

# **BUSINESS REPORT 2021**

## **Unaudited**

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## THE COLLECTION OF THE MOST IMPORTANT DATA

	2020	2021	ΔPY %
Sales	172,386,851	192,462,100	+12
Exports	157,763,421	175,106,738	+11
EBIT	22,534,444	39,976,608	+77
EBITDA	32,884,099	51,808,881	+58
Net profit or loss	18,950,656	33,227,124	+75
Revenues	175,779,046	197,944,892	+13
Expenses	153,267,446	157,988,388	+3
Labour costs	30,099,442	28,888,986	-4
Value added	62,983,541	80,697,868	+28
Value added per employee	78,729	106,181	+35
Production in EU (equivalent units)	52,353,099	52,107,237	-0
Assets	210,335,697	241,203,820	+15
Equity	174,016,279	189,484,801	+9
Investments	12,232,990	11,325,408	-7
Financial debt	60,090	197,503	+229
Return on equity (ROE)	12.47	21.35	+71
Number of employees at the end of the period	824	793	-4

All values are in Euro (€) with the exception of:

- return on equity (in %)
- number of employees at the end of the period (no. of persons)

PY – previous period (year)

AC - current period

ΔPY% (previous year variance) = the difference between the current and the previous period divided by the previous period

Alternative performance measures:

Measure	Page	Calculation
EBIT	2	Operating profit or loss
EBITDA	2	operating profit or loss increased by write-downs in value from the statement of profit or loss
Value added per employee	2	operating profit or loss increased by write-downs in value and labour cost from the statement of profit or loss/number of employees based on calculated hours

## **BUSINESS REPORT**

In 2021 we realised sales which were 12% higher than the sales of the previous comparable period. The increase in sales was driven by favourable demand from all geographical segments, which is linked to the general increase in consumer/purchasing optimism. Asian competition is present, but at significantly higher prices than in previous periods. In a situation where supply is tight, higher sales prices from Asian suppliers have generated higher demand for products from western multinationals and local producers. Parallel to this, the pressure on the input side is also connected.

The most important cornerstones of business performance are still the titanium dioxide pigment and the rationalisation of the portfolio of strategic business areas, which is aimed at focusing on the core programme and abandoning unprofitable activities.

At Cinkarna Celje, d. d., we have taken a number of measures to prevent the possibility of coronavirus spreading. Safety is subject to prescribed preventive measures, such as wearing masks, ventilation, etc. At the time of preparing the report, the company is operating smoothly, performing all business functions, including production.

Globally, we are one of the smaller producers by production capacity of titanium dioxide pigment. In Europe, we are comparable to smaller plants of Eastern European producers. From industry analyses and comparisons of business performance, we find that Cinkarna Celje, d.d., is one of the most successful participants in the titanium dioxide pigment industry. The Management Board estimates that the achieved business results are objectively good and exceed the forecasts for the period.

The European economy is returning from the pandemic recession faster than initially expected. The pre-summer improved epidemiological situation and the phasing out of certain measures have resulted in an increase in consumption and, consequently, higher private consumption. The supply side of the economy is adapting with a lag to fluctuations in demand, including the global supply chain and raw material production, which increases uncertainty linked to the energy market and supply chains. Occasional pandemic-related localised closures, together with emerging labour shortages, further contribute to the disruption. In addition to the great uncertainty associated with the increase in prices of raw materials, energy products and transport and with the consequences of the spread of new variants of the COVID-19 virus, we do not perceive any other significant risks in the international economic area that could have a significant negative impact on the company's operations and business plans in the current year.

The macro situation explained above, in the context of specific markets and carrier products of Cinkarna Celje, d.d., means that the market is currently suffering from a decrease in titanium dioxide supply, which is reflected in the interim increase in prices. In the last two quarters the prices reached historical records and have been, on average, 30% higher since the beginning of the year. Based on the evaluation of the current market situation, we estimate that a price correction will be present during the year. This is accompanied by great pressures to increase prices of certain key raw materials, including titanium-bearing ores, energy and transport. Due to the existing stocks of raw materials and the increase in the selling prices of products, the impact on margins is favourable in the relevant period. In the next quarters, we can expect further price rises, which are expected to be higher on the input side than on the output side.

We insist on a long-term business strategy which is based primarily on an active marketing approach towards finding and developing the most profitable customers and markets, increasing market shares in the highest quality markets and establishing long-term partnerships with key customers. We are planning a more restrictive policy in the area of managing the costs of materials, raw materials, energy and services. At the same time, we are aware that employees are the most important foundation of

business success, so we will continue to ensure, in agreement with representative unions and employee representatives, that employee benefits will also adequately reflect the company's performance or the quality of its results.

Cinkarna Celje, d. d., is a relatively small producer of pigment, so we face market conditions and changes as a typical follower, but of course we try to make the most of the market potential in terms of level and time dynamics. Judging by the business results and benchmark, we are above average in this sense. In 2021 we sold 2% less pigment than in the same period of 2020. This is the result of a major overhaul in the last quarter.

The performance of other sales programmes is above the level of the previous comparable period. In particular, this relates to the value of sales of agricultural products, which is higher than in the same period last year due to higher stock prices of zinc and higher demand. The line of varnishes, coatings, masterbatches and printing inks exceeded the sales of the previous comparable period due to higher demand for masterbatches. The mentioned product line records higher average sales prices at the expense of the incorporation of higher input prices of raw materials.

The basic emphases of the company's business policy remain unchanged. We focus on maximising the use of production capacity, exploiting market potentials in the direction of selling products with higher added value, optimising production costs and implementing investment plans. Financial operations are traditionally conservative, the company is financially stable, the volume of funds is high and enables smooth and timely coverage of all liabilities.

The company implements several interconnected projects, on the basis of which we comprehensively manage spatial and environmental risks. The most important projects are the project for alternative water supply, the harmonisation of spatial acts on the Za Travnik red gypsum filling plant, the rehabilitation of the Bukovžlak landfill site of non-hazardous waste (ONOB) and ensuring the stability of barriers.

In 2021, Cinkarna Celje, d. d., generated sales revenues in the amount of EUR 192.5 million, which is 12 % more than in the comparable period of the previous year. The total value of exports in the period considered reached EUR 175.1 million, which is 11 % more than in the same period of the previous year. Net profit reached EUR 33.2 million and was 75 % higher than in the comparable period of the previous year, when it reached EUR 18.9 million. The operating profit or loss with write-downs or EBITDA amounted to EUR 51.8 million and amounts to 27 % of the sales achieved. In comparison with the previous year, EBITDA is higher by 58 %.

In the field of work with employees and human resources management, during the COVID-19 epidemic we paid special attention to a set of measures by the Management Board, aimed at ensuring the smooth operation of the company and consequently the conditions of maximum safe and healthy work, protection of employees from the possibility of infection and optimisation of working conditions during the limited operation of human resources. We follow the principle of a positive motivating salary policy and ensuring an appropriate level of employee satisfaction and motivation.

In 2021, we spent EUR 11.3 million on investments, the purchase of fixed assets and replacement equipment, and environmental investments, which represents 79 % of the planned funds for 2021. The reason for the lower realisation is mostly the appearance of changed circumstances, which required the interruption of work and additional preparation of documentation (ONOB), longer selection procedures for the most advantageous supplier, pilot tests of different plants, delays in the preparation of project documentation and administrative procedures.

We are investing in programmes that show growth potential. With investments in production, we are primarily pursuing the objective of ensuring the viability of the volume of quantitative production,

achieving higher quality and energy sustainability. We are constantly improving the operation or upgrading treatment plants and implementing the measures to reduce emissions in the working environment.

With development activity we follow the strategy for the five-year period and at the same time prepare the basis for its revision, especially in terms of updating the existing programmes. We carried out development activities according to trends or customer expectations. In all processes, we implemented improvements that enable lower energy consumption, better product quality, achieving higher efficiencies and plant capacities, and more efficient work. In the framework of ensuring the sustainable development of titanium dioxide production, we have continued our multi-annual development project of integrated water management and the project for reducing waste.

Subsequent chapters of the report provide more detailed data by individual business areas, as well as a presentation of the company's financial position and operations in 2021.

**Management Board of the Company**

## MANAGEMENT BOARD'S DECLARATION OF RESPONSIBILITY

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

The Management Board expects the Company to have adequate resources to continue its operations in the future, which is why the Company's financial statements are prepared on the basis of the assumption of unlimited operating time.

The responsibility of the Management Board in drawing up the financial statements shall include the following:

- accounting policies are adequately selected and applied consistently,
- audits and assessments shall be reasonable and prudent,
- the financial statements shall be drawn up in accordance with the IFRS, adopted in the European Union, and any discrepancies shall be disclosed and explained in the report.

The Management Board shall declare to the best of its knowledge:

- that the business report of Cinkarna Celje, d.d., for 2021 includes a fair presentation of the development and results of its operations and its financial position, including a description of all material types of risks to which the company is exposed;
- that the financial report of Cinkarna Celje, d.d., for 2021 is drawn up in accordance with the International Financial Reporting Standards as adopted by the EU and that it is a true and fair view of the company's assets and liabilities, financial position, profit or loss and comprehensive income.

The Management Board adopted the financial statements and their related policies and explanations on 28 January 2022.

### Management of the Company

#### President of the Management Board

Aleš SKOK,  
BSc (Chemical Engineering),  
MBA, USA



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

Nikolaja PODGORŠEK SELIČ  
BSc (Chemical Engineering),  
Specialist



#### Member of the Management Board – Worker Director

Filip KOŽELNIK,  
MSc (Business Studies)



## SALES

The total sales of the company over the period under examination in 2021 were 12 % higher than the sales achieved in 2020. The total amount of sales or net sales revenues amounted to EUR 192.5 million.

The analysis of quarterly and monthly sales shows that the sales of all quarters of 2021 were successful, reflecting changes in consumption habits and increased optimism, in connection with the dynamics of vaccination and further improvement of the situation in the industry. The first quarter of the previous year was exceeded, mainly due to exceptionally high sales in January and March. Higher sales in the second and third quarter are the result of higher value sales of titanium dioxide, copper fungicides, masterbatches and Polymers BU services. Sales in the third and last quarter are above expectations.

One of the higher monthly sales was recorded in April, when it amounted to EUR 17.6 million. The lowest sales of the period under consideration were recorded in December, which is a traditionally less active month, in the amount of EUR 13.4 million.

	2020	2021	% of AC	ΔPY %
Slovenia	14,623,430	17,355,361	9	+19
EU	130,529,281	142,500,353	74	+9
Former YU	3,730,800	4,383,469	2	+17
Third countries	20,280,946	24,693,293	13	+22
Third countries - dollar markets	3,222,393	3,529,624	2	+10
<b>TOTAL</b>	<b>172,386,851</b>	<b>192,462,100</b>	<b>100</b>	<b>+12</b>

Total sales on the foreign market increased by 11 % in 2021 compared to 2020. The increase in sales to foreign markets is undoubtedly due to higher sales prices of pigment. In absolute terms, the most obvious increase in sales is in the EU markets due to the lack of supply of the European pigment and higher prices from Asian producers. In relative terms, however, the biggest rise is to third countries. In the dollar markets we still maintain minimum control market shares, as the larger placements would be insensible because of the specific circumstances, which are certainly less favourable than on European markets.

Sales on the EU market are 9% higher than in the comparable period of the previous year. The excess was mainly influenced by higher selling prices of pigment and copper fungicides. The growth in this market is driven by the increased demand for titanium dioxide and copper fungicides.

Sales to the markets of former Yugoslavia increased by 17 %, which is linked to higher sales of pigment and powdered coatings.

Domestic sales were 19 % higher compared to the same period of 2020. Sales growth was marked by the growth of sales of all BU except in the Chemistry Celje BU.

	2020	2021	% of AC	ΔPY %
Slovenia	143,056,990	156,788,783	81	+19
EU	5,125,075	6,364,355	3	+9
Former YU	15,207,872	17,687,588	9	+17
Third countries	5,525,614	7,990,692	4	+22
Third countries - dollar markets	3,471,300	3,630,682	2	+10
<b>TOTAL</b>	<b>172,386,851</b>	<b>192,462,100</b>	<b>100</b>	<b>+12</b>



Over the period considered, the sales of the **carrier line of titanium dioxide pigment** reached a value of EUR 156.8 million. The supply and demand curves have created a new balance point. Changes in consumption habits during the epidemic toward the end of the year led to a significantly higher demand for pigment that exceeds the supply. The increased demand is linked to DIY projects, which is shifting to the construction sector. Higher value sales by EUR 13.7 million are the result of higher average sales prices. As a typical follower and a small player on the global market, we adjust the prices with a lag. We continue to assure all customers a smooth production process and the smooth operation of the company.

The **zinc recycling line** includes the product groups of zinc wire, anodes and alloys. Business performance is higher than in the comparable period of the previous year by 24 %. Average selling prices of product groups are higher, due to higher stock exchange prices.

During the period considered, there was a comparative increase of 16 % in sales of the **varnishes, coatings, masterbatches and printing inks** which mainly relates to the increase in volume of sales of masterbatches and powdered coatings. The situation improved compared to last year, which is linked to the increase of activity in the manufacturing industry. At the same time, average sales prices are higher due to the increase of raw material prices.

Sales of the **agricultural products** comprising copper fungicides, Pepelin, green vitriol (copperas) and Humovit increased by 41 % as compared to 2020. The growth is the result of both higher quantities and higher sales prices. Average sales prices of copper fungicides increased significantly due to higher copper stock exchange prices and improved sales structure. The sale **of Humovit** held at the level of a comparable period of 2020. The fact remains that when selling the soil, we depend on local and nearby conditions, as the product could not bear the extra cost of transport to enter remote markets.

The category "**others**" comprises the sales lines of thermoplasts, polymers, elastomers and systems for transport of aggressive mediums (STAM), sulphuric acid, CEGIPS, merchandise and services, and sales of abolished products and product groups. The value of sales of this group was unchanged compared to the first quarter of 2020. The sales of STAM were at the level of 2020. The value of sales of sulphuric acid is 69 % higher. In product lines of this group/category, the 21 % increase in the value of sales of CEGIPS should be highlighted. We sold 163.4 thousand tons of CEGIPS, which is important in the context of extending the life of the Za Travnikom landfill.

## **PROFIT OR LOSS**

In 2021, an operating **profit or loss** of EUR 40 million was achieved. This result exceeds the operating profit or loss achieved in 2020, which amounted to EUR 22.5 million, by 77 %. Compared to the planned profit or loss for 2021 (EUR 13.4 million in operating profit or loss), the business plan was exceeded by 199 %. The operational performance was therefore significantly better than last year, but also significantly above the business plan level. The above-mentioned excess of the result was affected by a good volume of sales and an increase in the selling prices of the carrier product. The operating profit or loss with write-downs or EBITDA amounted to EUR 51.8 million and amounts to 27 % of the sales achieved. In comparison with the previous year, EBITDA is higher by 94 %.

After calculating the impact of financial revenues and expenses, the **profit or loss before taxes** in 2021 was EUR 40 million, while in 2020 a profit in the amount of EUR 22.5 million was achieved. The pre-tax result increased by 77 % compared to the previous year, while the planned profit or loss before taxes is exceeded by 200 %. In 2021, the minimum negative balance from financing in the amount of EUR 20.1 thousand was recorded (in 2020 the balance from financing was also negative

and amounted to EUR 22.8 thousand). The resulting negative balance from financing is derived from the negative balance of exchange rate differences in the amount of EUR 25.7 thousand, investment income and interest income in the amount of EUR 26.2 thousand and the balance of other financial liabilities in the amount of EUR 20.6 thousand (EUR 16 thousand is the cost of provisioning for severance payments and jubilee benefits). The minimum negative balance of exchange rate differences in the amount of EUR 25.7 thousand represents the effective use of hedging instruments to control the volatile movements of the USD/EUR currency pair in the purchasing of titanium-bearing ores.

Net profit or loss for the accounting period amounts to EUR 33,227,124, which is 75 % higher than in 2020 (EUR 18,950,656) and 215 % higher than planned (for 2021, in extremely uncertain conditions, we planned a net profit of EUR 10.6 million). Taking into account the developments in the international economy, the titanium dioxide pigment market and, in particular, the results of competitors from the titanium dioxide industry and the COVID-19 situation, we estimate that the result is above average and above all expectations. Net profit or loss includes profit or loss before tax, charged income tax in the amount of EUR 7 million (effective tax rate thus amounts to 17.53 %) and deferred taxes in the amount of EUR 277 thousand. The amount of deferred taxes or changes in the balance of deferred taxes refers to the reduction of provisions for severance payments and jubilee benefits, use and cancellation of environmental provisions and final write-downs of previously revalued operating receivables and investments. The increase refers mainly to the recalculation of the increase in provisions for employees and the increase due to the rise in the value of environmental provisions already formed so far. Tax relief consists of investment in equipment, investment in research and development, employment of disabled people, voluntary supplementary pension insurance and donations.

## **EXPENSES AND COSTS**

In the structure of consumption of raw materials, packaging and energy, there are slight variations compared to ... This is due to the different dynamics of changing individual categories of direct production costs. In relative and absolute terms, the most important is the increase in the cost of raw materials and materials, which are 2% higher due to the growing bargaining power of suppliers. Compared to the comparable period, the total direct cost of materials, energy and packaging is higher by EUR 0.8 million, with unchanged production at constant prices. Compared to 2020, energy prices are lower, as they are controlled by measures to improve energy efficiency. The volatility of the energy market began in the last quarter and will influence the result of the coming periods. The relationship between purchase prices and sales prices did not change significantly, with price scissors slightly opening at the expense of the higher selling prices of the pigment. The purchase prices of titanium-bearing raw materials are, for now, at similar levels as in the previous year. These are expected to rise in the following quarters.

At the end of the period, the largest share of production costs was for raw materials/materials for production (86.6 %), followed by energy (11.6 %) and packaging (1.9 %).

Gross salaries were formed under the terms of a collective agreement, taking into account the agreements between the trade unions and the Management Board, taking into account intervention legislation due to COVID-19 and the presence of employees in emergency situations. The achieved labour costs at the level of the Company as a whole are 4 % lower compared to 2020. Labour costs per employee increased by 1 % in 2021 compared to 2020. The highest share in labour costs is gross salaries (79.9 %).

## ASSETS AND RESOURCES

**The share of long-term assets** in the structure of total assets decreased by 6.8 percentage points compared to the end of 2020 and amounted to 45.5 %. The largest category of long-term assets is tangible fixed assets (96.4 %). Their value decreased by EUR 0.5 million or 0.5 % in the 12 months of 2021, as the difference between the amount invested in tangible fixed assets and the actual depreciation calculated. Long-term financial investments remained unchanged in 2021, covering shares and shares of companies. Deferred tax assets increased by 16 % or EUR 277 thousand, mainly relating to the increase in provisions for jubilee benefits and severance payments and to the increase in environmental provisions. Other long-term assets are free emission coupons obtained from the state.

**The share of short-term assets** in the structure of total assets increased by 6.8 percentage points compared to the end of the previous year and amounted to 54.5 %. In the structure of short-term assets the most important categories are cash (46 %), inventories (31 %) and trade receivables together with other short-term assets (23 %).

**Inventories** increased by 13 % compared to the situation at the end of 2020, while the inventories of material (taking into account advances) increased by 24 %, the value of inventories of work-in-progress decreased by 2 % and the total value of inventories of finished products and merchandise of the company decreased by 4 % (compared to the situation at the end of 2020). The most important reason for the decrease in inventories of finished products is the increased volume sales of pigment.

**Short-term financial receivables** mainly include the fair value of derivatives and do not have a balance compared to the end of 2020.

**Short-term trade receivables** include short-term trade receivables from customers and short-term trade receivables from others (mainly from the state for input VAT). Compared to the situation at the end of 2020, receivables increased by 16 %. Trade receivables from customers increased by 18 %, while other short-term receivables increased only by 1 %. An overview of the receivables from customers according to the maturity dates reflects the fact that the age structure of the receivables continues to be of high quality and secured with an external institution or with another form of collateral (the proportion of secured receivables in the structure of all receivables is 97.7 %).

**Cash** (and cash equivalents) represent 46 % of the total value of short-term assets, the volume of cash increased by 59 % compared to the previous year. The relatively high value of cash is mainly due to the excellent performance of the whole year.

**Other short-term assets** include deferred costs paid in advance. Their value decreased by 48 %.

**Value of equity** in liabilities structure as at 31 December 2021 represents 78.6 %, which is 4.2 percentage points less than at the end of 2020. The amount of equity increased by 9 % compared to the situation at the end of 2020. The increase (EUR 15.5 million) relates to the difference between the net profit in 2021, the pay-out of dividends for 2020 in the amount of EUR 16.5 million, the purchase of treasury shares out of provisions in the amount of EUR 0.9 million and due to the changes in the surplus from the revaluation of severance payments in the amount of EUR 0.4 million. Based on the resolution of the General Meeting dated 5 June 2018 and the resolution dated 17 June 2020, the Company redeemed 4,514 treasury shares in 2020 totalling EUR 0.9 million in value, setting aside reserve for treasury shares against other revenue reserves at the same time. As at 31 December 2021, the Company had 26,465 treasury shares. There were no other material changes in equity.

The amount of share capital within total equity stood at EUR 20,229,769.66 and comprises 807,977 ordinary freely transferable no-par value shares (of which 26,465 are treasury shares subscribed in

the treasury shares fund). The carrying amount of a share as at 31 December 2021 was EUR 234.5 (it increased by 8.9 % from the beginning of the year when it amounted to EUR 215.4).

**Provisions and long-term accrued costs and deferred revenues** comprised 9.7 % of liabilities. Provisions for pensions and similar liabilities were established as at 1 January 2006 (termination and jubilee benefits) and are adjusted annually based on actuarial calculations. Other provisions were established in the ownership transformation procedure for environmental provisions. Over the last number of years, we have established the following additional environmental provisions: EUR 5 million in 2010 for the rehabilitation of the Bukovžlak solid waste landfill and EUR 7 and 5 million in 2011 for the rehabilitation of the Za Travnik landfill and destruction of low-level radioactive waste. At the end of 2017, we reviewed the provisions in detail, checked them and only set aside new provisions for the elimination of risks arising from old burdens in the amount of EUR 6.4 million. At the end of 2021, we reviewed the volume of provisions and properly designed them in relation to actual market conditions, thus increasing the existing environmental provisions by EUR 3.7 million. The volume of environmental provisions increased by 13 % in the period under review as a result of additional design taking into account the dedicated cost coverage of the above-mentioned rehabilitation projects. Long-term deferred revenues decreased by 19 % due to the accrued depreciation of assets acquired free of charge and their present value in the coming years.

**Financial and operating liabilities** rose by 84 % compared to the situation at the end of the previous year due to an increase in liabilities to suppliers by 100 %, arising from the payment of outstanding strategic deliveries and extension of payment deadlines, and due to an increase in other short-term liabilities arising from taxes and obligations for employee contributions and corporate income tax by 57 %. All financial and operating liabilities are short-term. The Company's gross debt rate was 11.8 % and was 4.5 % higher as compared to the balance as at 31 December 2020.

**Short-term financial liabilities** as at 31 December 2021 amounted to EUR 198 thousand, which is 3 times more than at the end of 2020 (with EUR 60 thousand); the difference arises from increased assignment of our liabilities and receivables of our suppliers. The Company's financial debt ratio is thus 0.82 ‰ (in the previous period: 0.29 ‰).

**Short-term operating liabilities** rose by 74 % in the period. Short-term trade payables as at the last day of December 2021 stood at EUR 18.7 million and doubled as compared to the end of 2020, mostly due to strategic raw material supplies in December 2021 as compared to December 2020. Other operating liabilities rose by 12 % (EUR 0.5 million) and mostly include EUR 2.5 million of liabilities for net salaries and performance bonuses, EUR 1.3 million of liabilities for salary-related contributions and taxes, EUR 3.9 million for the payment of corporate income tax and EUR 0.6 million of VAT liabilities and liabilities to other institutions.

**Other short-term liabilities** decreased by 6 % in the period. They mostly comprise accounted liabilities for annual leave and labour costs, accrued environmental contributions and taxes and VAT on advances given.

## **THE COMPANY'S OPERATING RISKS AND THEIR MANAGEMENT**

### **The Company's Operating Risks and Their Management**

Cinkarna Celje, d. d. is a regional company operating globally. Therefore, it is exposed to risks of an economic, environmental and social nature. The risks are perceived individually or collectively as a series of events that could significantly impact the achievement of the tactical and strategic goals of the Company and/or its capacity for long-term operations. These events include both positive and

negative impacts, those with a negative potential impact being risks and those with a positive potential impact being opportunities. The risk management system/process (SRM) is designed in the same way and operates in the same, complimentary way for both managing risks and exploiting opportunities.

Risks are identified and evaluated using a combined qualitative/quantitative method to determine the extent/impact potential and the probability of occurrence of an event. We combine individual risks in the following areas in a transparent manner, and we also use the allocation for external reporting:

- I. Sales and purchasing risks;
- II. Production risks;
- III. Financial risks;
- IV. Spatial, environmental and legislative risks;
- V. HR and organisational risks.

The process or functioning of the SRM is continuous, and reporting to the external public is carried out every 6 months, within the framework of regular legal reporting. The SRM is disclosed in detail in the Annual Report 2020 (pages 35-38). The overview of key risks in the continuation is actualised and defined in accordance with the circumstances and expectations at the time of compilation of this Report.

### **I. Sales risks**

<b>Product sales risk</b>	Probability of occurrence	Amount of damage
	<b>Moderate</b>	<b>Moderate</b>
Definition	The risk is associated with the possibility and ability of successfully selling products on target markets. It relates to the increasing negotiation power of buyers, conjunctural (in)stability of markets, growing power of competitors (on account of capital concentrations) and the suitability of the elements of our own marketing mix (price, product, market, promotion). The parallel problem of increasing production capacity in China is turning into a long-term trend, which will have a significant impact on the structure of the industry also in the longer term. Sales of the carrier product are also partly affected by the change in consumer habits resulting from the epidemic.	
Management	The risk is mitigated by expansion of the sales network, diversification of the production and sales portfolio, introduction of new and shortening of existing sales channels, development of marketing partnerships, and development of new products that allow entry to new markets and industries. In the last few years, we have been actively reducing the product sales risk by optimisation of the sales portfolio with exclusion of products with a high market risk. By way of target-oriented technological investments, we are focusing our sales portfolio on applications and markets of a more demanding nature with a higher quality that represent a shift from the commodities markets, characteristic of which is lower value added and high exposure to Chinese pigment at favourable prices. We also manage sales risks through systematic monitoring and comparative analyses of relevant industries (competitors and buyers), participation in marketing and professional industry events and the introduction of standards for managing quality, safety, the environment and health. The risk is managed through strategic development and maintenance of the so-called compensation markets (USA, Near/Middle East) where we can direct any surplus of unsold quantities, taking into account their current profitability. This sales risk management strategy is used to manage the loss of sales due to the COVID-19 virus epidemic.	
<b>Purchasing risks related to raw materials and energy</b>	Probability of occurrence	Amount of damage
	<b>High</b>	<b>High</b>

Definition	<p>The Company is highly dependent on the purchasing of quality and appropriately priced raw materials and energy. These are mostly standardised raw materials of a global character (which are often traded on organised markets), primarily titanium-bearing raw materials, copper, zinc and sulphur. The negotiating power of suppliers is high (and is rising). In the long-term, the risk is considerable in terms of prices and also availability. Between 2016 and 2018, the risk related to the purchasing of titanium slag increased slightly due to the discontinuation of production of a long-standing supplier (one of the two global producers), but we have managed to establish business with a quality alternative supplier, so quantities are secured for the long run. We estimate that the current market situation in the field of titanium-bearing raw materials is relatively stable. The risk in the area of energy products (gas and electricity) is great and important both in the short-term and long-term due to the extraordinary volatility and price movements and due to the long-term objective limitation of resources. This increases the risks of price volatility also in the procurement of raw materials, the cost price of which is largely linked to energy costs. Lower operating levels of refineries in the time of the epidemic and substitution of fossil fuels increase the potential for volatility of sulphur prices.</p>	
Management	<p>We manage the risk by searching for and evaluating alternative raw material sources (catalogues of verified alternative raw materials and suppliers). We build long-term and stable partnerships in a targeted manner. We monitor and analyse the situation on international markets ourselves and with the help of market specialists. We are in regular contact also with suppliers with whom we do not cooperate, but that could be a solid alternative. We are developing infrastructure, information systems, technologies and products so as to limit the use of critical raw materials, reduce dependence on individual suppliers and limit the volatility of purchasing prices. Where possible, we conclude long-term purchasing agreements, use various hedging systems, balance the structure of consumption of individual energy products, implement energy management and continuous measures/projects aimed at optimising energy consumption. We include targets for specific consumption of raw materials and energy products into the Integrated Management System.</p>	
<b>Risk of macroeconomic conditions in target economic environments</b>	Probability of occurrence	Amount of damage
	<b>Moderate</b>	<b>Moderate</b>
Definition	<p>Considering that the Company is not limited geographically, it is exposed to the risk of changes in regional and global macroeconomic conditions, political/security conditions and even damaging climate events. The majority of negative consequences cannot be estimated. The general risk of the macroeconomic condition is certainly present at the moment, but we believe that we are sufficiently well prepared for any further deterioration. Extreme prudence and attention are still in place due to the escalation of relationships between Russia and the West, the complicated security situation in the Near/Middle East, and the impact of the ongoing epidemic on the wider economy. The long-term situation in Turkey, which is one of the biggest markets for titanium dioxide pigment, is particularly important for Cinkarna Celje, d. d.</p>	
Management	<p>We manage the risk by focusing on relatively safe and stable markets within the EU+ (more than 80% of sales), while sales outside the borders of the EU+ are distributed over a broad portfolio of markets such as: the USA, Near/Middle and Far East. We develop a balanced sales structure from the point of view of risks &amp; returns. An important element of the strategy for the management of this risk is flexibility in directing sales to different geographic markets. We consequently maintain an optimum scope of the so-called compensation markets. In doing so, we regularly monitor macroeconomic forecasts and projections and adjust our business policy accordingly. We monitor developments in each partner country closely and evaluate and adapt our business decisions with our local partners.</p>	

	We mitigate manageable risks strategically (e.g. financial risks) in order to enhance the compensation ability in objective risks of the global economic environment.
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**II. Production risks**

<b>Risks of availability of the means of work</b>	Probability of occurrence	Amount of damage
	<b>High</b>	<b>Low</b>
Definition	Cinkarna Celje, d. d. is a capital-intensive company involved in the processing industry with a high share of continuous processes. From the point of view of loading and wear of the means of work, the conditions are mostly unfavourable (chemically aggressive substances, high temperatures, pressure, etc.)	
Management	The risk is mitigated through a professionally elaborated and excellently organised preventative and curative maintenance system. Special attention is placed on preventative maintenance, which implies excellent technical diagnostics. We ensure operational safety through integrated spare devices at critical points.	
<b>Risk of accident, fire, uncontrolled substance release into the environment and accidents at work</b>	Probability of occurrence	Amount of damage
	<b>Low</b>	<b>High</b>
Definition	The chemical processing and metallurgical industry implies the risk of the occurrence of such accidents.	
Management	<p>The risk is managed through systematic evaluation of environmental and employee impacts, periodical assessments of fire threats and job systematisation in line with risk assessment. In the area of environmental impact mitigation, we have systematically introduced European environmental standards through the implementation of the principles of the 'Responsible Action Programme' and alignment of our activities with the requirements of the IED directive. We implement our processes by observing the 'best available technique' (BAT) principle. As regards fire safety, we have our own firefighting unit organised, and the Company also holds adequate fire insurance. As concerns accidents at work, we have a service established that controls compliance with rules and measures for health and safety at work. We provide regular education and training for employees. The Company holds liability insurance. We conclude written agreements with external contractors and provide them with training. We have engaged a permanent coordinator for safe and healthy work. We have introduced work instructions for the performance of maintenance interventions in terms of fire prevention, accident prevention and improvement of cleanliness in the workplace. We have had the ISO 14001 environmental management system and the ISO 45001 safety and health management system in place since 2009, both of which are certified and supervised by an authorised institution.</p> <p>A part of the Company certifies compliance with environmental regulations also by registering in the EMAS register kept by the Ministry of the Environment and Spatial Planning. We have performed an assessment of hazards and prepared a protection and rescue plan. We identify and eliminate process risks for the environment, safety and health through annual framework and implementation goals. We carry out evacuation drills in line with the programme.</p> <p>In 2020, we revised the concept of environmental risk in accordance with the SEVESO directive, and obtained a revised environmental authorisation under this</p>	

	<p>Directive in 2021. We are implementing improvement measures resulting from the revision.</p> <p>We are implementing a comprehensive rehabilitation of the Bukovžlak non-hazardous waste landfill, regular technical observation of the Bukovžlak and Za Travnik high barriers, the prescribed monitoring and necessary maintenance work, thereby reducing the possibility of accidents in this area.</p>
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### III. Financial risks

Currency risk	Probability of occurrence	Amount of damage
	<b>Low</b>	<b>Low</b>
Definition	Cinkarna Celje, d. d. performs its purchasing and sales on the global market, which is why it is also exposed to the risk of unfavourable inter-currency ratios. The most important is the euro/US dollar exchange rate. Because the majority of sales are transacted in euros, exposure is worrying especially in dollar-denominated purchasing of titanium-bearing and occasionally also copper compounds.	
Management	We are continuously monitoring changes and forecasts in relation to the dynamics of the euro/US dollar currency pair. Based on market data and prices of financial instruments (hedging costs), we define the strategy for hedging cash flows (method and extent) on an ongoing basis. In essence, the risk of adverse changes in the dollar exchange rate is limited in two ways: we cover part of the exposure by operational hedging, i.e. exchange rate coordination of sales and purchases, and we systematically limit the risk of short-term fluctuations using short-term financial instruments (especially dollar futures).	
Credit risk	Probability of occurrence	Amount of damage
	<b>Moderate</b>	<b>Low</b>
Definition	This is the risk of potential non-fulfilment of contractual obligations on the part of buyers, meaning that buyers are in delay with payments or default on their past-due liabilities. The risk is limited as we mostly do business with long-standing partners who are frequently well-known traditional European industrial companies with a high credit rating. Over the last few years we have noticed that the payment discipline is relatively poor in Slovenia, the Balkans and Eastern Europe, but we do not expect further deterioration of problems in this area in the future. Exposure to credit risk has decreased significantly by reorganising the portfolio of the Company's strategic business areas, specifically by abolishing the product lines of graphic intermediate goods, the titanium-zinc sheet, the anti-corrosion coatings and the construction compounds. As concerns credit risks, we should point to the consequences of the unclear outcome of the epidemic and of the associated changes in consumer habits.	
Management	The risk is mitigated by the development of long-term partnerships, checking of ratings of new domestic and international buyers, selection of reliable buyers, and regular monitoring and verification of the business health of our buyers. We use the credit limit system, which limits systematically potential damages. We also have a department with adequate IT infrastructure organised for dynamic monitoring of maturity of outstanding receivables, balance of overdue receivables and their collection. When it comes to mediation, court and out-of-court recovery of receivables, we cooperate with external providers of such services. We make use of payment security instruments (collateralisation of receivables, advance payment, bills of exchange, documentary letter of credit, bank guarantee or documentary collections) in individual cases.	

### IV. Environmental, spatial and legislative risks



<b>Rehabilitation of the Bukovžlak non-hazardous waste landfill</b>	Probability of occurrence	Amount of damage
	<b>Low</b>	<b>High</b>
Definition	<p>In the last quarter of 2010, the Management Board adopted the decision not to include the Bukovžlak non-hazardous waste landfill in the application for the environmental permit because of the high financial burdens and limited availability/capacity of the landfill and for the landfill closure procedure to be commenced immediately.</p> <p>An overall rehabilitation is needed for long-term safety and minimisation of environmental impacts.</p>	
Management	<p>In 2010, the Company formed environmental provisions in the amount of EUR 5 million that was debited against operating results. We have obtained the environmental permit for the period of closing down the landfill (30 years).</p> <p>We finished the first phase of comprehensive rehabilitation in 2016 and 2017 – the strengthening of the barrier.</p> <p>Further works on project documentation revealed a need for additional interventions not anticipated at the time of establishing provisions in 2010, thus we established additional provisions of EUR 782,563 at the end of 2017.</p> <p>In line with the integral permit, in June 2020, we started the implementation of the remaining phases of the comprehensive rehabilitation (cover, drainage of backwaters, central and western drainage, diversion dam). From the point of view of risk management, we completed the most demanding operation (construction of the J20 shaft) before the end of 2020.</p> <p>Interim studies have shown the need for additional rehabilitation work in the area of drainage C1, which, while draining the high barrier of Bukovžlak, runs along the border of the ONOB, and the construction of a sealing curtain in the north-east of the ONOB to prevent the spread of contaminated groundwater into the lower-lying areas. At the end of 2021 the prices of materials and services also increased. For the purpose of covering the above additional rehabilitation work and the expected cost increase, an additional provision of EUR 3,452,592.32 was created in the business results for 2021.</p> <p>Due to additional design and implementation work on drainage C1 and sealing curtains, the total rehabilitation is extended to at least 2024.</p>	
<b>Availability of the Za Travnik waste disposal plant</b>	Probability of occurrence	Amount of damage
	<b>Moderate</b>	<b>High</b>
Definition	<p>The time to dry backfilling of the Za Travnik waste disposal plant is limited. It depends on available volume, pigment production quantity and by-product quantity. The backfilling of the waste disposal plant means that titanium dioxide production is stopped.</p>	
Management	<p>We produce the maximum amount of CEGIPS possible, thus reducing the amount of red gypsum for disposal.</p> <p>The acquired integral permit for the rehabilitation of the Bukovžlak non-hazardous waste landfill endorses the use of red gypsum for the construction of an airtight cover and the setting up of a diversion dam.</p> <p>We have revised the project for backfilling red gypsum into the Za Travnik waste disposal plant, the aim of which is to optimise backfilling (more natural settlements). Given the changed conditions (increased removal of white gypsum,</p>	

	<p>different crystal structure, settlements), we have prepared a new estimate of the available backfilling volumes.</p> <p>The time to backfilling is being prolonged by way of all these measures. Based on Article 9 of the decree on the construction plan for the Za Travnik landfill in the Municipality of Šentjur, we have initiated the process of amending the OPPN (Detailed Municipal Spatial Plan), which will at the same time include the possibility of further filling on the basis of new technical knowledge. The starting points for the modification of the OPPN are being prepared.</p> <p>We are also checking the possibility of changing the technology of waste acid treatment, which now results in the formation of red gypsum. This would reduce the dependence of the production on the available backfilling volumes.</p>	
<b>Ensuring the stability of barriers</b>	Probability of occurrence	Amount of damage
	<b>Low</b>	<b>High</b>
Definition	<p>Barriers represent a hazard in case of a collapse. The latter could mainly occur in the event of a powerful earthquake.</p>	
Management	<p>We carry out the prescribed monitoring that is analysed once a year by experts from the Faculty of Civil and Geodetic Engineering of the University of Ljubljana. We observe all recommendations by concurrent maintenance. Projects of the break wave have been developed.</p> <p><b>Za Travnik high barrier</b></p> <p>We amended the network for technical monitoring at the Za Travnik barrier and renovated the primary and secondary geodetic monitoring network. We plan additional security and drainage measures on the east side. Based on data from new monitoring wells, we will order preparation of the water balance for any necessary measures on the west slope of the barrier. Due to the improved situation following rehabilitation works in previous years, we reversed environmental provisions to EUR 450,000 based on expert assessment of still necessary works. According to the revision of the necessary works, costs of materials and services, we increased the provision by EUR 15,921.41, debited against the operating results in 2021.</p> <p><b>Bukovžlak high barrier</b></p> <p>We perform regular maintenance of the Bukovžlak high barrier for red gypsum. At the end of 2017, we established EUR 3 million worth of provisions for more comprehensive rehabilitation of this barrier.</p> <p>In 2018, we made new monitoring wells on the east side of the barrier, where monitoring started in 2019. On the basis of the data obtained we will formulate a plan for the rehabilitation measure. In line with previous knowledge and taking into account the rise in prices of materials and services, we have carried out a revision of the necessary funds. In accordance with the result of the revision, we created an environmental provision amounting to EUR 232,700.00 for this location, debited against operating results in 2021.</p> <p>A concept project for lowering the lake water level that would contribute significantly to the safety of the barrier was prepared. We improvised noise reduction to obtain data for further work. We have established a seismic observation of the Bukovžlak high barrier, which is excluded for the time of the rehabilitation work on the ONOB with the approval of the administrative body.</p> <p><b>The ONOB Barrier</b></p> <p>Rehabilitation of the Bukovžlak non-hazardous waste landfill (ONOB) barrier was carried out in 2016 and 2017. Complete rehabilitation of the entire landfill, which began in June 2020, will further improve the stability of the barrier in the long run.</p>	

<b>Water permit for pumping process water from the Hudinja river</b>	Probability of occurrence	Amount of damage
	<b>High</b>	<b>High</b>
Definition	Continuous measurements with constant data on water flow and pumping quantity are required. Production can be restricted during months of drought.	
Management	<p>We have obtained a water permit for the performance of continuous flow and pumping quantity measurements. We need to implement continuous measurements by March 2022.</p> <p>We are looking for solutions and are already making minor investments in partial water recycling.</p> <p>We submitted an application to the Slovenian Water Agency to supplement the application for amending the water permit in accordance with the scientific bases prepared by the Institute for Water of the RS. Given the scientific bases, we expect slightly milder requirements for the determination of ecologically acceptable flow.</p> <p>Given the lengthy nature of the procedure with an unpredictable outcome, we undertook the task of examining the provision of process water from other sources in 2020. The terms of reference showed that the existing reservoirs, the lakes Šmartinsko jezero and Slivniško jezero, are not a viable solution due to other purposes of use, environmental requirements and inadequate capacities. The construction of reservoirs is not an economically reasonable solution.</p> <p>During the collection of initiatives for the preparation of the Water Management Plan for the next period, we submitted an initiative to the Ministry of the Environment and Spatial Planning to transform this part of the water body into a heavily modified water body (HMWB), which is subject to different conditions for determining the ecologically acceptable flow. The Ministry of the Environment and Spatial Planning rejected the initiative as an inappropriate option.</p> <p>In view of the rejection of the above-mentioned initiative, we are dealing with the processing of preliminary solutions for:</p> <ul style="list-style-type: none"> <li>- use of own accumulation in Bukovžlak,</li> <li>- use of water from the Tremerje waste water treatment plant,</li> <li>- intermittent operation with lower production capacity and internal recycling.</li> </ul>	
<b>Lawsuit by the City Municipality of Celje</b>	Probability of occurrence	Amount of damage
	<b>Low</b>	<b>Low</b>
Definition	The City Municipality of Celje (MOC) requests from the Company the reimbursement of the costs of rehabilitation of the soil excavated by the construction company that acted on request of the investor (MOC) in the scope of construction works (urban wastewater). The excavations were carried out on the land (location of the old Cinkarna) that MOC took over from the Company based on a contract on transfer of redundant assets free of charge. The material was excavated in 2009. At the time of excavation, it was classified as material that could not be disposed of in a non-hazardous waste landfill due to its heavy metal content. Pursuant to the decision of the administrative authority, MOC rehabilitated the material via an external contractor. Prior to that, MOC had already unsuccessfully sued the construction contractor, against whom bankruptcy proceedings had been initiated in the meantime.	
Management	The Court ruled in the first instance in favour of the Company, but the judgement is not yet final. MOC announced an appeal against the judgement to be decided by the Higher Court. According to the current assessment of the law firm that	

	represents Cinkarna in the legal proceedings, the possibility of a favourable outcome for the Company is greater than 50%.
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## V. HR and Organisational Risks

Ensuring continuity of human resources	Probability of occurrence	Amount of damage
	Low	Moderate
Definition	The nature of the Company's operations is inherently complex and specific as it operates in several industries that are not interrelated and at the same time supplies products to end users from very different industrial areas. Consequently, it is exposed to the risk related to networking and interactions and, above all, transfer of its managerial, engineering and supporting know-how. These risks are thus related both to the HR structure and the system of continuous learning and transfer of acquired knowledge and information through communications paths and structures.	
Management	We are training and preparing responsible successors for the key functions at all levels of the Company's organisational structure through a target-oriented programme. We ensure adequate information flow for the key managerial and expert fields in all phases of operations of organisational units through constant communications, informing and harmonised actions of all key employees. Successors are actively participating and are closely familiarised with actions and issues related to ensuring uninterrupted operations of business functions and processes. In cooperation with support services, we thus ensure the undisturbed takeover of the Company's key functions in case of foreseeable and also extraordinary events (illness or longer period of absence, resignations and retirement).	
Ensuring the smooth operation of the Company during COVID-19	Probability of occurrence	Amount of damage
	High	High
Definition	During the global COVID-19 pandemic and the consequent outbreak of the virus also in Slovenia, the Company's internal environment was exposed to a large number of people, both employees and external contractors. In the event of a virus infection, this presents a risk to the smooth operation of individual production organisational units within the Company. The system of adopting a set of measures and internal testing of employees ensures the stability and reliability of human resources in the time of threats posed by the COVID-19 pandemic.	
Management	In many areas of the operational and organisational structure of the Company, we used a number of measures, protocols and channels for targeted communication with employees to ensure the smooth operation of the Company. We restricted or minimised contacts with external partners and contractors, adjusted our internal processes in such a way as to ensure the minimum number of employees required in the workplace, adjusted shift work, limited contacts during shift changes, arranged for a certain reserve of critical crews of workers, introduced instruments for work reassignment and work from home, adjusted out canteen service, established protocols for online communication, prohibited gathering of people and established a system of self-supply with disinfectants and protective masks, while ensuring external procurement of personal protective equipment, taking into account all measures taken by the Slovenian Government and the National Institute of Public Health. We established an internal testing system with rapid antigen tests and promptly informed all employees of the measures and protocols in force within the Company. With these measures, we ensured the	

	uninterrupted operation of the Company in the event of infections, possible quarantines and the required self-isolation of employees.
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# **DEVELOPMENT FOUNDATIONS AND SOCIAL RESPONSIBILITY**

## **Employees**

As at 31 December 2021, 793 employees were employed in Cinkarna, which means that compared to the end of 2020 the number of employees decreased by 31 (3.8 percent). There are slight changes in the number of employees per business unit, except in professional services and the Chemistry Mozirje BU, where the number of employees has decreased significantly.

The average number of employees in 2021 was 802, which is on average 38.8 employees or 4.6 % less than the average number of employees in the same period of 2020.

Since 1985, when the company's management started a long-term restrictive HR strategy and the number of employees was 2427, the number of employees decreased by 1634 employees or by 67.3 percent.

The average number of employee absence from work in 2021 increased by 1.1 percentage points and amounted to 22.1 % compared to the previous year, mainly due to COVID-19 related higher sick leave, and consequently more absences and a lower number of annual leave used in the current year in order to ensure the smooth operation of the Company (of which 7.3 % was due to sick leave, which represents 33 % of total absences or 0.9 percentage points more than in 2020). At the Company level, the percentage of sickness benefits rose by 14 % compared to the year before.

## **Investments**

In 2021, we spent EUR 11.3 million on investments, the purchase of fixed assets and replacement equipment, and environmental investments, which represents 78 % of the planned funds for 2021.

Deviations from the plan are the largest in the area of the purchase of fixed assets, where realisation in 51.55 % is achieved. For replacement equipment, the realisation is 121.98 %. Exceeding the plan for the purchase of replacement equipment is the result of the necessary work that was shown in the inspection of the condition of the installations during the autumn overhaul and because it was not possible to previously inspect and assess the scope of urgent repairs. In the field of investment we achieved the realisation of the plan of 53.99 %. The reason for the lower realisation is mostly due to longer selection procedures for the most advantageous supplier, pilot tests of different plants, delays in the preparation of project documentation and administrative procedures.

As usual, in this year the largest share of the invested funds was spent for the production of titanium dioxide and sulphuric acid, to continue the activities as part of the multi-annual project. We completed the following investments:

- installation of parallel storage tanks for black solution filtration,
- construction of treatment plant for smoke gases from the calcination process (4th electrofilter),
- completion of the project of separate collection of waste from Water Preparation,
- installation of degassing hydrocyclones at the existing gypsum thickener,
- completion of a C line for the 1st stage of acidic effluents neutralisation,
- replacement of the sulphur combustion furnace and burner during the autumn overhaul,
- upgrading of the sulphur-melting treatment plant.

We have carried out pilot tests on the metatitanic acid squeezing, which will be used to select the appropriate equipment and to continue the investment in 2022.

With the selection and order of equipment, we started an investment for the replacement of used presses for pigment squeezing.

We built the equipment for the installation of the C line for the 2nd stage of acidic effluents neutralisation.

We made small investments in the implementation of preventive measures to reduce dust and ordered equipment for the installation of a central filter for anti-dusting.

From mid-October to early December, a large overhaul took place in the production of titanium dioxide (the walls on part A of the furnace and Venturi scrubber for calcination smoke gasses, replacement of two gel-washing filters, the walls of digestion column etc.). In addition to the extensive work in the autumn overhauls, we also rehabilitated, during the year, the second of four red-gypsum press filters, two hydrolysing units and one digestion column.

The planned construction of the gypsum pipeline over a different route across the land plot 115, cadastral municipality of Teharje, where the Ministry of the Environment and Spatial Planning plans to rehabilitate an illegal waste landfill, was not possible. The Ministry of the Environment and Spatial Planning was unable to obtain all the necessary approvals.

A robot cell was purchased for the Polymers BU for feeding the CNC machine, which will decrease labour costs per unit of product.

We installed and equipped a sulphuric acid container for production of TBCS in Chemistry Celje BU.

In Chemistry Mozirje BU we arranged a warehouse for powdered coatings.

We ordered and partly realised two solar power plants.

The majority of funds planned to be used from environmental provisions (97 %) were spent on the rehabilitation of the Bukovžlak non-hazardous waste landfill. The works on this facility did not go according to plan. Overall, only over 40 % of the funds planned have been used. Because of the sliding of the earth layers, we had to stop the works in the implementation of the western drainage pipeline, and had to order the project design and the necessary protective equipment for the safe execution of the excavations. The realisation of the other three projects from environmental provisions is also well below the plan. In the area of eliminating old burdens, we estimated that the proposed solutions by CDM Smith do not give an adequate effect and require a disproportionate part of the funds. That is why we have undertaken to check the possibility of groundwater treatment at an existing acid effluent treatment plant. The activities on the Za Travnik and Bukovžlak high barriers are slowed down in order to obtain the necessary expert bases dictated by the nature of the system (interim observation and acquisition of data from control wells).

We carried out a test field for a new drainage C under the Bukovžlak high barrier.

We also performed investment works on the rehabilitation of individual facilities (facility for operational maintenance of TiO<sub>2</sub> – phase III, adaptation of the Quality department premises, sanitary facilities in KM BU).

## Development Activity

### Review of the company's strategy

We have set out the task of examining the possibilities for diversifying our programmes. We presented the identified opportunities to the Supervisory Board. More promising opportunities are in the process of more detailed processing. And will continue in 2022.

### The determination of the maximum possible production volume of titanium dioxide

In the first phase, the task was to examine the necessary modifications to the production equipment for the expansion of the volume in the framework of the environmental permit issued, and to examine the possibilities for further expansion. In the following we made projections of emissions trends at different expansion ranges. In the context of this task, we also prepared an overview of the bottlenecks for achieving a capacity of 71,000 t, which we are carrying out or planning for the following year. Due to missing data from the external environment, the assessment of the actual possibilities and the advisability of further expansion has not been completed and continues in 2022.

### Energy overview

The selected external contractor carried out an overview of the situation and a set of possible actions that we have included in the 2022 plan, according to the impact.

### Development of the copper hydroxide synthesis process

Laboratory tests were carried out at different concentrations and with different additives. The results were good. The industrial experiment carried out showed the need for additional development work that had not yet produced the expected result by the end of the year, so the development continues in 2022.

### Development of ball valve DN 150 with FEP coating

We have produced the component drawings and the work plan and based on these also four test kits of the valve components. The valve body has been properly protected, and the sealing elements and the tool used to spray the ball were made. The valve is ready for marketing.

### Development of powdery coatings

Planned development activities for obtaining Qualicoat Class 1.5 certificate for semi-matte and matt systems and Qualicoat Class 1.5 for fine structural surfaces are completed. The prepared samples are being tested in an accredited laboratory.

### Development of masterbatches

We developed individual monomasters with various inorganic pigments, and we also carried out market analysis and discussions with potential customers. The marketing of monomasters in 2021 has not yet started due to the lack of pigments.

We started the development of a bio-polymer based masterbatch in the middle of the year. Preliminary tests were carried out with different samples of carriers.

### Multi-annual research development tasks in the production of TiO<sub>2</sub>

- Development of new qualities of existing products and development of new ones
- Increasing efficiency and reducing waste
- Ensuring a narrower particle size distribution in the calcite
- Integrated water management



## Quality Assurance

In 2021, 12 internal audits were planned. We audited BUs and departments that have not been audited recently and reviewed the completion of measures as well as the effectiveness of ex-ante audits. In the plan, special attention was paid to the horizontal audit of the implementation of the eleven organisational regulations. The auditors identified 16 inconsistencies and made 51 recommendations for improvements.

External auditors conducted the ISO 9001:2015 compliance audit for 2021 at the end of May. No inconsistencies were found and the identified opportunities for improvement were taken into account and incorporated into our integrated management system.

We regularly monitor the number of complaints and comments of our buyers and respond to them with corrective measures. In 2021, there were a total of 9 complaints, of which 4 were unjustified (44.4 %), and which were resolved to the satisfaction of the customer.

Compared to 2020, the number of complaints decreased from 17 to 9. 6 complaints relate to the products of Chemistry Mozirje BU, where they recorded the decrease of complaints (8 in 2020). Two complaints are for Polymers BU products and one for the loading of Cegips in OE Marketing. Other BUs have not received complaints on their products.

We continued working on a project aimed at introducing new qualities of titanium dioxide. We initiated and partly implemented a series of optimisations of individual production processes, which should contribute to higher quality of our pigments. We have achieved the set quality improvement targets for printing ink type (RC 813), but we do not yet guarantee the expected stability. We are moving this part of the target to 2022. We improved plastic type processing (RC 818) and upgraded it with a new type of hydrophobic treatment (RC 819). We have introduced three new control methods to evaluate the application properties of pigment titanium dioxide.

The broader framework of ensuring the quality of the Company's operations also encompasses the project of formulating a business continuity plan. The task stalled in 2021. There were several reasons. With a new carrier and with a search for a new external partner, we transfer it to 2022.

Permanent improvements dictated by standards and quality guidelines are the driving force of progress and continuous improvements in all areas of the Company's operations. The system for collection of useful suggestions, CC UM, resulted in 0.17 improvements per employee. The greatest number of improvements was observed in the area of work organization, process improvements, safety and health at work, and the reduction in the consumption of energy products and materials.

## Environmental Management

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

We have successfully implemented most goals to address environmental risks. The risks addressed were in the areas of process safety, the safety of high barriers and solid waste landfills, the search for alternative supply options for process water, compliance with legislative and other requirements and the rehabilitation of old burdens. The measure for the construction of the new drainage system (C1) in the fifth high barrier is continued in accordance with the tender documentation in 2022, as are the projects for alternative water supply and rehabilitation of old burdens.

### **II. Defining measures for reducing emissions to the environment in case of emergencies or changes**

Eight measures were defined and seven of them were successfully implemented:

- training and checking of the competence of the persons responsible for the operation of the treatment plant in Chemistry Celje BU,
- defining measures and preparing ND, and training in case of ethanol spillage in Chemistry Mozirje BU,
- setting up frequency parameters and thus preventing black-outs of the treatment plant on calcination,
- waste disposed of in the facilities of Polymers BU,
- measures are taken to reduce emissions in the event of an emergency in the TiO<sub>2</sub> BU,
- regular inspection of the pressure gauge is in place to prevent excessive emissions from zinc ash discharges in the Metallurgy BU,
- awareness-raising of employees about accident hazards in the Marketing BU.

In the eighth measure - the project of replacing the gypsum pipeline running from the company to the J1 shaft, we actively cooperated with the project leader, which prepares the necessary documentation (project solutions, integral building permit, detailed design, basic design). Due to the required updates, the documentation is still in preparation.

### **III. Sustainably managing resources and products**

In the field of direct electric energy savings we continued with the gradual installation of energy saving lighting, replacement of electric motors with energy efficient class ID3 motors and installation of frequency regulators. These improvements have reduced electricity consumption by 2 %. With efficient compressed air production and the detection and elimination of leaks, we have indirectly influenced the reduction of the specific energy consumption for compressed air for the production of TiO<sub>2</sub> by 7 %. The improvement in the installation of a 1.5 MW solar power plant due to difficult and lengthy procedures in obtaining the investment grant has not yet been completed.

Although improvements have contributed to energy savings, the cumulative energy consumption is 6 % higher than in 2020. The main cause of the increase is the fall in the production of titanium dioxide and sulphuric acid during the overhaul. The higher energy consumption was also influenced by significantly higher gas consumption (17 %), only as a result of a change in the way the energy value is determined. The latter changed in 2021. The energy value is determined monthly by Geoplín.

In the area of non-hazardous waste management, we have implemented 6 improvements in finding solutions for reductions at source (waste recycling options) and a more regulated management system. The specific quantity of non-hazardous waste without gypsum was lower by 18 % and the specific quantity of hazardous waste by 50 % compared to 2020.

We have also pursued an objective relating to the implementation of measures to extend the availability of waste disposal plants with the aim of eliminating and selling of large quantities of Cegips and thus reducing the burden of the Za Travnik waste treatment plant. The amount of Cegips discharges was 2.8 t/t TiO<sub>2</sub> (lower than the target of 2.9 t/t TiO<sub>2</sub>), while the amount of RCgips deposited was 2.9 t/t (higher than the target of 2.7 t/t TiO<sub>2</sub>). Thus, the specific amount of non-hazardous waste with gypsum increased by almost 6 %.

We have continued our tasks related to the Integrated Water Management project. The goal of all activities is to reduce the burden on watercourses with emissions from our production and to increase the share of recycled water, and thus also reducing the quantities of freshly pumped water.

All work has been done to establish QES monitoring on the Hudinja river, repeated measurements of water levels in the watercourse were performed to determine a new calibration curve for flow recalculation and to monitor test flow measurements.

To manage the risk of process water shortage in dry periods, we are looking for a solution to have the water permit amended based on a study by the Institute for Water. In January 2020, we submitted the updated application, which was discussed at the Water Directorate and, in September, again requested amendments to the Study, which was completed and sent in January 2022. In parallel to that, we also perform activities on checking alternative water supply options.

After a series of demanding adjustments and a delay due to COVID-19, we started the comprehensive rehabilitation of the closed Bukovžlak non-hazardous waste landfill in mid-June, in accordance with the integral building permit. Occasionally, due to locally changed circumstances, the updating of the design documentation and the adaptation of field works are necessary, which increases the implementation time. We carried out west floor drainage and works on the C1 drainage test field to determine the suitability of the foundation according to the Jet Grouting method. We have carried out geological surveys, sampling and performance analyses. The Technological and economic feasibility study is under review. We completed works in a new pool with a pumping station for collecting and pumping out drained water.

We have also carried out activities in the field of changes to the environmental permit for the operation of the plant, which can cause large-scale pollution. At the beginning of June, we submitted to ARSO the requested update of all submitted applications for amendments and submitted data for the comparison of the environmental performance levels related to the best available techniques in the BAT CWW conclusions (Common Waste Water and Waste Gas Treatment/Management Systems in the Chemical Sector). We did not receive an answer or other requests. In October, we submitted one report on the change in the operation of the plant to the Ministry of the Environment and Spatial Planning (MEPP), namely the installation of the third sand milling line in the production of titanium dioxide. In December, we also presented an extension of the application due to the amendment of the measuring point for surface water sampling. We have not received a decision to amend the environmental permit.

Activities from the Register of Requirements and Tasks are implemented in accordance with the requirements of the decision on the amendment of the environmental permit for a low environmental risk plant under the SEVESO Directive and other identified requirements from the major-accident prevention concept.

In 2021, we had three environmental inspections (two at the site in Celje and one at the site in Mozirje). The aim of the inspections was to check the compliance of the installation with the environmental permit obtained and with the changes for installations causing large-scale pollution. There were no identified deficiencies.

We have dealt with two complaints from the public. In the first half of the year we continued our cooperation with the citizen who complained about the occasional appearance of a howling noise already in the previous year. With regard to the noise complaint, we have taken several measures in the titanium dioxide production and there have been no new complaints on this subject. In the second quarter a bad smell complaint was registered. On that date no failure of the treatment plants was found, but we found that the smell was caused by the slightly lower pH of the washing water, resulting in poor treatment performance of digestion gases. The error has been corrected and no further complaints have been made. The complainant also made a complaint to the Inspectorate. That was the cause for one of the inspections mentioned above, but no irregularity has been identified. The inspector requested the early transmission of a report of the measurements taken from the digestion process which did not show the exceedances of the limit values.

According to legislative requirements, we have prepared and submitted all monitoring reports for 2020 within the deadline. No exceedances of the maximum levels were observed. We have been involved in the preparation of new amendments to the legislation (ZVO-2, Regulation on packaging and

packaging waste, Decree on activities and installations causing large-scale environmental pollution, waste regulations etc.) and have followed up all other amendments.

In May, an external audit according to ISO 14001 and EMAS was carried out. There was no inconsistency. We have only received a few recommendations in the area of environmental management.

In September, the Company took part in the 53rd International Trade Fair (MOS) in Celje, as together with us they presented a new direction for companies to provide a green, digital and resilient economy. At the fair we presented activities and achievements in the field of sustainable development in Cinkarna Celje. We also prepared several articles on the subject of sustainable development and the circular economy.

We have carried out all the necessary activities to obtain the certificate POR which was granted in January 2022. For 2020, we received the silver medal "Ecovadis sustainability rating", for which, in addition to environmental protection, protection of human rights and the health of employees and ethics, sustainable procurement is also assessed.

## Health and Safety

The Occupational Health and Safety Department is active in the area of providing legislative requirements in the fields of occupational health and safety and fire safety. By introducing the activities of detecting, recording and eliminating potential hazards and events in the working environment, the Company is actively working on decreasing the number of accidents at work and improving conditions at the workplace. We prevent fires with preventive fire safety measures and ensure active protection against fire with regular supervision, review and servicing of firefighting equipment. We had three framework objectives in the area of occupational health and safety in 2021.

### 1. Zero injuries at work

The objective is long-term. We wish to achieve it step by step by implementing various preventive activities and improvements. The number of injuries at work decreased by 2 compared to 2020. The low FS factor reveals that all injuries were minor.

### Comparison of changes in injuries at work/while travelling and absence from work due to injuries

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
No. of employees – monthly average	1046	999	987	976	941	899	905	873	841	801
No. of reported NM	118	37	37	10	14	9	5	3	3	6
No. of recorded PH	-	81	62	79	105	79	61	56	47	32
No. of eliminated PH	-	44	88	71	86	65	57	52	47	32
FS factor	23.2	27.1	22.2	23.5	14.9	13.0	5.7	5.0	4.7	8.5
No. of injuries at work	27	27	22	20	15	14	15	13	12	10
No. of days lost	907	996	1000	1122	934	837	346	334	329	682
No. of injuries per 100 employees	2.6	2.7	2.2	2.0	1.6	1.6	1.7	1.5	1.4	1.2
No. of injuries while travelling	6	0	0	2	0	0	0	0	0	0
No. of days lost	151	0	0	43	0	0	0	0	0	0

**NM** – near misses; **PH** – potential hazard; **FS factor** – factor of frequency and severity of injuries at work (ratio between the number of injuries, sick leave and the number of employees)

### Number of injuries at work per 100 employees

**Ratio of the number of injuries at work to the number of eliminated reported potential hazards per 100 employees**

**2. Improvements in safety, health at work and fire safety**

**No. of eliminated identified and broken-down process risks**

	OBJECTIVE	REALISATION
Metallurgy	1	1
Chemistry Celje	2	1
Chemistry Mozirje	1	1
Maintenance and energy	3	2
Titanium dioxide	4	4
Polymers	1	1
Marketing	1	1
SVZD	3	3
<b>Total</b>	<b>16</b>	<b>14</b>

**3. Organisation and implementation of employee health promotion**

At the Company we promote employees' health according to a formulated programme. Due to the declared epidemic and the implementation of measures to prevent the spread of infectious diseases, we had to change the programme during the past year and eliminate those activities that were not in accordance with the measures.

Despite the above, we carried out 9 adapted activities:

- blood sugar and cholesterol level checks,
- performing measurements of body composition, analysis and preparing a report with recommendations to the individual,
- performing rapid COVID-19 antigen tests,
- testing for the presence of SARS-CoV-2 antibodies,
- implementation of measures in case of higher temperatures in workplaces during the summer months – article/intranet,
- an article in the internal newsletter for COVID-19,
- promotion of a healthy breakfast,
- performing activities to encourage employees to receive vaccination against COVID-19,
- vaccination against seasonal influenza.

**Costs of Occupational Health and Safety, and Fire Safety**

Last year, we spent on the costs of safety and health at work and fire safety (without preventive maintenance work carried out on work equipment):

	TYPE OF EXPENSE	EUR	%
Technical safety at work 83.9 %	- personal protective equipment	337,819.29	39.4
	- direct costs to the company for occupational injuries	260,348.46	30.5
	- costs of occupational injuries (employer's contribution - BS)	64,704.78	7.6
	- warning signs (labels, boards)	2,237.98	0.3
	- measurements in the work environment	20,260.00	2.4
	- training for safe and healthy work	3,360.00	0.4
	- inspections of work equipment	26,742.40	3.1
Health protection at work 9.9 %	- preventive medical examinations	56,267.47	6.6
	- beverages	15,945.60	1.9
	- biological monitoring	2,418.00	0.3
	- health promotion	1,398.73	0.2
	- first aid costs (cabinets, medical supplies)	2,878.61	0.3

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	- disinfection, disinsectisation, deratisation	5,854.00	0.7
Operational fire safety 6.2 %	- products intended for fire safety (spare parts for fire extinguishers, fire extinguishers, pipes, couplings, protective covers, inspections, fire safety plans etc.)	52,763.24	6.2
<b>TOTAL</b>		<b>852,998.56</b>	<b>100</b>

## FINANCIAL REPORT

### Income Statement

	Notes	Year 2021	Year 2020
<b>Revenue from contracts with customers</b>	21	<b>192,462,100</b>	<b>172,386,851</b>
- revenues from contracts with customers domestic market		17,355,361	14,623,430
- revenues from contracts with customers foreign market		175,106,739	157,763,421
Change in the value of inventories of products and work-in-progress		-463,845	-2,366,517
Capitalised own products and own services		3,750,475	3,882,906
Cost of goods and materials sold		140,470	188,743
Costs of materials	19	97,519,612	96,965,681
Costs of services	19	13,830,982	13,815,945
Labour costs	18	28,888,986	30,099,442
a) Costs of salaries		20,157,542	21,224,553
b) Social security costs		1,645,550	1,680,271
c) Pension insurance costs		2,376,228	2,421,202
d) Other labour costs		4,709,667	4,773,416
Depreciation and amortisation	17	11,281,415	9,932,781
Other operating revenues	23	1,387,062	1,406,912
Other operating expenses		5,468,743	1,772,505
Impairment and write-downs of operating receivables		28,975	611
<b>Operating profit or loss</b>		<b>39,976,608</b>	<b>22,534,445</b>
Financial revenues	24	809,100	468,893
Financial expenses	20	829,203	491,738
<b>Financial result</b>		<b>-20,103</b>	<b>-22,845</b>
<b>Profit/loss before taxes</b>		<b>39,956,505</b>	<b>22,511,600</b>
Tax charged		7,006,296	3,429,614
Deferred tax		276,914	-131,329
<b>Income tax</b>	25	<b>6,729,381</b>	<b>3,560,944</b>
<b>Net profit or loss for the year</b>		<b>33,227,124</b>	<b>18,950,656</b>
Basic and diluted earnings per share		41.12	23.45

## Statement of Company's Financial Position

	Notes	31 December 2021	01 January 2021	01 January 2020
<b>ASSETS</b>				
<b>Non-current (long-term) assets</b>				
Intangible assets	1	980,672	1,035,471	1,209,739
Property, plant and equipment	2	105,896,129	106,399,006	103,298,508
Land		9,676,850	9,749,192	9,821,534
Buildings		42,300,197	43,360,477	42,230,411
Production plants and machinery		44,344,912	41,927,817	32,446,320
Other plants and equipment		49,211	52,238	56,214
Property, plant and equipment under construction and in production		9,172,421	10,492,059	18,586,034
Advances for acquisition of property, plant and equipment		352,537	817,222	157,995
Financial assets at fair value through other comprehensive income	3	950,363	950,363	950,363
Other long-term assets	4	53,028	25,629	27,072
Deferred tax assets		1,950,431	1,673,517	1,804,846
<b>Total non-current (long-term assets)</b>		<b>109,830,623</b>	<b>110,083,986</b>	<b>107,290,529</b>
<b>Current assets</b>				
Inventories	5	40,298,476	35,524,605	40,992,387
Material		26,842,350	21,487,973	24,636,886
Work in progress		2,471,875	2,533,235	2,297,051
Products and merchandise		10,921,232	11,340,759	13,908,165
Advances for inventories		63,018	162,638	150,285
Financial receivables		0	35,056	360,650
Operating receivables	6	31,172,903	26,738,238	25,713,387
Trade receivables		29,148,099	24,734,182	23,948,700
Other receivables		2,024,804	2,004,056	1,764,687
Income tax receivable		0	0	1418601
Cash and cash equivalents	7	59,746,594	37,657,824	31,698,242
Other current assets	8	155,223	295,987	333,270
<b>Total current assets</b>		<b>131,373,196</b>	<b>100,251,710</b>	<b>100,516,537</b>
<b>Total assets</b>		<b>241,203,820</b>	<b>210,335,697</b>	<b>207,807,065</b>

Due to transition from SAS to IFRS, the transition effects are presented as at 1 January 2021 and detailed in the Notes to the financial statements which form part of the financial statements and need to be read together with them.



	Notes	31 December 2021	01 January 2021	01 January 2020
<b>EQUITY AND LIABILITIES</b>				
<b>The capital of the owners of the Company</b>	9			
Called-up capital		20,229,770	20,229,770	20,229,770
Capital surplus		44,284,976	44,284,976	44,284,976
Revenue reserves		110,130,950	94,431,872	91,601,525
Legal reserves		16,931,435	16,931,435	16,931,435
Reserves for treasury shares		4,814,764	3,900,280	1,992,963
Treasury shares		-4,814,764	-3,900,280	-1,992,963
Other revenue reserves		84,892,734	77,500,437	74,670,090
Fair value reserves		-1,860,691	-1,452,475	-1,618,921
Retained profits		25,006,577	16,522,136	15,845,496
<b>Total equity</b>		<b>189,484,801</b>	<b>174,016,279</b>	<b>170,342,846</b>
<b>Non-current liabilities</b>				
Provisions for employee benefits	10	4,256,064	3,984,428	4,208,262
Other provisions		18,828,856	16,659,156	18,091,449
Long-term deferred revenues		188,082	232,817	278,334
<b>Total non-current liabilities</b>		<b>23,273,002</b>	<b>20,876,401</b>	<b>22,578,045</b>
<b>Current (short-term) liabilities</b>				
Financial liabilities	11	197,503	60,090	44,594
Operating liabilities	12	23,242,724	13,331,989	13,946,715
Trade payables		18,690,237	9,284,985	9,483,325
Other liabilities		4,552,487	4,047,004	4,463,390
Income tax liabilities	13	3,852,235	778,351	0
Liabilities from contracts with customers	14	136,087	192,782	14,235
Other current liabilities	15	1,017,468	1,079,804	880,629
<b>Total current liabilities</b>		<b>28,446,017</b>	<b>15,443,017</b>	<b>14,886,173</b>
<b>Total liabilities</b>		<b>51,719,019</b>	<b>36,319,417</b>	<b>37,464,218</b>
<b>Total equity and liabilities</b>		<b>241,203,820</b>	<b>210,335,697</b>	<b>207,807,065</b>

## Statement of Changes in Equity and Determination of Distributable Profit

### Statement of changes in equity for 2021

	Called-up capital	Capital surplus	Revenue reserves				Fair value reserves	Retained profits		Total equity
			Legal reserves	Reserves for treasury shares	Treasury shares	Other revenue reserves		Retained profit or loss	Net profit or loss for the year	
	I/1	II	III/1	III/2	III/3	III/5	There	VI	VII/1	VIII
<b>Opening balance for the period</b>	20,229,770	44,284,976	16,931,435	3,900,280	-3,900,280	77,500,437	-1,452,475	5,151,743	11,370,393	174,016,279
<b>Changes in equity -</b>										
<b>transactions with owners</b>				914,484	-914,484			16,435,902		16,435,902
Purchase of treasury shares				914,484	-914,484					
Dividend distribution								16,435,902		16,435,902
<b>Total comprehensive income for the period</b>							166,446	0	18,950,656	19,117,102
Entry of net profit or loss for the reporting period									33,227,124	33,227,124
Other components of the total comprehensive income for the reporting period							-408,216			-408,216
<b>B3. Changes within equity</b>	0	0	0	0	0	7,392,297	0	11,370,393	-19,677,173	-914,484
Allocation of the remaining net profit for the comparative period to other equity components										
Allocation of part of net profit for the period to other equity components according to resolution of management and supervision bodies								11,370,393	-19,677,173	
Reserves for treasury shares						-914,484				-914,484
Release of reserves for treasury shares	0									0
<b>Closing balance for the period</b>	20,229,770	44,284,976	16,931,435	4,814,764	-4,814,764	84,892,734	-1,860,691	86,234	16,613,562	189,484,801
<b>DISTRIBUTABLE PROFIT</b>								86,234	24,920,343	25,006,577

### Statement of changes in equity for 2020

	Called-up capital	Capital surplus	Revenue reserves				Fair value reserves	Retained profits		Total equity
			Legal reserves	Reserves for treasury shares	Treasury shares	Other revenue reserves		Retained profit or loss	Net profit or loss for the year	
	I/1	II	III/1	III/2	III/3	III/5	There	VI	VII/1	VIII
<b>Opening balance for the period</b>	20,229,770	44,284,976	16,931,435	1,992,963	-1,992,963	74,670,089	-1,618,921	-231,793	16,077,289	170,342,845
<b>Changes in equity -</b>										
<b>transactions with owners</b>				1,907,317	-1,907,317			13,536,352		13,536,352
Purchase of treasury shares				1,907,317	-1,907,317					
Dividend distribution								13,536,352		13,536,352
<b>Total comprehensive income for the period</b>							166,446		18,950,656	19,117,102
Entry of net profit or loss for the reporting period									18,950,656	18,950,656
Other components of the total comprehensive income for the reporting period							166,446			166,446

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<b>B3. Changes within equity</b>						2,830,348		18,919,888	-23,657,552	-1,907,317
Allocation of the remaining net profit for the comparative period to other equity components										
Allocation of part of net profit for the period to other equity components according to resolution of management and supervision bodies						4,737,665		18,919,888	-23,657,552	
Reserves for treasury shares						-1,907,317				-1,907,317
Release of reserves for treasury shares										
<b>Closing balance for the period</b>	<b>20,229,770</b>	<b>44,284,976</b>	<b>16,931,435</b>	<b>3,900,280</b>	<b>-3,900,280</b>	<b>77,500,437</b>	<b>-1,452,475</b>	<b>5,151,743</b>	<b>11,370,393</b>	<b>174,016,279</b>
<b>DISTRIBUTABLE PROFIT</b>								5,151,743	11,370,393	16,522,136

## Cash Flow Statement

	Year 2021	Year 2020
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
<b>Net profit/loss before taxes</b>	<b>39,956,505</b>	<b>22,511,600</b>
<b>Adjustments for:</b>	<b>11,808,838</b>	<b>10,293,014</b>
Depreciation and amortisation	11,281,415	9,932,781
Profit/loss on sale of fixed assets	-3,331	-14,258
Impairment/write-down (reversal of impairment) of assets	521,883	416,264
Net decrease/formation of adjustment for the value of receivables	28,975	611
Net financial revenues/expenses	-20,103	-42,384
<b>Cash flow from operating activities before net short-term assets (working capital) change</b>	<b>-1,181,337</b>	<b>433,896</b>
Change in operating receivables	-4,413,917	-281,007
Change in the volume of inventories	-4,773,871	5,163,795
Change in operating liabilities	9,910,735	354,407
Change in provisions balance	5,040,093	-1,611,935
Changes in deferred revenues	-95,964	-45,516
Changes in other short-term liabilities	-67,706	222,223
Changes in liabilities from contracts with customers	-51,325	192,872
Income tax paid	-6,729,381	-3,560,944
<b>Net cash flow from operating activities</b>	<b>50,584,006</b>	<b>33,238,509</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
<b>Receipts from investing activities</b>	<b>59,749</b>	<b>382,236</b>
Receipts from interest	7,446	19,309
Receipts from dividend interest	13,915	23,075
Receipts from disposal of property, plant and equipment	3,331	14,258
Receipts from disposal of short-term financial investments	35,056	325,594
<b>Disbursements for investing activities</b>	<b>-11,325,408</b>	<b>-12,232,990</b>
Disbursements for acquisition of intangible assets	-105,479	-104,228
Disbursements for acquisition of property, plant and equipment	-11,219,929	-12,128,762
Disbursements for acquisition of financial assets		0
<b>Net cash flow from investing activities</b>	<b>-11,265,659</b>	<b>-11,850,754</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
<b>Receipts from financing</b>	<b>137,412</b>	<b>15,496</b>
Receipts from increases in financial liabilities	137,412	15,496
<b>Disbursements for financing activities</b>	<b>-17,366,990</b>	<b>-15,443,669</b>
Disbursements for interest paid	-4,189	-37,928
Disbursements for purchase of treasury shares	-914,484	-1,907,317
Disbursements for dividends and other profit distributions	-16,448,317	-13,536,352
<b>Net cash flow from financing activities</b>	<b>-17,229,578</b>	<b>-15,428,172</b>
<b>CLOSING BALANCE OF CASH AND CASH EQUIVALENTS</b>	<b>59,746,594</b>	<b>37,657,824</b>
<b>Net increase/decrease in cash and cash equivalents</b>	<b>22,088,770</b>	<b>5,959,582</b>
<b>Opening balance of cash and cash equivalents as at 1 Jan</b>	<b>37,657,824</b>	<b>31,698,242</b>

## Statement of Other Comprehensive Income

	Year 2021	Year 2020
Net profit or loss	33,227,124	18,950,656
Other comprehensive income in the year	0	0
Other comprehensive income in the year that will not be recognised in the income statement in the future	0	0
Other comprehensive income in the year that will be recognised in the income statement in the future	0	0
Recalculation of post-employment benefits	-408,216	166,446
Net other comprehensive income in the year that will not be recognised in the income statement in the future	-408,216	166,446
Total other comprehensive income in the year (after taxes)	-408,216	166,446
Total comprehensive income in the year (after taxes)	32,818,908	19,117,102

## **Notes to Financial Statements**

### **I. Introductory Notes on Reporting Standards**

With the transition of its share to the prime market on 4 February 2021, Cinkarna Celje, d.d. compiled its financial statements according to the balance as at 31 December 2021 in accordance with the International Financial Reporting Standards (IFRS) adopted by the EU.

#### **Statement of Compliance with the IFRS**

The Company has compiled financial statements for previous years, including the one that ended on 31 December 2020, in accordance with the Slovenian Accounting Standards (SAS). The Company compiled its financial statements according to the balance as at 1 January 2021 for the first time in line with the IFRS and the statements show the effects of the transition according to the state-of-affairs as at 31 December 2020.

The Company prepares financial statements according to the going concern principle. The accounting policies applied are the same as those used in previous years.

#### **Notes on the Effects of the Transition to the IFRS**

The Company reviewed the recognition of assets and liabilities in line with the IFRS requirements for the previous financial year that ended on 31 December 2020 or upon the transition to the IFRS. The Company simultaneously checked whether it was necessary to reclassify certain assets and liabilities or whether there were any differences between accounting frameworks requiring such a reclassification. The Company finds that the transition to the IFRS does not require extensive reclassifications in the individual balance sheet items of the statement of financial position, but rather only minor ones that are explained below. The transition has also not produced any effects that would require making restatements.

The transition to the IFRS did not affect the Company's financial position (the balance sheet total remained unchanged), financial performance and cash flows.

#### **Simplified Transition to the IFRS**

The Company made the transition to IFRS reporting according to the provisions of IFRS 1: First-time Adoption of International Financial Reporting Standards. The standard requires the application of the same accounting policies in the first IFRS-based statement of financial positions of the Company and in all periods presented in the first IFRS-based financial statements.

The Company uses the starting date of 1 January 2021 as the date of the transition to the IFRS and prepares the initial statement of financial position as at 1 January 2021 and the final one as at 30 December 2021. The Company also recalculates the P&L statement items for 2020 (as appropriate) and applies the IFRS in 2021.

#### **Bases for Measurement**

Financial statements were prepared by observing the initial cost, except where the fair value of derivatives is observed.

#### **Functional and Presentation Currency**

Financial statements and notes thereto are compiled in euros by disregarding cents. Accounting information presented in the business report in euros are rounded to the nearest integer.

### **Application of Estimates and Judgements**

When compiling financial statements, the management must provide estimates, judgements and assumptions that affect the application of accounting policies and disclosed values of assets, liabilities, revenues and expenses. Actual results can diverge from said estimates.

Estimates include the determination of the useful life and residual value of property, plant and equipment as well as intangible assets, value adjustments of inventories and receivables, assessments of the possibility of using receivables for deferred taxes, assumptions that are important for the actuarial calculation related to employee benefits, assumptions included in the calculation of potential ecology provisions and provisions for lawsuits involving legal entities and natural persons.

Estimates and assumptions are reviewed regularly. Adjustments of accounting estimates are recognised for the period, in which estimates are adjusted provided they affect only this period, and for future periods, which are affected by the adjustments. Information on significant uncertainty estimates and decisive judgements that were prepared by the management within the process of accounting policy implementation and which affect the amounts in financial statements the most are described in the notes.

## **II. Significant Accounting Policies**

In the period under consideration that is presented in the attached financial statements, the Company applies the accounting policies in accordance with the IFRS rules. Accounting policies and calculation methods applied by the Company in the last report were treated in accordance with the SAS and do not represent major deviations or differences compared to the IFRS provisions.

For transactions that are originally executed in foreign currencies, the recalculation of business events during the year observes the exchange rate of a commercial bank or the middle exchange rate of the Bank of Slovenia. Assets and liabilities expressed in a foreign currency were converted at the middle exchange rate of the Bank of Slovenia as at the reporting date. The Company made no changes to the accounting policies published in the Annual Report for 2020. IFRS application also did not require changes to the accounting policies and calculation methods used by that time.

### **1 Intangible assets**

Group of intangible assets for 2021	Cost		Adjustment		Carrying amount	
	1 January 2021	31 December 2021	1 January 2021	31 December 2021	1 January 2021	31 December 2021
Property rights	5,537,658	5,633,593	4,519,833	4,744,346	1,017,825	889,248
Assets being acquired	17,646	91,424	0	0	17,646	91,424
<b>TOTAL</b>	<b>5,555,304</b>	<b>5,725,018</b>	<b>4,519,833</b>	<b>4,744,346</b>	<b>1,035,471</b>	<b>980,672</b>

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

### **2 Property, plant and equipment**

Group of property, plant and equipment for 2021	Cost	Adjustment	Carrying amount

	<b>1 January 2021</b>	<b>31 December 2021</b>	<b>01 January 2021</b>	<b>31 December 2021</b>	<b>01 January 2021</b>	<b>31 December 2021</b>
Land	10,803,263	10,803,263	1,054,071	1,126,413	9,749,192	9,676,850
Buildings	124,538,191	126,487,363	81,177,713	84,187,165	43,360,477	42,300,197
Equipment	221,895,740	227,909,652	179,915,685	183,515,529	41,980,055	44,394,123
Assets being acquired	10,492,059	9,172,421	0	0	10,492,059	9,172,421
Advances	821,380	352,537	4,158	0	817,222	352,537
<b>TOTAL</b>	<b>368,550,632</b>	<b>374,725,236</b>	<b>262,151,627</b>	<b>268,829,107</b>	<b>106,399,006</b>	<b>105,896,129</b>

The Company verified their values and found that their current value does not exceed their recoverable amount. The Company holds no assets under a finance lease. According to the state of affairs as at 31 December 2021, the Company also had no assets pledged as collateral.

### 3 Financial assets

Group of financial assets for 2021	Cost		Adjustment		Carrying amount	
	1 January 2021	31 December 2021	1 January 2021	31 December 2021	1 January 2021	31 December 2021
Other investments	950,363	950,363	0	0	950,363	950,363
<b>TOTAL</b>	<b>950,363</b>	<b>950,363</b>	<b>0</b>	<b>0</b>	<b>950,363</b>	<b>950,363</b>

Year 2021	Elektro Celje, d.d.	Elektro Maribor, d.d.
Number of ordinary shares	165,818	18,350
Nominal/fair value of the share in EUR	5.10	5.50
Value in books of account in EUR	5.10	5.50

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

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

### 4 Other long-term assets

Group of other long-term assets for 2021	Cost		Adjustment		Carrying amount	
	01 January 2021	31 December 2021	01 January 2021	31 December 2021	01 January 2021	31 December 2021
Emission allowances	25,629	53,028	0	0	25,629	53,028
<b>TOTAL</b>	<b>25,629</b>	<b>53,028</b>	<b>0</b>	<b>0</b>	<b>25,629</b>	<b>53,028</b>

In 2021, the Company obtained 40,399 emission allowances free of charge as a result of the decision, and sold 13,000 of them as a result of the surplus. The effects of realised sales revenues are explained in the chapter on other operating revenues.

### 5 Inventories

Group of inventories	31 December 2021	1 January 2021	Realisable value
Material	26,842,350	21,487,973	26,842,350
Work in progress	2,471,875	2,533,235	2,471,875
Products	10,868,240	11,270,725	18,917,997
Merchandise	52,992	70,034	52,992
Advances given	63,018	162,638	63,018
<b>TOTAL</b>	<b>40,298,476</b>	<b>35,524,605</b>	<b>48,348,232</b>



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

## 6 Operating receivables

### Short-term trade receivables

Group of receivables for 2021	Value of receivables		Adjustment		Net receivables	
	01 January 2021	31 December 2021	01 January 2021	31 December 2021	01 January 2021	31 December 2021
Buyers in the country	3,730,884	4,063,142	367,302	267,017	3,363,582	3,796,125
Foreign buyers	21,012,811	24,868,008	360,960	381,437	20,651,851	24,486,572
Exporting agents	718,749	865,403	0	0	718,749	865,403
<b>TOTAL</b>	<b>25,462,444</b>	<b>29,796,553</b>	<b>728,262</b>	<b>648,454</b>	<b>24,734,182</b>	<b>29,148,099</b>

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

### Movement of impairments of short-term trade receivables

Year 2021	Status 1 January 2021	Adjustment 2021	Formed value adjustment in 2021	Write-offs of value adjustments from previous years	Paid written-off receivables	Status 31 December 2021
Buyers in the country	367,302	0	0	100,285	0	267,017
Foreign buyers	360,960	0	28,975	0	8,498	381,437
<b>TOTAL</b>	<b>728,262</b>	<b>0</b>	<b>28,975</b>	<b>100,285</b>	<b>8,498</b>	<b>648,454</b>

### Trade Receivables by Maturity

Regional segment	Total receivables		Non past due		Past due					
	31 December 2021	01 January 2021	31 December 2021	01 January 2021	0 to 15 days		From 16 to 60 days		From 61 to 180 days	
					31 December 2021	01 January 2021	31 December 2021	01 January 2021	31 December 2021	01 January 2021
Buyers in the country	3,796,125	3,363,582	3,627,347	3,290,091	151,427	64,061	17,349	9,430	0	0
Foreign buyers - EU and third countries	23,828,811	19,954,028	21,513,606	19,326,882	1,078,916	349,419	1,236,289	277,727	240	0
Buyers on the markets of former Yugoslavia	657,761	697,823	647,647	589,279	10,114	35,073	5,300	73,471	0	0
Exporting agents	865,403	718,749	865,403	718,749	0	0	0	0	0	0
<b>TOTAL trade receivables</b>	<b>29,148,099</b>	<b>24,734,182</b>	<b>26,654,002</b>	<b>23,925,001</b>	<b>1,240,457</b>	<b>448,553</b>	<b>1,258,938</b>	<b>360,628</b>	<b>240</b>	<b>0</b>

### Current Receivables due from Others

Group of receivables	31 December 2021	1 January 2021
Receivables for VAT	1,789,384	1,708,534
Receivables due from the state arising from COVID-19	0	101,073
Receivables due from institutions	186,642	160,906
Receivables due from employees	26,027	19,081
Other claims	22,751	14,462
<b>TOTAL</b>	<b>2,024,804</b>	<b>2,004,056</b>

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

## 7 Cash and cash equivalents

Group of assets	31 December 2021	1 January 2021
Cash in hand	30	118
Bank balances	53,622,153	27,076,236

Short-term call deposits	6,124,412	10,041,423
Foreign currency bank balances	0	540,047
<b>TOTAL</b>	<b>59,746,594</b>	<b>37,657,824</b>

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

### 8 Other current assets

Among other short-term (current) liabilities, the Company shows short-term deferred costs or expenses and VAT from advances received.

Description	31 December 2021	01 January 2021
Costs paid in advance	153,862	290,744
VAT on advances received	1,362	5,243
<b>TOTAL</b>	<b>155,223</b>	<b>295,987</b>

### 9 Equity of the owners of the Company

Equity items	31 December 2021	1 January 2021
Called-up capital	20,229,770	20,229,770
Capital surplus	44,284,976	44,284,976
Legal reserves	16,931,435	16,931,435
Reserves for treasury shares	4,814,764	3,900,280
Treasury shares	-4,814,764	-3,900,280
Other revenue reserves	84,892,734	77,500,437
Fair value reserves	-1,860,691	-1,452,475
Retained profits	25,006,577	16,522,136
<b>TOTAL EQUITY</b>	<b>189,484,801</b>	<b>174,016,279</b>

The Company's share capital comprises 807,977 freely transferable no-par value shares of the same class. All no-par value shares have the same nominal value and have been paid up in full. As at the balance sheet date of 31 December 2021, share capital stands at EUR 20,229,767.

The Company has 26,465 treasury shares in its portfolio as at 31 December 2021. In 2021, based on the General meeting's resolution of 5 June 2018 and the resolution dated 17 June 2020 the Company bought 4,514 treasury shares for EUR 0.91 million which is 4.5 % of share capital. It simultaneously set aside reserves for treasury shares, for the purpose of which it debited other revenue reserves.

### 10 Non-current liabilities

Group of non-current liabilities	31 December 2021	1 January 2021
Provisions for employee benefits	4,256,064	3,984,428
Other long-term provisions: For ecology	18,801,189	16,349,530
Government grants received — emission allowances	27,667	51,228
Provisions for claims amounts	0	242,705
Accrued costs	0	15,692
Deferred revenues	188,082	232,817
<b>TOTAL</b>	<b>23,273,002</b>	<b>20,876,401</b>

#### Post-employment employee benefits

Post-employment employee benefits	31 December 2021	01 January 2021
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Provisions for severance payments	3,693,949	3,443,816
Provisions for jubilee benefits	562,115	540,612
<b>TOTAL</b>	<b>4,256,064</b>	<b>3,984,428</b>

Provisions

<b>Movements in provisions in 2021</b>	<b>01 January 2021</b>	<b>Formation</b>	<b>Dedicated use</b>	<b>Remedy</b>	<b>31 December 2021</b>
Provisions for lawsuits	242,705	0	242,705	0	0
Long-term accrued costs	15,692	0	0	15,692	0
Emission allowances	51,228	40,397	63,958	0	27,667
Ecology provisions	16,349,530	3,701,214	1,249,555	0	18,801,189
<b>TOTAL</b>	<b>16,659,156</b>	<b>3,741,611</b>	<b>1,556,219</b>	<b>15,692</b>	<b>18,828,856</b>

<b>Provisions for ecology purposes</b>	<b>Status of 1 January 2021</b>	<b>Dedicated use plan 2021</b>	<b>Formation 2021</b>	<b>Use 2021</b>	<b>Status of 31 December 2021</b>
Provisions for the Za Travnik landfill	360,774	100,000	15,921	3,395	373,300
Provisions for the Bukovžlak landfill (ONOB)	3,539,065	2,000,000	3,452,592	804,135	6,187,523
Provision for the Bukovžlak high barrier	2,928,922	200,000	232,700	10,454	3,151,168
Provision for the elimination of risks from old burdens - CDM SMITH	6,002,275	300,000	0	14,100	5,988,176
Provision for Ecology - Ecology investment in the field of TiO <sub>2</sub> production	3,518,494	0	0	417,471	3,101,022
<b>TOTAL</b>	<b>16,349,530</b>	<b>2,600,000</b>	<b>3,701,214</b>	<b>1,249,555</b>	<b>18,801,189</b>

The formation of EUR 3,701,214 refers to the reassessment of the necessary costs of the whole rehabilitation of existing provisions. The use of environmental provisions in 2021 is represented by the costs of the contractors for the work carried out in the amount of EUR 1,249,555.

Deferred revenues

<b>Deferred revenues</b>	<b>31 December 2021</b>	<b>01 January 2021</b>
Exempt contributions for employment of disabled persons	913	1,799
Non-current deferred revenue for equipment	1,756	2,516
Funds received from the EU Fund	161,172	189,073
Equipment and vehicles obtained free of charge	24,221	39,429
<b>TOTAL</b>	<b>188,062</b>	<b>232,817</b>

<b>Deferred revenues in 2021</b>	<b>01 January 2021</b>	<b>Formation</b>	<b>Dedicated use</b>	<b>31 December 2021</b>
Exempt contributions for employment of disabled persons	1,799	29,324	30,210	914
Non-current deferred revenue for equipment	2,516	0	740	1,776
Funds received from the EU Fund	189,073	0	27,902	161,171
Equipment and vehicles obtained free of charge	39,429	0	15,208	24,221
<b>TOTAL</b>	<b>232,817</b>	<b>29,324</b>	<b>74,059</b>	<b>188,082</b>

**11 Current financial liabilities**

<b>Group of liabilities</b>	<b>31 December 2021</b>	<b>01 January 2021</b>
Current liabilities associated with the disbursement of profit or loss	0	12,415
Current financial liabilities – assignments, cessions	191,886	47,675

Current liabilities from derivatives – futures and forwards	5,616	0
<b>TOTAL</b>	<b>197,503</b>	<b>60,090</b>

## 12 Current operating liabilities

Group of liabilities	31 December 2021	1 January 2021	Effect of the transition to IFRS	31 December 2020
Current trade payables to domestic suppliers	9,547,147	7,605,375	-	7,605,375
Current trade payables to foreign suppliers	9,137,478	1,679,397	-	1,679,397
Current liabilities for goods and services not invoiced	5,611	213	-	213
Current operating liabilities from advances	70,165	279,050	-190,783	469,832
Current liabilities to employees	2,517,024	2,236,814	-	2,236,814
Current liabilities for the contributions of the payer	1,299,826	1,113,104	-	1,113,104
Current liabilities to government and other institutions	656,587	410,129	-	410,129
Other current liabilities	8,886	7,908	-	7,909
<b>TOTAL</b>	<b>23,242,724</b>	<b>13,331,989</b>	<b>-190,782</b>	<b>13,522,772</b>

## 13 Liabilities for corporate income tax

Income tax	31 December 2021	01 January 2021
Current liabilities for corporate income tax	3,852,235	778,351
<b>TOTAL</b>	<b>3,852,234</b>	<b>778,351</b>

## 14 Liabilities based on contracts with customers

Liabilities based on contracts with customers	31 December 2021	01 January 2021	Transition effect	31 December 2020
Liabilities based on contracts with customers	136,087	192,782	192,782	0
<b>TOTAL</b>	<b>136,087</b>	<b>192,782</b>	<b>192,782</b>	<b>0</b>

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

## 15 Other current liabilities

Other current liabilities comprise accrued costs or expenses.

Description	31 December 2021	01 January 2021	Transition effects	31 December 2020
Accrued unused right to annual leave	823,198	816,499	0	816,499
Accrued costs	180,596	141,107	-1,999	143,106
VAT from advances granted	10,889	82,553	0	82,553
Other	2,785	39,645	0	39,645
<b>TOTAL</b>	<b>1,017,468</b>	<b>1,079,804</b>	<b>-1,999</b>	<b>1,081,803</b>

## 16 Contingent Assets and Liabilities

Description	31 December 2021	1 January 2021
Guarantees granted	2,345,729	2,430,203
Futures and forwards	4,650,283	1,976,362
VISA and Mastercard	40,000	40,000
Material in the process of completion or processing	59,725	59,725

<b>TOTAL</b>	<b>7,095,737</b>	<b>4,506,290</b>
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### 17 Depreciation and amortisation

The Company uses the straight-line depreciation method to depreciate fixed assets over the expected useful life of an individual fixed asset. Depreciation is debited to the value of an individual fixed asset.

Description	Year 2021	Year 2020
<b>Depreciation and amortisation</b>		
- intangible assets	224,513	278,495
- easement	72,342	72,342
- buildings	3,203,086	3,073,738
- production equipment	7,775,865	6,502,231
- other equipment	5,610	5,974
<b>TOTAL</b>	<b>11,281,415</b>	<b>9,932,781</b>

### 18 Labour costs

Labour cost	Year 2021	Year 2020
Salaries, wages and compensations for salaries and wages	20,157,542	21,224,553
Social security contributions	3,611,188	3,699,005
Reimbursements of expenses to employees and other employee income	4,709,667	4,773,416
Supplementary pension insurance	410,590	402,469
<b>TOTAL</b>	<b>28,888,986</b>	<b>30,099,442</b>

The Company had 793 employees as at 31 December 2021. The average number of employees was 802.

### 19 Operating Expenses

#### Operating Expenses

Expense	Year 2021	Year 2020
Costs of materials	97,519,612	96,965,681
Costs of services	13,830,982	13,815,945
Cost of goods and materials sold	140,470	188,743
Other operating expenses	5,468,743	1,283,476
<b>TOTAL</b>	<b>116,959,808</b>	<b>112,253,844</b>

#### Other operating expenses

Other operating expenses	Year 2021	Year 2020
Establishment of provisions for ecology	3,701,214	0
Ecology fees and reimbursements	464,162	357,231
Awards to students for internship	265,503	276,620
The contribution for the use of ground land	367,738	367,914
Revaluation of inventories of materials and goods	386,724	303,987
Loss on sale of fixed assets	135,159	112,277

Other costs and expenses	148,243	354,477
<b>TOTAL</b>	<b>5,468,743</b>	<b>1,772,505</b>

## 20 Financial expenses

Expense	Year 2021	Year 2020
Interest expenses	4,189	37,928
Exchange rate differences	808,571	417,857
Interest on provisions of severance payments and jubilee benefits	16,443	35,954
<b>TOTAL</b>	<b>829,203</b>	<b>491,738</b>

Financial expenses comprise accounted liabilities for the financial year arising from long-term and short-term financial debt, operating liabilities and negative exchange rate differences generated in operations and financing activities.

## 21 Revenue from contracts with customers

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

	Year 2021	Year 2020
Net revenues from contracts with customers for products and services	192,179,884	172,064,712
Net revenues from contracts with customers for goods and materials	282,216	322,139
<b>TOTAL</b>	<b>192,462,100</b>	<b>172,386,851</b>

	Year 2021	Year 2020
Net revenues from contracts with customers domestic market	17,355,361	14,623,430
Net revenues from contracts with customers foreign market	175,106,738	157,763,421
<b>TOTAL</b>	<b>192,462,100</b>	<b>172,386,851</b>

## 22 Sales by Segment

### Sales by business segment

	Realised	
	Year 2021	Year 2020
Titanium dioxide	156,788,783	143,056,990
Zinc recycling	6,364,355	5,125,075
Varnishes, coatings, masterbatches and printing inks	17,687,588	15,207,872
Agricultural products	7,990,692	5,525,614
Other	3,630,682	3,471,300
<b>TOTAL</b>	<b>192,462,100</b>	<b>172,386,851</b>

### Sales by regional segment

	Realised

	<b>Year 2021</b>	<b>Year 2020</b>
Slovenia	17,355,362	14,623,430
European Union	142,500,353	130,529,281
Market of the countries of former Yugoslavia	4,383,469	3,730,801
Third countries	24,693,293	20,280,947
Third countries - dollar market	3,529,624	3,222,392
<b>TOTAL</b>	<b>192,462,100</b>	<b>172,386,851</b>

### 23 Other operating revenues

<b>Revenue</b>	<b>Year 2021</b>	<b>Year 2020</b>
Sale of emission allowances	436,560	0
Revenues from the consumption and elimination of long-term provisions	632,435	659,912
Profit on sale and write-offs of assets	3,331	14,258
Revenues from government grants – COVID-19	35,149	365,254
Recovered written-off receivables	8,498	130,862
Revenue from previous years	16,713	117,108
Indemnities from insurance companies	109,289	45,642
Other income	145,088	73,876
<b>TOTAL</b>	<b>1,387,062</b>	<b>1,406,912</b>

### 24 Financial revenues

<b>Revenue</b>	<b>Year 2021</b>	<b>Year 2020</b>
Interest income	12,284	25,108
Exchange rate differences	782,901	420,710
Revenues from other investments	13,915	23,075
<b>TOTAL</b>	<b>809,100</b>	<b>468,893</b>

### 25 Corporate Income Tax

The corporate income tax is levied at a rate of 19 % of the tax base. The effective tax rate is calculated as the ratio between tax expenses and the accounting profit or loss and amounts to 17.53 % (15.23 % in 2020). Changes in deferred taxes were due to the addition of provisions for jubilee benefits, severance payments and ecology, and due to their use for it.

	<b>Year 2021</b>	<b>Year 2020</b>
Profit/loss before taxes	<b>39,956,505</b>	<b>22,511,599</b>
Revenues that are excluded from the tax base or increase the tax base	-84,859	-226,856
Expenses not recognised for tax purposes	2,076,241	356,725
Recognised tax relief	-5,072,648	-4,590,867
<b>Total tax base</b>	<b>36,875,240</b>	<b>18,050,601</b>
<i>Tax rate</i>	19%	19%
<b>Income tax</b>	<b>7,006,296</b>	<b>3,429,614</b>

Description	<b>Year 2021</b>	<b>Year 2020</b>
Use of provisions	-112,290	-122,472
Elimination of value adjustments on receivables (investments)	-21,459	-31,273
Established provisions	410,663	22,416
<b>TOTAL</b>	<b>276,914</b>	<b>-131,329</b>

### **III CASH FLOW STATEMENT**

The cash flow statement shows the change in the balance of cash and cash equivalents for the financial year as the difference between the balance as at 31 December 2021 and 1 January 2021. It is compiled according to the indirect method using data from the statement of financial position as at 31 December of the reporting year and the statement of financial position as at 1 January 2021 as well as additional data required for the adjustment of revenues and expenditures and the appropriate breakdown of major items. Theoretically possible items are not shown and values are disclosed for the current and previous period.

### **IV STATEMENT OF CHANGES IN EQUITY**

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

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

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

The liquidity risk Cinkarna Celje, d. d. is a business partner that is known for its payment discipline both on the domestic and foreign markets. It has no debts owed to banks and has stable cash flows. The Company's operations are traditionally conservative with high cash flow. Liquidity management includes, among other things, the planning of expected monetary liabilities and their coverage, ongoing monitoring of customers' solvency and regular collection of overdue receivables. The credit rating is AAA.

Interest rate risk represents the possibility of loss due to unfavourable changes in interest rates on the market. The Company has no long-term financial liabilities and has no related measures put in place. Should this fact change, appropriate measures would be put in place in order to manage this risk.

#### **Credit risk**

The main risk for the Company is the risk that buyers will not be able to settle their liabilities upon maturity.

The risk is limited as we mostly do business with long-standing partners who are frequently well-known traditional European industrial companies with a high credit rating. In recent years, we have seen payment discipline in Slovenia, the Balkans and Eastern Europe to be relatively poor, but we do not expect problems in this region in the future, rather we expect the situation in this area to improve. By cleaning out the portfolio of strategic businesses of the Company, i.e. the discontinuation of the programme of graphic materials, the rolled titanium zinc sheets programme, the anticorrosion coatings programme and the construction materials programme, the exposure to credit risk has decreased materially, which is demonstrated by the receivables maturity data as well as the fact that we practically no longer have any additional revaluation adjustments of receivables due to the doubts as to their payment or the default on the disclosed trade receivables. From 1 June 2021 all trade receivables are secured with an external institution.

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

	<b>Notes</b>	<b>31 December 2021</b>	<b>01 January 2021</b>
Financial investments		0	35,056



Trade receivables	6	29,148,099	24,734,182
Cash and cash equivalents	7	59,746,594	37,657,824
<b>TOTAL</b>		<b>88,894,695</b>	<b>62,427,062</b>

The Company has a sound structure of trade receivables, which can be seen in Note 6: Operating receivables in the table: Trade Receivables by Maturity and in the table: Movement of impairments of short-term trade receivables.

### **Currency risk**

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

We are continuously monitoring changes and forecasts in relation to the dynamics of the EUR/USD currency pair. Basically, we mitigate the short-term risk of unfavourable USD exchange rates by consistently using financial instruments in a standardised manner (USD futures and forwards). We are achieving almost complete coverage of the relevant business events which include the EUR/USD pair.

## **IMPORTANT BUSINESS EVENTS OCCURRING AFTER THE END OF THE FINANCIAL YEAR**

The Company did not have any business events that would materially affect the financial statements disclosed as at 31 December 2021.

## INFORMATION ON SHARES AND THE OWNERSHIP STRUCTURE

### Ownership Structure

The share capital of Cinkarna Celje, d. d. amounts to EUR 20,229,769.66 and is divided into 807,977 ordinary freely transferable no-par value shares. As at 31 December 2021, the Company has 26,465 treasury shares in its portfolio (or 3.28 % of the total issue).

During the period from the registration of the public limited company in the register of companies on 4 February 1997 to 31 December 2021, changes in the ownership of shares as evident from the table below were recorded in the share register as a result of trading, inheritance and the implementation of the programme for the internal buying of shares in line with the ownership transformation programme. The number of shareholders on the last day of 2021 was 2,077.

#### Structure of the ownership of shares of Cinkarna Celje, d. d. on the last day of 2021

	No. of shares	%
Modra zavarovalnica, d.d	162,963	20.17
DUTB, d. d	104,504	12.93
SDH, d.d	92,950	11.5
UNICREDIT BANK AUSTRIA AG - FID	36,239	4.49
Treasury shares	26,465	3.28
TR5 d.o.o	26,449	3.27
RAIFFEISEN BANK AUSTRIA D.D. - FID	18,709	2.32
KRITNI SKLAD PRVEGA POKOJNINSKEGA SKLADA	16,705	2.07
NLB SKLADI - SLOVENIJA MEŠANI	11,256	1.39
Generali Rastko Evropa, delniški	10,731	1.33
CITIBANK N.A. - FID	10,610	1.31
Internal shareholders - FO	6,314	0.78
External shareholders - FO	168,802	20.89
Others	115,280	14.27

## Share Trading

Trading in the shares of Cinkarna Celje, d. d. (ticker CICG) is performed on the free securities market. The first trading day was 6 March 1998. The average price per share as at the first day of trading was EUR 33.71.

### Changes in the market value of shares (uniform exchange rate as at the last day of the month) and turnover value

	Uniform exchange rate		Turnover
	2020	2021	2021
January	194.0	186.0	1,276,136
February	180.0	200.0	950,409
March	134.0	206.0	1,370,634
April	158.0	215.0	1,405,674
May	165.0	232.0	1,890,485
June	173.0	229.0	1,966,375
July	160.0	233.0	652,782
August	166.0	248.0	654,316
September	160.0	238.0	903,181
October	150.0	240.0	701,056
November	168.0	259.0	1,383,171
December	178.0	259.0	1,058,218

### Changes in the value of share (right axis) and stock exchange turnover (left axis) by months in 2021

Turnover      Uniform exchange rate

The value of the Cinkarna Celje, d. d. share listed on the prime market of the Ljubljana Stock Exchange (ticker: CICG) in 2021 fluctuated between EUR 174 and 259 per share during the year. From the last trading day in 2020 to the last trading day in 2021, the value of the share increased by 49 %.

Pursuant to the resolution of the General Meeting of 15 June 2021, the Company paid a part of the distributable profit for the financial year 2020 in the amount of EUR 16.4 million in dividends to the owners. The gross dividend was EUR 21 per share. In accordance with the resolution of the General Meeting, the acquisition of treasury shares took place. The fund of the latter as at 31 December 2021 amounts to 26,465 shares.