

BUSINESS REPORT
for the
January–September 2021
Period

Unaudited

Celje, November 2021

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SELECTION OF THE MOST IMPORTANT DATA

	Realised I - IX 2020	Realised I - IX 2021	Change in % 2021/2020
Sales	130,445,634	145,966,849	+ 12
Export	119,340,190	133,090,056	+ 12
Operating profit or loss (EBIT)	16,289,150	32,313,026	+ 98
Operating profit or loss + write-downs (EBITDA)	25,344,086	42,600,851	+ 68
Net profit or loss	13,767,367	26,163,919	+ 90
Revenues	130,958,080	149,495,190	+ 14
Expenses	114,477,081	117,194,056	+ 2
Labour cost	22,228,241	21,534,956	- 3
Value added	47,572,327	64,135,806	+ 35
Added value per employee	59,170	84,168	+ 42
Production in equivalent units (EE)	39,174,485	41,051,454	+ 5
Assets	206,093,509	224,068,916	+ 9
Equity	169,559,881	182,829,813	+ 8
Investments	8,795,890	6,604,733	- 25
Financial debt	47,770	67,280	+ 41
Return on equity (ROE)	9.04	16.51	+ 83
Number of employees at end of period	838	798	- 5

All values are provided in euros with the exception of:

- production in equivalent units (constant prices)
- return on equity (in %)
- number of employees at end of period (no. of people)

Alternative measures of performance:

Measure (criterion)	Page	Calculation
EBIT	2	Operating profit or loss
EBITDA	2	Operating profit or loss increased by write-downs from the P&L statement

BUSINESS REPORT

In the first nine months of 2021, our sales realisation was 12% higher YoY. The increase in sales was influenced by favourable demand from all geographical segments, which is related to the general increase in consumer / purchasing optimism. Asian competition is present, but at significantly higher prices than in previous periods. Higher sales prices of Asian suppliers have created higher demand for the products of Western multinationals and local producers in a situation where supply is tightened. This is paralleled by pressure on the input side.

The most important building blocks of business performance remain titanium dioxide pigment and the rationalisation of the portfolio of strategic business areas, which is aimed at focusing on the core programme and discontinuing unprofitable activities.

Cinkarna Celje, d. d. has taken a number of measures to prevent the possibility of Coronavirus spreading. Prescribed preventive measures, such as wearing masks, ventilation and the like, apply so as to ensure safety. At the time of preparing the report, the Company is operating smoothly, performing all business functions, including production.

In terms of titanium dioxide pigment production capacity, we are one of the smaller producers worldwide. In Europe, we are comparable to smaller plants of Eastern European producers. From industry analyses and comparisons of business performance, we find that Cinkarna Celje, d. d. is among the more 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 period.

Q3 indicators point to a slowdown in global activity. The outlook for the European economy is positive. Confidence indicators, especially in industry, are at a high level. Consumer sentiment points to a marked rebound, especially in the manufacturing sector. However, the uncertainty associated with the energy market and on the supply chain side is increasing. In addition to the uncertainties associated with rising raw material and energy prices and the consequences of the spread of the COVID-19 virus, we are not seeing other significant risks in the international economic environment that could have a major negative impact on the Company's operations and business plans.

The above macro situation in relation to concrete markets and basic products of Cinkarna Celje, d. d. mean that we were seeing increased demand as a result of improved economic activity. Although the DIY segment is still at a high level, the lion's share of demand at the moment can be attributed to a strong construction sector. This could be turned around by the construction low season in the winter. Market equilibrium is established at higher average sales prices. These are 12% higher compared to the end of 2020 and 8% higher compared to the end of September 2020. Based on the evaluation of the current market conditions, we estimate that we will see a price correction during the year. This is also causing rising prices of some key raw materials, including titanium ores, and energy. Due to the existing stocks of raw materials and the increase in sales prices of the products, the impact on margins is still favourable in the period under consideration. In the coming quarters, we can expect further price increases, which are expected to be higher on the input side than on the output side. The Company's Management Board estimates that if the situation on the market does not deteriorate as a result of the epidemic or if there is no major deterioration of the situation on the sales and purchasing markets, the planned profit for 2021 will be exceeded.

We insist on a long-term business strategy, which is based primarily on an active marketing approach focusing on finding and developing the most profitable customers and markets, increasing market shares in the highest quality markets and establishing long-term partnerships with key customers. We are planning a more restrictive policy in the management of the costs of materials,

raw materials, energy and services. At the same time, we are aware that employees are the most important foundation of business success, so we will continue to work with representative unions and employee representatives to ensure that employee benefits will adequately reflect the Company's performance or the quality of its results.

Cinkarna Celje, d. d. is a relatively small producer of pigment, which why we face market conditions and changes as a typical follower, but we of course try to make the most of the market potential in terms of level and time dynamics. Judging by the business results and the benchmark, we are above average in this sense. In the first nine months of 2021, we sold 2% more pigment than in the same period in 2020.

The operations of other sales programmes are above the level of the previous comparable period. In particular, this relates to the value of agro programme sales, which is higher than in the same period last year due to higher stock market prices of copper and higher demand. The range of varnishes, masters and printing inks exceeded the sales of the previous comparable period due to the higher demand for masterbatches. The mentioned programme is recording higher average sales prices due to the incorporation of higher prices of input raw materials.

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

The Company actively prepares and implements several interconnected projects, which are the basis for our comprehensive management of environmental risks. After the completion of the project documentation required due to the changed circumstances, the remediation at the Bukovžlak Non-Hazardous Waste Landfill is underway again. There are several investments underway in production that are aimed at improving the operation or upgrading of treatment plants. We are implementing measures to reduce emissions in the work environment.

In the first nine months of 2021, Cinkarna Celje, d. d. generated sales revenues in the amount of EUR 146.0 million, which is 12% more than in the comparable period of the previous year. The total value of exports in the period under review reached EUR 133.1 million, which is 12% more than in the same period in 2020.

This year, we were listed in the prime market and began accounting according to the IFRS. Net profit amounted to EUR 26.2 million and was 90% higher than in the comparable period of the previous year when it stood at EUR 13.8 million. The operating profit including write-downs or EBITDA reached EUR 42.6 million and amounts to 29% of the realised sales. Compared to the previous year, EBITDA is 68% higher.

The financial position of the Company is stable, the Company settles all liabilities on time and in full. The Company has no bank debts, the remaining financial liabilities relate to assignment liabilities. Cash at the end of September amounted to EUR 43.7 million, up 16% compared to the end of 2020.

In the area of work with employees and human resources management during the COVID-19 epidemic, we paid special attention to the set of measures of the Management Board aiming to ensure smooth operation of the Company and consequently the conditions of maximum health and safety at work, protection of employees from infection and optimisation of working conditions for employees while their work was limited. We follow the principle of a positive incentivising salary policy and ensure an appropriate level of employee satisfaction and motivation.

In the first nine months of 2021, we spent EUR 6.6 million on investments, procurement of fixed assets and replacement equipment, which represents 46.95% of the planned funds for 2021. In addition, we spent 20.58% of the planned funds in the field of environmental provisions.

The volume of investments is not reaching the annual plan figures. Investments from environmental provisions are lagging behind the most. These will certainly not reach the planned realisation even at the end of the year. The main reasons are the appearance of changed circumstances and the extended procedures for the preparation of documentation and acquisition of permits.

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

Our development activity follows a 5-year strategy and we are simultaneously preparing the basis for its revision, mainly in terms of supplementing the existing programmes. We carried out development activities according to trends or customer expectations. We implemented improvements in all processes that enable better product quality, achieving higher efficiencies and machine capacities, and more efficient work. As part of ensuring the sustainable development of titanium dioxide production, we are continuing with a multi-year project of integrated water management (separate collection of wastewater from Water Preparation, preparation for the implementation of reverse osmosis for the treatment of wastewater from titanium dioxide production, finding a solution to reduce BOD5 and COD in wastewater, BaSO₄) and the waste reduction project.

Subsequent chapters of the Report provide more detailed data by individual business areas as well as a presentation of the Company's financial condition and operations in the first nine months of this year.

Company's Management Board

STATEMENT ON MANAGEMENT'S RESPONSIBILITY

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

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

The responsibility of the Management Board in preparing the financial statements includes the following:

- accounting policies are properly selected and applied consistently,
- judgements and estimates are reasonable and prudent,
- the financial statements have been 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 that the following is true to the best of its knowledge:

- the business report of Cinkarna Celje, d. d. for the first nine months of 2021 includes a fair presentation of the development and the operating results of the Company and its financial position, including the description of the material types of risks, to which the Company is exposed,
- the financial report of Cinkarna Celje, d. d. for the first nine months of 2021 is prepared in accordance with International Financial Reporting Standards as adopted by the EU and that presents a true and fair view of the assets and liabilities, financial position, profit or loss and comprehensive income of the Company.

The Management Board adopted the financial statements with the associated policies and notes to the financial statements on 17 October 2021.

Company's management

**President of the
Management Board**

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



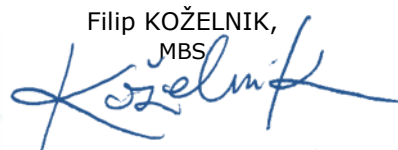
**Member of the Management
Board – Deputy President
of the Management Board –
CTO**

Nikolaja PODGORŠEK SELIČ
BSc (Chemical Engineering),
Specialist



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

Filip KOŽELNIK,
MBS



SALES

The Company's total sales in the studied period in 2021 are 12% higher than the sales achieved in 2020. The total amount of sales or net sales revenues reached the value of EUR 146.0 million.

When analysing quarterly and monthly sales, we found that sales in all relevant quarters of 2021 are successful, which is a reflection of changed consumer habits and increased optimism coupled with the dynamics of vaccination and further improvement of conditions in the industry. We exceeded the results of the first quarter of last year mainly due to extremely high sales in January and March. Higher sales in the second and third quarters are the result of the higher value of sales of titanium dioxide, copper fungicides, masterbatches and Polymers BU services. Third-quarter sales are above expectations.

One of the highest monthly sales was achieved in April when they amounted to EUR 17.6 million. The lowest sales of the period under consideration were recorded in August, i.e. EUR 14.9 million, which is still higher than expected and higher than last year's August sales. We expect that monthly sales will move according to the set dynamics.

In EUR				
Market	JAN..SEP 2021	JAN..SEP 2020	Index 21/20	Str. 2021 %
Slovenia	12,876,793	11,105,444	116	8.8
EU	108,643,824	99,217,237	110	74.4
Former Yugoslavia	3,159,566	2,685,230	118	2.2
Third countries	18,629,896	15,087,013	123	12.8
Third countries – dollar market	2,656,769	2,350,710	113	1.8
TOTAL	145,966,849	130,445,634	112	100.0

Total sales on foreign markets in the period of 2021 under consideration decreased by 12% compared to 2020. The increase in sales on 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 more to Europe's largest trading partners than in 2020. We still maintain minimal control market shares in the dollar markets as higher placements would be pointless due to specific conditions, which are certainly less favourable than in European markets.

Sales on the EU market are 10% higher than in the comparable period last year. The driver of growth in this market is the increased demand for titanium dioxide, masterbatches and copper fungicides.

Sales on the markets of former Yugoslavia increased by 18%, which is related to higher exports of all production BUs.

Sales on the domestic market are 16% higher compared to the same period in 2020. Sales growth was marked by sales growth of all BUs, except Chemistry Celje BU.

Sales programme	In EUR			
	REALISED JAN - SEP 2020	REALISED JAN - SEP 2021	Index 21/20	Str. %
Titanium dioxide	108,740,313	119,091,071	110	81.6
Zinc processing	3,534,938	4,462,273	126	3.1
Varnishes, coatings, masterbatches and printing inks	11,297,291	13,177,400	117	9.0
Agricultural programme	4,253,044	6,423,180	151	4.4
Other	2,620,048	2,812,925	107	1.9
Total	130,445,634	145,966,849	112	100

Sales of the **titanium dioxide pigment flagship programme** amounted to EUR 119.1 million in the period under review. Supply and demand curves have created a new equilibrium point. Changes in consumer habits during the epidemic resulted in a much higher demand for pigment towards the end of the year. Increased demand is related to DIY projects, which is shifting to the construction sector this year. The sales value was higher by EUR 10.4 million as a result of both sold quantities of pigment and higher average prices. Sales prices have already been adjusted by the competition which is already reflected in the latest sales analyses. As a typical follower and a small player on the global market, we adjust prices with a lag. We continue to provide all customers with uninterrupted production and operation of the Company. Based on currently known data, we expect upward corrections in sales prices in the short term.

The **zinc processing sales programme** combines the product groups of zinc wire, anodes and alloys. Business operations are 26% higher than in the comparable period of last year. Average sales prices of product groups are higher due to higher stock market prices.

In the period under review, there was a comparative increase of 17% in the sales of the **varnishes, masterbatches and printing inks programme**, which is mainly related to the increase in the sales volume of masterbatches and powder coatings. The situation has improved compared to last year, which is associated with the increase in activity in the processing industry. At the same time, average sales prices are higher due to higher input raw material prices.

The sales of the agricultural programme comprising the Cuprablau and Pepelin fungicides, green vitriol and Humovit increased by 51% compared to the comparable period of 2020. The growth is due to both higher volumes and higher sales prices. Average sales prices of copper fungicides have increased significantly due to higher stock market prices of copper and an improved sales structure. We keep **Humovit** sales at the level of the comparable period in 2020. The fact remains that we depend on the situation in the local and nearby markets when selling soil as the product cannot sustain the additional transport cost of entering distant markets.

The **"other"** programme includes thermoplastics, polymers, elastomers, aggressive media transport systems (STAM), sulphuric acid, CEGIPS, merchandise and services sales programmes as well as the sales of discontinued products and product groups. The sales value of this group is unchanged compared to the first quarter of 2020. STAM sales are significantly higher (+ 15%). The value of sulphuric acid sales is 61% higher. In the case of programmes of this group / category, it is necessary to point out the 33% increase in the value of CEGIPS sales. We sold 135.6 thousand tons of CEGIPS, which is 5% more than in the considered period of 2020.

PROFIT OR LOSS

In the first nine months of 2021, an **operating profit** of EUR 32.3 million was achieved. This result exceeds the achieved operating profit of nine months of operations in 2020, which stood at EUR 16.3 million, by 98%. The operating performance of the first nine months of 2021 was objectively better than in the comparable period of the previous year, but at the same time significantly above the level of the business plan. The mentioned overrun was the result of the postponement of the overhaul to the autumn of 2021, very good sales volume and favourable sales prices of the main product. The operating profit including write-downs or EBITDA reached EUR 42.6 million and amounts to 29% of the realised sales. Compared to the previous year, EBITDA is 68% higher.

After accounting for the impact of finance income and expenses, we disclosed an **operating profit before taxes** of EUR 32.3 million in the first nine months of 2021, whereby this figure was EUR 16.5 million in the first nine months of 2020. The pre-tax profit increased by 96% compared to the previous comparable period. In the first nine months of 2021, we recorded a negative balance from financing of EUR 11.9 thousand (the balance was positive in the same period of 2020, i.e. EUR 191.8 thousand). The negative financing balance resulted from the balance of exchange rate differences resulting from currency risk (USD/EUR) management. Despite the negative balance of exchange rate differences, the use of collateral instruments to control the volatile movement of the USD/EUR currency pair in the purchase of titanium ores is considered effective.

The net operating profit or loss for the period is EUR 26,163,919, which is 90% higher than the one realised in the same period of the previous year. Taking into account the developments in the international economy, the titanium dioxide pigment market and the ongoing epidemic, we believe that the result is excellent. The net profit comprises profit or loss before tax and the accounted corporate income tax of EUR 6.1 million (19% effective tax rate).

EXPENSES AND COSTS

The structure of consumption of raw materials, packaging and energy shows minor deviations compared to 2020. The reason is the different dynamics of changes in individual categories of direct production costs. The increase in packaging costs, which are 9% higher due to the customer requirements and the increase in the price of some packaging input raw materials, is the most important in relative terms.

Compared to the comparable period in 2020, the total direct cost of materials, energy and packaging is EUR 2.4 million higher, with a 5% increase in production at constant prices.

Due to the higher volume of production in all BUs, the cost of raw materials is higher by 5%. Compared to 2020, energy prices are lower as we are managing them with measures aimed at improving energy efficiency and lowering purchase prices compared to the year before. Significant increases in energy prices are expected in the coming periods.

The ratio between purchasing and sale prices has not changed significantly. Higher sales prices of pigment mitigated the margin squeeze slightly. For the time being, purchasing prices of titanium-bearing raw materials are at similar levels as in the previous year. These are expected to rise in the coming quarters.

At the end of the period, the largest share of production costs came from raw materials (87.5%), followed by energy (10.8%) and packaging (1.7%).

Gross wages were set in accordance with the provisions of the collective agreement, taking into account the agreements between the unions and the Management Board and the intervention legislation due to COVID-19 and the attendance of employees in emergency situations. The largest

share in labour costs is represented by gross wage costs, namely 79%. The amount of holiday allowance per employee is EUR 2,021 gross. Transport to work and meals during work are reimbursed in accordance with the applicable regulations. The "other" category includes supplementary pension insurance, severance pay, other employee benefits, solidarity assistance costs, jubilee benefits and a crisis allowance.

ASSETS AND LIABILITIES

The share of non-current assets within the structure of total assets decreased by 5 percentage points as compared to the balance as at the beginning of 2021 and came in at 47.3%. The biggest category of non-current assets is property, plant and equipment (96.6%). Their value decreased by the difference between the amount invested in property, plant and equipment and the accounted actual depreciation over the first nine months of 2021, i.e. by 4%. Non-current financial assets did not change in 2021 and comprise shares and participating interests. Deferred tax assets also did not change.

The share of current assets within the structure of total assets increased by 5.2 structural points as compared to the balance at the start of the year and came in at 52.7%. The most important category within current assets in terms of value is cash (37%), followed by inventories (36%) and receivables (27%).

Inventories rose by 18% compared to the balance at the beginning of 2021, whereby the value of inventories of materials (including advances) increased by 31% owing to successive purchases of strategic raw materials, while the value of inventories of work-in-progress remained unchanged and the total value of inventories of finished products and merchandise decreased by 2% (all compared to the balance at the beginning of 2021). The biggest reason for the decrease in the inventories of finished products is the higher pigment sale volume (quantity).

Current financial assets mostly comprise the fair value of derivatives and the Company held no such assets according to the balance as at 30 September 2021.

Current operating receivables comprise current trade receivables and current operating receivables due from others (mainly to the state for the input VAT). They increased by 21% as compared to the balance at the beginning of 2021. Trade receivables increased by 23% due to the higher sales of the flagship product, while other current receivables decreased by 14% as a result of the lower paid corporate income tax prepayments on the actually assessed corporate income tax. The overview of trade receivables provided below according to maturity (Notes to the Financial Statements chapter) points to the fact that the ageing structure of receivables is still of very high quality.

Cash (and cash equivalents) account for 37% of the total value of current assets, with the volume of cash increasing by 16% compared to the opening balance in 2021 as a result of the excellent operating performance and despite dividend distribution carried out in June.

Short-term prepaid expenses and accrued income represent costs of future periods that have been paid in advance and amount to 19% of the opening balance.

The value of equity in the structure of liabilities as at 30 September 2021 stands at 81.6%, which is 1.1 percentage points less than at the beginning of 2021. The amount of equity increased by 5% compared to the opening balance. The increase (EUR 8.8 million) relates to the difference between net profit for the first nine months of 2021 in the amount of EUR 26.2 million, the buyback of treasury shares from reserves in the amount of EUR 0.64 million and dividend distribution in the amount of EUR 16.4 million. Over the course of the first nine months of 2021, the Company bought an additional 4,514 treasury shares for EUR 0.92 million, which it did based on the General Meeting

resolutions of 5 June 2018 and 17 June 2020. It simultaneously set aside reserves for treasury shares, for the purpose of which it debited other revenue reserves. The Company had 26,465 treasury shares registered in the treasury share fund as at 30 September 2021. There were no other material changes in equity.

The amount of share capital within total equity remained unchanged at EUR 20,229,769.66 and comprises 807,977 ordinary freely transferable no-par value shares (26,465 of these are treasury shares). The book value per share as at 30 September 2021 stood at EUR 226.3 (it decreased by 5% from the beginning of the year).

Provisions and long-term accrued expenses and deferred revenues account for 8.9% of liabilities. Provisions for severance pay and similar liabilities were set aside on 1 January 2006 (for severance pay and jubilee benefits in accordance with the Slovenian Accounting Standard 10). They are adjusted annually based on actuarial calculations. Other provisions were established in the ownership transformation procedure, i.e. from environmental provisions. In recent years, we set aside the following additional environmental provisions: EUR 5 million in 2010 for the rehabilitation of the Bukovžlak Solid Waste Landfill and EUR 7 and 5 million in 2011 for the rehabilitation of the Za Travnik Waste Disposal Plant and destruction of low-level radioactive waste. At the end of 2017, we studied, verified and restructured the provisions and only set aside new provisions for the elimination of risks arising from old burdens in the amount of EUR 6.4 million. Because of the successful removal of TENORM waste, we eliminated the provisions for this purpose in their entirety at the end of 2019 (EUR 4 million). The scope of environmental provisions decreased by 5% in the nine-month period under consideration because of the coverage of the costs of the abovementioned rehabilitation projects.

Financial and operating liabilities increased by 32% compared to the balance at the beginning of the current year because of the increase in trade payables by 30% as a result of the purchase of strategic titanium-bearing raw materials, while other current tax payables, contributions for liabilities to employees and the corporate income tax increased by 36%. All financial and operating liabilities are of a short-term nature. The Company's gross debt service ratio stands at 8.4 % and has increased by 23% compared to the balance as at 1 January 2021 (the increase is the result of the liability from the periodic purchasing of strategic raw materials and the extension of payment deadlines).

Current financial liabilities as at 30 September 2021 amounted to EUR 60.3 thousand, which is 12% more than at the beginning of 2021 (when they stood at EUR 60.1 thousand). The difference relates to the increase in the scope of assignments of our liabilities or assignments of the accounts receivable of our suppliers. The Company's debt ratio is therefore 0.30‰ (0.29‰ at the beginning of the year).

Current operating liabilities increased by 32% in the period. Short-term trade payables amounted to EUR 12.1 million as at 30 September 2021, an increase of 30% compared to the balance as at 1 January 2021, which was mainly due to the greater volume of strategic raw material purchases and the extension of the payment deadlines to suppliers. Other current operating liabilities increased by 36% as a result of the higher paid corporate income tax prepayments on the actually assessed corporate income tax. Other current operating liabilities according to the balance as at 30 September 2021 comprise EUR 1.2 million worth of payroll and other employee benefit liabilities, EUR 0.7 million worth of liabilities for contributions and taxes on personal income, EUR 3.8 million worth of corporate income tax liabilities and EUR 0.4 million worth of liabilities for VAT and to other institutions as well as EUR 0.6 million worth 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 125% over 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 OPERATIONAL RISKS AND THEIR MANAGEMENT

Company's Operational Risks and Their Management

Cinkarna Celje, d. d. is a regional Company that operates globally and, in this context, faces risks of an economic, environmental and social nature. Risks are perceived as individual or as a set of related events that have the potential to have a significant impact on the achievement of the Company's tactical and strategic goals and / or on the Company's long-term viability. These events, of course, have both positive and negative effects, consequently those with negative potential effects of risks and those with potential positive effects of opportunities. The SRM process / system itself (risk management system) is set up or works in the same and complementary way both in risk management and in taking advantage of opportunities.

Risks are defined and evaluated using a combined qualitative / quantitative method, which determines the potential of the scope / effect and the probability of occurrence of an individual event. We clearly merge individual risks in the following areas, and we then use this breakdown for external reporting:

- I. Sales and purchasing risks
- II. Production risks
- III. Financial risks
- IV. Spatial, environmental and regulatory risks
- V. Personnel and organisational risks

The process or operation of SRM is continuous, and reporting to the external public is carried out every 6 months, within the framework of regular legal reporting. The SRM is disclosed in detail in the 2020 Annual Report (pages 35-38). The overview of key risks below is updated and defined subject to the state-of-affairs and expectations at the time of writing of this Report.

I. Sales Risks

Product sale risk	Probability of occurrence	Amount of damage
	Medium	Medium
Definition	The risk is associated with the possibility and ability of successfully selling products on target markets. It relates to the volatility of markets, increasing negotiation power of customers and competitors (due to capital concentrations and the ramp-up of production capacities) and the ability to adjust the marketing mix (4P - price, product, market, promotion). The risk in selling our flagship product, titanium dioxide pigment, is pre-set and can be attributed to the potential competitiveness of Asian producers. At the same time, the increasing production capacity in China is growing into a long-term trend that will have a significant impact on the structure of the industry in the long run. The epidemic has led to partially changed consumption in the direction of growth of DIY projects and higher consumption of plastics, which currently has	

	a very positive effect on the Company's result. At the end of the epidemic, the consumption trend can change rapidly and adversely affect the business result.	
Management	We directly limit the risk by expanding the sales network, diversifying the production and sales portfolio, introducing new and shortening existing sales channels, developing marketing partnerships and new products that enable entry into new markets and industries. In recent years, we have been actively mitigating the product sale risk by optimising the sales portfolio by discontinuing products with a high market risk. By making targeted technological investments, we focus our sales portfolio on applications and markets that are more demanding in terms of content and high quality, and represent a departure from the so-called commodities markets, which are characterised by lower added value and high exposure to Chinese producers' pricing policies. We also indirectly manage sales risks through the systematic monitoring and comparative analyses of relevant industries (competitors and customers), participation in industry marketing & professional meetings and the introduction of standards in the field of quality management, safety, environment and health. The risk is managed through strategic development and maintenance of so-called compensation markets (USA, Near/Middle East) where we can direct surpluses of unsold quantities subject to profitability at any relevant time. We employ this sales risk management strategy to manage the unpredictability of markets due to the COVID-19 virus epidemic.	
Raw materials and energy purchasing risk	Probability of occurrence	Amount of damage
	Medium	Medium
Definition	The Company is highly dependent on the purchasing of quality and appropriately priced raw materials and energy. These are mostly standardised raw materials of a global nature (which are often traded on organised markets), mainly titanium-bearing raw materials, copper, zinc and sulphur, and more recently also resins and polymers. The negotiating power of suppliers is high (with the trend being a further rise in said power). In the long-term, the risk is considerable in terms of the prices and availability. This year, with high industrial growth and consequent growth in the consumption of raw materials and energy in the Chinese market, the risk of the availability of certain raw materials as well as the pressure to extensively raise prices has increased even further. With the growth of sales markets for titanium dioxide pigment, especially in Asian markets, market pressures have increased significantly. They have recently been reflected in rising labour prices in the titanium-bearing raw materials sector. Otherwise, the current situation regarding the availability of titanium-bearing raw materials is assessed as relatively stable. Less stable conditions can be seen on the epoxy resin side where demand on the Asian market exceeds supply, which is also causing shortages in Europe. The risk in the area of energy (gas and electricity) is important both in the short and long term due to the expected upward trend in prices, resulting from objective long-term resource constraints, green transition, monetary expansion and stock market speculation by financial investors. Furthermore, the rise in energy prices is the result of higher prices of CO2 coupons and changes in the structure of energy consumption sources. Towards the end of the third quarter, energy prices rose sharply. Lower operating levels of refineries during the epidemic and the replacement of fossil fuels increase the possibility of sulphur price volatility where the first half of the calendar year was especially marked by higher consumption due to production in the agro segment and we can realistically expect additional pressure on high prices. The risk in the field of raw materials and energy sources is assessed as elevated.	
Management	We manage the risk by searching for and evaluating alternative raw materials resources (catalogues of verified alternative raw materials and suppliers). We build long-term and stable partnerships in a targeted manner. We monitor and analyse the state of international markets ourselves and by commissioning	

	market specialists. We also maintain regular contact with suppliers that are not our operational business partners, but nevertheless represent a quality potential alternative. Thanks to a long-standing supplier of epoxy resins, we have quantities guaranteed. In the period of lower energy prices, we concluded a supply contract and a partial advanced purchase at an average price lower than the current market price. We are developing infrastructure, information systems, technologies and products with the aim of limiting the use of key raw materials, reducing dependence on individual suppliers and limiting the risk of purchase price volatility. Wherever possible, we conclude long-term purchase contracts (with fixed prices), use various hedging systems, balance the structure of consumption of individual energy products, perform energy management and implement permanent energy use optimisation measures (ORE). Targets in the area of specific consumption of raw materials and energy products are included in the integrated management system as standard.	
Risk of macro conditions in target economic environments	Probability of occurrence	Amount of damage
	Medium	Medium
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 climate events that can cause damage or loss. The general risk of the macroeconomic situation is certainly present at the moment, but we believe that we are well prepared for any further deterioration. Extreme caution and attention still need to be paid to the impact of the ongoing epidemic on the wider economy and the situation in the Middle East. The long-term situation in Turkey, which is one of the largest 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 the EU+ (more than 80% of sales), while sales outside the borders of the EU+ are distributed over a broad portfolio of markets such as: the USA, Near/Middle and Far East. We develop a balanced sales structure from the point of view of risks/returns. An important element of the strategy for the management of this risk is flexibility in directing sales to different geographic markets. We consequently maintain an optimum scope of so-called compensation markets. In doing so, we regularly monitor macroeconomic forecasts and projections and adapt our business policy accordingly. Working with our local partners, we evaluate and adjust our business decisions on an ongoing basis. We mitigate manageable risks strategically (e.g. financial risks) in order to enhance the compensation ability in objective risks of the global economic environment.	

II. Production Risks

Risks of availability of the means of work	Probability of occurrence	Amount of damage
	High	Low
Definition	Cinkarna Celje, d. d. is a capitally intensive Company involved in a processing industry with a high share of continuous processes. From the point of view of the loading and wear of the means of work, the conditions are mostly unfavourable (chemically aggressive substances, high temperatures, pressure, etc.).	
Management	The risk is mitigated by way of a system of professionally elaborated and excellently organised maintenance. Special attention is placed on preventative maintenance – a state that implies excellent technical diagnostics. In critical places, we ensure operational safety with built-in spare devices.	
Risk of occurrence of accidents, fires,	Probability of occurrence	Amount of damage
	Low	High

<p>uncontrolled releases of substances into the environment and accidents at work</p>		
<p>Definition</p>	<p>The chemical processing and metallurgical industry implies the risk of the occurrence of such accidents.</p>	
<p>Management</p>	<p>The risk is managed through systematic evaluation of environmental impacts and effects on the employees, periodical assessments of fire hazards and systemisation of employment positions with respect to the risk assessment. In the area of environmental impact mitigation, we have systematically introduced European environmental standards through the implementation of the principles of the "Responsible Action programme", and are harmonising our activities with the requirements of the IED directive. We implement our processes by observing the "best available technology" principle. For the purposes of fire safety, we have organised our own fire brigade, we install automatic fire detectors in critical places, and the Company holds adequate fire insurance. In the area of accidents at work, we have a professional service established that implements supervision over the observation of safety at work rules and measures. We provide regular education and training for employees. The Company holds liability insurance. We conclude written agreements with external contractors and provide them with training. We have hired a permanent coordinator for health and safety at work. A system of registration and deregistration of works at the work site with the signature of the persons responsible for safe implementation has been introduced. We have introduced work instructions for the performance of maintenance intervention in terms of fire prevention, accident prevention and improvement of cleanliness in the workplace. We have had the ISO 14001 environmental management system and the ISO 45001 safety and health management system in place since 2009, both of which are certified and supervised by an authorised institution.</p> <p>A part of the Company certifies compliance with environmental regulations by registering in the EMAS register kept by the Ministry of the Environment and Spatial Planning.</p> <p>We have performed an assessment of hazards by way of the protection and rescue plan. We perform evacuation exercises according to the programme.</p> <p>We identify and eliminate process risks to the environment, safety and health through annual framework and implementation objectives.</p> <p>In 2020, we prepared an audit of the environmental risk management concept 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 assignment, we have established a register of necessary measures, which is derived from the new concept. We have thus ensured systematic implementation.</p>	

III. Financial Risks

<p>Currency Risk</p>	<p>Probability of occurrence</p>	<p>Amount of damage</p>
	<p>Low</p>	<p>Low</p>
<p>Definition</p>	<p>Cinkarna Celje, d. d. performs its purchasing and sales in the global market, which is why it is also exposed to the risk of unfavourable inter-currency ratios. It is mainly the EUR/USD exchange rate. Because the majority of sales are transacted in euros, exposure is worrying especially in dollar-denominated purchasing of titanium-bearing ores and occasionally copper compounds.</p>	
<p>Management</p>	<p>Changes and forecasts of the dynamic of the EUR/USD pair are monitored at all</p>	

	times. Based on market data and prices of financial instruments (insurance costs), we determine the strategy (method and scope) of cash flow hedging on an ongoing basis. Basically, we limit the risk of adverse changes in the USD exchange rate in two ways, we cover part of the exposure with business hedging, i.e. currency matching 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
	Medium	Low
Definition	This is the risk of potential non-fulfilment of contractual obligations on the part of buyers, meaning that buyers are late in paying 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. In recent years, we have seen payment discipline in Slovenia, the Balkans and Eastern Europe to be relatively poor, but we do not expect problems in this region in the future. By cleaning out the portfolio of strategic businesses of the Company, i.e. the discontinuation of the programme of graphic materials, the rolled titanium zinc sheets programme, the anticorrosion coatings programme and the construction materials programme, the exposure to credit risk has decreased materially. In the context of credit risk, it is necessary to draw attention to the consequences of the unclear outcome of the epidemic and the associated changes in consumer habits.	
Management	We mitigate the risk by developing long-term partnerships and established credit ratings of new domestic and foreign customers, selection of reliable customers, periodic monitoring and checking the business health of our customers. We also use a system of credit limits, which systematically limits the potential for damage or loss. We have established a department (with an appropriate IT infrastructure) for dynamic monitoring of the maturity of outstanding receivables, the balance of past due receivables and their recovery. When it comes to mediation, court and out-of-court recovery of receivables, we cooperate with external providers of such services. We make use of payment security instruments (claim insurance, advance payment, bills of exchange, cheques, documentary letter of credit, bank guarantee or documentary collections) in individual cases.	
Liquidity risk	Probability of occurrence	Amount of damage
	Low	Low
Definition	Liquidity risk is associated with the Company's liquidity or the liquidity of an individual financial instrument. The emergence of such a risk would mean the inability to repay past due liabilities and could have a domino effect.	
Management	The Company's business is traditionally conservative with high cash flow levels. Liquidity management includes the planning of expected cash liabilities and their coverage, ongoing monitoring of the customers' solvency and regular recovery of past due receivables. The Company is rated AAA.	
Interest rate risk	Probability of occurrence	Amount of damage
	Low	Low
Definition	Interest rate risk represents the possibility of loss as a result of an unfavourable change in the interest rates on the market.	
Management	The Company has no non-current financial liabilities and therefore implements no measures in this respect. If this fact were to change, we would put in place suitable measures to mitigate these risks.	

IV. Environmental, Zoning and Legislative Risks

Rehabilitation of the Bukovžlak Non-Hazardous Waste Landfill	Probability of occurrence	Amount of damage
	Low	High
Definition	<p>In Q4 of 2010, the Management Board adopted the decision not to include the Bukovžlak non-hazardous waste landfill in the application for an environmental permit because of the high financial burdens and limited availability/capacity of the landfill and for the landfill closure procedure to be commenced immediately.</p> <p>In order to ensure long-term safety and minimise negative impacts on the environment, it is necessary to carry out comprehensive rehabilitation.</p>	
Management	<p>In 2010, the Company formed environmental provisions in the amount of EUR 5 million that was debited to profit or loss. We obtained an environmental permit (OVD) for the time of landfill closure (30 years).</p> <p>In 2016 and 2017, we carried out the first phase of the comprehensive rehabilitation - strengthening of the barrier.</p> <p>Further work on the preparation of project documentation showed the need for additional interventions, which were not planned at the time of setting aside the provision in 2010, so at the end of 2017 we set aside an additional provision in the amount of EUR 782,563.</p> <p>In accordance with the obtained integral construction licence, we started the implementation of the remaining phases of the comprehensive rehabilitation in June 2020 (cover, drainage of catchment area water, central and western drainage, diversion embankment). From the point of view of risk management, we completed the most demanding intervention by the end of 2020.</p> <p>In the course of the rehabilitation, the rehabilitation of drainage C under the high-filled Bukovžlak barrier was marked as urgent in view of the results of monitoring. The barrier is based on the ONOB. A test field was constructed to determine the appropriate drainage foundation. This will be followed by design and implementation in full. The cost of the liner on the NE part of the ONOB barrier was also estimated. We will set aside an additional provision for both in the balance sheet for 2021.</p>	
Pipeline for the pumping of neutralising agent in the Za Travnik waste removal plant	Probability of occurrence	Amount of damage
	Low	Low
Definition	<p>The Company has only one functional pipeline for pumping the neutralising agent into the Za Travnik waste removal plant. The pipeline has already been partially replaced, a new larger one has already been installed, and the original one is still in operation.</p> <p>In the event of leaks, stoppages of the production of titanium dioxide must be performed.</p> <p>We have been able to repair the leaks to date in sufficiently short periods of time, which is why the risk is still assessed as low.</p>	
Management	<p>The critical part of the pipeline has been replaced. We are looking for the necessary easements for the part of the original pipeline that has not been overhauled yet.</p>	

	<p>In 2016, we installed a new pump for pumping the suspension, which reduces the risk of damage due to hydraulic shocks. Necessary improvements are being made to the gypsum suspension compaction process, which will reduce the pumping volume and thus the risk of leakage due to pipeline overload.</p> <p>Due to the rehabilitation works on the plot 115/1 in the Teharje cadastral community, which will take place under the auspices of the Ministry of the Environment and Spatial Planning, we will replace the part of the pipeline that crosses this plot.</p>	
Availability of the Za Travnik waste disposal plant	Probability of occurrence	Amount of damage
	Low	High
Definition	The time until the Za Travnik waste disposal plant is backfilled is limited. It depends on the free volume, the amount of pigment production and the amount of by-product excreted. The backfilling of the waste disposal plant represents the stoppage of titanium dioxide production.	
Management	<p>We produce the maximum possible amount of CEGIPS and thus reduce the amount of red gypsum for disposal.</p> <p>The obtained integral permit for the rehabilitation of the Bukovžlak Non-Hazardous Waste Landfill confirms the use of red gypsum for the construction of an impermeable cover and the construction of a diversion embankment.</p> <p>An amendment to the project for the filling of the Za Travnik waste disposal plant with red gypsum has been carried out with the aim of more optimal filling (larger natural settlements). Subject to the changed conditions (larger removal of white gypsum, different crystal structure, settlements), we made a new estimate of the available volumes for filling. In the mentioned project, some originally planned professional solutions are treated in more detail, which need to be changed in terms of safety and long-term adequacy of filling (slope of the cover, noise embankment barrier). We estimate that this will require the acquisition of a construction licence and prior harmonisation of the municipal detailed spatial planning documents (OPPN) with the new circumstances. Preparation of starting points for the change of the Za Travnik OPPN is underway.</p> <p>With the aim of reducing the amount of red gypsum, we set out in 2021 to examine the possibility of changing the technology of waste acid treatment, which now results in the formation of red gypsum.</p>	
Assurance of barrier stability	Probability of occurrence	Amount of damage
	Low	High
Definition	Barriers represent a hazard in case of a collapse. The risk is mainly represented by a strong earthquake.	
Management	<p>We carry out the prescribed monitoring that is analysed once a year by experts from the Faculty of Civil and Geodetic Engineering of the University of Ljubljana. We observe all recommendations by concurrent maintenance. Projects of the break wave have been developed. The resulting preventive measure is a diversion embankment to the ONOB, which is part of the rehabilitation plan.</p> <p>We supplemented the network for technical observation on the Za Travnik barrier and overhauled the primary and secondary geodetic observation networks. The plan is to implement additional protection and drainage measures on the eastern side. Based on the data from the new observation</p>	

	<p>wells, we will order the preparation of a water balance for any necessary measures on the western bank of the barrier. In view of the improved situation after the execution of rehabilitation works in previous years, we reduced the environmental provision to EUR 450,000 on the basis of an expert assessment of the necessary works.</p> <p>We perform regular maintenance on the Bukovžlak high barrier for red gypsum. At the end of 2017, we set aside a provision in the amount of EUR 3 million for the purposes of a more comprehensive rehabilitation of this barrier. In 2018, we drilled new observation wells on the eastern side of the barrier where we began observations in 2019. Based on the obtained data, we will prepare a plan for the rehabilitation intervention. We have developed a preliminary design project for lowering the level of the lake, which would contribute significantly to raising the safety of the barrier. We also performed an improvised level lowering to obtain data for further work. The seismic observation of the Bukovžlak high barrier is performed regularly. Surveillance is carried out by a hired authorised seismological observer.</p> <p>Rehabilitation of the barrier of the Bukovžlak Non-Hazardous Waste Landfill (ONOB) was carried out in 2016 and 2017. Comprehensive rehabilitation of the entire landfill began in June 2020, which will further improve stability in the long run.</p>	
Environmental due diligence – Phase II	Probability of occurrence	Amount of damage
	Low	Medium
Definition	The results of the environmental due diligence - phase II showed that the existing production site in Celje was built on waste from the past. Landfilled waste has an impact on groundwater, which can affect human health and the environment.	
Management	<p>We carried out several parallel activities to determine the potential impact on human health and the environment, and kept the public informed of the results. In August 2018, we concluded and presented to the public the results of the Assessment of Risk to Human Health and the Environment from the Consumption of Agricultural Products under ONOB. Contaminated suspended groundwater under ONOB was found to have no negative impact on crops. In November 2018, we also presented the Ecotoxicological Study of the Impact of Old Burdens at the Location of Current Production in Celje On Living Organisms in the Watercourses Hudinja and V Ložnica. Four locations that require action have been identified. In 2019, we carried out the first part of activities to supplement the Ecological Risk Assessment in segments that were not causally sufficiently explained in previous studies. There is still one location that we do not know how to explain and which requires some additional sampling. We made a comparison between the requirements of Slovenian, German and Dutch legislation and a summary of the work done so far, and acquainted the MESP with the documents. In its reply, the MESP states that the current environmental legislation does not prescribe measures.</p> <p>In view of the above, the Management Board commissioned a revision of the legal opinion. CDM Smith, on the other hand, was commissioned to prepare a proposal for technically feasible rehabilitation measures with a feasibility assessment for the two most polluting points at the site of current production. We are checking the possibilities for treatment within the scope of the existing treatment plant.</p>	
Water permit for the pumping of process water from the Hudinja river	Probability of occurrence	Amount of damage
	High	High

Definition	Continuous measurement with continuous pumping flow rate and volume data is required. Production may be limited during the dry months.	
Management	<p>We obtained a water management consent for the performance of continuous measurements of pumping flow rate and volume. Continuous measurements must be operational by March 2022. Implementation is underway</p> <p>We are looking for solutions and, to a lesser extent, are already making investments aimed at higher volumes of water recycling.</p> <p>We have submitted an application to the Water and Investment Directorate to change the water management permit in accordance with the expert groundwork prepared by the Institute for Water of the Republic of Slovenia. Given the expert groundwork, we expect slightly milder requirements for determining the ecologically acceptable flow rate. The Water and Investment Directorate requested that the application be supplemented with additional flow rate measurements at different water levels. The activities are in progress.</p> <p>We are simultaneously preparing a solution for an alternative water supply source during periods of drought.</p>	
TiO₂ classification according to CLP legislation	Probability of occurrence	Amount of damage
	Low	Medium
Definition	<p>In March 2020, the EU Parliament, on a proposal from the Commission, voted in favour of TiO₂ classification according to the CLP legislation – category 2 and H350i precautionary statement – May cause cancer by inhalation.</p> <p>We estimate that the possibility for greater replacement of titanium dioxide is small as there are no real alternatives.</p>	
Management	<p>The technical fact, which was also confirmed in their opinion by RAC members, is that titanium dioxide as such is not toxic or genotoxic. It is only a problem in the case of an overload of the lungs with an extremely large amount of dust, which is not possible in real life situations. The measure is not proportionate, and CLP legislation is not an appropriate tool for this purpose. That is why we, the titanium dioxide producers, have filed a lawsuit against the EU Commission in the European Court of Justice.</p> <p>Many activities are organised within the scope of the Titanium Dioxide Manufacturers Association (TDMA) to gather evidence, inform users and communicate with decision-makers. Among other things, guidelines on how to interpret the legislation have been prepared. As members, we actively participate in these activities.</p> <p>The record stating that the classification applies to titanium dioxide in powder form containing 1% or more of particles with an aerodynamic diameter of ≤ 10 µm is central to understanding the CLP requirements. Titanium dioxide manufacturers have devoted a lot of time and resources to identifying the appropriate standard methods for determining dust levels and aerodynamic diameter. Measurements performed according to a standardised methodology have demonstrated that most TiO₂ products do not meet the set criterion. This means that classification is not required. TDMA was informed of these findings by the European Commission's Directorate for the Environment, which convened an extraordinary CARACAL (expert meeting of EU Member States) on the subject. Based on the measurements performed in accordance with the stated methodology, our products do not fall under the classification. Despite the current fact that classification is not required, we regularly monitor developments in this area.</p>	

	<p>TDMA has launched a broad scientific programme of additional research into the potential risks of using different forms of titanium dioxide for both inhalation and skin contact as well as ingestion.</p> <p>Our Company has instituted a preventive measure to eliminate sources of dust in workplaces in production. Based on this, a number of smaller and larger investments are underway. We communicate with employees through managers, co-management bodies and bulletin boards. We raise the employees' awareness 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 Verify the Harmfulness of Titanium Dioxide Powders from our production to lung cells. The study has shown that – based on the obtained results and modelling – we can say with great certainty that exposure to TiO₂ powders from Cinkarna Celje (40 years, 8 hours a day, 5 days a week) would not lead to lung cell damage in the alveoli.</p> <p>We also implement additional measures to verify and eliminate risks. They are mainly related to:</p> <ul style="list-style-type: none"> - preparation of extended Safety Data Sheets and - customer notification. 	
Lawsuit filed by the City of Celje	Probability of occurrence	Amount of damage
	Low	Low
Definition	<p>The City of Celje requires the Company to reimburse the costs of land rehabilitation incurred during the excavations, which the construction Company excavated during the construction works (municipal water distribution system) based on the order placed by the investor (City of Celje or MOC). The excavations were carried out on land (i.e. the area of the old Cinkarna plant), which the MOC took over from the Company on the basis of a contract on the free transfer of unnecessary assets. The material was excavated in 2009. At the time of excavation, the material was classified as a material that could not be disposed of in a landfill for non-hazardous waste due to its heavy metal content. Based on the decision of the administrative body, the MOC cleaned the material through an external contractor. Prior to that, the MOC had already unsuccessfully sued the construction contractor for costs, against whom bankruptcy proceedings had been initiated in the meantime.</p>	
Management	<p>According to the current assessment by the law firm that represents Cinkarna in legal proceedings, the possibility of a favourable outcome for the Company is greater than 50%.</p>	
Adjustment to comply with the conclusions of the BAT for the treatment of waste water and gases and their management in the chemical industry (BAT CWW)	Probability of occurrence	Amount of damage
	Medium	Low
Definition	<p>Pursuant to Article 78 of the Environmental Protection Act (ZVO-1), the Ministry of the Environment and Spatial Planning changes the conditions in the environmental permit due to the publication of BAT conclusions relating to the activity of the installation, which the Ministry does <i>ex officio</i>. As a result, it is necessary to adapt to the requirements. The publication of the conclusions on BAT CWW, which also refer to the treatment of wastewater (liquid waste) from the production of titanium dioxide, will require the adjustment of chemical oxygen demand (COD) emission levels at the points of discharge of the same, i.e. to below 100 mg / l at each discharge point. The level of BAT-related emissions is stricter than the emission threshold values set out in the Decree on the emission of substances and disposal of waste from titanium</p>	

	dioxide production, which now sets a threshold value.	
Management	<p>We have carefully reviewed and harmonised (with the competent authority - ARSO) the conditions for a certain emission level for COD and possible exceptions provided by the conclusion of the BAT. BAT prefers the determination of total organic carbon (TOC), which is not exceeded, over COD.</p> <p>We received a request from ARSO to submit data regarding the verification of the environmental permit <i>ex officio</i>. We responded to the request in June.</p>	
Act governing the rehabilitation of the Celje basin	Probability of occurrence	Amount of damage
	Low	High
Definition	<p>A group of 35 Members of Parliament has submitted the third bill on the rehabilitation of the Celje basin, entitled: Act on the Rehabilitation of the Environment in the Territory of the City of Celje in the Celje Basin That Has Been Polluted in the Past (ZSOOCK).</p> <p>The submitted bill imposes the responsibility for the preparation, implementation and financing of measures on the state and our Company.</p> <p>The measures relate to the area of the old Cinkarna and individual sites or locations of point source pollution in the MOC, with an emphasis on improving soil quality.</p> <p>The proposal specifies the division of rehabilitation costs. It is envisaged that the costs of the program of measures for the old Cinkarna will be fully covered by the Company. The proposal draftsman estimated these costs at EUR 16 million and the remediation period at 10 years.</p>	
Management	We are monitoring the procedure.	

V. HR and Organisational Risks

HR continuity assurance	Probability of occurrence	Amount of damage
	Low	Medium
Definition	<p>The nature of the Company's operations is inherently complex and specific as it operates in a number of unrelated industries and at the same time supplies end customers from very different industries. As a result, there is a risk of building, interactions and, above all, the transfer of the management, engineering and support "know-how" in the Company. These are risks related to the HR structure as well as to the system of continuous learning and transfer of acquired knowledge and information, i.e. the operation of communication channels and structures.</p>	
Management	<p>At all levels of the Company's organisational structure, we train and prepare responsible successors to take on the most important functions, which we do by applying a targeted programme. In all phases of the operation of organisational units, the constant flow of information from key management and expert areas is ensured through constant communication, information and coordinated action between all key personnel. The successors actively participate, act and are actively acquainted with the operation and issues of ensuring the smooth operation of business functions and processes. This coupled with the support of professional services ensures the smooth takeover of key functions in the Company in the event of both predictable and extraordinary events (illness or prolonged absences, dismissals and retirement).</p>	
Ensuring uninterrupted operation of the	Probability of occurrence	Amount of damage
	High	High

Company COVID-19	during	
Definition		<p>Due to the global pandemic of the COVID-19 virus and the consequent development of the pandemic in Slovenia, the internal business environment was exposed to a large number of contractors from the point of view of the micro-environment within the Company, i.e. to both employees and external contractors, which poses a risk to the Company's business continuity system in the event of a virus infection in individual production units. The system for the adoption of a set of measures and internal testing of employees ensures the stability and reliability of human resources during the pandemic and the threat of the COVID-19 virus.</p>
Management		<p>In many areas of the business and organisational structure of the Company, we have taken a number of measures and protocols aimed at ensuring the uninterrupted operation of the Company and implemented targeted communication channels with employees. We have restricted or minimised contacts with external partners and contractors, adjusted internal processes in such a way as to ensure the minimum number of required employees in the workplace, adjusted shift work, limited contacts during shift changeovers, provided a certain reserve of critical crews, introduced redeployment instruments and work from home, adjusted the catering facility, established protocols for online communication, prohibited the gathering of people and established a system of self-supply with disinfectants and protective masks while ensuring external procurement of personal protective equipment, while we also took into account all measures taken by the Government and the National Institute for Public Health (NIJZ). We have set up an internal testing system with rapid antigen tests and actively informed all employees of applicable measures and protocols within the Company. By way of these measures, we have ensured the uninterrupted operation of the Company in the event of infections, possible quarantines and the necessary self-isolation of employees.</p>

BASES FOR DEVELOPMENT AND SOCIAL RESPONSIBILITY

HR

As at 30 September 2021, the Company had 798 employees, down 26 people or 3% compared to the end of 2020. There were noticeable minor changes in the number of employees by individual business units.

The average number of employees in the first nine months of 2021 was 803, which is an average of 41 employees or 4.6% less than the average number of employees in the same period in 2020.

From 1985, when the Company's management began implementing a long-term restrictive HR policy and the number of employees was 2427, the number of employees has subsequently decreased by 1629 employees or 67%.

The average volume of absenteeism in the first nine months of 2021 increased by 1.2 percentage points compared to the same period last year and amounted to 22.5% (7.0% of which was absence due to illness). The percentage of sickness compensation increased by 0.6 percentage points compared to the same period last year.

Investments

In the first nine months of 2021, we spent EUR 6.6 million on investments, procurement of fixed assets and replacement of equipment, which represents 46.95% of the planned funds for 2021. In addition, we spent 20.58% of the planned funds in the field of environmental provisions.

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

- new findings in the implementation of works (ONOB, drainage C, elimination of old burdens), which require additional research and project design;
- obtaining the necessary permits to start construction (replacement of a part of the pipeline for pumping gypsum on plot 115/1 in the Teharje cadastral community).

The planned works will be extended into next year.

Other investments will be made on a larger scale in the last quarter of the year (extensive overhaul in titanium dioxide production and replacement of the sulphur combustion furnace planned in the autumn). In part, their realisation will also depend on the timely completion of previous development activities (gel and pigment moisture extraction technology, a broader view of the placement of new equipment according to expansion plans). At the moment, we estimate that the planned value will not be fully achieved.

The investment activities in the production of titanium dioxide that we are carrying out successfully mainly include:

- Parallel storage tanks on black solution filtration - both tanks are already fully operational.
- The 4th electrostatic precipitator for flue gases from the calcination process has an operating permit and is fully operational.
- Tanks for the third line of the second stage of waste acid neutralisation are being manufactured.

- The project of separate collection of sewage from Water Preparation is ready for start-up, which was postponed to the last quarter of the year at the time of overhaul in order to avoid disruption of production or loss of capacity during start-up.
- Hydrocyclones for degassing on the existing gypsum thickener are in the trial operation phase.
- The overhaul of the second of the four red gypsum filter presses will be completed in the last quarter of the year.
- We renovated the walls on the first of the six collapsible towers requiring renovation and the walls on the first two of the five hydrolyzers.
- We made some individual improvements to eliminate dust sources and ordered a dust extraction filter.

The project for the first phase of oil trap introduction at the Company is under preparation.

At the Chemistry Celje BU, we installed and equipped a tank for sulphuric acid for TBCS production. There are also some small active construction projects (preparation of the project for the demolition of the Grafika 3 hall and reconstruction of existing buildings in it, project for the reconstruction of Grafika 4 to be turned into wardrobes and premises of the RVAP group, overhaul of the operational machinery maintenance premises, laboratories, cabins at TiO₂ BU, etc.).

Development Activity

Revision of the Company's Strategy

We have set ourselves the task of checking the possibilities for the diversification of our programmes. We presented the identified opportunities to the Supervisory Board. The ones showing promise are currently being considered in more detail.

Determination of the Maximum Possible Volume of Titanium Dioxide Production

In the first phase, the task was focused on reviewing the necessary additions to the production equipment for the expansion of the volume within the issued environmental permit (OVD) and reviewing the possibilities for further expansion. We continued by making a projection of the changes in emissions at different scales of expansion. In the context of this task, we have also prepared an overview of bottlenecks to achieve a capacity of 71,000 tons, which we are implementing or planning for next year.

Energy Audit

The selected external contractor performed a review of the situation and the set of possible measures, which are included in the plan for 2022 subject to their impact.

Development of a Copper Hydroxide Synthesis Process

We performed laboratory experiments at different concentrations and with different additives. The results were good. The conducted industrial trials, however, showed the need for additional development work that is underway.

Development of the DN 150 Ball Valve with FEP Coating

We made component drawings and a workshop plan which served as the basis for four test sets of valve components. The valve housing was adequately protected, and sealing elements and a ball injection tool were made.

Development of Powder Coatings

Planned development activities for the acquisition of the Qualicoat Class 1.5 certificate for semi-matt and matt systems and the Qualicoat Class 1.5 certificate for fine-textured surfaces have been completed. The prepared samples are being tested in an accredited laboratory.

Development of Masterbatches

We develop individual monomasters using various inorganic pigments, and at the same time perform market analyses and conduct interviews with potential customers. We are developing a bio polymer-based masterbatch.

Multi-Year Research and Development Tasks in TiO₂ Production

These are tasks aimed at:

- Development of new qualities of existing products and development of new ones
- Increase in utilisation rates (efficiencies) and reduction of waste
- Assurance of a narrower distribution of particle sizes in calcinate
- Comprehensive water management

Quality Assurance

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

We verify the compliance of operations by performing internal and external audits. In January, we completed internal audits for 2020. We prepared an internal audit plan for 2021, while the external audit according to ISO 9001 was conducted without any non-compliances in May.

We have appointed a new administrator of the CC UM improvement system. A system audit is underway. In the first half of the year, we recorded 111 employee proposals for minor improvements in work processes.

We systematically manage processes from customer requirements, development and research, product production and sales, to the monitoring of customer satisfaction. The satisfaction of our customers and the achievement of joint business success are our key goals. To this end, we systematically collect and process warranty claims, remarks, complaints and commendations from customers. We also use the obtained information to search for and introduce new methods of controlling the application properties of our products in various areas of application.

The number of warranty claims remains low. A total of 7 warranty claims were recorded (there were 14 in 2020), which cost <5,000 EUR and are not estimated to pose a major risk. Minor customer remarks are constantly considered as opportunities for improvement.

Environmental Management

I. Measures for the Elimination of Risk in the Area of Environmental Protection

There are 10 activities in progress related to the elimination of environmental risks. Two activities at the Metallurgy BU and one at the TiO₂ BU have already been completed.

II. Definition of Measures for the Reduction of Emissions into the Environment in Case of Incidents

We defined eight measures. Five of them have already been completed (education and verification of the competence of persons responsible for the operation of WWTPs in CC BU; definition of measures and preparation of ND and training in case of ethanol spills at the CM BU; parameterisation of frequency converters and the resulting prevention of downtimes of the treatment plant in calcination, waste removed from the Polymers BU facilities; measures taken to reduce emissions in case of incidents at the TiO₂ BU). Three more measures are being implemented, two of which are proceeding with no issues. Implementation is being moved to 2022 on the project for the replacement of the gypsum pipeline from the Company to shaft J1, which is in the phase of the preparation of the documentation for the acquisition of a construction licence by the project engineer.

III. Sustainable Management of Resources and Products

In the area of energy-related improvements, we were carrying out 7 projects and the effects will be seen at the end of the year.

We are implementing 6 planned improvements in the area of non-hazardous waste management, i.e. searching for solutions to reduce waste at the source and the option for recycling waste as well as a better arranged waste management system. One improvement at the CM BU has been implemented successfully, and one has been implemented but was recognised as ineffective. Others are still in progress.

This set also includes measures to extend the availability of waste disposal facilities with the aim of eliminating larger quantities of Cegips and thus reducing the load on the Za Travnik waste disposal facility (quantity of RCgips). In the nine months, the target of 2.9 t / t TiO₂ of removed Cegips has not yet been reached.

We continued the tasks related to the Integrated Water Management project. The aim of all activities is to reduce the pollution of watercourses with emissions from our production and increase the share of recycled water.

All works for the setup of Qes monitoring on the Hudinja River have been completed. We are performing test measurements of flow rates and activities to check the calibration curve.

In order to mitigate the risk of process water shortages during drought periods, we are searching for solutions that involve the change of the water permit based on the study produced by the Institute for Water of the Republic of Slovenia. In January 2020, we submitted a supplemented application, which was considered by the Water Directorate. This summer, the Directorate again requested amendments to the Study, which is currently being prepared. In parallel, we are also carrying out activities to verify other options for alternative water supply.

Following a range of exacting harmonisation activities and the delay on account of COVID-19, we began a comprehensive rehabilitation of the closed Bukovžlak Non-Hazardous Waste Landfill in the middle of June in accordance with the integral construction licence. In Q4, after a long break (geological surprises required the completion of project documentation and static calculations of safety factors), work on the western soil drainage continued.

We are completing work on the new pool of the leachate pumping station under the ONOB barrier.

In order to confirm the suitability of the foundation according to the Jet grouting method, we made a test field for drainage C1 under the Bukovžlak high filled barrier. Geological investigations and performance sampling are underway.

In the first nine months of this year, we did not report any new changes in the operation of the installation to the Slovenian Environment Agency (ARSO) as part of the obtained environmental permits for installations that cause large-scale pollution (environmental permit according to the IED).

In accordance with the requirements of the decision on the amendment of the environmental permit for a low-risk environmental installation (environmental permit according to the Seveso Directive) and other identified requirements from the major accident prevention concept, we carry out activities from the Register of Requirements and Duties.

In the beginning of June, we submitted the required supplemented application to the ARSO and submitted data related to the comparison of the level of achieved environmental efficiency related to the best available techniques from the BAT CWW Conclusions (Common Waste Water and Waste Gas

Treatment / Management Systems in the Chemical Sector). We have not yet received a response or additional requests.

During this period, we had three environment-related inspections (two at the location in Celje and one at the location in Mozirje). The aim of all inspections was to verify the compliance of the operation of the installation with the obtained environmental permit and changes for installations that cause large-scale pollution. No shortcomings were found.

We dealt with two complaints from the public. In the first half of the year, we continued our cooperation with a citizen who had already complained about the occasional occurrence of howling noise in the past year. In Q2, we received two odour-related complaints. As regards said date, it was found that there was no failure of the treatment plants and that the cause of the odour was a slightly lower pH of the washing water for cleaning flue gases from separation, which resulted in poorer cleaning efficiency. We corrected the error and there were no further complaints to the Company's headquarters. The complainant also lodged a complaint with the inspectorate. As a result, one of the above-mentioned inspections was carried out, but there were no irregularities, and we must send a report on the measurements performed in the Separation and Dissolution process early.

As required by law, we prepared and submitted in a timely manner all reports on monitoring carried out in 2020. There were no cases of threshold values being exceeded.

We participated in the preparation of new amendments to the legislation (ZVO 1-B, Decree on packaging and waste packaging handling) and monitored all other changes.

An external audit according to ISO 14001 and EMAS was carried out in May. No non-compliances were found. We received only a few recommendations in the field of environmental management, which we are introducing into our work process.

In September, we participated in the 53rd International Craft Fair in Celje. This year, a special part of the presentation was dedicated to the orientation of companies towards ensuring a green, digital and resilient economy. At the fair, we presented activities and achievements in the field of sustainable development in our Company visually supported by a short film and brochures.

Health and Safety

We did not record any serious work accidents during the nine-month period. We considered 6 minor accidents, which is 2 fewer YoY.

We are implementing the system of potential threat identification and taking action in case of near misses. We have identified 27 potential threats that we are eliminating concurrently. We received 4 near miss reports. The Safety Minute activity is implemented in production in various time intervals and takes various forms. We perform identification and breakdown of process risks relating to the assurance of safety and health at work, which we carry out at all production BUs where we also implement measures for the reduction of emissions into the work environment. Improvements in the field of safety and health at work and fire safety in individual OUs are also carried out on the basis of useful proposals from employees (CC UM system).

On account of the COVID-19 epidemic, work in the area of health promotion was hindered somewhat compared to previous years. Nevertheless, the following activities took place:

- promotion of a healthy breakfast,
- preparation and publication of articles in internal newsletters and on the intranet,
- testing employees for the presence of antibodies against COVID-19,
- performing rapid antigen tests (HAGT) for COVID-19,

- implementation of the "Biking to Work" campaign,
- control of blood fats and blood sugar,
- body mass index measurements, analysis and recommendations.

In the field of fire protection, we performed a tactical exercise at the Chemistry Mozirje BU - flammable liquids transfer point.

Fire safety studies by individual BUs were presented, shortcomings were indicated, and individual measures to be implemented were financially evaluated.

An internal assessment of the occupational health and safety management system according to the ISO 45001: 2018 standard was performed. No non-compliances were found. We received 3 recommendations for improvements. We identified two that have already been implemented as being appropriate.

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

FINANCIAL REPORT

Statement of Profit and Loss

in EUR

	Notes	JAN-SEP 2021	JAN-SEP 2020	Index 21/20
1. Net sales revenues	17	145,966,849	130,445,634	112
- net sales revenues on the domestic market		12,876,793	11,105,444	116
- net sales revenues on the foreign market		133,090,056	119,340,190	112
2. Change in inventories of finished products and work in progress		-197,728	-3,132,578	6
3. Capitalised own products and own services	2	2,328,671	2,696,706	86
4. Other operating revenue (including operating revenue from revaluation)	19	651,314	639,902	102
5. Cost of goods, materials and services	14	83,720,973	82,188,157	102
a) Cost of goods and materials sold and cost of materials used		73,854,314	71,586,357	103
b) Cost of services		9,866,659	10,601,800	93
6. Labour cost	13	21,534,956	22,228,241	97
a) Cost of wages and salaries		14,998,724	16,010,216	94
b) Cost of social security		1,111,591	1,208,544	92
c) Cost of pension insurance		1,639,954	1,755,588	93
d) Other labour cost		3,784,687	3,253,894	116
7. Write-downs	12	10,287,825	9,054,936	114
a) Amortisation and depreciation expense		9,813,743	9,035,925	109
b) Operating expenses from revaluation of intangible assets and property, plant and equipment		71,857	7,152	1005
c) Operating expenses from revaluation of current assets		402,226	11,860	3391
8. Other operating expenses	14	892,327	889,180	100
Operating profit or loss		32,313,026	16,289,150	198
9. Finance income from participating interests	20	19,915	34,001	59
d) Finance income from other investments		19,915	34,001	59
10. Finance income from loans granted	20	0	78	-
b) Finance income from loans to others		0	78	-
11. Finance income from operating receivables	20	726,168	274,337	265
b) Finance income from operating receivables due from others		726,168	274,337	265
12. Finance expenses from impairments and write-offs of financial assets	15	0	0	-
13. Finance expenses from financial liabilities	15	0	0	-

14. Finance expenses from operating liabilities	15	757,974	116,567	650
b) Finance expenses from trade payables and bills payable		265,699	4,238	6270
c) Finance expenses from other operating liabilities		492,275	112,330	438
Profit or loss before tax		32,301,135	16,480,999	196
17. Corporate income tax	21	6,137,216	2,713,631	226
18. Deferred taxes	21	0	0	-
19. Net profit or loss for the period		26,163,919	13,767,367	190
Basic earnings per share (EPS) ¹		32.38	17.04	190
Diluted earnings per share ²		32.38	17.04	190

Statement of the Company's Financial Position

in EUR

	Notes	30 September 2021	1 January 2021	31 December 2021	Index 30.9./1.1.
ASSETS		224,068,916	210,335,697	210,335,697	107
A. Non-current assets		105,998,058	110,083,986	110,083,986	96
I. Intangible assets and long-term deferred costs and accrued revenues	1	978,647	1,061,100	1,061,100	92
Long-term property rights		888,742	1,017,825	1,017,825	87
Other long-term deferred costs and accrued revenues		89,905	43,275	43,275	208
II. Property, plant and equipment	2	102,395,531	106,399,006	106,399,006	96
Land		9,694,934	9,749,192	9,749,192	99
Buildings		42,333,186	43,360,477	43,360,477	98
Production plant and machinery		38,619,017	41,927,817	41,927,817	92
Other plant and equipment		48,311	52,238	52,238	92
Property, plant and equipment under construction and in production		11,673,098	10,492,059	10,492,059	111
Advances for the acquisition of property, plant and equipment		26,985	817,222	817,222	3
IV. Non-current financial assets	3	950,363	950,363	950,363	100
Other shares and stakes		950,363	950,363	950,363	100
VI. Deferred tax assets		1,673,517	1,673,517	1,673,517	100
B. Current assets		118,013,735	99,955,723	99,955,723	118
II. Inventories	4	42,028,572	35,524,605	35,524,605	118
Materials		28,303,288	21,487,973	21,487,973	132
Work-in-progress		2,524,344	2,533,235	2,533,235	100
Products and merchandise		11,124,606	11,340,759	11,340,759	98
Advances for inventories		76,334	162,638	162,638	47
III. Current financial assets	3	4,337	35,056	35,056	12
Current financial assets, excluding loans		4,337	35,056	35,056	12
Other short-term investments		4,337	35,056	35,056	12

¹ Net profit/number of all shares

² All shares are ordinary, freely transferable and of the same class.

IV.	Current operating receivables	5	32,267,807	26,738,238	26,738,238	121
	Current trade receivables		30,537,696	24,734,182	24,734,182	123
	Assets based on contracts with customers		0	0	0	-
	Current operating receivables from others		1,730,111	2,004,056	2,004,056	86
V.	Cash and cash equivalents	6	43,713,019	37,657,824	37,657,824	116
C.	Short-term deferred costs and accrued revenues	10	57,123	295,987	295,987	19

Because of the transition from the SRS to the IFRS, the effects of the transition are shown according to the balance as at 1 January 2021 and explained in greater detail in the Notes to the financial statements which are a part of the financial statements and should be read in conjunction with the latter.

in

EUR

	Notes	30 September 2021	1 January 2021	31 December 2021	Index 30.9./1.1.
LIABILITIES		224,068,916	210,335,697	210,335,697	107
A. Equity	7	182,829,813	174,016,279	174,016,279	105
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 surplus		44,284,976	44,284,976	44,284,976	100
III. Revenue reserves		93,517,388	94,431,872	94,431,872	99
Legal reserves		16,931,435	16,931,435	16,931,435	100
Reserves for treasury shares		4,814,764	3,900,280	3,900,280	123
Treasury shares		-4,814,764	-3,900,280	-3,900,280	123
Other revenue reserves		76,585,953	77,500,437	77,500,437	99
V. Fair value reserve		-1,452,475	-1,452,475	-1,452,475	100
VI. Retained earnings		86,234	5,151,743	5,151,743	2
VII. Net profit or loss for the financial year		26,163,919	11,370,393	11,370,393	230
B. Provisions and long-term accrued costs and deferred revenues	8	19,887,915	20,876,401	20,876,401	95
Provisions for pensions and similar liabilities		3,814,131	3,984,428	3,984,428	96
Other provisions		15,842,766	16,659,156	16,659,156	95
Long-term accrued costs and deferred revenues		231,018	232,817	232,817	99
D. Current Liabilities	9	18,917,011	14,363,213	14,361,213	132
II. Current financial liabilities		67,280	60,090	60,090	112
Other current financial liabilities		67,280	60,090	60,090	112
III. Current operating liabilities		18,849,731	14,303,123	14,301,123	132
Current trade payables to suppliers		12,060,792	9,284,985	9,284,985	130
Current operating liabilities from advances		83	279,049	469,831	0
Assets based on contracts with customers		611,055	192,782	0	317
Other current operating liabilities		6,177,801	4,546,306	4,546,306	136
D. Short-term accrued costs and deferred revenues	10	2,434,178	1,079,804	1,081,803	225

Statement of Changes in Equity and Determination of Distributable Net Profit

Statement of changes in equity as at 30 September 2021

in EUR

Statement of changes in equity	Share capital	Capital surplus	Revenue reserves			Fair value reserve	Net profit or loss brought forward	Net profit or loss for the financial year	Total equity	
			Legal reserves	Treasury shares	Other revenue reserves					
30 September 2021	I/1	II	III/1	III/2	III/3	III/5	V	VI	VII/1	VIII
A2. Opening balance for the period	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
B1. Changes in equity - transactions with owners				914,484	-914,484			16,435,902		16,435,902
d) Buyback of treasury shares				914,484	-914,484					
e) Cancellation of treasury shares										
g) Dividend distribution								16,435,902		16,435,902
B2. Total comprehensive income for the period									26,163,919	26,163,919
a) Entry of net profit or loss for the period									26,163,919	26,163,919
c) Other components of comprehensive income for the period										
B3. Changes in equity						-914,484		11,370,393	-11,370,393	-914,484

a) Allocation of the remaining net profit for the period to other equity components								11,370,393	-11,370,393	
b) Allocation of part of net profit for the period to other equity components according to resolution of management and supervisory bodies										
d) Formation of reserves for treasury shares										-914,484
				4						
				,						
				8						
				1						
				4						
				,						
				7						
				6						
				4						
C. Closing balance for the period	20,229,770	44,284,976	16,931,435	4	-4,814,764	76,585,953	-1,452,475	86,234	26,163,919	182,829,813
DISTRIBUTABLE PROFIT								86,234	26,163,919	26,250,153

Statement of changes in equity as at 30 September 2020

in EUR

Statement of changes in equity 30 September 2020	Share capital	Capital surplus	Revenue reserves				Fair value reserve	Net profit or loss brought forward	Net profit or loss for the financial year	Total equity
			Legal reserve	Reserves for treasury shares	Treasury shares	Other revenue reserves				
			I/1	II	III/1	III/2				
A2. Opening balance for the period	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
B1. Changes in equity - transactions with owners				203,012	-203,012			13,559,325		13,559,325
d) Buyback of treasury shares				203,012	-203,012					
e) Cancellation of treasury shares								13,559,325		13,559,325
g) Dividend distribution										
B2. Total comprehensive income for the period									13,767,367	13,767,367
a) Entry of net profit or loss for the period									13,767,367	13,767,367
c) Other components of comprehensive income for the period										
B3. Changes in equity							-1,013,981	16,100,262	-16,077,289	-991,008
a) Allocation of the remaining net profit for the period to other equity components										
b) Allocation of a part of net profit for the period to other equity components according to resolution of management and supervisory bodies								16,100,262	-16,077,289	22,973
d) Formation of reserves for treasury shares							-1,013,981			-1,013,981
C. Closing balance for the period	20,229,770	44,284,976	16,931,435	3,006,944	-3,006,944	73,656,109	-1,618,921	2,309,145	13,767,367	169,559,881
DISTRIBUTABLE PROFIT								2,309,145	13,767,367	16,076,512

Cash Flow Statement

in EUR

	JAN-SEP 2021	JAN-SEP 2020	Index 21/20
A. CASH FLOWS FROM OPERATING ACTIVITIES			
a) Net profit or loss	26,163,919	13,767,367	190
Profit or loss before tax	32,301,135	16,480,999	196
Corporate income tax and other taxes not included in operating expenses	6,137,216	2,713,631	226
b) Adjustment for	10,248,201	9,005,849	114
- amortisation	9,813,743	9,035,925	109
operating revenue from revaluation -	19,709	7,857	251
operating expenses from revaluation +	474,082	11,860	3997
finance income excluding finance income from operating receivables -	19,915	34,079	58
Changes in net current assets (and accruals and deferrals, provisions and deferred tax			
assets and liabilities) of the operating items in the balance sheet	-6,386,808	5,099,763	-
Opening less closing operating receivables	-5,529,568	-3,625,231	153
Opening less closing prepayments and accrued income	238,865	212,613	112
Opening less closing deferred tax assets	0	0	-
Opening less closing inventories	-6,503,967	9,365,243	-
Closing less opening operating liabilities	4,546,609	-1,321,712	-
Closing less opening accrued expenses and deferred income and provisions	861,255	468,850	184
d) Net cash flow			
from operating activities (a + b+c)	30,025,313	27,872,979	108
B. CASH FLOWS FROM INVESTING ACTIVITIES			
a) Receipts from investing activities	22,910	41,936	55
Receipts from interest and profit participations			
in other entities pertaining to investing activities	19,915	34,079	58
Receipts from the disposal of intangible assets and deferred costs and accrued revenues	0	0	-
Receipts from the disposal of property, plant and equipment	2,995	7,857	38
Receipts from the disposal of current financial assets	0	0	-
b) Disbursements from investing activities	6,642,642	8,819,036	76
Disbursements for the acquisition of intangible assets	78,139	52,463	149
Disbursements for the acquisition of property, plant and equipment	6,526,594	8,743,427	75
Disbursements for the acquisition of financial assets	37,909	23,146	164
c) Net cash flow from investing activities (a-b) or (b-a)	-6,619,732	-8,777,100	75
C. CASH FLOWS FROM FINANCING ACTIVITIES			
b) Disbursements from financing activities	17,350,386	14,564,067	119
Disbursements for repayment of financial liabilities	0	3,176	-
Disbursements for acquisition of treasury shares	914,484	1,013,981	90
Disbursements for dividends and other profit distributions	16,435,902	13,546,910	121
c) Net cash flow from financing activities (a-b) or (b-a)	-17,350,386	-14,564,067	119
D. CLOSING BALANCE OF CASH AND CASH EQUIVALENTS	43,713,019	36,230,054	121
x) Cash flow for the period (sum of items Ad, Bc and Cc)	6,055,195	4,531,812	134
y) Opening balance of cash and cash equivalents as at 1 January	37,657,824	31,698,242	119

Statement of Other Comprehensive Income

in EUR

		JAN-SEP 2021	JAN-SEP 2020
19.	Net profit or loss for the period	26,163,919	13,767,367
23.	Other components of comprehensive income	0	0
24.	Total comprehensive income for the period (19+23)	26,163,919	13,767,367

Notes to Financial Statements

I. Introductory Notes on Reporting Standards

With the transition of its share to the prime market on 4 February 2021, Cinkarna Celje, d.d. compiled its financial statements according to the balance as at 30 September 2021 in accordance with the International Financial Reporting Standards (IFRS) adopted by the EU.

Statement of Compliance with the IFRS

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

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

Notes on the Effects of the Transition to IFRS

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

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

Simplified Transition to the IFRS

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

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

Bases for Measurement

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

Functional and Presentation Currency

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

Application of Estimates and Judgements

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

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

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

II. Significant Accounting Policies

In the period under consideration that is presented in the attached financial statements, the Company applies the accounting policies in accordance with 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 January 2021	30 September 2021	1 January 2021	30 September 2021	1 January 2021	30 September 2021
Long-term property rights	5,537,658	5,556,451	4,519,833	4,667,709	1,017,825	888,742
Other intangible assets	25,629	12,629	0	0	25,629	12,629
Assets being acquired	17,646	77,276	0	0	17,646	77,276
TOTAL	5,580,933	5,646,356	4,519,833	4,667,709	1,061,100	978,647

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

2 Property, Plant and Equipment

in EUR

Group of property, plant and equipment for 2021	Cost		Adjustment		Carrying amount	
	1 January 2021	30	1 January 2021	30	1 January 2021	30
		September 2021		September 2021		September 2021
Land	10,803,263	10,803,263	1,054,071	1,108,329	9,749,192	9,694,934
Buildings	124,538,191	126,022,477	81,177,713	83,689,290	43,360,477	42,333,186
Equipment	221,895,740	225,111,294	179,915,685	186,443,966	41,980,056	38,667,328
Assets being acquired	10,492,059	11,673,098	0	0	10,492,059	11,673,098
Advances	821,380	26,985	4,158	0	817,222	26,985
TOTAL	368,550,632	373,637,116	262,151,627	271,241,585	106,399,005	102,395,531

The Company verified their values and found that their current value does not exceed their recoverable amount. The Company holds no assets under a finance lease. According to the state of affairs as at 30 September 2020, the Company also had no assets pledged as collateral.

3 Financial Assets and Loans Granted

in EUR

Group of non-current financial assets for 2021	Cost		Adjustment		Carrying amount	
	1 January 2021	30	1 January 2021	30	1 January 2021	30
		September 2021		September 2021		September 2021
Other investments	950,363	950,363	0	0	950,363	950,363
TOTAL	950,363	950,363	0	0	950,363	950,363

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

Investments in the shares of Elektro Celje and Elektro Maribor are valued according to the cost model as their share in the total shares of the mentioned companies is less than 1 %. Members of the Management and Supervisory Boards did not receive any long-term loans. Cinkarna Celje, d. d. has no subsidiary or associated company and does not do business with related parties.

Current Financial Assets

in EUR

Group of investments for 2021	Investment value		Adjustment of investments		Net investments	
	1 January 2021	30	1 January 2021	30	1 January 2021	30
		September 2021		September 2021		September 2021
Fair value of derivatives	35,056	4,337	0	0	35,056	4,337
TOTAL	35,056	4,337	0	0	35,056	4,337

4 Inventories

in EUR

Group of inventories	30 September 2021	1 January 2021	Realisable value
Materials	28,303,288	21,487,973	28,303,288

Work-in-progress	2,524,344	2,533,235	2,524,344
Products	11,081,888	11,270,725	18,966,505
Merchandise	42,718	70,034	42,718
Advances given	76,334	162,638	76,334
TOTAL	42,028,572	35,524,605	49,913,189

Inventories have not been pledged as collateral. Advances given comprise funds provided for the acquisition of raw materials and materials. The net realisable value of inventories as at 30 September 2021 exceeds their carrying amount.

5 Operating Receivables

Current Trade Receivables

in EUR

Group of receivables for 2021	Value of receivables		Adjustment		Net receivables	
	1 January 2021	30 September 2021	1 January 2021	30 September 2021	1 January 2021	30 September 2021
Buyers in the country	3,730,884	3,613,484	367,302	267,017	3,363,582	3,346,467
Foreign buyers	21,012,811	26,748,795	360,960	352,829	20,651,851	26,395,966
Exporting agents	718,749	795,262	0	0	718,749	795,262
TOTAL	25,462,444	31,157,541	728,262	619,846	24,734,182	30,537,696

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

Movement of impairments of current trade receivables

in EUR

2021	Balance as at 1 January 2021	Adjustment 2021	Formed value adjustment in 2021	Write-offs of value adjustments from previous years	Paid written-off receivables	Balance as at 30 September 2021
Buyers in the country	367,302	0	0	100,285	0	267,017
Foreign buyers	360,960	0	0	0	8,131	352,829
TOTAL	728,262	0	0	100,285	8,131	619,846

Trade Receivables by Maturity

in EUR

Regional segment	Total receivables		Not yet due		Past due					
					0 to 15 days		from 16 to 60 days		from 61 to 180 days	
	30.9.2021	1.1.2021	30.9.2021	1.1.2021	30.9.2021	1.1.2021	30.9.2021	1.1.2021	30.9.2021	1.1.2021
Buyers in the country	3,346,467	3,363,582	3,095,735	3,290,091	144,233	64,061	106,480	9,430	18	0
Foreign buyers - EU and third countries	25,824,750	19,954,028	24,788,642	19,326,882	365,352	349,419	670,756	277,727	0	0
Buyers on the markets of former Yugoslavia	571,216	697,823	476,172	589,279	95,045	35,073	0	73,471	0	0
Exporting agents	795,262	718,749	782,496	718,749	12,766	0	0	0	0	0
TOTAL trade receivables	30,537,696	24,734,182	29,143,045	23,925,001	617,395	448,553	777,236	360,628	18	0

Current Receivables due from Others

in EUR

Group of receivables	30 September 2021	1 January 2021
Receivables for VAT	1,571,569	1,708,534
Receivables due from the state arising from COVID-19	0	101,073
Receivables due from institutions	122,395	160,906
Receivables due from employees	16,828	19,081
Other receivables	19,318	14,462
TOTAL	1,730,111	2,004,056

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

6 Cash and Cash Equivalents

in EUR

Group of assets	30 September 2021	1 January 2021
Cash in hand	30	118
Bank balances	37,550,989	27,076,236
Short-term call deposits	6,125,239	10,041,423
Foreign currency bank balances	36,761	540,047
TOTAL	43,713,019	37,657,824

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

7 Equity

in EUR

Equity items	30 September 2021	1 January 2021
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	4,814,764	3,900,280
Treasury shares	-4,814,764	-3,900,280
Other revenue reserves	76,585,953	77,500,437
Fair value reserve	-1,452,475	-1,452,475
Net profit or loss brought forward	86,234	5,151,743
Net profit or loss for the financial year	26,163,919	11,370,393
TOTAL EQUITY	182,829,813	174,016,279

The Company's share capital comprises 807,977 freely transferable no-par value shares of the same class. All no-par value shares have the same nominal value and have been paid up in full. As at the balance sheet date of 30 September 2021, share capital stands at EUR 20,229,767.

The Company has 26,465 treasury shares in its portfolio as at 30 September 2021. In 2021, the Company bought 4,514 treasury shares for EUR 0.91 million which is 4.5% of share capital, which it did based on the General Meeting resolutions of 5 June 2018 and 17 June 2020. It simultaneously set aside reserves for treasury shares, for the purpose of which it debited other revenue reserves.

8 Provisions and Long-Term Accrued Expenses and Deferred Revenues

in EUR

Provisions and long-term accrued costs and deferred revenues	30 September 2021	1 January 2021
Provisions for severance pay and jubilee benefits	3,814,131	3,984,428
Other long-term provisions: for ecology	15,814,445	16,349,530
Government grants received – emission allowances	12,629	51,228
Provisions for lawsuits	0	242,705
Accrued costs	15,692	15,692
Deferred revenues	231,018	232,817
TOTAL	19,887,915	20,876,401

Eco provisions were used in 2021 to cover the costs of the contractors performing work at height that came in at EUR 535,085.

in EUR

	Balance as at 31 December 2019	Use 2020	Balance as at 31 December 2021	Use 2021	Balance as at 30 September 2021
Provisions for ecology purposes					
Provisions for the Za Travnik landfill	384,366	23,592	360,774	3,107	357,667
Provisions for the Bukovžlak landfill (ONOB)	4,479,351	940,286	3,539,065	507,425	3,031,641
Provisions for the Bukovžlak high barrier	2,951,877	22,955	2,928,922	10,454	2,918,468
Provisions for mitigation of risk arising from old burdens-CDM SMITH	6,011,275	9,000	6,002,275	14,100	5,988,176
Provisions for ecology – eco investment in the area of TIO ² production	3,941,471	422,977	3,518,494	0	3,518,494
TOTAL	17,768,340	1,418,810	16,349,530	535,085	15,814,445

in EUR

Provisions and long-term accrued costs and deferred revenues for 2021	1 January 2021	Formation	Dedicated use	30 September 2021
Provisions for severance pay and jubilee bonuses	3,984,428	0	170,297	3,814,131
Provisions for lawsuits	242,705	0	242,705	0
Long-term accrued costs	15,692	0	0	15,692
Provisions for ecology	16,349,530	0	535,085	15,814,445
Emission allowances	51,228	0	38,599	12,629
Exempt contributions for employment of disabled persons	1,799	25,277	27,076	0
Non-current deferred revenue for equipment	41,946	0	0	41,946
Funds received from the ERDF	189,073	0	0	189,073
TOTAL	20,876,401	25,277	1,013,763	19,887,915

9 Current Liabilities

Other Current Financial Liabilities

in EUR

Group of liabilities	30 September 2021	1 January 2021
Current liabilities associated with the disbursement of profit or loss	0	12,415
Current financial liabilities – assignments	67,280	47,675
TOTAL	67,280	60,090

Current Operating Liabilities

in EUR

Group of liabilities	30 September 2021	1 January 2021	Effect of the transition to IFRS	31 December 2021
Current trade payables to domestic suppliers	8,458,609	7,605,375	-	7,605,375
Current trade payables to foreign suppliers	3,567,880	1,679,397	-	1,679,397
Current liabilities for goods and services not invoiced	34,303	213	-	213
Current operating liabilities from advances	83	279,050	-190,783	469,832

Current liabilities to employees	1,231,500	2,236,814	-	2,236,814
Current liabilities for the contributions of the payer	674,640	1,113,104	-	1,113,104
Current liabilities for corporate income tax	3,841,806	778,351	-	778,351
Current liabilities to government and other institutions	422,055	410,129	-	410,129
Liabilities based on contracts with customers	611,055	192,782	+192,782	0
Other current liabilities	7,800	7,909		7,909
TOTAL	18,849,731	14,303,123	1,999	14,301,123

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 Prepayments and Accrued Income and Accruals and Income Collected in Advance

Short-term deferred costs and accrued revenues include short-term deferred expenses and prepayments and accrued income.

in EUR

Description	30 September 2021	1 January 2021
Prepaid expenses	50,584	290,744
VAT from advances received	6,538	5,243
TOTAL	57,123	295,987

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

in EUR

Description	30 September 2021	1 January 2021	Effect of the transition to IFRS	31 December 2020
Accrued unused right to annual leave	816,499	816,499	0	816,499
Accrued costs	1,556,566	141,107	-1,999	143,107
VAT from advances granted	61,113	82,553	0	82,553
Other accrued expenses and deferred revenues	0	39,645	0	39,645
TOTAL	2,434,178	1,079,804	-1,999	1,081,804

11 Contingent Assets and Liabilities

in EUR

Description	30 September 2021	1 January 2021
Guarantees granted	2,423,924	2,430,203
Futures and forwards	1,864,320	1,976,362
VISA and Mastercard	40,000	40,000
Material in the process of completion or processing	59,725	59,725
TOTAL	4,387,969	4,506,290

12 Amortisation and Depreciation Expense

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

in EUR

Description	JAN..SEP 2021	JAN..SEP 2020
Amortisation and depreciation expense	9,813,743	9,035,925
- intangible assets	147,876	201,056
- easement	54,258	54,258

- buildings	2,556,327	2,646,354
- production equipment	7,051,097	6,130,214
- other equipment	4,185	4,043
Operating expenses from revaluation of non-current assets	71,857	7,152
- losses from the elimination of intangible assets and property, plant and equipment	71,857	7,152
Operating expenses from revaluation of current assets	402,226	11,860
- of which the value adjustment and write-off of receivables amounts to	-	611
- of which the revaluation of inventories of goods and materials	402,226	11,249
TOTAL	10,287,825	9,054,936

13 Labour Cost

in EUR

Labour cost	JAN..SEP 2021	JAN..SEP 2020
Salaries, wages and compensations for salaries and wages	14,998,724	16,010,216
Social security contributions	1,111,591	1,208,544
Reimbursements of expenses to employees and other employee income	1,639,954	1,755,588
Supplementary pension insurance	3,784,687	3,253,894
TOTAL	21,534,956	22,228,241

14 Operating Expenses

Operating Expenses

in EUR

Expense	JAN..SEP 2021	JAN..SEP 2020
Costs of materials	73,729,593	71,397,765
Costs of services	9,866,659	10,601,800
Cost of goods and materials sold	124,721	188,592
Other operating expenses	892,327	889,180
TOTAL	84,613,300	83,077,337

The Company had 798 employees as at 30 September 2021. The average number of employees was 803.

15 Financial Expenses

in EUR

Expense	JAN..SEP 2021	JAN..SEP 2020
Interest expenses	4,158	2,959
Exchange rate differences	753,816	113,608
TOTAL	754,974	116,567

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

16 Costs by Functional Group

Costs by functional group are as follows:

in EUR

	JAN..SEP 2021	JAN..SEP 2020
Production costs of products sold	71,729,579	72,237,049
Cost of goods sold	124,721	188,592

Selling costs	27,537,247	26,872,473
Costs of general activities	17,242,261	18,194,978
TOTAL	116,633,808	117,493,092

17 Revenue from Contracts with Customers

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

	in EUR	
	JAN..SEP 2021	JAN..SEP 2020
Net revenues from contracts with the customers for products and services	145,728,274	130,148,627
Net revenues from contracts with the customers for goods and materials	238,575	297,007
TOTAL	145,966,849	130,445,634

18 Sales by Segment

Sales by Business Segment

	in EUR	
	Realised	
	JAN..SEP 2021	JAN..SEP 2020
Titanium dioxide	119,091,071	108,740,313
Zinc processing	4,462,273	3,534,938
Varnishes, coatings, masterbatches and printing inks	13,177,400	11,297,291
Agricultural programme	6,423,180	4,253,044
Other	2,812,925	2,620,048
TOTAL	145,966,849	130,445,634

Sales by Regional Segment

	in EUR	
	Realised	
	JAN..SEP 2021	JAN..SEP 2020
Slovenia	12,876,793	11,105,444
European Union	108,643,824	99,217,237
Market of the countries of former Yugoslavia	3,159,566	2,685,230
Third countries	18,629,896	15,087,013
Third countries – dollar market	2,656,769	2,350,710
TOTAL	145,966,849	130,445,634

19 Other Operating Revenue

	in EUR	
Revenue	JAN..SEP 2021	JAN..SEP 2020
Sale of emission allowances	436,560	0
Operating revenue from revaluation	2,995	7,812
Revenues from government grants – COVID-19	62,440	264,182
Recovered written-off receivables	8,131	127,322
Indemnities from insurance companies	21,272	20,523
Revenues from prior years	16,713	45
Other revenues	103,202	220,018
TOTAL	651,314	639,902

20 Finance Income

	in EUR	
Income	JAN..SEP 2021	JAN..SEP 2020
Interest income	9,991	16,034
Exchange rate differences	722,177	269,307
Income from other investments	13,915	23,075
TOTAL	746,083	308,416

21 Corporate Income Tax

The corporate income tax is levied at a rate of 19% of the tax base. The effective tax rate is calculated as the ratio between tax expenses and the accounting profit or loss. There were no changes in deferred taxes in the first nine months of 2021.

III CASH FLOW STATEMENT

The cash flow statement shows the change in the balance of cash and cash equivalents for the financial year as the difference between the balance as at 30 September 20221 and 1 January 2021. It is compiled according to the indirect method using data from the statement of financial position as at 30 September of the reporting year and the statement of financial position as at 1 January 2021 as well as additional data required for the adjustment of revenues and expenditures and the appropriate breakdown of major items. Theoretically possible items are not shown and values are disclosed for the current and previous year.

IV STATEMENT OF CHANGES IN EQUITY

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

V FINANCIAL INSTRUMENTS – FINANCIAL RISKS

Financial Risks (Liquidity and Interest Rate)

Liquidity Risk

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

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

Credit Risk

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

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

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

in EUR

	Notes	30 September 2021	1 January 2021
Financial assets	3	4,337	35,056
Trade receivables	5	30,537,696	24,734,182
Cash and cash equivalents	6	43,713,019	37,657,824
TOTAL		74,255,052	62,427,062

The Company boasts a healthy structure of trade receivables which is evident from Note 6 - Operating Receivables - in the table showing receivables by maturity and the table showing the changes in the revaluation adjustment of current trade receivables.

Currency Risk

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

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

IMPORTANT BUSINESS EVENTS OCCURRING AFTER THE END OF THE FINANCIAL YEAR

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

INFORMATION ON SHARES AND THE OWNERSHIP STRUCTURE

Ownership Structure

The share capital of Cinkarna Celje, d. d. amounts to EUR 20,229,769.66 and is divided into 807,977 ordinary freely transferable no-par value shares. The Company has 26,465 treasury shares in its treasury share fund as at 30 September 2021.

During the period from the registration of the public limited company in the register of companies on 4 February 1997 to 30 September 2021, changes in the ownership of shares as evident from the table below were recorded in the share register as a result of trading, inheritance and the implementation of the programme for the internal buying of shares in line with the ownership transformation programme.

Table 23: **Structure of the ownership of shares of Cinkarna Celje, d. d.**

Beneficiary	Balance as at 4 February 1997 upon registration in the register of companies		Balance as at 21 January 1998 upon registration with the Central Securities Clearing Corporation		Balance as at 31 December 2021		Balance as at 30 September 2021	
	Str. %	No. of shares	Str. %	No. of shares	Str. %	No. of shares	Str. %	No. of shares
1. LEGAL ENTITIES	60.52	493,024	60.05	489,182	76.05	614,482	75.17	607,335
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. Slovenski državni 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 – fiduciarni					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- fiduciarni					2.31	18,662	2.35	19,019
1.8. NLB skladi - Slovenija mešani. LJ					1.47	11,877	1.41	11,376
1.9. Generali Rastko Evropa. delniški. LJ					1.34	10,803	1.33	10,731
1.10. CITIBANK N.A. – fiduciarni					1.11	9,006	1.27	10,248
1.11. Generali Galileo. mešani fleks. sklad. LJ					1.33	10,731	1.25	10,103
1.12. Primorski skladi. d.d. Koper - PSP MODR					1.18	9,550	1.08	8,700
1.13. DBS d.d. LJ					0.65	5,243	1.04	8,393
1.14. TINFIN d.o.o. LJ					0.88	7,103	0.93	7,497
1.15. MAVIA d.d. KR					0.55	4,452	0.63	5,111
1.16. ERSTE Group Bank AG. Wien - client account					0.65	5,239	0.61	4,900
1.17. B 30 d.o.o. CE					-	-	0.57	4,637
1.18. NOVA KBM d.d. MB					0.57	4,628	0.57	4,628
1.19. Triglav vzajemni skladi. LJ					0.50	4,007	0.50	4,007
1.20. Other	6.93	56,490	26.31	214,314	11.34	91,537	9.36	75,566
2. NATURAL PERSONS	39.48	321,602	39.95	325,444	21.26	171,744	21.55	174,177
3. TREASURY SHARES	-	-	-	-	2.69	21,751	3.28	26,465
TOTAL 1+2+3	100.00	814,626	100.00	814,626	100.00	807,977	100.00	807,977

The total number of shareholders decreased by 3,032 or 60% from the initial 5,077 shareholders, with 2,045 shareholders registered as at 30 September 2021.

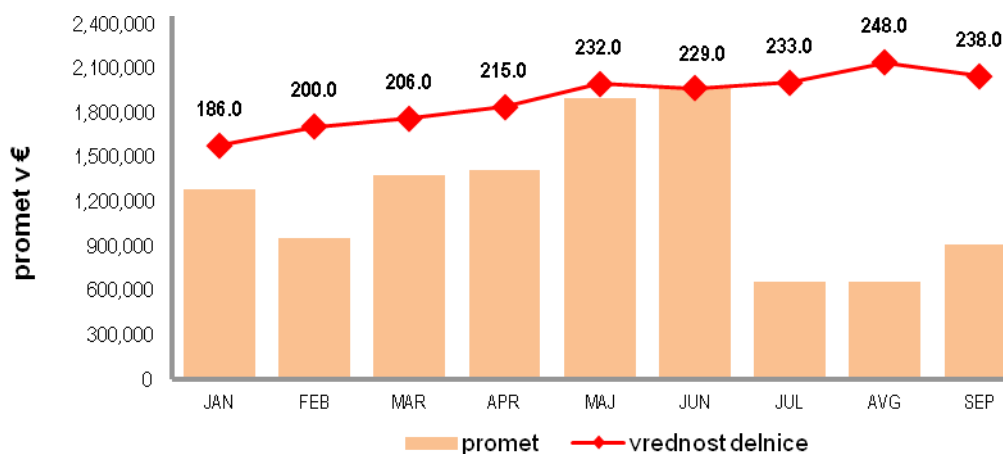
Share Trading

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

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

MONTH	AVERAGE PRICE 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	233.00	652.782
August	166.00	248.00	654.316
September	160.00	238.00	903.181
October	150.00		
November	168.00		
December	178.00		

Changes in value of shares on the free market and total monthly turnover in 2021 (in EUR)



Turnover in EUR
MAY
Turnover
Share value

The value of the Cinkarna Celje, d. d. share listed on the prime market of the Ljubljana Stock Exchange (ticker: CICG) in 2021 fluctuated between EUR 174 and 255 per share during the year.