to it	• Open door of the Labour Director's office	Designated office hours
		• Supplier evaluation questionnaires	1 time per year
		• Electronic notifications, website	Regularly
		• Phone calls	Regularly
		• Supplier assessments	Occasionally according to needs

Stakeholders	Communication objectives	Communication channels	Communication frequency
Customers	Creating long-term relationships	• Satisfaction survey	1 time every two years
	Awareness of new product developments	• Electronic notifications	Regularly
	Authentic information about our products	• Phone and video calls	Regularly
		• Personal meetings	Several times per year
		• Labelling of products	Regularly
Local community (municipalities, municipal communities)	Building relationships and cooperation with the local community	• Company website	Regularly
	Communicating how processes work, monitoring environmental impacts, changes affecting local populations	• Social networks	Several times per week
		• Press conferences	Several times per year
	Supporting activities in local communities	• Open Doors Day	Occasionally
	Local community development	• Press releases	Several times per year
Specialised public (professional associations, institutions, schools, institutes, financial institutions, etc.)	Involving the professional public in research and development activities	• Electronic announcements	Occasionally
		• Company website	Regularly
	Raising awareness of company processes, products and environmental impacts	• Social networks	Several times per week
		• Competitions for schools	Normally 1 time per year
	Participation in events	• Press Releases	Occasionally
		• Electronic announcements	Occasionally
	Professional skills development	• Professional events	Occasionally
		• Quarterly reports and annual report	Quarterly and annually
		• Investment events of the Ljubljana Stock Exchange	2 times per year
		• Environmental Statement for BU Kemija Mozirje	1 time per year

Materiality matrix

In the context of responsible impact management, identifying the relevant content and interests of all key stakeholder groups is central. Relevant topics are those that directly or indirectly affect a Company's ability to create, maintain or reduce environmental, social and economic value for itself, its stakeholders and society at large. The importance of these topics or themes for Cinkarna Celje d.d. and its stakeholders is presented in the materiality matrix that we prepared in 2022. The creation of the materiality matrix is part of Cinkarna Celje d.d.'s sustainability management and reporting and reflects the assessment of internal and external stakeholders of material environmental, social and economic issues in relation to the Environment, Society and Governance (ESG) domains, and their insight into their real significance.

Through the materiality assessment, we identify and rank areas where the greatest sustainability impact and value can be achieved, identify the greatest opportunities and risks from the perspective of different stakeholders, manage stakeholder relationships and sustainability materiality areas based on these identifications, and improve our services, products, end-use and disposal in the long term.

In 2024, it is foreseen to carry out an assessment of the significance of impacts and the financial significance and, on this basis, to prepare a dual significance matrix in line with the European Sustainability Reporting Standards (ESRS).

The process leading up to the materiality assessment in 2022 followed the following steps: identification of material sustainability themes across the Environment, Society and Governance (ESG) domains, survey of key stakeholders (e-questionnaire method), analysis and development of a materiality matrix.

For the preparation of the materiality matrix, we identified six main stakeholder groups: owners, supervisors (Cinkarna Celje d.d.), employees, suppliers, customers, local community (municipalities, municipal communities) and specialised public (professional associations, institutes, financial institutions, etc.). A total of 362 respondents answered the e-questionnaire, including both Slovenian and international stakeholders. In order to create the materiality matrix, we grouped the stakeholders into two groups when analysing the responses. One group includes owners and supervisors (important for Cinkarna Celje d.d.), the other group includes employees, suppliers, customers, local community and other publics (important for stakeholders). The questionnaire covered all three strands of sustainable management, namely the natural environment, the social environment and corporate governance. Indicators were determined based on an impact assessment.

The process leading up to the materiality assessment

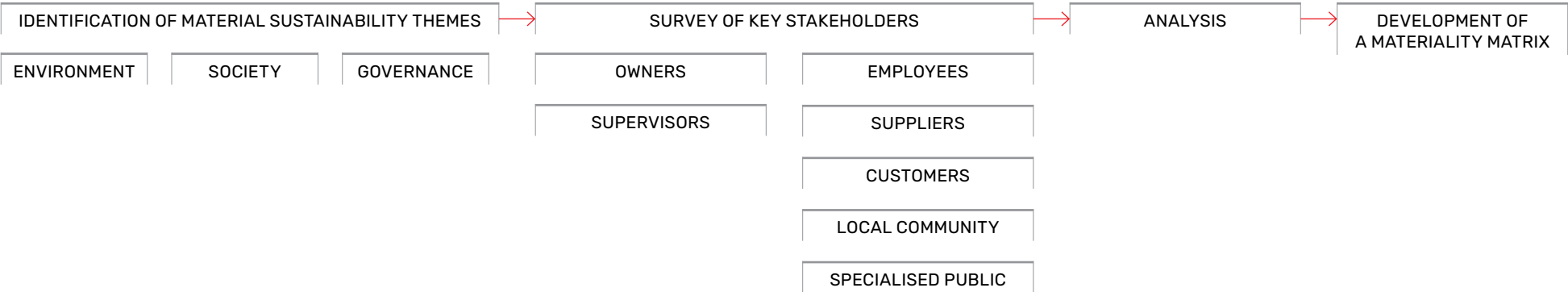
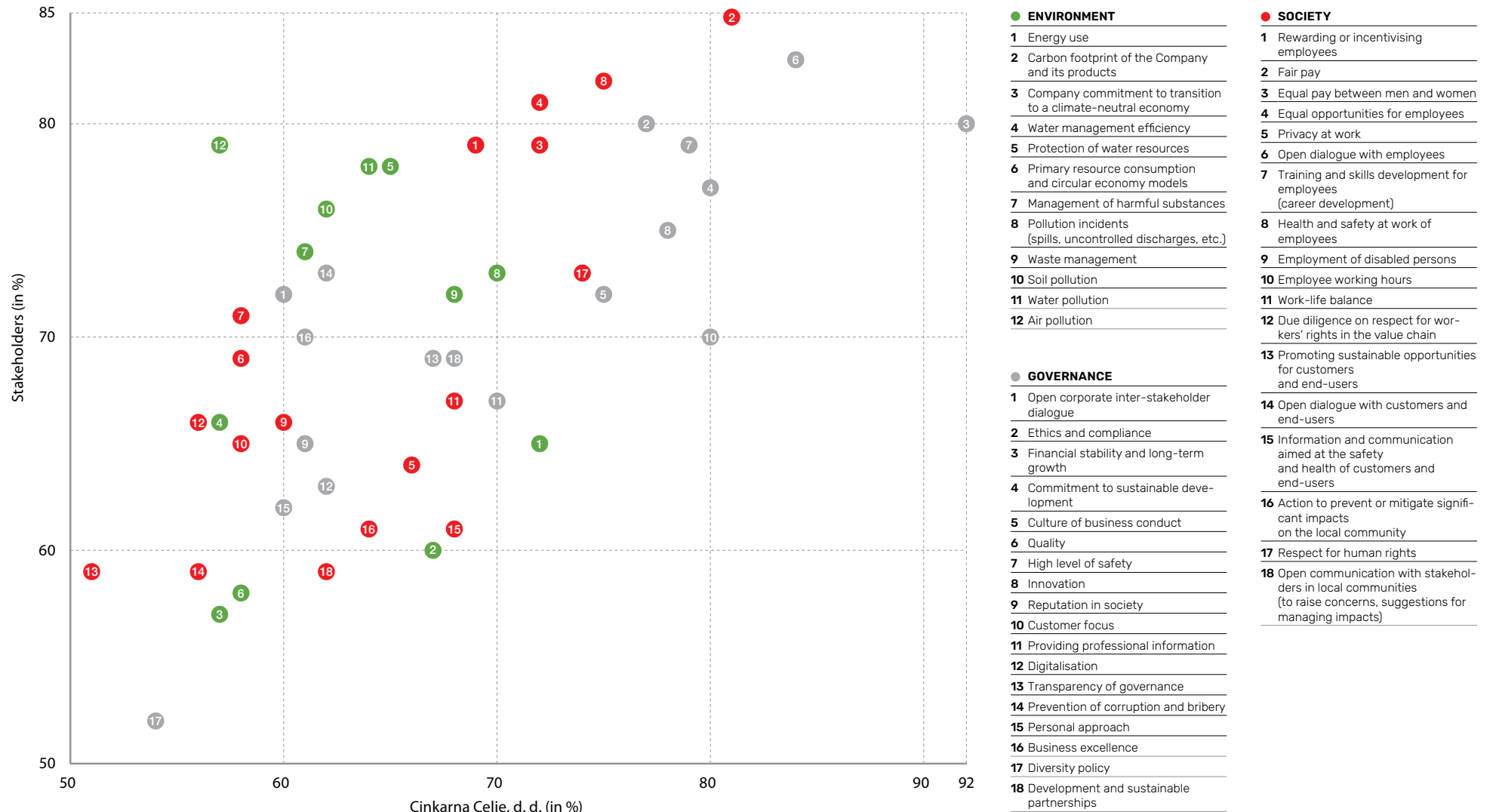


Diagram: Materiality matrix of Cinkarna Celje d.d.



The indicator with the highest scores in all categories is Financial stability and long-term growth, which Cinkarna Celje rates as 92% important, while stakeholders rate it as 80% important. For stakeholders, quality is the top priority (83%), with Cinkarna placing it a high second (84%). Both agree that ethics and compliance, commitment to sustainable development and a high level of safety are other priority categories.

On the social front, the importance ratings between Cinkarna Celje and its stakeholders are fairly aligned, with both putting fair remuneration first. Both Cinkarna Celje and stakeholders rank health and safety at work of employees as a high second priority. Among environmental indicators, energy consumption is the most important for Cinkarna Celje, followed by pollution in-

cidents and waste management. Air pollution is by far the most important issue, followed by water pollution and protection of water resources. Soil pollution is also ranked fairly highly by stakeholders, and the management of harmful substances and pollution incidents are ranked much higher in importance than by Cinkarna Celje. As Cinkarna Celje considers the management of these areas to be at a high technological level, it gives these topics slightly lower importance. In terms of importance, stakeholders rate energy use slightly lower than Cinkarna Celje, and the carbon footprint of the Company and products even lower.


As all of these aspects are classified as important, the Company manages them strategically in the long term.

92% / 80%

indicator Financial stability and long-term growth
(Cinkarna Celje, d.d. / stakeholders)

84% / 83%

indicator Quality
(Cinkarna Celje, d.d. / stakeholders)

A woman with long blonde hair, wearing a blue and grey lab coat, is holding a glass flask containing a blue liquid. She is looking at the flask with a slight smile. The background is a blurred laboratory setting with green foliage. A large white circle on the left contains text, and a red circle at the bottom left contains her name and title. The bottom of the image has a white dotted pattern.

By controlling the process, I guarantee the top quality of our products and technical materials for various applications and customer requirements. I also develop various formulations of end products on the plant protection products market.

Karmen Veber, B.Sc.
(Chem. Tech.),
independent division
technologist, Chemistry
Celje BU, Blue Copper

ENVIRONMENTAL ASPECT

As part of the chemical industry, we are aware of our role in the transition to a green economy. We are part of a value chain that already plays an important role in raw materials for low-carbon, energy-efficient and long-lasting products, and this importance may increase in the future.

Our activities cause multiple environmental impacts, which are managed holistically within the Company and increasingly along the value chain. We take a strategic approach to energy management, prevention of pollution to air, water and soil, conservation of water resources and wastewater management, conservation and restoration of biodiversity and ecosystems, and efficient management of raw materials and waste. We develop circular models and deploy the best available technologies for responsible environmental management and a low-carbon economy.

Key policies, standards and other documents on environmental management include:

- Quality Assurance, Environmental, Health & Safety and Sustainable Development Policy (latest version 2023)
- Major Accident Prevention and Mitigation Policy (latest version in force 2020)
- ISO 9001 - Quality Management System (1999)*
- ISO 14001 - Environmental Management System (2009)*
- EMAS - Environmental Management and Audit Scheme (2009, registration is renewed annually; BU Kemija Mozirje)
- Responsible Environmental Management Programme (POR) (1998)
- HACCP - Hazard Analysis and Critical Control Points (2004)
- Environmental Risk Reduction Design (latest version 2020)
- Protection and Rescue Plan (2007)
- ISO 50001 (2024)

* Policies for ISO 90001, ISO 14001, ISO 45001 systems are combined in the Quality Assurance, Environmental, Health & Safety and Sustainability Policy since 2015.



● *We are committed to coordinated operation and consistent compliance with all requirements in the field of environmental protection. Our work is based on continuous improvement, cooperation with stakeholders and the search for solutions to reduce environmental impacts. A major challenge for us and the entire company is the transition to a sustainable future for the company, which is extremely complex and important at the same time. It requires extensive changes that must be included in every process in the company and affect many areas. At the same time, it requires the involvement of many stakeholders who often have differing and even conflicting priorities.*

Bernarda Podgoršek, M.Sc., Head of the Environmental Protection Service

Environmental management

Content

101	Quality Assurance, Environmental, Health & Safety and Sustainable Development Policy
101	Major Accident Prevention and Mitigation Policy
102	Environmental communication, issues and complaints
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102	Compliance and standards
102	Ecological monitoring
103	Responsible Care Programme
103	HACCP system management
103	Environmental due diligence
103	Ecovadis Sustainability Rating

Our environmental policy is part of the Integrated Management System Rules of Procedure, so that elements of the environmental management system are interwoven with all business processes in the Company. From the outset, we are part of the Responsible Care Programme, the chemical industry's global initiative to improve health, safety and environmental management. It is a voluntary commitment that demonstrates our commitment to these areas, which often go beyond just regulatory requirements. We regularly monitor and measure our environmental impact and put in place measures to reduce our own impact. Our approach also aims to influence our supply chain and the wider social environment through the integration of environmental criteria in the evaluation and selection of suppliers and through various education and awareness-raising projects.

As part of our environmental policy, we are addressing our commitment to climate change mitigation and adaptation and the conservation of biodiversity in ecosystems. We demonstrate responsible environmental and climate stewardship by:

- complying with environmental legislation;
- identifying the hazards and risks of environmental impacts;
- managing risks and taking action to prevent potential damage to the environment;
- planning and implementing activities to mitigate risks and responding and communicating quickly in emergency situations to prevent environmental pollution;
- monitoring the life cycle of the carrier product;
- calculating the carbon footprint at organisational level;
- contributing to climate change mitigation through various activities.

In 2023, as part of our Strategic Business Plan, we formulated our strategic commitments in the area of sustainable development and energy transformation, which are based on environmental compliance, comprehensive identification and management of environmental impacts, requirements for green transformation, mitigating energy costs, chemical legislation requirements and, in relation to the above, risk management.

Quality Assurance, Environmental, Health & Safety and Sustainable Development Policy

The policy is based on a vision of growth and achievement of the Company's key strategic objectives, which are focused on sustainable development and on achieving satisfaction of owners, employees, business partners and the environment in which we operate. The management system is designed to continuously improve the efficiency and effectiveness of the Company's operations, identifying opportunities and risks, taking into account the needs and requirements of all relevant stakeholders, ensuring adequate resources and compliance with legislative requirements. In doing so, we adhere to the fundamental principles of responsible management of employees and the environment. Managers and executives motivate and involve all employees in contributing to improvements through the implementation of the established management system and personal example. The adequacy, sufficiency, effectiveness and ongoing implementation of the management system are regularly verified through internal audits and management reviews.

The policy sets out basic principles and objectives in the areas of quality assurance, environmental management, health & safety and sustainable development, which relate to customer satisfaction with our products and services, supplier selection, consideration of the needs of relevant stakeholders such as employees, owners, the social community and others, trained and motivated staff, ensuring the health and safety of employees, responsible environmental management, energy management, ensuring the control and measurement of our products, services and processes, and planned development and continuous improvement to achieve the set objectives.

The Policy is yearly reviewed and updated (the latest version is valid from 25 April 2023). The full Policy is available on our website

► <https://www.cinkarna.si/en/sustainability>.

Major Accident Prevention and Mitigation Policy

We also handle hazardous substances in our operations and therefore establish and maintain a high level of major accident prevention and mitigation in our processes as part of our safety management system. This commitment is reflected in the policies we implement with the support of management and the participation of all employees. The Policy defines the activities we undertake to ensure safe operations, risk mitigation, adequate preparedness for major accidents and public information. Incidents are also monitored, but there were no significant spills or major accidents in the last five years.

The Policy is reviewed and updated (last version 15 October 2020). The full Policy is available on our website

► <https://www.cinkarna.si/en/sustainability>.

Environmental communication, issues and complaints

We regularly communicate our plans and achievements to all our stakeholders through various forms of communication. Comments and complaints regarding environmental impacts are accepted at varstvo.okolja@cinkarna.si, which is published on the Company's website <https://www.cinkarna.si/en/sustainability>.

The Environmental Protection Department is responsible for receiving, registering and responding to questions or complaints from the civil public concerning environmental impacts. A register of public questions and complaints received is kept. Complaints are reported to the Management Board and are also addressed at the annual management review. The details of the system of notification in the event of accidents and emergencies and the system of recording public questions and complaints are laid down in the organisational rules - Incident Management and Safety and Emergency Response System. The responsibility for communication with the external public lies with the Management Board.

Objectives and measures

Each year, the Company's management defines the main environmental policy objectives that we specifically pursue in each year and on the basis of which we plan and implement actions. In 2023, we have focused on the following areas:

- taking action to address environmental risks,
- sustainable development and circular economy,
- maintaining or ensuring regulatory compliance.

Compliance and standards

In the field of the environment, we act in accordance with the requirements of legislation and environmental permits. Environmental and other risks are managed through our well-established ISO 9001 quality system, ISO 14001 environmental management system and ISO 45001 occupational health and safety system. At the BU Kemija Mozirje site, we are registered in the EMAS environmental management and audit scheme, designed to assess and improve the environmental performance of organisations and to inform the public about this performance.

The effectiveness of the systems in place, including the requirements of the EMAS Regulation and the Environmental Statement, are verified annually by the SIQ (Slovenian Institute of Quality and Metrology) certification company. On the basis of the environmental verifi-

cation and all documented evidence, the Environmental Agency of the Republic of Slovenia (ARSO) issued on 17 September 2021 a Decision on the renewal of the EMAS registration with registration number SI-00003 and the corresponding EMAS Registration Certificate valid until 30 November 2024. Information on significant environmental aspects is provided to interested external publics via the Environmental Statement for Cinkarna Celje BU Kemija Mozirje.

Over the last five years and more, we have not been fined or sanctioned for non-compliance with environmental legislation and regulations.

Ecological monitoring

We regularly monitor wastewater, surface water, groundwater, soil, air emissions, noise sources, waste assessment, tank leakage and other required environmental monitoring. We are authorised to carry out ecological monitoring of wastewater (No 35435-19/2021-4) and accredited for sampling and testing (LP-050 Cinkarna Celje d.d.).

In 2023, the accreditation of the Quality Department and the Environmental Protection Department laboratories to ISO 17025 for wastewater sampling and testing was reconfirmed with a successful external audit.

Responsible Care Programme

We are members of the Responsible Care Programme® (POR) group of the Association of the Chemical Industry. Each year we meet all our obligations, as evidenced by our Responsible Care Report. Based on this, we are awarded the Responsible Care® (POR®) certification every year. This demonstrates our voluntary commitment to continuous improvement in the areas of environmental protection, health and safety at work. We have been participating in the programme since the initiative's inception in 1998.

HACCP system management

In 2004, we introduced the HACCP system in the food facility, which was completely overhauled in 2017 in cooperation with the National Laboratory for Health, Environment and Food (NLZOH). The system is rigorously implemented and continuously improved to reduce the risk of contamination. Supervision and advice is provided by the NLZOH, which carries out two inspections per year in the central kitchen and one inspection per year in the Marketing and Maintenance distribution rooms. No non-compliances were detected during the inspections in 2023. To ensure the successful implementation of the HACCP system, we organise bi-annual training for our staff in cooperation with NLZOH.

Environmental due diligence

We are very conscious of our environmental responsibility in the environment in which we operate, and we carried out environmental due diligence as early as 2013, when risks from legacy burdens in areas of current production were identified. We continued our investigations in this area in 2015-2019 with an external contractor, CDM Smith. The information was taken into account in the preparation of the Baseline Report in accordance with the Environmental Protection Act (ZVO-2).

In the period between 2019 and 2022, due diligence according to environmental standards was not carried out.

Ecovadis Sustainability Rating

For 2022, we received the Ecovadis Sustainability Rating Silver Medal, which assesses sustainable sourcing alongside environmental protection, human rights and employee health and ethics. The rating for 2023 will be available at the end of April 2024.



● *If we wish to become responsible users and not remain mere consumers, we must as individuals, companies and the whole of society put quality first. When I say quality, I mean the quality of materials, services, routes, information and relationships. We can do all of that at the Quality Department.*

Ksenija Gradišek, B.Sc. (Chem.), Head of the Quality Department

My work mainly involves efforts to reduce the consumption of electricity used for compressed air operations and the consumption of natural gas. I search for solutions for a balance between economic performance, energy efficiency, environmental protection and social responsibility.

Jaka Kugler, B.Sc.
(Chem. Tech.),
independent
technologist, Titanium
Dioxide BU, Investments
and Technological
Improvements



Climate change

Content

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As an energy-intensive company, climate change is an important aspect of Cinkarna Celje's management and a priority strategic focus for the green transition, which is why energy transformation is one of the pillars of the Company's development strategy. The business strategy for the period 2024-2028 was adopted in November 2023 and foresees the implementation of activities in the field of energy efficiency, as well as the expansion of renewable energy systems and the cogeneration of electricity from steam generated by sulphur incineration, and other projects such as the preparation of process water from waste water from the municipal wastewater treatment plant. We continue to actively manage energy and energy sources in our business and production processes in line with European guidelines (Fit for 55, REPowerEU) and ISO 50001 - Energy Management Systems. Activities are underway for the certification according to this standard, which is planned for 2024.

A comprehensive energy audit of the Company was carried out in September 2021, which was the basis for the next steps in energy management. These activities optimise energy use while reducing energy costs, increasing the Company's competitiveness and introducing investments for the transition to a low-carbon society.

Energy consumption in the organisation

The implementation of energy efficiency measures is based on a roadmap of indicative targets set each year by the Company's management. These are then supported by the implementation of performance targets. The four most important areas in which we regularly optimise the Company's energy use are waste heat recovery, compressed air production and consumption, frequency control of electric motor drives, and the replacement of lighting with LED lighting.

Production is optimised through new technological approaches, the planned replacement of obsolete metering and energy supply equipment, the planned rehabil-

itation of pipelines (steam, water) and the replacement and installation of efficient electrical and electronic equipment.

We use gas, electricity, steam, wood biomass and, from 2022, solar energy from our own solar power plants as energy sources in our business and production processes.

The largest energy consumer is titanium dioxide production, where the savings are also the largest. Energy consumption is highly dependent on production volumes and various disturbances in the production process.

Chart: Energy consumption by source in 2023

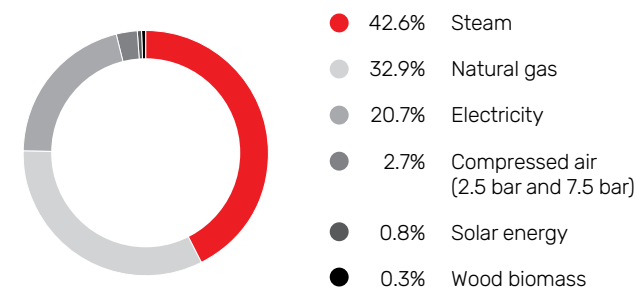


Table: Energy consumption in 2019-2023, in kWh*

Energy source (kWh)	2019	2020	2021	2022	2023
Steam	172,681,600	178,464,800	181,619,200	171,077,600	142,156,000
Electricity	91,559,142	91,591,880	89,677,581	83,719,239	69,168,858
Natural gas	137,129,268	145,776,927	144,443,478	135,988,503	110,013,125
Compressed air	11,030,267	12,040,832	11,232,542	15,950,618	9,155,290
Wood biomass	756,952	534,100	450,310	420,880	804,516
Solar energy	0	0	0	1,189,055	2,598,395
Total	413,157,229	428,408,539	427,423,111	408,345,895	333,896,184

* Note: In the 2022 report, there was an error in the reporting of energy consumption, namely in the case of steam consumption due to an error in data capture and input, and in the case of electricity consumption in the case of company-wide data capture and double counting of a part of the electricity (electricity used to produce compressed air). Also, the reporting of wood biomass consumption was omitted.

We provide the corrected information on energy consumption for the reported period 2018-2022 in the 2022 Annual Report, the reported information 2023 (correction) and the difference. An error occurred during data capture and entry.

Correction of information

Energy type (kWh)	2018	2019	2020	2021	2022
Steam (reported 2022)	142,390,400	132,593,600	183,349,600	190,456,800	193,180,000
Steam (correction 2023)	125,077,600	172,681,600	178,464,800	181,619,200	171,077,600
Difference	17,312,800	-40,088,000	4,884,800	8,837,600	22,102,400
Electricity (reported 2022)	93,537,365	100,327,039	101,350,402	98,480,843	97,470,677
Electricity (correction 2023)	85,679,088	91,559,142	91,591,880	89,677,581	83,719,239
Difference	7,858,277	8,767,897	9,758,522	8,803,262	13,751,438
Natural gas	126,043,993	137,129,268	145,776,927	144,443,478	135,988,503
Compressed air	9,919,187	11,030,267	12,040,832	11,232,542	15,950,618
Wood biomass	416,500	756,952	534,100	450,310	420,880
Solar energy	0	0	0	0	1,189,055
Total (reported 2022)	371,890,945	381,080,174	442,517,761	444,613,663	443,778,853
Total (correction 2023)	347,136,368	413,157,229	428,408,539	427,423,111	408,345,895
Difference	24,754,577	-32,077,055	14,109,221	17,190,552	35,432,958

Chart: Steam consumption in 2019–2023, in MWh*

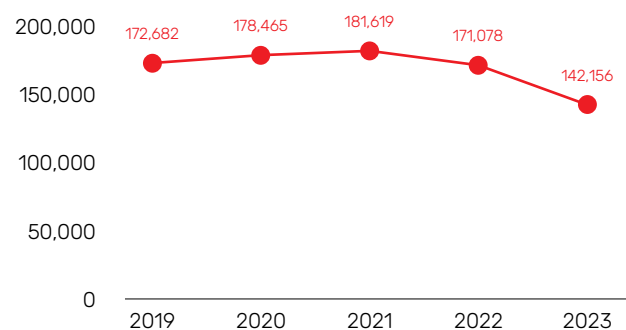


Chart: Electricity consumption in 2019–2023, in MWh*

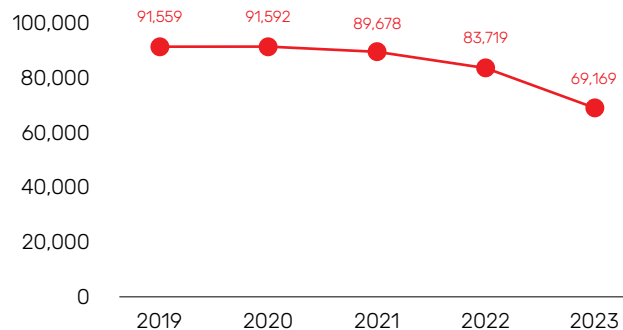
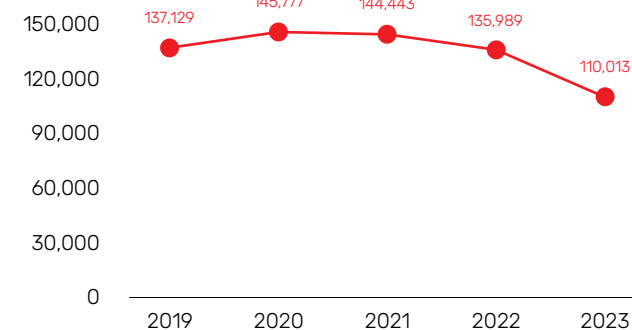


Chart: Natural gas consumption in 2019–2023, in MWh



Reduction of energy consumption

In 2023, there is a significant decrease in total energy consumption of 18% compared to 2022. The decrease is largely due to the autumn overhaul of titanium dioxide and sulphuric acid production. At that time, production was carried out on only one calcination furnace (out of two), which is reflected in a reduction in gas consumption. The two calciners account for 65% of the Company's total gas consumption. The reduction in energy consumption was also achieved by implementing efficiency measures and modernising equipment. Consumption of wood biomass (in BU Kemija Mozirje) increased by 48%, due to the longer heating season.

In 2023, we continued with the solar power plant project. In addition to the two plants already built in 2022, eleven more solar power plants were built on the roofs of the Cinkarna's buildings in 2023, with a total capacity of 5,793.22 kWp, amounting to 6,082,860 kWh of electricity generated annually. The share of energy generated by photovoltaic systems amounts to just over 3% of the total electricity needed or consumed by Cinkarna.

Energy efficiency measures and equipment upgrades implemented:

- Organisational measures on energy saving and efficiency, including:
 - motivating staff;
 - providing information on energy use characteristics to all employees;
 - implementing and monitoring soft measures such as:

- correct lighting, taking daylight into account;
- switching off lights in rooms when not in use;
- switching off work equipment and accumulating operation over a shorter period of time;
- introducing correct temperature control and monitoring values;
- correct use of appliances and work equipment;
- rapid fault reporting system (air/water leakage points, appliance servicing, etc.).

The estimated annual savings from the implementation of these measures amount to 1,249,000 kWh.

- Replacement of old electric motors with energy-efficient IE3 motors: 21 old motors were replaced with new IE3 motors in 2023, saving 173,000 kWh per year.
- Lighting renewal - LED replacement: in 2023, 340 old luminaires were replaced with 329 LED luminaires in the TiO₂ BU. The annual energy savings amount to 160,027 kWh. At the other sites, 356 old luminaires were replaced with LED luminaires. The total annual saving of the replaced lighting is 278,527 kWh.
- Reactive energy compensation: in 2023, we optimised the regulation of reactive energy compensation at the Cinkarna 1-5 metering point (RTP TiO₂) and at the gypsum desulphurisation plant metering point, so that the operator does not charge us for reactive energy. However, the compensation at the BU Kemija Mozirje metering point is outdated and will be replaced with a new one in

2024. Corrective measure KM 01/2024 was issued.

- Installation of frequency controllers: frequency controllers are fitted to electric motor drives where speed variation is required. For example, reducing the speed of the pumps by 20% reduces the power required by 50%.

In 2023, of the major consumers, a frequency converter was installed for the NETZSCH sand mill in TiO₂ production and a frequency-controlled compressor was purchased for the gypsum filtration plant – Za Travnikom Waste Disposal Facility.

We estimate that the measures implemented will save at least 1,700,000 kWh in 2023. The remaining lower energy consumption compared to 2022, of 71,754,000 kWh, can be attributed to reduced production due to overhauls and reduced customer orders.

Investing in renewable energy

The construction of solar power plants on the roofs of our buildings is our long-term business interest, and we continue to invest in order to fulfil our commitment to increase the use of renewable energy sources, thereby reducing the share of fossil energy consumption in line with the guidelines of the Slovenian Development Strategy by 2030 and EU directives.

The construction of the solar power plants planned in the project is expected to be completed by the end of 2027. The total amount of electricity generated is expected to represent just over 6% of annual electricity consumption, reducing CO₂ emissions by around 2,900 tonnes per year. This represents a 4.68% reduction compared to the 2021 baseline year, when total CO₂ emissions amounted to 61,910.43 tonnes CO₂ eq.

In 2024, we will build a solar power plant with a total installed capacity of 1,300 kWp and 1,365 kWh respectively. We will continue to build solar power plants on available roofs up to the 9,000 kWp envisaged, but this will require some renovation of the roof surfaces, either in terms of replacing the roofing or improving the structural integrity of the structure itself. At the same time, we are working on a project to build a solar power plant on the car park at the main entrance of the Company. By the end of 2024, we will have increased the share of self-supply of electricity to around 7.8% of the total annual energy consumption, which is close to 100,000,000 kWh.

We are also gathering information for the construction of solar power plants in degraded areas. We see an opportunity at the Bukovžlak non-hazardous waste landfill site, once the rehabilitation is complete. This includes the installation of impermeable cover and drainage arrangements and is expected to take another four years. Positive approvals would allow the construction of a solar power plant with a capacity of up to 4,000 kWp, which would generate approximately 4,200,000 kWh per year, the final installed capacity depending on a number of factors, primarily the possibility of connecting to the existing electricity grid. This, in addition to obtaining permits, represents a major risk for the project, as the nearest transformer substation is a good kilometre away. In this way, a degraded area that is not suitable for other activities could be put to good use for the generation of electricity from renewable energy sources.

We plan to operate a network of solar power plants, with our own electricity generation expected to be used for self-supply, depending on the Company's needs.

The main objectives and reasons for building solar power plants are:

- electricity generation amounting to 10% of total electricity needs till 2030,
- long-term cost reduction and increased competitiveness of the Company,
- increase the share of RES in the Company's energy consumption,
- reduction of CO₂ emissions till 2030.



● At the Maintenance and Energy BU, we strive to create the conditions that will elevate this unit to the European or global level over the next five years. By pursuing our vision of proactive and planned maintenance, we ensure maximum reliability and availability of equipment as well as cost-effective maintenance. We manage and control the entire maintenance and energy-management process and supervise activities so that the company can successfully pursue its vision of continuous growth. In the field of energy, we follow sustainable business practices where our sustainable development strategy observes the commitments of the United Nations and follows the goal of the decarbonisation of the company by 2050.

Boštjan Podkrajšek, B.Sc. (Econ. Eng.),
Director of the Maintenance and Energy BU

Actions contributing to decarbonisation

As part of our strategic planning for decarbonisation, we are investing in projects to increase energy efficiency (EE) and the use of renewable energy (RES). Certain investments are already underway, while others are in the pipeline or undergoing feasibility studies.

Table: RES and EE measures that were implemented or are in the process of implementation

Investment	Estimated value of investment in EUR (excluding VAT and subsidy)	Estimated annual energy savings in kWh	Investment status
Renewable energy sources			
Installing a solar power plant on the Polymeri and Rolling Mill building	886,000	1,650,000	Implemented in 2022
Solar power plant installation: Kemija Celje, Graphics, Dining room, Hall A	1,352,000	2,310,000	Implemented in 2023
Installation of solar power plants: part of the Marketing, Transport, Multipurpose, Energy, Kemija Mozirje and Maintenance buildings - Hall B	1,090,227	2,310,000	Implemented in 2023
Installation of solar power plants: parking spaces in front of the main entrance and the Marketing building	2,200,000	1,320,000	In 2024
Installation of a solar power plant at the Bukovžlak non-hazardous waste landfill site (ONOB) - the feasibility of construction is being verified due to the constraints of the degraded environment, the zoning act, the decree on post-war graves, the possibility of connecting to the grid.	Approx. 6,500,000	5,500,000–6,600,000	Viability check, in case of a positive outcome, implementation by 2030
Installation of battery E	3,900,000	No energy savings, financial savings	First phase in 2025, second phase by 2030
Co-generation of electricity and steam	14,000,000	16,728,000	By 2025
Energy efficiency			
Replacing old electric motors with energy-efficient IE3 motors	852,500	3,135,000	Progressively by 2030
Replacement of two old transformers in TP 7-10, neutralisation	99,272	53,000	Implemented in 2023
Replacement of obsolete lighting with LEDs	440,000	864,000	Progressively by 2030
Replacing compressors with energy-efficient ones	1,985,000	1,766,000	Progressively by 2030
Optimisation of the existing steam pipeline	83,352	9,486,000	Implemented in 2023
Replacement of the heat exchanger on the IKT2 acid	586,558	Operational safety	Implemented in 2023

Energy intensity

Cinkarna Celje d.d. is an energy-intensive company because the Company's energy intensity percentage (EIP) is more than 3% (according to Article 96(2) of ZTro-1). The energy intensity is calculated as the quotient between the annual cost of purchasing all energy products in EUR and the production value in EUR, or with the AOP codes from the income statement: $\% \text{ EIP} = \text{Item G b (energy costs)} / \text{Item F (gross operating profit)} \times 100$.

In 2023, EIP's share in our Company was 12.10%. This means that the annual cost of energy procurement was 12.10% of the total production value. The cost of energy purchases includes all energy costs, namely natural gas, electricity and fuel for vehicles (trucks and cars) and others.

Company's carbon footprint

Managing greenhouse gas (GHG) emissions to air is one of the central aspects of Cinkarna Celje's environmental management in the long term, for which we already made several important investments and will continue to be one of the priority environmental areas in the future. At the same time, we are following the European Union's commitments and guidelines for reducing GHG emissions and transitioning to a low-carbon society. An important step towards managing GHG emissions and the transition to a low-carbon economy is the calculation of the organisation carbon footprint of Cinkarna

Celje d.d., which will enable us to make measurable business decisions towards decarbonisation in the future.

For 2021, we calculated the Company's carbon footprint according to the GHG Protocol for Scope 1 and Scope 2. The Company's carbon footprint report serves as a basis for decision-making and taking important business decisions in the future, as well as for optimising our own operations in terms of reducing operating costs.

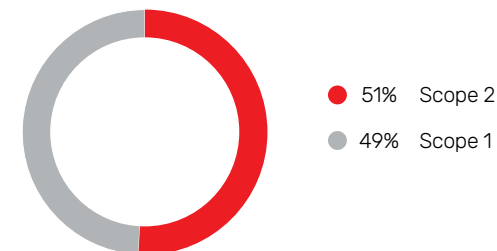
The carbon footprint is based on the guidelines, recommendations and principles set out in the EN ISO 14064-1:2019 standard for the calculation of carbon footprints at the organisational level and the GHG Protocol. The reference year for the data collected and taken into account in the calculation of the carbon footprint is 2021. The tools used for the calculation of GHG emissions, including the development of the methodology, are consistent with those developed by the Intergovernmental Panel on Climate Change at the national level. The basic calculation of the carbon footprint of Cinkarna Celje d.d. includes direct emissions and emissions from leased electricity. The standard emission factors of the Jožef Stefan Institute and the IPCC (April 2022) were used for the CO₂ calculations.

We calculated the carbon footprint for Scopes 1 and 2

Scope 1 includes direct emissions from stationary and mobile sources of GHG emissions, Scope 2 covers leased electricity (location-based method).

The calculations show that Scope 1 GHG emissions are 78,612 tonnes CO₂ eq., Scope 2 emissions are 33,045 tonnes CO₂ eq. (site-based method) and 80,324 tonnes CO₂ eq. (market-based method).

Chart: Market-based carbon footprint share by Scope 1 and Scope 2 in 2021



- 9 SIST EN ISO 14064-1:2019 (Specification with guidance at organisation level for quantification and reporting of greenhouse gas emissions and removals):
 - PAS 2060 (Carbon Neutrality),
 - PAS 2050:2011,
 - PAS 2060,
 - JRC4 Guidelines (Guide for organisations).
- 10 Intergovernmental Panel on Climate Change [Core Writing Team, R. K. Pachauri and L. A. Meyer (eds.)]. IPCC, Geneva, Switzerland, 151 pp.

Table: Carbon footprint by Scopes 1 and 2 in 2021*

Scope	Type of activity	2021 (tonnes CO ₂ eq.)	Uncertainty analysis
Scope 1	Stationary sources (stationary combustion)	25,902,79	Good
	Mobile sources (mobile combustion)	2,962,28	Good
	Neutralisation process (process emissions)	49,747,15	Good
	Scope 1 – total	78,612,22	/
Scope 2	Purchased electricity – location method (all three sites of Cinkarna Celje d.d.)	33,045,37	Good
	Purchased electricity – market method (all three sites of Cinkarna Celje d.d.)	80,324,46	Good
	Scope 2 – total (location method)	33,045,37	/
	Scope 2 – total (market method)	80,324,46	/
Total	Scope 1 and Scope 2 (location method)	111,657,58	/
	Scope 1 and Scope 2 (market method)	158,897,49	/
Biogenic carbon		tonnes C	
Scope 1		21,439,70	
Scope 2 (location method)		9,012,37	
Biogenic carbon		tonnes C	
Scope 1		21,439,70	
Scope 2 (location method)		21,906,67	

C = carbon

* Note: In the 2022 report, there was an error in the Scope 1 carbon footprint of 76,833.82 tonnes CO₂ eq. due to incorrect use of units of measurement and process emissions not being taken into account. The table below shows the correct values. The calculation of Scope 2 using the market method has also been added.

According to the location method, Scope 1 contributes 70% to the total carbon footprint of Cinkarna Celje d.d., while Scope 2 contributes 30%. The results show that the Company's electricity consumption is lower compared to the consumption of fossil fuels and the chemical neutralisation process.

According to the market-based method, Scope 2 contributes 51% to the total carbon footprint of Cinkarna Celje d.d., while Scope 1 contributes 49%. The calculated indirect emissions of the Company's leased electricity have almost the same impact on the environment as the emissions from stationary and mobile sources and chemical processes of Scope 1.

Scope 2 GHG emissions vary between the methods used due to the emission factors specified.

Emission values can be more than 2 times higher. For the reporting of carbon footprint or GHG emissions, Cinkarna Celje will use the carbon footprint results according to the location method (the so-called emission factors for Slovenia).

In 2024, we will prepare a carbon footprint calculation also for Scope 3.

By implementing the envisaged energy efficiency measures and investing in renewable energy sources, we estimate that by 2030 we will have reduced the carbon footprint of Scope 1 and Scope 2 by 7,386.5 tonnes CO₂ eq. and 14,353.4 tonnes CO₂ eq. respectively, compared to the baseline year 2021.

Carbon footprint of the carrier product

At Cinkarna Celje d.d., the carbon footprint of the titanium dioxide carrier product was calculated four times at the level of the TDMA (Titanium Dioxide Manufacturers Association). The association provides an average carbon footprint value for all companies that are part of the association and produce titanium dioxide. As agreed at the Association level, we publish the average titanium dioxide carbon footprint publicly, which is also published on the TDMA website. For calculations from 2016 onwards, the upgraded method of determining the Life Cycle Inventory (LCI), expressed as the Product Environmental Footprint (PEF), is used.

Table: Average carbon footprint of titanium dioxide at TDMA level

Year	TDMA average (tonnes CO ₂ eq./tonne TiO ₂)
2010	5.2
2012	5.3
2016	4.9
2021	4.8


Data shows that the industry's carbon footprint has been declining over the years, driven by increased investment and action in energy efficiency, as well as by improving technological solutions and digitalisation.

In 2023, Cinkarna Celje d.d., with the help of an external expert, independently calculated the carbon footprint of the titanium dioxide product or made an assessment of the environmental footprint of the product (LCIA) for 2021, which amounts to 4.02 t CO₂ eq./tonne TiO₂.



● *Our main concern is good and constant contacts with existing customers and a good understanding of their wishes and needs. By recognising said wishes and needs and through the dedication of various departments at the company, we can offer them everything they may require. We are valued by existing customers as a great team they can rely on. Our excellence is also noticed by potential new customers who represent an important pillar of our business in the current market conditions. With a commitment to the success and long-term development of the company, we definitely represent a supplier worth trusting and following.*

Andrej Perc, B.Sc. (Econ.), Titanium Dioxide Key Account Manager

A man with glasses and a blue work uniform is operating a robotic machine. He is holding a black control device. The machine has a yellow robotic arm and a black body with the text 'HYUNDAI WIA 300MSA' visible. The background is a factory setting with a window.

Through my work, I contributed to the robotisation of the feeding of CNC machines with the aim of ensuring production capacity targets are met. We replaced the manual labour done by the feeder operator and eliminated the influence of the human factor on product quality.

Jure Vrbovšek,
B.Sc. (Mechatronics),
Workshop Manager,
Polymer BU, Fluorinated
Thermoplastics
Production

Pollution

Content

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- 117 Noise emissions
- 117 Emissions to soil and groundwater
- 117 Preventing major accidents

Preventing and reducing pollution requires an integrated approach and the implementation of various measures at different levels, including impact assessment, identification of risks and legislative requirements, technological innovation and awareness-raising.

The section on environmental management lists the key policies, standards and other documents adopted to guide action in this area.

Emissions to air

Reducing emissions to air is key to improving air quality and reducing negative impacts on human health and the environment. To do this, we set targets and reduce the sources of emissions that we can influence and monitor.

We monitor emissions of substances to air at all outlets, in accordance with a monitoring programme carried out by authorised external organisations. The key parameters are SO_x, H₂S and total dust. We also measure NO_x, CO, the sum of Group II substances Pb, Co, Ni, Se, Te, the sum of Group III substances Sb, Cr, CN, F, Cu, Mn, V, Sn and total organic carbon (TOC). From time to time we also carry out process measurements.

The total annual dust emissions from all sources are reduced by 31% in 2023 compared to 2022. The reduction is largely due to lower production due to the extensive overhaul in the last quarter of titanium dioxide production, which is a significant contributor to emissions. Total dust concentrations are well below the permissible limit at all outlets. The emission of total dust from the production of pigmented titanium dioxide (the largest source), expressed as an annual average per tonne of TiO₂ produced (specific quantity), was 0.20 kg/t, which is almost the same as the previous year (0.21 kg/t TiO₂) and does not exceed the 0.45 kg/t TiO₂ limit set in the Environmental Permit (OVD).

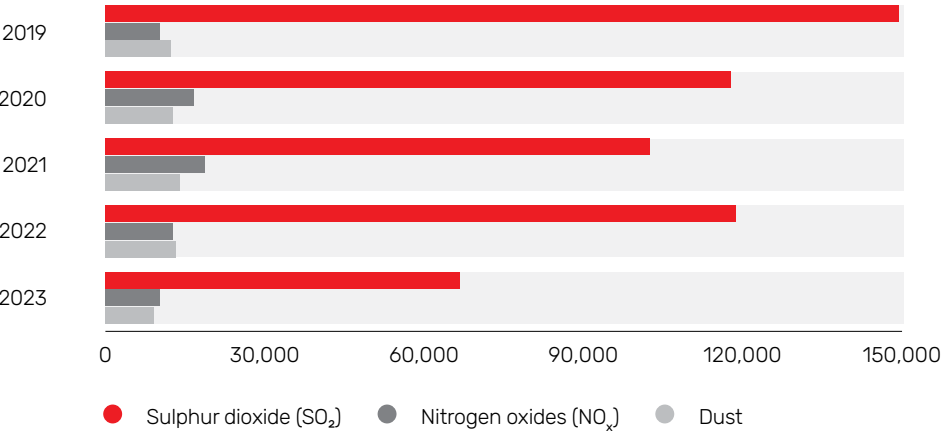
The total annual amount of sulphur oxides (expressed as SO₂) from all sources in 2023 was 66,739 kg, a decrease of 43% compared to the previous year. Again, the decrease is largely due to lower production as a result of the extensive overhaul in the last quarter of titanium dioxide and sulphuric acid production, which contributes significantly to emissions. Concentrations, mass flow and emission limits were not exceeded. The sum of the sulphur oxides emissions, expressed as an annual average, from the emissions of the Decomposition and Dissolution emission source (Z8, Z9 and Z62) and the Calcination emission source (Z12) also did not exceed the OVD limit value of 6 kg/t TiO₂.

Other parameters (NO_x, CO, Pb and Ni) in total dust are also monitored. Again, the measured mass flows do not exceed the prescribed limit values in the OVD.

Table: Emissions to air at the Celje site in 2019-2023, in kg

Emission type (kg)	2019	2020	2021	2022	2023
Sulphur dioxide (SO ₂)	149,500	117,700	102,500	118,700	66,739
Nitrogen oxides (NO _x)	10,300	16,700	18,800	12,690	10,355
Dust	12,288	12,679	14,116	13,260	9,118
Total emissions	172,088	147,079	135,416	144,650	86,212

Table: Emissions to air at the Celje site in 2019-2023, in kg



Noise emissions

Noise in the living environment is an important factor that can affect people's quality of life and the environment. The Company's activities generate noise. We manage noise emissions by regularly maintaining equipment, insulating noise sources where necessary or installing equipment with lower noise emissions.

Noise measurements are carried out once every three years, or a reassessment is carried out in the event of changes (e.g. installation of new equipment that may increase noise levels). An authorised organisation uses appropriate equipment to measure the noise level at a number of limit points, and prepares a report and a monitoring programme for the next foreseen measurement period.

All of these measures ensure that our results comply with regulatory requirements, as demonstrated by monitoring results at all production sites.

Emissions to soil and groundwater

Contamination of soil and groundwater is an important environmental challenge that we are addressing with care. When assessing the risk of soil and groundwater contamination, we take into account various factors such as the nature of the hazardous substances, the amount of the substance stored or used, and the area of the installation. In accordance with the Environmental Protection Act, we, as operators of activities and installations likely to cause pollution of a significant scale, prepared and submitted to the Ministry of the Environment and Spatial Planning in 2023 an assessment of the potential for pollution, a partial baseline report with a draft proposal for an operational monitoring programme for soil and a draft proposal for an operational monitoring programme for groundwater. The assessment of the potential for soil and groundwater contamination is an important step in risk assessment and pollution prevention.

At the Celje site, at the Za Travnikom and Bukovžlak waste disposal facilities and at the Bukovžlak non-hazardous waste landfill, groundwater monitoring is carried out in accordance with the environmental permit. The Bukovžlak non-hazardous waste landfill site was found to have an impact on groundwater. In addition to the regular groundwater monitoring, the works foreseen in the Landfill Reconstruction Project are being carried out to reduce this impact. The work is expected to be completed in 2027.

Preventing major accidents

Our operations involve the handling of hazardous substances. As a low-risk facility, we establish and maintain a high level of major accident prevention and mitigation within our safety management system. This commitment is reflected in the policy we implement with the support of management and the participation of all employees. The policy is regularly reviewed and updated (the latest one in force is dated October 2020). We also have an Environmental Risk Reduction Plan, where different scenarios of possible accidents are elaborated and all possible precautionary measures are taken to ensure safety and prevent incidents, as well as a Protection and Rescue Plan. In the area of safety management, the Company has its own fire brigade and cooperates with the Celje Fire Brigade, volunteer fire brigades, rescue services, police, inspection authorities and the media.

In 2023, we had no accidents with hazardous substances.

Water resources

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Water is a precious commodity, so we manage it carefully throughout the whole cycle, from abstraction at source to the return of treated wastewater to nature.

For technological purposes, the production processes use surface water pumped from the nearby Hudinja watercourse and groundwater from three springs at the Za Travnikom waste disposal plant. The amount of water pumped from the Hudinja river is regularly monitored by us using appropriate meters in accordance with ISO 9001, and the amount of drinking water pumped is read using meters calibrated in accordance with the MID standard

(Regulation on Measuring Instruments, Official Journal of the Republic of Slovenia 19/16, Water Meters (MI-001)). We hold the relevant water permits for the use of water for technological purposes.

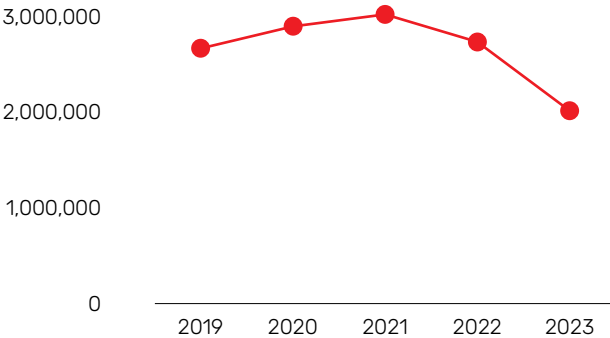
Drinking water from the public water supply network is used for sanitary purposes and partly for technological processes.

Total water abstraction has decreased over the last two years, due to the impact of lower production and measures to increase water recycling within processes.

Table: Water abstraction by source in 2019-2023

Year	Groundwater abstraction (from the Za Travnikom springs) (m³)	Surface water abstraction (from the Hudinja watercourse) (m³)	Drinking water abstraction (m³)*	Total water abstraction (m³)
2019	44,339	2,668,720	43,442	2,756,501
2020	38,795	2,899,335	40,292	2,978,422
2021	43,573	3,023,581	39,206	3,106,360
2022	38,110	2,737,182	68,036	2,843,328
2023	36,683	2,018,636	45,758	2,101,077

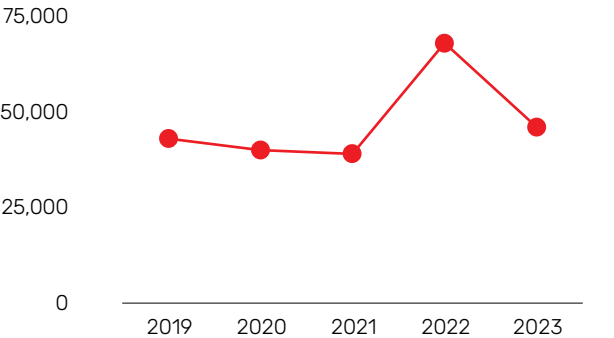
Chart: Surface water abstraction in 2019–2023, in m³



We manage projects and investments to increase recycling rates of process water. In 2022, the share of drinking water used for process water increased and the use of process water from the Hudinja watercourse decreased proportionally due to hydrological conditions that did not allow for water abstraction from the watercourse at certain times (prolonged dry period), and we were forced to use an alternative. In 2023, the weather and hydrological conditions were more favourable, so there was no additional use of drinking water for technological purposes. A project is underway for an alternative water supply to replace the use of fresh water from the watercourse or the use of drinking water for technological purposes.

Note: In the 2022 report, there was an error in the data for drinking water abstraction, i.e. the data capture did not take into account the water consumption of the Kemija Mozirje BU.

Chart: Drinking water abstraction in 2019–2023, in m³

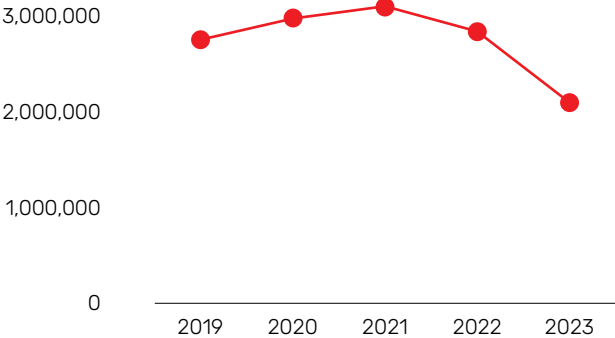


We provide the corrected information for the reported period 2018–2022 in the 2022 Annual Report, the reported information 2023 (correction) and the difference.

Correction of information

Year	Drinking water abstraction (m³) (reported 2022)	Drinking water abstraction (m³) (reported 2023)	Difference
2019	39,908	43,442	–3,534
2020	35,253	40,292	–5,039
2021	35,957	39,206	–3,249
2022	64,964	68,036	–3,072

Chart: Total water abstraction in 2019–2023, in m³



Care for water resources

Most of our process water is drawn from the Hudinja watercourse, a right tributary of the Voglajna river. The Hudinja rises on the western forested slope of Kraguljišče Hill in the central Pohorje region. The surface area of the catchment area is 207 km² and the long-term average flow of the Hudinja at the water gauging station Šmarjeta is 2.94 m³/s.

The groundwater source in the Za Travnikom area is derived from three sandstone springs and is fed from the hillside in the Blavše area to the west and south-west of the intake. The recharge area of the springs ranges from 0.75 to 1.00 km² and the average annual flows vary between 0.7 and 4 l/s (or 0.0007 m³/s and 0.004 m³/s).

The upper Hudinja with its tributaries up to Vitanje is classified as a nature conservation site of local importance, while the Socka Gorge is a nature conservation site of national importance. The Hudinja Waterfall on the Hudinja in the Socka Gorge is also recorded as a nature conservation site of local importance. The lower part of the watercourse is regulated and is not classified as a source of drinking water and is not specifically identified as a nature conservation value in the area of water abstraction on the side of Cinkarna Celje d.d. The clear waters of the upper Hudinja and tributaries above Vitanje are inhabited by the native brown trout (*Salmo trutta*) and, downstream of Vitanje, by the rainbow trout (*Oncorhynchus mykiss*). The slower-flowing water in the middle and lower reaches is also inhabited by the brown trout.

The groundwater source at Za Travnikom is not in a protected area and there are no special protected species in its area.

Integrated Water Management Project

At Cinkarna Celje d.d., we are aware of the value of the natural water resources from which we draw water for our technological processes, which is why we have been implementing the Integrated Water Management (IWM) project for several years. Its main purpose is to:

- reduce fresh water consumption in titanium dioxide production or reduce the amount of water abstracted from the Hudinja watercourse,
- introduce internal water recycling, thereby reducing specific consumption per tonne of product,
- verify the feasibility of reusing waste water from the Celje Central Wastewater Treatment Plant as a source of process water,
- reduce sulphate emissions to waste water and consequently to the Dobje, Vzhodna Ložnica and Hudinja watercourses.

Water discharges

The Celje site generates wastewater and cooling water as part of the production processes. The wastewater is treated at the Company's own wastewater treatment plants and, after treatment, is suitable for discharge into a watercourse. Where possible, procedures are implemented to recover and re-use water in the processes. Municipal wastewater is treated at the Central Wastewater Treatment Plant Celje (Tremerje). Most cooling systems are closed, so there are no discharges. Rainwater is discharged separately into the watercourse, either indirectly (treated in oil traps and grit chambers) or directly.

In accordance with the environmental permit, we monitor a total of fifteen wastewater outlets, ten at the Celje site and five at the Mozirje site. At the Celje site, wastewater is discharged into three water bodies: the Dobje, the Vzhodna Ložnica and the Hudinja, and at the Mozirje site into the Ljubija and Savinja watercourses.

Table: Water discharge by source in 2019-2023

Year	Discharge to surface water (m ³)	Discharge to public sewer (m ³)
2019	2,623,566	12,375
2020	2,923,836	12,120
2021	2,759,948	12,300
2022	2,575,483	10,980
2023	2,525,322	12,000

The amount of water discharged to surface waters depends partly on the amount of water consumed (production and efficient use) and partly on the amount of rainwater, as a result of the catchment area of waste disposal facilities, from where excess water is discharged into watercourses. A decreasing trend is observed from 2020 onwards. The discharge of urban water depends on several factors, namely the rational use of water for sanitary purposes and partly for technological purposes, and losses in the internal water supply system.

No exceedances of concentrations of substances in waste water were detected from monitoring in 2023. Concentrations of Cu (copper), COD (chemical oxygen demand) and to a small extent AOX (organically bound halogens), Ni (nickel) and total P (phosphorus) contribute to the effluent loading units (EON). The other measured parameters are below the limit of quantification or so low that they do not contribute to the loading units (Cr6+, Pb, Hg). The quantities discharged to wastewater fluctuate slightly over the years. These are small variations due to changes in input raw materials, additives and production volumes.

The emission of sulphate from titanium dioxide production was 12% higher in 2023 than in 2022, but still far below the limit value (the limit value is 550 kg/t TiO₂ according to the OVD or the TiO₂ Decree). The reduction in loading units (34%) is due to the significantly lower concentration of chemical oxygen demand in the waters.

Table: Emission quantities to waste water in 2019-2023

Parameter (ton)	2019	2020	2021	2022	2023
Chemical oxygen demand (COD)	132.4	188.4	114.3	137.9	67.0
Heavy metals (Cu)	0.06	0.04	0.04	0.03	0.04
Heavy metals (Zn)	0.13	0.12	0.09	0.15	0.15

Table: Sulphate emissions from titanium dioxide production and loading unit in 2019-2023

Emission type	2019	2020	2021	2022	2023
EO _N	2,542.7	3,641.3	2,150.2	2,829.8	1,717.8
SO ₄ ²⁻ (kg/t TiO ₂)	164.8	162.1	155.7	165.4	187.9

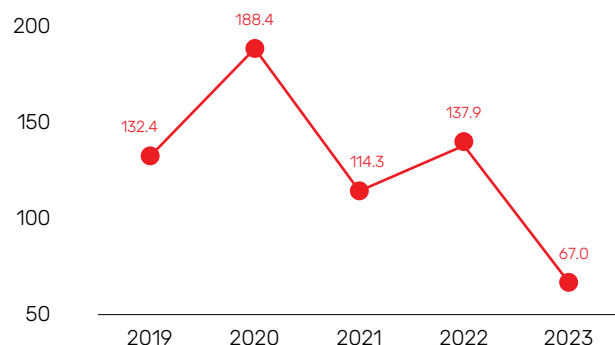
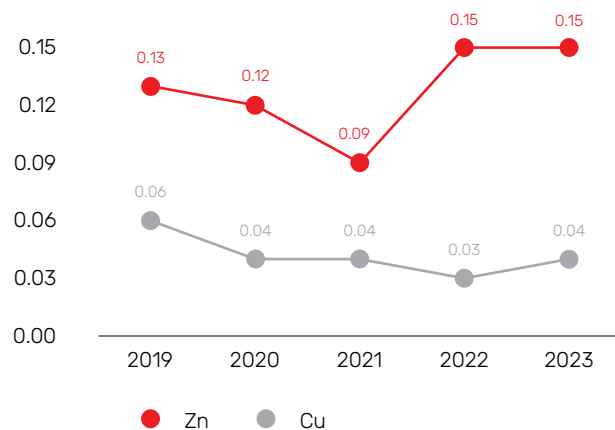
EO_N = loading unit

SO₄²⁻ = sulphate concentration per TiO₂ product unit

* The reported data in the Annual Report for the financial year 2022 differ from 2019 to 2022 for the added quantities of PE Kemija Mozirje, which the then data tables for PE Kemija Mozirje did not contain. The table below shows the reported data in 2022 by individual years.

Table: Reported emission amount of sulfate released from titanium dioxide production in years and load unit 2019-2022

Emission type	2019	2020	2021	2022
EO _N *	2.541,1	3.640,3	2.149,9	2.828,7
SO ₄ ²⁻ (kg/t TiO ₂)	164,8	162,1	155,7	165,4

Chart: Chemical oxygen demand (COD) in 2019–2023**Chart: Emission quantities (Zn and Cu) to waste water in 2019–2023**

The fluctuation is also largely due to the impact of rain-water on the large catchment areas of the Za Travnikom and Bukovžlak waste disposal plants and the solubility of the filled gypsum that comes into contact with the water and then flows out with the overflow waters from these plants.

Impact of wastewater on the natural environment

Cinkarna Celje d.d. carries out operational monitoring upstream and downstream of the discharge 12 times a year on all watercourses where wastewater is discharged. Parameters are set to determine the chemical and ecological status of the waters, and fish are sampled and analysed once a year (two-year-old chub are caught for analysis of the parameter Hg and its compounds). Based on the monitoring, we conclude that there are no negative impacts on natural habitats.

Water consumption

The Company does not measure water consumption because it is not a significant quantity (estimated at 1-5% of total water abstraction). The water consumed includes water incorporated in the product (the largest proportion is contained in RCGIPS and CEGIPS), evaporated water and water for drinking.



At the Polymers BU, we never run out of challenges and we believe that our business unit has a bright future. In all these years, we have become recognisable in the international environment as well. The good relations with our customers, which we have built over the years, are reflected in very positive business effects. Over the years, we have invested a lot in modernising production, which is essential in order to keep in step with the competition. Each of our employees ensures that all orders are completed by presenting their ideas and solutions on a daily basis and above all by being committed to our goals. We are a business unit with healthy, organic sales growth, excellent colleagues and a clear vision for the coming years. This places a great responsibility on us to become even better, more competitive and to further increase customer confidence, which is the key to success.

Janez Hrovat, B.Sc. (Mechanical Engineering), Head of Polymer Sales

Biodiversity and ecosystems

Cinkarna Celje d.d., at the Celje site, which is also the Company's headquarters, is located on the south-eastern edge of the Celje basin, along the Celje-Šentjur regional road in the north-eastern part of Slovenia. It is an industrial area with no protected or conservation areas.

The disposal facilities for waste from TiO₂ production Bukovžlak and Za Travnikom are part of a wider disposal area, which also includes the Železarna Štore landfill, the Bukovžlak municipal waste landfill and the Bukovžlak non-hazardous waste landfill.

To the south of the plant is the Volčke wetland, which has the status of a nature conservation area of national importance and is a Natura 2000 site. The area is a special oasis of wet meadows, where the purple moor grass, one of the most endangered habitat types in Slovenia, grows. It is also home to many species of butterflies.

The Cinkarna Celje d.d. site in Mozirje is located in the village of Ljubija in the Municipality of Mozirje. The stream of the same name (Ljubija) flows into the Savinja river in the vicinity. It is an area where there are no protected areas.

Aware of the importance of preserving protected areas, we take all necessary measures to prevent pollution and monitor our impact through regular monitoring. Several times a year, we carry out operational monitoring of groundwater chemistry at the Celje site and at the Bukovžlak and Za Travnikom waste disposal facilities. Groundwater levels are continuously monitored using groundwater level monitors. In November 2022, we also produced a Soil Contamination Assessment and a report on the review of technical measures to prevent soil and groundwater contamination for the Celje site. We are in the process of obtaining an amendment to the environmental permit, which will complete the groundwater and soil monitoring.

We also take care of suppressing ragweed and implementing measures to prevent the spread of invasive alien species in our areas, thereby eliminating the negative impact on biodiversity.

Impact on biodiversity

The Company's business unit at the Celje site covers a total area of 45.7 ha, of which 46% is paved, including the buildings used for its operations, and the remainder is grassland.

The Mozirje site occupies approximately 2.8 ha of the total land area. Approximately 60% of the area is paved, the remainder is grassland.


There are watercourses in the vicinity of both sites, namely the Hudinja and the Vzhodna Ložnica watercourses at the Celje site, which are channelized and

regulated and regularly maintained (removal of invasive plants) at the site of our activity. The area of the watercourses in Mozirje is mainly grassland.

Our operations do not have a significant impact on the existence of, or changes to, the diversity of living nature (biodiversity) in terms of emissions and environmental impacts, as evidenced by the following facts, arising from periodic environmental impact assessments:

- When designing technological changes or construction, we take into account and ensure that the impact on the ecosystem is minimal;
- We do not use chlorinated organic substances, which have a significant impact on climate change;
- Our activities do not affect the settlement or displacement of animal species;
- We do not pollute the soil, air and water excessively, as we have built-in treatment plants.

As a result, we have not caused any changes that would affect biodiversity and ecosystems. Due to our responsible and controlled management of the environment, our activities do not cause any disturbance to the environmental balance and the impact is not identified as significant, as we monitor surface waters, sediments and fish.



I search for solutions for reduced use of resources as well as the use of alternative resources. I am part of a project where we obtain copper from the processing of waste fishing nets, which we want to reprocess into a coating to protect fishing nets.

Andrej Lubej, Ph.D.,
Director of the
Chemistry Celje BU

Resource use and circular economy

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Ensuring the availability of quality raw materials and supplies is strategic for the production of products and the smooth operation of the market.

The use of raw materials and materials to make our products has an impact on the environment through the use of natural resources. We recognise the importance of using them efficiently and carefully manage our processes to minimise waste. We strive to maximise the efficiency of the raw materials and materials we use, thus demonstrating a rational attitude towards natural resources and generating fewer by-products or waste, in line with our Quality Assurance, Environmental, Health & Safety and Sustainable Development Policy, which we refer to in the section Environmental management.

When selecting raw materials and materials that are hazardous chemicals, we ensure compliance with the REACH and GHS regulations for the classification and labelling of hazardous chemicals. All materials and products classified as hazardous chemicals are registered with the Chemicals Office, where we send annual records of movements. For other hazardous and

non-hazardous chemicals, we have safety data sheets in accordance with the requirements of the legislation. We regularly monitor the SVHC (Substance of very high concern) list, i.e. the list of substances of very high concern subject to authorisation, published on the ECHA (European Chemical Agency) website. When selecting new or replacement raw materials and materials, we consider not only the suitability (functionality) factor, but also their environmental, safety and health impact, which is checked during the development phase.

We look for innovative and sustainable solutions to re-use materials and thus reduce waste. Two examples are CEGIPS and RCGIPS, and we are also developing new products.

We are expanding the range and quantity of copper-based plant protection products. In this production, we use waste materials (waste copper and waste mordant) instead of clean materials and process them into products that are also suitable for organic farming.

In terms of invoice value, we analysed the 50 most used raw materials and consumables in all business units in 2023, which together account for 86% of the purchase

invoice value. Our main raw materials in the production process are titanium-bearing ore (ilmenite) and limestone flour, as well as materials such as slag, sulphur, lime, copper, zinc, polymer materials, binders, pigments (titanium dioxide, which we produce ourselves, accounts for the majority of pigment), fillers and additives. Binders are mainly various resins (mainly polyester and epoxy) and polymer carriers (polyethylene, polystyrene, polypropylene, ABS, EVA, EMA, etc.). These are non-renewable materials. In addition to those used for production, we also use as non-renewable materials the various materials needed for packaging products.

Within the group analysed, wood pallets and paper bags can be identified as renewable materials, representing one percent of the value analysed.

Titanium-bearing ores

The use of raw materials depends entirely on production quantities and recipes. For pigment production, the key raw materials are titanium-bearing ore and slag, which are limited and supplied from more distant countries. Due to longer transport routes, we operate on the principle of larger orders 2-3 times a year, within the limits of our storage capacity. We use only rail transport to transport ore from the port of Koper to our site in Celje.

Sulphuric acid

Sulphur is also an important material, which can be used in liquid or granulated form and is the basis for the production of sulphuric acid. By ensuring sufficient quantities of liquid sulphur, we can reduce the need for granulated sulphur, which is otherwise supplied in large quantities by ship from Mediterranean countries.

The production of titanium dioxide in the process of decomposing titanium-bearing ore (ilmenite) and slag requires sulphuric acid, which is prepared by clean sulphur combustion technology. Most of the sulphuric acid produced is consumed in the production of TiO_2 . Surplus quantities are sold on the market, mainly to the chemical and pharmaceutical industries.

Other materials

In the production of powder varnishes and masterbatches, we do not follow trends in consumption by material group, as the proportions of each material can vary considerably from year to year, depending on the range of finished products (this is particularly influenced by the production of masterbatches). To evaluate the efficient use of materials, we look at yield, which is the ratio of product output to material consumption. The same is true for all other production. In sourcing, we also take into account the proximity of the supplier, so the transport route is one of the factors for choosing a supplier. The technologists of each area, together with the procurement department, regularly examine alternatives that could have a positive impact on the environment.

Packaging materials

We use paper and cardboard, plastic, wood, metal and composite packaging.

Paper and cardboard packaging is made from recycled material, including octabins, cardboard boxes, cardboard and paper labels. For tertiary packaging purposes, we use wooden pallets for transport.

Plastic packaging includes polythene bags, film and labels, polypropylene bags (big bags), strapping, ties, plastic bottles, plastic buckets, etc. Certain plastic packaging is made from recycled plastic.

We keep records of all the packaging we place on the market, separated by material and quantity. We are part of a packaging scheme, which regulates the handling of packaging that is placed on the market with the product.

The consumption of packaging materials is largely linked to the volume of sales. Over the years, the amount of packaging used has been decreasing, mainly due to the discontinuation of certain production programmes, which in turn reduces packaging consumption. However, packaging re-use measures are also being implemented, in particular of wooden pallets and big bags, which is reflected in the consumption of wooden and plastic packaging.

Table: Packaging material consumption by packaging type in 2019-2023, in tonnes

Year	Type of packaging in tonnes					Total
	Paper	Plastic	Wooden	Metal	Composite	
2019	268.98	455.53	2,210.34	35.41	57.00	3,027.26
2020	223.37	466.85	2,078.62	42.62	44.43	2,855.89
2021	195.37	455.15	1,782.64	21.35	13.50	2,468.01
2022	151.23	393.57	1,616.70	6.49	21.54	2,189.54
2023	143.40	334.51	1,474.62	2.50	7.95	1,962.98

Chart: Packaging material consumption in 2019-2023, in tonnes

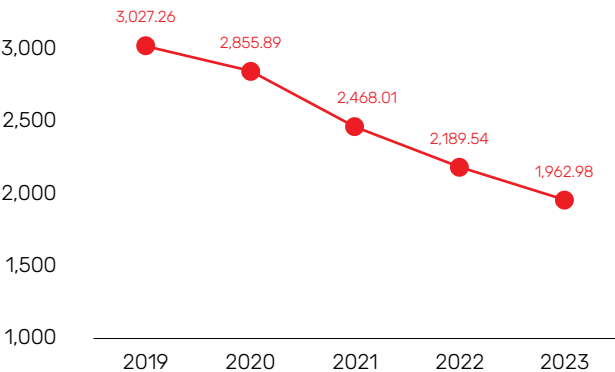


Chart: Consumption of wooden packaging in 2019-2023, in tonnes

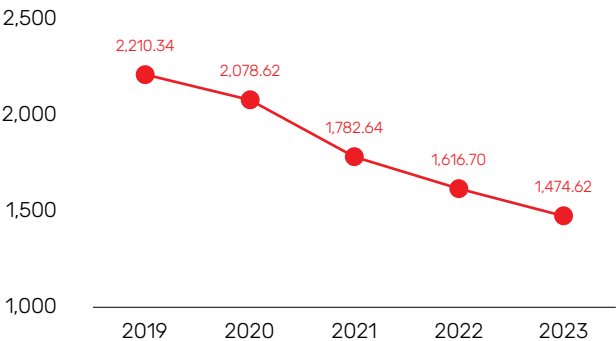


Chart: Consumption of plastic packaging in 2019-2023, in tonnes

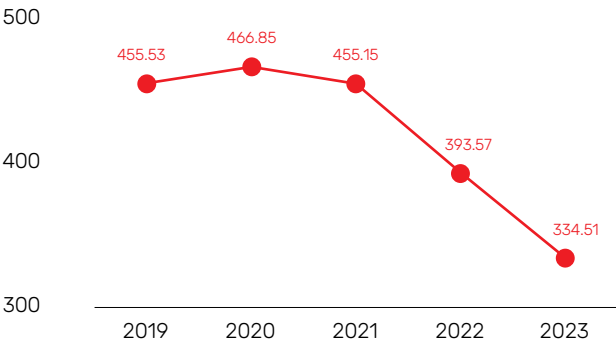
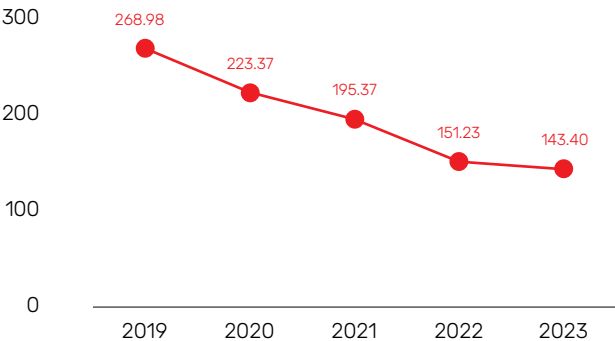


Chart: Consumption of paper packaging in 2019-2023, in tonnes



Recycled input materials used

Recycled input materials are not purchased in large quantities, mainly waste copper, waste mordant, iron and zinc. We are authorised to process nine types of waste, according to the following processes:

- R4 – Recycling/recovery of metals and their compounds,
- R5 – Recycling/recovery of other inorganic materials,
- D13 – Combining or mixing before carrying out any of the operations indicated by D1 (disposal in or on land, e.g. landfilling) to D12 (permanent storage, e.g. emplacement of containers in a mine).

Processed waste replaces virgin materials (non-ferrous metal scrap, scrap iron, including one hazardous waste) in the production of plant protection products, secondary zinc and titanium dioxide (see table Recycled input materials used). All these materials come to us in bulk or without packaging.

The amount of recycled input materials used depends on the volume of production, the availability and the price of other materials that may affect the use of recycled materials.

Table: Recycled input materials used in 2019-2023, in tonnes

Material consumption (tonnes)	2019	2020	2021	2022	2023
For recovery under R4	386.08	269.11	294.89	214.25	184.70
For recovery under R5	1,311.46	1,204.16	953.44	1,476.24	590.98
Total	1,697.54	1,473.27	1,248.33	1,690.49	775.68

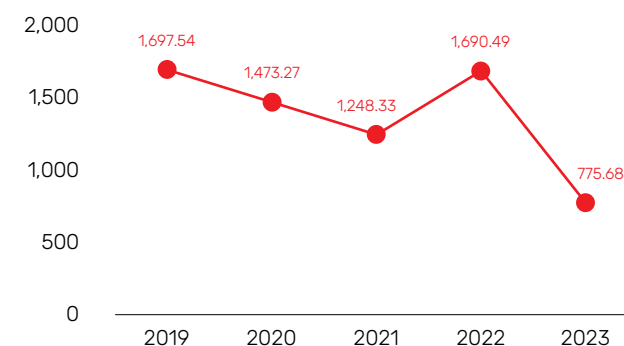
R4 – Recycling/recovery of metals and their compounds

R5 – Recycling/recovery of other inorganic materials

At BU Kemija Mozirje, we occasionally add finished products to our inputs that we cannot place on the market for various reasons, such as:

- Products that have been held for a long time without stock movement and sales are not expected;
- Products that are packaged in different packaging than the buyer wants;
- Non-conforming products which are incorporated in small proportions into normal products after prior testing.

Chart: Recycled input materials used in 2019-2023, in tonnes



Re-used materials

In addition to the rational use of raw materials, the implementation of technical and organisational measures to prevent or reduce waste, we also aim to reduce waste through internal or external waste recycling (for example reusing pallets) and the re-use of waste and materials.

We re-use certain materials in our production process, reusing a certain proportion of wooden pallets (98% of which are returned in internal logistics) and packaging, and we also return to the production process technological waste that would otherwise have ended up in the waste stream. We are implementing solutions for the return of textile containers in internal logistics (up to 5 times). We are also trying to re-use as much as possible of the waste generated by construction work, or to recover it and use it on construction sites.

The production of powder varnishes generates filter dust at the mills, most of which is treated as process rejects, some of which is also disposed of as waste. Most of it is incorporated in the production of existing products. In the powder coating programme, 46,059 kg of filter dust was incorporated into our existing products in 2023.

In the production of masterbatches, process rejects are generated during line starts and stops. The rejects are in the form of cakes, spaghetti and granules of irregular sizes and shapes. All rejects are collected by shade (white, blue, red, yellow, etc.), ground or granulated and returned as one of the input materials in the production of existing products.

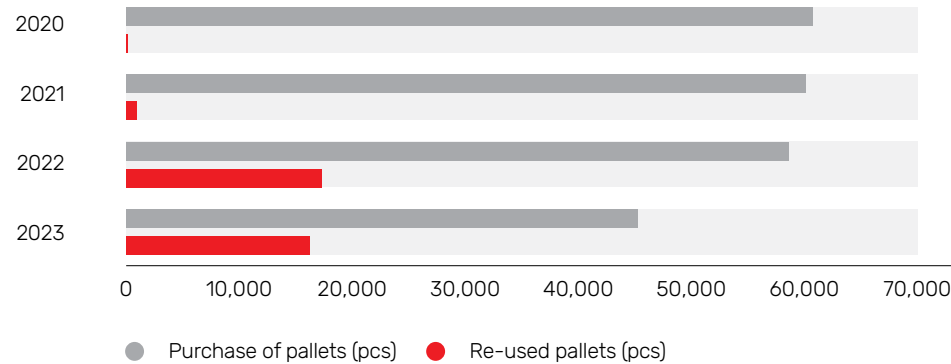
The Z6 filter produces rejects in powder form, which is a mixture of pigment and filler. It is incorporated in the production of white "CC master off-grade", together

Table: Re-used wooden pallets in relation to total wooden pallets purchased in 2020-2023

Wooden pallets	2020	2021	2022	2023
Purchase of pallets (pcs)	60,692	60,138	58,64	45,272
Re-used pallets (pcs)	100	906	17,284	16,229
Share of used pallets (%)	0.16	1.51	29.48	35.85

Note: Most re-used pallets are used in titanium dioxide production. Re-used pallets do not include pallets returned from customers.

Chart: Re-used wooden pallets in relation to total wooden pallets purchased in 2020-2023



with the process rejects of white masterbatches. We do not have data on the amount of reject used on an annual basis on the masterbatch programme.

We also optimise the use of packaging materials by re-using them in our processes. Paper and cardboard packaging (boxes) are used instead of cardboard cut-offs, which are placed on the pallet before the finished product is stacked on it. The used octabins are used to package new product or to collect process rejects from masterbatches.

Polypropylene bags, which include all big bags, are re-used for packaging or for the collection of process rejects, either in powder varnish mills or in the production of masterbatches.

At laboratory level, we are testing possible recovery processes for waste 23% sulphuric (IV) acid. Also at laboratory level, a process for the recovery of copper-tin sludge was developed and research will continue at semi-industrial and industrial level.

At BU Metallurgija, we carefully planned and managed the re-use of both production and packaging materials. In the production of zinc products, various technological rejects occur that do not meet customer requirements, or are simply rejects at the beginning or end of the process itself. There is also the possibility of contamination by unwanted elements, which make the product itself exceed the values defined in the standards and thus unfit for sale. All these rejects were melted down in a controlled manner and used in the manufacturing process. The melting of the zinc produced zinc oxides on the surface, which were carefully removed before the casting process, as they would otherwise have constituted unwanted inclusions in the final product. These can cause cracking and breakage of the material at the end cus-

tomers, so the removal of zinc oxides is particularly important. The re-use of these skimmings was carried out in a special rotary furnace, where the majority of the bound zinc was removed by means of higher temperature, rotating contact and in the absence of oxygen. The process yield was approximately 90% and the resulting melt was used as secondary zinc in the production of alloys.

Similarly, packaging materials were used to find and implement circular solutions in cooperation with individual customers. In BU Metallurgija, we provided a re-melting service for blanks. This is a high-volume reject, so we worked with the customer to purchase special bins that circulate continuously. This avoided significant costs and facilitated handling. Once the re-melting was completed, the product was transported on specially designed pallets of the appropriate dimensions, which were also circulated, replacing only the pallets that were completely destroyed. The pallets that could be repaired were rehabilitated accordingly. Circulation of packaging was also carried out in the production of continuous zinc wire, in cooperation with one of the customers, which had a regular offtake of at least six tonnes or more per month.

BU Polimeri is also committed to the re-use of materials. We carefully separate the waste materials from metal machining and polytetrafluoroethylene (PTFE) materials. We sell this separately collected waste for recycling. An important part of the re-used materials is our good practice of refurbishing valves and piping components, which we extended from our internal service to our service for external customers. It is a kind of service for damaged elements. First we assess the condition of the element by inspection, then we re-use the undamaged parts and replace the others with new components. The value of the service is 65-80% of the price of a new product.



● Chemistry Mozirje BU is the only off-site unit of Cinkarna Celje. We produce powder coatings and masterbatches. Both programmes present multiple challenges over the short-term 5-year period. The three key orientations are the expansion of production capacities for white masterbatches, digitisation and the assurance of sustainability. Masterbatches, which are part of a large group of polymer products, are particularly important when it comes to sustainability. Numerous activities in development and technology will be aimed at reusing materials, incorporating bio and biodegradable materials, improving energy efficiency, preserving biodiversity, etc. The above represents our dedication to the pursuit of our long-term goal of building a carbon-free company with minimal impact on the ecosystem and climate change.

Irena Vačovnik, BSc (Chemical Engineering), Director of Chemistry Mozirje BU

By-product production

RCGIPS red gypsum

RCGIPS is our trademark, a by-product of the production of titanium dioxide. It is the neutral product of neutralising the residual sulphuric acid from TiO_2 production with limestone flour and lime milk. It is reddish-brown in colour, coarse-grained, partially bondable and of a moist character. In addition to gypsum ($\text{CaSO}_4 \times 2\text{H}_2\text{O}$), it contains iron oxides, titanium dioxide and traces of silica and magnesium hydroxides.

RCGIPS can be treated in a similar way to natural soils of excavation category 2-3. This product has better strength properties, the embankments can be formed at stable slopes of 1:2 to 1:1.5 and its surfaces can be trafficked by lorries or other vehicles. The layers of compacted, packed titanium gypsum have low to very low permeability to water. Compacted titanium gypsum is an excellent alternative to natural soils for the following uses: for backfilling in low-rise construction, in particular for controlled backfilling of old wet landfills (Za Travnikom waste disposal facility), for anti-flood and anti-noise embankments, landfill capping layers and for structural embankments of up to 5 metres in height which are not subjected to dynamic (traffic) loads. The material is suitable if its moisture content does not exceed 35% (geotechnical moisture content). All the material produced since 2008 is used for the dry fill of the Za Travnikom waste disposal facility. In 2023, 128,898.4 tonnes of RCGIPS were produced.

CEGIPS white gypsum

CEGIPS is our trademark white to slightly brownish powder with a moisture content of 6-12%, which is purified by a suitable separation technique to above 95% calcium sulphate dihydrate, known as gypsum. Gypsum is a neutral inorganic salt with an average particle size between 80 and 100 microns. According to the Regulation in force, the levels of hazardous substances are below the annual soil intake limits. In industry, it can be used directly in the cement industry as an alternative to natural gypsum or gypsum produced from the desulphurisation of flue gases from thermal power plants (REA-gypsum, FGD-gypsum), and indirectly by further calcination in the production of gypsum building products (gypsum plasters, self-levelling floor-esters). In cement works, it is used as an additive to cement to prevent mortars from setting too quickly or falsely at a rate of 3-5%. CEGIPS has been successfully marketed since 2006. 125,898.9 tonnes of CEGIPS were produced in 2023



● *Maintaining the satisfaction of our customers and meeting the set sales and sustainability strategy targets in the supply chain are among the most important priorities. In order to maintain the long-term viability of our business, we pursue sustainability goals and appeal to customers by developing high-quality, sustainable products. We pay special attention to the reprocessing of by-products of excellent quality, which customers can use in their production. By doing so, we ensure the reuse of materials and follow the principles of the circular economy.*

Marta Sevčnikar, MBS, Assistant Marketing Director

Copper recovery from waste fishing nets

Fishing nets that are discarded or lost at sea pose a major threat to marine life and can cause irreparable damage. Recycling these nets and reusing them in industry is therefore crucial for a sustainable future.

Cinkarna Celje d.d. is working with AquafilSlo, a leading company in the field of Nylon recovery. AquafilSlo specialises in the recycling of fishing nets and their conversion into high-quality products. One of the key challenges in recycling fishing nets is the presence of copper in the form of an algacide coating, which accounts for approximately 10% of the net's weight.

When the nets arrive at the AquafilSlo plant, they are first thoroughly washed to remove impurities and the algacide deposit. During this process, a sludge containing copper oxide is generated. AquafilSlo then incinerates the sludge, releasing the copper oxide.

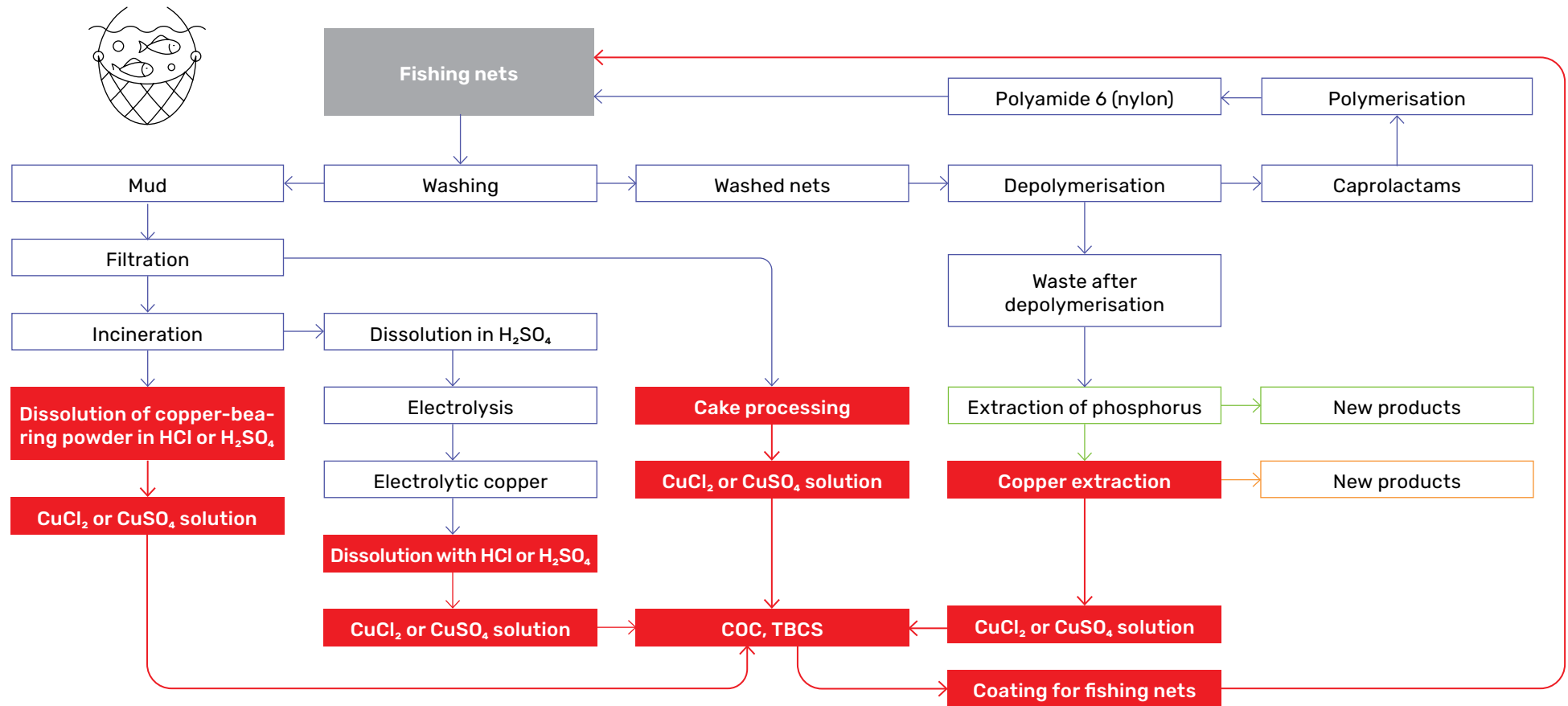
Our Company continues the process by dissolving the copper oxide with hydrochloric acid. This process produces copper chloride, which is a key ingredient in our production of copper oxychloride, a chemical widely used in agriculture as a fungicide.



● Our focus at the Chemistry Celje BU is on sustainable development, which is why we produce copper and sulphur-based fungicides that are the only ones licensed for use in organic agriculture. We have developed innovative processes for the production of two active substances: tribasic copper sulphate and copper oxychloride. Their distinguishing feature is that they enable the full use of all basic raw materials and thus so that no unwanted by-products are created during production. Since copper is included in the list of critical raw materials, we are looking for alternative sources.

Andrej Lubej, Ph.D., Director of the Chemistry Celje BU

Sketch: Process for extracting copper from waste fishing nets



Waste management

Waste management follows a five-step waste management scale, where the first priority is to manage materials efficiently, minimising the amount that can be discarded, returned to the production process or re-used, and handing over the rest to authorised waste collectors and processors for treatment or disposal. We are looking for innovative solutions to efficiently use gypsum and other waste materials as a raw material with new added value for our own needs and to offer it on the market.

In line with the objectives of the circular economy (to reduce the amount of waste generated and increase re-use), we are implementing measures or pursuing improvement objectives in waste management to reduce waste. We operate in line with the source separation system. We have a recovery licence for certain wastes, which allows us to re-use them in our production processes, replacing a certain proportion of natural resources with recovered materials.

Gypsum represents the largest proportion of the waste disposed, but it has a special disposal status as it is used for dry filling. The amount of landfilled waste is therefore being reduced by increasing the capacity to recover the white gypsum by-product (CEGIPS). In 2023, the planned specific amount of white gypsum recovered was increased to an average of 2.95 tonnes of white gypsum per tonne of calcinate. The preparation of the project documentation and obtaining of the building permit for the construction of the 7th centrifuge is also underway, which will further contribute to the increase in the amount of white gypsum recovered. Processes were also put in place to increase yields in TiO₂ production. An activity was implemented to reduce the amount of waste plastic from coloured masterbatches by returning and reusing, reducing and reusing waste from PFA processing. The planning and optimisation of snack meals is reducing the amount of food waste.

Chart: Production waste generated in 2019-2023, in tonnes

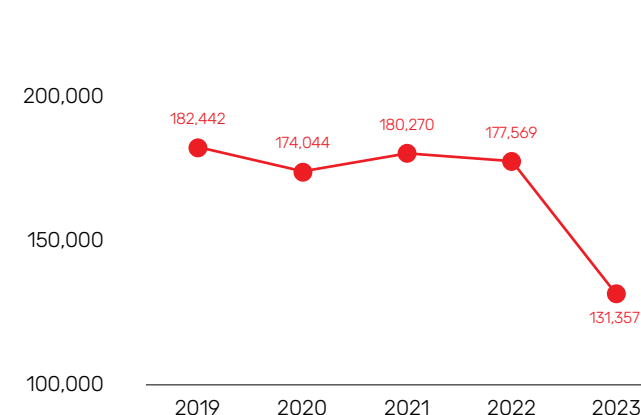


Table: Production waste generated in 2019-2023, in tonnes*

Type of waste generated (tonnes)	2019	2020	2021	2022	2023
Non-hazardous waste – R	1,016.46	2,856.01	4,070.64	889.79	2,018.33
Non-hazardous waste – D**	181,269.68	171,056.37	176,135.50	176,603.86	129,303.68
Hazardous waste – R	10.66	5.94	9.40	9.04	7.24
Hazardous waste – D	145.29	126.13	54.81	66.61	28.05
Total	182,442.09	174,044.45	180,270.35	177,569.30	131,357.30

R – separately collected waste that is sent for recovery rather than landfill.

D – separately collected waste that is sent for disposal.

** The waste tonnage also includes red gypsum, which is dry-filled at the Za Travnikom waste disposal facility.

A contract was concluded with a contractor for CO₂ capture and compression from Neutralisation and project preparation is underway.

Waste generation is not entirely avoidable, despite the implementation of many measures. The Company separates the non-hazardous and hazardous waste generated and prepares most of it for recovery (following one of the R3-R13 processes) or disposal (following one of the D1-D13 processes). All hazardous waste is handed over to authorised waste collectors. We also hand over to authorised collectors the remainder of separately collected non-hazardous waste that we do not recover or dispose of ourselves.

As a result of the above measures and objectives, there is a clear trend towards less non-hazardous waste going to disposal. In 2023, the amount decreased by almost 27%, mainly due to a reduction in the amount of red gypsum produced (partly as a result of the objectives, partly due to lower production of titanium dioxide). The amount of non-hazardous waste going to recovery fluctuates mainly as a result of investment and renovation waste (mainly construction waste). There is also a downward trend in hazardous waste (going to disposal), as a result of the abandonment of some production processes that generated higher amounts of it and, in 2019 and 2020, the comprehensive cleaning of oil traps due to the required leak checks.

* Note: In the 2022 report, there was an error in the reporting of the amount of waste generated, namely in capturing the data at the level of the whole Company and an error in the calculation.

We provide the corrected information for the reported period in the 2022 Annual Report (reported 2022), the corrected reported information (corrected 2023) and the difference.

Correction of information

Type of waste generated (tonnes)	2018	2019	2020	2021	2022
Non-hazardous waste – R (reported 2022)	367.07	342.02	396.33	364.27	378.29
Non-hazardous waste – R (corrected 2023)	5,461.13	1,016.46	2,856.01	4,070.64	889.79
Difference	-5,094.06	-674.44	-2,459.68	-3,706.37	-511.50
Non-hazardous waste – D* (reported 2022)	153,026.50	182,125.00	171,106.98	176,108.50	176,589.00
Non-hazardous waste – D* (corrected 2023)	153,039.98	181,269.68	171,056.37	176,135.50	176,603.86
Difference	-13.48	855.32	50.61	-27.00	-14.86
Hazardous waste – R (reported 2022)	19.88	11.34	6.27	9.40	7.38
Hazardous waste – R (corrected 2023)	20.42	10.66	5.94	9.40	9.04
Difference	-0.54	0.68	0.33	0.00	-1.66
Hazardous waste – D (reported 2022)	25.56	123.38	86.45	19.41	36.75
Hazardous waste – D (corrected 2023)	130.83	145.29	126.13	54.81	66.61
Difference	-105.27	-21.91	-39.68	-35.40	-29.86
Total (reported 2022)	153,439.01	182,601.74	171,596.03	176,501.58	177,011.42
Total (corrected 2023)	158,652.36	182,442.09	174,044.45	180,270.35	177,569.30
Difference	-5,213.35	159.65	-2,448.42	-3,768.77	-557.88

Powder coatings are an environmentally friendly alternative to traditional liquid coatings. In my work, I am focused on innovations that will enable the transition to a more sustainable model of products and their production. This will benefit the company, the environment and society as a whole.

Bine Bezjak,
B.Sc. (Chem. Eng.),
independent division
technologist,
Chemistry Mozirje
BU, Operational
Development



SOCIAL ASPECT

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Employees are the cornerstone of our success, so we invest in their professional and personal development and ensure the right conditions for safe working. We choose our suppliers carefully and check them against certain environmental and social criteria. We also focus our sustainability efforts on our relationship with our customers and develop high-quality products. We are aware of our role in the local community and invest in the development of the local environment and create dialogue.

Key policies, standards and other documents in the field of corporate social management include:

- Collective agreement (1998)
- ISO 45001 - Occupational Health and Safety Management System (2020)
- Risk assessment for all workplaces (2001)
- Occupational Health and Safety Risk Register (2006)
- Code of Conduct for Sustainable Business Partners (2023)

Own workforce

We recognise that employees are the engine and heart of the Company and its most important ambassadors, which is why we create honest and open relationships with our employees, foster innovation and inclusiveness, and build on positive interpersonal relationships. These are also the objectives and principles of our Quality Assurance, Environmental, Health & Safety and Sustainable Development Policy.

Recruitment and staffing is based on the principle of non-discrimination and equal opportunities, ensuring the conditions for the personal and professional development of all employees. We create conditions for well-being at work and pay particular attention to the personal and professional development of our em-

ployees. We comply with the principle of inclusion and equal opportunities, including in the composition of supervisory and management bodies. In recruitment and staffing, we act in accordance with our Recruitment and Training Policy, which improves and enhances the qualification structure of our staff and facilitates internal transition between jobs.

In 2023, the Company's human resources activities were subordinated to the achievement of the basic objectives of the business policy, where particular attention was paid to finding innovative ways of recruiting and to the social cohesion of the Company, which was under considerable pressure in terms of labour costs due to the situation on the titanium dioxide market, the

general situation in the country, high inflation and the rise in interest rates. We continued our rational policy of external recruitment, covering the needs of professional and highly-educated workers and university graduates, while most of the other needs were addressed by internal redeployment and recruitment of professional staff. We focused on rejuvenating the workforce in each of our organisational units, replacing critical posts, finding employees with deficit occupations, especially in the natural sciences, and intensively negotiating retirement with those employees who have already fulfilled their retirement conditions and those who will be able to meet these conditions at the Employment Service (maximum 25 and 19 months respectively until the condition is fulfilled).

In the future, it is foreseen to continue optimising the staffing structure by rehiring and recruiting new young and technically qualified staff. Investments in development, training and further improvement of the working environment of the staff will also continue.

As at 31 December 2023, Cinkarna Celje d.d. had 742 employees, 79.4% male and 20.6% female. This gender structure is understandable, as certain production processes involve more demanding working conditions, as well as specialised technical occupations, which are more popular among the male gender. The number of men is steadily increasing in relation to women as a result of the optimisation of the organisational structure. The number of total employees decreased by 4.3% or 33 employees, taking into account the business policy of the Company's Management Board, the diversified performance of the individual business units and the planned recruitment. In 2023, 82 employees left the Company, of which 49 were retirements.

Table: Employees by gender in 2019-2023

Employees by gender	2019		2020		2021		2022		2023	
	Number	%	Number	%	Number	%	Number	%	Number	%
Men	655	77.4	640	77.7	629	79.3	617	79.6	589	79.4
Women	191	23.6	184	22.3	164	20.7	158	20.4	153	20.6
Total	846	100	824	100	793	100	775	100	742	100

Table: Employees by age in 2019-2023

Percentage of employees by age (%)	2019			2020			2021			2022			2023		
	M	W	T	M	W	T	M	W	T	M	W	T	M	W	T
Under 30 years	10.3	1.5	11.8	9.2	0.1	9.3	10.8	1.0	11.9	12.3	1.4	13.7	12.5	1.3	13.9
30-50 years	35.2	5.6	40.8	37.0	6.6	43.6	35.4	6.2	41.6	35.9	6.3	42.2	36.5	6.9	43.4
Over 50 years	31.9	15.5	47.4	31.4	15.7	47.1	33.0	13.5	46.5	31.5	12.6	44.1	30.3	12.4	42.7
Total	77.4	22.6	100	77.6	22.4	100	79.3	20.7	100	79.7	20.3	100	79.4	20.6	100

M = men, W = women, T = total

Chart: Employees by gender in 2019-2023

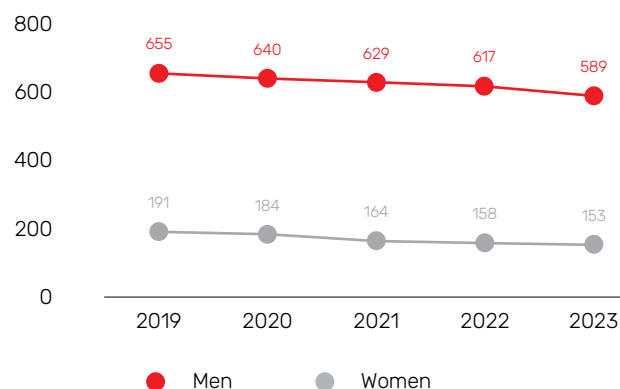
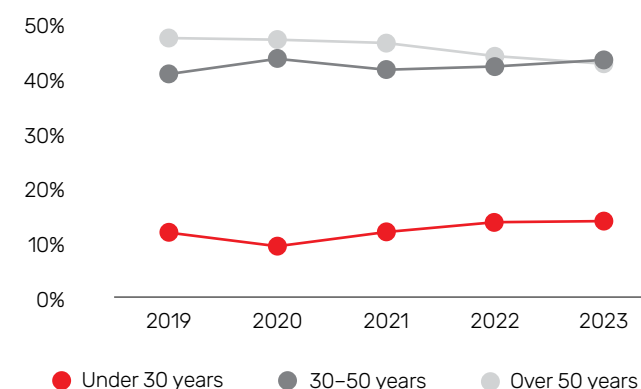


Chart: Employees by age in 2019-2023



The largest age group in 2023, with 43.4%, is the 30-50 year olds, which represents a significant shift in the Company's approach to rejuvenating the workforce, taking into account demographic trends. This is followed by employees aged 50+, who accounted for 42.7% of the workforce. The smallest group of employees is made up of those under 30 years of age. We are aware of the rising average age of our employees and we are taking several measures to encourage the recruitment of younger staff and to enable young people to develop their professional competences, including by creating a supportive working environment. We provide students with regular work placements and offer scholarships for training as chemical technicians, mechanical technicians, toolmakers, chemical engineers, mechanical engineers and electrical engineers. We run mentoring programmes for new recruits to transfer skills, while at the same time trying to raise interest in chemistry among young people by engaging with the wider community.

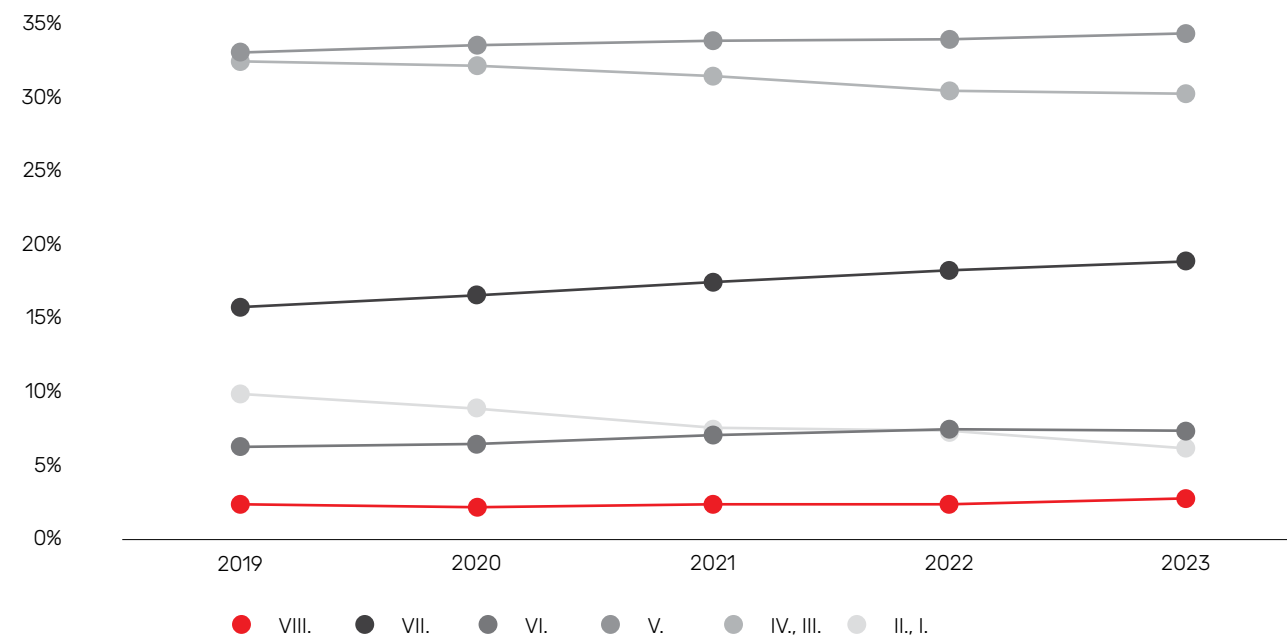
Recruitment and training policies have a positive impact on the skills structure, which is growing despite long-term staff optimisation. In addition to internal redeployment and job pooling, the recruitment policy has a slower but positive impact on the matching of actual and required qualifications. We invest in those staff whose education is of benefit to the Company and meets the needs of the work process, and in those who are identified as key to the future development or growth of the Company.

In the future, we will continue our policy of productive redeployment within the Company, optimising our organisational structure and reducing the proportion of unskilled labour through selective recruitment. We will also seek to optimise the share of administrative labour through consolidation and redeployment.

Table: Employees by level of education in 2019-2023

Education level	2019		2020		2021		2022		2023	
	Number	%	Number	%	Number	%	Number	%	Number	%
VIII	20	2.4	18	2.2	19	2.4	19	2.4	21	2.8
VII	134	15.8	137	16.6	139	17.5	142	18.3	140	18.9
VI	53	6.3	54	6.5	56	7.1	58	7.5	55	7.4
V	280	33.1	277	33.6	269	33.9	263	34	255	34.4
IV, III	275	32.5	265	32.2	250	31.5	236	30.5	225	30.3
II, I	84	9.9	73	8.9	60	7.6	57	7.4	46	6.2
Total	846	100.0	824	100.0	793	100.0	775	100.0	742	100.0

Chart: Employees by level of education in 2019-2023



We will improve the skills structure of our workforce by recruiting at higher qualification levels and by supporting and promoting training among our employees. In particular, we aim to reduce the percentage of employees with qualifications levels I and II and increase the number of employees with qualifications levels V, VI, VII and VIII, or with secondary and higher education qualifications.

All employees are assessed on their performance and 6% of employees have career plans. The Company's management encourages the search for new solutions and accepts suggestions for improvement. Innovation is rewarded accordingly.

In 2023, we recruited 43 new staff in various professional fields such as chemistry, electrical engineering, mechanical engineering and economics, generally with IV, V and VII level qualifications. The turnover rate was 10.8%. The number of employees in a given year depends on the needs of the work process, terminations of employment contracts for various reasons and specific needs.

The recruitment plan is based on the production and sales plan (including investment plans), taking into account the possibility of retirement and in correlation with the modification of the change in the organisational structure of the Company, while optimising the economics of production processes and increasing activity in specific areas of expertise. The remaining staff is recruited according to the needs of the work processes and the introduction of new technologies.

Cinkarna Celje d.d. also employs persons with disability status. In 2023, they accounted for 6.5% of all employees. This is a relatively high proportion, exceeding the legal quota for companies by less than a percentage point.

Table: Number of compulsory student placements and staff fellowships in 2019-2023

	2019	2020	2021	2022	2023
Compulsory practice	71	52	76	50	48
Staff scholarships	26	27	19	12	10

Table: New employees by gender in 2019-2023

New employees	2019	2020	2021	2022	2023
Men	7	7	23	28	36
Women	13	23	2	4	7
Total	20	30	25	32	43

Table: Staff turnover by gender in 2019-2023

Turnover	2019	2020	2021	2022	2023
Men	17	13	30	38	71
Women	66	46	21	10	11
Total	83	59	51	48	82
Turnover rate (%)	9.0	6.3	6.3	6.2	10.8

These are employees with varying degrees of disability, and their work or workplace is adapted to enable them to perform according to their level of disability, in line with their abilities.

Over the years, we have seen an upward trend in the number of workers restricted from work due to a medical condition. Through an active policy of cooperation with the Occupational Medicine, Transport and Sport and the Disability Commission of the Social Insurance Institution for the Disabled, the proportion of disabled people in the total number of employees has been decreasing for the fifth consecutive year, with the exception of 2022. The positive trend continues. Taking into account the age structure of the workforce and the changes in legislation, which is more restrictive towards the retirement of people with disabilities, we do not expect a significant improvement in this structure at this stage. The main reason for the increase in the number of people with disabilities is the nature of production in the past. Despite technological modernisation, no improvement can be expected in the near future.

The majority of employees (94.9%) in 2023 were permanent and full-time (98.5%). A smaller percentage of employees (1.5%) worked part-time. Employees receive the same benefits irrespective of whether they are permanent or fixed-term, full-time or part-time. Agency workers are also employed, with the possibility of regular employment with the Company. In 2023, agency workers accounted for 3.1% of the total workforce. These are mainly production, warehouse and cleaning jobs. This way we provide more flexibility and screen potential employees.

In 2023, 0.8% of employees took maternity leave.

Table: Percentage of employees with disability status in 2019-2023

Employees with disabilities	2019	2020	2021	2022	2023
Number	63	58	55	56	48
Percentage (%)	7.4	7.0	6.9	7.2	6.5

Table: Employees by employment status in 2019-2023

Employees by employment status	2019			2020			2021			2022			2023		
	M	W	T	M	W	T	M	W	T	M	W	T	M	W	T
Permanent	616	181	797	615	180	795	593	158	751	583	155	738	553	151	704
Fixed term	39	10	49	23	4	29	36	6	42	33	4	37	36	2	38
Full-time	652	187	839	636	176	812	625	157	782	612	151	763	585	146	731
Part-time	3	4	7	4	8	12	4	7	11	4	8	12	4	7	11
Agency work	29	9	38	21	7	28	9	22	31	17	11	28	10	14	24
Student work	6	5	11	9	4	13	8	0	8	3	2	5	3	2	5

M = men, W = women, T = total

Table: Maternity leave take-up in 2019-2023

Maternity leave	2019	2020	2021	2022	2023
Number of employees	14	12	6	10	6
Number of working days	1,420	1,656	681	1,088	832

We also offer work opportunities to school and university students through temporary student work and compulsory internships as part of their education programmes. This way, they can gain experience and work habits, as well as new skills, which can lead to a regular job with the Company later on, when they have finished their education.

Collective agreements

Employment and working conditions are defined in collective agreements, which cover all employees, including agency workers and student workers. The Collective Agreement and the Labour Relations Act also lay down notice periods.

Active dialogues and collective bargaining agreements are held with the Company's workers' representatives to establish additional workers' rights or to amend and supplement the Collective Agreement. We have cooperation agreements with the Company's representative trade unions and the Works Council, under which we respect employees' right to freedom of association.

Remuneration and freedom of association

Employee remuneration is defined in accordance with the Company's collective agreements. For the management and supervisory bodies, we adopted a remuneration policy in 2023, which was not approved by the General Meeting. Based on the amendments, we are preparing a revised policy, taking into account the recommendations of the Slovenian State Holding, which will be submitted to the General Meeting for approval in 2024.

The minimum salary for employees in 2023 is EUR 1,203.36 gross. The average gross salary in the Company was EUR 2,690.81, which is 18.13% higher than the average gross salary (EUR 2,209.33) in Slovenia in 2023 in the period January-November (source: SURS). All employees are treated equally in the determination of salaries. The value of the standard starting salary is determined according to the job evaluation of each post. Over the years, the gross minimum wage and the gross average wage in the Company have been increasing steadily, as a result of keeping up with current national legislation, our responsibility towards our employees and our negotiations with the social partners to ensure that our employees can live in dignity in the face of the rising cost of living.

Chart: Gross average wage in Cinkarna Celje, d.d. in 2019-2023, in EUR

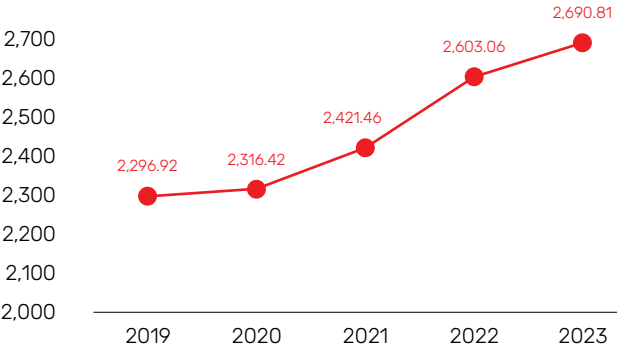


Table: Gross minimum wage in the Republic of Slovenia and average wage in Cinkarna Celje d.d. in 2019-2023, in EUR

	2019	2020	2021	2022	2023
Gross minimum wage (EUR)	886.63	975.30	1,024.24	1,074.43	1,203.36
Gross average wage (EUR)	2,296.92	2,316.42	2,421.46	2,603.06	2,690.81

Supplementary pension insurance and other bonuses

Cinkarna Celje d.d. has a supplementary pension insurance financing plan for all employees with Modra zavarovalnica, which is regularly complied with and the obligations under this plan are settled on a monthly basis. The minimum premium to be paid into the umbrella pension plan under the plan is:

- Employer: 2.90% of the average wage in the RS for the first half of the previous year;
- Employee: 1.45% of the average wage in the RS for the first half of the previous year.

Employees of the Company's professional firefighting service are entitled to a period of seniority. They are subject to regular monthly contributions at the rate of 8.2%, which are reported to the company Kapitalska družba pokojninskega in invalidskega zavarovanja d.d.

Protection of personal data

We pay particular attention to the protection of personal data, which we protect in accordance with EU Regulation 2016/679 (GDPR) and applicable domestic legislation, insofar as the latter prescribes different or stricter rules.

In the event of perceived illegal or unethical practices that damage the Company's reputation or business, violate the dignity and personal integrity of an individual employee, it is our duty to immediately report and initiate the appropriate procedures or measures.

Employee training and competence development

We recognise the importance and value of skilled employees and provide them with regular training and competence development. The majority of education and training is mandatory, mainly in the areas of occupational health and safety, handling hazardous chemicals, fire safety, environmental protection and standards management.

Human rights training was not provided in the past, but each new employee is informed of the Code of Ethical Conduct and Practice upon recruitment.

Lack of knowledge is often a barrier to a sustainable future, and we pay attention to it. We educate employees on understanding sustainability and how to integrate sustainability into more holistic and strategic management and reporting.

In 2023, employees spent an average of 16.37 hours in training. The increase in training hours compared to the previous year is due, among other things, to the focus on additional professional training and soft management skills. This was also reflected in the content of the training sessions, which again focused on upgrading in-



● The HR department is faced with many challenges as it acts as a supporting building block for other business functions in the company. In current times, when we are faced with an open labour market and a shortage of suitable workforce, one of the main tasks is to find and attract suitable staff according to the needs of the company and – by building the employer's brand, an appropriate salary policy and a system of additional benefits for employees – to retain and at the same time develop the existing staff. We are paying special attention to social cohesion in the company, compliance with labour legislation and the regulation of mutual relations between employees and will continue to do so in the future.

Marko Cvetko, B.Sc. (Chemical Engineering), Specialist, Head of HR and General Services

dividuals' specific areas of expertise and on mandatory regular training. In 2023, 4,350 participants attended specific functional training courses both inside and outside the Company. The total number of training hours was 12,380, approximately the same level as the previous year.

Mentoring system

The Company has a well-established mentoring system for all external stakeholders (students, scholarship holders and pupils) who enter the Company to improve their knowledge and to carry out internships. We have 125 internal mentors with a mentoring qualification. For new hires and job changes, we have a training programme in place for each job and for each individual.

Recognising innovative employees

Motivated and competent employees are one of the most complex tasks of any modern management. We recognise that the concept of employee performance means that we also need to ensure that individuals are not only satisfied in their work, but also successful in their work. The idea "Clarity is the key, kindness is the way" gives us, in a very simple way, the basic guidelines on the way to achieving high levels of satisfaction, performance and thus employee engagement and motivation.

To achieve this, Cinkarna Celje d.d. introduced a system of rewarding useful suggestions and innovations through an innovation office, called CC um, where our employees are given the opportunity to express their innovative ideas and concepts. Through the electronic submission of ideas, we centrally collect suggestions from employees in all areas of activity, rank them, evaluate them and reward the useful ones accordingly. Suggestions that do not result in a benefit are also reward-

Table: Staff training in 2019-2023

	2019	2020	2021	2022	2023
Total number of staff attending specific functional training courses	4,235	3,519	3,098	3,513	4,350
Total number of hours of specific training	16,488	10,065	6,947	12,316	12,380
Average number of training hours per employee	18.86	11.97	8.67	15.85	16.37
Average financial value of training per employee (in EUR)	446.10	273.80	206.20	435.77	412.36

Chart: Total number of hours of specific training in 2019-2023

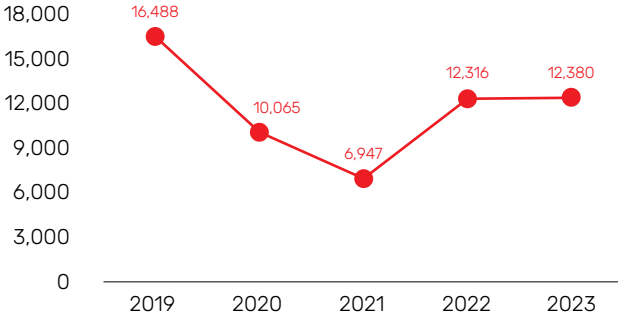
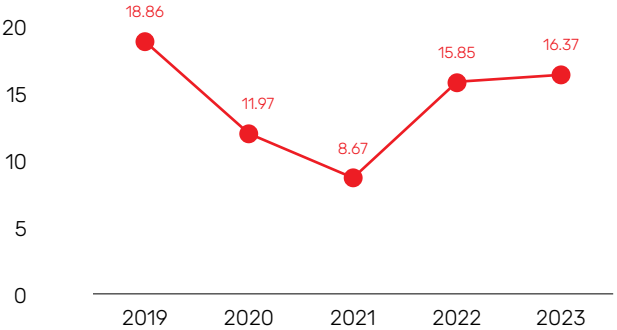


Chart: Average number of training hours per employee in 2019-2023



ed with a commendation, and all applicants are entered into a prize draw at the end of the year. The top innovators who submit the most useful ideas are awarded a bronze, silver or gold CC um innovator badge. The best proposals are also publicised in Cinkarnar (the internal magazine of Cinkarna Celje d.d.), and the best innovators are personally received by the Company's Management Board at the start of the financial year. The best innovators in each year and throughout the lifetime of the CC um system are publicly praised and rewarded with useful prizes.

In 2023, 244 useful suggestions were put forward by employees. The useful suggestion collection system triggered 0.33 improvements per employee. The highest number of improvements was in the areas of work organisation and process, occupational health and safety, and reduction of energy and material consumption.

Leadership Academy

The main objective of the Leadership Academy development programme is to empower key and prospective employees to effectively and professionally perform the core competencies of team leadership, i.e. to develop the systems, methods and practical implementation skills to successfully perform the role of a leader. In parallel with skills training, it is also about developing the personal capabilities to be a successful leader in the performance of his/her tasks and responsibilities, and in the achievement of the Company's objectives and strategies.

The overall development path comprises ten content modules totalling 80 hours, which complement each other and together constitute a comprehensive development programme for the upgrading of leadership skills and personal development of the individual. These modules are:

- Leadership and its importance,
- First, I must lead myself in order to lead others,
- Professional leadership communication,
- Leading different individuals in different situations,
- How to motivate an individual,
- Effective time management,
- Effective conflict management and stress management,
- How to prepare an effective business presentation,
- Effective change management.
- Effective teamwork

The development programme is delivered through live and virtual training sessions, complemented by individual or group work assignments between sessions and individual coaching for all participants.

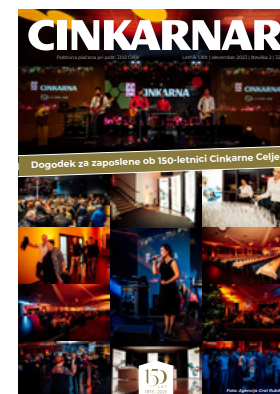
Moja Cinkarna app

In 2023, we further upgraded the Moja Cinkarna web and mobile app, which is available to all employees. Employees can use it on their work and/or personal computer and on their mobile phone. The main purpose of the app is to give employees easy and secure access to specific parts of the Oracle business information system. The app allows employees to view their annual leave balances and usage, view their timesheets, view and order lunch in all three canteens, submit pay slips, calculate leave for the current year, issue a single exit pass, electronically validate documents and publish news for timely information. Employees have to register in the application to ensure the security of their person-

al data. The app aims to make processes faster, simpler and reduce paper consumption. At the end of 2023, 86% of employees were using the app.

Cinkarnar internal magazine

Twice a year, we publish an internal magazine, Cinkarnar, which is distributed to all employees. It informs employees about news, achievements, events, competitions and other activities in the Company. At the same time, the magazine highlights those employees who contribute to the Company's development through their innovations and dedication, as well as employees who have retired, certain new hires and others. We also present the work of individual departments and their role in the Company. We also educate employees about new developments in the industry and provide useful information for working safely.



Open Door for the Labour Director

Also in 2023, open office hours were established at the Labour Director's office, where employees can come with suggestions, ideas and initiatives to improve interpersonal relations or other topics of concern to employees, as well as with problems that the Labour Director is working to resolve and, where appropriate, raise.

The response of the staff is positive, as they can directly access a member of the Management Board, who passes on certain issues at Management Board meetings.

Staff engagement and satisfaction survey

Employee well-being or job satisfaction is very important for good and quality work. Only satisfied employees perform optimally and conscientiously in their profession and are a direct reflection of a higher or lower level of quality of working life in the company. Every year, the Company conducts a survey entitled Analysis of the Quality of Job Satisfaction at Cinkarna Celje d.d., which is a very good way to determine either individual satisfaction with the work situation or to analyse the organisational climate in the Company and, on the basis of the analyses, to prepare objectives and measures to improve the state of employee satisfaction.

Employee engagement is measured alongside employee satisfaction, as it is an important factor of competitive advantage and contributes significantly to the performance of both individual employees and the Company. Engaged employees are more productive, more focused on quality customer service and bring more added value to the Company. Engaged employees are also less likely to leave the Company at the first new job offer.

We carefully review the results of the survey and use the data to set targets and objectives to achieve a steady increase in the number of engaged employees and to create a work environment with happy employees.

Occupational health and safety

We continuously strive for improvement in the area of occupational safety and health and set targets every year. Our overarching goal is zero injuries at work. We regularly monitor progress towards this target and each year we set short-term performance targets to help us achieve our overarching goal. We operate in accordance with ISO 45001 – Occupational Health and Safety.

The Occupational Health and Safety Department, which reports to the Company's management, carries out professional tasks in the area of occupational health and safety, so that the employees who carry out professional tasks in the area of occupational health and safety are independent of the service users in their decision-making. We ensure compliance with legislative requirements in the field of occupational health and safety and fire

safety. We actively work to reduce accidents at work and improve working conditions by introducing activities to identify, record and eliminate potential hazards and near misses in the working environment. We take preventive fire-safety measures to prevent fires and regularly monitor, inspect and service fire-fighting equipment to ensure active fire protection.

The occupational health and safety management system covers all those who work for the Company under an employment contract or any other legal basis (outsourced workers), including employees who work for training purposes.

Three main objectives in the field of occupational safety and health:

- **Zero injuries at work – the overarching objective**
This is a long-term objective to which all other objectives are subordinate. It is pursued step by step through various prevention activities and improvements.
- **Improvements in occupational health, safety and fire safety**
We address the potential causes of occupational injuries by identifying and disaggregating process risks that can have a negative impact on occupational health and safety.
- **Organising and implementing employee health promotion**
We regularly carry out employee health promotion according to a programme that is adapted annually.

The employer is obliged to provide employees with appropriate personal protective equipment. In workplaces where the risk of occupational injury and ill-health is higher, employees have access to all personal protective equipment designed to prevent injury and ill-health. Which personal protective equipment is required in a particular workplace and what standards the equipment and employees must meet are set out in the Risk Assessment for each workplace.

Injuries at work

Occupational injuries are monitored using the so-called frequency index (IF), which represents the number of sickness absences per 100 employees. We also monitor the rate of working days lost due to sickness absence using the so-called PRP factor, which represents the ratio of the number of occupational injuries to the number of sickness absences per number of employees.

There were no serious occupational injuries in the 5-year period, and no fatalities or occupational diseases. Work-related injuries are also monitored for agency workers. There were 11 work-related injuries in the 5-year period (2019-2023).

As the graph shows, from 2019-2022, work-related injuries fell from 1.7 to 0.9 per 100 employees, rising to 1.6 injuries per 100 employees in 2023. The increase in work-related injuries is observed in the maintenance processes. Despite the increase in work-related injuries, the number of days lost decreased by 80 or 18%.

In terms of the cause of work-related injuries, trips, slips and falls are the leading causes, followed by chemical burns and cuts.

Table: Injuries at work in 2019-2023

Event	2019	2020	2021	2022	2023
Number of work-related injuries	15	13	12	7	12
Number of days lost	346	334	329	451	371
Number of injuries/100 employees	1.7	1.5	1.4	0.9	1.6
Number of deaths due to work-related injuries	0	0	0	0	0
Number and rate of work-related injuries with major consequences	0	0	0	0	0
PRP factor*	5.7	5.0	4.7	4.0	5.6

* PRP is a factor representing the ratio of the number of occupational injuries to the number of sick days per number of employees.

Chart: Number of work-related injuries per 100 employees in 2019-2023

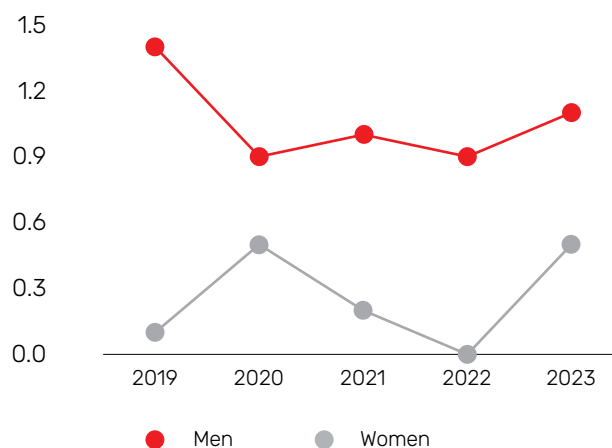
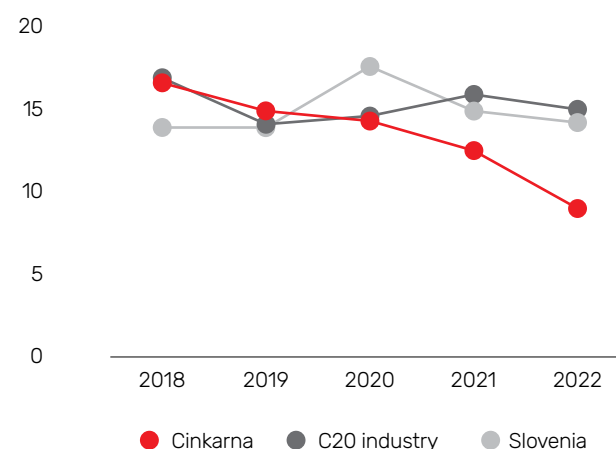


Chart: comparison of occupational injuries per 1,000 employees between Cinkarna Celje, the C20 industry (manufacture of chemicals, chemical products) and Slovenia



Data are available on the NIJZ website for the year 2021, so the comparison refers to the years 2018-2022.

We use an established system to record and report on incident statistics and to address identified weaknesses. In the event of an accident at work or sudden illness of a worker, the Company organises and provides first aid and rescue services at all workplaces, both during regular and shift working hours. In the event of an injury at work, the worker must immediately seek first aid from qualified persons and inform the worker's supervisor, who must report the accident to the Occupational Health and Safety Department.

In addition to accidents at work, we also monitor near-misses and potential hazards, which are regularly recorded and their causes are eliminated or prevented. In 2023, we identified 117 potential hazards, which we are addressing on an ongoing basis, and ten near misses. In 2023, we identified almost 38% more potential hazards than the year before, mainly due to a more systematic approach to identifying potential hazards in maintenance work. The Minute for Safety activity was conducted among production workers in various formats and time intervals, with the aim of having employees in each plant briefly discuss the progress of the shift and any potential hazards identified before the start of each shift. In addition, in the event of an injury at work, they discuss the causes that led to the particular incident and other topical issues relating to safe and healthy work.

Identification and analysis of process risks in the area of occupational safety and health and measures to reduce emissions into the working environment were carried out in all production business units.

Table: Identified potential hazards and near misses in 2019-2023

Event	2019	2020	2021	2022	2023
Potential hazard	56	47	32	85	117
Near misses	3	3	6	7	10

Absenteeism

The average absenteeism rate for employees increased by 0.75 percentage points to 24.42% in 2023 compared to the previous year, due to more sickness absences, other illnesses and injuries outside work. The pattern of sickness absence varied according to the duration of sick leave. Causes of absenteeism at Cinkarna Celje d.d. and the related sickness absence were linked to illnesses and injuries resulting in short- or long-term sick leave and the nature of the work (multi-shift and physically demanding work). The high average age of employees (47.24 years), the four- or multi-shift nature of work (42.7% of employees work multiple shifts), the high number of people with disabilities (6.5% of all employees) and the increasing number of long-term sick leaves, mainly due to serious illnesses, impairments of the locomotor system and cardiovascular diseases, also have a significant impact on absenteeism.

Table: Absenteeism in 2019-2023

Absence from work	2019	2020	2021	2022	2023
Illnesses (%)	6.70	6.43	7.27	7.45	8.34
Total absenteeism (%)	23.71	24.97	22.14	23.67	24.42

Risk assessment for workplaces

We have a system in place to assess workplace risks in terms of incidence and intensity, which is ongoing. Based on the results, a Risk Assessment for all workplaces and an Occupational Health and Safety Risk Register are produced or revised, showing the exposure of employees to physical, chemical, mechanical, social and biological risks. Where risks are identified, appropriate measures are determined and taken to reduce employees' exposure to hazardous working conditions, and responsible persons and deadlines are set to eliminate or reduce individual risks.

The risk assessments carried out show that risks related to increased noise (list of noisy workplaces), unfavourable microclimatic conditions (increased temperature in workplaces during the summer months) and chemical and mechanical hazards in individual workplaces stand out.

Employee involvement

Workers and their representatives are given the opportunity to be involved in all issues relating to ensuring safe and healthy work. They are involved in the assessment of risks for specific jobs and in the production of risk assessments.

The Works Council has an Occupational Safety and Health Committee, which includes a safety engineer as an external contributor to help solve occupational safety and health problems.

Workers can report work-related hazards and suggestions for improving working conditions to the Works Council, through the reporting of potential hazards and near misses and through the CC um app.

Health promotion at work

Good health is a prerequisite for a good and successful life and work - both for the individual and for the work organisation. Our annual health promotion programme aims to maintain and improve the physical and mental health and well-being of our employees, and to detect various medical conditions at an early stage. It is about actively supporting the employer in improving the overall health and well-being of employees. The health promotion programme is developed on the basis of an assessment of employees' needs. Thus, the programme takes into account an analysis of the health status of employees based on periodic health checks and an analysis of sickness absence by disease group and economic activity.

We carried out the following activities:

- Cardiovascular disease prevention - risk factors: body composition measurements, control of fats and blood sugar, elevated blood fats (workshop in cooperation with the Health Promotion Centre);
- Sports activities: cycling to work (GAMSI cycling section), organised sports activities (badminton, table tennis, boxing, bowling, etc.), 20% discount on facilities at local spas, teambuilding;
- Cancer prevention activities - support for the SVIT programme (article in the internal magazine);
- Healthy breakfast - promotion of the traditional Slovenian breakfast;
- First aid at the workplace: first aid procedures for chemical injuries (use of Difotherin), basic CPR procedures;
- Protection against infectious diseases - seasonal flu vaccination.

Occupational health services

Together with the contracted occupational health provider, we audit risk assessments and conduct ergonomic workplace visits, as well as biological monitoring of employees. In addition, the occupational health provider carries out preventive health checks on employees and issues a certificate of fitness for work. Preventive health checks are carried out at the intervals specified in the risk assessment for each workplace (24-60 months).



● We strive to improve working conditions and prevent injuries at work by carrying out regular inspections of work equipment and the working environment. Our own fire department allows us to provide for preventive fire safety and participate in various interventions. By conducting regular preventive health examinations, we assess the health of employees and their ability to work. As part of employee health promotion, we carry out many activities to promote a healthy lifestyle and strengthen health.

Otmar Slapnik, Prof. of Health Education,
Head of the Health and Safety at Work
Department

Value chains and workers in value chains

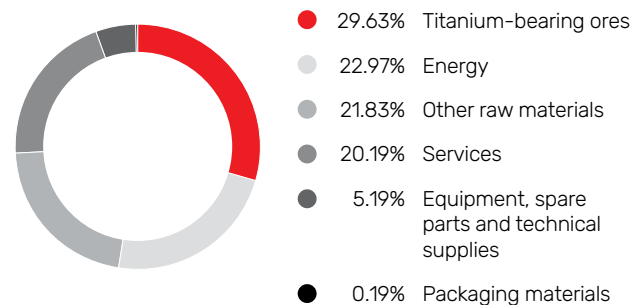
By properly managing the labour chain and respecting workers in the value chain, a company can achieve greater efficiency, quality and competitiveness in the market and contribute to more sustainable business.

The objectives of the quality assurance policy on environmental, health and safety management and sustainable development, and the commitments set out in the Code of Sustainable Business for Business Partners, are elements that contribute to sustainability in our Company's value chain. With the adoption of the Code of Sustainable Business Conduct for Business Partners at the end of 2023, we are setting clear guidelines and expectations for our business partners throughout the value chain. They commit to the same standards of quality, sustainability and social responsibility that we uphold.

Our products and raw materials are part of global supply chains. The supply chain includes suppliers of raw materials (primary and secondary), packaging, equipment, spare parts, technical service materials and energy. Suppliers and their activities vary by business unit. Suppliers are divided into six key groups:

- suppliers of titanium-bearing ores,
- suppliers of other raw materials,
- suppliers of packaging materials,
- suppliers of equipment, spare parts and technical supplies,
- suppliers of services,
- energy suppliers.

Chart: Breakdown of procurement by key groups in 2023



Evaluating suppliers

Key suppliers are evaluated annually against commercial, technical and supplier certifications (ISO 9001, 14001, 45001, 50001, etc.), and from 2022 onwards, we are gradually including sustainability indicators such as:

- Distance from the supplier, which is important in terms of reducing transport emissions;
- Supplier's commitment to the Code of Conduct for Sustainable Business for Business Partners of Cinkarna Celje;
- Receipt of the Ecovadis label;
- Supplier's carbon footprint or product life cycle analysis (LCA).

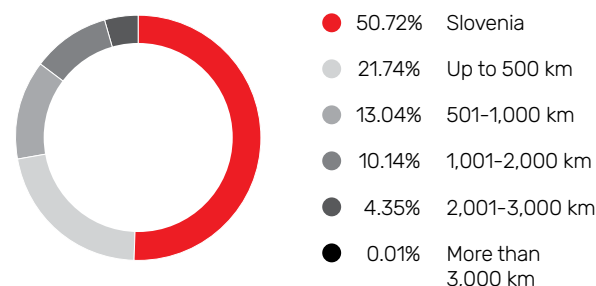
Based on the total score, suppliers are ranked A, B or C, with A being the highest score. We confirm cooperation with suppliers in A and B ranks, with exceptions in C rank (if they are strategic, hard-to-swap suppliers).

For 2023, we evaluated 69 major suppliers and 81 service providers.

Within the supplier portfolio, 57% of the assessed suppliers are ISO 14001 certified and 30% of the assessed suppliers are ISO 45001 certified. The proportion is lower for service providers (15% and 7% of the assessed suppliers are ISO 14001 and ISO 45001 certified respectively).

More than 72% of our estimated suppliers come from Slovenia or nearby countries (within 500 km). A higher proportion of our suppliers are therefore located in our vicinity, significantly reducing our environmental impact and avoiding logistical risks in our supply chains.

Chart: Supplier percentages by distance in 2023

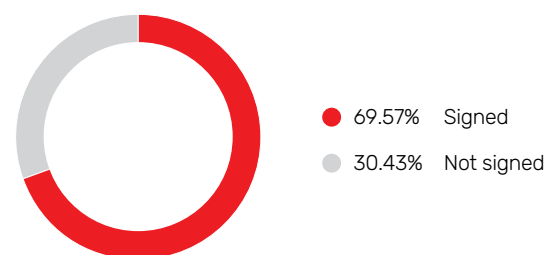


Almost 70% of all suppliers assessed have signed the Code of Sustainable Business for Business Partners, which helps us to create and implement sustainable and socially responsible commitments together with our suppliers. We have an agreed and established channel of communication and awareness-raising with our suppliers (upstream) through regular business visits, provision of requested information, supplier assessments, etc.

When assessing suppliers, we also asked them:

- whether they have ISO 50001 (13% answered yes),
- whether they have the Ecovadis label (19% have one of the labels (platinum, gold, silver or bronze)),
- whether they have a calculated LCA and/or carbon footprint (10% have a calculated LCA and/or carbon footprint).

Chart: Percentages of suppliers having signed the Code of Sustainable Business for Business Partners



We also evaluated six new suppliers in the assessment process, three in the A-rank and three in the B-rank. All of the new suppliers are ISO 9001 certified, four are ISO 14001 certified, three are ISO 45001 certified and none are ISO 50001 certified. These are suppliers located in nearby countries (Italy, Croatia, Bosnia and Herzegovina, and Serbia). Two of these suppliers have already signed the Sustainability Code and two have the Ecovadis label, one of them even platinum.

We assess that there are no significant actual or potential negative environmental and negative social impacts in the supply chain, which comes from communication channels with suppliers. The highest risk of child labour is with suppliers from third countries, such as China. Among the 50 leading materials, we can highlight one material for which we have three suppliers from China - in 2023, there was one supplier who, however, signed the Code of Sustainable Business Conduct for Business Partners.



• The future is certain to bring more and more changes, challenges and opportunities in the fields of purchasing and logistics. The past few years and global events have completely changed our way of thinking and adapting to new conditions as well as our approach to addressing the emerging challenges. The fact that we can expect further volatility, turbulence and unforeseen market changes in many areas in the coming years, which will need to be identified in a timely manner so that we can adequately prepare for them, represents an additional boost of motivation and a challenge for our team of experts. Key areas and related challenges will continue to be strategic raw materials, energy products, investments in energy transformation and production capacities, global logistics and supply chain digitisation as well as value chain sustainability aspects.

Dejan Skok, M.Sc. (Logistics Engineering),
Director of Purchasing and Logistics

Cinkarna boast a long tradition of positive relations with and attitude towards firefighting services. Firefighters have been operating in various forms since 1938 when the first fire brigades were established. We ensure the implementation of fire safety measures at the company and regular evacuation drills.

Rok Jager,
mechanical
technician, fireman,
shift leader and

Dejan Kolšek,
gastronomy and
tourism technician,
firefighter, Health
and Safety at Work
Service, Professional
Services



Local and other communities

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At Cinkarna Celje, we recognise both the positive and negative impacts on the local and other communities in which we operate. By understanding interdependence and interconnectedness, we place a premium on creating a balance between the economy, the business performance of the Company and cooperation, integration and consideration of the needs and demands of local and other communities.

We adhere to high standards of social ethics and build a transparent culture of communication that is the basis for successful integration and cooperation, which is also the commitment of our Quality Assurance, Environmental, Health & Safety and Sustainable Development Policy and Code of Ethical Conduct and Practice.

Below we present some of the key aspects of our cooperation and efforts to improve the social, environmental and economic situation in our community. The channels of communication and frequency are given in the section Stakeholder involvement.

Cooperation with the community

We regularly work with local authorities and other stakeholders to identify needs and opportunities for improvement. We organise public events such as open doors days and meetings with journalists, and work with schools and associations to encourage dialogue and participation.

We inform the Municipality of Celje and surrounding municipalities, local and national media and other relevant stakeholders in the local environment about events and other relevant information through invitations and press releases, depending on the topic and the purpose of the message.

We also use social media to reach and inform the local public. We record about ten negative comments per year, but most of the comments are positive and encouraging.

Projects and initiatives and social investments

We invest in the development and education of young people and promote healthy attitudes of individuals and institutions towards the environment. We promote and support recreational sports, cultural, humanitarian, environmental and educational activities.

In cooperation with the Celje Museum of Contemporary History, we organised a photographic exhibition "The History of Cinkarna through the Lens of Mr Pelikan" at the Pelikan Photo House. The Company organised the exhibition of numerous, previously unpublished photographs to commemorate the 150th anniversary of the founding of Cinkarna Celje and the 50th anniversary of the beginning of the production of titanium dioxide pigment.

To celebrate the 150th anniversary of the Company, an internal exhibition, called Minute for Culture, was also organised by four employees at the Celje and Mozirje locations, displaying their visual arts, sculptures, photography and literary works.

Each year, sponsorships support the activities of major basketball, football and handball clubs, as well as donations to fire brigades, parish offices, music schools, gymnasiums and other organisations.

Sponsorships and donations are given to those organisations that help us to pursue and realise our values, which include:

- Sports associations and clubs: we are the general sponsor of the Celje Women's Basketball Club and the Klavivar Athletics Club, we financially support the Celje Pivovarna Laško Handball Club, the Celje Football Club, the Celje Basketball Club, the Šentjur Basketball Club, the Celje Hockey Club, the Z'dežele Women's Handball Club, the Domžale Basketball Club, and the Nivo Celje Kayak Canoe Club;
- Artistic creation, the work of cultural institutions and associations: SLG Celje, the Institute for Cultural Events and other cultural and artistic associations;
- Educational, pedagogical and charitable organisations and associations: Volunteer Fire Brigade, schools, etc.



Opening a photographic exhibition "The History of Cinkarna through the Lens of Mr. Pelikan".



Internal exhibition, called Minute for Culture.

Over the last five years, we have provided around €3.5 million in sponsorship and donations to sports clubs, associations, educational institutions and local communities. We will continue this policy of supporting the local environment in the future, provided that the Company grows and develops as necessary.

Chart: Share of sponsorship and donations by area



We support Football club Celje.

Table: Funding for sponsorships and donations in 2019-2023

	2019	2020	2021	2022	2023
Donations and sponsorships (EUR)	739,164	688,053	637,131	755,725	706,035

Table: Share of sponsorship and donations by area

Sponsorship and donations	Share
Sports	95%
Culture	2%
Other	3%



We are the general sponsor of the Celje Women's Basketball Club and the Kladivar Athletics Club.



Cooperation with schools

We respond to invitations from schools and local stakeholders and attend the increasingly popular Career Fairs at schools, youth centres and the Community of Higher Professional Schools of Slovenia.

We are proud of our multi-year project of intensive cooperation with primary and secondary schools, whose main objectives are to stimulate children's creativity in making and thinking, and to promote awareness of the wider societal importance of industrial production and development. Fifteen successive competitions have been held so far, and a 16th competition is under way.

Each year, the competition highlights a different theme related to our Company's products and our care for the environment. We invite all primary and secondary schools

in the region where we have production to participate. The theme of the 15th competition was the importance of water for the existence of all living things. This was also to showcase one of our activities that follow our commitment to sustainability. Among other things, we have been looking for ways to reduce the extraction of fresh water from the watercourse for the production process by introducing the re-use of internal and external flows. A record 46 schools and 1,700 schoolchildren took part in the competition. At the end of each competition, we organise a closing ceremony to award prizes to the best ideas. The location of the ceremony and the prizes are also chosen sensitively according to the content, and we make sure that local stakeholders are involved and informed about the competitions and young people's creative ideas.

We open the door to students for compulsory practical training and visits to production processes, waste disposal plants, water measurement (chemical technician programme, construction technician programme), and respond to the needs of local educational institutions, with whom we cooperate in project days, research assignments, presentations on professions, etc.

From the second semester of 2023, a new competition entitled Every Drop of Water Counts is being launched in cooperation with the local Technopark Celje.



Competition "The importance of water for the existence of all living things".



Social responsibility

We work with social institutions to help vulnerable groups in our community, including through donations and volunteering.

Traditionally, in the pre-Christmas period, at the initiative of our kitchen, we participate in a food collection campaign of the SIBAHE (Slovenian Food Bank) association, where we collect a larger amount of food for people in need. In the central dining room of our Company, we offer the Association of Cerebral Palsy Sonček a place to sell their handmade gifts.

In the past, we also held a blood donation campaign among our employees, which we are planning to do again next year.

Last year, Cinkarna Celje joined the third round of the Charity Catharsis. With this donation we wanted to help and raise as quickly as possible the EUR 2 million needed to treat the rare neurodevelopmental disorder of 4-year-old Urban.



Collecting the donations for 4-year-old Urban.

Feedback and reviews

We regularly gather feedback from local communities and other stakeholders and work to improve our relationships based on this feedback.

We have a system in place to receive and resolve complaints. Complaints are received via the email address of the Public Relations Officer or the Environmental Protection Department. All messages received are dealt with accordingly. We coordinate our decisions on individual complaints and the preparation of responses to them with the various responsible parties in the Company (depending on the content of the complaint), such as management, legal, environmental protection or specific business units.

In 2023, we received one comment to our PR email address, which related mainly to the resolution of a specific issue concerning the living environment of the petitioner or complainant, a piece of land owned by the Company.

We also received four complaints from the public in relation to the Celje production site. Three of these concerned perceived odours. Based on our investigation of the complaint, we found that one complaint was clearly related to a malfunction in the operation of the Company's sewage treatment plant and was also reported to the inspection service and remedied as soon as possible. For the other two we found no link to malfunctions in the Company as we did not record any downtime or other malfunctions in the treatment plant at the time. One complaint was due to a perceived smoke which was not due to a malfunction in the Company, but to a small fire at a nearby location outside the boundaries of the Company.

Table: Public complaints in the environment in 2019-2023

Year	Public complaints by area				
	Odour	Dust	Noise	Other	Total
2019	1	0	1	0	2
2020	0	1	1	0	2
2021	1	0	1	0	2
2022	0	0	1	2	3
2023	3	0	0	1	4

We also regularly monitor comments and messages on social media. We record about ten negative comments a year, but not specific complaints. Most of the comments are not deleted, as recommended by digital marketing experts, but are commented on and explained in a constructive manner. In the past year, we removed three posts due to an internal agreement, as they could have damaged the reputation of the individual, and deleted three user comments that crossed the line of constructive "debate". There were no new reactions to this action.

At Cinkarna Celje d.d., we believe that communication and engagement with the community is key to building strong, sustainable relationships and creating positive change in our local environment. We will continue our efforts for sustainable development and the well-being of all our stakeholders.

My work is creative and dynamic, I work with business partners on the Slovenian and international markets. I follow marketing trends and communicate with market in accordance with the specifics of our industry, also I participate in the organization of business events.

Martina Lapornik
economist,
independent expert
associate, Propaganda
and Market Analysis,
Professional Services



Customers

Content

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We aim to maintain long-term relationships with existing customers, and to attract new customers mainly by developing higher value-added products based on higher product quality combined with the right mix of speed, flexibility and price. We will continue to focus our sales mainly on European markets. Our customers are mainly business-to-business (B2B).

Research and development activities are key to achieving our strategic objectives, maintaining our position and reputation in global markets and seeking new business opportunities, where we keep pace with customer requirements and expectations by developing new products and solutions. In doing so, we take into account the commitments and objectives of the Quality Assurance, Environmental, Health & Safety and Sustainable Development Policies. Maintaining customer satisfaction and implementing our sustainability strategy in the supply chain are also among our priorities in sales. To maintain the long-term sustainability of our business, we pursue sustainability objectives and address our customers through the development of high-quality, sustainable products. We pay particular attention to the recovery of excellent quality by-products that customers can use in their own production, thus contributing to the re-use of materials. In 2023, we also aimed to maintain a satisfaction index (CSI) of 90%.



● *Our blue copper-based plant protection products ensure safe use even in organic production. We thus facilitate the efforts to produce healthy food and advance the associated plant care. In addition to the care for the customers in the local area, we have in recent years expanded the sale of our products to more than 20 countries in Europe and beyond. We pursue our commitment to sustainability by reusing the materials that are incorporated into our products.*

Mateja Cviki Marovt, B.Sc. (Agri. Eng.),
Head of Agri Programme Sales

High value-added products

In the titanium dioxide business, our core programme, we are focusing on winning new customers in the plastics and printing inks businesses. Higher customer sophistication allows us to achieve higher profitability in the long term and indirectly acts as a hedge against potential new entrants into the European market with lower-end products.

In other programmes, we also focus our development on new products with high added value and on those vertically integrated products that allow for professional, revenue and cost synergies and best exploit the competitive advantages of the business environments of the individual product programmes.



Development of biopolymer-based masterbatches

Due to the negative impacts caused by synthetic polymers embedded in products (unstable global fossil hydrocarbon reserves and pollution caused by such plastic materials), we took a sustainable and more environmentally friendly approach to their replacement. We developed a white PBAT-based masterbatch that can be produced by incorporating up to 75% titanium dioxide pigment. In addition to the biopolymer properties, white masterbatches also have the property of biodegradability, which is why we have obtained a biodegradability certificate for the 75% filled masterbatch. We are in the process of obtaining the Bio-compostable Soil certificate. This type of masterbatch has great potential for integration in the packaging industry, as more and more customers are switching to biodegradable materials.

Powder varnish with enhanced outgassing capability

Powder varnish with enhanced outgassing capability was developed for the niche market of customers who powder coat hot-dip galvanised surfaces. Its specific formula allows the evolution of gases that form in the hot-dip galvanised layer at elevated temperatures before crosslinking of the powder-coated layer occurs. This results in the absence of anomalies such as bubbles, tiny bumps on the lacquered surface. It is estimated that this product could account for 25% of our sales of conventional polyester grades of powder varnishes.

Matte smooth quality powder varnish with Qualicoat Class 1.5 requirements

The Qualicoat Class 1.5 range of façade powder varnish qualities was completed in 2022 with the development and certification of a matt smooth version. This means that we have Qualicoat Class 1.5 certification for Category 1 for gloss smooth and (fine and coarse) textured varnishes and for Category 3 for matt smooth powder varnishes. The sales potential is in areas where high weather or light fastness of the coated products is required (e.g. façade elements).

Application of chemically resistant thin-film dispersions suitable for explosion hazardous areas

With the aim of finding materials on the market in the group of thin-film dispersions resistant to chemical influences and suitable for explosion hazardous areas, we have been working to find a suitable material, PFA MJ-610, and put it into production. With the successful implementation of the coating in production, we managed to cover a segment of chemical protection that was currently not covered by our existing coatings. We estimate that it could account for 10% of sales in the fluoroplastics product range. A thin-film coating with good chemical resistance and suitability for installation in explosion hazardous areas is particularly suited for the protection of components in customers who have requirements for a very narrow tolerance range of the protective coating.

Product information and labelling

We pay special attention to classification and labelling to ensure the health and safety of our products. We regularly monitor current legislation and any changes related to labelling. When changes in classification and labelling occur, we bring safety data sheets and labels into line with them, revise safe working instructions and inform customers of the change. Safety and technical data sheets and other instructions are published on the website of each product (<https://www.cinkarna.si/izdelki-in-resitve>) and are accessible to everyone (customers and other interested parties). This further enables access to information about our products for their safe and healthy use. Our sales professionals are also informed of any changes and provide technical information and advice to customers on the use of the products. We place great emphasis on the reactions of our customers in the field and have not yet received any comments about negative impacts from the use of our products.

All our products are appropriately labelled in accordance with current legislation. The label on the packaging must be visible and the information on the label legible. Products labelled in this way provide the customer with all the information they need to work safely and healthily. In 2021, a regulation also introduced the inclusion of a Unique Formula Identifier (UFI) on the label for hazardous mixtures to enable poison control centres to act quickly and efficiently in the event of poisoning. By the end of 2023, we harmonised labels and safety data sheets in line with current legislation. We are also paying attention and care to packaging waste and unused products - to ensure that they are properly sorted, properly labelled and handed over to authorised collectors.

There were no non-compliances related to the labelling of our products by customers or inspections. We also had no incidents related to marketing communication. In the event that a non-compliance is identified internally, it is quickly rectified.

Certificates of product conformity

We follow market trends and requirements in the production of copper-based products for the protection of plants against diseases and pests, complementing other preventive and cultural measures in agriculture, respecting the principles of good agricultural practice. Humovit ECO is certified (003/2022) by the Institute of Organic Agriculture as suitable for use in organic production.



● We target customers - plastics processors that offer sustainable solutions in the food industry, construction and interior design, and the automotive industry. We are entering the field of more demanding plastic materials and composites applications with an expected long service life where cooperation in the search for technological solutions and the development of new and improved products represent an important competitive advantage. Striving to fulfil sustainability requirements, we take on the challenges of selling masterbatches based on polymers, biopolymers and recyclates as well as the processing of technical materials.

Tihomir Djuričič, B.Sc. (Econ.), Head of Masterbatch Sales

Complaints

Customer complaints, objections and comments are regularly monitored and responded to with corrective action. In 2023, there were a total of five complaints, two of which were unjustified (40%). These were resolved to the satisfaction of the customer. Compared to 2022, the number of complaints decreased.

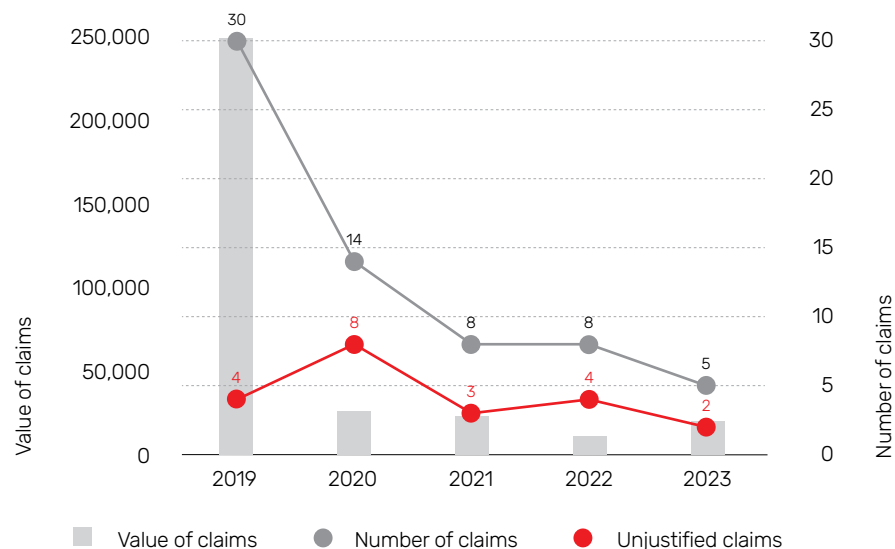
Customer satisfaction survey

Every two years, we conduct an online customer satisfaction survey. Seven sales programmes were included in the survey, which was carried out in 2022. The survey was sent to 243 email addresses, with a response rate of just over 50%, which we consider a success.

The survey showed a similar level of satisfaction as in previous years. Average customer ratings in 2022 on a satisfaction scale of 1-5:

- Score of 4.1 for satisfaction with the products/offer: the highest score (4.4) was given to the statement "delivery times meet our expectations" and the lowest (3.9) to "the price/quality ratio is adequate";
- Score of 4.4 for satisfaction with the professionalism of the sales staff: the highest score (4.7) was given to the statement "as individuals they are tidy and well organised" and the lowest (4.1) to "product presentations are helpful";
- Score of 4.5 for satisfaction with sales operations, sales promotion, consultancy, warehouse and logistics: the highest score (4.6) was given to the statement "if they promise something, they keep it", and the lowest (4.4) to several answers on the topic of complaints and dispatch of goods.

Chart: Number and financial value of complaints in 2019-2023



The words that customers used to describe their view of Cinkarna Celje d.d. were professionalism, reliability, quality, punctuality and trust. The majority of the respondents, 76%, did not perceive any problems in their cooperation or did not mention them, while a few had a comment on the price (9%) and on the delivery and sales conditions (6%).

Suggestions for improvement on the part of the customers mainly concern the extension of the product range, the improvement of delivery conditions and product quality, and keeping abreast of market conditions, especially in terms of price comparability with competitors.



An event for business partners on the occasion of the 150th anniversary Cinkarna Celje

The results of the survey and the detailed analysis by product programme provide sales managers with a more objective assessment of customer satisfaction (CSI - Customer Satisfaction Index) and improvement actions. The customer questionnaire is also modified or updated as necessary.

I participated in the development of an innovative alternative process for the production of tribasic copper sulphate, an active phytopharmaceutical ingredient with fungicidal action. The process is more sustainable as significantly fewer unwanted by-products are produced during its production.

Peter Bastl, M.Sc.,
independent division
technologist,
Chemistry Celje BU,
Blue Copper



Financial report

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Financial statements

Condensed statement of financial position of the Company

In EUR

	Notes	31 Dec 2023	31 Dec 2022
ASSETS			
Non-current (long-term) assets			
Intangible assets	1	1,585,108	1,208,224
Tangible fixed assets	2	109,855,569	104,083,017
Financial assets at fair value through other comprehensive income	3	1,558,531	1,973,765
Other non-current assets	4	84,444	68,049
Deferred tax assets	5	1,439,044	1,226,475
Total non-current (long-term) assets		114,522,696	108,559,530
Current assets			
Inventory	6	53,841,480	72,754,823
Financial receivables	7	38,616,117	0
Trade receivables	8	31,545,008	24,290,543
Income tax receivable		5,493,528	0
Cash and cash equivalents	9	15,687,805	45,210,098
Other current assets	10	209,028	133,009
Total current assets		145,392,966	142,388,473
Total assets		259,915,662	250,948,003

In EUR

	Notes	31 Dec 2023	31 Dec 2022
CAPITAL AND LIABILITIES			
Owners' capital	11		
Called-up capital		20,229,770	20,229,770
Capital reserves		44,284,976	44,284,976
Profit reserves		119,583,496	120,290,401
Fair value reserve		-1,242,486	-809,390
Retained earnings		38,374,703	25,014,391
Total capital		221,230,458	209,010,148
Non-current liabilities			
Provisions for employee benefits	12	3,843,523	3,651,696
Other provisions	13	14,233,199	14,816,968
Non-current deferred income	14	767,414	363,054
Total non-current liabilities		18,844,136	18,831,718
Current liabilities			
Financial liabilities	15	103,692	59,392
Trade payables	16	18,530,350	19,518,145
Income tax payable		0	2,367,161
Liabilities under contracts with customers	17	11,352	157,520
Other current liabilities	18	1,195,674	1,003,919
Total current liabilities		19,841,067	23,106,137
Total liabilities		38,685,203	41,937,855
Total capital and liabilities		259,915,662	250,948,003

The notes to the financial statements are an integral part of the financial statements and should be read in conjunction with them.

Income statement for the period from 1 January to 31 December

In EUR

	Notes	2023	2022
Revenue from contracts with customers	20	176,464,289	227,153,116
Change in the value of inventory of products and work in progress		-6,549,243	14,113,923
Capitalised own products and own services	2	3,019,539	2,442,358
Cost of goods and materials sold	22	-296,838	-200,613
Cost of materials	22	-106,375,957	-134,953,778
Cost of services	22	-16,047,941	-16,229,210
Labour costs	22	-30,656,494	-29,483,416
Depreciation	22	-12,355,367	-12,150,684
Other operating income	21	9,455,201	7,749,919
Other operating expenses	22	-3,909,344	-5,264,418
Impairments and write-offs of trade receivables		-25,096	-1,553
Operating profit or loss		12,722,749	53,175,643
Financial income	23	1,226,596	36,259
Financial expenses	23	-143,743	-496,329
Financial result		1,082,853	-460,070
Profit or loss before tax		13,805,602	52,715,574
Current income tax		-1,304,115	-8,789,599
Deferred tax		151,920	-529,510
Income tax	24	1,152,195	9,319,109
Net profit for the year		12,653,407	43,396,465
Basic and diluted earnings per share		1.57	5.37

The notes to the financial statements are an integral part of the financial statements and should be read in conjunction with them.

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

In EUR

	2023	2022
Net profit	12,653,407	43,396,465
Other comprehensive income for the year	0	0
Other comprehensive income for the year that will not be recognised in the income statement in the future	0	0
Other comprehensive income for the year that will be recognised in the income statement in the future	0	0
Change at fair value through other comprehensive income	-415,234	322,666
Translation of post-employment benefits	-78,512	222,345
Impact of deferred taxes	60,649	-174,700
Net other comprehensive income in the year that will not be recognised in the income statement in the future	-433,096	370,311
Total other comprehensive income for the year (after tax)	-433,096	370,311
Total comprehensive income for the year (after tax)	12,220,311	43,766,777

The notes to the financial statements are an integral part of the financial statements and should be read in conjunction with them.

Statement of changes in equity and determination of distributable profit

In EUR

2023	Called-up capital	Capital reserve	Profit reserves					Retained earnings		Total capital
			Statutory reserves	Reserves for own shares	Own shares	Other profit reserves	Fair value reserve	Profit or loss carries forward	Net profit for the period	
Opening balance of 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
Purchase of own shares										0
Withdrawal of own shares										0
Payment of dividends								0	0	0
Total comprehensive income for the period							-433,096	0	12,653,407	12,220,311
Entry of net profit or loss for the period									12,653,407	12,653,407
Other components of comprehensive income for the period							-433,096			-433,096
B3. Changes in equity						-706,905		31,963,840	-31,256,936	0
Allocation of the residual part of net profit for the period to other components of capital						-7,033,608		7,033,608		0
Allocation of part of reported net income to other components of capital as decided by management and supervisory bodies						6,326,703		24,930,232	-31,256,936	0
Creation of reserves for own shares										0
Release of reserves for own shares										
Closing balance of the period	20,229,770	44,284,976	16,931,435	4,814,794	-4,814,794	102,652,061	-1,242,486	32,047,999	6,326,704	221,230,458
DISTRIBUTABLE PROFIT								32,047,999	6,326,704	38,374,703

In EUR

2022	Called-up capital	Capital reserve	Profit reserves					Retained earnings		Total capital
			Statutory reserves	Reserves for own shares	Own shares	Other profit reserves	Fair value reserve	Profit or loss carries forward	Net profit for the period	
Opening balance of the period	20,229,770	44,284,976	16,931,435	4,814,794	-4,814,794	84,892,734	-1,179,702	86,234	24,920,343	190,165,790
Changes in equity – transactions with owners								24,922.418		24,922.418
Purchase of own shares										0
Withdrawal of own shares										0
Payment of dividends								24,922,418	0	24,922,418
Total comprehensive income for the period							370,312	0	43,396,465	43,766,777
Entry of net profit or loss for the period									43,396,465	43,396,465
Other components of comprehensive income for the period							545,012			370,312
B3. Changes in equity						18,466,232		24,920,343	-43,386,575	0
Allocation of the residual part of net profit for the period to other components of capital										0
Allocation of part of reported net income to other components of capital as decided by management and supervisory bodies						18,466,232		24,920,343	-43,386,575	0
Creation of reserves for own shares										0
Release of reserves for own shares										
Closing balance of the period	20,229,770	44,284,976	16,931,435	4,814,794	-4,814,794	103,358,966	-809,390	84,159	24,930,232	209,010,148
DISTRIBUTABLE PROFIT								84,159	24,930,232	25,014,391

The notes to the financial statements are an integral part of the financial statements and should be read in conjunction with them.

Cash flow statement

In EUR

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Net profit or loss before tax	13,805,602	52,715,574
Adjustments for:	15,678,565	8,918,973
Amortisation and depreciation +	12,355,367	12,150,685
Profit/loss on sale of fixed assets	130,529	-7,253
Impairment/write-down (reversal of impairment) of assets	1,227,035	475,817
Net decrease/increase in allowance for receivables	25,096	1,553
Net financial income/expenses	1,082,853	-493,615
Long-term provisioning	1,797,223	3,483,991
Reversal of long-term provisions	-939,538	-6,692,205
Cash flow from operating activities before change in net current assets (working capital)	-1,728,285	-40,604,786
Change in trade receivables	-7,279,560	6,880,807
Change in other non-current and current assets	-76,019	7,194
Change in inventory	17,730,678	-32,788,789
Change in trade payables	-987,794	-7,278,748
Change in provisions	-391,942	-1,158,030
Change in deferred income	404,361	147,334
Change in other current liabilities	-3,456,228	-13,549
Change in liabilities under contracts with customers	-146,169	21,432
Income tax paid	-7,525,611	-6,422,438
Net cash flow from operating activities	27,755,882	21,029,760



	2023	2022
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment income	1,119,833	43,513
Income from interest earned	1,119,833	20,235
Income from interest earned on dividends	0	16,025
Income from disposal of tangible fixed assets	0	7,253
Income from disposal of current financial assets	-58,441,421	-10,546,496
Expenditure on acquisition of intangible assets	-621,559	-436,676
Expenditure on acquisition of tangible fixed assets	-19,203,744	-10,109,820
Expenditure on acquisition of financial investments	-38,616,117	0
Net cash flow from investing activities	-57,321,588	-10,502,983
Cash flows from financing activities		
Income from financing activities	0	0
Expenditure on financing activities	43,413	-25,063,273
Expenditure on repayment of financial liabilities	44,300	-138,140
Expenditure on interest paid	-887	-2,715
Expenditure on repayment of dividends and other profit shares	0	-24,922,418
Net cash flow from financing activities	43,413	-25,063,273
Closing balance of cash and cash equivalents	15,687,805	45,210,098
Net increase/decrease in cash and cash equivalents	-29,522,293	-14,536,496
Opening balance of cash and cash equivalents (01/01)	45,210,098	59,746,594

The notes to the financial statements are an integral part of the financial statements and should be read in conjunction with them.
Due to rounding, differences of +/- 1 € are possible.

Notes to the financial statements

I. Introductory notes to the financial statements

Cinkarna, metallurško-kemična industrija Celje, d. d., is organised as a joint stock company, with its registered office at Celje, Kidričeva 26, and entered in the Court Register of the Court of Celje under number I-402-00. The Company's main activity is chemical (SKD 20.120), namely the production of titanium dioxide.

The financial part of the Annual Report is prepared for Cinkarna Celje d.d. and comprises the financial statements with notes of Cinkarna Celje d.d. By the decision of the 25th General Meeting of Shareholders of Cinkarna Celje d.d., the Company switched from Slovenian Accounting Standards to International Financial Reporting Standards on 15 June 2021. As a result, all the Company's financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union.

The financial statements of Cinkarna Celje are presented in euros, without decimals. They form an integral part of the Annual Report 2023, which is published on the Ljubljana Stock Exchange's electronic information system SEOnet and on the website of Cinkarna Celje d.d.

► <https://www.cinkarna.si/en/investor-information/fillings>

II. Introductory notes on reporting standards

In accordance with the transition of the share on 4 February 2021 to the First Quotation, Cinkarna Celje d.d. has prepared its financial statements as at 31 December 2023 in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union.

A. DECLARATION OF COMPLIANCE WITH IFRS

The financial statements of the Company as at 31 December 2023 are prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union. For previous years, including the year ended 31 December 2021, the Company prepared its financial statements in accordance with Slovenian Accounting Standards. For the first time, the Company prepared its first complete set of financial statements for the year ended 31 December 2021 with a date of transition to IFRS as at 1 January 2020 in accordance with IFRS with related interpretations adopted by the International Accounting Standards Board (IASB) and interpretations of the International Financial Reporting Interpretations Committee (IFRIC) adopted by the European Union (EU), and in accordance with the provisions of the Companies Act (ZGD), with the date of transition to IFRS at 1 January 2020.

The financial statements for the financial year 2023 were approved by the Company's Management Board on 4 April 2024.

The Company prepares its financial statements on the going concern basis. The accounting policies applied are the same as in previous years.

Initial application of new amendments to existing standards issued by the IASB and adopted by the EU that are effective for the current reporting period

The accounting policies applied by the Company in the preparation of its financial statements are the same as those applied in the preparation of the financial statements for the previous financial year. The exceptions are the revised standards and interpretations adopted by the Company on 1 January 2023 and described below:

A) Changes in accounting policies and disclosures

The accounting policies adopted are consistent with those adopted last year, with the exception of the following amendments to IFRS adopted by the Company on 1 January 2023, which are described below:

- IFRS 17 Insurance Contracts,
- IAS 1 Presentation of Financial Statements and IFRS Practice Guidance No 2: Disclosure of Accounting Policies (Amendments),
- IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates (Amendments),
- IAS 12 Income Taxes: Deferred Tax on Assets and Liabilities Arising from a Single Transaction (Amendments),
- IAS 12 Income Tax: International Tax Reform - Model Rules under Pillar 2 (Amendments).

The newly adopted IFRS and amendments to IFRS did not have a material impact on the accounting policies of Cinkarna Celje d.d.

• IFRS 17 Insurance Contracts

The Standard is effective for annual periods beginning on or after 1 January 2023. It is a comprehensive new accounting standard for insurance contracts, covering recognition and measurement, presentation and disclosure. IFRS 17 applies to all types of insurance contracts issued and to certain guarantees and financial instruments with discretionary participation contracts. The Company does not issue contracts under IFRS 17 and therefore the application of this standard has no impact on the Company's financial performance, financial position and cash flows.

The amendments did not have any impact on the financial statements of Cinkarna Celje, d.d.

• IFRS 17 Insurance Contracts

The Standard is effective for annual periods beginning on or after 1 January 2023. IFRS 17, which aims to provide an accounting model for insurance contracts that is more useful and consistent for insurers, establishes principles for the recognition, measurement, presentation and disclosure of all types of insurance contracts and certain guarantees and financial instruments with discretionary participation features. The accounting model is complemented by a specific adaptation for contracts with direct participation elements (variable fee approach) and a simplified approach (premium allocation approach), mainly for short-term contracts.

The main features of the new accounting model include the measurement of the present value of future cash flows, including an explicit risk adjustment that is re-measured for each reporting period (fulfilment cash flows). The model also includes a Contractual Service Margin (CSM), which is equal and opposite to the profit

on initial recognition on the fulfilment of the cash flows of a group of contracts, representing the unearned profit on insurance contracts that is recognised in the income statement on the basis of the services provided by the insurance contract during the period of coverage. Certain changes in the expected present value of future cash flows adjust the CSM balance and are therefore recognised in the income statement over the remaining coverage period of the group of contracts. Amounts payable to the policyholder in all circumstances, irrespective of whether an insured event occurs (non-differentiated investment components), are not shown in the income statement but are shown directly in the statement of financial position.

In addition, the presentation of income and expenses from insurance services in the statement of comprehensive income is based on the services provided during the reporting period. The results of insurance services (premiums earned less claims incurred) are presented separately from financial income and expenses from insurance contracts. The statement of financial position presents separately the carrying amounts of portfolios of insurance contracts issued as assets and liabilities respectively, with the same requirement applying to portfolios of reinsurance contracts held. IFRS 17 also requires extensive disclosures to provide information about the amounts recognised under insurance contracts and the nature and extent of the risks arising from those contracts.

With respect to transition, the CSM Review Panel decided to apply a retrospective approach at the date of transition. If the retrospective approach, as defined in IAS 8, is not fully practicable for a group of insurance contracts, the entity shall choose either the modified retrospective approach or the fair value approach. Both provide transitional simplifications.

In December 2021, the International Accounting Standards Board issued amendments to IFRS 17 to add the option to transition to a 'classification overlay' to address potential accounting mismatches between financial assets and liabilities arising from insurance contracts in the comparative information presented when IFRS 17 was initially applied. An entity that applies a classification overlay to a financial asset shall present the comparative information as if the classification and measurement requirements in IFRS 9 had been applied to that financial asset.

The Standard and its amendments had no impact on the financial statements of Cinkarna Celje d.d.

IAS 1 Presentation of Financial Statements and IFRS Practice Guidance No 2: Disclosure of Accounting Policies (Amendments)

The amendments are effective for annual periods beginning on or after 1 January 2023. The amendments provide guidance on the application of materiality judgements to disclosures about accounting policies. In particular, the amendments to IAS 1 replace the requirement to disclose 'significant' accounting policies with a requirement to disclose 'material' accounting policies. The application guidance also adds guidance and illustrative examples to assist in applying the concept of materiality in assessing disclosures about accounting policies. The Company assessed its accounting policies for disclosures and did not identify any material impact on the financial statements of Cinkarna Celje d.d.

- **IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates (Amendments)**

The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and apply to changes in accounting policies and changes in accounting estimates that occur at or after the beginning of the period. The amendments introduce a new definition of accounting estimates, defined as monetary amounts in the financial statements that are subject to measurement uncertainty if they do not result from the correction of a prior period error. The amendments also clarify what changes in accounting estimates are and how they differ from changes in accounting policies and corrections of errors. The amendments did not have a material impact on the financial statements of Cinkarna Celje d.d.

- **IAS 12 Income Taxes: Deferred Tax on Assets and Liabilities Arising from a Single Transaction (Amendments)**

The amendments are effective for annual periods beginning on or after 1 January 2023. The amendments limit the scope and further clarify the scope of the initial recognition exemptions under IAS 12 and specify how entities should account for deferred tax related to assets and liabilities arising from a single transaction, such as leases and decommissioning obligations. The amendments clarify that, for payments to settle a liability deductible for tax purposes, judgement is required, subject to applicable tax law, as to whether such deductions are attributable for tax purposes to the liability or to the related asset component. Under the amendments, the initial recognition exception does not apply to transactions that give rise to the same taxable and deductible temporary differences on initial recognition. It applies only if the recognition of the leased asset and the lease

liability (or the decommissioning liability and decommissioning asset components) give rise to taxable and deductible temporary differences that are not the same. The amendments did not have a material impact on the financial statements of Cinkarna Celje d.d.

- **IAS 12 Income Tax: International Tax Reform - Model Rules under Pillar 2 (Amendments)**

The amendments come into force immediately after their issue, but some disclosure requirements come into force at a later date. In December 2021, the Organisation for Economic Co-operation and Development (OECD) published model Pillar 2 rules to ensure a minimum 15% tax rate for large multinational companies. On 23 May 2023, the International Accounting Standards Board issued International Tax Reform - Pillar 2 - Model Rules - Amendments to IAS 12. The amendments introduce a mandatory temporary exemption from accounting for deferred taxes arising from the implementation of the Pillar 2 model rules in individual countries and disclosure requirements for the entities concerned regarding their potential exposure to Pillar 2 income taxes. The amendments require disclosure, for periods in which Pillar 2 legislation is (substantively) enacted but not yet effective, of known or reasonably estimable information that assists users of financial statements in understanding an entity's exposure to Pillar 2 income taxes. To meet these requirements, an entity must disclose qualitative and quantitative information about its exposure to Pillar 2 income taxes at the end of the reporting period. Disclosure of current tax expense related to Pillar 2 income taxes and disclosures relating to periods before the enactment of the legislation are required for annual reporting periods beginning on or after 1 January 2023, but are not required for any interim period ending on or after 31 December 2023. The amendments did not have a material impact on the financial statements of Cinkarna Celje d.d.

B) Standards issued but not yet effective and not early adopted

B.1) Applicable standards/amendments not yet in force but endorsed by the European Union

- **IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current (Amendments)**

The amendments are effective for annual reporting periods beginning on or after 1 January 2024, with earlier application permitted, and are to be applied retrospectively in accordance with IAS 8. The management of the Company assessed that there will be no material impact on the financial statements of Cinkarna Celje d.d.

- **IFRS 16 Leases**

Lease Obligation on Sale and Leaseback (Amendments) - the amendments are effective for annual reporting periods beginning on or after 1 January 2024, with earlier application permitted. The management of the Company assessed that there will be no material impact on the financial statements of Cinkarna Celje d.d.

- **IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current (Amendments)**

The amendments are effective for annual reporting periods beginning on or after 1 January 2024, with earlier application permitted, and are to be applied retrospectively in accordance with IAS 8. The objective of the amendments is to clarify the principles in IAS 1 for classifying liabilities as current or non-current. The amendments clarify the meaning of the right to defer settlement, the requirement that the right exists at the end

of the reporting period, that the management's intention does not affect the classification of the liability as current or non-current, and that counterparty options that could lead to settlement by transfer of the entity's own equity instruments do not affect the classification of the liability as current or non-current. The amendments also specify that only commitments that are due to be fulfilled by the entity on or before the reporting date will affect the classification of liabilities. Additional disclosures are also required for non-current liabilities under loan facilities that are subject to commitments to be fulfilled within 12 months after the reporting period. The management of the Company assessed that there will be no material impact on the financial statements of Cinkarna Celje d.d.

- **IFRS 16 Leases: Lease Liability on Sale and Lease-back (Amendments)**

The amendments are effective for annual reporting periods beginning on or after 1 January 2024, with earlier application permitted. The amendments are intended to improve the requirements that a vendor-lessee applies in measuring lease liabilities in sale and leaseback transactions in IFRS 16, while not changing the accounting for leases that are not related to sale and leaseback transactions. In particular, the vendor-lessee designates 'lease payments' or 'adjusted lease payments' so that the vendor-lessee would not recognise any amount of gain or loss relating to the right-of-use it retains. The application of these requirements does not prevent a vendor-lessee from recognising in profit or loss a gain or loss relating to the partial or complete termination of a lease. In accordance with IAS 8, the vendor-lessee applies the amendment retrospectively to sale and leaseback transactions entered into after the date of initial application, being the beginning of the annual reporting period in which the entity first applies IFRS 16.

B.2) Applicable standards/amendments not yet in force and not yet endorsed by the European Union

- **IAS 7 Statement of Cash Flows and IFRS 7 Disclosure of Financial Instruments: Vendor Financing Arrangements (Amendments)**

The amendments are effective for annual reporting periods beginning on or after 1 January 2024, with earlier application permitted. The management of the Company assessed that there will be no material impact on the financial statements of Cinkarna Celje d.d.

- **IAS 21 Effects of Changes in Foreign Exchange Rates: Inability to Exchange (Amendments)**

The amendments are effective for annual reporting periods beginning on or after 1 January 2025, with earlier application permitted. The management of the Company assessed that there will be no material impact on the financial statements of Cinkarna Celje d.d.

- **Amendment to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture**

In December 2015, the IASB Board postponed the effective date of this amendment indefinitely, pending the completion of its research project on the equity method.

- **IAS 7 Statement of Cash Flows and IFRS 7 Disclosure of Financial Instruments: Vendor Financing Arrangements (Amendments)**

The amendments are effective for annual reporting periods beginning on or after 1 January 2024, with earlier

application permitted. The amendments supplement the requirements in IFRSs and require an entity to disclose the terms of supplier financing arrangements. In addition, entities are required to disclose, at the beginning and end of the reporting period, the carrying amounts of financial liabilities under supplier financing arrangements and the items in which those liabilities are presented, and the carrying amounts of financial liabilities and items for which the financing providers have already settled the related trade payables. Entities also need to disclose the nature and effect of non-cash changes in the carrying amounts of financial liabilities under vendor financing arrangements that make the carrying amounts of the financial liabilities non-comparable. In addition, the amendments require an entity to disclose, at the beginning and end of the reporting period, the range of payment dates for financial liabilities due to financing providers and for comparable trade payables that are not part of those arrangements. These amendments were not yet endorsed by the European Union. The management of the Company assessed that there will be no material impact on the financial statements of Cinkarna Celje d.d.

- **IAS 21 Effects of Changes in Foreign Exchange Rates: Inability to Exchange (Changes)**

The amendments are effective for annual reporting periods beginning on or after 1 January 2025, with earlier application permitted. The amendments specify how an entity should assess whether a currency is convertible and, if it is not convertible, how it should determine the spot exchange rate. A currency is considered convertible to another currency if the entity can acquire the other currency within a period that allows for normal administrative delay and through a market or exchange mechanism that would give rise to enforceable rights and obligations upon conversion. If the currency

cannot be exchanged into another currency, the entity is required to estimate the spot exchange rate at the measurement date. An entity's objective in estimating the spot exchange rate is to reflect the rate at which a regular exchange transaction between market participants would have been made at the measurement date under prevailing economic conditions. The amendments state that an entity may use the observed exchange rate without value adjustments or other valuation techniques. The amendments were not yet endorsed by the European Union. The management of the Company assessed that there will be no material impact on the financial statements of Cinkarna Celje d.d.

- **Amendment to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture**

The amendments address a recognised inconsistency between the requirements of IFRS 10 and those of IAS 28 in the treatment of a sale or contribution of assets between an investor and its associate or joint venture. The main effect of the amendments is that the full gain or loss is recognised when the transaction involves an entity (whether or not it is hosted by a subsidiary). A partial gain or loss is recognised when the transaction involves assets that do not represent an entity, even if those assets are deposited with a subsidiary. In December 2015, the IASB Board postponed the effective date of this amendment indefinitely pending the completion of its research project on the equity method. The European Union did not yet endorse these amendments. The management of the Company assessed that there will be no material impact on the financial statements of Cinkarna Celje d.d.

C. APPLICATION OF THE GOING CONCERN ASSUMPTION

In preparing the financial statements for Cinkarna Celje d.d. for the financial year 2023, the Management Board of Cinkarna Celje d.d. took into account the going concern basis of accounting which assumes that the Company has the knowledge, information and actions that enable it to continue as a going concern and to be able to generate sufficient cash flow to meet its liabilities and provide investors with an appropriate return on equity.

D. MEASUREMENT BASES

The financial statements are prepared on the historical cost basis, except for derivatives, financial instruments at fair value through profit or loss and financial instruments at fair value through other comprehensive income, where fair value is taken into account.

E. FUNCTIONAL AND PRESENTATION CURRENCY

The financial statements and notes are drawn up in euro, excluding cents. Financial information presented in the financial report in euro is rounded. Due to rounding, differences of +/- 1 € are possible.

F. USE OF ESTIMATES AND ASSESSMENTS

The preparation of financial statements requires management to make estimates, judgements and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates include the determination of the useful lives and residual values of property, plant and equipment and intangible assets, the recoverable amount of prop-

erty, plant and equipment, estimates of the fair value of financial assets at fair value through other comprehensive income, valuation allowances for inventory and receivables, estimates of amounts payable under contracts with customers, estimates of the recoverability of deferred tax assets, assumptions relevant to the actuarial calculation of employee benefits, assumptions included in the calculation of the provision for ecological purposes, and legal and constructive damages.

Other important assessments include the subsidy to mitigate the energy crisis under the ZPGOPEK Act, i.e. the assessment with respect to reasonable assurance that the future conditions for receiving and maintaining the subsidy received will be met.

The assessments and the assumptions made are regularly reviewed. Revisions to accounting estimates are recognised for the period in which the estimates are revised, to the extent that they affect only that period, and for future periods affected by the revisions. Information about significant estimation uncertainties and critical judgements made by the Management Board of Cinkarna Celje in the process of applying the accounting policies that have the most significant effect on the amounts recognised in the financial statements is described in the following notes:

- **In Note 2 – Impairment testing of non-financial assets**

The Company reviews individual cash-generating units for indicators of impairment at least annually, and the recoverable amount of non-financial assets is determined on the basis of the present value of future cash flows, which is based on both an estimate of the expected cash flows from the cash-generating unit and the determination of an appropriate discount rate.

- **In Note 21 – Revenue from contracts with customers**

Revenue from contracts with customers is recognised based on the terms of the individual sales contract with the customer, when control of the goods and services is transferred to the customer, in an amount that reflects the consideration to which Cinkarna Celje believes it will be entitled in exchange for such goods or services. Revenue from contracts with customers is reduced by bulk allowances (volume discounts granted) where the Company verifies accurately that the contractually agreed quantities are taken up. If the contracted quantities are taken up, the Company grants the customer a discount on the quantity taken up. The percentage of the discount is agreed in the contract with the individual buyer. The payment criterion is also taken into account when assessing the granting of discounts. If outstanding debts due to the customer who would be entitled to compensation for the higher volumes are not settled, the discount is not granted and is only assessed.

- **Impairment testing of trade receivables in Note 8 – Short-term trade receivables**

At the time of preparation of the financial statements (quarterly and annual), the Company makes an allowance or impairment for receivables that are not expected to be settled in full or at all. The basis for the calculation of the allowance is a uniform methodology applicable to the Company and is based on the probability or estimate of default by the customer. The methodology includes the following quantitative and qualitative criteria: an analysis of the customer's payment record, an analysis of the customer's financial statements – credit report, qualitative assessments of the customer prepared by the sales staff, and the collateralisation of the receivables through the granting of a credit limit with an in-

surance company. On the basis of the above, which includes all criteria, an allowance for doubtful accounts is calculated for each customer.

- **In Note 3 – Fair value measurement of financial assets at fair value through other comprehensive income**

Fair value is used for financial assets measured at fair value through other comprehensive income and financial assets measured at fair value through profit or loss. All other items in the financial statements represent cost or amortised cost. The fair value of assets is reviewed annually based on known market data or comparable data in the industry in which the Company has investments.

- **In Note 13 – Estimate of provisions made**

A provision is recognised when, as a result of a past event, the entity has a legal or constructive obligation that can be measured reliably and it is more likely than not that an outflow of resources embodying economic benefits will be required to settle the obligation. Contingent liabilities are not recognised in the financial statements because their actual existence will be confirmed by the occurrence or non-occurrence of events only in the unknowable future, which is beyond the Company's control. The Company's management regularly reviews whether an outflow of resources embodying economic benefits is probable to settle a contingent liability. If it becomes probable, the contingent liability is reclassified to a provision in the financial statements when the degree of probability changes. The Company's management makes a critical assessment, based on the legal or other basis for recognition, of whether the present obligation, which arises from past events and could result in future outflows for the Company, is supported by external legal

experts and also by the remediation activities required in light of current knowledge, the measurements made, as well as the amount of the cost and the estimate of the timing of those activities and the discount itself, using the written opinions of external specialists in the relevant field in making the assessment. The assessment is mainly linked to environmental provisions.

- **In Note 12 – Provisions for post-employment benefits and other long-term employee benefits**

The present values of retirement benefits and jubilee bonuses are recorded within the defined benefit obligations. They are recognised based on an actuarial calculation prepared by a chartered actuary and approved by the Management Board. The actuarial calculation is based on assumptions and estimates that are valid at the time of the calculation and, due to changes in the future, may differ from the actual assumptions then in effect. This relates primarily to the determination of the discount rate for the employee turnover estimate, the mortality estimate and the salary growth estimate. Defined benefit obligations are sensitive to changes in those estimates due to the complexity of the actuarial calculation and the long-term nature of the item.

- **In Note 17 – Current liabilities under contracts with customers**

Cinkarna Celje accounts for contractual discounts when preparing its annual financial statements in cases where customers only become entitled to a discount on sales achieved in the current year in the following year, i.e. when the contractually agreed conditions for obtaining the discount have been met. The basis for estimating the amount of these discounts is the facts known at the time the annual accounts are prepared, past experience with individual customers and other relevant facts.

- **Assessment of the recoverability of deferred tax assets in Note 5 – Deferred tax assets and liabilities**

The Company recognises deferred tax assets in respect of: provision for jubilee and retirement benefits, impairment of investments, impairment of receivables, unused tax credits, tax losses. The Company verifies the amount of tax receivables and tax payables recorded at the date of the financial statements. Deferred tax assets are recognised when it is probable that future taxable profit will be available within five years against which the deferred tax asset can be utilised in the future. Deferred tax is reversed for the amount for which it is not probable that the tax benefit associated with the asset will be available.

- **Critical assessment of the macroeconomic situation (inflation and economic downturn)**

Due to the deterioration of the macroeconomic environment caused by inflation, the situation in upstream and downstream markets and the situation related to the war in Ukraine, the Company reviews significant accounting policies and estimates in areas that could be adversely affected by the situation, in particular impairment of assets – impairment of receivables, provisions, fair value measurements, leases, labour costs and the deductibility of deferred tax assets.

III. Significant accounting policies

The Company applied accounting policies in accordance with IFRS for the period presented in the accompanying financial statements. The Company did not change the accounting policies disclosed in the Annual Report for the financial year 2022.

In selecting the accounting policies, deciding on their application and preparing the financial statements, the management considered the following three requirements: the financial statements are understandable if they are readily understandable by users; the information is relevant if it assists the user in making economic decisions; and the information is material if its omission or misstatement could affect the economic decisions of users. The financial statements contain comparative information.

A. TRANSLATION OF FOREIGN CURRENCIES

For transactions originally denominated in a foreign currency, the commercial bank rate or the European Central Bank mid-rate (reference rate) is used for the translation of transactions during the year. Assets and debts denominated in a foreign currency are recorded at their translated value at the European Central Bank mid-rate at the reporting date. Exchange differences, whether positive or negative, are the differences between the amortised cost in the functional currency at the beginning of the period and the amortised cost of payments during the period and the amortised cost in the foreign currency translated at the exchange rate at the end of the period. Non-monetary assets and liabilities denominated in a foreign currency and measured at fair value are translated into the functional currency at the exchange rate at the date the fair value is determined. Non-monetary items denominated in a foreign currency and measured at historical cost are translated into the functional currency at the exchange rate at the date of the transaction. Exchange differences are recognised in the income statement.

B. INTANGIBLE ASSETS

Development costs incurred by the Company are recognised as an intangible asset. An intangible asset is derecognised and removed from the balance sheet and statement of financial position on disposal or when no further economic benefits are expected from its use and subsequent disposal.

Other intangible assets have finite useful lives and are carried at cost less accumulated amortisation and accumulated impairment losses. Cost also includes borrowing costs until the intangible asset is created.

Subsequent expenditure relating to intangible fixed assets is capitalised to the extent that it increases the future economic benefits of the asset to which it relates.

The Company applies the straight-line method. Amortisation rates are determined by reference to the expected useful lives. Amortisation is charged on a straight-line basis until the amortised cost base is fully recovered and begins to be amortised when the intangible asset with the finite useful life is available for use. The estimated useful lives for the current and comparative periods are:

- computer software: 2 to 10 years,
- technical and project documentation: 8 to 40 years,
- easements: 20 years and more.

The amortisation and depreciation rates in 2023 remain unchanged from the previous year.

C. TANGIBLE FIXED ASSETS

The Company's tangible fixed assets comprise land, buildings, manufacturing equipment, other property, plant and equipment, small inventories, property, plant and equipment under construction or in the course of construction, and advances for the acquisition of property, plant and equipment.

The Company uses the cost model. Cost includes costs directly attributable to the acquisition of an individual tangible fixed asset (import and non-refundable purchase duties and costs directly attributable to its qualification for its intended use, in particular import and installation costs). Under the cost model, tangible fixed assets are carried at cost less accumulated depreciation and accumulated impairment losses. The cost includes borrowing costs related to the acquisition of the tangible fixed asset until it is ready for use.

The cost of a tangible fixed asset constructed or manufactured in the Company consists of the costs directly attributable to its construction or manufacture (costs of materials, labour, services of external contractors and services of the Company's business units) and those general construction or manufacturing costs that are directly attributable to its qualification for its intended use.

The cost of a tangible fixed asset is allocated to its components if their value is significant, they have different useful lives that are significant in relation to the total cost of the tangible fixed asset, and they are accounted for as individual assets.

Subsequent expenditure relating to a tangible fixed asset increases its cost if it is its replacement and it is probable that its future economic benefits will be greater than those originally estimated. Subsequent expend-

iture on a fully depreciated tangible fixed asset is recognised as a new asset with a new useful life.

We capitalise own products and own services when they enhance the future benefits of an asset or increase its useful life. These are goods and services that are created or rendered and then recorded at cost as tangible fixed assets or intangible assets. At the same time, these effects of capitalising own goods and services are recorded in other operating income.

The Company applies the straight-line method. Amortisation rates are determined according to the expected useful lives. Amortisation is charged on a straight-line basis until the asset is fully recovered from the asset, which forms the basis for depreciation, and commences on the first day of the month after it is available for use. Land and fixed assets of artistic and cultural interest are not depreciated.

The estimated useful lives for the current and comparative period are:

- buildings: 5 to 71 years,
- production equipment: 2 to 30 years,
- other equipment: 2 to 5 years.

The amortisation and depreciation rates in 2023 remain unchanged from the previous year.

In estimating the useful lives of assets, the Company takes into account expected physical wear and tear, technical obsolescence, economic obsolescence and expected legal and other restrictions on use. The Company also reviews the useful lives of major assets in the event that circumstances change and require a change in the useful life and therefore a revaluation of depreciation expense.

Leases

The Company assesses whether a contract is a lease or contains a lease at the time the contract is entered into. A contract is a lease or contains a lease if it transfers the right to control the use of an identified asset for a fixed period in exchange for consideration. The Company determines the term of a lease as the period during which the lease cannot be terminated, together with (a) the periods for which the option to extend the lease is exercisable if it is reasonably certain that the option will be exercised and (b) the periods for which the option to terminate the lease is exercisable if it is reasonably certain that the option will not be exercised.

The Company as lessee

The Company as lessee has no leases.

The Company as lessor

Leases in connection with which there is no significant transfer of the risks and rewards of ownership are classified as operating leases. Lease income is accrued on a straight-line basis over the lease term and recognised in income in the income statement. Initial direct costs are incremental costs directly attributable to negotiating and agreeing the lease, increase the carrying amount of the leased asset and are recognised over the lease term in the same way as lease income. Contingent lease payments are recognised as income in the period in which they are earned.

D. OTHER NON-CURRENT ASSETS

The Company recognises as other non-current assets emission allowances received free of charge from the government. The Company records the receipt and use of emission allowances as follows:

- Emission allowances granted by the State (the Ministry of the Environment and Spatial Planning and the Environment Agency of the Republic of Slovenia) from 2013 onwards are shown in the statement of financial position at a value of one euro per emission allowance;
- Income from the sale of allocated emission allowances is shown in other operating income in the income statement;
- Purchases of emission allowances on the market are recorded as non-current assets at cost if they cover actual issuances that will take place in future periods;
- Current liabilities are expensed when the estimated amount of actual emissions exceeds the number of emission allowances of the Company that have been either allocated or purchased to cover the actual emissions;
- If the market value of the emission allowances purchased at the year-end is lower than their carrying amount, the allowances are revalued for impairment;
- The Company first applies all the allowances acquired from the government at the balance sheet cut-off date and applies any shortfall to allowances purchased on the market at average cost.

E. FINANCIAL INSTRUMENTS

Financial instruments include non-derivative financial assets and non-derivative financial liabilities and deriv-

ative financial instruments. Financial instruments are carried at fair value and amortised cost. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

On initial recognition, the Company classifies financial assets as subsequently measured at amortised cost, fair value through comprehensive income and fair value through profit or loss. The classification of financial assets at initial recognition depends on the contractual cash flow characteristics of the financial asset and the Company's business model for managing them. Except for trade receivables that do not have a significant financial component or for which the Company has applied a practical expedient, the Company measures the financial asset on initial recognition at fair value, which, in the case of a financial asset not at fair value through profit or loss, is the fair value plus transaction costs.

Trade receivables that do not have a significant financial component or for which the Company has applied a practical expedient are measured at transaction price determined in accordance with IFRS 15 (see accounting policies in the section Revenue from contracts with customers).

Non-derivative financial assets

Financial assets are classified into one of the following groups on initial recognition:

- financial assets measured at amortised cost,
- financial assets at fair value through other comprehensive income,
- financial assets at fair value through profit or loss; or
- cash.

Non-derivative financial assets include cash and cash equivalents, receivables, loans and investments. The Company recognises receivables and loans and deposits at the date they are incurred. It recognises other assets when the transaction is entered into or when it becomes a party to the contractual provisions of the instrument. The Company derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire or when the rights to the contractual cash flows from the financial asset are transferred in a transaction that transfers all the risks and rewards of ownership of the financial asset.

Impairment of financial assets is described in more detail in note H below.

Financial assets at fair value through other comprehensive income

Financial assets at fair value through other comprehensive income that are debt instruments are those financial assets that are held by the Company for the purpose of receiving contractual cash flows that represent solely payments of principal and interest on the principal outstanding. For debt instruments that are recognised at fair value through other comprehensive income, interest income, exchange differences and impairment or reversal losses are recognised in the income statement and accounted for in the same way as for financial assets at amortised cost. All other changes in fair value are recognised in the statement of other comprehensive income. On de-recognition, the cumulative change in fair value recognised in other comprehensive income is reclassified to profit or loss. Financial assets at fair value through other comprehensive income that have the characteristics of an equity instrument are those financial assets that meet the definition of equity in accordance with IAS 32 Financial Instruments and that the entity has elect-

ed to designate irrevocably as equity instruments at fair value through other comprehensive income and that are not held for trading purposes. The classification is determined on an instrument-by-instrument basis. Gains and losses on these financial assets are never allocated to the income statement.

Dividends on equity instruments are recognised as financial revenue in the income statement when the right to receive payment is established.

Financial assets at amortised cost

The Company classifies as financial assets at amortised cost financial assets held for the purpose of generating contractual cash flows that represent solely payments of principal and interest on the principal outstanding. The Company classifies loans, trade and other receivables as financial assets at amortised cost. Depending on their maturity, they are classified as either current (maturity up to 12 months after the statement of financial position date) or non-current (maturity more than 12 months after the statement of financial position date). Loans and receivables are initially recognised at fair value plus direct transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest rate method less expected credit losses. Gains and losses are recognised in profit or loss when eliminated, modified or impaired. Insurance of trade receivables is not treated as a separate financial instrument but as an integral part of the receivables. Insurance policies are taken out on a periodic (annual) basis and relate to specific receivables and/or counterparties. The insurance policy taken out is flexible, whereby business partners can be added or removed from the insurance for the duration of the insurance policy. The insurance policies relate exclusively to the insurance of trade receivables.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets at fair value through profit or loss or financial assets that the Company is required to measure at fair value. Financial assets are classified as held for trading if they are acquired with a view to selling or repurchasing in the foreseeable future. Derivative financial instruments, including separate embedded derivatives, are classified as held for trading unless they are effective hedging instruments. Financial assets that generate cash flows other than payments of principal and interest are classified and measured at fair value through profit or loss, regardless of the business model. Financial assets at fair value through profit or loss are carried at fair value in the statement of financial position, with net changes in fair value recognised in the income statement.

Cash and cash equivalents

Cash and cash equivalents comprise: cash in hand, balances in transaction and foreign currency accounts, bank deposits with a maturity of 3 months or less and similar investments held to ensure solvency. Cash is recognised at initial recognition at the amount resulting from the relevant instruments that give rise to control over the rights attaching to it.

Non-derivative financial liabilities

The Company's outstanding financial liabilities comprise trade, financial and other payables. The Company initially recognises these liabilities on the trade date when it becomes a party to the contractual provisions of the instrument. The Company derecognises the liability when the obligations under the contract are discharged, cancelled or become time-barred. Unliquidated obliga-

tions are initially recorded at fair value plus transaction costs directly attributable to the transaction. After initial recognition, they are measured at amortised cost. Depending on their maturity, they are classified as either current (maturity up to 12 months after the statement of financial position date) or non-current (maturity over 12 months after the statement of financial position date).

Derivative financial instruments

Derivative financial instruments are initially recognised at fair value. Transaction costs are recognised in profit or loss as incurred. Subsequent to initial recognition, derivative financial instruments are measured at fair value, with the related changes recognised in profit or loss. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. If the transaction price does not equal the fair value at the measurement date, the difference for marketable assets is recognised in profit or loss or deferred and subsequently released to profit or loss in accordance with policy. Investments or financial liabilities measured at fair value through profit or loss are remeasured at fair value at least annually, at the time of the preparation of the annual financial statements. Gains or losses arising from changes in fair value are recognised in the income statement.

The Company makes purchases of strategic raw materials in US dollars and also makes sales to US dollar markets that are significantly lower in value than purchases. Purchases and sales in different currencies result in mismatches between purchase and sale prices and in a constantly changing euro/dollar exchange rate; the Company balances this through forward transactions to maintain the correct euro/dollar exchange rate and to minimise currency risks.

F. ASSETS (DISPOSAL GROUPS)

Assets or disposal groups comprising assets and liabilities that are expected to be settled principally through sale and for which it is probable that a sale will occur are classified as held for sale. Impairment losses on reclassification of assets as held for sale and subsequent losses or gains on remeasurement are recognised in profit or loss. Gains are not recognised in excess of any cumulative impairment losses. Intangible assets and tangible fixed assets cease to be amortised when they are classified as held for sale. On disposal, the Company derecognises the asset (disposal group) and recognises the effect of the disposal, less costs directly attributable to the sale, in other operating income or expense.

G. INVENTORY

The Company's inventory are valued at the lower of cost and net realisable value. Cost comprises the purchase price, import duties and direct acquisition costs. The purchase price is less any discounts obtained. Direct acquisition costs are transport, loading, handling, unloading, monitoring and other costs directly attributable to the trade goods, materials or services acquired. Purchase price discounts include both those stated on the invoice and those obtained subsequently and relating to a particular purchase.

The Company carries inventories of raw materials and consumables, ancillary materials, packaging and merchandise at cost plus any related acquisition costs. The Company uses constant prices with offsets to record inventories and consumption of materials. Consumption of basic raw materials is recorded using the FIFO method and consumption of other inventories of materials and supplies is recorded using the weighted average cost method. Inventories of raw materials and supplies with

no movement are revalued for impairment by writing down the value according to the following criteria:

- third year: 25%,
- fourth year: 50%,
- fifth year: 100%.

Inventories of work in progress, semi-finished and finished goods are valued at production cost, which includes direct costs of materials, wages and salaries and production services, depreciation and amortisation, and a portion of the general production costs of production cost centres, comprising the cost of materials, maintenance, insurance and a portion of the cost of other services. The Company uses constant prices (PVS) with offsets to record inventories of work in progress and finished goods. Cost transfers from inventories are made using the weighted average price method.

Inventories of work in progress and finished goods without movements are revalued for impairment by writing down the value according to the following criteria:

- second year: 25%,
- third year: 50%,
- fourth year: 100%.

H. IMPAIRMENT OF ASSETS

Financial assets

In accordance with IFRS 9, the Company uses an expected loss model to recognise not only losses incurred but also losses expected to be incurred in the future. The Company assesses evidence that financial instruments are impaired. If, at the reporting date, the credit risk of a financial instrument has not increased significantly since initial recognition, the impairment assessment is

based on the expected credit losses associated with the probability of default of the financial instrument within the next 12 months.

For financial assets, such as trade receivables, that do not have a significant financing component, a simplified approach is used whereby the impairment allowance is calculated as an amount equal to the expected credit losses over the life of the financial asset. The Company forms groups of receivables based on their collateralised/uncollateralised status, maturity, similar risk characteristics and historical recoverability, adjusted for the Management Board's assessment of whether actual losses due to current economic conditions are likely to be greater or less than the losses projected by historical development.

If credit risk has increased significantly since initial recognition but the assets do not yet show objective evidence of impairment, the impairment assessment is based on the probability of default over the life of the financial asset. Expected credit losses represent the difference between the contractual cash flows that are contractually due and all cash flows that the Company expects to receive. For financial assets that show objective evidence of impairment at the reporting date, a full allowance for expected credit losses is provided for based on a decision of the Management Board. The Company recognises a write-down of a financial asset when it has a reasonable expectation that it will not be able to collect the contractual cash flows. Objective evidence that a financial asset is impaired may include: default or breach by the debtor; indications that the debtor is about to enter bankruptcy or is subject to proceedings under the Financial Management, Insolvency and Compulsory Liquidation Proceedings Act (ZFPPIPP).

Claims that are presumed to be unsettled or not settled in full are considered doubtful and, if they are the subject of legal proceedings, questionable. The Company records an allowance for these receivables as a charge to operating expenses in respect of the receivables. The establishment of an allowance for trade and other receivables is based on an individual assessment of their riskiness, taking into account historical payment dynamics, past payment delays, the credit rating of the business partner and the status of the business partner in insolvency proceedings.

Investments in equity securities or interests in other companies for which an irrevocable decision has been made at initial recognition that they are not held for trading are accounted for as financial assets at fair value through other comprehensive income. The fair value of quoted securities is measured at the exchange rate at the reporting date. Gains or losses arising from changes in fair value are recognised in other comprehensive income and reported directly in equity as a reserve for fair values of financial instruments, net. Amounts presented in other comprehensive income may not be subsequently transferred to profit or loss. The cumulative gain or loss is transferred within equity.

Non-financial assets

The Company reviews the carrying amount of significant non-financial assets at each reporting date to determine whether there is any indication of impairment. If such indications exist, the recoverable amount of the asset is estimated. The recoverable amount of an asset or cash-generating unit (CGU) is the higher of its value in use and its fair value less costs to sell. In determining the value in use of an asset, the expected future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assess-

ments of the time value of money and the risks specific to the asset. In allocating impairment to an individual CGU asset, the carrying amount of the individual asset is not reduced below the higher of fair value less costs of disposal (if measurable), value in use (if determinable) or nil. An impairment of an asset or cash-generating unit is recognised when its carrying amount exceeds its recoverable amount. Impairment is recognised in profit or loss. The Company evaluates impairment losses in prior periods at the end of the reporting period to determine whether the loss has been reduced or no longer exists. An impairment loss is reversed if there has been a change in the estimates used by the Company to determine the asset's recoverable amount. An impairment loss is reversed to the extent that the increase in the carrying amount of the asset does not exceed the carrying amount that would have been determined, net of amortisation, if no impairment loss had been recognised for the asset in prior years.

I. FAIR VALUE MEASUREMENT

The Company's accounting policy requires the determination of the fair value of both non-financial and financial assets and liabilities, either for the measurement of individual assets or for additional fair value disclosures. Fair value is the amount for which an asset could be sold or a liability exchanged between knowledgeable, willing parties in an arm's length transaction.

The methods of determining the fair value of each class of assets for measurement or reporting purposes are described below.

Financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income

The fair value of financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income is determined based on comparable market data of companies in the electricity industry.

Receivables and loans

The fair value of receivables and loans is calculated as the present value of future cash flows, discounted at the market rate of interest at the end of the reporting period. The estimate takes into account the credit risk of these financial assets.

Outstanding financial commitments

For reporting purposes, fair value is calculated based on the present value of future principal and interest payments discounted at the market rate of interest at the end of the reporting period.

J. CAPITAL

The Company's total capital consists of: called-up capital, capital reserves, profit reserves, fair value reserves, retained earnings or undiscounted losses from previous years and interim undistributed earnings or loss for the year.

Called-up capital represents the share capital, nominally as defined in the Company's Articles of Association, consisting of ordinary shares.

Treasury shares: when treasury shares that are accounted for as part of share capital are redeemed, the amount of consideration paid, including costs directly attributable to the redemption, net of any tax effects, is recognised as a change in capital. The repurchased

shares are accounted for as treasury shares and deducted from capital. When treasury shares are sold or subsequently reissued, the amount received is recognised as an increase in capital and the resulting surplus or deficit on the transaction is transferred to capital reserves or retained earnings, as appropriate.

The capital reserves consist of the capital reserves created in the course of the ownership transfer and the general revaluation adjustments to capital, which, in accordance with the then applicable SRS, included the revaluation of the share capital prior to 2002. As a result of the changeover to the new SRS (2006), the general revaluation adjustment to the Company's capital was transferred to the capital reserves on 1 January 2006.

The profit reserve is a portion of the net profit of previous years retained for a specific purpose, mainly to offset possible future losses. They consist of: legal reserves, reserves for own shares or own interests, own shares or own interests (as a deductible item), statutory reserves and other profit reserves.

Retained earnings from previous years are the residual of the then net profit which is neither distributed as dividends or other distributions to equity holders nor earmarked as a reserve.

The fair value reserve relates to the change in fair value of equity investments in other companies that are measured at fair value through equity. The fair value reserve also includes the cost of remeasuring post-employment benefits (actuarial gains/losses) arising from the change in the present value of the retirement benefit obligation.

Dividends: until dividends are approved by the general meeting, deemed dividends are treated as retained

earnings, i.e. dividends are recognised in the financial statements in the period in which the resolution of the general meeting to pay dividends is passed.

K. CURRENT EMPLOYEE BENEFITS

Current employee benefit obligations are measured on an undiscounted basis and are recognised as an expense when the employee's service related to the defined short-term benefit is rendered.

L. NON-CURRENT EMPLOYEE BENEFITS

Provisions for post-employment and other non-current employee benefits

The Company is obliged by law, collective agreement and internal rules to pay jubilee bonuses and retirement benefits to employees, for which provisions are made. There are no other pension obligations. Provisions are made for estimated future payments of retirement and jubilee benefits, discounted at the reporting date. The calculation takes into account the cost of severance payments on retirement and the cost of any expected jubilee awards until retirement. Personnel and interest costs are recognised in the income statement and the translation of post-employment benefits or unrealised actuarial gains or losses is recognised in other comprehensive income.

M. OTHER PROVISIONS

Provisions are recognised when, as a result of a past event, the Company has a legal or constructive obligation that can be measured reliably and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation. The amount recognised as a provision is the best estimate at the report-

ing date of the expenditure required to settle the obligation. The Company recognises a provision when the conditions for the provision are met and it is charged to the relevant costs or expenses.

The environmental provision is established as the best estimate of the costs, as well as other activities required, based on the assessments of external independent environmental experts related to the operation of the landfills and facilities owned by the Company to meet the long-term obligations. The Company's management assesses whether there is a legal, contractual or constructive obligation to replenish/release the provision. The provisions are discounted at a risk free rate, according to the estimated timing of the execution of the works, which is projected by means of external experts' estimates, taking into account the structure of the land, the activities required and the statutory provisions. In 2022, a review of the provisions was carried out to reassess the execution of the necessary works, to define the timetable for the execution of the works and the value of the execution of the works, taking into account inflation, and based on the timetable, the provisions were discounted accordingly by a discount factor of the government bond yield. This was done on the basis of an assessment by external experts and the annual management review. Cost adjustments were made in line with the increase in prices of materials and services to carry out the necessary rehabilitation. In 2023, a review of all provisions was carried out again with the help of external experts who estimated the new works needed (landslide rehabilitation, sealing curtain). The value of the works carried out took inflation into account and, on the basis of the timetable, discounting of the provisions was carried out accordingly by discounting the provisions by the government bond yield factor.

N. GOVERNMENT GRANTS

Revenue from government grants is recognised in the financial statements of Cinkarna Celje d.d. when received and when there is reasonable assurance that the Company will comply with the terms and conditions of the grant. The Company recognises government grants related to the epidemic in Slovenia in current operating income. Remaining government and other subsidies received to cover costs are recognised as revenue on a consistent basis in the periods in which the related expenses are incurred to be compensated by the subsidies. Asset-related government grants are recognised in the income statement on a strictly consistent basis within other operating income over the useful life of the asset.

Revenue from government subsidies to mitigate the energy crisis is recognised initially if there is reasonable assurance that Cinkarna Celje will receive the revenue and that it will meet the conditions related to receiving and retaining the revenue. Revenue from government subsidies is consistently recognised in other operating income in the income statement.

Government grants received for the acquisition of fixed assets or the recovery of certain costs remain temporarily in deferred income and are transferred to operating income in accordance with the depreciation of the fixed assets acquired or the costs incurred for which they are intended to be recovered.

O. OTHER CURRENT ASSETS AND OTHER CURRENT LIABILITIES

Under other current assets, the Company recognises short-term deferred costs or expenses. In accordance with the methodology set out for the deferral of the

cost of annual commitments, deferred costs for annual leave, insurance premiums paid and other current costs are recognised during the year. At the reporting date, the Company recognises prepaid raw material costs and costs relating to a future balance sheet period. The Company also recognises VAT on advances received as other current assets.

Within other current liabilities, the Company recognises accrued costs or expenses and deferred income. In accordance with the established methodology for the allocation of the cost of annual commitments, planned commitments are deferred during the year. Accrued income during the year from the sale of products and services is recorded as deferred income. The Company also recognises accrued unused annual leave entitlement as well as VAT on advances made as other current liabilities.

P. REVENUE

Revenue from contracts with customers

Revenue is recognised under IAS 15 if the increase in economic benefits during the period is attributable to an increase in the value of an asset or a decrease in a debt and the increase can be measured reliably. Revenue is recognised when it is reasonably expected to give rise to benefits, if those benefits are not realised when they arise.

Revenue from contracts with customers is the result of sales of chemical, metallurgical and other manufacturing products and materials where the performance obligation is settled when the goods are shipped or accepted by the customer. In the case of revenue from contracts with customers, where the sale results in the provision of services, the performance obligation is discharged when the service is rendered. Revenue from

sales is revenue arising from contracts with customers for the sale of goods or services. Revenue from sales reflects transfers (deliveries) of contractually agreed goods or services to customers in the amount of the expected consideration to which the Company will be entitled in exchange for those goods or services. Amounts collected for the benefit of third parties, such as value added tax and other taxes levied at the time of sale, are not a component of sales revenue. Similarly, amounts collected for the benefit of the principal are not part of the proceeds of the sale (the proceeds of the sale are only that part of the consideration due to the principal for the agency service provided). The goods or services are transferred when the customer obtains (or acquires) control of them. The customer obtains control of the good or service when the customer acquires the right to determine its use and the right to substantially all of its residual benefits. Such control includes the ability to prevent others from directing the use of the good or service and obtaining benefits from it. Benefits from goods or services are potential cash flows (receipts or expenditure savings) that can be obtained directly or indirectly in a variety of ways. The Company transfers control of the good or service and thereby discharges or satisfies the performance obligation, either at a point in time or gradually. When entering into a contract with a customer, the Company specifies all performance obligations contained in the contract. Each obligation to transfer goods or services to the customer is identified as a separate (distinct) performance obligation:

- Which, under the IASB's criteria, can be identified in the context of a contract separately from other contractual obligations to transfer goods or services;
- The customer can use the contractually agreed good or service alone or in conjunction with other available or readily available resources (assets).

For example, the fact that the Company regularly sells the good or service separately would indicate that the customer can use the good or service alone or in conjunction with other readily available resources.

Proceeds from the sale are recognised at an amount reflecting the transaction price allocated to the stand-alone performance obligation. The transaction price is the amount of consideration to which the Company expects to be entitled in exchange for transferring the goods or services to the buyer, excluding amounts collected on behalf of third parties.

The treatment of goods and services depends on the terms of the purchase contract, and the transfer occurs when the goods are accepted by the customer or the service is rendered. The normal payment period is between 30 and 90 days.

Assets from contracts with customers

A contract asset is a right to consideration in exchange for goods or services that have been transferred to the customer but not yet billed to the customer. The Company recognises unbilled revenue for goods and services supplied to customers as contract assets.

Liabilities from contracts with customers

A contract liability is an obligation to transfer goods or services to a customer in exchange for consideration received by the Company from the customer. The Company recognises a contract liability for volume discounts granted. Contract liabilities are recognised as revenue when the Company has fulfilled its performance obligation under the contract.

Other sales revenue

Revenue and other operating income are recognised when the service is rendered and the customer has obtained control of the goods or services in accordance with IFRS 15.

Other operating income arises on the disposal of intangible assets and tangible fixed assets as the excess of their sale value over their carrying amount and on the occurrence of other unusual items. It is recognised in the amounts actually incurred.

Financial revenue

Comprises interest income on investments, dividend income, gains on disposal of available-for-sale financial assets, foreign exchange gains and gains on hedging instruments recognised in the income statement. Interest income is recognised when earned using the effective interest method. Dividend income is recognised in the income statement when the right to receive payment is established.

Q. EXPENSES

An expense is recognised to the extent that a decrease in economic benefits during the period is associated with a decrease in an asset or an increase in a debt and the decrease can be measured reliably.

Operating expenses are recognised when the material is consumed or the service rendered, in the period to which they relate. The normal valuation of inventory of products and work in progress at production cost takes into account operating expenses consisting of production costs that are no longer retained in those inventory, as well as purchase and selling costs and general oper-

ating expenses accrued during the accounting period. The transfer of costs from inventory of products and work in progress to quantities sold and the transfer of the cost of merchandise and supplies to quantities sold are made using the constant (estimated, standard) price method, taking into account the proportionate share of variances.

Operating expenses are equal to the costs accrued during the accounting period, plus the costs retained in opening inventories of products and work in progress, less the costs retained in closing inventories of products and work in progress, valued at production cost.

Operating expenses are increased by the cost of goods and materials sold. Service costs relate mainly to costs incurred for maintenance of assets, transport services, services of intermediaries in the sale of products, advertising (sponsorship) costs, research costs and costs of intellectual services.

Operating expenses - impairments arise in respect of tangible fixed assets, intangible assets and working capital due to their impairment. Other expenses consist of unusual items which are stated at the amounts actually incurred.

Financial expenses comprise interest expense on borrowings, foreign exchange losses and impairment losses on financial assets recognised in the income statement. Borrowing costs are recognised in the income statement using the effective interest method.

R. TAXATION (income tax)

Corporate income tax for the year comprises both current and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to

items recognised directly in capital. Taxable profit differs from net profit reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible.

Current tax is the tax expected to be payable on the taxable profit for the year using tax rates enacted or substantively enacted at the reporting date.

Deferred tax is recognised using the liability method in the statement of financial position, taking into account temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and amounts for tax reporting purposes. Deferred tax is provided at the amount expected to be payable when the temporary differences reverse, based on laws enacted or substantively enacted at the reporting date.

The deferred tax liability is recognised in full using the liability method of the statement of financial position for temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the Company's separate financial statements. Deferred tax is provided using tax rates (and laws) that are expected to apply when the deferred tax liability is settled. Deferred tax is also not recognised for taxable temporary differences on initial recognition of investments. The amount of deferred tax is based on the expected manner of recovery or settlement of the carrying amounts of assets and liabilities using tax rates enacted or substantively enacted at the reporting date. Deferred tax assets and deferred tax liabilities are offset if there is a legal right to set off tax assets and income tax liabilities.

A deferred tax asset is recognised to the extent that it is probable that future taxable profit will be available against which the deferred tax asset can be utilised

in the future. Deferred tax assets are reduced by the amount for which it is no longer probable that the tax benefit associated with the asset will be available.

S. REPORTING BY SEGMENT

The Company discloses information by segment. An operating segment is an identifiable component of the Company that is engaged in specific products or services (an operating segment) or in products and services in a specific, geographically defined economic environment (an operating area); these segments are distinguished by their risks and rewards. Segment information is presented by the Company's geographical and business segments. The Company's segment reporting is based on its geographical segments, which are also supported by the Company's corporate governance and internal reporting system.

The Company's geographical segments are: Slovenia, the European Union, third countries and the markets of the former Yugoslavia.

The Company's business units are the business units that produce the key products Titanium Dioxide, Zinc Processing, Varnishes, Masters and Inks, Agro Programme, Polymers and Others.

Operating profit by operating segment is stated as the difference between operating income and expenses, taking into account those revenues and expenses that are directly attributable to each segment, excluding those revenues and expenses that cannot be allocated to the operating segment in a meaningful way. Smaller business segments are aggregated into one category, the business unit, because they are insignificant and detailed disclosures could cause significant harm to the Company.

T. EARNINGS PER SHARE

Cinkarna Celje, d.d. reports basic earnings per share, which is calculated by dividing the profit/loss attributable to ordinary shareholders by the number of ordinary shares in the financial year. Diluted earnings per share is equal to basic earnings because all Cinkarna Celje shares belong to the same class of ordinary registered bulk shares.

U. FINANCIAL RISK MANAGEMENT IN THE USE OF FINANCIAL INSTRUMENTS

Cinkarna Celje uses various instruments to manage financial risks when using financial instruments to manage credit, liquidity, market, currency and operational risks, which are presented in more detail in Note VI Financial instruments and financial risks.

IV. REPORTING BY SEGMENT

Cinkarna Celje d.d. reports revenue from contracts with customers by geographically defined segments and sales programmes. Revenue from contracts with customers is reported by geographical location of customers and sales programmes. The Company monitors the following segments in the preparation and presentation of the income statement and revenue from contracts with customers:

- Titanium dioxide, comprising sales of titanium dioxide pigment together with other sales of the TiO₂ business unit including sales of CEGIPS and sulphuric acid.
- Zinc processing, comprising all sales of metallurgical products.
- Paints, varnishes, masters and printing inks.

- Agro programme, comprising all sales of copper fungicides and Humovit.
- Polymers, covering all polymer sales of the business unit.
- Other, comprising sales of service activities and other unallocated items.

Sales by operating segment

In EUR

	2023	2022
Titanium dioxide	146,042,369	189,740,282
- of which TiO_2 pigment	143,356,887	186,385,200
Zinc processing	5,637,539	8,240,209
Varnishes, masters	16,579,785	18,516,808
Agro programme	5,443,530	8,481,917
Polymers	2,148,761	1,647,402
Other	612,307	526,498
Total	176,464,289	227,153,116

In the Annual Report 2022, we reported by the following segments:

- Titanium dioxide, comprising the sale of titanium dioxide pigment;
- Zinc processing, comprising sales of metallurgical products;
- Paints, varnishes, masters and printing inks;
- Agro Programme, comprising sales of copper fungicides and Humovites;
- Other, comprising sales of CEGIPS, sulphuric acid, polymers, service activities, holiday accommodation, etc.

Sales by operating segment reported in Annual Report 2022

In EUR

	2022	2021
Titanium dioxide	187,495,664	156,788,783
Zinc processing	8,240,209	6,364,355
Varnishes, masters and printing inks	18,516,808	17,687,588
Agro programme	8,399,825	7,990,692
Other	4,500,610	3,630,682
TOTAL	227,153,116	192,462,100

The change in segment reporting in 2023 compared to 2022 is that in 2023 reporting refers to the business units that make up an individual segment, rather than to the sales groups as reported in 2022. The main change is in the reporting of the Titanium Dioxide segment, which contains CEGIPS, sulphuric acid, in addition to the main product, which in 2022 was reported under Other. Also new is the reporting of the Polymers section, which in 2022 was reported under Other.

Sales by regional segment

In EUR

	2023	2022
Slovenia	14,889,861	18,781,919
European Union	134,006,280	173,950,706
Market of the former Yugoslavia	3,395,401	4,959,791
Third countries	19,504,886	27,117,372
Third countries - dollar market	4,667,861	2,343,328
Total	176,464,289	227,153,116

Operating result by segment with modified reporting

The Company also monitors segment results by sales programme, which are regularly reviewed and used to inform decisions on the future performance of the individual programme. The Company monitors operating result by segment. However, the Company monitors fi-

nancial result, income tax, deferred tax assets and net profit or loss at the level of the Company as a whole, and the Company's statement of financial position is monitored only at the level of the Company.

In EUR

	Titanium dioxide		Zinc processing		Varnishes and masters		Agro programme		Polymers		Other		Total	
	31/12/2022	31/12/2023	31/12/2022	31/12/2023	31/12/2022	31/12/2023	31/12/2022	31/12/2023	31/12/2022	31/12/2023	31/12/2022	31/12/2023	31/12/2022	31/12/2023
Revenue from contracts with customers	189,740,282	146,042,369	8,240,209	5,637,539	18,516,808	16,579,785	8,399,825	5,443,530	1,647,671	2,148,761	608,321	612,306	227,153,116	176,464,289
Other operating income + capitalised own products	7,297,949	9,659,305	7,467	1,953	34,273	16,354	21,777	66,134	287,853	260,983	2,542,957	2,899,413	10,192,276	12,474,740
Change in value of inventory	13,804,333	-6,293,658	45,758	-10,368	767,982	-117,437	-494,589	-118,274	0		-9,561	-9,506	14,113,923	-6,549,243
Operating expenses	-160,479,827	-135,929,022	-8,112,153	-5,553,788	-16,451,079	-16,577,133	-7,864,834	-6,415,451	-1,637,649	-1,939,868	-3,738,133	-3,681,175	-198,283,673	-169,667,038
- of which depreciation	-8,521,698	-8,788,685	-79,813	-65,421	-395,688	-385,472	-292,084	-270,655	-187,876	-188,449	-2,673,525	-2,656,685	-12,150,684	-12,355,367
Operating result	50,362,737	13,478,993	181,281	75,335	2,867,986	-98,431	62,179	-1,024,061	297,876	469,875	-596,416	-178,962	53,175,643	12,722,749
Interest income													20,235	1,121,471
Other financial income													16,025	0
Interest expense													2,714	887
Other financial expenses													493,615	37,730
Financial result	0	0	0	0	0	0	0	0	0	0	0	0	-460,069	1,082,853
Deferred taxes													-529,510	151,920
Income tax													8,789,599	1,304,115
Net profit	0	0	0	0	0	0	0	0	0	0	0	0	43,396,465	12,653,407

V. NOTES

1 Intangible assets

In EUR

Group of intangible assets for 2023	Acquisition value		Value adjustment		Undepreciated value	
	31/12/2023	31/12/2022	31/12/2023	31/12/2022	31/12/2023	31/12/2022
Property rights	6,161,514	5,845,554	5,093,263	4,907,487	1,068,251	938,067
Construction in progress	516,856	270,158	0	0	516,856	270,158
Total	6,678,369	6,115,711	5,093,263	4,907,487	1,585,108	1,208,224

Group of intangible assets for 2022	Acquisition value		Value adjustment		Undepreciated value	
	31/12/2022	31/12/2021	31/12/2022	31/12/2021	31/12/2022	31/12/2021
Property rights	5,845,554	5,633,593	4,907,487	4,744,346	938,067	889,248
Construction in progress	270,158	91,424	0	0	270,158	91,424
Total	6,115,711	5,725,018	4,907,487	4,744,346	1,208,224	980,672

Intangible assets have finite useful lives. The Company reviewed their values and determined that their present value does not exceed their recoverable amount. In 2023, the Company invested in long-lived property rights from investments in software and project documentation. Decreases in intangible assets relate to amortisation and write-off of other intangible assets.

49.1% of the total intangible assets in use as at 31 December 2023 are fully amortised (51.2% as at 31 December 2022). The percentage is calculated according to the cost of the intangible assets.

No intangible assets are given as guarantees for liabilities as at 31 December 2023 and 31 December 2022. The Company also has no commitments under contracts for the purchase of intangible assets.

Movements in intangible assets

In EUR

2023	Property rights	Construction in progress	Total
ACQUISITION VALUE			
Balance as at 31 Dec 2022	5,845,554	270,158	6,115,712
Increases	0	621,559	621,559
Transfer from construction in progress	374,861	-374,861	0
Decreases	58,901	0	58,901
Balance as at 31 Dec 2023	6,161,514	516,856	6,678,370
VALUE ADJUSTMENT			
Balance as at 31 Dec 2022	4,907,487	0	4,907,487
Current year depreciation	244,677	0	244,677
Decreases	58,901	0	58,901
Balance as at 31 Dec 2023	5,093,262	0	5,093,262
UNDEPRECIATED VALUE			
Balance as at 31 Dec 2022	938,067	270,158	1,208,224
Balance as at 31 Dec 2023	1,068,252	516,856	1,585,108

In EUR

2022	Property rights	Construction in progress	Total
ACQUISITION VALUE			
Balance as at 31 Dec 2021	5,633,593	91,424	5,725,018
Increases	0	436,676	436,676
Transfer from construction in progress	257,942	-257,942	0
Decreases	45,982	0	45,982
Balance as at 31 Dec 2022	5,845,554	270,158	6,115,711
VALUE ADJUSTMENT			
Balance as at 31 Dec 2021	4,744,345	0	4,744,345
Current year depreciation	209,124	0	209,124
Decreases	45,982	0	45,982
Balance as at 31 Dec 2022	4,907,487	0	4,907,487
UNDEPRECIATED VALUE			
Balance as at 31 Dec 2021	889,248	91,424	980,673
Balance as at 31 Dec 2022	938,067	270,158	1,208,224

Part of the non-current assets relate to easements with definitive useful lives, which are recorded under land.

2 Tangible fixed assets

In EUR

Group of tangible fixed assets for 2023	Acquisition value		Value adjustment		Undepreciated value	
	31/12/2023	31/12/2022	31/12/2023	31/12/2022	31/12/2023	31/12/2022
Land	10,803,263	10,803,263	1,271,096	1,198,754	9,532,167	9,604,509
Buildings	130,042,752	128,674,115	90,433,245	87,057,629	39,609,507	41,616,487
Equipment	239,932,766	225,138,242	188,822,401	183,644,286	51,110,365	41,493,957
Construction in progress	9,603,529	10,276,338	0	0	9,603,529	10,276,338
Advances	0	1,091,727	0	0	0	1,091,727
Total	390,382,311	375,983,686	280,526,742	271,900,668	109,855,569	104,083,017

In EUR

Group of tangible fixed assets for 2022	Acquisition value		Value adjustment		Undepreciated value	
	31/12/2022	31/12/2021	31/12/2022	31/12/2021	31/12/2022	31/12/2021
Land	10.803.263	10.803.263	1.198.754	1.126.413	9.604.509	9.676.850
Buildings	128.674.115	126.487.363	87.057.629	84.187.165	41.616.487	42.300.197
Equipment	225.138.242	227.909.652	183.644.286	183.515.529	41.493.957	44.394.123
Construction in progress	10.276.338	9.172.421	0	0	10.276.338	9.172.421
Advances	1.091.727	352.537	0	0	1.091.727	352.537
Total	375.983.686	374.725.236	271.900.668	268.829.107	104.083.017	105.896.129

The Company does not have any assets under finance leases and, as at 31 December 2023 and 31 December 2022, the Company does not have any assets pledged as collateral for any guarantees.

Movements in property, plant and equipment

In EUR

2023	Land	Buildings	Production and other equipment	Total	Construction in progress	Advances	Total
ACQUISITION VALUE							
Balance as at 31 Dec 2022	10,803,263	128,674,115	225,138,243	364,615,621	10,276,338	1,091,726	375,983,685
Increases	0	0	0	0	19,203,744	1,741,207	20,944,952
Transfer from ass. under acq.	0	1,368,637	18,291,937	19,660,574	-19,717,374	-2,832,934	-2,889,734
Decreases	0		3,497,413	3,497,413	159,179		3,656,592
Balance as at 31 Dec 2023	10,803,263	130,042,752	239,932,767	380,778,782	9,603,529	0	390,382,311
VALUE ADJUSTMENT							
Balance as at 31 Dec 2022	1,198,755	87,057,628	183,644,286	271,900,669	0	0	271,900,668
Depreciation	72,342	3,399,172	8,634,426	12,105,939	0	0	12,105,939
Decreases	0	41,862	3,476,856	3,518,718	0	0	3,518,718
Increases	0	0	4,751	4,751	0	0	4,751
Impairments+/-		18,307	15,795	34,102			34,102
Balance as at 31 Dec 2023	1,271,097	90,433,245	188,822,401	280,526,743	0	0	280,526,743
UNDEPRECIATED VALUE							
Balance as at 31 Dec 2022	9,604,509	41,616,487	41,493,957	92,714,953	10,276,338	1,091,726	104,083,017
Balance as at 31 Dec 2023	9,532,167	39,609,507	51,110,365	100,252,039	9,603,529	0	109,855,569

As at 31 December 2023, the Company carried out an impairment test of the value of non-current assets in accordance with IAS 36 and therefore had the assets valued by a certified valuator. The valuation (value in use for financial reporting purposes) shows that the assets are not overvalued due to the inflationary environment and the general deterioration of the Company's macro-economic situation and their valuation value exceeds their carrying amount.

The impairment test of the non-current assets of the cash-generating unit of Cinkarna Celje was performed due to indications that the asset may be impaired due to the impact of inflation on the economic environment and the general continuation of the deterioration of the economic conditions. In the last half of 2023, the Company faced a decline in sales prices and volumes in the market of the carrier product titanium dioxide, it was confronted with a reduced demand for the carrier product and, at the same time, with the invasion of the Chi-

nese pigment. Nevertheless, Cinkarna Celje closed the financial year 2023 with a positive result and achieved a satisfactory operating result within expectations and in line with the results of its industry competitors.

The recoverable amount of an asset is the higher of its fair value less costs to sell and its value in use. For the purpose of the impairment test, the recoverable amount of the cash-generating unit was determined on the basis of a value-in-use calculation, i.e. using cash flow pro-

jections based on the cash-generating unit's five-year financial plans, which assume a gradual normalisation of the situation. The projection uses a discount factor of 8.92% (2024-2028) and an annual long-term growth rate of the residual cash flow of 2.3%. In the opinion of the management, a reasonable change in the discount rate or the rate of growth would not result in an impairment of the assets of the cash-generating unit. Based on the above assumptions, the calculated estimate of the value of the assets of the cash-generating unit Cinkarna Celje exceeds the carrying amount and therefore no impairment of the cash-generating unit is required.

In the value assessment, the impact of a change in the key parameters discount rate, NOPLAT, CAPEX and long-term growth rate on the value of the total capital of the company being valued was tested in a simulation. The impact of these changes is shown below: change in the discount rate +/-0.5%, change in the long-term growth rate +/-1%, change in the NOPLAT +/-5%, and change in the CAPEX. In view of these changes and the impact on the change in the estimated value, none of the changes would imply that the assets would need to be impaired.

In 2023, the Company recognises an increase in tangible fixed assets as a result of the difference between the value of the invested assets and the accumulated depreciation. In 2023, the Company invested EUR 19.8 million (EUR 10 million in 2022) in the modernisation of production equipment and replacement equipment, mainly in the titanium dioxide sector, of which the most significant investments are as follows: installation of solar power plants (EUR 3.2 million), which represent sustainable investments related to climate change and the sustainable operation of the Company, replacement of the pigment spinning press (EUR 2.4 million), replacement of the AS1 intermediate absorption tower (EUR 0.9 million), replacement of the sulphur combustion furnace (EUR 0.5 million), installation of a third sand mill (EUR 0.6 million), purchase and replacement of the 02.08 heat exchanger (EUR 0.6 million), installation of the 12.10.C vessel (EUR 0.5 million), optimisation of the steam system and increase of production capacity (EUR 0.2 million), etc.

As at 31 December 2023, the Company has EUR 9.6 million construction in progress, mainly related to the maintenance and modernisation of the titanium dioxide production, the key ones being: replacement of the pigment spinning press (EUR 2.4 million), installation of the 12.10.C vessel (EUR 0.5 million), optimisation of the steam system and increase of the production capacity (EUR 0.3 million), etc.

Sensitivity analysis of the main variables

Change in the discount rate	Difference in % of estimated value	
Increase by	0.5%	-10%
Decrease by	0.5%	12%
Change in the long-term growth rate		
Increase by	1.0%	8%
Decrease by	1.0%	-6%
Change in profitability		
Increase in NOPLAT by	5.0%	8%
Decrease in NOPLAT by	5.0%	-8%
Change in investments		
Increase in CAPEX by	5.0%	-12%
Decrease in CAPEX by	5.0%	12%
Upper limit		9.8%
Lower limit		-9.0%

In EUR

2022	Land	Buildings	Production and other equipment	Total	Construction in progress	Advances	Total
ACQUISITION VALUE							
Balance as at 31 Dec 2021	10,803,263	126,487,363	227,909,652	365,200,278	9,172,421	352,537	374,725,236
Increases	0	0	0	0	9,532,635	1,199,362	10,731,997
Transfer from ass. under acquisition	0	2,230,260	6,198,459	8,428,719	-8,428,719	0	0
Decreases	0	43,507	8,969,869	8,969,869	0	460,172	9,430,041
SBalance as at 31 Dec 2022	10,803,263	128,674,115	225,138,243	364,615,621	10,276,338	1,091,726	375,983,685
VALUE ADJUSTMENT							
Balance as at 31 Dec 2021	1,126,413	84,187,166	183,515,529	268,829,108	0	0	268,829,108
Depreciation	72,342	3,271,577	8,597,642	11,941,561	0	0	11,941,561
Decreases	0	41,539	8,468,885	8,510,425	0	0	8,510,425
Increases	0	359,575	0	359,575	0	0	359,575
Balance as att 31 Dec 2022	1,198,755	87,057,628	183,644,286	271,900,668	0	0	271,900,668
UNDEPRECIATED VALUE							
Balance as at 31 Dec 2021	9,676,850	42,300,197	44,394,123	96,371,170	9,172,421	352,537	105,896,129
Balance as at 31 Dec 2022	9,604,509	41,616,487	41,493,957	92,714,953	10,276,338	1,091,726	104,083,017
Balance as at 31 Dec 2022	9,604,509	41,616,487	41,493,957	92,714,953	10,276,338	1,091,726	104,083,017

Also included in tangible fixed assets is a reported increase in the cost of assets of EUR 2,612,708 (EUR 2,026,125 in 2022) from capitalised own products and services, where the Company capitalises its own maintenance services and materials used for maintenance. Within this, the material, labour and purchase of other assets and directly related overheads required to realise the capitalised own effects are recorded in detail per individual existing fixed assets that were either repaired or refurbished during the year and during the regular

annual overhaul (in the last quarter) in 2023. Key investments within the in-house maintenance team were: overhaul of the calcination furnace (EUR 0.4 million), improvement of the energy efficiency of the pre-drying (EUR 0.12 million), overhaul of the unloading tower, the neutralisation basin and the 50.16 A tank (EUR 0.16 million), migration of the neutralisation process control system (EUR 66 thousand), replacement of the pigment spinning press (EUR 22 thousand), replacement of the AS1 intermediate absorption tower (EUR 33 thousand),

installation of a third sand mill (EUR 52 thousand), elimination of dust sources (EUR 70 thousand), installation of vessel 12.08.C (EUR 80 thousand), etc. The remaining difference in the value of the works to the total is due to the rehabilitation of individual existing assets and the overhaul of the sulphuric acid and TiO₂ plant; the intervention works carried out increased either the efficiency or the lifetime of these assets, which are important for the ongoing production process of the carrier product.

The land also includes easements of EUR 189,679 (EUR 262,020 in 2022). The easements, which have a final useful life of 20 years or more, relate to the installation and maintenance of pipelines, cables and water mains, and to the need to carry out wet-to-dry gypsum filling works. There was no increase in the cost of land in 2023, the decrease in land relates to the amortisation of the easements accrued for the financial year 2023 in the amount of EUR 72,342.

No borrowing costs were attributed to property, plant and equipment in 2023. 48.5% of the total property, plant and equipment in use at 31 December 2022 was fully depreciated (31 December 2022 – 48.1%). The proportion is calculated on the cost of property, plant and equipment, excluding land. As at 31 December 2023, the Company has outstanding commitments for the purchase of tangible fixed assets for EUR 2,247,455 (31 December 2022 – EUR 1,660,953).

3 Financial assets at fair value through other comprehensive income

The Company carries investments in shares of Elektro Celje and Elektro Maribor as financial assets at fair value through other comprehensive income for the purpose of enjoying cash flows from dividends received and sales of securities. Both equity securities are quoted on the multilateral trading facility (MFT) SI ENTER (<https://sienter.si>), which is operated by the Ljubljana Stock Exchange. Based on the quotation of both equity securities on 31 December 2023, it can be concluded that both securities have a known market price, but that this price is not indicative of the fair value of these investments, as the shares have a very low turnover.

The Company has verified the fair value of the assets and has valued the financial assets at fair value through other comprehensive income based on the return on the shares of the electrical companies in which the Company has a significant investment and taking into account the PVB of the electrical industry. The financial assets were reduced (impaired) by the fair value revaluation amounting to EUR 322 thousand (as at 31 December 2022 – increase of EUR 415 thousand) against fair value reserves. The Company did not receive any dividends in 2023 (dividends received in 2022 amounted to EUR 16,025).

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

Group of non-current financial investments for 2023	Acquisition value		Revaluation		Fair value	
	31/12/2023	31/12/2022	31/12/2023	31/12/2022	31/12/2023	31/12/2022
Other investments	2,077,692	2,077,692	519,160	103,927	1,558,531	1,973,765
Total	2,077,692	2,077,692	519,160	103,927	1,558,531	1,973,765

Movements in non-current investments

In EUR

2023	Other financial investments
ACQUISITION VALUE	
Balance as at 31 Dec 2022	2,077,692
Increases during the year	0
Balance as at 31 Dec 2023	2,077,692
REVALUATION	
Balance as at 31 Dec 2022	103,927
Increases during the year	415,233
Balance as at 31 Dec 2023	519,161
FAIR VALUE	
Balance as at 31 Dec 2022	1,973,765
Balance as at 31 Dec 2023	1,558,531

In EUR

2022	Other financial investments
2022	Other financial investments
ACQUISITION VALUE	
Balance as at 31 Dec 2021	1,755,026
Increases during the year	322,667
Balance as at 31 Dec 2022	2,077,692
REVALUATION	
Balance as at 31 Dec 2021	103,927
Balance as at 31 Dec 2022	103,927
FAIR VALUE	
Balance as at 31 Dec 2021	1,651,099
Balance as at 31 Dec 2022	1,973,765

4 Other non-current assets

In EUR

Group of intangible assets for 2023	Acquisition value		Revaluation		Undepreciated value	
	31/12/2023	31/12/2022	31/12/2023	31/12/2022	31/12/2023	31/12/2022
Other intangible assets	84,444	68,049	0	0	84,444	68,049
Total	84,444	68,049	0	0	84,444	68,049

In EUR

Group of intangible assets for 2022	Acquisition value		Revaluation		Undepreciated value	
	31/12/2022	31/12/2021	31/12/2022	31/12/2021	31/12/2022	31/12/2021
Other intangible assets	68,049	53,028	0	0	68,049	53,028
Total	68,049	53,028	0	0	68,049	53,028

Other assets comprise emission allowances, securities and other non-current assets. Other intangible assets include emission allowances acquired free of charge from the State, which are valued at EUR 1. In 2023, the Company acquired 40,397 allowances (all allowances acquired free of charge from the State in accordance with the ZVO-1 act). At the beginning of 2023, the Company surrendered 24,002 CO₂ emission allowances for 2022 to Arso. The Company did not sell any surplus allowances in 2023.

The Company retains ownership of the remaining 84,444 allowances. The market (fair) value of one allowance as at 31 December 2023 was EUR 74.62 (EUR 79.70 as at 31 December 2022) per allowance (<https://belektron.eu/si/novice>), representing a value of EUR 6,301,211 (EUR 5,423,505 as at 31 December 2022). The Company will submit a part of these allowances (19,324) to the Ministry in April 2024 for the 2023 CO₂ emissions, the remainder being the surplus allowances (Cinkarna Celje d.d. is a net recipient of emission allowances).

5 Deferred tax assets and liabilities

In EUR

Description	Receivables		Payables	
	2023	2022	2023	2022
Balance as at 1 January	1,420,921	1,950,431	194,446	19,746
Increase during the year	369,724	322,650		174,700
Decrease during the year	217,803	852,160	60,649	0
Total	1,572,842	1,420,921	133,797	194,446
Offsetting	-133,797	-194,446	-133,797	-194,446
Balance as at 31 December	1,439,044	1,226,475	0	0

The decrease in deferred tax assets relates to the consumption of provisions for: jubilee and retirement bonuses, ecological and other provisions amounting to EUR 217,803. The increase in deferred tax assets relates to half of the provision made for ecological purposes amounting to EUR 140,871. No deferred tax assets were created for jubilee and retirement bonuses in 2023 as their creation is fully tax recognised in 2023. The Company also recalculated the balance of the prior provisions from 19% to a tax rate of 22%, which will be applicable for 2024. The general corporate tax rate as at 31 December 2023 is 19% and, notwithstanding this, in accordance with Article 64 of the Law on Reconstruction, Development and Provision of Financial Assets (ZORZFS), tax is payable at a rate of 22% on the tax base for 2024, 2025, 2026, 2027 and 2028, amounting to EUR 228,853. As at 31 December 2023, the Company reduced the deferred tax liability on investments or their fair value by EUR 60,649, resulting in a deferred tax liability of EUR 133,797 as at 31 December 2023 (31 December 2022: deferred tax liability on impairment of investments of EUR

194,446). The Company tested the recoverability of the deferred taxes by reference to a projection of the expected taxable profits for the period 2024 to 2028.

Changes in the balance of deferred tax assets had a positive impact on the income statement of EUR 151,920. The balance of deferred tax assets as at 31 December is as follows.

In EUR

	31/12/2023	31/12/2022
Provisions for environmental purposes	1,290,368	1,130,587
Provisions for post-employment and other long-term benefits	275,464	290,049
Receivables	7,009	285
Total	1,572,841	1,420,921
Liabilities for financial assets at fair value through other comprehensive income	-133,797	-194,446
Total deferred tax assets	1,439,044	1,226,475

6 Inventory

In EUR

Group of inventory	31/12/2023	31/12/2022	Realisable value on 31/12/2023
Materials	32,611,021	45,206,025	32,611,021
Work in progress	2,469,985	3,266,936	2,469,985
Products	18,434,810	24,187,102	21,323,982
Merchandise	31,669	29,786	31,669
Advances made	293,996	64,974	293,996
Total	53,841,480	72,754,823	56,730,652

In the financial year 2023, an additional write-down of EUR 1,182,665 (2022: EUR 332,443) was made to the value of inventory of materials and supplies due to the revaluation to net realisable value, obsolescence and unserviceability of inventory of materials and spare parts. Of this, the write-down of inventory of materials and finished goods due to the August floods amounts to EUR 303,851. There were no significant stock take differences identified in 2023 and the previous year.

The valuation allowance for obsolescence and unusability of work-in-progress and finished goods inventory amounted to EUR 1,857 in the current year (EUR 1,443 in 2022) and the reversal of the valuation allowance for non-movement of inventory in 2023 amounted to EUR 14,828.17 (EUR 33,018 in 2022). There were no shortages or overages of inventory in 2023 (or in 2022). The value of finished goods and work in progress inventory decreased by 24% compared to 2022 due to lower pro-

duction and increased volume sales of titanium dioxide pigment in December 2023. No guarantees are pledged against the inventory. The net realisable value of inventory as at 31 December 2023 is determined by their sales value less costs to sell and exceeds their carrying amount.

7 Current financial investments

In EUR

Group of current financial receivables for 2023	Value of investments		Adjustment of investments		Net investments	
	31/12/2022	31/12/2023	31/12/2022	31/12/2023	31/12/2022	31. 12. 2022
Current financial receivables – treasury bills	38,616,117	0	0	0	38,616,117	0
Total	38,616,117	0	0	0	38,616,117	0

Investments in treasury bills have maturities of between one and six months.

8 Current trade receivables

In EUR

Group of current trade receivables	31/12/2023	31/12/2022
Trade receivables	27,437,194	22,087,040
Other receivables	4,107,814	2,203,503
Total	31,545,008	24,290,543

Current trade receivables

In EUR

Group of current trade receivables for 2023	Value of receivables		Value adjustment		Net receivables	
	31/12/2023	31/12/2022	31/12/2023	31/12/2022	31/12/2023	31/12/2022
Customers in the country	2,841,398	2,947,578	266,985	266,985	2,574,413	2,680,593
Customers abroad	25,012,549	19,407,517	394,858	371,794	24,617,691	19,035,723
Indirect exporters	242,410	368,044	0	0	242,410	368,044
Receivables on foreign account	2,681	2,681	0	0	2,681	2,681
Total	28,099,037	22,725,820	661,843	638,780	27,437,193	22,087,040

The Company's receivables from customers are secured with an external institution as of 1 June 2021 and are not given as guarantees for liabilities. The amount of unsecured receivables as at 31 December 2023 is EUR 2,327,871 (currently exceeding the agreed insurance limit with certain customers) and as at 31 December 2022 EUR 465,565.

In EUR

Group of current trade receivables for 2022	Value of receivables		Value adjustment		Net receivables	
	31/12/2022	31/12/2021	31/12/2022	31/12/2021	31/12/2022	31/12/2021
Customers in the country	2,947,578	4,063,142	266,985	267,017	2,680,593	3,796,125
Customers abroad	19,407,517	24,868,008	371,794	381,437	19,035,723	24,486,571
Indirect exporters	368,044	865,403	0	0	368,044	865,403
Receivables on foreign account	2,681	0	0	0	2,681	0
Total	22,725,820	29,796,553	638,780	648,454	22,087,040	29,148,099

Other trade receivables

In EUR

Group of other receivables	31/12/2023	31/12/2022
VAT receivable	2,210,850	1,984,953
Subsidy for aid received under the ZPGOPEK act*	1,521,872	0
Receivables from State institutions	77,506	167,293
Receivables from employees	6,771	23,060
Other receivables	290,815	28,197
Total	4,107,814	2,203,503

* A more detailed explanation is provided in Section 21
Other operating income.

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

9 Cash and cash equivalents

In EUR

Group of assets	31/12/2023	31/12/2022
Cash in hand	30	30
Cash in accounts	5,687,775	24,210,068
Short-term deposits at call	10,000,000	21,000,000
Total	15,687,805	45,210,098

Cash is invested with domestic banks and bears interest
at a fixed annual rate.

10 Other current assets

In EUR

Description	31/12/2023	31/12/2022
Prepaid expenses	142,307	100,859
VAT on advances received	1,681	32,150
Other	65,040	0
Total	209,028	133,009

11 Capital

In EUR

Capital items	31/12/2023	31/12/2022
Called-up capital	20,229,770	20,229,770
Capital reserves	44,284,976	44,284,976
Statutory reserves	16,931,435	16,931,435
Reserves for own shares	4,814,764	4,814,764
Own (treasury) shares	-4,814,764	-4,814,764
Other profit reserves	102,652,061	103,358,966
Fair value reserve	-1,242,486	-809,390
Retained earnings	38,374,703	25,014,391
Total capital	221,230,458	209,010,148

The Company's share capital consists of 8,079,770 freely transferable bulk shares of the same class. All of the ordinary shares have the same nominal value and are fully paid up. As at the balance sheet date of 31 December 2023, the value of the called-up capital amounts to EUR 20,229,770.

The capital reserves may be used under the conditions and for the purposes laid down by law and amounted to EUR 44,284,976 as at 31 December 2023. They were created by a special regulation in the course of the ownership transformation of Cinkarna Celje d.d. and did not change in 2023 compared to 2022.

The legal reserves amounted to EUR 16,931,435 as at 31 December 2023 and did not change in 2023.

As at 31 December 2023, the Company holds 264,650 treasury shares (264,650 shares as at 31 December 2022) following the share split of 15 August 2022 in a ratio of 1:10. The Company did not acquire any treasury shares in 2023.

The reserves for treasury shares as at 31 December 2023, similar to the last day of the previous year, amount to EUR 4,814,764.

Other reserves on profits increased in 2023 on account of a 50% transfer of current profits to reserves of EUR 6,326,703 and decreased on account of the decision of the Management Board to transfer reserves created before 2023 to the balance sheet profit of EUR 7,033,60 in order to ensure a stable dividend policy in the coming year, and amounted to EUR 102,652,061 as at 31 December 2023.

Fair value reserve

The fair value reserve includes the cost of re-measuring post-employment benefits (actuarial gains/losses) arising from the change in the present value of the retirement benefit obligation and the change in the fair value of financial assets.

The fair value reserve comprises the cumulative change in the fair value of financial assets and post-employment benefits. The fair value reserve decreased by EUR 78,512 from 2022 due to the recalculation of post-employment benefits and EUR 415,233 due to the change in fair value of financial assets, and decreased by deferred tax liabilities of EUR 60,649 and amounted to EUR -1,242,486 at the end of 2023.

Retained earnings

Retained earnings from previous years, amounting to EUR 25,014,391, were increased in 2023 by the current year's profit of EUR 6,326,704, but not decreased, as a resolution was voted at the General Meeting of the Company's shareholders held on 14 June 2023 not to use the retained earnings of EUR 25,014,391 for the purpose of dividend payments, but to keep them undistributed or retained. The increase in retained earnings also results from the transfer of other reserves from earnings generated before 2023 amounting to EUR 7,033,608.

In EUR

2023	31/12/2022	Increase	Decrease	31/12/2023
Change in reserves arising from the fair value measurement of investments	1,024,679	0	415,233	609,446
Adjustment to deferred tax surplus	-194,446	0	-60,649	-133,797
Unrealised actuarial gains/losses	-1,639,623	-78,512	0	-1,718,135
Total	-809,390	-78,512	354,584	-1,242,486

In EUR

2022	31/12/2021	Increase	Decrease	31/12/2022
Change in reserves arising from the fair value measurement of investments	702,013	322,666	0	1,024,679
Adjustment to deferred tax surplus	-19,746	-174,700	0	-194,446
Unrealised actuarial gains/losses	-1,861,968	222,345	0	-1,639,623
Total	-1,179,701	370,311	0	-809,390

Dividend per share

No dividends were paid in 2023.

Basic and diluted earnings per share

In EUR

Items	31/12/2023	31/12/2022
(a) Net profit for the year	12,653,407	43,396,465
(b) Number of shares	8,079,770	8,079,770
(c) Basic earnings per share (a/b)	1.57	5.37
(d) Diluted earnings per share (a/b)	1.57	5.37

Determination of balance sheet profit

In EUR

	31/12/2023	31/12/2022
Mandatory use of profits		
Net profit	12,653,407	43,396,465
Coverage of losses carried forward	0	0
Creation of statutory reserves	0	0
Profit after statutory application	12,653,407	43,396,465
Other reserves as decided by the Management Board and the Supervisory Board	-6,326,703	-18,466,232
Residual profit	6,326,703	24,930,232
Decrease in other profit reserves	-7,033,608	0
Determination of balance sheet profit		
Residual profit	6,326,703	24,930,232
Transfer from other profit reserves	7,033,608	0
Profit carried forward	25,014,392	84,159
Balance sheet profit	38,374,703	25,014,391

12 Provisions for employee benefits

The Company recognises a provision for jubilee awards and retirement benefits made in accordance with the provisions of IAS 19 as revised. The actuarial calculation is made using the book-entry method and was carried out by an external chartered actuary. The assumptions used were: company salary growth of 4.0% (4.7% in 2022), discount rate of 3.51% per annum (discount rate of 4.41% in 2022), retirement conditions, mortality tables 2000-2002 and turnover of the Company's workforce in 2023 (the assumptions used are the same in 2023 as those used in 2022).

In EUR

Post-employment benefits of employees for 2023	31/12/2023	31/12/2022
Provisions for retirement bonuses	3,101,653	3,204,640
Provisions for jubilee awards	741,870	447,056
Total	3,843,523	3,651,696

In EUR

Post-employment benefits of employees for 2023	31/12/2022	Formation	Intended use	Release	31/12/2023
Provisions for retirement bonuses	3,204,640	342,712	327,271	118,427	3,101,653
Provisions for jubilee awards	447,056	395,233	79,308	21,111	741,870
Total	3,651,696	737,945	406,580	139,538	3,843,523

In EUR

Post-employment benefits of employees	2023	2022
Balance as at 1 January	3,651,696	4,256,064
Ongoing service costs	197,808	179,825
Interest expenses	142,856	36,000
Utilisation of provisions for benefits	-406,580	-158,426
Staff departures (termination)	-139,538	-314,273
Actuarial deficit/surplus	397,281	-347,494
Balance as at 31 December	3,843,523	3,651,696

In EUR

Post-employment benefits of employees for 2022	31/12/2021	Formation	Intended use	Release	31/12/2022
Provisions for retirement bonuses	3,693,949	164,358	367,568	286,099	3,204,640
Provisions for jubilee awards	562,115	51,467	13,203	153,323	447,056
Total	4,256,064	215,825	380,771	439,422	3,651,696

Sensitivity analysis

In EUR

Sensitivity analysis 31 Dec 2023	Discount rate		Wage growth	
Change in	percentage points		percentage points	
Change by	+0.5	-0.5	+0.5	-0.5
Impact on the balance of liabilities	-128,719	+138,788	+138,748	-129,886

In EUR

Sensitivity analysis 31 Dec 2022	Discount rate		Wage growth	
Change in	percentage points		percentage points	
Change by	+0.5	-0.5	+0.5	-0.5
Impact on the balance of liabilities	-124,376	-134,323	133,461	-124,797

13 Other provisions

Other provisions as at 31 December 2023 represent environmental provisions.

Movement in provisions

In EUR

Provisions 2023	31/12/2022	Formation	Intended use	Reversal	31/12/2023
Environmental provisions	14,816,968	851,245	635,015	800,000	14,233,199
Total	14,816,968	851,245	635,015	800,000	14,233,199

In EUR

Provisions 2022	31/12/2021	Formation	Intended use	Reversal	31/12/2022
Environmental provisions	18,801,189	3,393,320	999,609	6,377,932	14,816,968
Total	18,801,189	3,393,320	999,609	6,377,932	14,816,968

Environmental provisions

For environmental provisions, the primary consideration is whether there is a legal or other basis for recognising them as a result of past events, and an assessment of any changes in circumstances in the current year that may affect the preparation of the accounting estimate. The long-term provisions were re-examined with the assistance of external experts as at 31 December 2023 due to general inflation, additional works and new circumstances in 2023 (landslide) for their reversal/formation. All the necessary rehabilitation activities were verified, with the help of various spot measurements of the terrain and the identification of the appropriate activities and their evaluation by external geological specialists. Taking into account inflation (based on consumer price inflation and UMAR estimates for the period 2024-2028), as well as the best estimate of the timing of the implementation of the activities, which served as the basis for the discounting, the provisions were discounted to present value with an average discount factor of 2.79, using the yield of a 10-year Slovenian bond maturing in the period 2024-2028. Additional landslide remediation works are estimated by experts to be carried out in the period 2024-2025, and at ONOB in 2027 and 2028.

The reasons for the reversal and additional provisioning are set out below, as well as the reasons for maintaining the provisioning where it is more likely than not that there will be potential outflows in the future.

I. The provision for the Titanium Dioxide Environmental Investment (change in the method of disposal of neutralisate) was originally created in June 1994 in the course of the ownership transformation process. The revalued amount as at 31 December 2006 was EUR 8.7 million, representing 47% of the invested assets. The value of the provision is reduced annu-

ally by the same percentage of the value of the accumulated depreciation of the invested assets. The balance of the provision at the end of 2023 is EUR 2.4 million and at the end of 2022 EUR 2.2 million.

II. The rehabilitation of the high embankment barrier at the Za Travnikom waste disposal facility was originally provisioned in 2011. At that time, the amount was based on the estimated cost of the rehabilitation of the barrier at the Bukovžlak non-hazardous waste landfill (ONOB). Following the establishment of the provision, some urgent measures were carried out in the previous years (dewatering of the backwaters on the eastern flank - Phase I, construction of a reinforcement embankment on the second berm of the barrier), and in the following years, in particular, the network of piezometers for technical observation was expanded and renewed, and some exploratory boreholes were drilled. Based on the results of the observation boreholes, the condition of the barrier body was better than estimated at the time of the provisioning and there was no need for additional provisioning at the end of 2021 and the provisioning was increased by EUR 520 thousand in 2022 with the help of external contractors. In 2023, during heavy rainfall in early August, a landslide occurred directly under the barrier, requiring a multi-phase rehabilitation to be carried out in 2024. All other works for which provision has been made will also be carried out in 2024. The provision was increased by EUR 792,894 to take account of the above additional provisions made in previous years and the partial utilisation of the provision, resulting in a provision balance of EUR 1,637,234 as at 31 December 2023 (EUR 888,133 at the end of 2022). In order to give a better idea of the reason for the periodic restatement of the long-term

provisions, the following explanations are provided. It is a fact that the barriers at Za Travnikom and Bukovžlak are constructed as earthen barriers, built of different materials in their composition, which partly represent old burdens. They hold back and contain millions of tonnes of material, making removal physically impossible. The barriers are exposed to natural phenomena (precipitation, drainage, underground water flows, etc.) and are constantly tending towards entropy. As a diligent and legally obliged operator, we carry out regular technical observation and all the required monitoring. We react to the findings by taking the measures deemed necessary by the experts to prevent the risk of harmful emissions or damage from materialising. In addition to its own employees, Cinkarna has set up a permanent project team, which includes experts from the Department of Geotechnics (KGT) at the Faculty of Civil Engineering and Geodesy of the University of Ljubljana and the design company Hydrosvet d.o.o. The project team meets on a regular basis to review the agreed work and to discuss any new developments. The expert findings form the basis for assessing the adequacy of the provisions made.

III. For the rehabilitation of the Bukovžlak non-hazardous waste landfill (ONOB), a non-current provision of EUR 5 million was originally made in 2011 on the basis of a rough estimate. In 2017, at the time of the project preparation, the need for an additional provision of EUR 1 million became apparent. At that time, the specific implementation technique required was already known, as well as the materials to be used in the installation. The balance at the end of 2019, after partial utilisation, was EUR 4.5 million. Investigations into the impact of contamination due to embedded

old burdens (CDM Smith, KGT) showed the need for a sealing curtain on the north-east side of the ONOB barrier and the rehabilitation of the C1 drainage under the high embankment of the Bukovžlak barrier. In 2023, the engineer was asked to revise the estimate as at 31 December 2022, covering the necessary additions and subtractions to the implemented facility, design supervision, geodetic monitoring, necessary measurements and quality control of the installed materials. At the same time, the engineer estimated the timeframe for completion of all the works, and a correction for expected inflation was taken into account accordingly. We made a similar adjustment for 2023. We spent EUR 121,755 for rehabilitation purposes and increased the provision by EUR 117,418, mainly due to the need to rehabilitate the sealing curtain, as the estimates showed that we had under-reserved the funds for its rehabilitation. Together with the facilities Drainage C1 and the Sealing Curtain, the amount of funds still needed for the rehabilitation of the ONOB thus amounts to EUR 8,537,531 (at the end of 2022 it amounted to EUR 8,541,868). The implementation of Drainage C1 together with the Sealing Curtain will be mainly carried out in 2024 and 2025, and the implementation of the project for the reconstruction of the closed ONOB will be carried out in 2027 and 2028.

- IV. The results of regular technical monitoring of the high Bukovžlak barrier show a trend of deteriorating safety on the eastern flank of the barrier. As in the case already described in point II, the earthen barrier is reacting to the effects of natural phenomena. In order to avoid a critical deterioration of the safety situation, the engineer foresaw two parallel interventions in 2017 - rehabilitation of the eastern flank and preparation of the embankment to start lowering the water level in the reservoir. The estimated cost

amounted to EUR 3,032,000, for which a long-term provision was made at 31 December 2017. In 2022, we spent EUR 48,602 of the funds. Based on new findings and assessment in 2022 and the projects set out accordingly, a way of lowering the level by lowering the spillway structure is now envisaged with the help of external experts, which is a cheaper and easier solution than building an embankment. This fact was taken into account by the designer in the revision of the estimate as at 31 December 2023. The revision also included the necessary additions for design supervision, geodetic monitoring, measurements and quality control of the installed materials. At the same time, the engineer estimated the timeframe for completion of all the works and took into account the correction for projected inflation accordingly. Similarly, the engineer made the above assessment based on the situation as at 31 December 2023, where he concluded that the drainage of the substantial water from the western flank of the Bukovžlak barrier no longer needs to be rehabilitated, and therefore, on the basis of this assessment, we are releasing a provision of EUR 800,000. On the basis of the study "Expert opinion on the condition of the western flank of the Bukovžlak barrier with a proposal for rehabilitation", UL FGG KGT, Report E-13-23, June 2023, it was concluded that no special measures are needed for the drainage of the Bukovžlak barrier's western flank. Instead, the westernmost shaft (JC1) of the envisaged C1 drainage was designed as a grit chamber to facilitate cleaning of the drainage system. Thus, the balance of the provision including utilisations of EUR 98,038 as at 31 December 2023 amounts to EUR 1,814,771 (as at 31 December 2022 the balance was EUR 2,712,809).

The Company's Management Board received sufficient information on changed circumstances and what the uncertainties are in relation to the assumptions used, where there are still some uncertainties that may lead to future changes in the amounts formed, as in all cases these are estimates. The estimates were made with the involvement of experts in the field. According to the analyses and the experts' opinions, the provisions made are sufficient, subject to change in the future due to the structure of the land, the use of materials which may be subject to loosening, or other obligations which may arise. At present, there is no need to change the level of the provisions made as at 31 December 2023, for which we estimate that there is more than a 50% probability of future outflows.

In EUR

Environmental provisions 2023	Balance as at 31 Dec 2022	Intended use plan 2023	Formation 2023	Utilisation 2023	Removal 2023	Balance as at 31 Dec 2023
Provisions for the Za Travnikom landfill	888,133	250,000	792,894	43,794	0	1,637,234
Provisions for the Bukovžlak landfill (ONOB)	8,541,868	1,500,000	117,418	121,755	0	8,537,531
Provision for the Bukovžlak high embankment barrier	2,712,809	250,000	-59,067	38,971	800,000	1,814,771
Environmental provision - Environmental investment in TiO ₂ production	2,674,157	0	0	430,494	0	2,243,663
Total	14,816,968	2,000,000	851,246	635,015	800,000	14,233,199

Given that the provisions under items II-IV were revised, reassessed at the end of 2022 and, as at the end of 2023, reassessed by external experts on the timing of their implementation, due to the increase in the price of specific services and materials and new circumstances such as the landslide caused by the heavy rainfall in August, the Management Board considers that the level of the provisions is appropriately formulated.

The drawdown of the provision in 2023 is represented by the contractors' costs for the works carried out amounting to EUR 204,200 and the accrued depreciation of EUR 320, which are charged directly to the provision (item II, The reversal of EUR 800,000 relates to the part of the work estimated in the past that is no longer needed in the future, for which the previously earmarked funds are being released. An additional provisioning of EUR

851,246 (taking into account expected inflation) relates to the re-verification of the provisioning balance with documentation from the external contractor Hidrosvet. The external contractors estimate completion of the works within 3 to 4 years. While the timetable for the works is fixed in advance, the actual execution of the works is subject to change due to unforeseen events or factors.

In EUR

Environmental provisions 2022	Balance as at 31 Dec 2021	Intended use plan 2022	Formation 2022	Utilisation 2022	Removal 2022	Balance as at 31 Dec 2022
Provisions for the Za Travnikom landfill	373,300	23,000	579,782	64,949	0	888,133
Provisions for the Bukovžlak landfill (ONOB)	6,187,523	2,110,000	2,813,531	459,186	0	8,541,868
Provision for the Bukovžlak high embankment barrier	3,151,168	260,000	0	48,602	389,757	2,712,809
Provision for the removal of risks from old burdens - CDM SMITH*	5,988,176	10,000	0	0	5,988,176	0
Environmental provision - Environmental investment in TiO ₂ production	3,101,022	0	7	426,872	0	2,674,157
Total	18,801,189	2,403,000	3,393,320	999,609	6,377,932	14,816,968

The drawdown of the provision in 2022 is represented by the contractors' costs for the works carried out amounting to EUR 572,417 and the accrued depreciation of EUR 320, which are directly charged to the provision (items II, III and IV of the environmental provision), and the accrued depreciation of the invested assets amounting to EUR 426,872 (item I of the environmental provision). The additional provisioning amounting to EUR 3,393,320 (taking into account the foreseen inflation rate) relates to the re-checking of the balance of the provision with the documentation provided by the external provider Hidrosvet. The external contractors estimate completion of the works within 3-4 years. While the timetable for the works is fixed in advance, the actual execution of the works is subject to change due to unforeseen events or factors.

* Remediation of risks due to old burdens at current production sites of Cinkarna Celje: the contractor of the Assessment of risks to human health and the environment due to old burdens at current production sites of Cinkarna Celje d.d. foresaw possible remediation measures and estimated them financially at a total amount of EUR 6.4 million. We made a new provision for this amount as at 31 December 2017. Based on the new known circumstances as at 31 December 2022, we fully released this provision (EUR 6 million) as there is no longer any likelihood of future outflows from this provision. The key events in 2022 were the adoption of the judgments of the Court of First Instance and the Higher Court in the case of the claimant MOC (Municipality of Celje), the adoption of the ZVO-2 act, the failed legislative process of the Act on the remediation of the historically polluted environment in the area of the Municipality of Celje in the Celje Basin (ZSOOCK). With regard to the MOC judgment, while rejecting the MOC's claim based on contractual grounds

(the MOC's claim was based on the handover report), the court at both levels (first instance and appeal) also elaborated on other potential legal bases for the Company's liability outside the framework, which have not been highlighted or clarified in the legal and judicial practice so far. The decision in the case of the claimant MOC, in conjunction with the circumstances set out in the external legal opinion obtained by the Company on the issue of the provisions made, therefore not only affects the relations in the specific case (inter partes), but in this context also has legal implications for all similar cases, including the Company's liability for the land at the current production site. In its judgment, the Court decided that "the current environmental quality standards cannot be applied to environmental pollution before 1970". As the decision of the Court of First Instance has been confirmed by the High Court (both judgments were delivered in 2022), whose judgment is publicly published and has weight in the development of case-law, it establishes a new basis on which the courts will rely in future decisions.

Given the nature of the burdens on the land for which the provisions were made, the same conclusions can be drawn with regard to the Company's obligation, which was originally derived from the belief that there was an obligation to remedy the pollution on the basis of a general liability for damages. In the above context, it is therefore also relevant that (almost in parallel with the Court's decision) the ZVO-2 act was adopted, the regulation of which is a reasonable mapping of the regulation of the ZVO-1 and therefore does not constitute a change which would disqualify the interpretations of the Court or which are also relevant in the context of the validity/application of the ZVO-2.

All the circumstances highlighted led to the assessment that the probability of the claims for which the provision in question was made being substantiated is less than 50% and, as a consequence, the Company is releasing the provision.

The Management Board of the Company received sufficient information through the MOC claim obtained for the release of the provision for the elimination of the risks of old burdens at the current production sites of Cinkarna Celje and also sufficient information regarding the other provisions made, not only taking into account the environmental aspects, but also sufficient information on the changed circumstances and the uncertainties related to the assumptions used, where there are still some uncertainties that may lead to future changes in the amounts made, since in all cases it is an estimation of them. The estimates were made with the involvement of experts in the field. According to the analyses and the experts' opinions, the provisions made are sufficient, subject to change in the future due to the structure of the land, the use of materials which may be subject to loosening, or other commitments. At present, there is no need to change the level of provisions made at 31 December 2022, for which we estimate that there is more than a 50% probability of future outflows.

14 Non-current deferred income

In 2007, the Company obtained Decision No PIZ-06/0245 to be exempted from paying pension and invalidity insurance contributions under Article 74 of the Act on Employment Rehabilitation and Employment of Disabled Persons. In 2022, we fully earmarked the ced- ed contributions and bonuses of the period to cover the wage costs of disabled persons.

In EUR

Deferred income	31/12/2023	31/12/2022
Deferred contributions for employment of people with disabilities	780	1,947
Long-term deferred income for equipment	1,345	1,345
Funds received from EU funds	105,499	133,335
Equipment and vehicles acquired free of charge	0	9,013
Emission allowances	65,120	44,074
Subsidies for photovoltaics*	594,670	173,367
Total	767,414	363,054

* In 2023, the Company received subsidies of EUR 431,931 thousand from the solar power plants installed, representing 20% of the investments in photovoltaics. The funds received will be used in accordance with the depreciation calculated for each individual solar power plant over its useful life.

In EUR

Deferred income 2023	31/12/2022	Formation	Dedicated use	31/12/2023
Deferred contributions for employ- ment of people with disabilities	1,947	31,339	32,505	780
Long-term deferred income for equipment	1,345	0	0	1,345
Funds received from EU funds	133,335	0	27,836	105,500
Emission allowances	44,047	40,397	19,324	65,120
Subsidies for photovoltaics	173,367	431,931	10,627	594,670
Equipment and vehicles acquired free of charge	9,013	0	9,013	0
Total	363,054	503,667	99,306	767,414

In EUR

Deferred income 2022	31/12/2021	Formation	Dedicated use	31/12/2022
Deferred contributions for employment of people with disabilities	914	32,833	31,799	1,947
Long-term deferred income for equipment	1,776	0	431	1,345
Funds received from EU funds	161,171	0	27,836	133,335
Subsidies for photovoltaics	0	176,555	3,189	173,367
Emission allowances	27,667	40,397	24,017	44,047
Equipment and vehicles acquired free of charge	24,221	0	15,208	9,013
Total	215,749	249,785	102,480	363,054

15 Current financial liabilities

In EUR

Group of liabilities	31/12/2023	31/12/2022
Current financial liabilities - accruals, cessions	100,651	59,392
Current derivative liabilities - forwards	3,041	0
Total	103,692	59,392

Movement in financing liabilities in 2023

In EUR

	Balance as at 31 Dec 2022	Monetary changes	Non-monetary changes Acquisitions/disposals	Balance as at 31 Dec 2023
Assignments, cessions, interest, forwards	59,392	44,300	0	103,692
Interest	0	-887	887	0
Total	59,392	43,413	887	103,692

Movement in financing liabilities in 2022

In EUR

	Balance as at 31 Dec 2021	Monetary changes	Non-monetary changes Acquisitions/disposals	Balance as at 31 Dec 2022
Dividends	0	-24,922,418	24,922,418	0
Assignments, cessions, interest, forwards	197,503	-138,111	0	59,392
Interest	0	-2,715	2,715	0
Total	197,503	-25,063,243	24,925,133	59,392

16 Current trade payables

In EUR

Trade payables	31/12/2023	31/12/2022
Payables to suppliers	14,656,554	14,898,860
Other liabilities	3,873,796	4,619,285
Total	18,530,350	19,518,145

In EUR

Group of liabilities	31/12/2023	31/12/2022
Current payables to in-country suppliers	12,215,153	11,372,481
Current payables to suppliers abroad	2,435,198	3,526,380
Current payables for unbilled goods and services	6,203	0
Current payables against advances	407,334	170,164
Current payables to employees	2,059,725	2,602,550
Current payables for payer's contributions	1,005,215	1,326,675
Current payables to government and other institutions	389,631	509,838
Other current liabilities	11,891	10,057
Total	18,530,350	19,518,145

17 Current liabilities arising from contracts with customers

Commitments under contracts with customers arose from contractual commitments to customers for discounts or volume rebates.

In EUR

Liabilities under contracts with customers	31/12/2023	31/12/2022
Liabilities under contracts with customers	11,351	157,520
Total	11,351	157,520

18 Other current liabilities

Under other current liabilities, the Company recognises current deferred charges or expenses and VAT on advances.

In EUR

Description	31/12/2023	31/12/2022
Accrued unused annual leave	914,887	797,395
Accrued costs	260,042	150,090
VAT on advances made	16,627	54,766
Other	4,118	1,668
Total	1,195,674	1,003,919

19 Contingent assets and liabilities

In EUR

Description	31/12/2023	31/12/2022
Guarantees given	2,202,183	2,275,179
Forward transactions*	1,867,592	50,953
VISA and Mastercard payment cards	40,000	40,000
Material in finishing and processing	59,726	59,725
Total	4,169,501	2,425,857

* The transaction value is the contractual value of the transaction and fair value measurement is recognised in the financial receivables and/or financial liabilities accounts (Note E. Financial Instruments).

The guarantees given represent a liability to Nova kreditna banka Maribor d.d. and UniCredit Bank d.d. of EUR 2,202,183 in respect of customs and excise duties (EUR 1,030,000) and a performance guarantee for ARSO's contractual obligations of EUR 1,172,183.

20 Revenue from contracts with customers

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

In EUR

	2023	2022
Net revenue from contracts with customers for products and services	175,954,207	226,584,095
Net revenue from contracts with customers for goods and materials	510,082	569,021
Total	176,464,289	227,153,116

21 Other operating income

In EUR

Revenue	2023	2022
Revenue from depreciation of assets acquired free of charge	510,795	505,649
Gains on sale and write-down of assets	60,045	7,253
Proceeds from COVID-19 state support	0	34,430
Revenue from government grants – Energy Law	0	300,000
Recoveries of written-off receivables	2,011	0
Compensation received	27,562	23,763
Allowance to cover indirect costs due to the cost of greenhouse gas emissions in the previous year	277,257	0
Reversal of non-current provisions *	939,538	6,817,354
Subsidies to mitigate energy price increases – ZPGOPEK**	7,609,359	0
Other operating income	28,634	61,471
Total	9,455,201	7,749,919

* The amount of EUR 800,000 relates to the reversal of environmental provisions, as the Company's management assessed, based on evidence and re-examination, that there were grounds to reverse them and transfer them to income in 2023 (see Note 13 – Other provisions).

In EUR

Revenue	2023	2022
Reversal/release of environmental provisions	800,000	6,377,932
Reversal/release of provisions for jubilee and retirement bonuses	139,538	439,422
Total	939,538	6,817,354

** Cinkarna Celje d.d. received EUR 6.1 million or exactly EUR 6,087,487 in subsidy income in 2023 based on the application under the Act Governing Aid to Businesses to Mitigate Impact of Energy Crisis (ZPGOPEK), which is included in operating income based on the transfers received (80% of the amount reported in the application), where we estimate that the amount is appropriately included in operating income. At the time of the application, the Company was entitled to EUR 7,609,359 of subsidies, i.e. the amount of EUR 1,521,872 million has not yet been received. The Company recalculated the eligible amount of aid with all known realised and available data and it is expected or there is a very high degree of certainty that the Company will receive the remaining amount of subsidy in 2024. Thus, the Company recorded the remaining EUR 1.5 million as operating income and established a receivable from the State.

Cinkarna Celje d.d., as a good economic operator, as a result of the growing economic crisis due to the enormous increase in energy prices in 2023, submitted an application for aid under the adopted ZPGOPEK act on 28 February 2023. The Company applied for special aid for energy-intensive companies in specific sectors, where it had to comply with the following:

- It is an energy-intensive undertaking (an energy-intensive undertaking is an undertaking that is exempt from excise duty or has been granted a refund of excise duty paid for energy-intensive undertakings under the law governing excise duties);
- In 2023, the price of its energy products increased by at least 1.5 times the beneficiary's average price for 2021;
- Its EBITDA, excluding aid, has decreased by at least 40% over the eligible period compared to 2021 or is negative;

- It operates in one of the specific NACE code sectors or subsectors.

On the basis of the application, the Company received in 2023 advance payments equal to 80% of the funds in the application, namely a first payment in March (three instalments of EUR 507,291) and then an advance payment of EUR 507,291 each month, the last instalment being received on 27 December 2023, for a total amount of EUR 6,087,487.

The Company has deferred the inflows during the year and transferred them to operating income at the end of the year, together with the difference up to the total amount in the application, as the Company considers that it fulfils, or has so far fulfilled, all the conditions required under the ZPGOPEK for obtaining and retaining the aid (income recognition), or considers that the risk of repayment of the aid is very low, or nil, as confirmed by the evidence and explanations of the fulfilment of the provisions of the ZPGOPEK for the retention of the aid, as set out below:

1. No profit payments, purchases of own shares or own business holdings were made by the beneficiary, Cinkarna Celje d.d., which has claimed aid for the economy under this Act, since the entry into force of this Act in 2023 or for the year 2023.

The Company did not pay out any profit in or for 2023, nor did it purchase any of its own shares on the basis of the resolution of the General Meeting of 14 June 2023. The 2022 balance sheet profit was paid out following the resolution of the General Meeting of 13 February 2024, on 23 April 2024. The majority state-owned shareholders voted in favour of the resolution that the 2022 profit in 2023 should not be distributed or used for the payment of dividends, but should

be recorded as a carry-forward. Similarly, for 2023, when the General Meeting on 14 June 2024 will decide on the reallocation/distribution of the balance sheet profit for 2023, we expect the majority State-owned shareholders to act similarly and responsibly. Based on the public announcement by one of the State-owned owners (SDH), which has published on its website <https://www.sdh.si/> a commitment not to support the payment of dividends in 2023 in the cases mentioned above, we expect that the majority State-owned owners will take the prudent decision and behave as good businessmen and vote to transfer the remainder of the net profit in 2023 to reserves and not to distribute it.

On the basis of this, the board can conclude that the remaining 50% of the net profit of the financial year 2023 will not be shared at the June 2024 general meeting for 2023 or the dividends for the financial year 2023 will not be paid out in 2024 or later, and thus the aid from this title will not be returned.

2. The beneficiary, Cinkarna Celje d.d., which has claimed aid under this Act, did not pay any management bonuses or part of the salaries for managerial performance to the management as of the entry into force of this Act in 2023 or for the year 2023, accordingly.

No management bonus and no 2022 performance salary were paid to the members of the Management Board in 2023.

3. The time-limit for transmitting the information referred to in the third, fourth and fifth paragraphs of this Article to the competent authority was complied with.

Cinkarna Celje d.d. reported realised data to SPIRIT Slovenia on time, for the first time by 31 July 2023 for the period January-June 2023 and for 2021, and by 31 January 2024 for the second half of 2023.

4. The Company meets the following other conditions:

- It is an energy-intensive undertaking (it is exempt from excise duty and has been entitled to a refund of excise duty paid for energy-intensive undertakings under the law governing excise duties). For 2023, the calculation of the energy intensity is equal to 12%;
- The price of its energy products increased in 2023 by at least 1.5 times the beneficiary's average price in 2021. The increase in the average price of electricity compared to 2021 was more than 1.5 times in 2021; for natural gas, the Company did not fulfil the condition for obtaining the aid;
- Its EBITDA, excluding aid, decreased by 52% in the eligible period compared to 2021 (statutory condition of at least 40% EBITDA decrease);
- Its EBITDA including aid, over the eligible period, is 63% of its EBITDA in 2021 (this percentage must not exceed 70% of the EBITDA generated in 2021 according to the Act).

22 Operating expenses

Operating expenses

In EUR

	2023	2022
Cost of materials and goods sold	296,838	200,613
Cost of materials	106,375,957	134,953,778
Cost of services	16,047,941	16,229,210
Labour costs	30,656,494	29,483,416
Depreciation	12,355,367	12,150,684
Other operating expenses	3,909,344	5,264,418
Impairments and write-offs of trade receivables	25,096	1,553
Total	169,667,037	198,283,671

Other operating expenses include the cost of making non-current environmental provisions of EUR 851,246 (EUR 3,393,314 in 2022), as the Company's management assessed, on the basis of evidence and re-examination, that there were reasons to make additional provisions in 2023 (see Note 13 - Other provisions).

Research and development costs in 2023 amount to EUR 270,387, compared to EUR 233,759 in 2022.

Depreciation and amortisation

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

In EUR

Description	2023	2022
Depreciation		
- Intangible assets	244,677	209,123
- Easements	72,342	72,342
- Buildings	3,399,172	3,271,577
- Production equipment	8,634,426	8,592,476
- Other equipment	4,751	5,166
Total	12,355,367	12,150,684

Labour costs

In EUR

Labour costs	2023	2022
Wages and reimbursements	22,408,797	20,807,538
Social security contributions	3,706,668	3,718,924
Expenses reimbursements and other employee benefits	4,121,862	4,529,314
Supplementary pension insurance	419,167	427,640
Total	30,656,494	29,483,416

Labour costs include accrued liabilities to employees under the Company's collective agreement and under individual employee contracts, reimbursements of work-related expenses in accordance with the collective agreement. Work-related remuneration costs do not include food costs to the extent that they relate to the cost of preparing food in the Company's own canteen. These costs amount to EUR 1,037,076 in 2023 (EUR 978,237 in 2022). The costs are shown according to their substance and purpose, i.e. between the costs of materials and services consumed, labour costs, depreciation (amortisation) and other operating expenses. The Company accounted for unused annual leave entitlement in accordance with IAS 19. The Company is registered in the register of pension plans as the employer sponsoring the pension plan designated PNMZ K, which is implemented by the pension fund Modri krovni pokojninski sklad with the administrator Modra zavarovalnica. In 2023, the Company earmarked EUR 419,167 (2022: EUR 427,640) for supplementary pension insurance.

As at 31 December 2023, the Company employed 742 persons. The average number of employees was 754 and the average number based on accrued hours was 712.

The Company also incurred costs for services not treated as labour costs in 2023 in respect of labour brokerage agencies under labour brokerage contracts of EUR 729,906 (2022: EUR 788,002). The number of employees was 25.3 (2022: 27.7), taking into account the number of hours worked under these contracts.

Other operating expenses

In EUR

Other operating expenses	2023	2022
Provisioning for the environment	851,245	3,393,314
Environmental fees and refunds	427,275	393,070
Awards to students and trainees	247,804	225,487
Building land use allowance	565,939	562,120
Revaluation of inventory of materials and goods*	1,182,665	332,443
Loss on sale (disposal) of fixed assets	234,944	143,377
Other costs and expenses	399,472	214,609
Total	3,909,344	5,264,418

* On 5 August 2023, Slovenia was struck by floods, which affected the Savinjska region, where our Kemija Mozirje business unit operates. Finished products, raw materials and production materials were flooded. Write-downs and impairments of flooded materials amount to EUR 304,726.

The audit of the financial statements of Cinkarna Celje d.d. for 2023 was performed by Ernst & Young Revizija d.o.o. The contract value for the agreed audit services amounted to EUR 29,800, plus VAT and travel expenses. Ernst & Young also carried out the audit of the verification of the electronic form of the 2022-ESEF financial statements (EUR 2,300) and the audit of the 2023 Remuneration Report (EUR 3,100) in 2024 for the 2023 financial year. Other expenses mainly consists of losses on the settlement of reported claims and compensation paid to individuals.

23 Financial income and expenses

Financial income consists of interest received on investments and receivables, income from long-term investments and foreign exchange gains on operating and financing activities. Financial expenses represent the accrued liabilities for the year on non-current and current financial and operating liabilities and foreign exchange losses arising on operating and financing activities (forward foreign exchange purchases and sales).

In EUR

	2023	2022
Net exchange differences	105,125	0
Interest income	1,121,471	20,235
Dividend income	0	16,025
Total financial income	1,226,596	36,259
Net exchange differences	0	-457,614
Interest expense	-887	-2,715
Interest on provisions for severance grants and jubilee bonuses	-142,856	-36,000
Total financial expenses	-143,743	-496,329
Net financial result	1,082,853	-460,070

24 Corporate income tax

The corporate income tax return is prepared in accordance with the Regulation on Corporate Income Tax Returns at a rate of 19% of the tax base, which is unchanged from the previous year and the year before. The tax base in 2023 is reduced by deductions for investment in research and development, employment of disabled persons, voluntary supplementary pension insurance, investment in equipment, and donations.

In EUR

	2023	2022
Tax levied	2,623,064	10,015,959
Total income tax	2,623,064	10,015,959
Change in tax base due to change to a new method of accounting, changes in accounting policies, corrections of errors and revaluations	-14,917	-42,246
Tax on increase in expenses	-228,698	-11,718
Tax on unrecognised expenses	250,063	213,617
Tax on tax credits	-1,463,776	-821,480
Tax on income reducing the tax base and other	-13,541	-35,024
Income on which withholding tax was deducted	3,396	0
Total income tax	1,152,196	9,319,109
Effective tax rate	8.3%	17.7%

The effective tax rate, calculated as the ratio of tax expense to accounting profit, is 8.3% in 2023 and 17.7% in 2022. The changes in deferred taxes in 2023 relate to additional provisioning/utilisation of environmental, jubilee and retirement bonuses, and an increase due to the recalculation of the balance from a tax rate of 19% to 22%.

The Company recorded an increase in deferred tax assets due to temporary differences. The increase in 2023 relates to the difference between the following items:

In EUR

Description	2023	2022
Consumption of provisions	-217,804	-738,232
Reversal of valuation allowances on receivables	0	-113,928
Conversion/corporate income tax rate (19 > 22)	228,853	0
Provisions made	140,871	322,365
Allowance for receivables (investments) established	0	285
Total	151,920	-529,510

25 Impact of climate change on the financial statements

Cinkarna Celje d.d. discloses the effects of climate change and the transition to sustainable and peaceful change in its 2023 financial statements, with particular emphasis on the discussion of management's estimates and significant judgements in accordance with IAS 1 (IAS 1 requires disclosure of information about assumptions and other key sources of estimation uncertainty at the end of the reporting period that have a significant risk of causing an adjustment to the carrying amounts of assets and liabilities).

Management estimates and judgements

The key estimates and accounting judgements made by the management of Cinkarna Celje d.d. in the preparation of the annual financial statements for 2023 in relation to the expected impacts of climate change and the energy transition are described below.

In relation to the effects of climate change related impacts, the Company considers that climate change is an implicit element in the methodologies and models used to make estimates in the valuation and/or measurement of certain accounting items. In addition, the Company took into account the impact of climate change in the significant judgements made by its management. In this respect, the main items included in the financial statements as at 31 December 2023 that are affected by the use of management estimates and judgements relate to the impairment assessment of non-financial and energy transition assets and liabilities.

The reference to estimates and judgements used by the management in relation to climate change (taking into account their significance in the context of financial reporting) is as follows:

- Emphasis on estimating the expected cash flows from certain assets (Note 2 H Impairment of non-financial assets).
- Focus on the effects under the Paris Agreement and their impact on the estimation of the useful lives of the assets concerned (Note Determining the useful lives of assets for assets).

The useful lives of tangible fixed assets are regularly reviewed in light of the transition to all-electric vehicles and sustainable green investments (solar power plants, battery storage, etc.). There was no need to adjust the useful lives of the Company's assets in use.

Climate change disclosures

The transition to net zero is underway worldwide and the processes of decarbonisation and electrification of the global economy are crucial to avoid serious consequences of a temperature increase of more than 1.5 °C.

Verification of funds

As described in Note 2 – Tangible fixed assets, the cash flow projections on a cash-generating unit basis used in the impairment tests for non-current assets are based on the best available forward-looking information and reflect the Company's 2024-2028 investment plans to maintain its business capacity, prepared based on a range of economic conditions that could exist in the near future in relation to climate change and energy transition. The projections took into account expected electricity price effects resulting from the start-up of photovoltaics and new renewable generation installations, the evolution of gas, oil and emission allowance prices, and expected demand.

Transition risk – GHG emissions

Cinkarna Celje's measures to limit the impacts of transition risk include (described in more detail in the business section of the annual report):

- Scope 1 emissions reduction (from CO₂ emissions): the Company's innovation capacity and technological know-how enable it to offer cleaner and more sustainable solutions to reduce its industrial emissions. The Company focuses on technologies for climate solutions and the energy transition;
- Scope 2 reduction mainly through the use of renewable electricity: the installation of solar power plants will reduce Scope 2 emissions. Investments

in renewable technology in 2023 amounted to EUR 3.2 million, which will facilitate the transition as the emission reductions will be managed with renewable energy from the Company's own solar power plants (current self-supply represents 6% of total energy use, target is 10% by 2030).

Emission allowances for CO₂ emissions under the EU Emissions Trading Scheme (EU ETS) are reflected in the balance sheet at their carrying amount of EUR 1 and are valued under other non-current assets (Note 4 – Other non-current assets). Accrued liabilities for CO₂ emissions required to cover emissions to date are also valued at EUR 1. The allowances are acquired by the State to cover own emissions and can be retained to cover emissions in future years. The allowances acquired exceed their surrender, which will be realised until the end of 2025. A decision was issued for the acquisition of free allowances for the period 2021-2025, which allocated to the Company a total free quantity of 201,985 emission allowances (see table below). The share of free allowances (quotas) is expected to decrease significantly in the future.

The free emission quota for Cinkarna Celje will expire in 2025. After 2025, the Company will no longer be able to acquire allowances, but it is not definitively known whether it will be able to use the surplus for emissions in the following years or whether it will have to buy green allowances. As the future impacts related to emission allowances from 2026 onwards cannot be measured or estimated by the Company, the impact of the transition on the financial statements as at 31 December 2023 cannot be estimated with certainty, and there are several possible scenarios.

Assets and climate risks

The Company's main assets affecting its CO₂ footprint are those used for the production of its core business (see section 2 Tangible fixed assets). Assets are depreciated over their useful lives, which limits the risk of impairment. For decarbonisation of existing production units, the following solutions will only be implemented in the coming years (2024-2028): the use of low-emission automotive assets, battery storage and electric motors.

Table: Emission allowance balances by year

	2021	2022	2023	2024	2025
Balance as at 1 January	25,629	53,028	68,049	84,444	105,517
Acquisition (current decision)	40,399	40,397	40,397	40,397	40,397
Surrender/Sale*	13,000	25,376	24,002	19,324	25,000*
Balance as at 31 December	53,028	68,049	84,444	105,517	120,914

* Estimate.

As these assets are not yet electrified, we need to make the transition investments identified in the Company's 2024-2028 strategy, which amount to EUR 40 million.

An impairment test of the recoverable amount as at 31 December 2023 was performed (see Note 2 Tangible assets).

This reassessment did not result in any impairment of the assets. The main tangible assets of the Company that are exposed to climate change and energy transition risk are:

- motorised vehicles,
- generating electricity from their own solar power plants,
- replacing existing electric motors.

In 2023, the Company has not yet procured any e-drive vehicles or battery storage (foreseen in the 2024-2028 strategy). The motorised vehicles, electric motors and other devices to be replaced, including all other assets, are mostly depreciated as of 31 December 2023, or will be fully depreciated at the time of their replacement due to the green transition, and have no present value. Similarly, any further replacements will have no impact on the write-down of present value or the implementation of impairment, as those assets that no longer have present value and are obsolete will be replaced.

Renewable energy assets – photovoltaics

As at 31 December 2023, the carrying amount of these fixed assets amounted to EUR 4.2 million. The main perceived risk is the potential negative future development of solar sources, which are key variables in the success of this business sector. The Company considers that the opportunities arising from the decarbonisation of the global economy (growth of renewable energy, investment in smart grids, electrification of transport, green hydrogen, etc.) outweigh the risks.

Climate change impacts

The potential impact of future regulatory requirements, in particular the related shift to electric mobility (replacement of the current fleet with e-vehicles and installed charging stations charged from already installed solar power plants – the latter currently covering 6% of own energy needs, the target is 10% self-supply by 2030), was taken into account in the preparation of the financial statements, in particular the five-year strategic plan, and thus the derivation of future cash flows for impairment testing.

Exposure to climate risks

Given its geographical location, the Company may potentially be exposed to physical risks related to climate change, such as floods (2023 flood expenses are disclosed in section 22 Operating expenses), heat waves, fires and droughts. As at 31 December 2023, the carrying amount of these assets is EUR 104 million (EUR 105.9 million in 2022), as disclosed in Note 2 – Tangible fixed assets. There are no impairment needs.

Amortisation and other impairment losses

Climate-related matters are also relevant for consideration in light of IAS 16 and IAS 38 because they may result in potential changes in the amount of depreciation or amortisation recognised in the current period or future periods. Therefore, because some assets may become obsolete, unavailable or subject to regulatory restrictions due to climate change, the estimated residual (terminal) value and expected useful life of the assets are potentially affected. There is no change in the estimated residual (terminal) value and expected useful life of assets, and hence the depreciation charged, as a result of the transition.

The business forecasts for the period 2024-2028 with calculated EBITDA margin and CAPEX also include the impact of energy prices, photovoltaics and take into account energy efficiency through energy saving equipment and energy savings.

The potential impacts of transition risk were analysed in the context of the closure of the 2023 financial statements on the basis of the facts and assumptions set out above. No significant impact was identified, either on the useful life, on the value of the assets, on the customer portfolio, on the cash flows generated by the existing activities or on the necessary provisions for risks and costs.

VI. CASH FLOW STATEMENT

The cash flow statement shows the changes in cash and cash equivalents for the financial year as the difference between the balances as at 31 December 2023 and 31 December 2022. It is drawn up using the indirect method from the statement of financial position as at 31 December of the financial year and the statement of financial position as at 31 December 2022, together with the supplementary information necessary to adjust the income and expenses and to break down the significant items appropriately. Theoretical contingent items are not shown, but values are shown for the current and the prior period.

VII. STATEMENT OF CHANGES IN EQUITY

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

VIII. FINANCIAL INSTRUMENTS AND FINANCIAL RISKS

Financial risks (liquidity and interest rate)

Liquidity risk

Cinkarna Celje d.d. is a business partner known for its payment discipline both domestically and abroad, a company with no bank debts and stable cash flows. The Company's business is traditionally conservative with high cash flow. Liquidity management includes,

inter alia, planning and covering expected cash commitments, ongoing monitoring of customer solvency and regular collection of overdue receivables. The credit rating is AAA (platinum excellent). The following tables show financial and operational liabilities by maturity.

Maturity of trade payables as at 31 December 2023

In EUR

	Carrying amount	Contractual cash flows	
		Total	Up to half a year
Payables to suppliers net of advances	14,656,554	14,656,554	14,656,554
Commitments under contracts with customers net of advances	11,351	11,351	11,351
Other liabilities	5,069,470	5,069,470	5,069,470
Total	19,737,375	19,737,375	19,737,375

Maturity of trade payables as at 31 December 2022

In EUR

	Carrying amount	Contractual cash flows	
		Total	Up to half a year
Payables to suppliers net of advances	14,898,860	14,898,860	14,898,860
Commitments under contracts with customers net of advances	157,520	157,520	157,520
Other liabilities	7,990,365	7,990,365	7,990,365

Maturity of financial liabilities as at 31 December 2023

In EUR

	Carrying amount	Contractual cash flows	
		Total	Up to half a year
Assignments, cessions	100,651	100,651	100,651
Fair value of forward transactions	3,041	3,041	3,041
Total	103,692	103,692	103,692

Maturity of financial liabilities as at 31 December 2022

In EUR

	Carrying amount	Contractual cash flows	
		Total	Up to half a year
Assignments, cessions	59,307	59,307	59,307
Fair value of forward transactions	85	85	85
Total	59,392	59,392	59,392

Interest rate risk

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

Due to its favourable financial situation, the Company enters into deposit agreements with banks at positive interest rates in order to increase its financial income. At the balance sheet date of 31 December 2023, deposits with a maturity of up to one year amount to EUR 10 million. Also, in order to use excess cash efficiently, the Company invests it in treasury bills with a short-term maturity, which amount to EUR 38.6 million at the last day of 2023.

A decrease of 1% in the bank interest rate would result in an increase of financial expenses of EUR 100 thousand, while an increase of 1% would result in an increase of financial income of EUR 100 thousand on an annual basis.

Credit risk

The key credit risk of Cinkarna Celje d.d. is the risk that customers will not settle their obligations when they fall due.

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

Cinkarna Celje has for a number of years been carrying out internal credit control for each individual customer, to whom it has set an individual credit limit, based on payment discipline, credit rating and good performance with the Company. The credit risk monitoring and management process was further enhanced in mid-2021 with the introduction of receivables insurance with an external institution, where credit limits are set, monitored and changed on a daily basis.

In addition to the regular monitoring of the credit limit for each customer, the customer's payment discipline and the publication on the Ajpes website of proceedings under the Act on Financial Management, Insolvency and Compulsory Winding-up Proceedings (ZFPPIPP) are monitored on a daily basis. Also, as the receivable becomes due, the customer is reminded of the due date of the receivable by a reminder, firstly by telephone and then in writing, and default interest is charged from the date of the due date until the date of payment. The process of regular monitoring and control of the portfolio of trade receivables is a constant feature of the Company, resulting in a small proportion of write-offs or impairments of receivables in relation to the proportion of sales.

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

In EUR

	Notes	31/12/2023	31/12/2022
Financial investments	3	1,558,531	1,973,765
Financial receivables	7	38,616,117	0
Trade receivables	8	27,437,194	22,087,040
Cash and cash equivalents	9	15,687,805	45,210,098
Total		83,299,647	69,270,903

At the balance sheet cut-off date of 31 December 2023, in addition to the EUR 10 million of cash on deposit, the Company has an additional EUR 5.7 million of cash to support its day-to-day operations. In order to mitigate credit risk and exposure to banks, the Company has assets spread across five banks with excellent credit ratings and strong balance sheets.

The Company has a healthy trade receivables structure, as can be seen in the table of trade receivables by maturity and in the table of the movement in the valuation allowance for current trade receivables.

Movement in valuation allowances on current trade receivables

In EUR

2023	Balance as at 31 Dec. 2022	Valuation allowance formed 2023	Write-downs of valuation allowances of prior years	Written-off receivables paid	Balance as at 31 Dec. 2023
Customers in country	266,985	0	0	0	266,985
Customers abroad	371,794	25,075	0	2,011	394,858
Total	638,780	25,075	0	2,011	661,844

In EUR

2022	Balance as at 31 Dec. 2021	Valuation allowance formed 2022	Write-downs of valuation allowances of prior years	Balance as at 31 Dec. 2022
Customers in country	267,017	0	32	266,985
Customers abroad	381,437	1,500	11,142	371,794
Total	648,454	1,500	11,174	638,780

Trade receivables by maturity

In EUR

Group of receivables by maturity	Gross value 31/12/2023	Adjustment 31/12/2023	Gross value 31/12/2022	Adjustment 31/12/2022
Not past due	24,024,487	16,944	19,743,148	15,763
Past due under 15 days	2,913,989	2,050	1,960,633	1,569
Past due from 16 to 60 days	432,721	1,180	345,946	1,633
Past due from 61 to 180 days	109,582	23,954	56,335	56
Past due over 180 days	618,259	617,716	619,758	619,759
Total	28,099,038	661,844	22,725,819	638,779

In EUR

Group of receivables by maturity	Gross value 31/12/2022	Adjustment 31/12/2022	Gross value 31/12/2021	Adjustment 31/12/2021
Not past due	19,743,148	15,763	26,683,460	21,346
Past due under 15 days	1,960,633	1,569	1,240,457	994
Past due from 16 to 60 days	345,946	1,633	1,252,916	6,635
Past due from 61 to 180 days	56,335	56	240	0
Past due over 180 days	619,758	619,759	619,479	619,479
Total	22,725,819	638,779	29,796,552	648,454

All trade receivables are secured with an external institution as from 1 June 2021. As at 31 December 2023, 88% of the receivables are insured by an external institution (Coface PKZ d.d.) (95.4% at the end of 2022), 3.5% of the receivables are insured by another form of insurance (letter of credit, advance) (2.5% at the end of 2022) and only 8.5% of the total receivables are uninsured (3.5% at the end of 2022). Unsecured receivables are mainly from regular customers who have secured receivables but have exceeded the collateral limit, where we estimate that there is no risk of default. The Company determines the concentration of receivables using IT tools and the limits entered in the system. The receivables monitoring information system allows us to monitor the collateralisation of receivables on an ongoing basis, as the system is updated on a daily basis according to changes in the type of collateral and changes in the credit limits. At the end of the year, 6 titanium dioxide customers from the European Union account for 32% (in 2022 these 6 customers accounted for 35%) of the total fully secured receivables. The customers are spread across different markets and hence there is no significant exposure of the Company to any single customer.

Currency risk

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

We continuously monitor the evolution and outlook for the EUR/USD currency pair. In principle, we limit the short-term risk of adverse changes in the dollar exchange rate through the standardised and consistent use of financial instruments (dollar futures). We achieve virtually complete coverage of relevant business events involving the EUR/USD currency pair.

Exposure to foreign exchange rate risk

In EUR

	31/12/2023		31/12/2022	
	EUR*	USD	EUR*	USD
Financial assets at fair value through other comprehensive income	1,558,531	0	1,973,765	0
Current financial receivables	38,616,117	0	0	0
Trade receivables	26,386,651	1,160,850	21,673,232	413,838
Advances given	301,333	0	1,168,851	0
Cash and cash equivalents	15,687,805	0	45,210,098	0
Current financial liabilities	-103,692	0	-59,392	0
Current trade payables	-14,647,822	-9,649	-19,450,525	-67,620
Statement of financial position exposure (net)	67,798,922	1,151,201	50,516,029	346,218

* EUR is the functional currency and does not represent an exposure to exchange rate risk. In addition to the functional currency EUR, the Company uses the USD (US Dollar), which was used in the translation of the balance sheet items at 31 December and is equal to the European Central Bank's reference rate of 1 national currency for EUR 1 at 31 December 2023 of 1.10500 and at 31 December 2022 of 1.0666.

Sensitivity analysis

A 1% change in the value of the USD against the EUR as at 31 December 2023 and 31 December 2022 would change the profit before tax by the amounts shown in the table below. The analysis, which is carried out in the same way for both years, assumes that all variables, in particular interest rates, remain constant. In calculating the impact of the change in the US dollar exchange rate, account is taken of the balance of receivables and payables denominated in dollars.

In EUR

	31/12/2023		31/12/2022	
USD currency change	1%	-1%	1%	-1%
Impact on profit before tax	12,721	-12,721	3,693	-3,693

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

Capital management

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

By managing and adjusting its capital structure, Cinkarna Celje d.d. aims to keep pace with changes in the economic environment. It pays dividends in accordance with the revised dividend policy adopted at the Decem-

ber 2022 Supervisory Board meeting. The Company has no specific employee ownership targets and no share option programme. There were no changes in the way the capital is managed in 2022 and 2023. To control capital, the Company uses a leverage ratio, which shows the ratio of net debt to capital and total net debt. Net indebtedness includes financial and operational liabilities less cash and cash equivalents.

In EUR

	31/12/2023	31/12/2022
Financial liabilities	103,692	59,392
Trade and other current liabilities	19,737,375	23,046,745
Cash and cash equivalents	-15,687,805	45,210,098
Net indebtedness	4,153,262	-22,103,961
Capital	221,230,458	209,010,148
Capital and net indebtedness	225,383,721	186,906,187
Leverage ratio	2%	-12%

IX. FAIR VALUE

In EUR

	31/12/2023		31/12/2022	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets at fair value through other comprehensive income	1,558,531	1,558,531	1,973,765	1,973,765
Current financial receivables	38,616,117	38,616,117	0	0
Trade receivables	27,437,194	27,437,194	22,087,040	22,087,040
Cash and cash equivalents	15,687,805	15,687,805	45,210,098	45,210,098
Financial liabilities	-103,692	-103,692	-59,392	-59,392
Trade payables	-14,656,554	-14,656,554	-14,898,860	-14,898,860
Payables under contracts with customers	-11,351	-11,351	-157,520	-157,520
Total	68,528,050	68,528,050	54,155,131	54,155,131

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

- Asset class 1: assets at market price;
- Asset group 2: assets not classified in group 1, the value of which is determined directly or on the basis of comparable market data;
- Asset group 3: assets for which market data are not readily available.

In EUR

Fair value of assets	31/12/2023				31/12/2022			
	Group 1	Group 2	Group 3	Total	Group 1	Group 2	Group 3	Total
Financial assets at fair value through other comprehensive income	0	1,558,531	0	1,558,531	0	1,973,765	0	1,973,765
Total assets measured at fair value	0	1,558,531	0	1,558,531	0	1,973,765	0	1,973,765
Assets for which fair value is disclosed								
Current financial receivables	0	0	38,616,117	38,616,117				
Trade receivables	0	0	27,437,194	27,437,194	0	0	22,087,040	22,087,040
Cash and cash equivalents	0	0	15,687,805	15,687,805	0	0	45,210,098	45,210,098
Total assets for which fair value is disclosed	0	0	81,741,116	81,741,116	0	0	67,297,138	67,297,138
Total	0	1,558,531	81,741,116	83,299,647	0	1,973,765	67,297,138	69,270,903

In EUR

Fair value of liabilities	31/12/2023				31/12/2022			
	Group 1	Group 2	Group 3	Total	Group 1	Group 2	Group 3	Total
Financial liabilities	0	0	103,692	103,692	0	0	59,392	59,392
Trade payables	0	0	14,656,554	14,656,554	0	0	14,898,860	14,898,860
Liabilities under contracts with customers	0	0	11,351	11,351	0	0	157,520	157,520
Total liabilities for which fair value is disclosed	0	0	14,771,597	14,771,597	0	0	15,115,772	15,115,772

The assumptions used to determine the fair value of investments and other items are set out in the introductory notes in section III. Significant accounting policies.

X. RELATED PARTY TRANSACTIONS – INFORMATION ON GROUPS OF PERSONS**Management's participation in capital**

At the end of 2023 and 2022, one member of the Management Board held 1,860 shares in Cinkarna Celje, representing 0.023% of the Company's total capital or 0.023% of voting rights. No Supervisory Board members held shares at the balance sheet cut-off date.

31/12/2023, 31/12/2022	Number of shares	Share in capital (%)
Nikolaja Podgoršek Selič	1,860	0.023

Gross remuneration of groups of persons

In EUR

	2023	2022
Members of the Management Board	578,070	661,946
Members of the Supervisory Board	152,109	152,540
Total gross remuneration of groups of persons	730,180	814,486
Employees on the basis of contracts not covered by the tariff part of the collective agreement	3,073,418	3,134,933
Total gross remuneration of groups of persons and remuneration of employees on the basis of contracts not covered by the tariff part of the collective agreement	3,803,597	3,949,419

Remuneration of the members of the Management Board in 2023

In EUR

Name and surname	Function (President, Member)	Fixed remuneration – gross (1)	Variable remuneration gross based on quantitative criteria	Bonuses	Other remuneration	Total gross
Aleš Skok	President	296,911	0	7,473	2,694	307,077
Nikolaja Podgoršek Selič	Deputy President	236,579	0	8,030	2,694	247,303
Filip Koželnik	Member	18,642	0	2,355	2,694	23,691
Total		552,132	0	17,858	8,081	578,070

No variable remuneration or performance-related payments were made to members of the Management Board in 2023 for the 2022 financial year.

Remuneration of the members of the Management Board in 2022

In EUR

Name and surname	Function (President, Member)	Fixed remuneration – gross (1)	Variable remuneration – gross based on quantitative criteria	Bonuses	Other remuneration	Total gross
Aleš Skok	President	275,977	64,680	7,829	4,133	352,619
Nikolaja Podgoršek Selič	Deputy President	220,069	51,537	8,873	3,179	283,659
Filip Koželnik	Member	16,234	4,116	2,602	2,715	25,668
Total		512,281	120,333	19,304	10,028	661,946

Remuneration of the members of the Supervisory Board in 2023

In EUR

Name and surname	Function (President, Deputy, Member, External Committee Member)	Remuneration for the performance of duties – gross per year (1)	NS and Commissions' meeting fees – gross per year (2)	Total gross (1 + 2)	Travel expenses	Total remuneration
Mario Gobbo	SB Member + SB President + HR Chair	28,125	1,375	29,500	15,061	44,561
Luka Gaberščik	SM Member + SB Deputy President + HR Member	20,250	1,375	21,625	277	21,902
David Kastelic	SB Member + AC Chair	20,625	2,255	22,880	519	23,399
Mitja Svoljšak	SB Member	18,750	825	19,575	283	19,858
Jože Koštomaj	SB Member + AC Member	18,750	2,255	21,005	0	21,005
Aleš Stevanovič (from 8 Mar 2023)	SB Member + AC Member	10,968	1,100	12,068	0	12,068
Dušan Mestinšek (until 8 Mar 2023)	SB Member + AC Member	5,040	275	5,315	0	5,315
Gregor Korošec	External Member	0	4,000	4,000	0	4,000
Total		122,508	13,460	135,968	16,141	152,109

SB = Supervisory Board, AC = Audit Committee, HR = Human Resources Committee

Remuneration of the members of the Supervisory Board in 2022

In EUR

Name and surname	Function (President, Deputy, Member, External Committee Member)	Remuneration for the performance of duties – gross per year (1)	NS and Commissions' meeting fees – gross per year (2)	Total gross (1 + 2)	Travel expenses	Total remuneration
Mario Gobbo	SB Member + SB President + HR Chair	28,125	1,815	29,940	8,635	38,575
Luka Gaberščik	SM Member + SB Deputy President + HR Member	20,250	1,815	22,065	239	22,304
David Kastelic	SB Member + AC Chair	20,625	2,695	23,320	384	23,704
Mitja Svoljšak	SB Member	17,385	1,540	18,925	162	19,088
Dušan Mestinšek	SB Member + AC Member	18,750	1,595	20,345	0	20,345
Jože Koštomaj	SB Member + AC Member	18,750	2,695	21,445	0	21,445
Gregor Korošec	External Member	0	5,000	5,000	0	5,000
Žiga Gregorinčič	External Member	0	1,040	1,040	0	1,040
Lea Peček	External Member	0	1,040	1,040	0	1,040
Total		123,885	19,234	143,120	9,420	152,540

SB = Supervisory Board, AC = Audit Committee, HR = Human Resources Committee

The bonuses of the members of the Management Board include the bonus related to the use of a company car also for private purposes and any other bonuses. Expenses allowances include reimbursement of commuting expenses and meals during work.

Significant events after the end of the financial period

The Company recorded two events which have no impact on the financial statements as at 31 December 2023.

On 13 February 2024, an Extraordinary General Meeting was held at the registered office of Cinkarna Celje to decide on the distribution of the 2022 balance sheet profit, at which the following resolution was adopted:

The balance sheet profit according to the audited accounts of the Company as at 31 December 2022 amounts to EUR 25,014,391.39, of which:

- The unallocated balance sheet profit, which was built up from profits generated in previous years up to and including 2021, amounts to EUR 84,158.59;
- The balance sheet profit, which was generated from profits made in 2022, amounts to EUR 24,930,232.80.

The balance sheet profit of EUR 25,014,391.39 is used for the following purposes:

- Part of the balance sheet profit of EUR 25,008,384.00 (not including the profit for 2023) is used to pay a gross dividend of EUR 3.20 per share,
- The remainder of the balance-sheet profit of EUR 6,007.39 remains unallocated.

The Company will pay dividends on 23 February 2024 to shareholders registered with the KDD on 22 February 2024.

Mr Mitja Svoljšak resigned from the Supervisory Board with effect from 28 February 2024.

Other than these two events, there were no other events in 2024 that would have an impact on the financial statements as at 31 December 2023 or require additional disclosures to the financial statements.

Statement by members of the management and persons responsible for drawing up the annual report

We, the above-mentioned and the undersigned members of the Management Board and the persons responsible for the drawing up of the Annual Report pursuant to Article 134(2) of the ZTFI-1 act, confirm that to the best of our knowledge:

I. The financial report is in accordance with the relevant financial reporting standards, i.e. International Financial Reporting Standards. Such gives a true and fair view of the assets, liabilities, profit or loss and financial position of the Company;

II. The financial report includes a fair review of the development and results of the Company's business and of its financial position, including a description of the material risks to which the Company is exposed.

The Annual Report 2023 is hereby adopted and approved by the Management Board on 4 April 2024.

Management Board of the Company

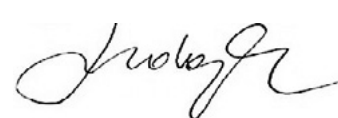
President of the Management Board

Aleš Skok, univ. dipl. in chemical engineering technology, MBA – USA



Member of the Management Board – Deputy Chairman of the Management Board – Technical Director

Nikolaja Podgoršek Selič, univ. dipl. in chemical engineering, spec.



Member of the Management Board – Labour Director

Filip Koželnik, M.Sc. in Accounting and Auditing



Persons responsible for drawing up the Annual Report

Member of the Management Board – Labour Director

Filip Koželnik, M.Sc. in Accounting and Auditing



Head of Accounting

Karmen Fujs, M.Sc., univ. dipl. in econ.



Ownership structure

The share capital of Cinkarna Celje d.d., amounting to EUR 20,229,769.66, is divided into 8,079,770 ordinary freely transferable bulk shares. The Company's treasury stock at the end of the period comprised 264,650 shares (or 3.28% of the total issue). The number of shareholders at the end of the period was 2,628. The shareholding structure at the end of the period is shown in the table below.

Shareholding structure 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	349,825	4.33
TR5 d.o.o	339,380	4.20
Own shares	264,650	3.28
KRITNI SKLAD PRVEGA POKOJNINSKEGA SKLADA	167,050	2.07
RAIFFEISEN BANK AUSTRIA D.D. – FID	158,040	1.96
NLB SKLADI – SLOVENIJA MEŠANI	118,983	1.47
CITIBANK N.A. – FID	111,960	1.39
TINFIN d.o.o.	82,000	1.01
Erste group bank AG – client	53,115	0.66
Internal shareholders – FO	56,767	0.70
External shareholders – FO	1,952,506	24.17
Others	821,324	10.15

Independent auditor's report



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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of CINKARNA Celje, d.d.

This is a translation of the original report in Slovene language

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of CINKARNA Celje, d.d. (the Company), which comprise the statement of financial position as at 31 December 2023, the income statement, the statement of other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and the notes to the financial statements, including material accounting policy information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the CINKARNA Celje, d.d. (the Company) as at 31 December 2023 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISA) and Regulation (EU) No. 537/2014 of the European Parliament and of the Council of 16 April 2014 on specific requirements regarding statutory audit of public-interest entities ("Regulation (EU) No. 537/2014 of the European Parliament and the Council"). Our responsibilities under those rules are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board of Accountants' (IESBA) International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Slovenia, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the (financial) statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

Environmental provisions	
On 31 December 2023 the environmental provisions amounted to EUR 14,233 thousand as disclosed in Note 13- Other Provisions.	We obtained an understanding of the environmental provisioning process and evaluated and tested design of respective controls.
The determination of the provisions is based on management's judgement and estimates of nature, timing and amount of future costs to be incurred to cover long term obligations of waste disposal and rehabilitation of waste landfills and facilities and of legal basis for the provisions. The judgement required to estimate such costs is further compounded by the fact that there has been limited rehabilitation activity or experience with such activities against which the management could benchmark estimates of future costs.	In relation to the recognized environmental provisions, we evaluated the existence of legal and constructive obligations requiring the restoration and rehabilitation of each site and facilities. We evaluated assessment of the required provisions by management as of 31 December 2023, who obtained the assessment of the required disposal and rehabilitation activities and respective cost estimates from the external experts in the current and in the previous years.



<p>We focused on this area because changes in the assumptions can materially affect the levels of provisions recorded in the financial statements.</p> <p>Environmental provisions are thus significant to our audit, and we consider them a key audit matter.</p>	<p>In addition, we assessed the adequacy of assumptions used, such as the expected price growth rates, the discount rate and management's estimates of the timing of activities in calculating the required provisions for the environment as of 31 December 2023.</p> <p>Further, to assess the appropriateness of the amount of the provision recognized, we also evaluated the project documentation and the studies of the technical experts as the basis on which management made these provisions.</p> <p>For increases in the long-term provisions, we assessed the cost estimates related to the expected future rehabilitation activities required, which are based on and evaluated with the help of external experts.</p> <p>For partial reversal of the provision, we evaluated estimates of costs related to the maintenance works and the preparation of project documentation of a particular location, which are based on the justification of external experts and technical studies by external experts.</p> <p>We considered the competence and objectivity of management's external experts, who produced the cost estimates.</p> <p>For a sample of utilization of long-term provisions, we tested supporting documentation for the utilization, such as invoices received, contracts with contractors, provisional situations, and contractors' recapitulations of the works, and evaluated whether the utilization of long-term provisions was justified.</p> <p>We inspected the Company's litigation and compliance reports in the environmental field and obtained independent legal letters matters.</p> <p>We assessed the adequacy of disclosures on provisions included in Note 13 - Other Provisions of the financial statements and their compliance with IFRS EU.</p>
<p>Subsidies to mitigate energy prices</p> <p>As disclosed in the Note 21 - Other operating income, the Company recognized income from subsidies to mitigate energy prices of EUR 7,609 thousand in the other operating income in 2023. As of 31 December 2023, the Company recognized receivables toward government for not yet received subsidies to mitigate energy prices amounting to 1,522 thousand EUR.</p> <p>Income recognized from the received subsidies to mitigate energy prices on the basis of the local law Economy Assistance to Mitigate the Effects of the Energy Crisis Act (Official Gazette of the Republic of Slovenia, No. 163/2022) is significant due to its impact on the net profit generated by the Company for the current financial year.</p>	<p>We obtained an understanding of the process of recognizing subsidies to mitigate energy prices and evaluated and tested design of respective controls. We inspected the legal basis for obtaining subsidies to mitigate energy prices and read the documentation based on which the Company obtained government grant.</p> <p>We obtained an analysis of management regarding compliance with the conditions in accordance with the Economy Assistance to Mitigate the Effects of the Energy Crisis Act including management's assessment on reasonable assurance that future condition of non-distribution of 2023 net profit will also be met.</p>



<p>The recognition of income is subject to management assessments and significant judgements regarding compliance with the conditions of the Act on Aid to the Economy to Mitigate the Effects of the Energy Crisis to Justify State Aid (which also include future condition that 2023 profit will not be distributed), and to an assessment of the criteria for granting government grant under IAS 20 Accounting for Government Grants and Disclosure of Government Assistance.</p> <p>These facts require more extensive audit procedures and subsidies to mitigate energy prices accounting is therefore determined as a key audit matter.</p>	<p>On a sample basis we received subsidies to mitigate energy prices amount to the supporting documentation to assess if conditions from the Economy Assistance to Mitigate the Effects of the Energy Crisis Act were met. For government grants received in 2023 we agreed, on a sample basis, cash inflows to the supporting documentation.</p> <p>We obtained understanding of the management analysis and evaluated the supporting documentation on compliance with legal requirements.</p> <p>We also assessed management's judgment regarding the fulfillment of a future-related condition regarding dividend distribution of 2023 net profit.</p> <p>Regarding the claimed and non-received amount received subsidies to mitigate energy prices, we obtained management analysis on probability that non-received amount will be collected.</p> <p>We assessed the adequacy of disclosures included in Note 21 - Other operating income of the financial statements and their compliance with IFRS EU.</p>
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Other information

Other information comprises the information included in the Annual Report other than the financial statements and auditor's report thereon. Management is responsible for the other information.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. In addition, we assess whether the other information has been prepared, in all material respects, in accordance with applicable law or regulation, in particular, whether the other information complies with law or regulation in terms of formal requirements and procedure for preparing the other information in the context of materiality, i.e. whether any non-compliance with these requirements could influence judgments made on the basis of the other information.

Based on the procedures performed, to the extent we are able to assess it, we report that:

- The other information describing the facts that are also presented in the financial statements is, in all material respects, consistent with the financial statements; and
- The other information is prepared in compliance with applicable law or regulation.

In addition, our responsibility is to report, based on the knowledge and understanding of the Company obtained in the audit, on whether the other information contains any material misstatement. Based on the procedures we have performed on the other information obtained, we have not identified any material misstatement.

Responsibilities of management and those in charge with governance for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards as adopted by the EU, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those in charge with governance are responsible for overseeing the Company's financial reporting process and to approve the annual report.



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Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISA will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with audit rules, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;
- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern;
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those in charge with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those in charge with governance with a statement that we have complied with relevant ethical requirements regarding independence and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those in charge with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

OTHER REQUIREMENTS ON CONTENT OF AUDITOR'S REPORT IN COMPLIANCE WITH REGULATION (EU) No. 537/2014 OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL

Appointment and Approval of Auditor

We were appointed as auditors of the Company at the general meeting of shareholders on 15 June 2022, the president of the supervisory board has signed the audit agreement on 30 August 2022. The agreement was signed for the period of 3 years. Total uninterrupted engagement period, including previous renewals (extension of the period for which we were originally appointed) and reappointments for the statutory auditor, has lasted for 5 years. Sanja Košir Nikušinović and Lidija Sinkovec are certified auditors, responsible for the audit in the name of Ernst & Young d.o.o..

Consistence with Additional Report to Audit Committee

Our audit opinion on the financial statements expressed herein is consistent with the additional report to the audit committee of the Company, which we issued on the same date as the issue date of this.



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Non-audit Services

No prohibited non-audit services referred to in Article 5(1) of Regulation (EU) No. 537/2014 of the European Parliament and of the Council were provided by us to the Company and we remain independent from the Company in conducting the audit.

In addition to statutory audit services and services disclosed in the annual report and in the financial statements, no other services which were provided by us to the Company.

AUDITOR'S REPORT ON THE COMPLIANCE OF FINANCIAL STATEMENTS IN ELECTRONIC FORMAT WITH THE REQUIREMENTS OF DELEGATED REGULATION NO. 2019/815 ON A SINGLE ELECTRONIC REPORTING FORMAT

We have conducted a reasonable assurance engagement about whether the audited financial statements of the CINKARNA Celje, d.d. for the financial year ended 31 December 2023 (hereinafter: the audited financial statements), are prepared in accordance with the requirements of Commission Delegated Regulation (EU) 2019/815 of 17 December 2018 as well as adjusted Commission Delegated Regulation (EU) 2020/815 of 11 November 2020 supplementing Directive 2004/109 / EC of the European Parliament and of the Council Annex 1 with regard to regulatory technical standards on the specification of a single electronic reporting format applicable for 2023 (hereinafter referred to as the "Delegated Regulation").

Responsibility of the management and those responsible for governance

Management is responsible for the preparation and accurate presentation of the audited financial statements in electronic format in accordance with the requirements of the Delegated Regulation, and for such internal control as the management determines is necessary to enable the preparation of the audited financial statements in electronic format that are free from material misstatement, whether due to fraud or error.

Those in charge with governance are responsible for overseeing the preparation of audited financial statements in electronic format in accordance with the requirements of the Delegated Regulation.

Auditor's Responsibility

Our responsibility is to perform a reasonable assurance engagement and to express a conclusion on whether the audited financial statements have been prepared in accordance with the requirements of the Delegated Regulation. We conducted our reasonable assurance engagement in accordance with the revised International Standard on Assurance Engagements 3000 (revised), Assurance Engagements other than Audits or Reviews of Historical Financial Information (ISAE 3000), issued by the International Auditing and Assurance Standards Board. This standard requires that we plan and perform the engagement to obtain reasonable assurance for reaching the conclusion.

We have acted in accordance with the independence and ethical requirements of the Regulation EU no. 537/2014, and the International Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants (including International Independence Standards) (IESBA Code), which establishes the fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior. We apply International Standards on Quality Management (ISQM) 1, and accordingly, we maintain a robust system of quality control, including policies and procedures documenting compliance with relevant ethical and professional standards and requirements of applicable law and regulation.

Summary of Work Performed

Within the scope of work, we have performed primarily the following procedures:


- identified and assessed the risk of material non-compliance of the audited financial statements with the requirements of the Delegated Regulation due to fraud or error;
- obtained an understanding of internal control relevant to the reasonable assurance engagement in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control;
- assessed whether the audited financial statements meet the requirements of the Delegated Regulation applicable at the reporting date;
- obtained reasonable assurance that the audited financial statements, which are included in the annual report of the issuer are accurately presented in electronic XHTML format.

We believe that the evidence obtained is sufficient and appropriate to provide a basis for our conclusion.



Based on the procedures performed and the evidence obtained, in our opinion the audited financial statements of the CINKARNA Celje, d.d. for the financial year ended 31 December 2023, which are included in the annual report, have been prepared, in all material respects, in accordance with the requirements of the Delegated Regulation.

Ljubljana, 18 April 2024


Sanja Kosir Nikasinić
Director, Certified auditor
Ernst & Young d.o.o.
Dunajska cesta 111, Ljubljana


Lidija Sinkovec
Certified auditor

ERNST & YOUNG
Revizija, poslovno
svetovanje d.o.o., Ljubljana 1

Reporting indicators according to GRI standards

Statement of use: Cinkarna Celje, d.d., has reported in accordance with the GRI Standards for the period January 1, 2023 till December 31, 2023.

GRI 1 used: Foundations 2021

Applicable GRI Sector Standard(s): At the time of preparation of this report, there were no accepted GRI industry standards for the chemical industry.

Table: GRI indicators

Disclosure		Page	Omission	
No. of indicator	Indicator name		Requirement(s) omitted	Reason Explanation
General disclosures				
2-1	Organizational details	27-28	A gray cell indicates that reasons for omission are not permitted for the disclosure or that a GRI Sector Standard reference number is not available.	
2-2	Entities included in the organization's sustainability reporting	88		
2-3	Reporting period, frequency and contact point	88		
2-4	Restatements of information	88, 107, 112, 119, 135		
2-5	External assurance	20-21, 238-241		
2-6	Activities, value chain and other business relationships	29-31		
2-7	Employees	137-141		
2-8	Workers who are not employees	141-142		
2-9	Governance structure and composition	28, 33-34		
2-10	Nomination and selection of the highest governance body	33-34		
2-11	Chair of the highest governance body	33-34		

Disclosure		Page	Omission		
No. of indicator	Indicator name		Requirement(s) omitted	Reason	Explanation
2-12	Role of the highest governance body in overseeing the management of impacts	40-41			
2-13	Delegation of responsibility for managing impacts	40-41			
2-14	Role of the highest governance body in sustainability reporting	16-17, 88			
2-15	Conflicts of interest	33, 84			
2-16	Communication of critical concerns	36-37, 102			
2-17	Collective knowledge of the highest governance body	33			Information on competences is not available.
2-18	Evaluation of the performance of the highest governance body	19-20, 41			The assessment of the success of sustainable development has not been carried out.
2-19	Remuneration policies	35, 144-145			
2-20	Process to determine remuneration	35, 144-145			
2-21	Annual total compensation ratio	/		Not applicable	
2-22	Statement on sustainable development strategy	43-45, 53-54, 87-88			
2-23	Policy commitments	36-38, 101-103			
2-24	Embedding policy commitments	36-38, 101-103			
2-25	Processes to remediate negative impacts	83-85			
2-26	Mechanisms for seeking advice and raising concerns	36-37, 102			
2-27	Compliance with laws and regulations	36-38, 85, 102, 161, 173			
2-28	Membership associations	92			
2-29	Approach to stakeholder engagement	92-94			
2-30	Collective bargaining agreements	142			

Disclosure		Page	Omission		
No. of indicator	Indicator name		Requirement(s) omitted	Reason	Explanation
Material topics					
3-1	Process to determine material topics	95-97	A gray cell indicates that reasons for omission are not permitted for the disclosure or that a GRI Sector Standard reference number is not available.		
3-2	List of material topics	96			
3-3	Management of material topics	35, 95, 99-103, 137			
Economic performance					
201-1	Direct economic value generated and distributed	11-13, 59-62			
201-2	Financial implications and other risks and opportunities due to climate change	77, 221-223			
201-3	Defined benefit plan obligations and other retirement plans	143, 219			
201-4	Financial assistance received from government	62, 185-186, 212			
Market presence					
202-1	Ratios of standard entry level wage by gender compared to local minimum wage	142			
202-2	Proportion of senior management hired from the local community	34			
Indirect economic impacts					
203-1	Infrastructure investments and services supported	55-56, 109-110			
203-2	Significant indirect economic impacts	153-156			
Procurement practices					
204-1	Proportion of spending on local suppliers	150-151			
Anti-corruption					
205-1	Operations assessed for risks related to corruption	38, 81			
205-2	Communication and training about anti-corruption policies and procedures	36, 38			
205-3	Confirmed incidents of corruption and actions taken	38			

Disclosure		Page	Omission		
No. of indicator	Indicator name		Requirement(s) omitted	Reason	Explanation
Anti-competitive behavior					
206-1	Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	/			There were no legal proceedings for anti-competitive behavior and cartel and monopolistic practices.
Tax					
207-1	Approach to tax	187-188			
207-2	Tax governance, control, and risk management	187-188			
207-3	Stakeholder engagement and management of concerns related to tax	/		Not applicable	
207-4	Country-by-country reporting	/			The headquarters of the company is in Slovenia.
Materials					
301-1	Materials used by weight or volume	126			
301-2	Recycled input materials used	128			
301-3	Reclaimed products and their packaging materials	129-133			
Energy					
302-1	Energy consumption within the organization	106-107, 111-112			
302-2	Energy consumption outside of the organization	111-112			
302-3	Energy intensity	111			
302-4	Reduction of energy consumption	108-110			
302-5	Reductions in energy requirements of products and services	108-110			

Disclosure		Page	Omission		
No. of indicator	Indicator name		Requirement(s) omitted	Reason	Explanation
Water and effluents					
303-1	Interactions with water as a shared resource	118-120			
303-2	Management of water discharge-related impacts	122			
303-3	Water withdrawal	118-119			
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303-5	Water consumption	122			
Biodiversity					
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304-2	Significant impacts of activities, products and services on biodiversity	123			
304-3	Habitats protected or restored	123			
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Emissions					
305-1	Direct (Scope 1) GHG emissions	111-112			
305-2	Energy indirect (Scope 2) GHG emissions	111-112			
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305-4	GHG emissions intensity	111-113			
305-5	Reduction of GHG emissions	112-113			
305-6	Emissions of ozone-depleting substances (ODS)	115-116			
305-7	Nitrogen oxides (NOx), sulfur oxides (SOx), and other significant air emissions	115-116			

Disclosure		Page	Omission		
No. of indicator	Indicator name		Requirement(s) omitted	Reason	Explanation
Waste					
306-1	Waste generation and significant waste-related impacts	134-135			
306-2	Management of significant waste-related impacts	134-135			
306-3	Waste generated	134-135			
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Supplier environmental assessment					
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Employment					
401-1	New employee hires and employee turnover	140			
401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	141			
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Labor/management relations					
402-1	Minimum notice periods regarding operational changes	93-94, 142			
Occupational health and safety					
403-1	Occupational health and safety management system	146-147			
403-2	Hazard identification, risk assessment, and incident investigation	148			
403-3	Occupational health services	149			
403-4	Worker participation, consultation, and communication on occupational health and safety	148			
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Disclosure		Page	Omission		
No. of indicator	Indicator name		Requirement(s) omitted	Reason	Explanation
403-6	Promotion of worker health	149			
403-7	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	146-148			
403-8	Workers covered by an occupational health and safety management system	146-147			
403-9	Work-related injuries	147-148			
403-10	Work-related ill health	147			
Training and education					
404-1	Average hours of training per year per employee	143-144			
404-2	Programs for upgrading employee skills and transition assistance programs	144-145			
404-3	Percentage of employees receiving regular performance and career development reviews	140			
Diversity and equal opportunity					
405-1	Diversity of governance bodies and employees	37			
405-2	Ratio of basic salary and remuneration of women to men	/		Information unavailable/incomplete	All employees of Cinkarna Celje, d.d., have the same opportunities regardless of gender, age and location.
Non-discrimination					
406-1	Incidents of discrimination and corrective actions taken	38			
Freedom of association and collective bargaining					
407-1	Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	142			Data for suppliers is not available.

Disclosure		Page	Omission		
No. of indicator	Indicator name		Requirement(s) omitted	Reason	Explanation
Child labor					
408-1	Operations and suppliers at significant risk for incidents of child labor	151			
Forced or compulsory labor					
409-1	Operations and suppliers at significant risk for incidents of forced or compulsory labor	151			
Security practices					
410-1	Security personnel trained in human rights policies or procedures	/		Information unavailable/incomplete	Security guards are trained and licensed in accordance with national regulations, which includes the protection of human rights.
Rights of indigenous peoples					
411-1	Incidents of violations involving rights of indigenous peoples	/		Not applicable	
Local communities					
413-1	Operations with local community engagement, impact assessments, and development programs	153-157			
413-2	Operations with significant actual and potential negative impacts on local communities	157			
Supplier social assessment					
414-1	New suppliers that were screened using social criteria	151			
414-2	Negative social impacts in the supply chain and actions taken	151			

Disclosure		Page	Omission	
No. of indicator	Indicator name	Requirement(s) omitted	Reason	Explanation
Public policy				
415-1	Political contributions	/	Not applicable	Cinkarna Celje, d.d., does not make sponsorship or donation contributions to political parties.
Customer health and safety				
416-1	Assessment of the health and safety impacts of product and service categories	101, 103, 161		
416-2	Incidents of non-compliance concerning the health and safety impacts of products and services	74, 161		There are no known cases of non-compliance with regard to the effects of products on the health and safety of customers.
Marketing and labeling				
417-1	Requirements for product and service information and labeling	161		
417-2	Incidents of non-compliance concerning product and service information and labeling	161		
417-3	Incidents of non-compliance concerning marketing communications	161		
Customer privacy				
418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	85		There were no valid complaints or privacy violations.



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