

UNAUDITED REPORT ON CINKARNA CELJE'S PERFORMANCE FOR THE PERIOD JANUARY-JUNE 2023

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SELECTION OF THE MOST IMPORTANT DATA

OPERATIONS in € 000	I-VI 2023	I-VI 2022	2022	2021	2020
Turnover	96,423	134,212	227,153	192,462	172,387
Operating profit (EBIT) ¹	8,503	37,154	53,176	39,977	22,534
Operating profit plus depreciation and amortisation (EBITDA) ²	15,007	43,751	65,326	51,258	32,467
Net profit	7,036	30,089	43,396	33,227	18,951
Non-current assets (end of period)	108,242	107,424	108,560	110,512	110,889
Current assets (end of period)	160,059	134,945	142,388	131,373	100,252
Equity (end of period)	216,046	195,333	209,010	190,166	174,821
Non-current liabilities (end of period)	18,551	22,881	18,832	23,273	20,876
Current liabilities (end of period)	33,705	24,155	23,106	28,446	15,442
Investments	4,936	3,631	10,547	11,325	12,233
INDICATORS					
EBIT as a percentage of turnover	0.09	0.28	0.23	0.21	0.13
EBITDA as a percentage of turnover	0.16	0.33	0.29	0.27	0.19
Net profit as a percentage of turnover (ROS)	7.30	22.42	19.11	17.26	10.99
Return on equity (ROE) ³	3.31	15.61	21.74	21.40	12.50
Return on assets (ROA) ⁴	2.71	12.43	17.61	14.70	9.00
Value added per employee ⁵	43,477	82,116	131,431	106,181	78,729
NUMBER OF EMPLOYEES					
End of year/period	754	775	775	793	824
Average at end of year/period	760	781	776	801	838
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	264,650	219,510
Number of shareholders	2,531	2,085	2,321	2,077	1,920
Earnings per share in € ⁶	0.87	3.72	5.37	4.11	2.35
Dividend yield ⁷	/	10%	10%	9%	11%
Gross dividend per share in €	/	3.19	3.19	2.10	1.70
Share price at end of period in €	24.80	27.40	23.00	25.90	17.80
Book value per share in € ⁸	26.74	24.18	25.87	23.54	21.64
Market capitalisation (end of period)	200,378	221,386	185,835	209,266	143,820

* Share split recalculated for previous periods

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.

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.

⁶ Net profit/total number of shares issued.

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

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

BUSINESS REPORT

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 the first half of 2023, sales were 28% lower than in the comparable period of the previous year. The decrease is due to lower sales volumes and lower average prices for titanium dioxide pigment. The slowdown in customer demand from all sales segments due to inflationary pressures on the industry and the final consumer materialised further in the period under consideration. All pigment producers are facing lower demand, partly due to imports of cheaper Chinese imports, partly due to unused stocks and lower demand for products where the pigment is incorporated. This is particularly evident in the construction sector and the DIY segment. Pigment demand is also weaker in North America, as the slowing housing market is hampering demand for paints and coatings. Potential growth may be driven by stimulus measures by the Chinese government. However, some analysts remain sceptical as to whether these measures will have any significant impact on the domestic economy given the inherent structural issues facing the country.

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 an indispensable raw material in the modern world, and we are committed to further developing and continuously improving its quality and exploring its use in sustainable applications. These have many opportunities in the perspective of the transition to a green economy.

We are 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's potential in terms of both level and time dynamics within the given framework.

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.

Based on an assessment of current market conditions, we estimate that downward pressure on prices will continue in the coming quarters. In parallel, prices of some key raw materials are at high levels or are only falling to a lesser extent, resulting in downward pressure on profit margins. Based on these facts, we also formulated our plan for 2023, taking into account the weaker performance and increased capital expenditure in the energy and sustainability transformation.

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

In the period under review, Cinkarna Celje d.d. generated sales revenues of € 96.4 million, which is 28% less than in the comparable period of the previous year and 13% less than the 2023 plan. The total value of exports in the period under review amounted to € 87.5 million, which is 29% less than in the same period of the previous year. Net profit amounted to € 7.0 million, 77% lower than the € 30.1

million achieved in the corresponding period of the previous year. Operating profit plus depreciation and amortisation, or EBITDA, amounted to € 15.0 million, representing 16% of sales. Compared to the previous year, EBITDA is 66% lower.

The Company's realised revenues and net profit for the first half of the year do not include the € 3.0 million of State aid received under the Act Governing Aid to Businesses to Mitigate Impact of Energy Crisis (ZPGOPEK), under which the Company is claiming aid to mitigate the consequences of the energy crisis. The aid received is recorded as deferred income or other current liabilities in the balance sheet and will be transferred to operating income when all the facts for its recognition are known with certainty.

The Management Board and employees are aware that our way forward, based on the principles of sustainable development, must be geared towards strengthening our economic performance and ensuring corporate responsibility, as well as integrating and achieving the objectives of all stakeholders. With this strategic stance, we aim to identify risks of all kinds, including climate risks, early on, while boldly opening our doors to opportunities. We recognise that employees are the most important foundation for long-term business success. We will continue to pay particular attention to optimising our human resources management and organisational structure to ensure an appropriate level of employee satisfaction and motivation and, above all, to maximise the safety and health of our employees. We are implementing IT support for the development of competences, including in terms of sustainability, digitalisation and innovation, and improving the organisational climate. In agreement with the representative trade unions and employee representatives, we will continue to provide employees with work and personal growth and remuneration that adequately reflects the Company's performance and the quality of its results.

In the first half of 2023, we spent € 4.9 million on investments, purchase 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, achieving higher quality, regulatory compliance and energy sustainability.

Our development activities follow the 5-year strategy and at the same time lay the groundwork for the next 5-year period, notably in terms of complementing existing programmes, energy transformation, sustainable development, and digitisation. 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 projects, the harmonisation of the spatial planning acts at the Za Travnikom red gypsum filling plant, the remediation of the Bukovžlak Non-Hazardous Waste Landfill (ONOB), and ensuring the stability of the barrier bodies.

All our activities are planned and implemented with the principles of sustainable development and the circular economy in mind. In the context of ensuring a sustainable development of titanium dioxide production, we continued with a 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 sources and re-use of materials. An ESG strategy is being developed with a particular focus on climate strategy.

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

Management Board

STATEMENT OF MANAGEMENT RESPONSIBILITY

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

The Management Board of Cinkarna Celje d.d. hereby declares that the condensed financial statements of Cinkarna Celje d.d. for the period ended 30 June 2023 are prepared so as to give a true and fair view of the financial position and performance of Cinkarna Celje d.d.

The same accounting policies were followed in the preparation of the financial statements as in the preparation of the annual financial statements of Cinkarna Celje d.d. for the financial year 2022. The segment reporting has changed and is explained in the accounting part of the report.

The financial statements for the financial period ended 30 June 2023 are prepared in accordance with IAS 34 – Interim Financial Reporting and should be read in conjunction with the annual financial statements prepared for the financial year ended 31 December 2022.

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

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

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

The financial statements, together with the related policies and notes, were adopted by the Management Board on 21 July 2023.

Management Board

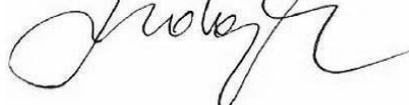
**President of the
Management Board**

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



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

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



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

Filip KOŽELNIK,
MSc (Business Studies)



1 SALES

The Company's total sales in the period under consideration in 2023 are 28% lower than the sales achieved in the comparable period in 2022. The total amount of sales or net turnover reached € 96 million.

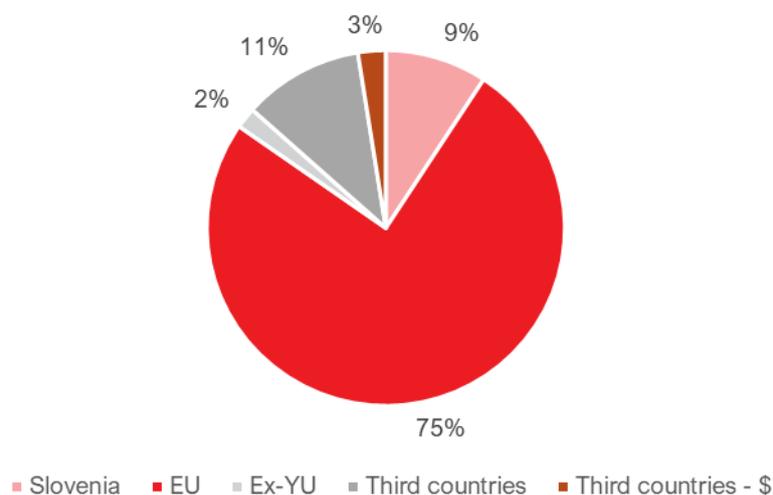
1.1 Sales by regional section

Total sales to foreign markets decreased by 29% in the first half of 2023 relative to the comparable period of the previous year. The decrease in sales to foreign markets is undoubtedly due to lower pigment selling prices and lower volume sales. In absolute terms, the most pronounced drop in sales is in the EU markets, where there are high volumes of pigment.

Sales by regional section

	2022	2023	ΔPY%
Slovenia	11,620,561	8,884,692	-24
EU	103,539,865	72,782,876	-30
Ex YU	3,065,739	1,830,793	-40
Third countries	14,633,821	10,505,784	-28
Third countries – dollar markets	1,352,019	2,418,924	+79
TOTAL	134,212,006	96,423,069	-28

Share of each market in the Company's total sales



Sales to the EU market are 30% below the comparable period of the previous year. The lower sales are mainly due to lower pigment sales prices and volumes, and lower volume sales of copper fungicides. Germany is one of our key markets, accounting for 30.7% of export sales and 27.8% of total sales. The importance of the German market decreased slightly compared to the previous year.

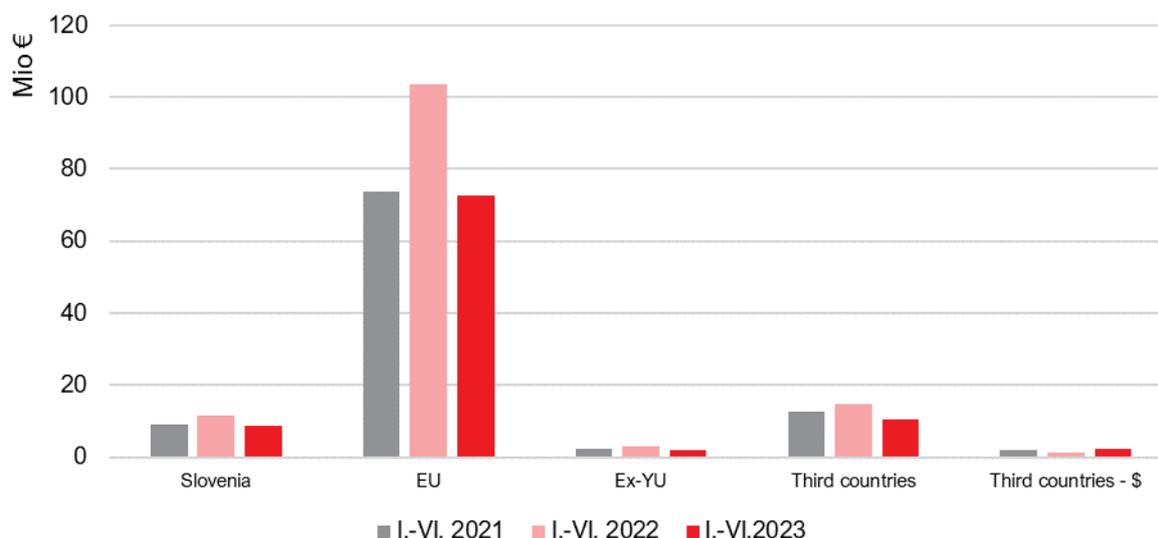
Sales to the markets of the former Yugoslavia decreased by 40%, due to lower sales in volume and value of pigment, zinc products and protective agents.

Domestic sales are 24% lower compared to the same period in 2022. The drop in sales is present in all BUs with the exception of BU Polimeri.

Overall, sales to third country markets are down 19% compared to the same period of the previous year. As mentioned above, the main contributors in this segment were lower pigment selling prices and

lower volume sales. We continue to maintain minimum control market shares in the US dollar markets, as larger volumes would be unsustainable due to the specific conditions, which are certainly less favourable than in the European markets. In the period of lower demand in the European market, we sold smaller volumes of pigment to Canada and the USA.

Sales by geographical segment



The share of total exports in the Company's total sales in the year under review was 90.8%, a decrease of 0.6 percentage points compared to the previous year. The decrease in the share of exports relates to lower value sales to the key markets of Germany, Italy and France. The main export performance is achieved through exports of titanium dioxide pigment.

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

1.2 Sales by business segment

Sales by business segment

	2022	2023	ΔPY%
Titanium dioxide	112,120,891	79,848,840	-29
- of which TiO ₂ pigment	111,084,568	78,721,953	-29
Zinc processing	4,587,642	3,492,334	-24
Varnishes, masters	10,785,239	9,015,115	-16
Agro programme	5,516,224	2,567,680	-53
Polymers	912,545	1,231,234	+35
Other	289,464	267,865	-7
TOTAL	134,212,006	96,423,069	-28

During the period under review, sales of the **titanium dioxide carrier programme** amounted to € 79.8 million. The € 32.3 million lower value sales are due to lower average selling prices. Pigment contract prices in Europe have been rising steeply until 2021, reaching a series of quarterly records. At the end of the 2022 half-year, the trend in selling prices reversed. Demand for pigment is depressed by favourable Chinese imports and inventory peaks in Europe. In the latter period, the decline in

volumes is mainly due to reduced economic activity, which slowed further in July. The latter is particularly evident in the construction sector and the DIY segment. Input prices are decreasing, however not to the same extent as the pressure on selling prices. Based on industry analysis, the situation is expected to normalise after 2023.

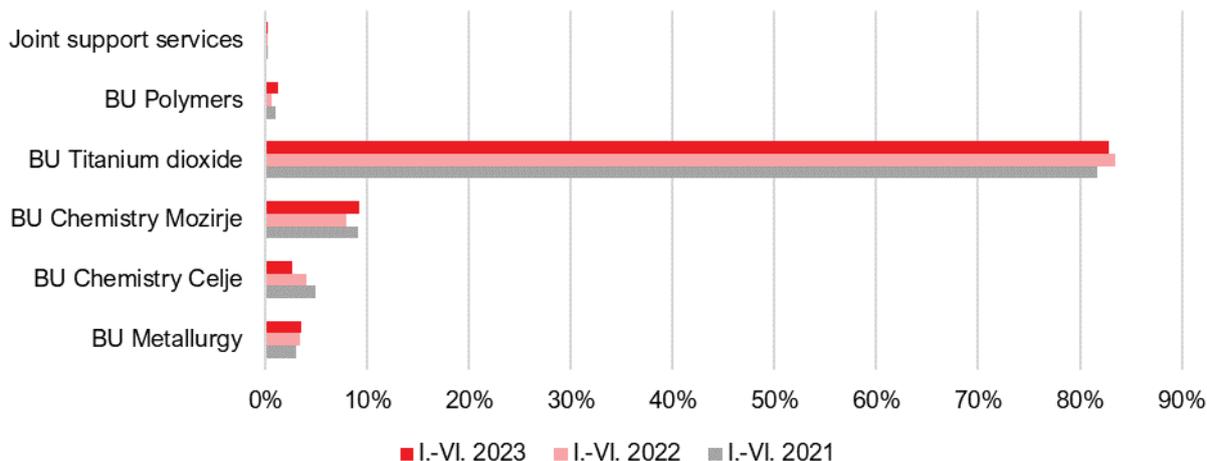
Sales of sulphuric acid are 10% lower in value. **CEGIPS** should also be highlighted in the programmes of this business area. We sold 83.3 thousand tonnes of CEGIPS, which is important in the context of the lifetime extension of the Za Travnikom landfill.

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

During the period under review, there was a 16% decrease in sales of the **varnishes and mastics programme** on a like-for-like basis, which is mainly attributable to the significantly lower volume sales of powder varnishes.

Sales of the **agro programme**, which comprises sales of copper fungicides, Pepelin, copperas and Humovit, decreased by 53% compared to the same period in 2022. The decrease is due to the loss of copper fungicide volumes from a major customer. Sales prices of copper fungicides remain at high levels. In 2023, we continue to produce and sell a highly marketable active ingredient, Tribasic Copper Sulphate (TBCS). We are holding sales of Humovit at the level of the comparable period of 2022. The fact remains that we are dependent on local and nearby market conditions for our soil sales, as the product does not withstand the additional cost of transport to enter distant markets.

Share of each business unit in the Company's total sales



Over the period under review, it can be seen that the relative proportions have changed again. The share of BU Titanov dioksid is lower by 0.7 percentage points. In line with the significantly lower sales of copper fungicides, the share of BU Kemija Celje is also lower. The other BUs show an increase in participation on account of the aforementioned changes.

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

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

situation on the energy products market. Energy efficiency improvement measures aim at controlling this cost category. In line with the lower production volumes, packaging and raw material costs are lower on a sub-proportional basis.

For the most part, purchase prices are lower than in the previous year, but the downward trend will not fully keep pace with the downward pressure on selling prices.

At the end of the period, raw materials/materials for production accounted for the largest share of production costs (78.5%), followed by energy (19.9%) and packaging (1.6%).

The structure of labour costs is disclosed in the Notes to the Financial Statements under Note 5 Labour costs. Gross salaries were determined according to the provisions of the collective agreement, taking into account the agreements between the trade unions and the Management Board. Transport to work and meals during work are in accordance with the applicable regulations. Labour costs include supplementary pension insurance, severance pay, other employee benefits, solidarity grants, jubilee awards and other items.

2.3 Assets

Overview of the structure of assets

	30 June 2023	%	31 December 2022	%
In €				
ASSETS				
Non-current (long-term) assets				
Intangible assets	1,385,275	0.5	1,208,224	0.5
Tangible fixed assets	103,572,125	38.6	104,083,017	41.5
Financial assets at fair value through other comprehensive income	1,973,765	0.7	1,973,765	0.8
Other non-current assets	84,444	0.0	68,049	0.0
Deferred tax assets	1,226,475	0.5	1,226,475	0.5
Total non-current (long-term) assets	108,242,084	40.3	108,559,530	43.3
Current assets				
Stocks	71,620,484	26.7	72,754,823	29.0
Financial receivables	27,618,104	10.3	0	-
Trade receivables	30,687,978	11.4	24,290,543	9.7
Income tax receivable	2,020,778	0.8	0	-
Cash and cash equivalents	27,859,104	10.4	45,210,098	18.0
Other current assets	253,050	0.1	133,009	0.1
Total current assets	160,059,497	59.7	142,388,473	56.7
Total assets	268,301,581	100.0	250,948,003	100.0

Non-current assets as a percentage of total assets decreased by 3 percentage points compared to the end of 2022, to 40.3%. The largest category of non-current assets is tangible fixed assets (95.7%). Their value decreased by € 0.5 million for the difference between the amount invested in tangible fixed assets and the actual depreciation charged in the six months ended 30 June 2023. Long-term investments remain unchanged in 2023 and comprise shares and interests in companies. Deferred tax assets also remain at the level at the end of 2022. Other non-current assets consist of emission allowances obtained free of charge from the State.

The share of current assets in total assets increased by 3 structural points compared to the end of the previous year, reaching 59.7%. The most important categories in the structure of current assets in terms of value are stocks (45%), all trade receivables together with other current assets (21%), cash (17%) and financial investments (17%).

Stocks decreased by 2% compared to the end of 2022, with a 16% decrease in the value of material stocks (including advances), an 8% increase in work-in-progress stocks and a 24% increase in the total value of the Company's finished goods and merchandise stocks (all compared to the end of 2022). The main reason for the increase in finished goods stocks is the lower volume sales of pigment.

Current financial receivables as at 30 June 2023 amount to € 27.6 million and relate to investments in treasury bills with maturities ranging from 3 to 6 months.

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 situation at the end of 2022, receivables increased by 26%. Trade receivables increased by 31%, while other current receivables decreased by 19%. A maturity breakdown of trade receivables shows that the age structure of receivables continues to be of good quality and secured by an external institution or other form of collateral (Note 16 in the accounting section of the report). As at 30 June 2023, the Company's receivables for the difference between the overpayment of advance income tax and the tax actually levied for 2023 amount to € 2 million.

Cash (and cash equivalents) represent 17% of total current assets, with a 38% decrease in cash compared to the previous year. The value of cash is mainly the result of the excellent performance throughout 2022.

Other current assets comprise prepaid expenses accrued. The increase of 90% is due to prepaid expenses of other accounting periods.

2.4 Liabilities to sources of funds

Overview of the structure of liabilities to sources of funds

	30 June 2023	%	31 December 2022	%
In €				
CAPITAL AND LIABILITIES				
Owners' capital				
Called-up capital	20,229,770	7.5	20,229,770	8.1
Capital reserves	44,284,976	16.5	44,284,976	17.6
Profit reserves	120,290,401	44.8	120,290,401	47.9
Fair value reserve	-809,390	-0.3	-809,390	-0.3
Retained earnings	32,050,404	11.9	25,014,391	10.0
Total capital	216,046,161	80.5	209,010,148	83.3
Non-current liabilities				
Provisions for employee benefits	3,466,551	1.3	3,651,696	1.5
Other provisions	14,665,972	5.5	14,816,968	5.9
Non-current deferred income	418,255	0.2	363,054	0.1
Total non-current liabilities	18,550,778	6.9	18,831,718	7.5
Current liabilities				
Financial liabilities	162,993	0.1	59,392	0.0
Trade payables	28,275,690	10.5	19,518,145	7.8
Income tax payable	0	0.0	2,367,161	0.9
Liabilities under contracts with buyers	289,127	0.1	157,520	0.1
Other current liabilities	4,976,832	1.9	1,003,919	0.4
Total current liabilities	33,704,642	12.6	23,106,137	9.2
Total liabilities	52,255,420	19.5	41,937,855	16.7
Total capital and liabilities	268,301,581	100.0	250,948,003	100.0

The value of capital in the structure of liabilities to sources of funds as at 30 June 2023 is 80.5%, a decrease of 2.8 percentage points compared to the end of 2022. The amount of capital increased by 3% compared to the situation at the end of 2022. The increase (€ 7 million) relates to the net profit of the first half of 2023 of € 7 million. As at 30 June 2023, the Company holds 264,650 treasury shares following a split of 1:10 as at 15 August 2022 (no purchases of treasury shares were made by the Company in 2023). There were no other significant movements in equity.

Based on the decision of the 27th Ordinary General Meeting of Cinkarna Celje d.d. held on 14 June 2023, the 2022 balance sheet profit of € 25 million remains unallocated. In total, the share capital amounts to € 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 own shares subscribed in the treasury shares pool). The book value per share on 30 June 2023 is € 26.7 (up 3.4% since the beginning of the year at € 25.9).

Provisions and deferred income account for 6.9% of liabilities to sources of funds. Provisions for pensions and similar liabilities were made as at 1 January 2006 (severance and jubilee payments) and are adjusted annually on the basis of actuarial calculations. Other provisions were established in the course of the ownership process under the environmental provision. In recent years, the following additional environmental provisions have been made: € 5 million in 2010 for the rehabilitation of the Bukovžlak solid waste landfill and € 7 million and € 5 million in 2011 for the rehabilitation of the Za Travnikom landfill and the destruction of low-level radioactive waste. At the end of 2017, the provisions were scrutinised, verified and only the provision for the elimination of risks due to old burdens of € 6.4 million was re-established. At the end of 2022, we reviewed the level of provisions and made appropriate adjustments to the actual market situation. The volume of environmental provisions decreased by 1% or € 151 thousand over the period due to the earmarked increase or earmarked coverage of the costs of the abovementioned remediation projects. Non-current deferred income increased by 15%.

Financial and trade payables increased by 25% compared to the end of the previous year due to a 73% increase in payables to suppliers for strategic deliveries and a 396% increase in other current liabilities for taxes, contributions from payables to employees and uncertain deferred income from state aid received under the ZPGOPEK Act. The Company has no liability for income tax for the financial year 2023 as at 30 June 2023 as it has overpayments of advance payments which are recorded as receivables of the Company. All financial and trade payables are current in nature. The Company's gross gearing ratio is 19.5%, an increase of 2.8% compared to the position as at 31 December 2022.

Current financial liabilities as at 30 June 2023 amount to € 163 thousand, at the end of 2022 they amounted to € 59 thousand. The Company's gearing ratio is therefore 0.06‰ (0.02‰ at the end of 2022).

Current trade payables increased by 45% over the period under review. Current trade payables to suppliers amounted to € 25.7 million as at the last day of June 2023, an increase of 73% compared to the end of 2022, due to the increased liabilities arising from the purchase of strategic raw materials. Other payables decreased by 45% (or € 2.1 million), mainly comprising € 1.4 million payables for net salaries and other net employment benefits, € 1.1 million payables for contributions and taxes from and on remuneration, and payables for VAT and to other institutions.

Other current liabilities increased by 396% in the period under review, mainly comprising accrued liabilities for annual leave and other labour costs, accrued ecological contributions and taxes, and VAT on advances made, totalling € 1.9 million. Part of the other current liabilities of € 3 million is represented by deferred income from the state aid received, which the Company is claiming in accordance with the Act Governing Aid to Businesses to Mitigate Impact of Energy Crisis (ZPGOPEK).

3 STAFF

Human resources activities are geared towards achieving 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 quite dynamic in terms of labour costs due to the situation on the titanium dioxide market, the general situation in the country, high inflation and the rise in interest rates. We continued our rational policy of external recruitment, covering the needs of professional, higher and university educated workers, while most other needs were addressed through internal redeployment and recruitment of professional staff. We focused on rejuvenating the workforce in individual organisational units, replacing critical posts, finding employees with deficit occupations, especially in the natural sciences, and intensively negotiating retirement with those employees who already fulfilled the conditions for retirement and those who will be able to meet these conditions at the Slovenian Employment Service.

As of 30 June 2023, Cinkarna had 754 employees, a decrease of 21 employees, or 2.7%, compared to the situation at the end of 2022. There are minor changes in the number of employees by business unit.

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

Communication continued to receive significant attention in the first quarter from the Management Board, the Business Unit Directors and the Works Council through a wide range of communication channels. Print and electronic media were used to disseminate information to our employees, such as: Messages from the Management Board via e-mail with the Employee News and the electronic messaging dialogue of our company mascots (Cinko and Cinka), the Informator - printed version, the Cinkarnar magazine – 2x a year, the Facebook and LinkedIn social networks of Cinkarna Celje are active, we also publish a trade union newsletter, we have our own Sharepoint (intranet and extranet) and always actively publish interesting news, and bulletin boards. More than 70 bulletin boards are installed throughout the Company as a means of communication.

A new feature is the My Cinkarna application for employees, which provides access to certain parts of the business information system. Current functionalities include ordering snacks, accessing the number of vacation days, the phone book and viewing internal notifications. The application has been well received by employees and will be extended with new functionalities.

In the field of social work, activities continued during the period under review in the areas of individual problem-solving, the placement of disabled workers, ergonomics, employee accident prevention, and the retirement of those employees who fulfil the conditions for retirement.

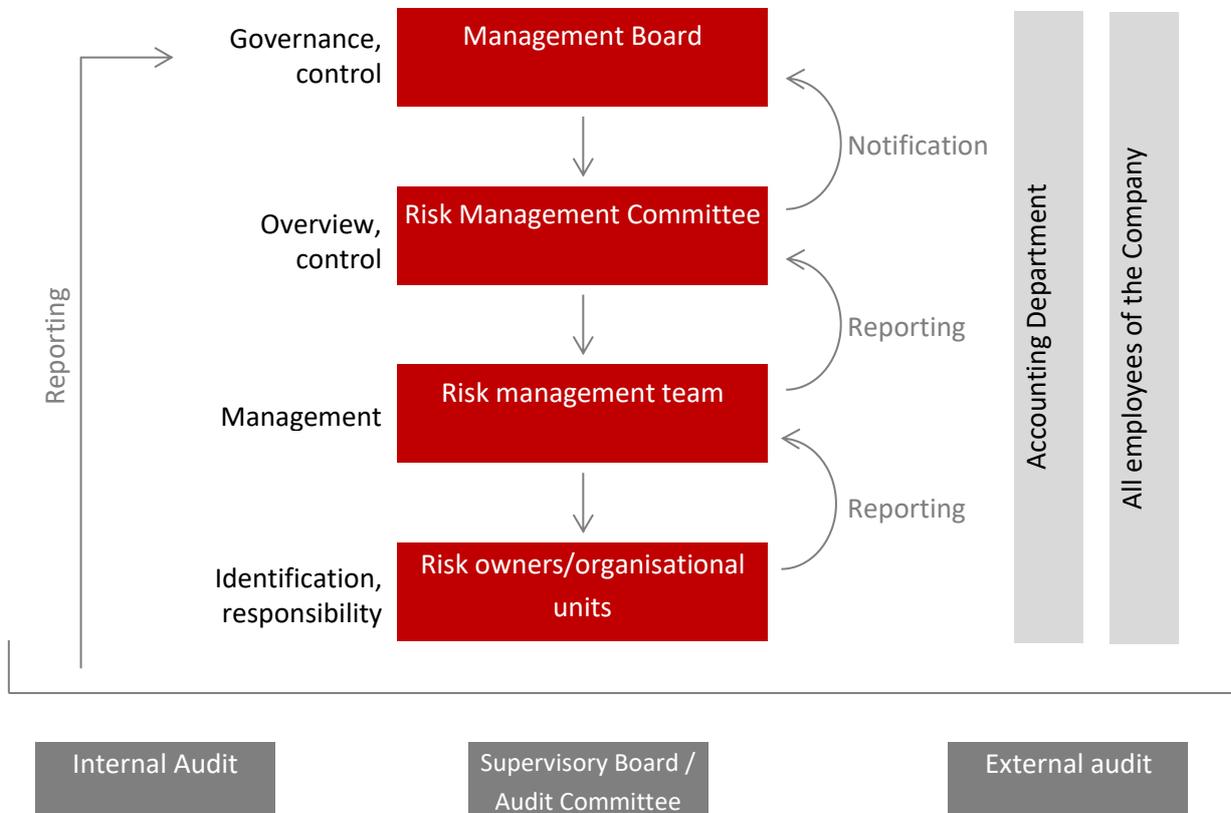
In the future, we plan to continue to optimise our staffing structure by rehiring and recruiting new young and technically qualified staff. Investments in development, training and further improvement of the working environment of employees will also continue.

4 MOST IMPORTANT RISKS OF THE COMPANY

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 minutes.

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 for the identification of key risks and opportunities, which is crucial for our operational, tactical and strategic planning in line with our sustainable development goals.

The system is disclosed in detail in the Annual Report in the chapter on risk and opportunity management. The overview of key risks below is updated and defined to the situation and expectations at the time of writing.



I. Sales and procurement risks			
Risk name	General description of risk at company level	Risk management	Risk level
Energy sources	Price uncompetitiveness of our products due to high energy prices (natural gas and electricity)	We conclude contracts, monitor trends and carry out forward purchases of energy products. We negotiate PPAs - long-term power purchase agreements.	Low

I. Sales and procurement risks			
Risk name	General description of risk at company level	Risk management	Risk level
		<p>We implement measures to increase energy efficiency.</p> <p>We systematically increase our own electricity production from renewable sources - solar power plants on buildings, cogeneration of electricity from steam.</p> <p>We are planning to install a battery energy storage system to compensate for peak demand.</p> <p>We regularly rebalance the consumption structure of individual energy products, carry out energy management and implement ongoing energy optimisation measures/projects.</p>	
Key buyers	Loss of market share and revenue due to (price) non-competitiveness with customer expectations compared to price-aggressive competitors	We choose optimal marketing strategies, appropriate sales channels, pre and post sales service, competitive selling prices and quality products, while increasing productivity and reducing production costs. We are also increasing our customer portfolio in so-called 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.	<p>We directly 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 sophisticated in content, high in quality and represent a departure from the so-called "commodity" markets, which are characterised by lower added value and high exposure to low-priced Chinese and Eastern European pigments.</p> <p>We choose optimal marketing strategies, appropriate sales</p>	Medium

I. Sales and procurement risks			
Risk name	General description of risk at company level	Risk management	Risk level
		<p>channels, pre- and after-sales services, ensuring quality products while increasing productivity and reducing production costs. We are also increasing our customer portfolio in so-called spot markets.</p> <p>Indirectly, we also manage sales risks through systematic monitoring and benchmarking of relevant industries (competitors and customers), participation in marketing & industry meetings and the introduction of quality, safety, environmental and health management standards.</p>	
Work items	Loss of revenue due to unforeseen extensions of delivery times throughout the supply chain	<p>We place orders on time, make supplier reservations, look for alternative suppliers and alternative testing procedures.</p> <p>We ensure timely planning of requirements and procurement of raw materials, taking into account the time reserves of experience and increasing minimum stocks where necessary. We will develop a business case and checklist for all strategic raw materials.</p>	Low
Work items	Loss of production due to failure to supply work items from monopoly suppliers	<p>We pursue the objective of adequate contractual protection.</p> <p>In critical cases, we provide larger stocks. We carry out thorough market research on raw materials and potential substitutes and act on our findings in a timely manner. Accelerated procurement and negotiation activities with existing suppliers to secure planned quantities of PFA material. We are expanding our supplier base with new suppliers. Alternatives to PFA material are being sought. Publications on alternative technologies for the processing of titanium-bearing ores are being followed up. We are examining the feasibility and advisability of</p>	Low

I. Sales and procurement risks			
Risk name	General description of risk at company level	Risk management	Risk level
		introducing technological changes to enable the production of titanium dioxide from ilmenite alone. We seek, test and introduce new sources of raw materials for production. We are also evaluating alternative raw material sources in terms of 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.	
Legislative compliance	Loss of revenue due to proposed changes in legislation for food contact materials (packaging)	<p>Through the supply chain, we obtain information from customers about the intended use of the product and the requirement to meet the standard.</p> <p>We tested and analysed the migration of titanium from masterbatches into model solutions. According to the results, titanium migrates below the predicted norm. However, we are looking in parallel for opportunities to address the potential shortfall in sales for incorporation in food contact products with sales for other applications (e.g. agrofilms, automotive).</p> <p>As a long-term measure, we are looking into the possibility of producing a product from suitable raw materials that can be standard/certified (FDA). We have already obtained FDA certification for our pigment to be incorporated in plastics.</p>	Low

I. Sales and procurement risks			
Risk name	General description of risk at company level	Risk management	Risk level
Legislative compliance	Revenue loss due to new chemical sustainability strategy	<p>Within the framework of the Titanium Dioxide Manufacturers Association (TDMA), we are following the requirements of the new legislation with a working group and initiating the necessary/possible actions both at EU level and individually within the Company.</p> <p>As part of 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 carrying out a wide-ranging scientific programme within TDMA, which includes studies on the potential impacts of nano and pigmented forms of titanium dioxide on human health.</p>	Low

II. Production risks			
Risk name	General description of risk at company level	Risk management	Risk level
Storage and production capacity	Shortfall in volumes due to under-utilisation of production capacity	<p>We are taking measures to increase the efficiency and availability of facilities. With the help of an external collaborator, we identified opportunities to make more efficient use of production capacity. We defined key performance indices on individual key processes through congestion analysis.</p> <p>We organise multi-shift working. We are increasing our search for staff that we lack.</p> <p>We are adapting storage capacity (additional silos and tanks) and logistics to production needs.</p>	Low

III. Financial risks			
Risk name	General description of risk at company level	Risk management	Risk level
Credit risk (payments by buyers)	Loss of revenue due to non-payment by buyers whose receivables are not secured, which represents about 2% of receivables.	<p>The Company applies 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.</p> <p>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 website 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.</p> <p>Also, as soon as the receivable is due, the buyer is reminded of the due date by a reminder, first by telephone and then in writing. From the due date until repayment, default interest is charged.</p> <p>We regularly obtain up-to-date information for more accurate cash flow planning.</p> <p>We have a detailed, well thought out and meticulously designed cash flow.</p>	Low
Liquidity risk (payments by buyers)	Loss of payments within agreed deadlines due to customer insolvency or indiscipline, which may cause liquidity problems for the Company	<p>We ensure a stable cash flow. The Company's business has traditionally been conservative with high levels of cash. Liquidity management includes, among other things, 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</p>	Low

III. Financial risks			
Risk name	General description of risk at company level	Risk management	Risk level
		accurate cash flow planning. Cash flow is designed in a detailed, deliberate and accurate manner on a daily, monthly and annual basis.	
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)	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 forwards). We also regularly obtain more accurate data for forward purchases of foreign exchange.	Low

IV. Spatial and environmental risks			
Risk name	General description of risk 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.)	<p>The Company identifies the potential lack of water to feed production as both the biggest risk from drought and an opportunity to pursue sustainable business principles.</p> <p>It is supplied by the Hudinja River and partly by water from the water wells at Za Travnikom. The water abstraction licence limits the amount that does not pose a risk in relation to production needs. However, on the Hudinja watercourse, the ecologically acceptable flow rate (Qes) is also included as a limitation for pumping. In the case of water levels below Qes, pumping is not allowed.</p> <p>To ensure that the Company can survive even in such extreme cases, we have already increased our reuse rate and will do so in the near future with additional activities planned. This would allow us to keep production to a minimum and prevent negative environmental impacts from unplanned, momentary shutdowns.</p>	High

IV. Spatial and environmental risks			
Risk name	General description of risk at company level	Risk management	Risk level
		<p>In the past, several possible solutions for alternative supply have been 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 with the V Ložnica and from the Savinja respectively). The most appropriate and, above all, sustainable solution was the use of wastewater from the Central Wastewater Treatment Plant (CWWTP) in Celje, which is a source of water that is permanently sufficient in quantity, but which requires additional treatment. Its use results in an improvement of both the biological and hydromorphological status of the watercourse.</p> <p>The Company, together with an external contractor, prepared a conceptual design for the pipeline and additional treatment. Pilot trials are currently underway at the CWWTP site. We also obtained an opinion from the Ministry of Environmental Protection that the planned pipeline and pumping do not require an environmental impact assessment. We are in the process of obtaining project conditions from Slovenian Railways and the Water Directorate of the Republic of Slovenia for the placement of the pipeline.</p> <p>For the other climate risks in this class, we maintain the facilities, identify and address potential hazards, and remedy deficiencies (e.g. additional cooling of rooms with electronic equipment).</p>	
Security	Negative impact on the Company's business due to a natural disaster (such as an earthquake or major	We carry out activities in accordance with the preventive actions set out in the Register of Potential Hazards to the Environment and Employees	Medium

IV. Spatial and environmental risks			
Risk name	General description of risk at company level	Risk management	Risk level
	flood, lightning strike, sleet, etc.)	<p>(Rules, OP, compliance with storage instructions in the flooded part of the site, ongoing cleaning of shafts and maintenance of facilities, ND, measurements, preventive and periodic inspections, etc.).</p> <p>When designing new buildings, we take into account earthquake protection standards and regulations. Existing ones are inspected and maintained.</p> <p>The Company is flood-proofed with a wall to prevent water ingress in the event of flooding. We have pump stations in place to pump out any excess water.</p> <p>We regularly inspect and maintain lightning conductors and earthing systems.</p>	
Security	Negative impact on the Company's operations due to an industrial accident (fire, explosion, spillage, etc.)	<p>Risk is managed by systematically evaluating the impact on the environment and employees, periodic fire risk assessments and by organising jobs according to risk assessment.</p> <p>In the area of environmental impact reduction, we have systematically implemented European environmental standards by applying the principles of the "Responsible Care Programme" and harmonising our operations with the requirements of the IED and the SEVESO Directive.</p> <p>We carry out internal assessments of the adequacy of the implemented measures required by the SEVESO permit and remedy the identified shortcomings.</p> <p>We update our Environmental Risk Reduction Plan (ERRP) in light of changes. We carry out our processes in accordance with BAT (Best Available Techniques).</p>	Low

IV. Spatial and environmental risks			
Risk name	General description of risk at company level	Risk management	Risk level
		<p>With regard to fire safety, we have our own fire brigade and the Company is adequately fire-protected.</p> <p>In the area of accidents at work, we have a professional service organised to monitor compliance with health and safety rules and measures. We provide regular training and education for our employees. The Company is insured against liability for damages.</p> <p>We conclude written agreements with external contractors and train them. We have engaged a permanent Health and Safety Coordinator. We have introduced work instructions for carrying out maintenance operations in terms of fire prevention, accident prevention and improving the cleanliness of the working environment.</p> <p>Since 2009, we have ISO 14001 environmental management and ISO 45001 health and safety management systems in place, certified and monitored by an accredited institution.</p>	
Old burdens	Removing old environmental burdens	<p>The Bukovžlak Non-hazardous Waste Disposal Site (ONOB) and the barrier bodies, with their specific materials, are old burdens. We have also created an environmental provision for them and are carrying out rehabilitation activities.</p> <p>Technical observation and monitoring is regularly carried out in the area of the high embankment barriers (Bukovžlak and Za Travnikom).</p> <p>Based on the results of the monitoring, systematic and long-term maintenance measures are</p>	Low

IV. Spatial and environmental risks			
Risk name	General description of risk at company level	Risk management	Risk level
		implemented to ensure the stability of the barrier bodies.	
Legislative compliance	Loss of production and increase in costs due to non-compliance with spatial planning acts	<p>The Company fills waste red gypsum from titanium dioxide production into the Za Travnikom waste disposal plant. The existing spatial plan and the building permit allow filling up to an angle of 300 m nm, which will be reached in about 7-8 years.</p> <p>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 a partial re-flooding of the site with rainwater.</p> <p>The designer, together with the expert support of the 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 have already been registered in the environmental permit and the Ministry of the Environment has issued a decision that the planned modification does not require a reassessment of the environmental impact. However, an amendment to the spatial plan and the building permit is required.</p> <p>We have submitted an initiative to all three municipalities concerned to amend the spatial plan. The conditions for the signing of the contract between the municipalities are being coordinated and will be followed by the submission of the spatial plan amendment petition to the Ministry.</p>	High

IV. Spatial and environmental risks			
Risk name	General description of risk at company level	Risk management	Risk level
		The Company is also developing processes to reduce the amount of red gypsum, with the aim of sustainable development and a circular economy, and to increase the time available for disposal.	
Legislative compliance	Imposition of penalties in the event of non-compliance with the requirements of the Soil Contamination Assessment	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.	Low
Loss of reputation	Loss of reputation of the Company due to various factors (inadequate communication, negative environmental impacts, etc.)	<p>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.</p> <p>We collect and consider stakeholder feedback and address it in our enterprise risk management process. We behave in a socially responsible way. We are developing an ESG strategy.</p>	Low

V. Human resources and organisational risks			
Risk name	General description of risk 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	<p>We have a recruitment system in place – each post has a job training programme and a mentor.</p> <p>As part of the 2023 performance targets, we are establishing a system to inventory all specific and generic skills in the Company for all business units/services, a renewed onboarding system for new hires, and a verification of existing skills for employees with a simultaneous revision of the competency model.</p>	Low

V. Human resources and organisational risks			
Risk name	General description of risk at company level	Risk management	Risk level
		<p>Based on the revised competencies by job, employees will be trained in areas with competency gaps.</p> <p>The training plan includes a number of additional external training courses for employees in the areas of planning, lean production and IT.</p> <p>We ensure that the active status of existing approved engineers is maintained.</p> <p>We inventoried the key positions in the Company, identified possible successors, defined the time until the necessary replacement and the additional competences required.</p> <p>For the most promising candidates, we run a leadership development programme, the Leadership Academy.</p>	
Competence and availability of staff	Loss of production and revenue due to staff shortages, untimely replacements and inadequate organisation of work	<p>We strive to identify staffing and recruitment needs in a timely manner, with the aim of ensuring an appropriate education, skills and age structure.</p> <p>We continuously implement organisational change and adapt agilely to new circumstances.</p> <p>In addition to traditional recruitment methods, we use innovative recruitment solutions via social networks to find new employees.</p> <p>We have staff scholarships available. 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.</p>	Low

V. Human resources and organisational risks

Risk name	General description of risk at company level	Risk management	Risk level
Legislative compliance	Imposing penalties on the Company and the persons responsible and compensation for breaches of labour law	<p>We regularly monitor changes in legislation and implement them in our system.</p> <p>We organise meetings with business units, keep each other informed and take action to correct any non-compliance.</p> <p>We maintain an open dialogue with our social partners.</p>	Low
Corruption, theft, fraud	Potential loss of credibility and damage to the business	<p>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.</p> <p>We have a system in place to prevent corruption in procurement.</p> <p>The appropriate and expected conduct of employees is set out in the Code of Ethics and Conduct. A mechanism is in place to disclose or report misconduct.</p>	Low

VI. Support process risks

Risk name	General description of risk at company level	Risk management	Risk level
Digitalisation	Loss of production and competent workforce due to slow digitalisation of control and management processes	<p>The implementation targets cover the implementation of a new maintenance information system and the introduction of a predictive maintenance system.</p> <p>We are continuously updating, upgrading and integrating existing IT systems.</p>	Low
Risks of cyber-attacks	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.	In response to the increased risk of cyber-attacks, we upgraded our existing measures and put in place a number of new measures to ensure cyber-security. We are focusing on raising awareness of information	Low

		<p>security among our employees (phishing tests, dedicated training, etc.). In 2022, we adopted an internal document on information security, which includes key points to increase security:</p> <ul style="list-style-type: none">– MFA on for all employees for access outside Cinkarna was implemented as part of Microsoft's MFA on for all users campaign, which increases the security of systems based on Microsoft Cloud solutions;– Upgrade of workstations to Windows 10 and Office 365 was completed in 2022, due to the delay caused by the COVID-19 pandemic;– Check Point harmony endpoint protection must be installed on all workstations. The measure is under implementation. In a phishing attack simulation we carried out in December 2021, the protection proved its proactivity and level of protection, as it did not let any malicious messages through right away. In order to actually run the test on users, we had to temporarily disable the system with a security exception, which is a testament to its quality and reliability;– CyberVision was used to pilot the monitoring of the industrial network. This gave us a more detailed insight and guidance for improvements in the area of network cyber-security;– We implemented the Cisco ISE security mechanism, which will protect the internal network of Cinkarna Celje against intrusions by external actors by connecting unauthorised devices to our network. <p>In 2023, we did not record any hacking or attempted cyber-attacks.</p>
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We also highlight and explain the following risks faced by the Company:

- **Russia's invasion of Ukraine**

Cinkarna Celje's exposure to the Ukrainian markets is insignificant as the Company has no sales to Ukraine. However, indirect exposure is not negligible, as Ukraine is an important supplier of ores to a number of titanium dioxide producers (Cinkarna Celje does not have any supplies from Ukraine). A war situation may temporarily prevent or even stop the supply of ores, forcing buyers to find an alternative supplier, which may trigger an increase in the price of titanium-bearing ores and increase the purchase price of Cinkarna Celje's main strategic raw material.

- **Risks related to energy sources**

Another important factor accounting for a significant share of Cinkarna Celje's costs is energy, which means that the Company is more exposed to energy prices. Developments on the Russian market could lead to an increase in the already increased prices of energy products or to the extreme of interrupting the supply of the energy product natural gas, which would seriously jeopardise the production and operations of Cinkarna Celje. In order to secure the supply of electricity and natural gas for the coming years, we concluded forward products with energy suppliers for the bulk supply of energy products. The Company balances the purchases and sales of long-term forward products of banded electricity on the German (EEX) or Hungarian (Hudex) OTC market and the remaining balance of the purchases/sales difference (additional or excess quantities) of electricity on the daily market (BSP), which is accounted for each hour of the day. The Company dynamically adjusts its purchases/sales according to the expected electricity consumption during the year by buying/selling long-term forward products (annual, quarterly, monthly). The required electricity volumes are adjusted due to the active construction of its own solar power plants (PS2 connection), the rationalisation of electricity use and the saving of electricity consumption, which is also a policy of the European Commission and the Republic of Slovenia.

5 DATA ON SHAREHOLDERS AND OWNERSHIP STRUCTURE

5.1 Ownership structure

The share capital of Cinkarna Celje d.d. amounting to € 20,229,769.66, is divided into 8,079,770 ordinary freely transferable 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 2,531. The ownership structure at the end of the period is shown in the table below.

Share ownership structure of Cinkarna Celje d.d.

	No. of shares	%
SDH, d.d	1,974,540	24.44
Modra zavarovalnica, d.d	1,629,630	20.17
UNICREDIT BANK AUSTRIA AG – FID	364,525	4.51
TR5 d.o.o	314,736	3.9
Own shares	264,650	3.28
KRITNI SKLAD PRVEGA POKOJNINSKEGA SKLADA	167,050	2.07
RAIFFEISEN BANK AUSTRIA D.D. – FID	160,840	1.99
CITIBANK N.A. – FID	113,351	1.4
NLB SKLADI – SLOVENIJA MEŠANI	112,200	1.39
TINFIN d.o.o.	82,000	1.01
Generali Galileo, mešani fleksibilni	77,080	0.95
Internal shareholders – FO	59,447	0.74
External shareholders – FO	1,911,676	23.66
Other	848,045	10.49

5.2 Trading in shares

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

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

	Share value		Turnover
	2022	2023	2023
JAN	26.5	25.8	2,253,633
FEB	24.4	28.2	930,531
MAR	27.8	28.8	1,521,553
APR	28.8	27.8	1,907,265
MAY	29.8	24.4	2,321,391
JUN	27.4	24.8	1,027,850
JUL	28.4		
AUG	27.8		
SEP	23.6		
OCT	23.0		
NOV	26.0		
DEC	23.0		

The value of the share of Cinkarna Celje d.d. listed in the first quotation of the Ljubljana Stock Exchange (CIGG), fluctuated between € 23/share and € 30/share during the period under review. From the last trading day of 2022 to the last trading day of the period under examination, the share is up 8%.

Share price (right axis) and stock turnover (left axis) by month in 2023



6 FOUNDATIONS OF DEVELOPMENT

6.1 Investments

The total planned investment in 2023 is € 20,479,040. In the first half of the year, 24.1% of the planned amount was realised.

We are lagging behind the most in investment and in the use of environmental provisions. Some projects are delayed due to:

- Extension of the project documentation revision procedures (rehabilitation of ONOB, sealing curtain, C1 drainage);
- Delays in obtaining building permits (modernisation of storage and preparation of lime and calcite slurry);
- Or new findings that do not give the expected results of the feasibility study and consequently require further verification or optimisation of solutions (Sulfacide reactor, battery feeder, use of steam for cogeneration of electricity).

There is also a deviation from the planned implementation in the case of the project for the relocation of the pipelines on the plot 115/1 of the Teharje cadastral area, which will have to be carried out due to the planned rehabilitation under the responsibility of the Ministry of the Environment. This project is delayed in its implementation.

The installation of the third gel wringing press has also been delayed, with a significant extension of the technical coordination period of the contract.

In other cases, while the outturn is in line with expectations, payment has not yet been made in a number of cases due to incomplete handovers or deliveries (solar power plants, pigment wringing press).

A total of 3.6 MWp of installed solar power capacity is in regular operation. A third sand mill and a dust extraction system for captured dust sources at the Final Processing Plant are in trial operation.

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, made the necessary installations and equipped one calcination furnace with a burner that would allow the consumption of ELFO in addition to natural gas. The first attempt to start-up was unsuccessful. As this put production at risk, it was postponed until the autumn overhaul.

Investments are progressing according to plan:

- Replacement of the absorption tower and heat exchanger IT2 in the sulphuric acid production plant;
- Installation of the additional 12.10 C storage tank for the discharge of the solution from the unloading towers;
- Installation of a central vessel for the third vacuum cooling line.

The data network for the production processes at BU TiO₂ is being upgraded and the control and management of the processes with the most outdated software is being upgraded. Physically, the bulk of the upgrades will be carried out during the autumn maintenance period. The upgrade of the production information system Spectrum is also underway.

We are on track with our plan for the purchase of replacement equipment.

6.2 Development activities

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

Some of the most important are listed below.

Diversification of production programmes

We are continuing to refine and assess the viability of further development for the identified opportunities. With the Fraunhofer Institute, we are exploring the market for promising materials for sodium-ion batteries and TiON material for hydrogen fuel cells. This includes diversification of input raw materials, production of battery materials, reduction of red gypsum for landfill, CO₂ recovery and the use of expanded Teflon (e-PTFE) for the field of semi-permeable membranes. The concept of precipitating ferric oxalate (used for Li and Na-ion batteries) from acid waste was tested and a CAPEX assessment was made.

Determination of the maximum possible production volume of titanium dioxide

Activities are underway to remove bottlenecks for the production of 71,000 t TiO₂/year.

Weather-resistant TiO₂

The industrial re-trial in the first half of the year has not yet been included in the production plan. However, we have carried out laboratory and industrial testing of the first production trial, which showed the inhomogeneity of the campaign due to problems with the addition of the organic additive.

Development of nano TiO₂ based products

We developed a formulation based on PTK/UF TiO₂. Testing of the coating performance is positive. We are working with various companies who would like to incorporate our UF TiO₂ in their coatings.

Development of BaSO₄

The concept of precipitating BaSO₄ in a static mixer is validated. A conceptual design for the adaptation of one of the TiO₂ surface treatment lines for the purpose of trial production of BaSO₄ was developed. The development of IR reflective inks is being continued with an external partner.

Waste acid recovery

We are looking for a solution to preconcentration using nanofiltration techniques. The concentrate thus obtained will then be tested for the extraction of the Fe, Ti, Sc, V cations present, etc.

Alternative source of process water supply

At the beginning of March, we started pilot tests at the Tremerje WWTP site. After a few adjustments, the plant is operational. A system to optimise phosphate removal will need to be put in place. We have submitted an application to the Ministry for the so-called Preliminary Verification Procedure for the conditions for the placement of the pipeline and the implementation of the water treatment. We received a reply that no environmental impact assessment is required. We obtained the project conditions from Slovenian Railways and the Water Directorate of the Republic of Slovenia requested an amendment of the application due to the route passing through the coastal area. The pipeline will have to wait until the adoption of the Celje Municipality's spatial plan (OPN) to be spatially located.

Development of a copper hydroxide synthesis process for the Moldovan recipe

We created a representative sample that is being tested for equivalence confirmation.

Development of the DN 200 Venturi ball valve

A concept is developed on the basis of which the final version of the 3D model has to be completed.

Development of powder varnishes

In order to develop a coarse-structured low-temperature E/P powder varnish and to develop a system for low-temperature matt E/P powder varnishes, different binders were tested in a first phase. For the first type of PV, the optimal resin has not yet been found. For both products, we determined the time in the oven required to reach the object temperature.

Development of masterbatches

We prepared different laboratory samples (our product and competitors), which were tested for weather resistance by an external contractor. The results are good. We will further develop the testing procedures and carry out an industrial-scale trial of the installation of a home-produced weather-resistant pigment.

6.3 Quality assurance

The various aspects of our business (quality, environment, occupational health and safety) are managed through an integrated management system (IMS). The structure of the IMS is based on the ISO 9001 standard, which has been upgraded and extended by ISO 14001 and ISO 45001.

Our laboratories are accredited to SIST EN ISO 17025 for wastewater monitoring. This year, we are extending the accreditation for two parameters (TOC, TNb).

An annual internal audit plan was prepared and has already started to be implemented. We will audit BUs and departments that have not been audited recently, and review the completion of actions and the effectiveness of previous audits.

External auditors assessed the compliance of our integrated management system with ISO standards for 2023 at the end of May. They found no non-conformities and made some recommendations for improvement.

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

We are continuing our activities on a project aimed at developing new grades of titanium dioxide and stabilising the quality. We are carrying out optimisations in individual production processes in a planned sequence, which should help to raise and stabilise the quality level of our pigments.

The project to develop a business continuity plan is also part of the broader corporate quality assurance framework. Implementation is well underway.

Continuous improvement, dictated by quality standards and guidelines, is the driving force behind progress and continuous improvement in all areas of the Company's operations. In the first half of the year, we received 135 suggestions in the CC UM useful suggestion system, which represents 0.18 improvements per employee.

6.4 Environmental management

In the area of the environment, we have three sets of indicative targets for 2023. They aim to address environmental risks, sustainable development and ensuring regulatory compliance.

I. Actions to address environmental risks

Measures are being taken to increase the safety of the high embankment barrier of Za Travnikom (obtaining the necessary documentation and permits for the construction of a reinforcement embankment and drainage riffles on the eastern flank). At the Bukovžlak waste disposal facility, documentation is being prepared for the construction of a lake reduction facility and an overflow water

outfall ditch with a measuring point. Detailed monitoring of the Bukovžlak waste disposal plant for leachate influx from the gypsum filtration plant is continuing. We are also carrying out activities to establish more extensive monitoring of waste water in relation to the requirements of the revised OVD (adaptation to BAT CWW). We carried out two evacuation drills at the Kemija Celje BU to test the emergency response, and two tactical firefighting drills (fire in the facility and spillage of a hazardous substance). We are preparing the basis for the digitisation of procedures for reporting, analysing and monitoring the implementation of measures in the event of emergencies, accidents, near-misses, work-related injuries, etc., and raising awareness among employees of the importance of identifying and eliminating potential accident hazards. An update of the business continuity plan is also underway.

II. Sustainable development and the circular economy

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

a. Use of renewable resources

We are continuing with our solar power and combined heat and power projects.

b. Energy efficiency

We are analysing the electrical conditions of the entire medium-voltage network. Two power transformers were renewed. We made energy improvements to the metatitanic acid pre-drying process. We are checking the feasibility of installing a battery feeder; replacing electric motors with more efficient ones; optimising compressed air production and consumption; and renewing lighting with energy-saving lighting. We are looking for opportunities to reduce losses. At BU Kemija Mozirje, we are putting in place an energy management system.

c. Waste quantity

We plan to reduce waste by increasing the CEGIPS extraction capacity and introducing processes to increase the yields in TiO₂ production. We are implementing activities to reduce plastic waste. We are reducing food waste by planning and optimising snack meals.

d. Reuse of materials

We are continuing with the planned activities of the project Alternative Options for the Supply of Process Water from the Tremerje WWTP and with the activities for water reuse (COV). We are testing at laboratory level possible processes for the recovery of waste 23% sulphuric (IV) acid. We are developing a recovery process for copper-bearing sludge. We are looking at a range of possible ways of incorporating/using waste powder varnish dust (filter dust). We offer our customers the possibility of refurbishing and servicing worn-out elements (valves, connectors, pipes). We are introducing solutions for the re-use of pallets back into production (98% of them are returned in internal logistics) and textile containers in internal logistics (up to 5x).

e. Reducing emissions to the working and outdoor environment

At BU TiO₂, we are continuously eliminating sources of dust in our workplaces.

We are preparing an overview of "state of the art" solutions to reduce H₂S emissions at the junction.

We replaced the catalyst – activated carbon – in all four Sulfacid reactors and significantly reduced SO_x emissions to the environment.

At BU Kemija Mozirje, we are working on the installation of a central extraction system in the powder coating laboratory. In the blue copper production, the leak tightness of the waste water catch basin was checked and confirmed.

f. Sustainable procurement

A working version of the "Sustainability Supplier Code of Conduct" is being prepared and will be sent to suppliers in the second half of the year.

III. Maintaining/ensuring regulatory compliance

We are working to amend and supplement the land-use plan for Za Travnikom.

Phase 2 of the upgrading of the storm water drainage system with oil interceptors is underway.

We obtained a REACH registration for copper oxychloride.

REACH registration activities are ongoing in various markets outside the EU for TiO₂ and intermediates. Within the consortium, we are preparing the required data on surface treatments of nano TiO₂ for the purpose of completing the registration dossier.

We monitor the activities of the EU Sustainable Chemicals Strategy (CSS) in terms of identifying requirements for our products and raw materials.

Reconstruction of the closed Bukovžlak non-hazardous waste landfill continues. We are cooperating with the Ministry (MOPE) on the rehabilitation of plot 115/1 – relocation of pipes, where preparatory work has started.

We had one extraordinary environmental inspection due to a complaint. The operation of waste disposal plants (Bukovžlak and Za Travnikom) was checked in relation to the pollution of the Vzhodna Ložnica watercourse. No deficiencies were found.

There were no complaints from the public in the first quarter of this year. There was one complaint in the second quarter which turned out to be unrelated to our production (smoke from a neighbouring company due to a small fire as a result of a lightning strike).

In line with legislative requirements, all monitoring reports for 2022 were prepared and submitted on time. There were no exceedances of limit values. Regular activities are underway to coordinate the environmental permits with the Ministry of the Environment, Climate and Energy due to the changes introduced. We are also working with the Chamber of Commerce and Industry and the Association of the Chemical Industry to harmonise environmental and energy requirements. We published our annual corporate report, which this time also includes a sustainability report in line with GRI standards.

We completed all the requirements for the renewal of the POR certification, which was awarded in January 2023. We also prepared and submitted the POR report for 2022 as part of the 2023 requirements. We completed the "Ecovadis Sustainability Rating" questionnaire with a universal indicator system measuring performance against indicators in the areas of environmental protection, human rights, employee health, ethics and sustainable procurement.

6.5 Safety and health

In the first six months of 2023, there were no serious accidents at work. However, we dealt with three occupational accidents, one less than in the same period last year. To monitor occupational accidents, we use the calculation of various indicators such as the frequency index, the index of days absent per number of employees, and the index of the rate of occupational injuries in relation to the number of hours worked.

We have a system in place to identify potential hazards and take action when near misses occur. We identified 54 potential hazards, of which 41 potential hazards were already eliminated, or 76%. Three near misses were reported. The Minute for Safety activity is carried out in the production work centres in different formats and time intervals, and workers are also made aware of health and safety and fire safety issues through internal newsletters. Identification and analysis of process risks in the area of occupational health and safety, as well as measures to reduce emissions into the working environment, are carried out in all production sites. Improvements in occupational health and safety and fire safety

are also implemented in individual BUs on the basis of useful suggestions from employees (CC UM system).

In line with legislation, we also carry out health promotion for our employees, where we try to focus on topical health issues. This year we addressed:

- Body composition measurements and analysis of results;
- Fat and blood sugar control;
- Support for the SVIT programme (informing employees on the topic "The toilet bowl holds a treasure that could save your life");
- Cycle to work (GAMSI cycling section);
- Basic CPR procedures and use of the defibrillator (practical workshop);
- Elevated blood fats – workshop in cooperation with the Celje Health Promotion Centre.

During the period, one new risk was identified in the field of occupational health and safety legislation, relating to the detection of occupational diseases. Otherwise, risks are identified and managed through the Register of Risks and Opportunities.

7 FINANCIAL STATEMENTS

7.1 Income statement

Income statement for the period 1 January to 30 June

	JAN-JUN 2023	JAN-JUN 2022
Revenue from contracts with buyers	96,423,069	134,212,006
- Revenue from contracts with domestic buyers	8,884,692	11,620,561
- Revenue from contracts with foreign buyers	87,538,377	122,591,445
Changes in the value of stocks of goods and work in progress	6,140,646	-3,291,891
Capitalised own products and services	1,158,559	1,269,361
Cost of goods and materials sold	190,175	114,046
Cost of materials	63,738,137	63,276,729
Cost of services	7,928,499	8,649,659
Labour costs	15,861,850	15,216,348
a) Wages and salaries	11,002,619	10,035,191
b) Social security costs	817,975	754,048
c) Pension insurance costs	1,155,378	1,119,992
č) Other labour costs	2,885,877	3,307,117
Amortisation	6,504,295	6,596,617
Other operating income	13,448	354,641
Other operating expenditure	1,009,841	1,536,415
Impairments and write-offs of trade receivables	21	52
Operating result	8,502,904	37,154,249
Financial revenue	474,457	756,647
Financial expenditure	290,925	763,642
Financial result	183,532	-6,995
Operating result before tax	8,686,435	37,147,254
Accrued tax	1,650,423	7,057,978
Deferred tax	0	0
Income tax	1,650,423	7,057,978
Net operating result for the period	7,036,012	30,089,275
Basic and diluted earnings per share	0.87	3.72

7.2 Statement of financial position of the Company

Statement of financial position of the Company

	30 June 2023	31 December 2022
ASSETS		
Non-current (long-term) assets		
Intangible assets	1,385,275	1,208,224
Tangible fixed assets	103,572,125	104,083,017
Land	9,568,337	9,604,509
Buildings	40,040,532	41,616,487
Manufacturing plants and machinery	39,081,964	41,447,746
Other machinery and equipment	44,391	46,211
Tangible fixed assets in construction and elaboration	12,501,063	10,276,338
Advances for the acquisition of tangible fixed assets	2,335,838	1,091,727
Financial assets at fair value through other comprehensive income	1,973,765	1,973,765
Financial receivables	0	0
Trade receivables	0	0
Other non-current assets	84,444	68,049
Deferred tax assets	1,226,475	1,226,475
Total non-current (long-term assets)	108,242,084	108,559,530
Current assets		
Assets held for sale	0	0
Stocks	71,620,484	72,754,823
Material	37,763,414	45,206,025
Work in progress	3,520,374	3,266,936
Products and merchandise	30,096,670	24,216,888
Advances for stocks	240,026	64,974
Assets under contracts with buyers	0	0
Financial receivables	27,618,104	0
Trade receivables	30,687,978	24,290,543
Receivables from buyers	28,902,826	22,087,040
Other receivables	1,785,152	2,203,503
Income tax receivable	2,020,778	0
Cash and cash equivalents	27,859,104	45,210,098
Other current assets	253,050	133,009
Total current assets	160,059,498	142,388,473
Total assets	268,301,581	250,948,003

Statement of financial position of the Company (cont.)

	30 June 2023	31 December 2022
EQUITY AND LIABILITIES		
Owners' equity		
Called-up capital	20,229,770	20,229,770
Capital reserves	44,284,976	44,284,976
Reserves from profit	120,290,401	120,290,401
Statutory reserves	16,931,435	16,931,435
Reserves for own shares	4,814,764	4,814,764
Own shares	-4,814,764	-4,814,764
Other reserves from profit	103,358,966	103,358,966
Fair value reserve	-809,390	-809,390
Retained profits	32,050,404	25,014,391
Total equity	216,046,161	209,010,148
Non-current liabilities		
Provisions for employee benefits	3,466,551	3,651,696
Other provisions	14,665,972	14,816,968
Long-term deferred income	418,255	363,054
Financial payables	0	0
Trade payables	0	0
Obligations under contracts with buyers	0	0
Deferred tax liabilities	0	0
Total non-current liabilities	18,550,778	18,831,718
Current liabilities		
Liabilities included in disposal groups	0	0
Financial payables	162,993	59,392
Trade payables	28,275,690	19,518,145
Payables to suppliers	25,730,403	14,898,860
Other liabilities	2,545,287	4,619,285
Income tax liabilities	0	2,367,161
Obligations under contracts with buyers	289,127	157,520
Other current liabilities	4,976,832	1,003,919
Total current liabilities	33,704,642	23,106,137
Total liabilities	52,255,420	41,937,855
Total equity and liabilities	268,301,581	250,948,003

7.3 Statement of changes in equity

Statement of changes in equity in 2023

CINKARNA Metalurško – kemična industrija Celje, d. d.	Called up capital	Capital reserves	Profit reserves				Fair value reserve	Retained profits		Total Equity
			Statutory reserves	Reserves for own shares	Own shares	Other reserves from profit		Profit or loss carried forward	Net operating result of the period	
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
Total comprehensive income for the period									7,036,012	7,036,012
Entry of net operating result of the period									7,036,012	7,036,012
Other components of comprehensive income of the period										0
B3. Changes in equity								24,930,232	-24,930,232	
Allocation of the remainder of net profit for the period to other components of equity										0
Allocation of part of net profit of the period to other components of equity by decision of management and supervisory bodies								24,930,232	-24,930,232	0
Creation of reserves for own shares										0
Release of reserves for own shares										0
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	25,014,391	7,036,013	216,046,161
BALANCE SHEET PROFIT								25,014,391	7,036,013	32,050,405

Statement of changes in equity in 2022

CINKARNA Metalurško – kemična industrija Celje, d. d.	Called up capital	Capital reserves	Profit reserves				Fair value reserve	Retained profits		Total Equity
			Statutory reserves	Reserves for own shares	Own shares	Other reserves from profit		Profit or loss carried forward	Net operating result 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		24,922,418
Total comprehensive income for the period									30,089,275	30,089,275
Entry of net operating result of the period									30,089,275	30,089,275
Other components of comprehensive income of the period										0
B3. Changes in equity								24,920,343	-24,920,343	0
Allocation of the remainder of net profit for the period to other comp. of equity										0
Allocation of part of net profit of the period to other components of equity by decision of management and supervisory bodies								24,920,343	-24,920,343	0
Creation of reserves for own shares										0
Release of reserves for own shares										0
Closing 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	84,159	30,089,275	195,332,646
BALANCE SHEET PROFIT								84,159	30,089,276	30,173,434

7.4 Cash flow statement for the period

Cash flow statement for the period from 1 January to 30 June

	JAN-JUN 2023	JAN-JUN 2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Net operating result before tax	8,686,435	37,147,254
Adjustments for:	6,887,970	7,128,928
Depreciation +	6,504,295	6,596,617
Profit/loss on sale of fixed assets	-6,754	-51,103
Impairment/write-down (reversal of impairment) of assets	206,877	590,355
Net increase/decrease in the valuation allowance for receivables	21	52
Net financial income/expenditure	183,532	-6,995
Reversal of long-term provisions	0	59,144
Cash flow from operating activities before change in net current assets (working capital)	-649,558	-39,504,860
Change in trade receivables	-6,397,455	-18,916,276
Change in other non-current and current assets	-120,041	0
Change in stocks	927,462	-8,499,713
Change in trade payables	8,757,545	-10,498,538
Change in provisions	-336,142	-463,829
Change in deferred income	55,201	12,623
Change in other current liabilities	614,683	1,555,391
Change in liabilities under contracts with buyers	131,608	229,139
Income tax paid	-4,282,420	-2,923,658
Net cash flow from operating activities	14,924,847	4,771,321
CASH FLOWS FROM INVESTING		
Investment income	174,989	51,759
Income from interest earned	168,235	656
Income from disposal of tangible fixed assets	6,754	51,103
Investment expenditure	-32,554,430	-3,630,657
Expenditure on the acquisition of intangible assets	-280,844	-244,726
Expenditure on the acquisition of tangible fixed assets	-4,655,483	-3,385,931
Expenditure on the acquisition of financial investments	-27,618,104	0
Net cash flow from investing	-32,379,442	-3,578,898
Cash flows from financing		
Financing income	103,601	0
Proceeds from increases in financial liabilities	103,601	0
Financing expenditure	0	-25,091,285
Expenditure on repayment of financial liabilities	0	-168,867
Expenditure on dividends and other profit-sharing	0	-24,922,418
Net cash flow from financing	103,601	-25,091,285
Ending balance of cash and cash equivalents	27,859,104	35,847,733
Net increase/decrease in cash and cash equivalents	-17,350,994	-23,898,862
Opening balance of cash and cash equivalents on 1 January	45,210,098	59,746,595

7.5 Statement of other comprehensive income

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

	JAN-JUN 2023	JAN-JUN 2022
Net profit	7,036,012	30,089,275
Other comprehensive income for the year	0	0
Other comprehensive income for the year that will not be recognised in the income statement in the future	0	0
Other comprehensive income for the year to be recognised in the income statement in the future	0	0
Net other comprehensive income for the year that will not be recognised in the income statement in the future	0	0
Total other comprehensive income for the year (after tax)	0	0
Total comprehensive income for the year (after tax)	7,036,012	30,089,275

8 NOTES TO FINANCIAL STATEMENTS

1 Reporting by segment

The Company discloses information by segment. An operating segment is an identifiable component of a company that is engaged in a particular product or service (an operating segment) or in products and services in a specific, geographically defined economic environment (an operating segment); these segments differ in terms of 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 business segments are Slovenia, the European Union, third countries, and the markets of the former Yugoslavia.

The Company's business units are the business units producing the key products Titanium Dioxide, Zinc Processing, Varnishes, Masters and Printing Inks, Agro Programme, Polymers, and Other.

Segment profit or loss is stated as the difference between operating income and expenses, taking into account those income and expenses that are directly attributable to each segment, excluding those income and expenses that cannot be allocated to the segment in a meaningful way. Smaller operating segments are aggregated into a single business-unit category because they are insignificant and detailed disclosures could cause significant harm to the Company.

Cinkarna Celje d.d. reports revenue from contracts with buyers by geographically defined segments and sales programmes. Revenue from contracts with buyers is reported by geographical location of the buyers, and by sales programme. The Company monitors the following segments in the preparation and presentation of the income statement and revenue from contracts with buyers:

- Titanium dioxide, comprising sales of titanium dioxide pigment together with other sales of the TiO₂ business unit, together with CEGIPS and sulphuric acid;
- Zinc processing, comprising all sales of metallurgical products;
- Paints, varnishes, masters and printing inks;
- Agro programme covering all sales of copper fungicides and Humovit products;
- Polymers, which comprise all polymer sales of the business unit;
- Other, comprising sales of service activities and other unallocated items.

Sales by business segment

	In €	
	JAN-JUN 2023	JAN-JUN 2022
Titanium dioxide	79,848,840	112,120,891
- of which TiO ₂ pigment	78,721,953	111,084,568
Zinc processing	3,492,334	4,587,642
Varnishes, masters	9,015,115	10,785,239
Agro programme	2,567,680	5,516,224
Polymers	1,231,234	912,545
Other	267,865	289,464
TOTAL	96,423,069	134,212,006

Sales by regional segment

	In €	
	JAN-JUN 2023	JAN-JUN 2022
Slovenia	8,884,692	11,620,561
European Union	72,782,876	103,539,865
Market of the former Yugoslavia	1,830,793	3,065,739
Third countries	10,505,784	14,633,821

CINKARNA CELJE d.d.

Third countries – dollar market	2,418,924	1,352,019
TOTAL	96,423,069	134,212,006

Operating result by business segment

	In €													
	Titanium dioxide - pigments		Zinc processing		Varnishes, masters		Agro programme		Polymers		Other		Total	
	30.6.2022	30.6.2023	30.6.2022	30.6.2023	30.6.2022	30.6.2023	30.6.2022	30.6.2023	30.6.2022	30.6.2023	30.6.2022	30.6.2023	30.6.2022	30.6.2023
Rev. from contr. with buyers	112,120,891	79,848,840	4,587,642	3,492,334	10,785,239	9,015,115	5,516,224	2,567,680	912,545	1,231,234	289,464	267,865	134,212,006	96,423,069
Other operating income	315,466	6,686	0	0	931	0	286	2,860	125,520	134,138	1,181,800	1,028,322	1,624,002	1,172,007
Change in value of stocks	-2,286,778	6,556,786	-6,633	-167,033	85,574	-154,179	-1,078,273	-85,697	0	0	-5,781	-9,231	-3,291,891	6,140,646
Operating costs	-75,259,607	77,830,055	-4,421,128	-3,334,402	-8,843,146	-8,581,191	-4,329,817	-2,860,719	-832,687	-1,174,063	-1,703,483	-1,452,386	-95,389,868	95,232,816
- of which depreciation	-4,695,152	-4,818,563	-39,826	-32,499	-209,611	-187,679	-137,540	-134,302	-97,343	-100,264	-1,417,146	-1,230,988	-6,596,618	-6,504,295
Operating result	34,889,972	8,582,257	159,881	-9,101	2,028,598	279,745	108,420	-375,876	205,378	191,309	-238,000	-165,430	37,154,249	8,502,904
Interest income	0	0	0	0	0	0	0	0	0	0	0	0	2,778	168,474
Other financial income	0	0	0	0	0	0	0	0	0	0	0	0	753,869	305,983
Interest expense	0	0	0	0	0	0	0	0	0	0	0	0	2,628	643
Other financial expenses	0	0	0	0	0	0	0	0	0	0	0	0	761,015	290,282
Financial result	0	0	0	0	0	0	0	0	0	0	0	0	-6,996	183,531
Deferred taxes	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Income tax	0	0	0	0	0	0	0	0	0	0	0	0	7,057,978	1,650,423
Net profit	0	0	0	0	0	0	0	0	0	0	0	0	30,089,275	7,036,012

2 Revenue from contracts with buyers

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

	In €	
	JAN-JUN 2023	JAN-JUN 2022
Net revenues from contracts with buyers of products and services	96,080,704	133,856,733
Net revenues from contracts with buyers of merchandise and materials	342,365	355,273
TOTAL	96,423,069	134,212,006

3 Other operating income

	In €	
Income	JAN-JUN 2023	JAN-JUN 2022
Gains on sales and write-downs of assets	3,229	7,253
Revenue from state support for COVID-19*	0	23,017
Revenue from State support – Energy Law	0	300,000
Recovered written-off receivables	1,500	0
Compensation received	6,592	11,723
Other revenue	2,126	12,647
TOTAL	13,448	354,641

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

4 Costs by natural type

	In €	
	JAN-JUN 2023	JAN-JUN 2022
Cost of materials and goods sold	190,175	114,046
Cost of materials	63,738,137	63,276,729
Cost of services	7,928,499	8,649,659
Labour costs	15,861,850	15,216,348
Depreciation	6,504,295	6,596,617
Other operating expenses	1,009,841	1,536,415
Impairments and write-offs of trade receivables	21	52
TOTAL	95,232,818	95,389,867

5 Labour costs

	In €	
Labour costs	JAN-JUN 2023	JAN-JUN 2022
Salaries and allowances	11,002,619	10,035,191
Social security contributions	1,764,401	1,658,853
Expenses reimbursements and other staff compensation	2,885,877	3,307,117
Supplementary pension insurance	208,952	215,188
TOTAL	15,861,850	15,216,348

As at 30 June 2023, the Company employed 754 persons. The average number of employees was 760.

6 Depreciation and amortisation

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

	In €	
Description	JAN-JUN 2023	JAN-JUN 2022
Depreciation and amortisation		
- intangible assets	103,792	70,864
- easements	36,172	36,172
- buildings	1,671,811	1,662,577
- production equipment	4,690,367	4,824,492
- other equipment	2,152	2,512
TOTAL	6,504,295	6,596,617

7 Operating expenses

Operating expenses

	In €	
Expenses	JAN-JUN 2023	JAN-UN 2022
Cost of materials	63,738,137	63,276,729
Cost of services	7,928,499	8,649,659
Cost of materials and goods sold	190,175	114,046
Other operating expenses	1,009,841	1,536,415
TOTAL	72,866,652	73,576,849

Other operating expenses

	In €	
Other operating expenses	JAN-JUN 2023	JAN-JUN 2022
Provisioning for the environment	0	59,144
Environmental fees and refunds	234,136	252,518
Awards to students and trainees	58,311	69,220
Building land use allowance	281,060	377,433
Revaluation of stocks of materials and goods	206,877	590,355
Loss on sale (disposal) of fixed assets	9,983	58,356
Other costs and expenses	219,474	129,390
TOTAL	1,009,841	1,536,415

8 Financial income and expenditure

	In €	
Income	JAN-JUN 2023	JAN-JUN 2022
Net exchange differences	15,700	0
Interest income	168,475	2,778
Total financial income	184,175	2,778
Net exchange differences	0	-7,145
Interest expense	-643	-2,628
Total financial expenses	-643	-9,773
Net financial result	183,532	-6,995

9 Income tax

The income tax charge at the effective tax rate of 19% amounts to € 1,650,423.

10 Intangible assets

Intangible asset group for 2023	Acquisition value		Value adjustment		Undepreciated value	
	30.06.2023	31.12.2022	30.06.2023	31.12.2022	30.06.2023	31.12.2022
	Property rights	5,923,532	5,845,554	5,011,279	4,907,487	912,252
Assets under acquisition	473,023	270,158	0	0	473,023	270,158
TOTAL	6,396,555	6,115,711	5,011,279	4,907,487	1,385,275	1,208,224

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

11 Tangible fixed assets

Tangible fixed assets group for 2023	Acquisition value		Value adjustment		Undepreciated value	
	30/06/2023	31/12/2022	30/06/2023	31/12/2022	30/06/2023	31/12/2022
	Land	10,803,263	10,803,263	1,234,926	1,198,754	9,568,337
Buildings	128,769,971	128,674,115	88,729,440	87,057,629	40,040,532	41,616,487
Equipment	224,562,190	225,138,242	185,435,834	183,644,286	39,126,356	41,493,957
Assets under acquisition	12,501,063	10,276,338	0	0	12,501,063	10,276,338
Advances	2,335,838	1,091,727	0	0	2,335,838	1,091,727
TOTAL	378,972,325	375,983,686	275,400,200	271,900,668	103,572,125	104,083,017

The Company reviewed their values and determined that their present value does not exceed their recoverable amount. The Company does not have any assets under finance leases, nor does the Company have any assets pledged as collateral for any guarantees as at 30 June 2023.

12 Financial assets

Non-current financial investments group for 2023	Acquisition value		Value adjustment		Fair value	
	30/06/2023	31/12/2022	30/06/2023	31/12/2022	30/06/2023	31/12/2022
	Other investments	2,077,692	2,077,692	103,927	103,927	1,973,765
TOTAL	2,077,692	2,077,692	103,927	103,927	1,973,765	1,973,765

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

The members of the Management Board and the 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.

13 Other non-current assets

Other non-current assets group for 2023	Acquisition value		Value adjustment		Undepreciated value	
	30/06/2023	31/12/2022	30/06/2023	31/12/2022	30/06/2023	31/12/2022
	Emission allowances	84,444	68,049	0	0	84,444
TOTAL	84,444	68,049	0	0	84,444	68,049

14 Current financial investments

Current financial investments group for 2023	Value of investments		Adjustment of investments		Net investments	
	30/06/2023	31/12/2022	30/06/2023	31/12/2022	30/06/2023	31/12/2022
	Current financial investments – Treasury bills	27,618,104	0	0	0	27,618,104
TOTAL	27,618,104	0	0	0	27,618,104	0

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

15 Stock

In €

Stocks group	30/06/2023	31/12/2022	Recoverable amount
Materials	37,763,414	45,206,025	37,763,414
Work in progress	3,520,374	3,266,936	3,520,374
Products	30,074,310	24,187,102	39,400,170
Merchandise	22,361	29,786	22,361
Advances made	240,026	64,974	240,026
TOTAL	71,620,484	72,754,823	80,946,344

Stocks are not pledged as collateral. Advances made represent funds given for the purchase of raw materials and supplies. The net realisable value of inventories as at 30 June 2023 exceeds their carrying amount.

16 Trade receivablesCurrent trade receivables

In €

Receivables group for 2023	Value of receivables		Value adjustment		Net receivables	
	30/06/2023	31/12/2022	30/06/2023	31/12/2022	30/06/2023	31/12/2022
Buyers in the country	3,909,083	2,947,578	266,985	266,985	3,642,098	2,680,593
Buyers abroad	25,072,946	19,407,517	370,294	371,794	24,702,653	19,035,723
Indirect exporters	555,396	368,044	0	0	555,396	368,044
Receivables on foreign account	2,681	2,681	0	0	2,681	2,681
TOTAL	29,540,105	22,725,820	637,279	638,780	28,902,826	22,087,040

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

Movement in valuation allowances on current trade receivables

In €

2023	As at 31/12/2022	Adjustment 2023	Value adjustment formed 2022	Write-downs of valuation allowances of prior years	Paid written-off receivables	As at 30/06/2023
Buyers in the country	266,985	0	0	0	0	266,985
Buyers abroad	371,794	0	0	0	1,500	370,294
TOTAL	638,780	0	0	0	1,500	637,279

Trade receivables by maturity by segment

In €

Trade receivables by maturity	Gross value 30/06/2023	Adjustment 30/06/2023	Gross value 31/12/2022	Adjustment 31/12/2022
Not past due	26,150,353	15,763	19,743,148	15,763
Past due up to 15 days	1,972,916	1,569	1,960,633	1,569
Past due from 16 to 60 days	752,669	1,633	345,946	1,633
Past due from 61 to 180 days	45,909	56	56,335	56
Past due more than 180 days	618,258	618,259	619,759	619,759
TOTAL	29,540,105	637,279	22,725,820	638,780

Other current receivables

In €

Receivables group	30.06.2023	31.12.2022
Receivables for VAT	1,573,526	1,984,953
Receivables for the repayment of overpaid advance payments of income tax	2,020,778	0
Receivables from government institutions	202,380	167,293
Receivables from employees	7,245	23,060
Other receivables	2,000	28,197
TOTAL	3,805,930	2,203,503

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

17 Cash and cash equivalents

	In €	
Assets group	30/06/2023	31/12/2022
Cash in hand	30	30
Cash in accounts	19,441,068	24,210,068
Short-term deposits at call	8,000,000	21,000,000
Foreign currency balances on accounts	418,006	0
TOTAL	27,859,104	45,210,098

Cash is invested with domestic banks and bears interest at a fixed annual rate.

18 Other current assets

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

	In €	
Description	30/06/2023	31/12/2022
Prepaid expenses	185,020	100,859
VAT on advances received	68,029	32,150
TOTAL	253,050	133,009

19 Owners' equity

	In €	
Equity items	30.06.2023	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 shares	-4,814,764	-4,814,764
Other profit reserves	103,358,966	103,358,966
Fair value reserve	-809,390	-809,390
Retained earnings	32,050,404	25,014,392
TOTAL EQUITY	216,046,161	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 30 June 2023, the value of the share capital amounts to € 20,229,770. The Company holds 264,650 treasury shares as at 30 June 2023. The Company did not acquire any treasury shares in 2023.

20 Non-current liabilities

	In €	
Non-current liabilities group	30/06/2023	31/12/2022
Provisions for employee benefits	3,466,551	3,651,696
Provisions for the environment	14,665,972	14,816,968
Government grants received - emission allowances	418,255	44,047
Deferred income	0	319,007
TOTAL	18,550,778	18,831,718

Post-employment benefits of employees

	In €	
Post-employment benefits of employees	30/06/2023	31/12/2022
Provisions for severance payments	3,058,376	3,204,640
Provisions for jubilee awards	408,174	447,056
TOTAL	3,466,551	3,651,696

	IN €		
Post-employment benefits of employees	31.12.2022	Dedicated use	30.06.2023
Provisions for severance payments	3,204,640	146,263	3,058,376
Provisions for jubilee awards	447,056	38,882	408,174
TOTAL	3,651,696	185,145	3,466,551

Provisions

	In €			
Provisions for the environment	As at 31/12/2022	Annual intended use plan 2023	Use in 2023	As at 30/06/2023
Provisions for the Za Travnikom landfill site	888,133	250,000	10,570	877,563
Provisions for the Bukovžlak landfill site (ONOB)	8,541,868	1,500,000	106,330	8,435,538
Provisions for the Bukovžlak high embankment barrier	2,712,809	250,000	34,096	2,678,713
Environmental provisions - Environmental investment in TiO ₂ production	2,674,157	0	0	2,674,157
TOTAL	14,816,968	2,000,000	150,996	14,665,972

The use of environmental provisions in 2023 is represented by the cost of work carried out by contractors, amounting to € 150,996. No new provisioning in 2023.

Deferred income

	In €	
Deferred income	30/06/2023	31/12/2022
Deferred contributions for employment of disabled people	16,751	1,947
Long-term deferred income for equipment	1,345	1,345
Funds received from the EU Fund	133,335	133,335
Equipment and vehicles acquired free of charge	9,013	9,013
Emission allowances	84,444	44,047
Photovoltaic subsidies	173,366	173,367
TOTAL	418,255	363,054

21 Current financial liabilities

	In €	
Liabilities group	30/06/2023	31/12/2022
Current financial liabilities - assignments, cessions	33,030	59,392
Current derivative liabilities – futures	129,963	0
TOTAL	162,993	59,392

22 Current trade payables

	In €	
Liabilities group	30/06/2023	31/12/2022
Current payables to in-country suppliers	9,456,219	11,372,481
Current payables to suppliers abroad	14,662,314	3,526,380
Current payables for unbilled goods and services	1,611,870	0
Current payables against advances	38,776	170,164
Current payables to employees	1,433,342	2,602,550
Current payables for payer's contributions	753,292	1,326,675
Current payables to government and other institutions	312,037	509,838
Other current liabilities	7,840	10,057
TOTAL	28,275,690	19,518,145

23 Income tax liabilities

	In €	
Income tax	30/06/2023	31/12/2022
Current liabilities for income tax	0	2,367,161
TOTAL	0	2,367,161

24 Obligations under contracts with buyers

	In €	
Obligations under contracts with buyers	30/06/2023	31/12/2022
Obligations under contracts with buyers	289,127	157,520
TOTAL	289,127	157,520

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

25 Other current liabilities

Other current liabilities comprise accrued costs or expenses.

Description	In €	
	30/06/2023	31/12/2022
Accrued unused annual leave entitlement	797,395	797,395
Accrued costs	1,032,329	150,090
VAT on advances made	103,364	54,766
State aid received (ZPGOPEK)*	3,043,744	0
Other	0	1,668
TOTAL	4,976,832	1,003,919

*The Company is a recipient of aid under the Act Governing Aid to Businesses to Mitigate Impact of Energy Crisis. The aid is recorded as deferred income and will be transferred to revenue when all facts necessary for its recognition are known.

26 Contingent assets and liabilities

Description	In €	
	30/06/2023	31/12/2022
Guarantees given	2,275,179	2,275,179
Futures	12,057,500	50,953
VISA and Mastercard payment cards	40,000	40,000
Material in finishing and processing	59,725	59,725
TOTAL	14,432,404	2,425,857

27 Fair value

Description	In €			
	30/06/2023		31/12/2022	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets at fair value through other comprehensive income	1,973,765	1,973,765	1,973,765	1,973,765
Current financial receivables	27,618,104	27,618,104	0	0
Trade receivables	28,902,826	28,902,826	22,087,040	22,087,040
Cash and cash equivalents	27,859,104	27,859,104	45,210,098	45,210,098
Financial liabilities	-162,993	-162,993	-59,392	-59,392
Payables to suppliers	-25,730,403	-25,730,403	-14,898,860	-14,898,860
Payables under contracts with buyers	-289,127	-289,127	-157,520	-157,520
TOTAL	60,171,276	60,171,276	54,155,131	54,155,131

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

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

Fair value of assets	30/06/2023				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	1,973,765	0	1,973,765	0	1,973,765	0	1,973,765
Total assets measured at fair value	0	1,973,765	0	1,973,765	0	1,973,765	0	1,973,765
Assets for which fair value is disclosed								
Current financial receivables	0	0	27,618,104	27,618,104	0	0	0	0
Trade receivables	0	0	28,902,826	28,902,826	0	0	22,087,040	22,087,040
Cash and cash equivalents	0	0	27,859,104	27,859,104	0	0	45,210,098	45,210,098
Total assets for which fair value is disclosed	0	0	84,380,034	84,380,034	0	0	67,297,138	67,297,138
Total	0	1,973,765	84,380,034	86,353,799	0	1,973,765	67,297,138	69,270,903

Fair value of liabilities	30/06/2023				31/12/2022			
	Group 1	Group 2	Group 3	Total	Group 1	Group 2	Group 3	Total
Financial liabilities	0	0	162,993	162,993	0	0	59,392	59,392
Payables to suppliers	0	0	25,730,403	25,730,403	0	0	14,898,860	14,898,860
Payables under contracts with buyers	0	0	289,127	289,127	0	0	157,520	157,520
Total liabilities for which fair value is disclosed	0	0	26,182,523	26,182,523	0	0	15,115,772	15,115,772

III CASH FLOW STATEMENT

The cash flow statement shows the changes in cash and cash equivalents for the financial year as the difference between the balance as at 30 June 2023 and 31 December 2022. It is drawn up on the basis of the indirect method from the statement of financial position as at 30 June of the financial year and the statement of financial position as at 31 December 2022, and from the supplementary information necessary for the adjustment of income and expenditure and for a proper breakdown of the more significant items. Theoretical contingent items are not shown, but values are shown for the current and the prior period.

IV STATEMENT OF CHANGES IN EQUITY

The statement of changes in equity takes the form of a composite table of changes in all components of equity. 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 were 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 was added to the statement of changes in equity.

V FINANCIAL INSTRUMENTS AND FINANCIAL RISKS

Financial risks (liquidity and interest rate)

Liquidity risk

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

Interest rate risk

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

In order to increase its financial income, the Company, as a result of its strong performance and favourable financial position, enters into deposit agreements with banks at minimum positive interest rates and purchases treasury bills with maturities of 3 to 6 months. As at 30 June 2023, investments in treasury bills amount to € 27.6 million. Should the Company need cash before maturity, this could reduce the Company's financing income. The Company has a strong cash position and assesses the risk of a shortfall in financial income from these investments as highly unlikely.

At the balance sheet date of 30 June 2023, deposits with a maturity of up to one year amount to € 8 million.

Credit risk

The key credit risk of Cinkarna Celje d.d. is the risk that customers will not settle their obligations when they fall due. The risk is limited as we operate mainly with long-standing partners, which are often well-known traditional European industrial companies with a high credit rating. In recent years, we have perceived that payment discipline in Slovenia, the Balkans and Eastern Europe has been relatively poor, but we do not expect any further problems in this geographic area in the coming period or a significant reduction in risk potential. With the realignment/reorganisation of the portfolio of the company's strategic business areas, specifically the discontinuation of the Graphic Repro Materials programme, the Rolled Titanium Sheet programme, the Anti-Corrosion Coatings programme and the Building Materials programme, the exposure to credit risk has been significantly reduced, as

evidenced by the maturity of receivables and the fact that we have virtually no further allowance for doubtful or defaulted receivables from customers.

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

Besides the regular monitoring of the credit limit for each customer, the payment discipline of the customer and the announcements of proceedings on AJPES under the Act on Financial Management, Insolvency and Compulsory Winding-up Proceedings (ZFPPIPP) are monitored on a daily basis. The customer is also reminded of the due date of a receivable by a reminder, first by telephone and then by letter, and interest is charged from the due date until the date of repayment. The process of regular monitoring and control of the portfolio of trade receivables is a permanent feature of the company, resulting in a small proportion of write-offs or impairments of receivables in relation to the proportion of sales.

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

	Notes	30/06/2023	31/12/2022
Financial investments	12, 14	29,591,869	1,973,765
Trade receivables	16	28,902,826	22,087,040
Cash and cash equivalents	17	27,859,104	45,210,098
TOTAL		86,353,799	69,270,903

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

Currency risk

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

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

Exposure to foreign exchange rate risk

	30/06/2023		31/12/2022	
	EUR*	USD	EUR*	USD
Current financial receivables	27,618,104	0	0	0
Trade receivables	28,350,846	599,500	21,673,232	413,838
Advances made	2,577,864	0	1,168,851	0
Cash and cash equivalents	27,859,104	0	45,210,098	0
Current financial liabilities	-162,720	-290	-59,392	0
Current trade payables	-16,109,543	-13,080,994	-19,450,525	-67,620
Statement of financial position exposure (net)	70,133,654	-12,481,784	48,542,264	346,218

*EUR is a functional currency and does not represent an exposure to exchange rate risk. In addition to the functional currency EUR, the Company uses the USD (US Dollar), which was used in the translation of the balance sheet items as at 30 June 2023 and is equal to the European Central Bank's reference rate of 1 national currency for EUR 1 as at 30 June 2023 of 1.0866 and as at 31 December 2022 of 1.0666.

Sensitivity analysis

A 1% change in the value of the USD against the EUR as at 30 June 2023 and 31 December 2022 would change profit before tax by the amounts shown in the table below. The analysis, which is carried out in the same way for both periods, 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 stock of receivables and payables denominated in dollars.

	30/06/2023		31/12/2022	
USD currency change	1%	-1%	1%	-1%
Impact on operating result before tax	135,627	-135,627	3,693	-3,693

In €

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

Capital management

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

Cinkarna Celje aims to keep pace with changes in the economic environment by managing and adjusting its capital structure. Dividends are paid once a year in accordance with the adopted dividend policy and the resolutions of the General Meeting. Cinkarna Celje has no specific employee ownership targets and no share option programme. There were no changes in the way capital is managed in 2023. To control capital, Cinkarna Celje 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.

	30/06/2023	31/12/2022
Financial liabilities	162,993	59,392
Trade and other current liabilities	33,541,649	23,046,745
Cash and cash equivalents	-27,859,104	45,210,098
Net indebtedness	5,845,537	-22,103,961
Capital	216,046,161	209,010,148
Capital and net indebtedness	221,891,698	186,906,187
Financial leverage ratio	3%	-12%

In €

9 MAJOR BUSINESS EVENTS AFTER THE END OF THE PERIOD

At the beginning of August, Slovenia was hit by widespread flooding. The three-day-long storm caused damage to the Mozirje business unit, which produces powder varnishes and masterbatches.

On 4 August 2023, during the widespread floods that hit Slovenia, part of the production and storage facilities of BU KEMIJA MOZIRJE were flooded and a state of force majeure was declared for deliveries from this plant to business partners. The economic damage to the destroyed stocks of raw materials and finished products was estimated by the Company at between € 0.5 and € 0.6 million, while other damage is not yet estimated but is expected to be of a smaller scale. The Company attempted to restart production on Monday, 7 August 2023, after inspecting the lines and repairing the faults in some of the electric motors and pumps. Until the normal situation is restored and the lost stocks of raw materials, packaging and products from that business unit are replaced, the Company will not be able to guarantee the timeliness of the deliveries already agreed or the shipments will be lower than the quantities already confirmed. This event did not affect the timely fulfilment of other obligations of Cinkarna Celje d.d.

As a result of the heavy rainfall on 4 August 2023, a landslide was observed in the area of the flattened part of the barrier body of the NZOO Za Travnikom. The very next day, we proceeded with the expert inspection and the implementation of temporary rehabilitation and control measures. In the meantime, the expert services have prepared an overview of the necessary measures with an estimate of the costs for the rehabilitation, which, depending on the results of further investigations and the movement of the landslide, will be between EUR 0.5 and 1 million. The landslide is currently under control.

As a result of the current stock levels, lower demand and a planned autumn outage, the Company shut down one of its calcination furnaces. The shutdown itself is also targeted at optimising energy efficiency or reducing specific energy consumption. According to the current assessment, the shutdown will not have a direct impact on the achievement of the Company's planned operating result.