

# **BUSINESS REPORT**

## **for the period**

# **January-June 2021**

## **Unaudited**

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## KEY FIGURES

	ACTUAL I-VI 2020	ACTUAL I-VI 2021	% of change 2021/2020
Sales	88,665,109	99,390,257	+ 12
Export	80,951,400	90,366,076	+ 12
Operating profit or loss (EBIT)	11,709,559	19,629,523	+ 68
Operating profit or loss + Write-downs (EBITDA)	17,755,075	26,622,038	+ 50
Net profit/loss	9,912,554	15,822,226	+ 60
Revenue	89,733,517	97,846,485	+ 9
Expenditure	77,867,139	78,312,872	+ 1
Labour costs	15,397,581	14,785,486	- 4
Added value	33,152,656	41,407,525	+ 25
Added value per employee	41,286	54,198	+ 31
Production in EE	26,666,771	27,341,090	+ 3
Assets	217,445,278	210,822,633	- 3
Equity	166,516,036	172,762,317	+ 4
Investments	5,618,017	4,153,963	- 26
Financial debt	13,623,677 *	31,116	-
Return on equity (ROE)	6.49	9.86	+ 52
Number of employees (30 June)	842	800	- 5

All values are in euros (EUR) with the exception of:

- production in EE (fixed prices)
- return on equity (%)
- number of employees at the end of the period (number of people)

Alternative performance criteria:

Criterion	Page.	Calculation
EBIT	2	Operating profit or loss
EBITDA	2	Operating profit increased by write-offs from OPL

\* Liabilities mainly relate liabilities for dividends payment (paid on 7 July 2020)

## **BUSINESS REPORT FOR THE PERIOD FROM JANUARY TO JUNE 2021**

In the first half of 2021, Cinkarna Celje, d.d. increased its sales revenues by 12% compared to the same period last year. It attributes the rise in sales to favourable demand from all geographical segments, which resulted from an improvement in consumer/supply optimism. Asian competition is present, but at significantly higher prices than in previous periods. As a result, the demand for the products of Western multinationals and local producers increased and at the same time, also the pressure on the supply side.

The most important building blocks of business performance remain the titanium dioxide pigment and streamlining the portfolio of strategic business areas, aimed at focusing on the core product line and abandoning unprofitable activities.

A number of measures were taken at the Company to prevent the possibility of the spread of coronavirus. To ensure safety, the prescribed preventive measures apply, such as wearing masks, ventilation and the like. At the beginning of the year, we conducted mass testing of employees and proved the effectiveness of our measures. At the time of the preparation of this Report, the Company operates smoothly with all its business functions carried out, including production.

Globally, we are a small producer of titanium dioxide pigment in terms of its production capacity. In Europe, we are comparable to small plants of Eastern European producers. Sector analyses and comparisons of business performance show that Cinkarna Celje, d.d. ranks among successful players in the titanium dioxide pigment industry. The Management Board estimates that the achieved business results are objectively good and exceed the forecasts for the first half of the year.

The second quarter of 2021 was marked by a considerable strengthening of the global economy. Purchasing sentiment rebounds significantly, particularly in the manufacturing sector. This rebound is immune to any disruptions still present in global supply chains, and to the increasing container transport prices. It is probably impossible to expect, however, that the situation would stabilise fully before achieving an appropriate vaccination rate. Other than the uncertainties related to the planned overhaul, growing prices of raw materials and the consequences of the spread of the COVID-19 virus, no other significant risks have been identified in the global economic environment that might adversely affect the Company's performance and its business plans.

The macro situation explained above in the context of concrete markets and Cinkarna Celje, d. d.'s flagship products means that the increase in demand as a result of seasonal effects led to the improved economic activity. Even though the DIY segment is still at a high level, the lion's share of demand can now be attributed to a strong construction sector. The situation there may deteriorate if the upcoming autumn and winter seasons are worse. The market equilibrium is established at higher average selling prices. They have increased 12% since the end of 2020 and 2% since the end of June 2020. Based on the assessment of the current situation in the market, a price correction is to be expected in the course of the year. Consequently, there is growing pressure to increase the prices of some key raw materials, including titanium-bearing raw materials. The increasing stocks of raw materials and selling prices of products had a favourable impact on margins in the first half of the year. In the second half of the year, we can expect further price increases on the demand and supply sides. Moreover, we also plan to carry out more extensive maintenance, which is expected to have a significant impact on the reduction of production and sales, on an increase in costs and consequently, it will affect the operating result in the course of three months (September-November). According to the Management Board, the planned profit for 2021 will be exceeded if the situation in the market related to the epidemic does

not deteriorate again or if the conditions in the upstream and downstream markets do not worsen significantly.

We insist on a long-term business strategy, which is based primarily on an active marketing approach in the direction of 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 plan to adopt 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 crucial for business performance, so we will continue to ensure, in agreement with unions and employee representatives, that employee salaries will adequately reflect the Company's performance or the quality of its results.

Cinkarna Celje, d.d. is a relatively small producer of pigment, and as such it faces market conditions and changes as a typical follower. 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 the first six months of 2021, we sold 6% more pigment than in the same period last year.

In other product lines, sales exceed the level of the previous comparable period. In particular, this relates to the value of sales of products for agricultural industry, which is higher than in the same period last year as a result of higher stock market prices of copper and a higher demand. The sales of varnishes, masterbatches and printing inks exceed the levels in the previous comparable period mainly due to the higher demand for masterbatch. The average prices in this product line are higher on account of higher prices of raw materials.

The basic principles of the Company's business policy remain unchanged. We focus on maximising the production capacity utilisation, exploiting market potentials in the direction of selling products with higher added value, optimising production costs and implementing investment plans. Traditionally, the approach of financial management is conservative, the Company is financially stable, the level of cash flow is high allowing undisturbed and timely settlement of all liabilities.

The Company is actively preparing and implementing multiple interrelated projects on the basis of which environmental risks are managed in a comprehensive manner. As regards the project to remedy old burdens related to the existing production in Celje, a proposal has been prepared of various remediation techniques, including cost estimates for two distinctive sites. We are studying the possibility of including pumped water in the system of the existing treatment plant. The remediation of the Bukovžlak non-hazardous waste landfill has been suspended due to a local landslide during the excavation works for the pipeline on the west side requiring a new installation method and design. There is a series of investments carried out in the production to upgrade or improve the operation of treatment plants. Measures are implemented to reduce emissions in the working environment.

In the first six months of 2021, Cinkarna Celje, d.d. generated sales revenues in the amount of EUR 99.4 million, which is 12% more than in the comparable period last year, and 13% more than planned. The total value of exports during the period under consideration reached EUR 90.4 million, which is 12% more than in the same period in 2020 and 13% above the plan.

This year, Cinkarna Celje, d.d.'s shares were listed on the Prime Market of Ljubljana Stock Exchange and the Company started accounting according to IFRS. Net profit amounted to EUR 15.8 million and is 60% higher than in the comparable period last year, when it reached EUR 9.9 million. The operating profit with write-downs or EBITDA reached EUR 26.6 million and accounts for 27% of the sales achieved. Compared to the last year, EBITDA is higher by 50%.

The Company's financial position remains stable. The Company settles all liabilities on time and in full. It has no bank debts, while the remaining financial liabilities relate to assignments. Cash at the end of June amounted to EUR 31.1 million and was 17% lower than at the end of 2020.

In the field of human resources management, we paid special attention to a number of measures taken by the Management Board during the COVID-19 epidemic in order to ensure undisturbed operation of the Company as well as health and safety of employees, protection of employees against infection and optimisation of working conditions for the employees when the Company faced human resource shortages. We follow the principle of wage policy aimed at positively motivating the employees and ensuring an adequate level of employee satisfaction.

In the first half of 2021, we spent EUR 4,1 million on investments, purchase of fixed assets and replacement equipment or 28.7% of projected funds for 2021. Moreover, we spent 12.6% of the planned funds in the field of environmental provisions. The volume of investments does not reach half of the annual plan. Investments related to environmental provisions are lagging behind the most and will certainly not be implemented as planned not even by the end of the year. The reasons lie mainly in changed conditions and lengthy procedures for drawing up the documents and obtaining permits. Other investments will be made at a larger scale in the second half of the year (a major overhaul in the titanium dioxide production and replacement of the sulphur combustion furnace, scheduled for autumn). Their realisation will partly depend on the timely completion of prior development activities.

We follow the five-year strategy through the development activities, and at the same time prepare the basis for its review, primarily in terms of supplementing the existing programmes. We carried out development activities according to trends or customer expectations. In all processes, we implemented improvements allowing better product quality, achieving better performance and capacity utilisation of facilities, and more efficient work. In the context of ensuring the sustainable development of titanium dioxide production, we continue the multi-year project of integrated water management (separate collection of wastewater from water treatment, preparation for the implementation of reverse osmosis for wastewater treatment from titanium dioxide production, seeking a solution to reduce BOD5 and COD in wastewater, BaSO<sub>4</sub>) and the waste reduction project.

The chapters below provide more details by individual business areas, as well as a presentation of the Company's financial condition and performance in the first six months of this year.

**Management Board**

## **STATEMENT OF MANAGEMENT'S RESPONSIBILITY**

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

The Management Board expects that the Company will have adequate resources for the continuation of operations in the future, which is why the Company's financial statements have been prepared under the going concern assumption.

The responsibility of the Management Board as regards the preparation of financial statements includes:

- Accounting policies are properly selected and applied consistently,
- Judgments and estimates are reasonable and prudent,
- Financial statements are prepared in accordance with IFRS as adopted by the European Union, and any deviations are disclosed and explained in the report.

The Management Board declares to the best of its knowledge:

- that the Business Report of Cinkarna Celje, d.d. for the first half of 2021 includes a fair view of the development and performance of the Company's business and its financial position, together with a description of all significant types of risks to which the Company is exposed,
- that the Financial Report of Cinkarna Celje, d.d. for the first half of 2021 has been prepared in accordance with International Financial Reporting Standards as adopted by the EU and that it provides a true and fair view of the assets, liabilities, financial position and profit or loss of the Company, and the Company's comprehensive income.

The Management Board adopted the financial statements with the accompanying policies and notes on 17 July 2021.

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

Filip KOŽELNIK,  
Msc. (Business Studies)



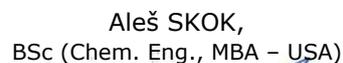
**Member of the Management Board – Deputy President of the Management Board – Technical Director**

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



**President of the Management Board**

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



## SALES

In the period under consideration in 2021, the total sales of the Company exceeded by 12% the sales achieved in 2020 and by 13% the plan for the period. The total amount of sales or net sales revenue totalled EUR 99.4 million.

The analysis of quarterly and monthly sales shows that in Q1 and Q2 2021 the sales were successful, reflecting changed consumer habits and increased optimism, in conjunction with vaccine approval and further improvement in the industry. We exceeded the first quarter of last year, mainly due to extremely high sales in January and March. Higher sales in the first quarter resulted mainly from a higher value of sales of titanium dioxide, copper fungicides, powder coatings and services of the Polymer Business Unit. The Q1 sales are considerably higher than expected (16% above the plan). Favourable trends also continued in the second quarter (20% above the plan).

In April, we achieved one of the highest monthly sales, namely EUR 17.6 million. The lowest sales of the period under consideration were recorded in June amounting to EUR 15.4 million, which is still more than the plan and the sales in June 2020. We expect that monthly sales will move according to the set dynamics.

Market	in EUR			
	JAN - JUN 2020	JAN - JUN 2021	Index 21/20	2021 %
Slovenia	7,713,709	9,024,181	117	9.1
EU	67,548,253	73,624,132	109	74.1
Ex-YU	1,779,011	2,161,785	122	2.2
Third countries	10,220,227	12,688,101	124	12.8
Third countries - dollar markets	1,403,909	1,892,059	135	1.9
<b>TOTAL</b>	<b>88,665,109</b>	<b>99,390,257</b>	<b>112</b>	<b>100.0</b>

In the period under consideration, the total export sales increased by 12% compared to 2020. The increase in sales to foreign markets is undoubtedly due to higher quantities of pigment sold. In absolute terms, the most obvious increase is in sales to EU markets, as we exported significantly more to our largest trading partners in Europe than in 2020. In relative terms, however, the largest increase is in the countries of the former Yugoslavia. We still maintain minimal control market shares in the dollar markets, as higher placements would be pointless due to specific conditions, which are certainly less favourable than in European markets.

The EU market sales exceeded by 9% the sales achieved in the comparable period last year. The growth in this market is driven by the increased demand for titanium dioxide, masterbatches and copper fungicides.

Sales to the markets of the former Yugoslavia increased by 22%. To the greatest extent, sales growth is related to higher demand for powder coatings and pigment. These two groups compensated for the slightly lower sales of zinc alloys.

Domestic sales are 17% higher compared to the same period in 2020. The growth in sales is mainly due to higher sales in all business units except Kemija Celje.

in EUR

Product line	ACTUAL JAN - JUN 2020	ACTUAL JAN - JUN 2021	Index 21/20	%
Titanium dioxide	73,543,993	80,450,346	109	80.9
Zinc recycling	2,477,814	2,998,402	121	3.0
Varnishes, masterbatches and printing inks	7,384,060	9,055,031	123	9.1
Products for agricultural industry	3,466,438	4,909,116	142	4.9
Other	1,792,804	1,977,362	110	2.0
<b>Total</b>	<b>88,665,109</b>	<b>99,390,257</b>	<b>112</b>	<b>100.0</b>

In the period under consideration, sales of the flagship product, **titanium dioxide pigment**, reached EUR 80.5 million. The supply and demand curves created a new equilibrium point. Changes in consumer habits during the epidemic towards the end of the year resulted in a significantly increased demand for pigment associated with DIY projects, though this year, there is a shift towards the construction sector. The increase in sales by EUR 6.9 million in value terms resulted both from the quantities of pigment sold and higher average prices. The competitors have already adjusted the selling prices and these are reflected in the latest analyses of sales. Cinkarna Celje, d.d. as a typical market follower and a small player in the global market, adjusts its prices with a delay. We continue to ensure to all our customers a smooth production process and the operation of the Company. On the basis of the currently known data, we expect that selling prices will increase in the short run.

The **zinc recycling** line combines the zinc wire, anode and alloy product groups. Sales are higher by 21% than in the comparable period last year. The average selling prices of product groups are higher due to the higher stock market price.

In the period under consideration, a 23% increase in sales **of varnishes, masterbatches and printing inks** was recorded, which is mainly related to the increase in the volume of sales of masterbatches and powder coatings. The situation has improved compared to the last year as a result of the increase in activity in the manufacturing industry. In addition, the average selling prices are also higher.

The sales of **products for agricultural industry** comprising copper fungicides, Pepelin, green vitriol (copperas) and Humovit rose by 42% compared to the same period in 2020. The growth is attributed to both higher quantities and higher selling prices. The average prices of copper fungicides increased significantly due to higher stock market prices of copper and the improved sales structure. The sales of **Humovit** remained at the level from the same period in 2020. The fact remains that the sale of the substrate depends on the conditions in the local and neighbouring markets, since the substrate is unable to sustain additional transport cost to enter any distant markets.

The category **"other"** 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 phased-out products and product groups. In value terms, the sales of the aforementioned group remained unchanged compared to the first quarter of 2020. The sales of STAM are considerably higher (+ 28%). The sales of sulphuric acid recorded a 52% increase. As regards the product lines in this group/category, a 37% growth in sales of CEGIPS in value terms has to be highlighted in particular, as 93.5 thousand tonnes of CEGIPS were sold or 8% more than in the first half of 2020. The volume of sales of CEGIPS is important in the context of prolonging the useful life of the Za Travnik landfill.

## PROFIT OR LOSS

In the first half of 2021, the **operating profit** amounted to EUR 19.6 million. This result exceeds by 68% the operating profit for the first half of 2020 of EUR 11.7 million. The operating performance in the first half of 2021 was objectively better than in the same period last year as a result of the postponement of the overhaul to autumn 2021, the record sales volumes in the first quarter and favourable selling process of the flagship product. The operating profit with write-downs or EBITDA reached EUR 26.6 million and accounts for 27% of the sales achieved. EBITDA is higher by 50% compared to the previous year.

After calculating the impact of financial revenues and expenses, **pre-tax profit** amounted to EUR 19.5 million in the first half of 2021, whereas in the first half of 2020 it accounted for EUR 11.9 million. The result before taxes increased by 65% compared to the previous comparable period. In the first half of 2021, a negative balance from financing in the amount of EUR 95.9 thousand was recorded (in the same period of 2020, the balance from financing was positive and amounted to EUR 156.8 thousand). The resulting negative balance from financing arises from the exchange rate differences from the USD/EUR currency risk management. Nevertheless, the negative balance of exchange rate differences represents an efficient use of hedging instruments to control the volatile USD/EUR currency pair movement when purchasing titanium-bearing raw materials.

**The net profit for the accounting period** amounts to EUR 15,822,226, which is 60% more than in the same period last year. Taking into account the developments in the global economy, the titanium dioxide pigment market and the ongoing Covid-19 epidemic, we estimate that the business result is very good. Net profit includes the pre-tax profit and income tax in the amount of EUR 3.7 million (19% effective tax rate).

## COST AND EXPENSE

As regards the consumption of raw materials, packaging and energy, there are minor variations compared to 2020. The reason lies in different pace of changing individual categories of direct costs of production. In relative terms, the most important is the increase in packaging costs, which are higher by 7% due to specific customer requirements.

The total direct cost of materials, energy and packaging is by EUR 419 thousand higher than in the comparable period of 2020, with a 3% increase in production at constant prices. As a result of a higher production output in all business units, the raw material cost is higher by 2%. Energy prices are lower compared to 2020, as we manage them through measures to improve energy efficiency and reduce purchase prices of energy products. It is expected, though, that prices of energy products will rise in the next periods.

The ratio between purchase and selling prices did not change significantly, yet the price scissors opened slightly due to higher selling prices of pigment. For the time being, purchase prices of titanium-bearing raw materials are at similar levels as last year. It is expected that these prices will increase in the coming quarters.

At the end of the first half of 2021, the largest part of production costs included raw materials/material for production (87.3%), followed by energy (10.8%) and packaging (1.9%).

Gross wages were formed in accordance with the provisions of the collective agreement based on the agreements between the trade unions and the Management Board, taking into account the intervention legislation due to the COVID-19 and absenteeism due to emergency situations. The

largest share of labour costs is the cost of gross wages, namely 76%. Compared to the same period last year, the gross wage bill decreased by 8 percent. The holiday bonus per employee is EUR 2,021 gross. Transport to work and meals during work are in accordance with the applicable regulations. The "other" category includes supplementary pension insurance, severance pay, other employee benefits, solidarity assistance costs, jubilee awards and crisis allowance.

## **ASSETS AND LIABILITIES**

**Non-current assets** in the structure of total assets decreased by 1.4 percentage points compared to the beginning of 2021 and amounted to 51.0%. The lion's share of non-current assets is accounted for by property, plant and equipment (96,6%). Their value decreased by the difference between the accounted depreciation in the first six months of 2021 and the amount invested in property, plant and equipment, i.e. by 2%. In 2021, long-term investments did not change and included shares and interest in companies. Deferred tax assets also remained unchanged.

**Current assets** in the structure of total assets increased by 1.5 percentage point compared to the beginning of the current year and amounted to 49%. In the current asset structure, the most important categories are inventories (37%), receivables (33%) cash (30%).

Compared to the beginning of 2021, **inventories** increased by 6 percent, while the value of inventories of material (taking into account the advances) increased by 31% as a result of successive supplies of strategic raw materials; the value of inventories of work in progress decreased by 6% and the total value of inventories of finished products and merchandise of the Company decreased by as much as 37% (as compared to the beginning of 2021). The main reason for the decrease in inventories of finished products is a higher quantity of pigment sold.

**Short-term investments** mainly comprise the fair value of derivative financial instruments and no such items are held as at 30 June 2021.

**Short-term operating receivables** include short-term trade receivables and short-term operating receivables from others (especially from the government for input VAT ). Compared to the beginning of 2021, receivables increased by 29%. Trade receivables increased by 33% due to increased sales in the second quarter, while other short-term receivables dropped by 20%, mostly due to the corporate income tax advance payment being lower than the corporate income tax expense. An overview of trade receivables by maturity below (Notes to the financial statements) shows that the age structure of receivables continues to be very solid.

**Cash (and cash equivalents)** account for 30% of total current assets; their balance decreased by 17% compared to the beginning of 2021 due to the dividend payout in June. The relatively high value of cash is mainly due to good working capital management.

**Short-term deferred costs and accrued revenues** include deferred costs of future periods paid in advance, amounting to only 18% of the opening balance.

**The value of equity** in the structure of liabilities as at 30 June 2021 represents 81.9%, which is 0.8 percentage point less than at the beginning of 2021. The amount of equity decreased by 1% compared to the opening balance. The increase (EUR 1.3 million) relates to the difference between the net profit for the first half of 2021 of EUR 15.8 million, the share buyback from reserves in the amount of EUR 0.64 million and the dividend payout of EUR 13.9 million. In the first six months of 2021, the Company bought further 3,364 own shares in the amount of EUR 0.64 million on the basis of the General Meeting resolutions of 5 June 2018 and 17 June 2020, and at the same time formed reserves for treasury shares for the same amount debited to other revenue reserves. As at 30 June 2021, the Company

held 25,315 treasury shares subscribed to the treasury shares fund. There were no other major 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 25,315 are treasury shares). The book value of the share as at 30 June 2021 is EUR 213.8 (it has decreased by 0.7% since the beginning of the year).

**Provisions and long - term accrued costs and deferred revenues** account for 9.6% of liabilities. Provisions for pensions and similar liabilities were created on 1 January 2006 (severance pay and jubilee awards in accordance with SAS 10) and are adjusted annually based on actuarial calculations. Other provisions were established in the privatisation process from environmental provisions. In recent years, the following environmental provisions were formed: 5 million in 2010 for the purpose of remediation of the Bukovžlak solid waste landfill, 7 and 5 million euros in 2011 for the remediation of the Za Travnik landfill and the destruction of low-level radioactive waste. At the end of 2017, we reviewed in detail, checked and only set aside new provisions for elimination of risks arising from old burdens in the amount of EUR 6.4 million. At the end of 2019, we fully reversed the provision (EUR 4 million) due to the successful removal of TENORM waste. In the period under consideration, the volume of environmental provisions decreased by 4% due to the coverage of costs of the above mentioned remediation projects.

**Financial and operating liabilities** rose by 12% compared to the beginning of the current year due to an increase in trade payables by 22% from the purchase of strategic titanium-bearing raw materials, while other short-term liabilities from taxes, contributions from liabilities to employees and corporate income tax decreased by 1%. All financial and operating liabilities are short-term in nature. The Company's gross debt rate is 7.7% or 12% higher than as at 1 January 2021 (the increase is the result of the incurrence of liabilities arising from the periodic procurement of strategic raw materials and extension of payment deadlines).

**Short-term financial liabilities** amount to EUR 31.1 thousand as at 30 June 2021, or 48% less than at the beginning of 2021 (when they amounted to EUR 60.1 thousand); the difference arises from increased assignment of our liabilities and receivables of our suppliers. The Company's debt rate is therefore 0.15‰ (at the beginning of the year it was 0.29‰).

**Short-terms operating liabilities** increased by 13% in the period under consideration. Short-term trade payables amounted to EUR 11.3 million as at 30 June 2021 and increased by 22% compared to 1 January 2021, mainly due to the increased volume of supplies of strategic raw materials in June and the extension of payment deadlines to suppliers. Other short-term operating liabilities decreased by 1% due to lower liabilities for payments to employees compared to the beginning of the year. Other short-term operating liabilities as at 30 June 2021 include EUR 1.1 million of liabilities for the payment of salaries and other benefits to employees, EUR 0.7 million of liabilities for salary-related contributions and taxes, EUR 2.3 million of liabilities for the payment of income tax and EUR 0.1 million of VAT liabilities and liabilities to other institutions and EUR 0.3 million of liabilities under contracts with customers – contractual commitments related to fees for higher product placement volumes.

**Short-term accrued costs and deferred revenues** increased by 65% during the period under consideration. They mostly comprise accounted liabilities for annual leave and other labour costs, accrued environmental contributions and taxes and VAT on advances given.

## COMPANY'S OPERATING RISKS AND THEIR MANAGEMENT

### Company's operating risks and their management

Cinkarna Celje, d. d. is a regional company operating globally. As such, it is exposed to risks of economic, environmental and social nature. The risks are perceived as an individual event or as a series of events that could significantly affect the achievement of tactical and strategic goals of the Company and/or its long-term viability. The impacts are both positive and negative, whereby the events with negative potential impacts are risks and those with positive potential impacts opportunities. The risk management system/process (SRM) is designed in the same way and operates in the same, complimentary manner for both managing the risks and exploiting the opportunities.

Risks are defined and evaluated using a combined qualitative/quantitative method by which we determine potential range/impact and the probability of occurrence of an event. Risks are categorised as indicated below. The same categories are also used for external reporting:

- I. Sales and procurement risks
- II. Production risks
- III. Financial risks
- IV. Environmental, spatial and regulatory risks
- V. HR and organisational risks

The process or operation of SRM is continuous, whereas external reporting is carried out every 6 months, within the framework of regular regulatory reporting. The SRM is disclosed in detail in the 2020 Annual Report (pages 35-38). The overview of key risks provided below is updated to include the situation and the outlook at the time of the preparation of this report.

### I. Sales risks

Product sales risk	Probability of occurrence	Amount of damage
	Moderate	Moderate
Definition	Risk is associated with the possibility and ability to successfully sell products in target markets. It refers to market volatility, increasing bargaining power of customers and competitors (as a result of capital concentrations and expansion of production capacities) and the possibility of adjusting the marketing mix (4P - price, product, place, promotion). The flagship titanium dioxide pigment product sales risk is present due to the potential competition by Asian producers. At the same time, the problem of increasing production capacities in China is developing into a long-term trend that will have a significant impact on the structure of the industry in the long run. The epidemic has resulted in partially changed consumption in the direction of increasing DIY projects and higher consumption of plastics, which currently has a very positive impact on the Company's result. After the epidemic, the consumption trend can change rapidly and adversely affect the business result.	
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 years, we have actively reduced the product sales risk through the optimisation of the sales portfolio by phasing-out 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	

	<p>represent a shift from the so-called commodity markets, characteristic of which is lower value added and high exposure to the pricing policy of Chinese producers. We also manage sales risks indirectly 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, security, 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 market unpredictability due to the COVID-19 virus epidemic.</p>	
<b>Raw materials and energy supply risks</b>	Probability of occurrence	Amount of damage
	<b>Moderate</b>	<b>Moderate</b>
Definition	<p>The Company is highly dependent on purchasing high quality and appropriately priced raw materials and energy. These are mostly standardised raw materials of a global nature (which are often traded on organised markets), primarily titanium-bearing raw materials, copper, zinc and sulphur, recently also resins and polymers. The negotiating power of suppliers is high (and is rising). In the long-term, the risk is considerable in terms of prices as well as availability. This year, the risk of availability of certain raw materials and upward pressure on prices has further increased as a result of high industrial growth and consequently, the increased consumption of raw materials and energy products in the Chinese market. Due to the growth of sales markets for titanium dioxide pigment, mainly in Asia, market pressures increased significantly, which caused increases in the prices of titanium-bearing raw materials in the recent period. We estimate that the current market situation in the field of titanium-bearing raw materials is relatively stable. Slightly less stable conditions exist in relation to epoxy resins, where demand in the Asian market exceeds supply and this causes shortages in the European market. The risk in the area of energy products (gas and electricity) is important mostly in the long-term due to the expected trend of growing prices arising from the objective long-term limitations of resources. After the rising prices in recent years, the energy market fell between the first and the second wave of the epidemic, thus facilitating the lease of energy products on favourable terms, which will have a positive impact on our costs in 2021. However, growth is expected to resume in the future, mainly due to increased global consumption. Moreover, higher prices of CO<sub>2</sub> coupons may additionally impact the rising energy prices and changes in the structure of the use of sources of energy. Lower operating levels of refineries during the epidemic and the replacement of fossil fuels increase the possibility of sulphur price volatility, where in the first half of the calendar year in particular, when consumption due to production in the segment of products for agricultural industry is higher and the supply is limited, we can realistically expect increasing price pressure. We assess the risk in the field of raw materials and energy products as relatively manageable.</p>	
Management	<p>Risks are managed by seeking and evaluating alternative raw material sources (catalogues of verified alternative 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 also in regular contacts with suppliers with whom we do not operate, but that could constitute a potential solid alternative. We have guaranteed quantities with a long-standing supplier of epoxy resins. In the period of lower energy prices, we concluded a supply contract at relatively favourable prices. We are developing infrastructure, information systems, technologies and products so as to limit the use of critical raw materials, reduce reliance on individual suppliers and limit the volatility of purchasing prices. Where possible, we conclude long-term fixed-price purchasing agreements, use various hedging</p>	

	systems, balance the structure of consumption of individual energy products, implement energy management and continuous measures/projects aimed at energy consumption optimisation (ECO). We include targets for specific consumption of raw materials and energy products into the Integrated Management System.	
<b>Risk of macroeconomic conditions in target economic environments</b>	Probability of occurrence	Amount of damage
	<b>Moderate</b>	<b>Moderate</b>
Definition	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 general macroeconomic risk is definitely present at the moment, but we believe to be prepared well enough for possible additional deterioration of conditions. Extreme prudence and attention are still in place due to ongoing epidemic and its impact on the wider economy, and due to the situation in the Middle East. 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.	
Management	We manage the risk by focusing on relatively safe and stable markets within EU+ (more than 80% of sales), while sales outside the borders of 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 & returns. An important element of the risk management strategy is flexibility in directing sales to different geographic markets. Consequently, we 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. With our local partners, we evaluate and adjust our business decisions on an ongoing basis. Manageable risk (e.g. financial) is reduced strategically in order to increase the compensating ability concerning the risks inherent in the global economic space.	

## II. Production risks

<b>Work equipment availability risks</b>	Probability of occurrence	Amount of damage
	<b>High</b>	<b>Low</b>
Definition	Cinkarna Celje, d. d., is a capital-intensive undertaking, and an industry with a high proportion of continuous processes. In terms of workload and utilisation of labour resources, these are extremely unfavourable conditions (chemically aggressive substances, high temperatures, pressures, etc.).	
Management	The risk is mitigated through 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 accidents, fires, uncontrolled releases of substances into the environment and accidents at work</b>	Probability of occurrence	Amount of damage
	<b>Low</b>	<b>High</b>
Definition	Chemical processing and metallurgical industry implies the risk of such accidents.	
Management	The risk is managed through systematic evaluation of environmental and employee impacts, periodical assessments of fire threats and job classification 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, and the Company also holds adequate fire insurance. As regards 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 health and safety at 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.

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 the 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.

In 2020, we revised the concept of environmental risk in accordance with the Seveso directive and at the beginning of 2021 we received a decision confirming the adequacy of the audit. As part of the project task, we established a register of necessary measures deriving from the new design, and thus ensured systematic implementation.

We are carrying out a comprehensive remediation of the Bukovžlak non-hazardous waste landfill to reduce the risk of accidents in this area.

### 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. As the majority of sales are transacted in euros, exposure is worrying especially in dollar-denominated purchasing of titanium-bearing raw materials and occasionally also copper compounds.	
Management	We continuously monitor 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 customers, meaning that they 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 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 decreased significantly by reorganising/cleaning up the portfolio of the Company's strategic business areas, specifically by phasing out the product lines of graphic materials, the titanium-zinc sheet, the anti-corrosion coatings and the construction compounds. As regards credit risks, we should point out the consequences of the unclear outcome of the epidemic and of the associated changes in consumer habits.	
Management	The risk is mitigated by developing long-term partnerships, checking the ratings of new domestic and international customers, selecting reliable customers, and regular monitoring and verification of the business health of our customers. We use the credit limit system, which limits systematically potential damages. We also have a department (with adequate IT infrastructure) for dynamic monitoring of maturity of outstanding receivables, balance of overdue receivables and their recovery. When it comes to mediation, judicial and extrajudicial 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.	
<b>Liquidity risk</b>	Probability of occurrence <b>Low</b>	Amount of damage <b>Low</b>
Definition	Liquidity risk is related to the liquidity of a company or the liquidity of an individual financial instrument. The emergence of such a risk would indicate a company's inability to repay overdue liabilities and it could have a chain effect.	
Management	The Company's operation is traditionally conservative with high cash flow. Liquidity management includes, among other things, planning of expected financial obligations and their settlement, regular monitoring of customers' solvency and regular recovery of overdue receivables. The credit rating is AAA.	
<b>Interest rate risk</b>	Probability of occurrence <b>Low</b>	Amount of damage <b>Low</b>
Definition	Interest rate risk means the possibility of losses due to unfavourable changes in interest rates on the market.	
Management	The Company has no long-term financial liabilities and has no measures in place in this respect. Should this fact change, appropriate measures would be put in place to manage such risk.	

#### **IV. Environmental, spatial and regulatory risks**

<b>Remediation of Bukovžlak landfill for non-hazardous waste</b>	Probability of occurrence <b>Low</b>	Amount of damage <b>High</b>
Definition	In the last quarter of 2010, the Management Board decided that due to the high financial burden and limited availability/capacity of the Bukovžlak landfill, the landfill would be exempt from the application for the environmental permit and that the process of its closure would be immediately initiated.  To ensure safety and minimise the negative impacts on the environment in the long term, it is necessary to conduct a comprehensive remediation.	
Management	In 2010, the Company formed environmental provisions in the amount of EUR 5 million that was charged to profit or loss. We obtained an environmental permit for the period of closing down the landfill (30 years).	

	<p>In 2016 and 2017, we carried out the first phase of comprehensive remediation - strengthening the barrier.</p> <p>Further work on project documentation revealed a need for additional interventions not anticipated at the time of establishing provisions in 2010, and therefore, further provisioning of EUR 782,563 was necessary at the end of 2017.</p> <p>In line with the integral construction permit, in June 2020, we started the implementation of the remaining phases of the comprehensive remediation (cover, drainage of background water, central and western drainage, diversion dam). As regards risk management, we completed the most demanding operation before the end of 2020. The entire remediation is expected to be completed in 2023.</p>	
<b>Pipeline for pumping neutralising agent at the Za Travnik waste disposal plant</b>	Probability of occurrence	Amount of damage
	<b>Low</b>	<b>Low</b>
Definition	<p>The Company only has one functioning pipeline for pumping the neutralising agent at the Za Travnik waste disposal facility. The pipeline has already been partially replaced and a bigger, new one has been partially set up, whilst the original is still partially operating.</p> <p>In the event of leaks, production of titanium dioxide must be stopped.</p> <p>So far, we have managed to repair the leaks in sufficiently short periods of time, which is why we still assess the risk as low.</p>	
Management	<p>The problematic part of the pipeline has been replaced. We seek the necessary easements for the old part of the original pipeline.</p> <p>In 2016, we installed a new pump for suspension pumping, which reduces the risk of malfunctions arising from hydraulic shocks. We are implementing the necessary improvements to the procedure for thickening gypsum suspension, which will decrease the pumping volume, thus reducing the risk of leakage due to overburdening of the pipeline.</p> <p>Due to remediation work on the plot 115/1 Teharje cadastral commune, which will take place under the responsibility of the Ministry of the Environment and Spatial Planning, we will replace the section of the pipeline that crosses that plot.</p>	
<b>Availability of Za Travnik waste disposal facility</b>	Probability of occurrence	Amount of damage
	<b>Low</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 the titanium dioxide production is stopped.</p>	
Management	<p>We produce the maximum possible amount of CEGIPS, thereby reducing the amount of red gypsum for disposal.</p> <p>The obtained integral permit for remediation of the Bukovžlak landfill approves the use of red plaster to produce an impermeable cap and to build a diverting embankment.</p> <p>The project of filling the device for waste disposal Za Travnik with red plaster has been updated, aiming to achieve the most optimal filling (higher natural settlements). Given the changed conditions (greater consumption of white plaster, a different crystal structure, settlements) a new estimate of the available volume for the filling was prepared.</p>	

	<p>With all these measures, we are gaining more time before the filling up of the facility. According to Article 9 of the "Decree on the building plan of the Za Travnik landfill" in the Municipality of Šentjur, we have initiated the procedure of amending the Municipal Detailed Spatial Plan (OPPN). Coordination with the Municipality of Šentjur is underway. For 2021, we also set the goal of checking the possibility of changing the technology of waste acid treatment, which now results in the formation of red gypsum. We are looking for ways to reduce the dependence of production on available filling 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 though regular maintenance. Projects of the break wave have been developed.</p> <p>We have upgraded 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 reduced environmental provisions to EUR 450,000 based on the expert assessment of the work still to be performed.</p> <p>We perform regular maintenance of the high barrier for red gypsum Bukovžlak. At the end of 2017, we established EUR 3 million provisions for more comprehensive rehabilitation of this barrier. 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. A design project for lowering lake water level that would contribute significantly to safety of the barrier was prepared. We improvised noise reduction to obtain data for further work. The seismic observation of the high barrier Bukovžlak is in regular operation. Surveillance is carried out by a hired certified seismological observer.</p> <p>Remediation of the barrier of the Bukovžlak non-hazardous waste landfill was carried out in 2016 and 2017. Complete rehabilitation of the entire landfill, which began in June 2020, will further improve stability in the long run.</p>	
<b>Environmental due diligence – Phase II</b>	Probability of occurrence	Amount of damage
	<b>Low</b>	<b>Moderate</b>
Definition	<p>The results of the environmental due diligence – phase II revealed that the existing production facility in Celje was built on landfilled waste of past activities and that such waste has impact on groundwater, which can affect human health and the environment.</p>	
Management	<p>We carried out a number of parallel activities to define the potential impact on human health and the environment, and promptly informed the public of the results. In August 2018, we concluded and presented to the general public the results of the Human health and environmental risk assessment arising from</p>	

	<p>consumption of agricultural crops produced under the Bukovžlak landfill for non-hazardous waste (ONOB). It was established that the contaminated perched underground water below the ONOB had no negative impact on crops. In November 2018, we also presented the Ecotoxicological research of impact of old burdens at the site of the existing production in Celje on living organisms in the Hudinja and Vzhodna Ložnica watercourses. Four locations requiring action were identified. In 2019, we conducted the first part of the activities to supplement the Ecotoxicological risk assessment in segments for which the previous research did not provide sufficient explanation in terms of causes. One location remains that we cannot explain and requires some additional sampling. We prepared a comparison between the requirements of the Slovenian, German and Dutch legislation and a summary of the work done so far, and submitted the documents to the Ministry of the Environment and Spatial Planning. In its reply, the Ministry stated that the current environmental legislation does not prescribe any measures, therefore the Ministry is unable to participate in the working group. Cinkarna can prepare the measures itself.</p> <p>In view of the above, the Management Board commissioned a review of the legal opinion. It also hired CDM Smith to prepare a proposal for technically feasible remediation measures, including a feasibility evaluation for the two most polluted areas of the current production site. We are exploring the cleanup possibilities within the existing treatment plant.</p>	
<b>Water permit for pumping the 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 carrying out continuous measurements of flow and pumping quantity. Continuous measurements are to be established by March 2022. The activities are currently underway.</p> <p>We are looking for solutions and already making investments in major water recycling.</p> <p>We submitted an application to the Slovenian Water Agency for amending the water permit in accordance with the scientific bases prepared by the Institute for Water of the Republic of Slovenia. Given the scientific bases, we expect somewhat less strict requirements for the determination of ecologically acceptable flow. The application has not be fully processed at the Water Agency. It has obtained the opinion regarding the hydrological part, though not yet final and this is why we have not received a request for additional information. We prepare a solution for an alternative water supply source during the dry season.</p>	
<b>TiO<sub>2</sub> classification according to CLP legislation</b>	Probability of occurrence	Amount of damage
	<b>Low</b>	<b>Moderate</b>
Definition	<p>In March 2020, the EU Parliament, on a proposal from the Commission, voted to classify TiO<sub>2</sub> under CLP legislation - Class 2 and with the H 350i statement 'May cause cancer by inhalation'.</p> <p>Producers of titanium dioxide must arrange for an extended safety data sheet and the appropriate labelling on the packaging within 18 months.</p>	

	<p>Interpretation of the classification together with notes and derogations allows for several different options, making the consequences difficult to define. We estimate that the probability of greater titanium dioxide substitution is small, as there are no real alternatives.</p>
Management	<p>An expert fact, which was also endorsed by RAC members in their opinion, is that titanium dioxide as such is not toxic or genotoxic. It merely causes a problem if lungs are overloaded with extremely large amounts of dust, which is not possible in real situations. The measure is not proportionate and the CLP legislation is not an appropriate tool for this purpose. This is why we, titanium dioxide producers, have brought an action to the Court of Justice of the European Union against the European Commission.</p> <p>The European Titanium Dioxide Manufacturers Association (TDMA) organises several activities for collecting evidence, informing the users and communicating with the decision makers. Among other things, guidelines on how to understand the legislation have been drawn up. As a member, we are actively involved in these activities.</p> <p>Central to understanding the requirements of CLP is a record stating that the classification applies to titanium dioxide in powder containing 1% or more particles with an aerodynamic diameter <math>\leq 10 \mu\text{m}</math>. We, titanium dioxide manufacturers, have devoted a lot of time and resources to identify the appropriate standard method which would allow to determine dust and aerodynamic diameter. Measurements performed according to a standardised methodology showed that most <math>\text{TiO}_2</math> products do not meet the set criteria. This means that classification is not required. TDMA informed European Commission's Directorate for the Environment of these findings, and the latter convened an extraordinary CARACAL (expert meeting of EU Member States) on the subject. On the basis of the measurements carried out in accordance with the above stated methodology, our products do not fall under the classification.</p> <p>An extensive 5-year scientific program has been launched by TDMA to further investigate the potential risk of using various forms of titanium dioxide in both inhalation and skin contact as well as ingestion. We draw the attention of the decision-making bodies to the unresolved problem of waste that will largely prevent the circular economy.</p> <p>The Company has initiated a prevention measure to eliminate dust sources in manufacturing jobs. As a result, a series of minor and major investments is in progress. We communicate with employees through managers, co-determination bodies and bulletin boards. We make employees aware of the importance of ensuring a clean working environment and the use of personal protective equipment in cases where other measures are not sufficient.</p> <p>We commissioned a study to check the damage caused by dust from our production to lung cells. The study showed that based on the results obtained and the modelling it is possible to claim with a high degree of certainty that the exposure to Cinkarna Celje's <math>\text{TiO}_2</math> dust (40 years, 8 hours a day, 5 days a week) would not result in damage to lung cells in pulmonary alveoli.</p> <p>We also take additional measures to verify and eliminate risks. They are mainly related to:</p> <ul style="list-style-type: none"><li>- preparation of extended Safety Data Sheets, and</li><li>- customer information.</li></ul>

<b>Lawsuit by Celje City Municipality (MOC)</b>	Probability of occurrence	Amount of damage
	<b>Low</b>	<b>Low</b>
Definition	MOC requests from the Company the reimbursement of the costs of remediation of the soil excavated by the construction company on request of the investor (MOC) in the scope of construction works (utility lines). The excavations were carried out on the land (i.e. old Cinkarna site) 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 remedied 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	According to the current assessment of the law firm that represents Cinkarna in legal proceedings, the possibility of a favourable outcome for the Company is greater than 50%.	
<b>Adaptation to the BAT conclusions on wastewater and gas treatment and management in the chemical industry (BAT CWW)</b>	Probability of occurrence	Amount of damage
	<b>Moderate</b>	<b>High</b>
Definition	Pursuant to Article 78 of the Environment Protection Act (ZVO-1), the Ministry of the Environment and Spatial Planning shall update the environmental protection permit ex-officio due to the publication of BAT conclusions relating to the activity of the facility. Consequently, it is necessary to adapt to the requirements. Along with the publication of BAT CWW conclusions, which also refer to the treatment of wastewater (liquid waste) from the production of titanium dioxide, the levels of chemical oxygen demand (COD) emissions will have to be adjusted below 100 mg/l per each discharge. The level of BAT-related emissions is stricter than the emission limit values set out in the Decree on the emission of substances and disposal of waste from titanium dioxide production, which now sets a limit value.	
Management	<p>We have carefully reviewed and harmonised with the competent authority (ARSO) the conditions regarding the specific emission level for COD and possible exceptions provided by the conclusion of BAT.</p> <p>We have already received an invitation from ARSO to submit data related to the verification of the environmental permit ex officio. We submitted our reply to the request in June.</p> <p>At the same time, we are also looking for a technical solution to reduce the COD below 100 mg/l.</p>	

## V. HR and organisational risks

<b>Ensuring continuity</b>	<b>HR</b>	Probability of occurrence	Amount of damage
		<b>Low</b>	<b>Moderate</b>
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 it supplies products to end users from very different industrial areas. As a consequence, it is exposed to the risk related to networking and interactions and, above all, transfer of its managerial, engineering and supporting know-		

	<p>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 communication channels and structures.</p>	
Management	<p>We train and prepare responsible successors for key functions at all levels of the Company's organisational structure through 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, information and harmonised actions of all key employees. Successors actively participate and act, and are well familiarised with actions and issues related to ensuring uninterrupted operations of business functions and processes. In cooperation with support services we ensure that the Company's key functions are taken up in case of foreseeable and also extraordinary events (illness or longer period of absence, resignations and retirement).</p>	
<b>Ensuring uninterrupted business operation during the COVID-19 epidemic</b>	Probability of occurrence	Amount of damage
	<b>High</b>	<b>High</b>
Definition	<p>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.</p>	
Management	<p>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 our 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.</p>	

## **DEVELOPMENT AND SOCIAL RESPONSIBILITY**

### **HR**

As at 30 June 2021, Cinkarna had 800 employees, which means that compared to the end of 2020, it decreased its staff by 24 employees, or 3%. There are minor changes in the number of employees in individual business units.

The average number of employees in the first six months of 2021 was 808, i.e. 39 employees or 4.6% less than the average number of employees in the same period in 2020.

Since 1985, when the Company's management began a long-term restrictive personnel strategy and the number of employees was 2,427, the number of employees has decreased by 1,627 employees or 67 percent.

The average absenteeism rate in the period from January to June 2021 increased by 0.9 percentage point compared to the same period last year and amounted to 20.9% (of which 7.1 percent absence due to illness). The percentage of sick pay increased by 0.3 percentage point compared to the same period last year.

### **Investments**

In the first half of 2021, we spent EUR 4.06 million on investments, the purchase of fixed assets and replacement equipment, which represents 28.73 % of the planned funds for 2021. In addition to that, we used 12,61% of planned funds in the area of environmental provisions.

The volume of investments does not reach half of the annual plan. Investments from environmental provisions are most lagging behind. These will certainly not achieve the planned realisation even at the end of the year. There are two main reasons for this:

- new knowledge in the implementation of work (ONOB, drainage C, elimination of old burdens) requiring additional research and design;
- obtaining permits (replacement of the part of the pipeline for gypsum pumping on the plot 115/1 Teharje cadastral commune)

Other investments will be made on a larger scale in the second half of the year (a major overhaul in titanium dioxide production and replacement of the sulphur combustion furnace which is planned in the autumn). In part, their realisation will also depend on the timely completion of previous development activities (gel and pigment squeezing technology, a broader view of the positioning of new equipment in relation to expansion plans).

Investment activities in the production of titanium dioxide, which we successfully carry out, are:

- parallel storage tanks for black solution filtration – one is already in operation, the other is expected to be in August,
- 4th electrofilter for smoke gases from the calcination process is awaiting a technical inspection,
- installation of the vessels of the third line for the 2nd stage of acidic effluents neutralisation is underway;
- the project of separate collection of wastewater from water treatment is ready for start-up, but we have postponed the project to the time of the overhaul in order to avoid production disruption or loss of capacity at the time of start-up;
- the delivery period for degassing hydrocyclones at the existing gypsum thickener is running;

- the repair of the second of the four red-gypsum press filters is expected to be completed in September;
- we restored the walls on the first of the six digestion columns, which need renovation, and the walls on the first two of the five hydrolysing units;
- we have made some individual improvements to eliminate dust sources and ordered a dust filter.

The project for the first phase of regulating oil traps in the Company is being developed.

We installed and equipped a sulphuric acid container for production of TBCS in Kemija Celje BU. Some smaller construction projects are also active (preparation of the project for demolition of the Grafika 3 hall and reconstruction of existing buildings in it, project for reconstruction of Grafika 4 into changing rooms and premises for development and maintenance of automated processes group, rehabilitation of facilities for the operational machine maintenance, laboratory, cabinets in TiO<sub>2</sub> BU, etc.).

## **Development activity**

### **Review of Company's strategy**

We have set out the task of examining the possibilities for diversifying our product lines and the options identified are in the phase of more detailed consideration.

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

In the first phase, the task is 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.

### **Energy audit**

The selected external contractor carries out an overview of the situation and a set of possible actions. Completion is scheduled for September.

### **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.

### **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 tools produced are used for tests of housing spraying.

### **Development of powder coatings**

Planned activities for obtaining Qualicoat Class 1.5 certificate for semi-matt and matt systems and Qualicoat Class 1.5 for fine-structural surfaces are ongoing.

### **Development of masterbatches**

With various inorganic pigments we develop individual monomasters, but at the same time we also carry out market analysis and discussions with potential customers.

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

These are tasks aimed at:

- 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 calcinate
- Integrated water management

## Quality assurance

We manage various aspects of our business (quality, environment, health and safety at work) with the integrated management system (IMS). The IMS structure is based on ISO 9001, which is upgraded and expanded with ISO 14001 and ISO 45001.

The compliance of operations is verified through internal and external audits. In January, we completed the internal audits for 2020. An internal audit plan was prepared for 2021 and an external audit according to ISO 9001 was carried out in May without any non-compliances identified.

We have selected a new CC UM System Administrator. A system review is in progress. In the first half of the year, 67 employee proposals for minor improvements in working processes were registered.

We systematically manage processes in the field of customer requirements, development and research, production of products, sales, and monitoring customer satisfaction. The satisfaction of our customers and the achievement of joint business success are our key goals. For this purpose we systematically collect and discuss customer complaints, comments and compliments. We also use the information obtained to find and introduce new methods of controlling the applied properties of our products in different fields of application.

The number of complaints remains at a low level and is not considered to pose a significant risk. There are several comments that we are dealing with as we go and see them as opportunities for improvement.

## Environmental management

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

There are 11 activities in implementation process, related to the elimination of environmental risks, 2 activities in Metallurgy BU have already been completed.

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

We have defined eight measures. We have already completed four (training and checking of the competence of the persons responsible for the operation of the treatment plant in Kemija Celje BU, defining measures and preparing ND, and training in case of ethanol spillage in Kemija Mozirje BU, setting up frequency parameters and thus preventing black-outs of the treatment plant on calcination and the waste disposed of in the facilities of Polymers BU). Other tasks are taking place without problems.

### **III. Sustainable management of resources and products**

We perform 7 activities in the field of energy improvements; their impact will be visible at the end of the year.

According to the plan we are introducing 6 improvements in the treatment of non-hazardous waste, namely the search for solutions to reduce the waste at the source or the possibility of recycling of waste and a more regulated management system. Here too, the impact will be realistically measurable at the end of the year.

This includes measures to extend the availability of waste disposal facilities with the aim of eliminating large volumes of Cegips and selling it to reduce the burden on the Za Travnik waste disposal plant

(quantity of RCgips). The amount of Cegips discharges was 2.67 t/t (target is 2.9 t/t TiO<sub>2</sub>), while the amount of the disposed RCgips is 2.77 t/t (target is 2.7 t/t TiO<sub>2</sub>).

Apart from minor deviations, the tasks set for the realisation of the above mentioned objectives are carried out in accordance with the established plan.

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.

All work has been done to establish monitoring Qes of the Hudinja river. The flow test measurements are already in progress.

In order to manage the risk of a lack of process water in dry periods, we are looking for a solution in the direction of changing the water permit, based on a study prepared by the Institute for Water. In January 2020, we submitted an application. The Slovenian Water Agency has not yet fully dealt with the application until the end of this trimester. They have obtained an opinion on the hydrological part, which is not yet definitive, so we have not yet received a request for supplementing the application, but we are already looking for offers to prepare the supplements to this part. In parallel to that, we also perform activities on checking alternative water supply options. Our Initiative to define the part of the Hudinja watercourse as a candidate for a heavily modified water body, sent to the Ministry of Environment and Spatial Planning, and thus a proposal for a lighter environmental objective (lower minimum ecologically acceptable flow) at the part where processing water is being taken, has received a negative response.

After a series of complex adjustments and delays due to the COVID-19 epidemic, in mid-June 2020, in accordance with the integral building permit, we started with the complete remediation of the closed Bukovžlak landfill for non-hazardous waste. Due to the geologically unfavourable conditions and the acquisition of additional security elements, works on the western ground drainage are currently suspended. The work on the new pool of the pumping station is also currently stopped to update the required documentation and to acquire additional material.

In the half-year period, no new changes were reported to the Environmental Agency (ARSO) in the operation of the facility as part of the acquired environmental permits for higher-scale pollution installations. We received a call from the ARSO for the submission of data regarding the ex-officio verification of the environmental permit in order to complete the submitted applications and to submit a comparison of the achieved environmental performance levels associated with the best available techniques in the BAT CWW conclusions (Common Waste Water and Waste Gas Treatment/Management Systems in the Chemical Sector). At the beginning of June we submitted the required supplement.

At the beginning of the year, we received a decision from the Agency on the amendment of the environmental permit for a plant with a reduced environmental risk under the SEVESO Directive. Activities from the Register of Requirements and Tasks are being carried out in accordance with the records of the major-accident prevention design. A model for predicting the spread of pollutants (SO<sub>2</sub>, SO<sub>3</sub>/H<sub>2</sub>SO<sub>4</sub>, H<sub>2</sub>S from the production of titanium dioxide and copper powder) was also designed and put into service in cases of identified scenarios that could lead to major accidents and, consequently, release of those hazardous substances.

In the first quarter, we had one environmental inspection (at the location in Celje). The aim of the inspection 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 non-compliances identified.

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 past year. In relation to this complaint about noise, we implemented a number of measures in the production of titanium dioxide in the last year.

In the second quarter a bad smell complaint was registered. On a specific 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.

According to legislative requirements, we have prepared and submitted all monitoring reports for 2020 within the deadline. No excess maximum levels were observed. We have been involved in the preparation of new amendments to the legislation (ZVO 1-B, Regulation on packaging and packaging waste) and have followed up all other amendments.

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

## **Health and safety**

During the half-year period, we did not record any serious accidents at work. We dealt with 5 minor accidents, 3 less than in the same period last year.

We implement a system of identifying potential hazards and taking action in the event of near misses. We have identified 21 potential hazards, which we eliminated on an ongoing basis. Three near misses were reported. 'Minute for Safety' activity took place in various forms and at different time intervals in the production work environments. In all production BUs, we identified and broke down process risks related to ensuring safety and health at the workplace, as well as measures to reduce emissions in the work environment. In accordance with POIC, improvements are being made in the field of health and safety at work and fire safety (% of the realisation in the half-year period is 31.3).

The COVID-19 epidemic resulted in fewer health promotion activities. We promoted healthy breakfast, prepared and published articles in internal newsletters and on the Intranet, tested employees for the presence of antibodies against COVID-19, implemented rapid antigen tests (HAGT) for COVID-19, carried out the "to work by bicycle" campaign, control of fats in blood and blood sugar, body composition measurements, analysis and recommendations.

In the field of fire protection, we conducted a tactical exercise in the Kemija Celje BU (Seveso plant). We have carried out a fire safety study for Kemija Mozirje BU and a project for the renovation of the cabinets in the Titanium dioxide BU. In the Surface treatment plant II of TiO<sub>2</sub> BU, the safety lighting systems have been expanded.

The external evaluation of the system of occupational health and safety management according to ISO 45001:2018 was carried out in May. There were no inconsistencies. We have received some recommendations for improvement.

## FINANCIAL REPORT

### Income statement for the period from 1 January to 30 June

in EUR

	Notes	JAN-JUN 2021	JAN-JUN 2020	Index 21/20
<b>1. Net sales revenues</b>	<b>17</b>	<b>99,390,257</b>	<b>88,665,109</b>	<b>112</b>
- Net revenues from sales in the domestic market		9,024,181	7,713,709	117
- Net revenues from sales on foreign markets		90,366,076	80,951,400	112
<b>2. Changes in the value of stocks of goods and work in progress</b>		<b>-4,307,569</b>	<b>-1,330,089</b>	<b>324</b>
<b>3. Capitalised own products and services</b>	<b>2</b>	<b>1,669,870</b>	<b>1,689,771</b>	<b>99</b>
<b>4. Other operating revenues (operating revenues from revaluation)</b>	<b>19</b>	<b>599,335</b>	<b>456,238</b>	<b>131</b>
<b>5. Costs of goods, materials and services</b>	<b>14</b>	<b>55,394,839</b>	<b>55,797,061</b>	<b>99</b>
a) Cost of goods and material sold and cost of used material		48,754,434	48,211,324	101
b) Cost of services		6,640,405	7,585,737	88
<b>6. Labour costs</b>	<b>13</b>	<b>14,785,486</b>	<b>15,397,581</b>	<b>96</b>
a) Wages and salaries		9,995,475	10,843,913	92
b) Social security costs		741,487	824,511	90
c) Pension insurance costs		1,094,518	1,194,294	92
č) Other labour costs		2,954,005	2,534,863	117
<b>7. Write-offs</b>	<b>12</b>	<b>6,992,515</b>	<b>6,045,516</b>	<b>116</b>
a) Amortisation		6,542,510	6,026,715	109
Revaluation operating expenses for intangible assets and tang. FA		71,751	6,941	1034
c) Operating expenses from revaluation of current assets		378,254	11,860	3189
<b>8. Other operating expenses</b>	<b>14</b>	<b>549,529</b>	<b>531,312</b>	<b>103</b>
<b>Operating profit or loss</b>		<b>19,629,523</b>	<b>11,709,559</b>	<b>168</b>
<b>9. Financial revenues from shares</b>	<b>20</b>	<b>357</b>	<b>8,630</b>	<b>4</b>
č) Financial revenue from other investments		357	8,630	4
<b>10. Financial revenues from loans given</b>	<b>20</b>	<b>0</b>	<b>78</b>	<b>-</b>
b) Financial revenue from loans to others		0	78	-
<b>11. Financial revenues from operating receivables</b>	<b>20</b>	<b>494,235</b>	<b>243,780</b>	<b>203</b>
b) Financial revenue from operating receivables to others		494,235	243,780	203
<b>12. Financial expenses from impairment and write-downs of investments</b>	<b>15</b>	<b>0</b>	<b>0</b>	<b>-</b>
<b>13. Financial expenses from financial liabilities</b>	<b>15</b>	<b>0</b>	<b>0</b>	<b>-</b>
<b>14. Financial expenses from operating liabilities</b>	<b>15</b>	<b>590,502</b>	<b>95,669</b>	<b>617</b>
b) Financial expenses from liabilities to suppliers and bills payable		264,534	1,671	15828
c) Financial expenses from other operating liabilities		325,968	93,998	347
<b>Profit or loss before tax</b>		<b>19,533,613</b>	<b>11,866,378</b>	<b>165</b>
<b>17. Corporate income tax</b>	<b>21</b>	<b>3,711,386</b>	<b>1,953,824</b>	<b>190</b>
<b>18. Deferred taxes</b>	<b>21</b>	<b>0</b>	<b>0</b>	<b>-</b>
<b>19. Net profit or loss for the accounting period</b>		<b>15,822,226</b>	<b>9,912,554</b>	<b>160</b>
Basic earnings per share <sup>1</sup>		19.58	12.27	160
Diluted earnings per share <sup>2</sup>		19.58	12.27	160

<sup>1</sup> Net profit/total number of shares

<sup>2</sup> All shares are ordinary, freely transferable and of the same class

## Statement of financial position of the Company

in EUR

	Note	30/06/2021	1/01/2021	31/12/2020	Index 30/6./1/1
<b>ASSETS</b>		<b>210,822,633</b>	<b>210,335,697</b>	<b>210,335,697</b>	<b>100</b>
<b>A. Non-current (long-term) assets</b>		<b>107,392,681</b>	<b>110,083,986</b>	<b>110,083,986</b>	<b>98</b>
I. Intangible assets and long-term prepaid items	1	999,595	1,061,100	1,061,100	94
Long-term property rights		919,668	1,017,825	1,017,825	90
Other long-term accrued and deferred assets		79,927	43,275	43,275	185
II. Tangible fixed assets	2	103,769,205	106,399,006	106,399,006	98
Land		9,713,020	9,749,192	9,749,192	100
Buildings		42,318,700	43,360,477	43,360,477	98
Manufacturing plants and machinery		39,388,149	41,927,817	41,927,817	94
Other machinery and equipment		49,706	52,238	52,238	95
Tangible fixed assets in construction and elaboration		11,599,004	10,492,059	10,492,059	111
Advances for the acquisition of tangible fixed assets		700,627	817,222	817,222	86
IV. Long-term investments	3	950,363	950,363	950,363	100
Other shares and interests		950,363	950,363	950,363	100
VI. Deferred tax assets		1,673,517	1,673,517	1,673,517	100
<b>B. Current assets</b>		<b>103,375,772</b>	<b>99,955,723</b>	<b>99,955,723</b>	<b>103</b>
II. Inventories	4	37,814,172	35,524,605	35,524,605	106
Material		28,230,093	21,487,973	21,487,973	131
Work in progress		2,379,593	2,533,235	2,533,235	94
Products and merchandise		7,160,456	11,340,759	11,340,759	63
Advances for inventories		44,030	162,638	162,638	27
III. Short-term financial investments	3	0	35,056	35,056	-
Short-term financial investments, other than loans		0	35,056	35,056	-
Other short-term investments		0	35,056	35,056	-
IV. Short-term operating receivables	5	34,480,314	26,738,238	26,738,238	129
Short-term operating trade receivables		32,879,281	24,734,182	24,734,182	133
Assets based on contracts with customers		0	0	0	-
Short-term operating receivables due from other entities		1,601,032	2,004,056	2,004,056	80
V. Cash	6	31,081,287	37,657,824	37,657,824	83
<b>C. Short term accrued and deferred asset items</b>	<b>10</b>	<b>54,180</b>	<b>295,987</b>	<b>295,987</b>	<b>18</b>

Due to the transition from SAS to IFRS, the effects of the transition are shown as at 1 January 2021 and explained in more detail in the Notes to the financial statements, which are part of the financial statements and must be read together with them.

					in EUR
	Notes	30/06/2021	1/01/2021	31/12/2020	Index 30/6/1/1
<b>LIABILITIES</b>		<b>210,822,633</b>	<b>210,335,697</b>	<b>210,335,697</b>	<b>100</b>
<b>A. Equity</b>	<b>7</b>	<b>172,762,317</b>	<b>174,016,279</b>	<b>174,016,279</b>	<b>99</b>
I. Called-up capital		20,229,770	20,229,770	20,229,770	100
Share capital		20,229,770	20,229,770	20,229,770	100
II. Capital reserves		44,284,976	44,284,976	44,284,976	100
III. Reserves from profit		93,791,586	94,431,872	94,431,872	99
Statutory reserves		16,931,435	16,931,435	16,931,435	100
Reserves for own shares		4,540,566	3,900,280	3,900,280	116
Own shares		-4,540,566	-3,900,280	-3,900,280	116
Other reserves from profit		76,860,151	77,500,437	77,500,437	99
V. Reserves resulting from valuation at fair value		-1,452,475	-1,452,475	-1,452,475	100
VI. Retained net profit/loss		86,234	5,151,743	5,151,743	2
VII. Net profit/loss for the financial year		15,822,226	11,370,393	11,370,393	139
<b>B. Provisions and long-term accrued costs and deferred revenues</b>	<b>8</b>	<b>20,151,642</b>	<b>20,876,401</b>	<b>20,876,401</b>	<b>97</b>
Provisions for pensions and similar liabilities		3,851,759	3,984,428	3,984,428	97
Other provisions		16,049,938	16,659,156	16,659,156	96
Long-term accrued costs and deferred revenues		249,945	232,817	232,817	107
<b>Č. Short-term liabilities</b>	<b>9</b>	<b>16,128,765</b>	<b>14,363,213</b>	<b>14,361,213</b>	<b>112</b>
II. Short-term financial liabilities		31,116	60,090	60,090	52
Other short-term financial liabilities		31,116	60,090	60,090	52
III. Short-term operating liabilities		16,097,649	14,303,123	14,301,123	113
Short-term operating liabilities to suppliers		11,310,062	9,284,985	9,284,985	122
Short-term operating liabilities arising from advances		487	279,049	469,831	0
Liabilities based on contracts with customers		265,204	192,782	0	138
Other short-term operating liabilities		4,521,896	4,546,306	4,546,306	99
<b>D. Short term accrued costs and deferred revenues</b>	<b>10</b>	<b>1,779,909</b>	<b>1,079,804</b>	<b>1,081,803</b>	<b>165</b>

## Statement of changes in equity and determination of distributable profit

### Statement of changes in equity as at 30 June 2021

in EUR

Statement of changes in equity 30/06/2021	Share capital I/1	Capital reserves II	Reserves from profit				Reserves formed due to valuation at fair value V	Retained net profit/loss VI	Net profit/loss of the year VII/1	Total capital VIII
			Statutory reserves III/1	Reserves for treasury shares, III/2	Own shares III/3	Other reserves from profit III/5				
<b>A2. 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>B1. Changes in equity - transactions with owner</b>				640,286	-640,286			16,435,902		16,435,902
d) Share buyback				640,286	-640,286					0
e) Withdrawal of own shares										0
g) Dividend payout								16,435,902		16,435,902
<b>B2. Total comprehensive income for the reporting period</b>							0	0	15,822,226	15,822,226
a) Entry of profit or loss for the reporting period									15,822,226	15,822,226
c) Other components of the total comprehensive income for the reporting period										0
<b>B3. Changes in equity</b>	0					-640,286		11,370,393	-11,370,393	-640,286
a) Allocation of the remaining net profit for the comparative period to other equity components								11,370,393	-11,370,393	0
a) Distribution of part of net profit to other equity comp. under decision of the management and supervisory bodies										0
d) Reserves for treasury shares						-640,286				-640,286
<b>C. Closing balance for the period</b>	20,229,770	44,284,976	16,931,435	4,540,566	-4,540,566	76,860,151	-1,452,475	86,234	15,822,226	172,762,317
<b>DISTRIBUTABLE PROFIT</b>								86,234	15,822,226	15,908,461

### Statement of changes in equity as at 30 June 2020

in EUR

Statement of changes in equity 30/06/2020	Share capital I/1	Capital reserves II	Reserves from profit				Reserves formed due to valuation at fair value V	Retained net profit/loss VI	Net profit/loss of the year VII/1	Total capital VIII
			Statutory reserves III/1	Reserves for treasury shares, III/2	Own shares III/3	Other reserves from profit III/5				
<b>A2. Opening balance for the period</b>	20,229,770	44,284,976	16,931,435	1,992,963	-1,992,963	74,670,090	-1,618,921	-231,793	16,077,289	170,342,846
<b>B1. Changes in equity - transactions with owner</b>				203,012	-203,012			13,559,325		13,559,325
d) Share buyback				203,012	-203,012					0
e) Withdrawal of own shares										0
g) Dividend payout								13,559,325		13,559,325
<b>B2. Total comprehensive income for the reporting period</b>							0	0	9,912,554	9,912,554
a) Entry of profit or loss for the reporting period									9,912,554	9,912,554
c) Other components of the total comprehensive income for the reporting period							0	0		0
<b>B3. Changes in equity</b>	0					-203,012		16,100,262	-16,077,289	-180,039
a) Allocation of the remaining net profit for the comparative period to other equity components								0	0	0
b) Distribution of part of net profit to other equity comp. under decision of the management and supervisory bodies								16,100,262	-16,077,289	22,973
d) Reserves for treasury shares						-203,012				-203,012
<b>C. Closing balance for the period</b>	20,229,770	44,284,976	16,931,435	2,195,975	-2,195,975	74,467,078	-1,618,921	2,309,144	9,912,554	166,516,037
<b>DISTRIBUTABLE PROFIT</b>								2,309,144	9,912,554	12,221,699

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

			in EUR
	JAN-JUN 2021	JAN-JUN 2020	Index 21/20
<b>A. CASH FLOWS FROM OPERATING ACTIVITIES</b>			
a) <b>Net profit/loss</b>	<b>15,822,226</b>	<b>9,912,554</b>	<b>160</b>
Profit or loss before tax	19,533,613	11,866,378	165
Corporate tax and other taxes not included in operating expenses	3,711,386	1,953,824	190
b) <b>Corrections</b>	<b>6,972,853</b>	<b>6,027,331</b>	<b>116</b>
Depreciation +	6,542,510	6,026,715	109
Revaluation operating revenues -	19,305	33,482	58
Revaluation operating expenses +	450,005	42,806	1051
Financial revenue excluding financial revenue from operating receivables -	357	8,708	4
c) <b>Changes in net current assets (and in accruals, provisions, deferred tax assets and tax liabilities) of Balance Sheet operating items</b>	<b>-8,138,735</b>	<b>-5,417,609</b>	<b>150</b>
Opening minus closing operating receivables	-7,742,075	-2,149,983	360
Opening minus closing accruals and prepaid expenditure	241,807	190,400	127
Opening minus closing deferred tax assets	0	0	-
Opening minus closing inventories	-2,289,567	-3,439,292	67
Closing minus opening operating liabilities	1,794,527	-402,693	-
Closing minus opening accruals and provisions	-143,426	383,960	-37
č) <b>Positive or negative cash outcome from operation (a+b+c)</b>	<b>14,656,345</b>	<b>10,522,276</b>	<b>139</b>
<b>B. CASH FLOWS FROM INVESTING</b>			
a) <b>Receipts from investing</b>	<b>3,352</b>	<b>42,190</b>	<b>8</b>
Receipts from interests and profit shares relating to investments	357	8,708	4
Proceeds from disposal of intangible assets and accruals	0	0	-
Proceeds from disposal of tangible fixed assets	2,995	33,482	9
Proceeds from disposal of short-term financial investments	0	0	-
b) <b>Expenditure from investing</b>	<b>4,160,045</b>	<b>5,630,147</b>	<b>74</b>
Expenses for the acquisition of intangible fixed assets	49,652	49,673	100
Expenses for the acquisition of tangible fixed assets	4,104,311	5,568,344	74
Expenses for the acquisition of financial investments	6,082	12,130	50
c) <b>Positive or negative cash flow from investing (a-b) or (b-a)</b>	<b>-4,156,693</b>	<b>-5,587,957</b>	<b>74</b>
<b>C. CASH FLOWS FROM FINANCING</b>			
b) <b>Expenses from financing activities</b>	<b>17,076,188</b>	<b>222,769</b>	<b>7665</b>
Expenses for repayments of financial liabilities	0	19,757	-
Expenses for acquisition of own shares	640,286	203,012	315
Disbursements for dividends and other shares in profit	16,435,902	0	-
c) <b>Positive or negative cash flow from financing (a-b) or (b-a)</b>	<b>-17,076,188</b>	<b>-222,769</b>	<b>7665</b>
<b>Č. CLOSING BALANCE OF CASH RESOURCES</b>	<b>31,081,287</b>	<b>36,409,793</b>	<b>85</b>
x) <b>Cash flow for the period (the sum of cash outcomes Ač, Bc, Cc)</b>	<b>-6,576,537</b>	<b>4,711,551</b>	<b>-</b>
y) <b>Opening balance of cash 1.1,</b>	<b>37,657,824</b>	<b>31,698,242</b>	<b>119</b>

## Statement of other comprehensive income from 1 January to 30 June

		in EUR	
		JAN - JUN 2021	JAN - JUN 2020
19.	Net profit or loss for the current period	15,822,226	9,912,554
23.	Other components of comprehensive return	0	0
24.	Total comprehensive return for the accounting period (19+23)	15,822,226	9,912,554

## Notes to the Financial Statements

### I. Introductory notes regarding reporting standards

In accordance with the listing of the share on 4 February 2021 on the Prime Market, Cinkarna Celje, d.d. prepared its financial statements as at 30 June 2021 in line with International Financial Reporting Standards (IFRS) as adopted by the European Union.

#### Statement of compliance with IFRS

For previous years, including the year ended 31 December 2020, the Company prepared financial statements in accordance with Slovenian Accounting Standards. For the first time, the Company prepared financial statements in accordance with IFRS as at 1 January 2021, which show the effects of the transition as at 31 December 2020.

The Company prepares financial statements under the going concern assumption. The accounting policies used are the same as in previous years.

#### Explanation of the effects of the transition to IFRS

For the previous financial year, which ended on 31 December 2020, the Company reviewed the criteria for recognising assets and liabilities in accordance with the requirements of IFRS. At the same time, the Company checked whether it was necessary to redistribute individual assets and liabilities or whether there are differences between the accounting frameworks to make such a reallocation necessary. The Company notes that upon the transition to IFRS there is no need for major transfers in the statement of financial position within individual balance sheet items, only smaller ones, which are explained below. Also, there were no effects during the transition that would require recalculations.

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

#### Simplification upon the transition to IFRS

The transition to IFRS was performed by the Company in accordance with the provisions of IFRS 1- First-time Adoption of International Financial Reporting Standards. This standard requires the application of the same accounting policies in the Company's opening IFRS statement of financial position and in all periods presented in the first IFRS financial statements.

The Company uses the starting date of 1 January 2021 as the date of transition to IFRS and accordingly prepares the initial statement of financial position as at 1 January 2021 and the final as at 30 June 2021. The Company also prepares a recalculation of the P&L statement for 2020 (if necessary) 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**

The financial statements are presented in euros without cents. The financial information presented in the business report in euros is rounded up.

### **Use of estimates and valuations**

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 environmental 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 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 and long-term deferred costs and accrued revenues**

in EUR

Group of intangible assets for 2021	Cost		Adjustment		Carrying amount	
	1/1/2021	30/6/2021	1/1/2021	30/6/2021	1/1/2021	30/6/2021
Long-term property rights	5,537,658	5,538,085	4,519,833	4,618,417	1,017,825	919,668
Other intangible assets	25,629	12,629	0	0	25,629	12,629
Assets being acquired	17,646	67,298	0	0	17,646	67,298
<b>TOTAL</b>	<b>5,580,933</b>	<b>5,618,012</b>	<b>4,519,833</b>	<b>4,618,417</b>	<b>1,061,100</b>	<b>999,595</b>

The useful lives of intangible assets are finite. The company checked their values and found that their present value does not exceed their recoverable amount.

**2 Property, plant and equipment**

in EUR

Group of PPE for 2021	Cost		Adjustment		Carrying amount	
	1/1/2021	30/6/2021	1/1/2021	30/6/2021	1/1/2021	30/6/2021
Land	10,803,263	10,803,263	1,054,071	1,090,243	9,749,192	9,713,020
Buildings	124,538,191	125,155,881	81,177,713	82,837,181	43,360,477	42,318,700
Equipment	221,895,740	223,583,105	179,915,685	184,145,250	41,980,056	39,437,854
Assets being acquired	10,492,059	11,599,004	0	0	10,492,059	11,599,004
Advances	821,380	700,627	4,158	0	817,222	700,627
<b>Total</b>	<b>368,550,632</b>	<b>371,841,880</b>	<b>262,151,627</b>	<b>268,072,675</b>	<b>106,399,005</b>	<b>103,769,205</b>

The Company checked their values and found that their present value does not exceed their recoverable amount. The Company has no assets under lease, and as at 30 June 2021, the Company has no assets pledged as collaterals.

**3 Financial investments and loans granted**

in EUR

Group of long-term financial assets 2021	Cost		Adjustment		Carrying amount	
	1/1/2021	30/6/2021	1/1/2021	30/6/2021	1/1/2021	30/6/2021
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>

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

Investments in Elektro Celje and Elektro Maribor shares are valued according to the cost model, as their share in all shares of the aforementioned companies represents less than 1%. Members of the Management Board and the Supervisory Board were not granted any long-term loans. Cinkarna Celje, d.d. has no other subsidiaries or associated companies and does not do business with other related parties.

Short-term investments

in EUR

Group of investments 2021	Investment value		Adjustment		Net investments	
	1/1/2021	30/6/2021	1/1/2021	30/6/2021	1/1/2021	30/6/2021
Fair value of derivatives	35,056	0	0	0	35,056	0
<b>TOTAL</b>	<b>35,056</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>35,056</b>	<b>0</b>

**4 Inventories**

in EUR

Group of inventories	30/6/2021	1/1/2021	Realisable value
Material	28,230,093	21,487,973	28,230,093
Work-in-progress	2,379,593	2,533,235	2,379,593
Products	7,116,797	11,270,725	11,198,541
Merchandise	43,659	70,034	43,659
Advances given	44,030	162,638	44,030
<b>TOTAL</b>	<b>37,814,172</b>	<b>35,524,605</b>	<b>41,895,916</b>

Inventories are not pledged for guarantees. Advances given represent funds given for the purchase of raw materials and supplies. The net realisable value of inventories as at 30 June 2021 exceeds their book value.

**5 Operating receivables**

Short-term trade receivables

in EUR

Group of receivables 2021	Value of receivables		Allowance		Net receivables	
	1/1/2021	30/6/2021	1/1/2021	30/6/2021	1/1/2021	30/6/2021
Domestic customers	3,730,884	3,848,219	367,302	267,017	3,363,582	3,581,201
International customers	21,012,811	28,889,171	360,960	355,445	20,651,851	28,533,726
Indirect exporters	718,749	764,354	0	0	718,749	764,354
<b>TOTAL</b>	<b>25,462,444</b>	<b>33,501,743</b>	<b>728,262</b>	<b>622,462</b>	<b>24,734,182</b>	<b>32,879,281</b>

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

Changes in allowance for short-term trade receivables

in EUR

2021	Balance as at 1/1/2021	Allowance in 2021	Allowance in 2021	Reversal of allowance from previous years	Settled receivables previously written off	Balance as at 30 June 2021
Domestic customers	367,302	0	0	100,285	0	267,017
International customers	360,960	0	0	0	5,515	355,445
<b>TOTAL</b>	<b>728,262</b>	<b>0</b>	<b>0</b>	<b>100,285</b>	<b>5,515</b>	<b>622,462</b>

Trade receivables by maturity

in EUR

Geographical segment	Total receivables		Not yet due		Overdue							
					0 to 15 days		16 to 60 days		61 to 180 days		over 180 days	
	30/6/2021	1/1/2021	30/6/2021	1/1/2021	30/6/2021	1/1/2021	30/6/2021	1/1/2021	30/6/2021	1/1/2021	30/6/2021	1/1/2021
Domestic customers	3,581,201	3,363,582	3,315,025	3,290,091	209,725	64,061	56,452	9,430	0	0	0	0
International customers -EU and third countries	27,915,131	19,954,028	26,781,642	19,326,882	788,691	349,419	307,204	277,727	37,594	0	0	0
Customers in ex-Yu markets	618,595	697,823	553,428	589,279	65,167	35,073	0	73,471	0	0	0	0
Indirect exporters	764,354	718,749	764,354	718,749	0	0	0	0	0	0	0	0
<b>TOTAL trade receivables</b>	<b>32,879,281</b>	<b>24,734,182</b>	<b>31,414,449</b>	<b>23,925,001</b>	<b>1,063,583</b>	<b>448,553</b>	<b>363,656</b>	<b>360,628</b>	<b>37,594</b>	<b>0</b>	<b>0</b>	<b>0</b>

Short-term receivables from others

	in EUR	
<b>Group of receivables</b>	<b>30/6/2021</b>	<b>1/1/2021</b>
VAT receivables	1,421,011	1,708,534
Receivables from the state - Covid -19	0	101,073
Receivables from institutions	145,377	160,906
Receivables from employees	27,945	19,081
Other receivables	6,699	14,462
<b>TOTAL</b>	<b>1,601,032</b>	<b>2,004,056</b>

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

**6 Cash and cash equivalents**

	in EUR	
<b>Group of assets</b>	<b>30/6/2021</b>	<b>1/1/2021</b>
Cash on hand	242	118
Cash at bank	19,680,905	27,076,236
Short-term call deposits	11,400,139	10,041,423
Foreign currency cash at bank	0	540,047
<b>SKUPAJ</b>	<b>31,081,287</b>	<b>37,657,824</b>

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

**7 Equity**

	in EUR	
<b>Equity items</b>	<b>30/6/2021</b>	<b>1/1/2021</b>
Share 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	4,540,566	3,900,280
Treasury shares	-4,540,566	-3,900,280
Other reserves from profit	76,860,151	77,500,437
Fair-value reserves	-1,452,475	-1,452,475
Retained net profit/loss	86,234	5,151,743
Net profit/loss for the financial year	15,822,226	11,370,393
<b>TOTAL EQUITY</b>	<b>172,762,317</b>	<b>174,016,279</b>

The share capital of the Company consists of 807,977 freely transferable no-par value shares of the same class. All no-par value shares have the same nominal value and are fully paid up. As at the 30 June 2021, the value of share capital amounts to EUR 20,229,767.

As at 30 June 2021, the Company owns 25,315 treasury shares. In 2021, based on the General Meeting resolution of 5 June 2018 and the resolution of 17 June 2020, the Company acquired 3,364 treasury shares in the amount of EUR 0.64 million, which represents 3.2% of the share capital. It simultaneously set aside reserves for treasury shares, for the purpose of which it debited other revenue reserves.

## 8 Provisions and long-term accrued costs and deferred revenues

in EUR

<b>Provisions and long-term accrued costs and deferred revenues</b>	<b>30/6/2021</b>	<b>1/1/2021</b>
Provisions for long-service bonuses and severance pay	3,851,759	3,984,428
Other long-term provisions: for ecology	16,021,617	16,349,530
Government grants – emission coupons	12,629	51,228
Provisions for lawsuits	0	242,705
Calculated costs	15,692	15,692
Deferred revenues	249,945	232,817
<b>TOTAL</b>	<b>20,151,642</b>	<b>20,876,401</b>

In 2021, environmental provisions were used to cover the costs of contractors for work performed in the amount of EUR 327,913.

in EUR

<b>Provisions for ecological purposes</b>	<b>As at 31/12/2019</b>	<b>Use 2020</b>	<b>As at 31/12/2020</b>	<b>Use 2021</b>	<b>As at 30/6/2021</b>
Provisions for Za Travnik landfill	384,366	23,592	360,774	3,107	357,667
Provisions for Bukovžlak landfill (ONOB)	4,479,351	940,286	3,539,065	303,445	3,235,621
Provisions for Bukovžlak high barrier	2,951,877	22,955	2,928,922	7,262	2,921,660
Provision for elimination of risks due to old burdens - CDM SMITH	6,011,275	9,000	6,002,275	14,100	5,988,176
Provision for ecology - Ecological investment in the field of TIO <sub>2</sub> production	3,941,471	422,977	3,518,494	0	3,518,494
<b>TOTAL</b>	<b>17,768,340</b>	<b>1,418,810</b>	<b>16,349,530</b>	<b>327,913</b>	<b>16,021,617</b>

in EUR

<b>Provisions and long-term accrued costs and deferred revenues 2021</b>	<b>1/1/2021</b>	<b>Formation</b>	<b>Dedicated use</b>	<b>30/6/2021</b>
Provisions for long service bonuses and severance pay	3,984,428	0	132,669	3,851,759
Provisions for lawsuits	242,705	0	242,705	0
Long-term calculated costs	15,692	0	0	15,692
Environmental provisions	16,349,530	0	327,914	16,021,617
Emissions coupons	51,228	0	38,599	12,629
Assigned contributions for empl. of disabled	1,799	17,128	0	18,927
Long-term deferred revenues for equipment	41,946	0	0	41,946
Funds received from the ERDF	189,073	0	0	189,073
<b>TOTAL</b>	<b>20,876,401</b>	<b>17,128</b>	<b>741,887</b>	<b>20,151,642</b>

## 9 Short-term liabilities

### Other short-term financial liabilities

in EUR

<b>Group of liabilities</b>	<b>30/6/2021</b>	<b>1/1/2021</b>
Short-term liabilities associated with profit distribution	12,415	12,415
Short-term financial liabilities - assignments	15,823	47,675
Short-term liabilities associated with derivatives - futures	2,778	
<b>TOTAL</b>	<b>31,116</b>	<b>60,090</b>

Short-term operating liabilities

in EUR

<b>Group of liabilities</b>	<b>30/6/2021</b>	<b>1/1/2021</b>	<b>Effect of transition to IFRS</b>	<b>31/12/2020</b>
Short-term trade payables to domestic suppliers	8,179,482	7,605,375	-	7,605,375
Short-term trade payables to international suppliers	2,521,066	1,679,397	-	1,679,397
Short-term liabilities for goods and services not invoices	609,514	213	-	213
Short-term liabilities from advances	487	279,050	-190,783	469,832
Short-term liabilities to employees	1,207,002	2,236,814	-	2,236,814
Short-term liabilities for payroll tax	658,165	1,113,104	-	1,113,104
Short-term liabilities for corporate income tax	2,282,380	778,351	-	778,351
Short-term liabilities to governmental and other institutions	367,015	410,129	-	410,129
Liabilities based on contracts with customers	265,204	192,782	+192,782	0
Other short-term liabilities	7,334	7,909		7,909
<b>TOTAL</b>	<b>16,097,649</b>	<b>14,303,123</b>	<b>1,999</b>	<b>14,301,123</b>

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

**10 Short term accrued and deferred items**

Short-term accrued costs and deferred revenues include short-term deferred costs or expenses and other accrued costs and deferred revenues.

in EUR

<b>Description</b>	<b>30/6/2021</b>	<b>1/1/2021</b>
Prepaid cost	46,914	290,744
VAT on advances received	7,265	5,243
<b>TOTAL</b>	<b>54,180</b>	<b>295,987</b>

Short-term accrued costs and deferred revenues include accrued costs or expenses.

in EUR

<b>Description</b>	<b>30/6/2021</b>	<b>1/01/2021</b>	<b>Effect of transition to IFRS</b>	<b>31/12/2020</b>
Unused entitlement to annual leave	816,499	816,499	0	816,499
Accrued costs	785,546	141,107	-1,999	143,107
VAT on advances given	61,322	82,553	0	82,553
Other accrued costs and deferred revenues	116,542	39,645	0	39,645
<b>TOTAL</b>	<b>1,779,909</b>	<b>1,079,804</b>	<b>-1,999</b>	<b>1,081,804</b>

**11 Contingent assets and liabilities**

in EUR

<b>Description</b>	<b>30/6/2021</b>	<b>1/1/2021</b>
Guarantee granted	2,430,203	2,430,203
Futures and forwards	376,873	1,976,362
VISA and Mastercard payment cards	40,000	40,000
Material in the process of completion or processing	59,725	59,725
<b>TOTAL</b>	<b>2,906,800</b>	<b>4,506,290</b>

## 12 Write-downs

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

Description	in EUR	
	JAN-JUN 2021	JAN-JUN 2020
<b>Depreciation and amortization</b>	<b>6,542,511</b>	<b>6,026,715</b>
- intangible assets	98,584	134,037
- easements	36,172	36,172
- buildings	1,704,218	1,764,236
- production equipment	4,700,747	4,089,574
- other equipment	2,790	2,696
<b>Revaluation operating expenses associated with non-current assets</b>	<b>71,751</b>	<b>6,941</b>
- loss on elimination of intangible assets and property, plant and equipment	71,751	6,941
<b>Revaluation operating expenses associated with operating current assets</b>	<b>378,254</b>	<b>11,860</b>
- of which allowance for receivables	-	611
- of which revaluation of inventories of material and merchandise	378,254	11,249
<b>TOTAL</b>	<b>6,992,516</b>	<b>6,045,516</b>

## 13 Labour costs

Labour costs	in EUR	
	JAN-JUN 2021	JAN-JUN 2020
Salaries, wages and compensations	9,995,475	10,843,913
Social security contributions	1,630,866	1,817,744
Reimbursements of expenses and other employee benefits	2,954,005	2,534,863
Supplementary pension insurance	205,139	201,061
<b>TOTAL</b>	<b>14,785,485</b>	<b>15,397,581</b>

## 14 Operating expenses

### Operating expenses

Expenditure	in EUR	
	JAN-JUN 2021	JAN-JUN 2020
Costs of material	48,662,864	48,059,396
Cost of services	6,640,405	7,585,737
Cost of goods and materials sold	91,570	151,928
Other operating expenses	549,529	531,312
<b>TOTAL</b>	<b>55,944,369</b>	<b>56,328,373</b>

As at 30 June 2021, the Company employed 800 people. The average number of employees was 808.

## 15 Financial expenses

Expenditure	in EUR	
	JAN-JUN 2021	JAN-JUN 2020
Interest expense	4,112	489
Foreign exchange gains/losses	586,390	95,180
<b>TOTAL</b>	<b>590,502</b>	<b>95,669</b>

Financial expenses represent accrued liabilities for the financial year from long-term and short-term financial and operating liabilities and foreign exchange losses arising from operation and financing.

## 16 Costs by functional group

Costs by functional group:

	in EUR	
	<b>JAN-JUN 2021</b>	<b>JAN-JUN 2020</b>
Production costs of products sold	51,313,898	48,002,318
Cost of goods sold	91,570	151,928
Distribution costs	18,555,967	18,007,551
Costs of general and administrative activities	12,068,505	12,939,762
<b>TOTAL</b>	<b>82,029,940</b>	<b>79,101,560</b>

## 17 Revenues from contracts with customers

Revenues from contracts with customers consist of the sales values of products sold, merchandise, materials and services rendered during the accounting period. The breakdown of net sales revenues by business and geographical segment is shown below.

	in EUR	
	<b>JAN-JUN 2021</b>	<b>JAN-JUN 2020</b>
Net revenues from contracts with customers of products and services	99,197,387	88,452,064
Net revenues from contracts with customers of merchandise and materials	192,870	213,045
<b>TOTAL</b>	<b>99,390,257</b>	<b>88,665,109</b>

## 18 Sales by segment

Sales by business segment

	in EUR	
	<b>Actual</b>	
	<b>JAN-JUN 2021</b>	<b>JAN-JUN 2020</b>
Titanium dioxide	80,450,346	73,543,993
Zinc recycling	2,998,402	2,477,814
Varnishes, masterbatches and printing inks	9,055,031	7,384,060
Products for agriculture	4,909,116	3,466,438
Other	1,977,362	1,792,804
<b>TOTAL</b>	<b>99,390,257</b>	<b>88,665,109</b>

Sales by geographical segment

	in EUR	
	<b>Actual</b>	
	<b>JAN-JUN 2021</b>	<b>JAN-JUN 2020</b>
Slovenia	9,024,181	7,713,709
European Union	73,624,132	67,548,253
Ex-Yu markets	2,161,785	1,779,011
Third countries	12,688,101	10,220,227
Third countries - dollar markets	1,892,059	1,403,909
<b>TOTAL</b>	<b>99,390,257</b>	<b>88,665,109</b>

## 19 Other operating revenues

in EUR

Revenue	JAN-JUN 2021	JAN-JUN 2020
Sale of emission coupons	436,560	0
Revaluation operating income	19,305	946
Revenues from state support Covid-19	60,905	264,182
Collected written-off receivables	5,515	3,328
Compensation from insurance companies	19,601	18,900
Revenues from previous years	21,618	112,531
Other income	35,831	56,352
<b>TOTAL</b>	<b>599,335</b>	<b>456,238</b>

## 20 Financial revenues

in EUR

Revenue	JAN-JUN 2021	JAN-JUN 2020
Interest income	4,120	13,270
Foreign exchange gains/losses	490,472	239,218
<b>TOTAL</b>	<b>494,592</b>	<b>252,488</b>

## 21 Corporate income tax

The calculation of corporate income tax is based on the nominal rate of 19% from the tax base. Effective tax rate is calculated as the ratio between tax expense and profit or loss. There was no change in deferred taxes for the first quarter of 2021.

## III CASH FLOW STATEMENT

The statement of cash flows shows the change in the balance of cash and cash equivalents for the financial year as the difference between the balance as at 30 June 2021 and 1 January 2021. It is prepared using the indirect method from the statement of financial position as at 30 June of the financial year and the statement of financial position as at 31 March of the previous year and from additional data necessary for adjusting revenues and expenses and for appropriate breakdown of significant items. Theoretically possible items are not shown, but the values are disclosed for the current and past period.

## IV STATEMENT OF CHANGES IN EQUITY

The statement of changes in equity is a table of changes of all equity components. Theoretically possible items are not presented. The changes in equity relate to the decision of the General Meeting on the allocation of distributable profit of the previous year for the payment of dividends to the owners that were or will be paid out, and to the share buyback. 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 risks)**

#### Liquidity risk

Cinkarna Celje, d. d. is a business partner known for payment discipline in both domestic and foreign markets, having no debts to banks and stable cash flows. The Company's operations are traditionally conservative with a high cash flow. Liquidity management includes, inter alia, the planning of expected financial obligations and their settlement, regular monitoring of customers' solvency and recovery of past due receivables. The credit rating of the Company is AAA.

Interest rate risk arises from potential losses due to unfavourable interest rate trends on the market. The Company has no long-term financial liabilities and no measures in place in this regard. Should this change, appropriate measures would be put in place to manage such risk.

#### **Credit risk**

The main credit risk of Cinkarna Celje, d.d. is the risk that customers would not settle their obligations at maturity.

The risk is limited because we mainly do business with established partners, who are often well-known traditional European industrial companies with high credit ratings. In recent years, we have noted that the payment discipline in Slovenia, the Balkans and in Eastern Europe has been relatively low, but in the coming period we do not expect more problems in this geographical area and the potential risks have been significantly reduced. Owing to the reorganisation/cleansing of the portfolio of strategic business lines of the Company, specifically the phasing out of the graphic intermediate goods line, the titanium-zinc sheet line, the anti-corrosion coatings line and the construction material line, the credit risk exposure was significantly reduced, which is evidenced by the data on the maturity of receivables and the fact that we practically no longer record any additional allowances of receivables as a result of doubtful payment and/or default on disclosed trade receivables.

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

		in EUR	
	<b>Note</b>	<b>30/06/2021</b>	<b>1/1/2021</b>
Investments	3	0	35,056
Trade receivables	5	32,879,281	24,734,182
Cash and cash equivalents	6	31,081,287	37,657,824
<b>SKUPAJ</b>		<b>63,960,568</b>	<b>62,427,062</b>

The Company has a sound structure of trade receivables, which is reflected in Note 6 Operating receivables in the table showing the receivables by maturity and in the table of changes in the value adjustment 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 euro/US dollar exchange rate. Because the majority of sales are transacted in euros, the exposure is worrying especially in dollar-denominated purchasing of titanium-bearing raw materials and exceptionally sulphur and copper compounds. In terms of volume, exposure is significantly lower in dollar-denominated sales. We continuously monitor changes and forecasts in relation to the dynamics of the euro/US dollar currency pair. Basically, the short-term risk of adverse changes in the dollar exchange rate is limited by the standardised and consistent use of financial instruments (dollar futures). We achieve virtually complete coverage of relevant business events involving the EUR/US dollar currency pair.

## **SIGNIFICANT EVENTS AFTER THE END OF THE FINANCIAL YEAR**

The Company did not record any business events that would materially affect the financial statements disclosed as at 30 June 2021.

## SHARES AND OWNERSHIP STRUCTURE

### Ownership structure

Share capital of Cinkarna Celje d.d., amounting to EUR 20,229,769.66, is divided into 807,977 ordinary freely transferable no-par value shares. The Company has 25,315 treasury shares in its treasury share fund as at 30 June 2021.

During the period from the registration of the public limited company in the register of companies on 4 February 1997 to 30 June 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 share buyback programme in line with the ownership transformation process.

#### Cinkarna Celje, d. d.'s share ownership structure

Beneficiary	As at 4/02/1997		As at 21/01/1998 upon entry in the Central Securities Clearing Corporation (KDD)		As at 31/12/2020		As at 30/06/2021	
	%	Number of shares	%	Number of shares	%	Number of shares	%	Number of shares
<b>1. LEGAL ENTITIES</b>	<b>53.59</b>	<b>436,534</b>	<b>33.74</b>	<b>274,868</b>	<b>76.05</b>	<b>614,482</b>	<b>75.63</b>	<b>611,012</b>
1.1. D.S.U. d.o.o., LJ	21.95	178,777	1.94	15,789	-	-	-	-
1.2. Modra zavarovalnica d.d., LJ	21.87	178,184	22.03	179,506	20.17	162,963	20.17	162,963
1.3. DUTB, d.d., LJ					12.93	104,504	12.93	104,504
1.4. SDH - Slovenian Sovereign Holding, LJ	9.77	79,573	9.77	79,573	11.50	92,950	11.50	92,950
1.5. Unicredit Bank Austria AG, Wien – fiduciary					4.54	36,710	4.48	36,210
1.6. TR5 d.o.o., LJ					3.03	24,517	3.19	25,792
1.7. Raiffeisen bank Austria d.d., Zagreb- fiduciary					2.31	18,662	2.37	19,134
1.8. NLB funds - Slovenia mixed, LJ					1.47	11,877	1.37	11,062
1.9. Generali Rastko Europe, equity, LJ					1.34	10,803	1.33	10,731
1.10. Generali Galileo, mixed flex. fund, LJ					1.33	10,731	1.25	10,103
1.11. CITIBANK N.A. – fiduciary					1.11	9,006	1.25	10,060
1.12. Primorski skladi, d.d. Koper - PSP MODR					1.18	9,550	1.08	8,700
1.13. TINFIN d.o.o., LJ					0.88	7,103	0.93	7,497
1.14. DBS d.d., LJ					0.65	5,243	0.82	6,593
1.15. ERSTE Group Bank AG, Wien - client account					0.65	5,239	0.64	5,206
1.16. MAVIA d.d., KR					0.55	4,452	0.63	5,111
1.17. NOVA KBM d.d., MB					0.57	4,628	0.57	4,628
1.18. Triglav mutual funds, LJ					0.50	4,007	0.50	4,007
1.19. B 30 d.o.o., CE					-	-	0.39	3,168
1.20. Other					11.34	91,537	10.23	82,593
<b>2. NATURAL PERSONS</b>	<b>39.48</b>	<b>321,602</b>	<b>39.95</b>	<b>325,444</b>	<b>21.26</b>	<b>171,744</b>	<b>21.24</b>	<b>171,650</b>
<b>3. TREASURY SHARES</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>2.69</b>	<b>21,751</b>	<b>3.13</b>	<b>25,315</b>
<b>TOTAL 1+2+3</b>	<b>93.07</b>	<b>758,136</b>	<b>73.69</b>	<b>600,312</b>	<b>100.00</b>	<b>807,977</b>	<b>100.00</b>	<b>807,977</b>

The total number of shareholders decreased by 3,049 or 60% from the initial 5,077; on 30 June 2021 there were 2,028 registered shareholders.

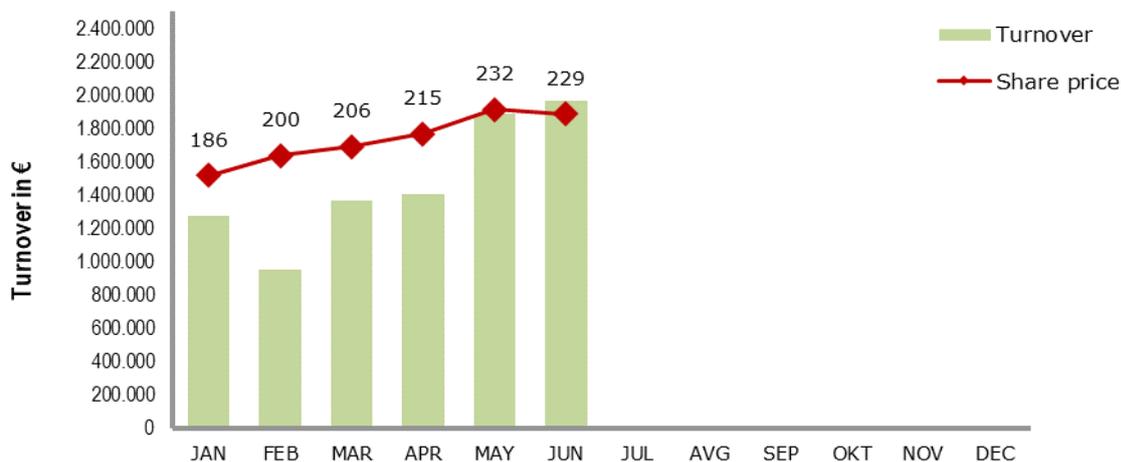
## Trading in shares

Trading in shares of Cinkarna (CICG) are traded on the OTC market. The first trading day was 6 March 1998. The official value of the share on that date was EUR 33.71.

**Movement of the market value of shares (official value on the last day of the month) and volume in value terms :**

MONTH	OFFICIAL VALUE in EUR		VOLUME IN EUR
	2020	2021	2021
January	194.00	186.00	1,276,136
February	180.00	200.00	950,409
March	134.00	206.00	1,370,634
April	158.00	215.00	1,405,674
May	165.00	232.00	1,890,485
June	173.00	229.00	1,966,375
July	160.00		
August	166.00		
September	160.00		
October	150.00		
November	168.00		
December	178.00		

**Prices of shares traded OTC and cumulative monthly volume in 2021 (in EUR)**



The price of Cinkarna Celje d.d.'s share listed on the prime market of the Ljubljana Stock Exchange (CICG) fluctuated between 174 EUR/share and 255 EUR/share in 2021.