

BUSINESS REPORT
for the period
January - March 2021

unaudited

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COLLECTION OF THE MOST IMPORTANT INFORMATION

	ACHIEVED JAN - MAR 2020	ACHIEVED JAN - MARCH 2021	% change 2021/2020
Sales	47,770,572	50,327,526	+ 5
Export	43,046,666	45,508,118	+ 6
Profit or loss from operations (EBIT)	8,463,574	9,242,446	+ 9
Operating profit or loss + Write-offs (EBITDA)	11,477,041	12,585,989	+ 10
Net profit/loss	6,887,585	7,435,108	+ 8
Revenue	46,622,946	47,765,535	+ 2
Expenditure	38,119,754	38,586,390	+ 1
Labour costs	7,097,830	7,320,066	+ 3
Added value	18,574,871	19,906,055	+ 7
Added value per employee	23,017	25,852	+ 12
Production in EE	13,746,077	13,616,969	- 1
Assets	214,878,397	221,524,330	+ 3
Equity	177,027,420	180,910,366	+ 2
Investments	3,424,233	2,215,482	- 35
Financial debt	85,189	80,640	- 5
Return on equity	4,32	4,37	+ 1
Number of employees (31 March)	847	807	- 5

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

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

Alternative performance criteria:

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

BUSINESS REPORT FOR JAN - MAR 2021

In the first three months of 2021, we realized sales of 5% more than sales in the first three months of 2020. The increase in sales was influenced by favorable demand from all geographical segments, which is related to the general increase in consumer optimism. Asian competition is present, but at significantly higher prices than in previous periods. The non-competitiveness of Asian suppliers has established a favorable sales trend in the European pigment market, where supply is tightened, demand is robust. In parallel with that there is the pressure on the input.

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

In Cinkarna Celje, d.d., we have taken a number of measures to prevent the possibility of the spread of coronavirus. To ensure the safety of all of us, employees can use various forms of work, and as long as they are at work at the company's location they are subject to prescribed preventive measures, such as wearing masks, ventilation and the like. At the beginning of the year, we conducted mass testing of employees and proved the effectiveness of our measures.

In terms of production capacity of titanium dioxide pigment, we belong to the small producers worldwide. In Europe, we are comparable to smaller plants of Eastern European producers. From industry analyzes and comparisons of business performance, we find that Cinkarna Celje, d.d. is one of the most successful participants in the titanium dioxide pigment industry. The Management Board estimates that the achieved business results are objectively good and exceed the forecasts for the first quarter of 2021.

In the international economic environment, economic activity slowed down as prices tightened again, with no visible impact on the manufacturing sector. The economic consequences and the fall in gross domestic product will be mitigated at the expense of monetary and fiscal support. Analysts estimate that the economy will begin to recover in the second half of this year. Definitely, however, the final stabilization of the situation is probably not to be expected before the development of the vaccine and the provision of an adequate level of vaccination. In addition to the uncertainty related to the spreading of the virus Covid-19 in the international economic area there are no other significant risks which could have this year a significant negative impact on business performance and its business plans.

The macro situation explained above in the context of specific markets and core products of Cinkarna Celje, d.d. means that with more stable economic activity we encountered increased demand due to seasonal effects, still ongoing changes in the structure of demand in DIY, stimulating trends in construction and greater needs in the field of plastics use, especially in the field of packaging. Compared to the first quarter of last year, the market equilibrium was restored at slightly higher average sales prices and the profit margin increased. New pressures are emerging to increase the prices of some key raw materials. Due to the existing stocks of raw materials and the increase in sales prices of products, the impact on margins in the first half of the year will still be favorable. In the second half of the year, we can expect further price increases on the input and output side. We also plan to carry out more extensive maintenance work, which could significantly reduce production and sales, increase the level of costs and consequently affect the operating result in the course of three months (September - November). The company's management estimates that if the situation on the market deteriorates again or the situation on the sales and purchasing markets deteriorates markedly, the projected profit for 2021 will be exceeded. At the time of preparing the report, the company is operating smoothly, performing all business functions, including production.

The situation on the international titanium dioxide pigment market has not changed significantly since the last quarter of 2020. Following the demand that is a result of the recovery of the industry means operating pigment producers with extremely high operating rates. The supply of pigment is becoming tight and putting pressure on the raw materials sector. Based on the evaluation of the current market conditions, we estimate that there will be a price correction during the year. The pressure on the raw materials sector mentioned at the outset is likely to materialize in a further increase in the prices of major raw materials.

We insist on a long-term business strategy, which is based primarily on an active marketing approach in the direction of finding and developing the most profitable customers and markets, increasing market shares in the highest quality markets and establishing long-term partnerships with key customers. We are planning to adopt a more restrictive policy in the area of managing the costs of materials, raw materials, energy and services. At the same time, we are aware that employees are the most important foundation of business success, so we will continue to ensure, in agreement with unions and employee representatives, 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, so we face market conditions and changes as a typical follower, but of course we try to make the most of the market potential in terms of level and time dynamics. Judging by the business results and benchmark, we are above average in this sense. In the first three months of 2021, we sold for 3 % more pigment than in the same period in 2020.

The operations of sales programs other than zinc processing in the first three months of 2021 are above the level of the previous comparable period. In particular, this relates to the value of sales of the agro program, which is higher than achieved in the same period last year due to higher stock market prices of copper and higher demand. The varnishes, masters and printing inks exceeded the sales of the previous comparable period, mainly due to the higher demand for masterbatch. The only drop in sales has been perceived in the metallurgical program, for which we estimate that sales will improve in the next quarter.

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

The company is actively preparing and implementing multiple interrelated projects on the basis of which we comprehensively manage environmental risks. We are studying the possibility of including pumped water in the system of an existing treatment plant. There is currently no progress in practice. In contrast, we are successful in carrying out remediation interventions at the Bukovžlak non-hazardous waste landfill. There are a series of investments carried out in the production to upgrade or improve the operation of waste water treatment plants. Measures are implemented to reduce diffuse emissions and emissions in the working environment.

In the first three months of 2021, Cinkarna Celje, d.d. generated sales revenues in the amount of € 50.3 million, which is 5 % more than in the comparable period last year, and 16 % more than planned. The total value of exports in the period under review reached € 45.5 million, which is 6% more than in the same period in 2020 and 16 % above the plan.

This year we entered the first stock exchange listing and started accounting according to IFRS. Net profit for the quarter reached EUR 7.4 million and is 8 % more than in the comparable period last year, when it reached EUR 6.9 million. We expect that the profitability of sales will continue to develop

as planned. Operating profit with write-offs and EBITDA reached 12.6 million euros and accounts for 25 % of the sales achieved. In comparison with the previous year EBITDA is higher by 10 %.

In the field of work with employees and human resources management, we paid special attention to the set of measures of the Management Board during the COVID-19 epidemic, in order to provide for smooth operation of the company and consequently conditions of maximum safe and healthy work of employees, protection of employees from infection and optimization of working conditions for the employees during limited operation of human resources. We follow the principle of positive motivating wage policy and ensuring an adequate level of employee satisfaction and motivation.

In the first quarter of 2021, we spent € 2.22 million on investments, purchase of fixed assets and replacement equipment, which represents 15.7 % of projected funds for 2021. The volume of work performed does not reach a quarter of the plan, but this is expected, as more extensive maintenance work is planned in the fall. The majority of invested funds were intended for the production of titanium dioxide to improve the quality of products, ensure the reliability of individual devices or processes, improve the conditions of safe and healthy work and reduce environmental impacts.

Through development activities, we follow the strategy for a five-year period and at the same time prepare the basis for its revision, primarily in terms of supplementing existing programs. We carried out development activities according to trends or customer expectations. In all processes, we implemented improvements that enable better product quality, achieving better performance and device 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 treatment, preparation for the implementation of reverse osmosis for wastewater treatment from titanium dioxide production, defining a solution to reduce BOD5 and COD in wastewater, BaSO₄) and the waste reduction project.

The financial position of the company remains stable, the company settles all liabilities on time and in full. The company has no bank debts, the remaining financial liabilities relate to assignments. Cash at the end of March amounted to € 41.8 million and was 11 % more than at the end of 2020.

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 three months of this year.

Management of the company

Statement of management 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 operation of Cinkarna Celje d.d.

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

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

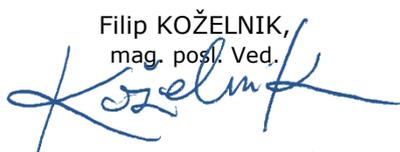
- accounting policies are properly selected and applied consistently,
- judgments and estimates are reasonable and prudent,
- the financial statements have been prepared in accordance with IFRS as adopted by the European Union, and any deviations are disclosed and explained in the report.

The Management Board declares to the best of its ability:

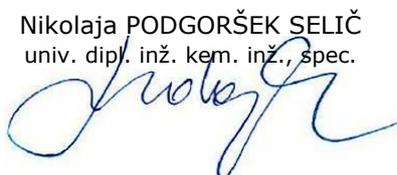
- that the business report of Cinkarna Celje, d.d. for the first quarter of 2021 includes a fair presentation of the development and results of operations and its financial position, including a description of all significant types of risks to which the company is exposed,
- that the financial report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

The Management Board adopted the financial statements with the accompanying policies and notes on 30 April 2021.

**Member of the Board -
Employee Representative**

Filip KOŽELNIK,
mag. posl. Ved.


**Member of the Board -
Deputy of the Board -
Technical Director**

Nikolaja PODGORŠEK SELIČ
univ. dipl. inž. kem. inž., spec.


President of the Board

Aleš SKOK,
univ. dipl. inž. kem. teh., MBA -
ZDA


SALE

In the period under review in 2021, the total sales of the company is by 5 % more than sales achieved in 2020 and is 16 % above the plan for the period. The total amount of sales or net sales revenue totalled € 50,3 million.

In the analysis of quarterly and monthly sales, we find that first quarter of 2021 is successful as regards the sales, reflecting changed consumer habits and increased optimism, in conjunction with vaccine approval and further improvement in the industry. We exceeded the first quarter of last year, mainly due to extremely high sales in January and March. Higher sales in the first quarter are due to higher value of sales of titanium dioxide, copper fungicides, powder coatings and polymer services.

We achieved one of the highest monthly sales in March, when it amounted to € 17.5 million. The lowest sales of the period under review were recorded in February in the amount of € 15.9 million, which is still more than last year's February sales. We expect that monthly sales will move according to the set dynamics.

in €

Market	JAN..MAR 2020	JAN..MAR 2021	Index 21/20	Str. 2021 %
Slovenia	4,723,906	4,819,408	102	9.6
EU	35,365,027	37,530,636	106	74.6
Ex-YU	971,040	1,057,041	109	2.1
Third countries	5,772,257	5,688,700	99	11.3
Third countries - dollar markets	938,342	1,231,741	131	2.4
TOTAL	47,770,572	50,327,526	105	100.0

Total sales to foreign markets increased by 6% compared to 2020 in the period under review. The increase in sales to foreign markets is undoubtedly due to higher quantities of pigment sold. In absolute terms, the most obvious increase is in sales to EU markets, as we exported significantly more to Europe's largest trading partners than in 2020. In relative terms, however, the largest increase is in the countries of the former Yugoslavia. We still maintain minimal control market shares in the dollar markets, as higher placements would be pointless due to specific conditions, which are certainly less favorable than in European markets.

Sales on the EU market are 6 % higher than achieved in the comparable period last year. The driving force of growth in this market is the increased demand for titanium dioxide, masterbatch and copper fungicides. In the EU market, we recorded several times higher sales of Teflon-coated ball valves and elements for the transport of aggressive media.

Sales to the markets of the former Yugoslavia increased by 9%. To the greatest extent, sales growth is related to higher demand for powder coatings and copper fungicide. These groups compensated for the loss of sales of zinc alloys.

Domestic sales are 2% higher compared to the same period in 2020. The growth in sales is mainly due to higher sales of Business unit Kemija Mozirje and Business unit Kemija Celje. Sales of metallurgical products are at a similar level as in the previous comparable period.

in €

Sales program	ACHIEVED JAN..MAR 2020	ACHIEVED JAN..MAR 2021	Index 21/20	Str. %
Titanium Dioxide	39,203,483	40,337,553	103	80.2
Zinc Processing	1,769,104	1,459,524	83	2.9
Varnishes, Masterbatches and Printing Colours	3,965,364	4,635,680	117	9.2
Agro Program	1,914,463	2,980,558	156	5.9
Other	918,158	914,211	100	1.8
Total	47,770,572	50,327,526	105	100.0

In the period under review, sales of **the titanium dioxide pigment program** reached EUR 40.3 million. Supply and demand curves have created a new equilibrium point. Changes in consumer habits during the epidemic towards the end of the year resulted in a significantly increased demand for pigment. Increased demand is associated with DIY projects. Higher value sales by € 1.1 million are the result of both sold quantities of pigment and higher average prices. The aforementioned increased demand spilled over into the second quarter of this year as well. We continue to provide all customers with a smooth production process and company operation. The bargaining power of customers decreased with the transition to the new year and consequently affects the rise in prices. Based on currently known data, we expect upward corrections in sales prices in the short term.

The **zinc processing** sales program combines the zinc wire, anode and alloy product groups. Business performance is lower than in the comparable period last year by 17 %. The decline is due to lower sales volumes. Average sales prices of product groups are higher due to higher stock market prices.

In the period under review, there was a 17% increase in sales **of varnishes, masts and printing inks**, which is mainly related to the increase in the volume of sales of masterbatches and powder varnishes. The situation has improved compared to last year. Higher sales of masterbatches replaced the impact of lower sales prices (changed structures of products sold and customers and markets). The increase in sales of both groups is related to the increase in activity in the manufacturing industry.

Sales of the **agro program**, which includes sales of copper fungicides, Pepelina, copperas and Humovit, increased by 56% compared to the comparable period of 2020. The growth is due to both higher quantities and higher sales prices. Average sales prices of copper fungicides increased significantly due to higher stock market prices of copper and an improved sales structure. In 2021, we will continue to produce a very interesting active substance on the market, ie. tribasic copper sulphate (TBCS).

Category **"Others"** includes sales programs of thermoplastics, polymers, elastomers, systems for the transport of aggressive media (STAM), sulfuric acid, CEGIPS, merchandise, service and sales of abandoned products and product groups. The value of sales of this group is unchanged compared to the first quarter of 2020. STAM sales are significantly higher. The value of sulfuric acid sales is 4 % lower. In programs of this group/category, it is necessary to highlight a 33% growth in sales value of CEGIPS. Namely, we sold it 7% more than in the first quarter of 2020. Volume sales of CEGIPS are important in the context of extending the life of the Za Travnikom landfill.

NET PROFIT/LOSS

In the first quarter of 2021, an **operating profit of** EUR 9.2 million was achieved. This result exceeds by 9 % the operating profit for the first quarter of 2020, which amounted to EUR 8.5 million. If we compare it with the planned profit for the first quarter of 2021 (EUR 5.6 million in profit), we find that we exceeded the business plan by 67 %. The operating performance of the first quarter of 2021 was objectively better than the comparable one last year, and at the same time above the level of the business plan. This excess was influenced by good sales and a higher level of sales prices. Operating profit with write-offs and EBITDA reached 12.6 million euros and accounts for 25 % of the sales achieved. In comparison with the previous year's EBITDA, it decreased by 10 %.

After calculating the impact of financial revenues and expenses, in the first quarter of 2021 the **pre-tax profit** amounted to EUR 9.2 million, in the first quarter of 2020 a profit of EUR 8.5 million was achieved. The result before taxes increased by 8% compared to the previous comparative period, the planned profit before taxes for the first quarter exceeds by 66%. In the first quarter of 2021, a negative balance from financing in the amount of EUR 63.3 thousand was recorded. The resulting negative balance from financing arises from the exchange rate differences from currency risk management.

The net profit for the accounting period amounts to € 7,435,108, which is 8 % more than in the same period last year, and by 66% more than planned (we planned a net profit of EUR 4.5 million for the first quarter of 2021). Taking into account the development of events in the international economy, the titanium dioxide pigment market and especially the results of competitors in the titanium dioxide industry and the Covid-19 situation, we estimate that the achieved business result is relatively very good. Net profit or loss includes pre-tax profit or loss and income tax in the amount of € 1.7 million (effective tax rate 19 %).

EXPENSES AND COSTS

In the analysis of costs and expenses, we mainly analyze two key groups that have the greatest impact on operations and their performance. These are the costs of materials, raw materials and energy, as well as labor costs. Financing costs have become irrelevant after the repayment of all debts.

In the structure of consumption of raw materials, packaging and energy, there are minor variations compared to the period in 2020. The reason is the different dynamics of changing individual categories of the direct costs of production. In relative terms, the most important is the increase in packaging costs, which are due to each customer requirements higher by 18%.

The total direct cost of materials, energy and packaging is € 84 thousand higher than in the comparable period of 2020, with a 1% reduction in production at constant prices. Due to the higher volume of production in Branch Kemija Mozirje and Branch Kemija Celje, the raw material cost is marginally higher by 1 %. Compared to 2020, energy prices are lower, as we are managing them with measures to improve energy efficiency. In addition, we used less electricity due to lower pigment production.

The ratio between purchase and sale prices did not change significantly, at the expense of higher sales prices of pigment, the price scissors opened slightly. The rise of key raw materials is expected in the coming quarters.

Moreover, in the first quarter of 2021, the largest part of production costs included raw material/material for production (86.0 %), followed by energy (12.3 %) and packaging (1.7 %).

The average gross wage per employee in the first quarter of 2021 reached € 2,201.0. In the first three months of last year, the average gross salary reached € 2,246.3, which means a decrease of 2%.

The average gross salary in the Republic of Slovenia in February 2021 amounted to € 1,943.0, and the average gross salary for the same period in 2020 to € 1,799.7.

Gross wages were formed in accordance with the provisions of the collective agreement, taking into account the agreements between the unions and the Management Board, taking into account the intervention legislation due to COVID-19 and the presence of employees in emergency situations. The largest share of labour costs is the cost of gross wages, namely 77,6%. Compared to the same period last year, the mass of gross wages decreased by 8 percent. Annual leave allowance covers half of the amount paid for 2021. The amount of holiday bonus per employee is € 2,021 gross. Transport to work and meals during work are in accordance with the applicable regulations. The "other" category includes supplementary pension insurance, severance pay, other employee benefits, solidarity assistance costs, jubilee awards and a crisis allowance.

ASSETS AND RESOURCES

The percentage of long-term assets in the structure of total assets decreased by 3.2 percentage points compared to the situation at the beginning of 2021 and amounted to 49.1%. The largest category of fixed assets are tangible assets (96,7%). Their value decreased by the difference between the calculated actual depreciation in the first three months of 2021 and the amount invested in property, plant and equipment by 1%. Long-term investments in 2021 did not change and included stocks and shares of companies. Deferred tax assets also did not change.

The share of short-term assets in the structure of total assets increased by 3 structural points compared to the beginning of the current year and amounted to 50.5%. In the current asset structure, the most important categories are cash (37%), receivables (32%) and inventories (31%).

In comparison with the situation at the beginning of 2021, inventories decreased by 4 percent, while the value of the stock material (considering the advances) increased by 13%, the value of work in progress inventories decreased by 2% and the total value of stocks of finished goods and merchandise companies decreased by 36% (all compared to the situation at the beginning of 2021). The main reason for decline in inventories of finished products is increased sales volume of pigment.

Short-term financial investments mainly cover the fair value of derivatives and have decreased by 63% compared to the beginning of 2021.

Short-term receivables comprise short-term trade receivables and short-term operating receivables from others (especially from the state for input VAT). Compared to the situation at the beginning of 2021, receivables increased by 35%. Trade receivables increased by 39% due to increased sales in the first quarter, while other short - term receivables decreased by 24% from less paid advance payments of income tax than actually calculated income tax. An overview of trade receivables in the continuation of the report by maturity (Chapter Notes to the financial statements) shows the fact that the age structure of receivables continues to be of high quality.

Cash (and cash equivalents) represent 37% total value of short - term assets, the volume of cash increased by 11% compared to the initial situation in 2021. The relatively high value of cash is mainly due to the excellent performance.

Short-term accrued costs and deferred revenue include deferred prepaid expenses. An increase of 283% refers to the paid and deferred holiday bonus in 2021, in order to evenly burden the profit or loss in 2021.

The value of capital in the structure of liabilities as at 31 March 2021 represents 81.7%, which is 1 percentage point less than at the beginning of 2021. The amount of capital increased by 4% compared to the opening balance. The increase (€ 6.7 million) relates to the difference between the net profit for the first quarter of 2021 in the amount of € 7.4 million and the purchase of treasury shares from reserves in the amount of € 0.54 million. In the first three months of 2021, based on the General Meeting resolution of 5 June 2018 and the resolution of 17 June 2020, the company acquired an additional 2,922 treasury shares in the amount of € 0.54 million and at the same time formed reserves for treasury shares for the same amount debited to other profit reserves. As at 31 March 2021, the company has 24,873 treasury shares subscribed to the treasury fund. There were no other major movements in the capital.

In the total capital value, the share capital amounts to € 20,229,769.66, and is composed of 807,977 (of which 24,873 treasury shares) of ordinary freely transferable shares. The book value of the share as at 31 March 2021 amounts to € 223.9 (since the beginning of the year it has increased by 4%).

Provisions and long - term accrued costs and deferred revenue account for 9.3% of liabilities. Provisions for pensions and similar obligations were created on 1 January 2006 (jubilee awards in accordance with SAS 10) and adapted annually based on actuarial calculations. Other provisions were established in the privatisation process under the provisions of ecology. In recent years, we have further developed the following environmental provisions: 5 million in 2010 for the purpose of remediation of the Bukovžlak solid waste landfill, and 7 and 5 million euros in 2011 for the rehabilitation of the Za Travnik landfill and the destruction of low-level radioactive waste. At the end of 2017, the provisions were re-examined and a reservation for the elimination of the risk of old debits in the amount of EUR 6.4 million was formed. At the end of 2019, we cancelled the reservation (€ 4 million) due to the successful removal of TENORM waste. The volume of environmental provisions decreased by 2% in the quarter under review to cover the costs of the remediation projects listed above.

Financial and operating liabilities increased by 32% compared to the beginning of the current year due to an increase in trade payables by 57% from the purchase of strategic titanium-bearing raw materials, other short-term liabilities from taxes, contributions from liabilities to employees and corporate income tax decreased by 7%. All financial and operating liabilities are short-term in nature. The company's gross indebtedness rate is 8.6 %, compared to the situation on 1 January 2021, it increased by 25% (the increase is a result of the incurrence of liabilities arising from the periodic procurement of strategic raw materials).

Short-term financial liabilities as at 31 March 2021 amount to € 80.6 thousand, which is 34% more than at the end of the beginning of 2021 (when they amounted to € 60.1 thousand), the difference relates to the increase in the volume of assignments of our liabilities or assignments of receivables of our suppliers. The company's level of financial indebtedness is therefore 0.36‰ (at the beginning of the year it was 0.29‰).

Short-terms liabilities increased by 32% in the relevant period. Short-term operating liabilities to suppliers amounted to € 14.6 million as at 31 March 2021 and increased by 57% compared to 1 January 2021, mainly due to a larger supply of strategic raw materials in the first quarter. Other short - term operating liabilities decreased by 7% (or by € 0.32 million) due to lower payment obligations to employees compared to the beginning of the year. Other short-term operating liabilities as at 31 March 2021 include € 1.3 million liabilities for the payment of salaries and other remuneration to employees, € 0.7 million liabilities from contributions and taxes from and on remuneration, € 1.6 million liabilities for the payment of income tax and € 0.5 million liabilities for VAT and to other

institutions and € 0.1 million liabilities based on contracts from customers-contractual commitments for compensation for larger assortment.

Short - term accrued costs and deferred revenue increased by 5% during the period considered. They mainly consist of accrued liabilities for annual leave and labour costs, accrued environmental contributions and taxes, as well as VAT on advances.

RISKS OF THE COMPANY 'S OPERATION AND MANAGEMENT OF RISKS

Risks of the company's operation and management of risks

Cinkarna Celje, d.d., is a regional company that operates internationally and encounters risks of an economic, social and environmental nature. In order to effectively identify risks (opportunities), evaluate them, prioritize, manage and control and report on risks, we have developed an integrated risk management system (SRM). It combines a number of subsystems and tools, and their coordinated operation ensures the operation of the system regardless of the content of processes and hierarchical levels of the organizational structure of the company.

Risks are defined and evaluated with the help of a qualitative/quantitative method by which we determine potential range/impact and the probability of occurrence of an individual event. We combine individual risks in the following areas, we also use the division for external reporting:

- I. Sales risks.
- II. Production risks.
- III. Financial risks.
- IV. Risks of spatial and environmental legislation.
- V. Personnel and organizational risk.

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 2019 Annual Report (pages 32-34). Overview of key risks is hereinafter defined on the state and outlook present at the time of this report.

I. Sales risks

Risk of product sales	Probability of occurrence	Amount of damage
	Medium	Medium
Definition	Risk is associated with the possibility and ability to successfully sell products in target markets. It refers to market volatility, increasing bargaining power of customers and competitors (as a result of capital concentrations and expansion of production capacities) and the possibility of adjusting the marketing mix (4P - price, product, place, promotion). The risk of selling the titanium dioxide pigment carrier product is present, which can be reduced by base demand due to declining economic activity of carrier economies, expansion of production capacity in China and Mexico, US Federal Administration protectionist policies and the spread of COVID-19. Increase in tariffs on imports of Chinese material into the United States from 16% to 31%, poses risks to increased pressure from Chinese goods on the European market. At the same time, the problem of increasing the production capacity in China is developing into a long-term trend that will have a significant impact on the structure of the industry in the long run. The epidemic	

	<p>has resulted in partially changed consumption in the direction of increasing DIY projects and higher consumption of plastics, which is currently having a very positive impact on the company's result. At the end of the epidemic, the consumption trend can change rapidly and adversely affect the business result.</p>	
Management	<p>The risk is directly limited by expanding the sales network, with diversification of production-sales portfolio, the introduction of new and by shortening the existing distribution channels, with the development of marketing partnerships and the development of new products that enable entry into new markets and industries. In recent years, the risk of product sales is actively mitigated by optimising sales portfolio in terms of elimination of high market risk products. With targeted technological investments, we focus our sales portfolio on applications and markets that are more demanding in terms of content, high quality and represent a deviation from the so-called commodities markets, which are characterized by lower added value and high exposure to Chinese manufacturers' pricing policies. Moreover, sales risks are managed indirectly with systematic monitoring and benchmarking of relevant industries (competitors and customers), participation in marketing & professional meetings of the industry, and the introduction of standards in the field of quality control, safety, environment and health. The risk is also managed by strategic development and maintenance of the so-called compensatory markets (US, The Middle East), where possible excess of unsold quantities may be channelled, taking into account the respective profitability of these markets. We use the aforementioned sales risk management strategy to manage the unpredictability of markets due to the COVID-19 virus epidemic.</p>	
The risk of purchasing raw materials and energy	Probability of occurrence	Amount of damage
	Medium	Medium
Definition	<p>The Company is highly dependent on the acquisition of high quality and affordable raw materials and energy. These are mainly standardized raw materials of global nature (which are often traded on a regulated market), in particular these are titanium-bearing raw materials, copper, zinc and sulphur, and lately also resins and polymers. Bargaining power of suppliers is high (with an upward trend). The long-term risk is significant in terms of price 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 on the extraordinary rise in prices, has increased further. With the growth of sales markets for titanium dioxide pigment, especially in Asian markets, market pressures have increased significantly, which have recently been reflected in rising labor prices for titanium-bearing raw materials. Otherwise, the current situation regarding the availability of titanium-bearing raw materials is assessed as relatively stable. Less stable conditions are those on the epoxy resin side, where demand in the Asian market exceeds supply, which also leads to a European shortage. There is also a major shortage of polymers as a result of lower refinery production, weather risks, all of which have the effect of raising prices and supply problems. The risk in the field of energy (gas and electricity) is particularly important in the long term due to the expected trend of price growth arising from long-term objective resource scarcity. After rising prices in recent years, between the first and second waves of the epidemic, the energy market fell and enabled the lease of energy products on favorable terms, which will have a positive impact on our cost aspect in 2021. However, growth is expected to resume in the future, mainly due to increased global spending. Lower levels of refineries during the epidemic and the replacement of fossil fuels increase the possibility of sulfur price volatility, where in the first half of the calendar year, when consumption due to production in the agro segment</p>	

	is higher, we can realistically expect additional pressure on high prices. We assess the risk in the field of raw materials and energy sources as relatively manageable.	
Management	Risks are managed by seeking and evaluating alternative raw material sources (catalogues of verified alternative materials and suppliers). Targeted creation of long-term and stable partnership relations. The Company and market specialists monitor and analyse the situation on international markets. We maintain regular contacts with suppliers with whom we do not do business, however, they represent a quality potential alternative. With a long-standing supplier of epoxy resins, we have quantities guaranteed. In the period of lower energy prices, we concluded a supply contract at relatively favorable prices. We develop infrastructure, information systems, technologies and products by which we aim to limit the use of key raw materials, to reduce dependence on individual suppliers and to limit the risk of volatility of purchase prices. Wherever possible, we conclude long-term supply contracts (fixed price), we use different hedging systems, we balance the consumption structure of individual energy products, we implement energy management as well as permanent measures/projects with the aim of optimizing the use of energy (ORE). Targets for specific consumption of raw materials and energy are included in the standard integral system of management.	
Macro risk of conditions in the target economic areas	Probability of occurrence	Amount of damage
	Medium	Medium
Definition	Given the fact that the operation of the Company is not limited to a particular geographical area, it is exposed to regional and global macroeconomic conditions, political/safety conditions and even harmful climate events. The overall risk of the macroeconomic situation is certainly present, but we believe that we are enough well-prepared for a possible further deterioration. Extreme caution are required due to the strained relations between Russia and the West, complex security situation at the Middle east, the unpredictable impact of the past US administration's international economic policies, and the impact of the ongoing epidemic on the wider economy. 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., but the economic situation improved towards the end of 2020. In 2021, special attention will have to be paid to the consequences of Brexit, even if we do not perceive and do not expect any direct material effects on our business.	
Management	The risk is managed by focusing on relatively safe and stable markets within the EU+ (more than 80 % of sales), while the sales outside the EU+ are distributed across a wide portfolio of markets such as the US, the Middle and the Far East. We are developing a balanced sales structure in terms of risk / returns. An important part of this risk management strategy is flexibility in directing sales to different geographic markets. Consequently, we are maintaining the optimal quantity of the so-called compensatory markets. Macroeconomic forecasts and projections are regularly monitored, and our business policy is adapted accordingly. With our local partners, we evaluate and adjust our business decisions on an ongoing basis. Manageable risk (e.g. financial) is reduced strategically in order to increase the compensating ability concerning the risks inherent in the global economic space.	

II. Production risks

Risk of availability of labour resources	Probability of occurrence	Amount of damage
	High	Low

Definition	Cinkarna Celje, d. d., is a capital-intensive undertaking, and an industry with a high proportion of continuous processes. In terms of workload and utilization of labour resources, these are extremely unfavorable conditions (chemically aggressive substances, high temperatures, pressures, etc.).	
Management	The risk is mitigated by a system of professionally designed / very well organized maintenance of the state. Special emphasis is given to preventive maintenance, which implies excellent technical diagnostics. At critical points, operational safety is ensured by built-in backup facilities.	
Risk of accidents, fires, uncontrolled releases of substances into the environment and accidents at work	Probability of occurrence	Amount of damage
	Low	High
Definition	Chemical processing and metallurgical industry implies the risk of such accidents.	
Management	<p>The risk is managed through a systematic evaluation of the impact on the environment and the employees, periodic assessment of fire risk, and systematising jobs in relation to the risk assessment. In limiting environmental impacts, we have systematically introduced the European environmental standards by promoting the principles of "Responsible Care Program" and harmonising our activities with the requirements of the IED Directive. The processes are performed by taking into account the BAT (Best Available Techniques). With regard to fire safety, we have organized our own fire brigade, at the same time the Company is properly secured against fire. In the field of occupational accidents, we have organized a professional service which is responsible for monitoring compliance with the rules and measures of health and safety at work. We carry out regular training and education of employees. The company is insured for liability for damages. We conclude written agreements and train outsourced contractors. We have hired a permanent coordinator for safety and health at work. We have introduced work instructions for carrying out maintenance tasks in terms of fire prevention, disaster prevention and improvement of cleanliness in the workplace. In 2009 we introduced the environmental management system ISO 14001 and the occupational health and safety system ISO 45001, which have been approved and certified by an authorised institution.</p> <p>A part of the Company confirms its environmental integrity with the entry into the EMAS Register at the Ministry of the Environment. A threat assessment has been prepared with a plan of protection and rescue. With annual framework and implementing objectives, we identify and eliminate the process risks for the environment, health and safety. We perform evacuation exercises according to the program.</p> <p>In 2020, we prepared an audit of the concept of environmental risk in accordance with the SEVESO directive, and at the beginning of 2021 we received a decision confirming the adequacy of the audit. As part of the project task, we established a register of necessary measures, which derives from the new design and thus ensured systematic implementation.</p> <p>We are carrying out a comprehensive rehabilitation of the Bukovžlak Non-Hazardous Waste Landfill, thus reducing the possibility of accidents in this area.</p>	

III. Financial risks

Currency risk	Probability of occurrence	Amount of damage
	Low	Low
Definition	Cinkarna Celje d.d. procures and sells on the world market, as a result it is exposed to the risk of unfavourable development of exchange rates. Above all, the risk involves the €/ \$ foreign exchange rate. Since the majority of sales is carried out in euro, the exposure is particularly acute in dollar purchases of titanium-bearing ores, and exceptionally also of copper compounds.	
Management	Trends and forecasts regarding the dynamics of the currency pair €/ \$ is continuously monitored. Based on market data and prices of financial instruments (insurance costs) we regularly determine the strategy (the manner and scope) of cash flow hedges. Basically we limit the risk of adverse exchange dollar rate changes in two ways, we cover part of the exposure with business hedging, i.e. currency coordination of sales and purchases, and we systematically limit the risk of short-term fluctuations by using short-term financial instruments (especially dollar futures contracts).	
Credit risk	Probability of occurrence	Amount of damage
	Medium	Low
Definition	The risk of possible failure of customers to fulfil their contractual obligations, which means that customers are late with or do not pay their obligations. The risk is limited because we largely do business with established partners, who are often well-known traditional European industrial companies with high credit ratings. In recent years, we have perceived that payment discipline in Slovenia, the Balkans and Eastern Europe is relatively poor, but we do not expect any further aggravation of problems in this area in the future. By restructuring/clearing the portfolio of strategic business areas of the Company, more specifically, by abolishing the program of graphic raw materials, the program of rolled titanium zinc sheets, the program of anticorrosion coatings and construction material, the exposure to credit risk has significantly reduced. As regards the 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	The risk is restricted by developing long-term partnerships, established checks of creditworthiness of new domestic and foreign customers, a selection of reliable customers, periodic monitoring and checking the business health of our customers. We use a system of credit limits which systematically limits potential damage. We have established a department (with the necessary IT infrastructure) for dynamic monitoring of the maturity of outstanding receivables, the receivables overdue balances, and their recovery. In mediation, judicial and extrajudicial recovery we work with external providers of such services. We use instruments of insurance payments on individual basis (insurance of receivables, payment of advances, bill of exchange guarantee, checks, documentary letter of credit, bank guarantees and documentary collection).	
Liquidity risk	Probability of occurrence	Amount of damage
	Low	Low
Definition	Liquidity risk is related to the liquidity of a company or an individual financial instrument. The emergence of such a risk would mean the inability to repay overdue liabilities and could have a chain effect.	

Management	The company's operations are traditionally conservative with high cash flow. Liquidity management includes, among other things, planning of expected monetary liabilities and their coverage, ongoing monitoring of customers' solvency and regular collection of overdue receivables. The credit rating is AAA.	
Interest rate risk	Probability of occurrence	Amount of damage
	Low	Low
Definition	Interest rate risk means the possibility of losses due to unfavorable movements in interest rates on the market.	
Management	The company has no long-term financial liabilities and has no measures in place. Should this fact change, appropriate measures would be put in place to manage such risk.	

IV. Environmental, spatial, and regulatory risks.

Rehabilitation of the Bukovžlak landfill for non-hazardous waste	Probability of occurrence	Amount of damage
	Low	High
Definition	<p>In the last quarter of 2010, the Management Board decided that due to the high financial burden and limited availability/capacity of the Bukovžlak landfill, the landfill would be exempt from the application for the environmental permit and that the process of its closure would be immediately initiated.</p> <p>To ensure safety and minimise the negative impacts on the environment in the long term, it is necessary to conduct a comprehensive rehabilitation.</p>	
Management	<p>By burdening the profit in 2010, we formed an environmental provision in the amount of € 5 million. We obtained an environmental permit for the landfill closing time (30 years).</p> <p>In 2016 and 2017, we carried out the first phase of comprehensive rehabilitation - strengthening of the barrier body.</p> <p>Further work concerning the preparation of project documentation showed the need for additional interventions which were not foreseen when making a provision in 2010, for this reason we formed an additional provision in the amount of EUR 782,563 at the end of 2017.</p> <p>In accordance with the obtained integrated building permit we started the implementation of the remaining phases of comprehensive rehabilitation (cover, drainage of backwaters, central and western drainage, diversion embankment) in June 2020. From the point of view of risk management, we completed the most demanding intervention by the end of 2020. The entire scope of rehabilitation is expected to be completed in 2023.</p>	
The pipeline for pumping the neutraliser into the device for waste disposal Za travnik	Probability of occurrence	Amount of damage
	Low	Low
Definition	To pump the neutraliser in the device for waste disposal Za travnik, the Company has got only one functional pipeline. The pipeline has already been partially replaced, in one part a new one with larger dimensions has been installed, and in another part the original pipeline is still in operation.	

	<p>In the case of leakages, the production of titanium dioxide must be stopped.</p> <p>Past leakages were rehabilitated within satisfactory tight deadlines, as a result the risk is still assessed as low.</p>	
Management	<p>The critical part of the pipeline has been replaced. For the non-renovated part of the original pipeline, we are looking for the necessary easements.</p> <p>In 2016, we installed a new pump for pumping the suspension, reducing the risk of failures due to water hammer. 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 rehabilitation works on the plot c.m. Teharje 115/1, which will take place under the competence of the MOC presumably in 2021, we will replace the part of the pipeline that crosses this plot.</p>	
The availability of Za Travnik waste disposal facility	<p>Probability of occurrence</p> <p>Medium</p>	<p>Amount of damage</p> <p>High</p>
Definition	<p>The time to dry fill the Za Travnik waste disposal facility is limited. It is dependent on the free volume, the quantity of pigment production and the amount of the secreted by-product. Filling of the waste disposal facility means stopping the production of titanium dioxide.</p>	
Management	<p>We produce the maximum possible amount of CEGIPS, thereby reducing the amount of red gypsum for disposal.</p> <p>The obtained integral permit for remediation of the Bukovžlak landfill approves the use of red plaster to produce an impermeable cap and to build a diverting embankment.</p> <p>The project of filling the device for waste disposal Za Travnik with red plaster has been updated, aiming to achieve the most optimal filling (higher natural settlements). Given the changed conditions (greater consumption of white plaster, a different crystal structure, settlements) a new estimate of the available volume for the filling was prepared.</p> <p>With all these measures, we are gaining more time before the filling up of the facility. According to Article 9 of the "Decree on the building plan of the Za Travnik landfill" in the Municipality of Šentjur, we have initiated the procedure of amending the OPPN. Coordination with the Municipality of Šentjur is underway. For 2021, we also set the goal of checking the possibility of changing the technology of waste acid treatment, which now results in the formation of red gypsum. We are looking for ways to reduce the dependence of production on available filling volumes.</p>	
Providing stability of partition bodies	<p>Probability of occurrence</p> <p>Low</p>	<p>Amount of damage</p> <p>High</p>
Definition	<p>Partition bodies constitute a danger upon collapse. The risk is mainly a strong earthquake.</p>	

<p>Management</p>	<p>We conduct the prescribed monitoring, which are annually analysed by UL FGG experts. All recommendations are considered the form of regularly carried out maintenance work. Burst wave projects are in place.</p> <p>We added a network of technical observation at the Za Travnik barrier and renovated the primary and secondary geodetic observation network. The plan is to implement additional security measures and drainage on the east side. Based on the data from the new observation wells, we will commission the preparation of a water balance for any necessary action on the western slope of the barrier. Owing to the improved situation after the implementation of remedial works in recent years, and on the basis of expert estimates for the necessary works, we reduced the environmental provision to EUR 450,000.</p> <p>We perform regular maintenance on the Bukovžlak high barrier for red gypsum. At the end of 2017, we formed a provision of € 3 million for the purpose of comprehensive rehabilitation of the barrier. In 2018, we created new observation wells on the eastern side of the dam body, which started operating in 2019. Based on the data obtained, we will prepare a plan for remedial intervention. We developed a preliminary design for lowering the level of the dam lake, which would significantly contribute to increasing the safety of the dam body. We implemented an improvised lowering of the level to obtain data for further work. During the regular operation we monitor seismic moving of the Bukovžlak heaped high barrier. Surveillance is carried out by a hired authorized seismological observer.</p> <p>Rehabilitation of the barrier of the Bukovžlak non-hazardous waste landfill (ONOB) was carried out in 2016 and 2017. The complete rehabilitation of the entire landfill began in June 2020, which will further improve stability in the long run.</p>	
<p>Environmental due diligence - Phase II</p>	<p>Probability of occurrence</p> <p>Low</p>	<p>Amount of damage</p> <p>Medium</p>
<p>Definition</p>	<p>The results of the environmental due diligence - Phase II showed that the existing production location in Celje was built on waste from the past activities. Deferred wastes have an impact on groundwater, which may have an impact on human health and the environment.</p>	
<p>Management</p>	<p>We have performed several parallel activities to determine the potential impact on human health and the environment and promptly informed the public of the results. In August 2018, we completed and presented to the public the results of risk assessments for human health and the environment due to the use of agricultural products under the Bukovžlak landfill for non-hazardous waste. It was found that the contaminated groundwater under the Bukovžlak landfill for non-hazardous waste had no negative impact on crops. In November 2018, we presented the ecotoxicological impact study of old burdens on the location of the current production in Celje on living organisms in the Hudinja in Ložnica Rivers. Four locations which indicate the need for action were defined. In 2019, we carried out the first part of activities to complement the Ecological risk assessment in the segments that were causally not enough explained by previous studies. There remains one location which we cannot explain yet and 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, so they cannot participate in the working group. Cinkarna can prepare the measures itself.</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 remediation measures with a feasibility assessment for the two most polluting points at the site of current production.	
Water permit for extracting technological water from the Hudinja River	Probability of occurrence	Amount of damage
	High	High
Definition	Continuous measurement with fixed data on the flow and the amount of pumping is required. During the dry months, a restriction of production is possible.	
Management	<p>We have acquired a water permit to implement permanent measurements of flow and pumped volumes. Continuous measurements must be established by March 2022. Implementation in progress.</p> <p>We are looking for solutions and to a lesser extent we are already making investments for partial water recycling.</p> <p>We submitted an application to the Water Directorate to change the water permit in accordance with the expert basis prepared by the Water Institute. Given the expert basis, we expect slightly milder requirements for determining the ecologically acceptable flow. By the end of this quarter, applications have not been fully considered by the Water Directorate. They have obtained an opinion on the hydrological part, which is not yet final, so we have not yet received a request for supplementation.</p> <p>Given the time-consuming process with unpredictable outcomes, we will set the task of examining the provision of technological water from other sources in 2020. The project task showed that the existing reservoirs of Šmartinsko lake and Slivniško lake are not possible solutions due to other purposes of use, environmental requirements and inadequate capacities. The construction of reservoirs is not an economically acceptable solution.</p> <p>Possible solutions are indicated in the direction of:</p> <ul style="list-style-type: none"> - transformation of this part of the water body into the so-called heavily transformed water body (MPVT) and thus change the conditions for determining the ecologically acceptable flow, - use of own accumulation in Bukovžlak, - use of water from Municipal Water Treatment Plant Tremerje. <p>In connection with the first indent, during the collection of initiatives for the preparation of the Water Management Plan for the next period, we submitted an initiative to the MESP for the transformation of this part of the water body into the MPVT. We received a negative response to which we sent comments. We are checking the second and third indents with the target for 2021.</p>	
Classification of TiO₂ under 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 to classify TiO₂ under CLP legislation - Class 2 and the warning phrase H 350i suspected of carcinogenicity by inhalation.</p> <p>Manufacturers of titanium dioxide must arrange for an extended safety data sheet and the appropriate labeling on the packaging within 18 months.</p>	

	<p>The interpretation of the classification together with the notes and exceptions allows for several different options, making the consequences difficult to define. We estimate that the possibility for greater replacement of titanium dioxide is small, as there are no real alternatives.</p>	
<p>Management</p>	<p>Scientific evidence that was confirmed by the members of the RAC in their opinion, is that titanium dioxide as such is not toxic or genotoxic. However, in the case of overloading the lungs with an extremely large amount of dust, there occurs a problem which is not possible in real situations. The measure is not proportionate, 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>Within TiO₂ (TDMA) producer associations in the EU, many activities have been organised to collect evidence, inform users and communicate with decision-makers. Among other things, guidelines on how to understand the legislation have been prepared. As members, we actively participate in this.</p> <p>Central to understanding the requirements of CLP is a record stating that the classification applies to titanium dioxide in powder containing 1% or more particles with an aerodynamic diameter ≤ 10 µm. We, titanium dioxide manufacturers have devoted a lot of time and resources to identify the appropriate standard method which would allow to determine dust and aerodynamic diameter. Measurements performed according to a standardized methodology showed that most TiO₂ products do not meet the set criteria. This means that classification is not required. TDMA informed European Commission's Directorate for the Environment with these findings, and the latter convened an extraordinary CARACAL (expert meeting of EU Member States) on the subject.</p> <p>TDMA has initiated a broad 5-year scientific program of further research concerning the potential risk of using different forms of titanium dioxide, as by inhalation, skin contact and ingestion. Decision-making bodies should be aware of the unresolved problem of waste which will disable a circular economy to a large extent.</p> <p>Our company has launched a preventive measure to eliminate the sources of dust in workplaces in production. Starting from this, a series of smaller and larger investments are taking place. We communicate with the employees through managers, co-management bodies and bulletin boards. We raise awareness about the importance of maintaining a healthy work environment and of 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 showed that based on the obtained results and modeling we can say with great certainty that exposure to TiO₂ powders of Cinkarna Celje (40 years, 8 hours a day, 5 days a week) would not lead to lung cell damage in the pulmonary vesicles.</p> <p>We also implement additional measures to verify and eliminate risks. They are mainly related to:</p> <ul style="list-style-type: none"> - implementation of the necessary activities for the implementation of labeling, - preparation of extended Safety Data Sheets and - customer information. 	
<p>Lawsuit of the Municipality of Celje (MOC)</p>	<p>Probability of occurrence</p>	<p>Amount of damage</p>
	<p>Low</p>	<p>Low</p>

Definition	<p>The MOC requires the company to reimburse the costs of remediation of the land that was excavated during the excavations, which the excavation company ordered so by MOP excavated during the construction works (municipal lines). The excavations were carried out on the land (the so-called area of the old Cinkarna), 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 non-hazardous waste landfill due to its heavy metal content. Based on the decision of the Administrative Body, the MOC rehabilitated the material through an external contractor. Prior to that, the MOC had already unsuccessfully sued the construction contractor, against whom bankruptcy proceedings had been initiated in the meantime.</p>	
Management	<p>According to the current assessment of the law firm that represents Cinkarna in legal proceedings, the possibility of a favorable outcome for the company is greater than 50%.</p>	
Adaptation to the BAT conclusions on wastewater and gas treatment and management in the chemical industry (BAT CWW)	Probability of occurrence	Amount of damage
	Medium	High
Definition	<p>Pursuant to Article 78 of ZVO - 1, the Ministry of the Environment ex officio changes the conditions in the environmental permit due to the publication of BAT conclusions relating to the activity of the plant. As a result, it is necessary to adapt to the requirements. With the publication of the conclusions on BAT CWW, which also refer to the treatment of wastewater (liquid waste) from the production of titanium dioxide, it will be necessary to adjust the levels of emissions of chemical oxygen demand (COD) at their discharge below 100 mg/l on an individual discharge. The level of BAT-related emissions is stricter than the emission limit values set out in the Regulation on the emission of substances and waste disposal from titanium dioxide production, which now sets a limit value.</p>	
Management	<p>We will carefully review and harmonize with the competent authority (ARSO) the conditions of a certain emission level for COD and possible exceptions provided by the conclusion of BAT.</p> <p>We have already received an invitation from ARSO to submit data related to the verification of the environmental permit ex officio. An amendment is being prepared.</p> <p>In parallel, we are also looking for a technical solution to reduce the COD below 100 mg/l.</p>	
Slovenian technical approval for the installation of red gypsum	Probability of occurrence	Amount of damage
	Medium	High
Definition	<p>Last revision of the Waste Decree (Official Gazette of the RS, No. 37/15, 69/15 in 129/20), introduced changes regarding the definition of the by-product and the conditions and criteria for the cessation of waste status (Articles 7, 8, 8a, 8b and 8c). These changed the criteria and permissible levels of pollutants in the effluents of processed substances, which affects the area of granting the Slovenian Technical Approval (STS) for processed waste into construction products. This may also have implications for the issued STS for RCGIPS, valid until 4.9.2023. According to the current interpretation, there is a risk that the</p>	

	<p>issuer should not issue us a new one after the expiry of the STS. RCEGIPS without STS should not be installed, which, given the current technology, does not meet the conditions for the production of titanium dioxide.</p>
Management	<p>This change is contrary to the strategy of the circular economy and prevents waste management in the direction of economic management. Activities to amend the Regulation have therefore started together with other companies with a similar problem.</p> <p>As part of its development tasks in 2021, the company is also checking the technical feasibility and economic justification of other possible waste acid treatment technologies.</p>

V. Personnel and organizational risk

Ensuring continuity of human resources	Probability of occurrence	Amount of damage
	Low	Medium
Definition	<p>The nature of Company business is inherently complex and specific as it operates in a series of one-off industries and at the same time supplies end customers from a wide range of industrial fields. Consequently, there is a risk of building, interaction and transfer of the managerial, engineering and support »know-how« in the Company. This includes both the risk associated with staffing, as well as a system of continuous learning and transfer of knowledge and information, that is by the operation of communication channels and structures.</p>	
Management	<p>At all levels of the organizational structure, responsible successors are trained and prepared to take over key functions by means of a business-oriented program. In all phases of organizational unit operations, constant communication, information and coordinated action among key personnel ensure an adequate flow of information in key executive and expert fields. Successors actively cooperate, act and get familiar with the operation and the problems of ensuring the smooth operation of business functions and processes. With the support of professional services, this ensures a smooth adoption of key functions in the Company in the event of foreseeable events and emergencies (illness or prolonged absence, resignation and retirement).</p>	
Ensuring the smooth operation of the company during COVID-19	Probability of occurrence	Amount of damage
	large	large
Definition	<p>Due to the global pandemic of the COVID-19 virus and the consequent development of the pandemic in Slovenia, the business internal environment was exposed to a large number of contractors, both employees and external contractors, which in the case of virus infection in individual production units poses a risk to ensuring the smooth operation of the company. By adopting a set of measures and internal testing of employees, it is ensured that the stability and reliability of human resources during the pandemic and the danger of the COVID-19 virus is established.</p>	

Management	<p>In many areas of the business and organizational structure of the company, we have taken a number of measures, with a set of measures and protocols adopted, with the aim of ensuring the smooth operation of the company and targeted communication channels with employees. We restricted and minimized contacts with external partners and contractors, we adjusted internal processes in such a way as to ensure the minimum number of required employees in the workplace, we adjusted shift work, limited contacts when handing over shifts, we provided a certain reserve of critical crews, we introduced redeployment instruments and work from home, we adjusted the canteen procedures, we established protocols for on-line communication, prohibited the gathering of people and established a system of self-care with disinfectants and protective masks while ensuring external procurement of personal protective equipment and taking into account all measures taken by the Government and NIJZ (National Institute for Public Health). We established an internal testing system with rapid antigen tests and actively informed all employees with applicable measures and protocols within the company. With these measures, we ensured the smooth operation of the company in the event of infections, possible quarantines and the necessary self-isolation of employees.</p>
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FOUNDATIONS OF DEVELOPMENT AND SOCIAL RESPONSIBILITY

Staff

As at 31 March 2021, Cinkarna had 807 employees, which means that compared to the end of 2020, it decreased its staff by 17 employees, or 2%. Minor changes in the number of employees by individual business units are noticeable.

The average number of employees in the first three months of 2021 was 812, which is an average of 37 employees or 4.4% less than the average number of employees in the same period in 2020, and there are 7 employees more than the planned average number of employees in 2021.

Since 1985, when the company's management began a long-term restrictive personnel strategy and the number of employees was 2,427, the number of employees has decreased by 1,620 employees or 67 percent.

The average volume of absence of employees from work in the period from Jan to Mar 2021 decreased by 4.3 percentage points compared to the same period last year and amounted to 17.2% (of which 6.6 percent is absence due to illness). The percentage of illnesses decreased by 1.7 percentage points compared to the same period last year.

Investments

In the first quarter of 2021, we spent € 2.22 million on investments, purchase of fixed assets and replacement equipment, which represents 15.7% of projected funds for 2021.

The scope of work performed does not reach a quarter of the plan, but this is expected, as extensive overhauls in the production of titanium dioxide and replacement of the sulfur combustion furnace are planned in the fall.

The planned activities in the production of titanium dioxide are in full swing.

This year, a new drainage C is ahead of us under the high-filled Bukovžlak dam and part of the pipeline for the gypsum. We are currently in the phase of preparing a project for the implementation of the test field. The construction of a gypsum pipeline along the second route is necessary because it runs along plot 115 c.m. Teharje, where the Ministry of the Environment and Spatial Planning plans to rehabilitate an illegal landfill, thereby preventing access for maintenance on the existing route. Field activities have not yet begun, but are being coordinated by the MESP.

The project for the first phase of arranging oil traps by the company is being prepared.

Work on the rehabilitation of the Bukovžlak Non-Hazardous Waste Landfill is ongoing. A western deep pipeline has been constructed.

Development activity

Audit of company strategy

We set ourselves the task of checking the possibilities for diversification of our programs. The identified opportunities have reached the stage of more detailed processing.

Determination of the maximum possible volume of titanium dioxide production

In the first phase, the task is focused on reviewing the necessary additions to the production equipment for the expansion of the quantitative scope within the issued environmental permit and reviewing the possibilities for further expansion.

Energy review

We have selected a contractor who has already started conducting a review of the current situation.

Development of a copper hydroxide synthesis process

We made laboratory experiments at different concentrations and with different additives. The results are promising. Preparations are underway for an industrial experiment.

Development of DN 150 ball valve with FEP coating

We made component drawings and a workshop plan and based on them four test kits of valve components. The molding tool for housing is under construction.

Development of powder coatings

Planned activities for obtaining the Qualicoat Class 1.5 certificate for semi-matt and matt systems and the Qualicoat Class 1.5 certificate for fine-textured surfaces are in progress.

Development of masterbatches

We develop individual monomasters with various inorganic pigments, and at the same time we also perform market analysis and interviews with potential customers.

Multi - annual research and development tasks in TiO₂ production

These are goal-oriented tasks into:

- Development of new qualities of existing products and development of new ones
- Increasing efficiencies and reducing waste
- Provide a narrower particle size distribution in calcinate
- Comprehensive water management

Quality Assurance

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

The compliance of operations is checked by internal and external audits. In January, we completed internal audits for 2020. The plan for 2021 is being prepared. An external audit has been announced for the end of May.

We have appointed a new administrator of the CC UM improvement system. A system audit is underway. In the first quarter, we recorded 31 suggestions from employees for minor improvements in work processes.

We systematically manage processes from customer requirements, development and research, product production, sales, to monitoring customer satisfaction. Satisfaction of our customers and achieving joint business success are our key goals. To this end, we systematically collect and process customer complaints, comments, complaints and compliments. 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 complaints remains low (3) and is not considered to pose a major risk. There are several comments that we are constantly resolving and considering as opportunities for improvement.

Environmental management

In the field of the environment, we have set three framework goals for 2021, namely:

1. Measures to eliminate risks in the field of environmental protection;
2. Defining measures to reduce emissions into the environment in the event of emergencies or changes;
3. Sustainable management of resources and products

Except for minor deviations, the set tasks for the realization of the above-mentioned goals are carried out in accordance with the set plan.

We carried out targeted activities to increase the availability of waste disposal devices in order to increase the elimination of CE gypsum production. In March, however, we produced a smaller quantity than planned due to problems with the quality of the supplied raw materials for neutralization and damage to centrifuges.

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

We started with the construction work for the permanent measuring point for monitoring Qes in Hudinja and the purchase of a suitable meter. To manage the risk of technological water shortage in dry periods, we are looking for a solution to change the water permit based on a study by the Water Institute. In January 2020, we submitted an application, which was not fully considered by the Water Directorate by the end of this quarter. They have obtained an opinion on the hydrological part, which is not yet final, so we have not yet received a request for supplementation. In parallel, we are also carrying out activities to check other options for alternative water supply. We received a negative response to the Initiative for defining a part of the Hudinja watercourse as a candidate for a heavily transformed water body to the Ministry of the Environment and Spatial Planning and thus a proposal for milder environmental targets (lower minimum ecologically acceptable flow) on the part where technological water is captured - we sent comments to that response.

After a series of demanding adjustments and delays due to COVID-19, we began the complete rehabilitation of the closed Bukovžlak Non-Hazardous Waste Landfill in mid-June 2020, in accordance with the building permit. The works are proceeding according to plan. The J20 shaft and the western deep pipeline are implemented. Construction work is underway on the western floor drainage and on the new pumping station pool.

In the quarter, we did not report any new changes in the operation of the installation to the Environmental Agency (ARSO) as part of the obtained environmental permits for installations that cause large-scale pollution. We received an invitation from ARSO to submit data regarding the verification of the environmental permit ex officio in order to supplement the already submitted

applications and to provide a comparison of the level of environmental performance associated with the best available techniques from the Common Waste Water and Waste Gas Treatment/Management Systems in the Chemical Sector. The required supplements are being prepared.

At the beginning of the year, we received a decision from the Agency on the amendment of the environmental permit for a low-risk installation for the environment under the SEVESO directive.

In the first quarter, we had one inspection in the field of the environment (at the location in Celje). The aim of the inspection 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. There were no shortcomings.

We continued our cooperation with a citizen who had already complained about the occasional occurrence of howling noise in the past year. In connection with this noise complaint, we took several measures in the production of titanium dioxide last year, but obviously we did not solve all the problems.

Due to regulatory requirements, we promptly prepared and submitted all monitoring reports for 2020. The limit values were not exceeded.

Security and health

We did not record any serious work accidents in the first quarter. We treated 3 minor accidents (0.4 injuries per 100 employees), 2 injuries less than in the same period last year.

We implement a system of identifying potential hazards and taking action in the event of near events. We have identified 6 potential dangers that we are eliminating on an ongoing basis. 2 near events were reported. The Minute for Safety activity takes place in production work environments in various forms and time intervals. In all production branches we carry out the identification and analysis of process risks in the field of ensuring safety and health at the workplace, as well as measures to reduce emissions into the work environment. In accordance with the POIC, improvements are being made in the field of VZPD and PV (% realizations in the first quarter amounted to 18.8).

Due to the COVID-19 epidemic, health promotion activities have been curtailed. Thus, we performed activities for the prevention of cardiovascular diseases (control of blood fats and blood sugar, individual advice to employees on the impact of diet on blood fats), control measurements of blood pressure, measurements of body composition, rapid antigen tests for SARS-COV- 2 and rapid tests for the presence of anti-COVID-19 antibodies in the blood.

In the field of fire protection, fire safety studies were carried out in individual plants. Cooperation was carried out in the preparation of documentation for SEVESO, and a tactical fire drill was carried out in the plant, which falls under SEVESO.

We did not have any inspections in the first three months.

FINANCIAL REPORT

Income statement for the period from 1 January to 31 March

in

€

	Clarifications	JAN-MAR 2021	JAN-MAR 2020	Index 21/20
1. Net revenue from sales	17	50,327,526	47,770,572	105
- Net revenues from sales in the domestic market		4,819,408	4,723,906	102
- Net revenues from sales on foreign markets		45,508,118	43,046,666	106
2. Changes in the value of stocks of goods and work in progress		-4,132,254	-2,344,421	176
3. Capitalised own products and services	2	894,435	943,068	95
4. Other operating revenues (operating revenues from revaluation)	19	534,045	144,993	368
5. Costs of goods, materials and services	14	27,419,167	27,654,191	99
a) Cost of goods and material sold and cost of used material		24,108,201	23,896,355	101
b) Cost of services		3,310,966	3,757,837	88
6. Labour costs	13	7,320,066	7,097,830	103
a) Wages and salaries		5,008,351	5,436,596	92
b) Social security costs		374,140	407,153	92
c) Pension insurance costs		551,715	591,318	93
č) Other labour costs		1,385,860	662,763	209
7. Write-offs	12	3,343,543	3,013,467	111
a) Amortisation		3,271,324	3,009,363	109
Revaluation operating expenses for intangible assets and tang. FA		71,751	3,493	2054
c) Operating expenses from revaluation of current assets		468	611	77
8. Other operating expenses	14	298,530	285,150	105
Operating profit or loss		9,242,446	8,463,574	109
9. Financial revenues from shares	20	300	2,544	12
č) Financial revenue from other investments		300	2,544	12
10. Financial revenues from loans given	20	0	78	-
b) Financial revenue from loans to others		0	78	-
11. Financial revenues from operating receivables	20	141,483	106,111	133
b) Financial revenue from operating receivables to others		141,483	106,111	133
12. Financial expenses from impairment and write-downs of investments	15	0	0	-
13. Financial expenses from financial liabilities	15	0	0	-
14. Financial expenses from operating liabilities	15	205,084	69,116	297
b) Financial expenses from liabilities to suppliers and bills payable		5,325	1,237	430
c) Financial expenses from other operating liabilities		199,759	67,879	294
Profit or loss before tax		9,179,145	8,503,191	108
17. Corporate income tax	21	1,744,038	1,615,606	108
18. Deferred taxes	21	0	0	-
19. Net profit or loss for the accounting period		7,435,108	6,887,585	108
Basic earnings per share ¹		9,20	8,52	108
Diluted earnings per share ²		9,20	8,52	108

¹ Net profit / total number of shares

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

Financial statement

					in €
	Clarifications	31.3.2021	1.1.2021	31.12.2020	Index 31.3./1.1.
ASSETS		221,524,330	210,335,697	210,335,697	105
A. Non-current (long-term) assets		108,785,600	110,083,986	110,083,986	99
I. Intangible assets and long-term prepaid items	1	1,004,141	1,061,100	1,061,100	95
Long-term property rights		968,533	1,017,825	1,017,825	95
Other long-term accrued and deferred assets		35,608	43,275	43,275	82
II. Tangible fixed assets	2	105,157,579	106,399,006	106,399,006	99
Land		9,731,106	9,749,192	9,749,192	100
Buildings		42,703,918	43,360,477	43,360,477	98
Manufacturing plants and machinery		39,905,611	41,927,817	41,927,817	95
Other machinery and equipment		50,844	52,238	52,238	97
Tangible fixed assets in construction and elaboration		12,078,966	10,492,059	10,492,059	115
Advances for the acquisition of tangible fixed assets		687,135	817,222	817,222	84
IV. Long-term investments	3	950,363	950,363	950,363	100
Other shares and interests		950,363	950,363	950,363	100
VI. Deferred tax assets		1,673,517	1,673,517	1,673,517	100
B. Current assets		111,900,718	99,955,723	99,955,723	112
II. Inventories	4	34,127,657	35,524,605	35,524,605	96
Material		24,375,746	21,487,973	21,487,973	113
Work in progress		2,448,048	2,533,235	2,533,235	97
Products and merchandise		7,280,253	11,340,759	11,340,759	64
Advances for inventories		23,611	162,638	162,638	15
III. Short-term financial investments	3	13,105	35,056	35,056	37
Short-term financial investments, other than loans		13,105	35,056	35,056	37
Other short-term investments		13,105	35,056	35,056	37
IV. Short-term receivables	5	35,992,369	26,738,238	26,738,238	135
Short-term receivables from buyers		34,271,290	24,734,182	24,734,182	139
Other short-term receivables from others		1,721,079	2,004,056	2,004,056	86
V. Cash and cash equivalents	6	41,767,587	37,657,824	37,657,824	111
C. Short term accrued and deferred asset items	10	838,012	295,987	295,987	283

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

					in €	
		Clarifications	31.3.2021	1.1.2021	31.12.2020	Index 31.3./1.1.
EQUITY AND LIABILITIES			221,524,330	210,335,697	210,335,697	105
A, Equity		7	180,910,366	174,016,279	174,016,279	104
I.	Called-up capital		20,229,770	20,229,770	20,229,770	100
	Share capital		20,229,770	20,229,770	20,229,770	100
II.	Capital reserves		44,284,976	44,284,976	44,284,976	100
III.	Reserves from profit		93,890,851	94,431,872	94,431,872	99
	Statutory reserves		16,931,435	16,931,435	16,931,435	100
	Reserves for own shares		4,441,301	3,900,280	3,900,280	114
	Own shares		-4,441,301	-3,900,280	-3,900,280	114
	Other reserves from profit		76,959,416	77,500,437	77,500,437	99
V.	Reserves resulting from valuation at fair value		-1,452,475	-1,452,475	-1,452,475	100
VI.	Retained net profit/loss		16,522,136	5,151,743	5,151,743	321
VII	Net profit/loss for the financial year		7,435,108	11,370,393	11,370,393	65
B.	Provisions and long-term accrued and deferred liability items	8	20,501,081	20,876,401	20,876,401	98
	Provisions for pensions and similar obligations		3,915,874	3,984,428	3,984,428	98
	Other provisions		16,357,756	16,659,156	16,659,156	98
	Long-term accruals		227,451	232,817	232,817	98
Č.	Short-term liabilities	9	18,975,037	14,363,213	14,361,213	132
II.	Short-term financial liabilities		80,640	60,090	60,090	134
	Other short-term financial liabilities		80,640	60,090	60,090	134
III.	Short-term operating liabilities		18,894,397	14,303,123	14,301,123	132
	Short-term operating liabilities to suppliers		14,546,687	9,284,985	9,284,985	157
	Short-term operating liabilities arising from advances		1,609	279,049	469,831	1
	Liabilities based on contracts with customers		115,726	192,782	0	60
	Other short-term operating liabilities		4,230,375	4,546,306	4,546,306	93
D.	Short term accrued expenses and deferred revenues	10	1,137,846	1,079,804	1,081,803	105

Statement of changes in equity and determination of distributable profit

Statement of changes in equity 31 March 2021

in €

Statement of changes in capital flow	Share capital	Capital reserves	Reserves from profit				Reserves formed due to valuation at fair value	Retained net profit/loss	Net profit/loss of the year	Total capital
			Statutory reserves	Reserves for treasury shares,	Own shares	Other reserves from profit				
31.03.2021	I/1	II	III/1	III/2	III/3	III/5	V	VI	VII/1	VIII
A2. Initial balance of report. 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 owner				541,021	-541,021					0
d) Share repurchase				541,021	-541,021					0
g) Dividend payment										0
B2. Total comprehensive return									7,435,108	7,435,108
a) Input of net profit or loss from the period									7,435,108	7,435,108
d) Other components of comprehensive return from the period										0
B3. Changes in equity	0					-541,021		11,370,393	-11,370,393	-541,021
a) Distr. of profit to other equity components								11,370,393	-11,370,393	0
a) Distribution of part pf net profit to other equity comp. under decision of the management and supervisory bodies										0
d) Forming reserves for own shares						-541,021				-541,021
C. Final balance of report. period	20,229,770	44,284,976	16,931,435	4,441,301	-4,441,301	76,959,416	-1,452,475	16,522,136	7,435,108	180,910,366
PROFIT								16,522,136	7,435,108	23,957,244

Statement of changes in equity 31 March 2020

in €

Statement of changes in equity 31.03.2020	Share capital	Capital reserves	Reserves from profit				Reserves formed due to valu. at fair value	Retained net profit/loss	Net profit/loss of the year	Total capital
			Statutory reserves	Reserves for own shares	Own shares	Other reserves from profit				
	I/1	II	III/1	III/2	III/3	III/5	V	VI	VII/1	VIII
A2. Initial balance of report. period	20,229,770	44,284,976	16,931,435	1,992,963	-1,992,963	74,670,089	-1,618,921	-231,793	16,077,289	170,342,845
B1. Changes in equity transactions with owner				203,012	-203,012					0
d) Share repurchase				203,012	-203,012					0
e) Withdrawal of treasury shares										0
B2. Total comprehensive return							0	0	6,887,585	6,887,585
a) Input of net profit or loss from the period									6,887,585	6,887,585
d) Other components of comprehensive return from the period							0	0		0
B3. Changes in equity	0					-203,012		0	0	-203,012
a) Distr. of remaining profit to other equity components								0	0	0
a) Distribution of part pf net profit to other equity comp. under decision of the management and supervisory bodies								16,077,289	-16,077,289	0
d) Forming reserves for own shares						-203,012				-203,012
C. Final balance of report. period	20,229,770	44,284,976	16,931,435	2,195,975	-2,195,975	74,467,077	-1,618,921	15,845,496	6,887,585	177,027,419
PROFIT								15,845,496	6,887,585	22,733,082

Cash flow statement for the period from 1.1. to 31.3.

	JAN-MAR 2021	JAN-MAR 2020	Index 21/20
in €			
A. CASH FLOWS FROM OPERATING ACTIVITIES			
a) Net profit/loss	7,435,108	6,887,585	108
Profit or loss before tax	9,179,145	8,503,191	108
Corporate tax and other taxes not included in operating expenses	1,744,038	1,615,606	108
b) Corrections	3,324,238	3,010,501	110
Depreciation +	3,271,324	3,009,363	109
Revaluation operating revenues -	19,005	345	5514
Revaluation operating expenses +	72,219	4,104	1760
Financial revenue excluding financial revenue from operating receivables -	300	2,622	11
Changes in net current assets (and in accruals, provisions, deferred tax assets and tax liabilities) of Balance Sheet operating items	-3,868,884	-13,505,068	29
Opening minus closing operating receivables	-9,254,131	-9,571,296	97
Opening minus closing accruals and prepaid expenditure	-542,025	-1,205,237	45
Opening minus closing deferred tax assets		0	-
Opening minus closing inventories	1,396,948	-3,117,687	-
Closing minus opening operating liabilities	4,591,274	387,009	1186
Closing minus opening accruals and provisions	-60,950	2,144	-
č) Positive or negative cash outcome from operation (a+b+c)	6,890,462	-3,606,982	-
B. CASH FLOWS FROM INVESTING			
a) Receipts from investing	19,305	202,966	10
Receipts from interests and profit shares relating to investments	300	2,622	11
Proceeds from disposal of intangible assets and accruals	0	0	-
Proceeds from disposal of tangible fixed assets	19,005	345	5514
Proceeds from disposal of short-term financial investments	0	200,000	-
b) Expenditure from investing	2,257,983	3,470,015	65
Expenses for the acquisition of intangible fixed assets	30,930	1,200	2577
Expenses for the acquisition of tangible fixed assets	2,184,552	3,423,033	64
Expenses for the acquisition of financial investments	42,502	45,782	93
c) Positive or negative cash flow from investing (a-b) or (b-a)	-2,238,678	-3,267,048	69
C. CASH FLOWS FROM FINANCING			
b) Expenses from financing activities	542,021	203,012	267
Expenses for repayments of financial liabilities	0	0	-
Expenses for acquisition of own shares	542,021	203,012	267
Disbursements for dividends and other shares in profit	0	0	-
c) Positive or negative cash flow from financing (a-b) or (b-a)	-542,021	-203,012	267
Č. CLOSING BALANCE OF CASH RESOURCES	41,767,587	24,621,200	170
x) Cash flow for the period (the sum of cash outcomes Ač, Bc, Cc)	4,109,763	-7,077,042	-
y) Initial balance of cash 1.1.,	37,657,824	31,698,242	119

Statement of other comprehensive income from 1.1. to 31.3.

		in €	
		JAN - MAR 2021	JAN - MAR 2020
19.	Net profit or loss for the current period	7,435,108	6,887,585
23.	Other components of comprehensive return	0	0
24.	Total comprehensive return for the accounting period (19+23)	7,435,108	6,887,585

NOTES TO THE FINANCIAL STATEMENTS

I. Introductory notes on reporting standards

In accordance with the transfer of the share on 4 February 2021 to the First Listing, the company Cinkarna Celje, d.d. prepared its financial statements as at 31 March 2021 in accordance with International Financial Reporting Standards (IFRS) adopted by the European Union.

Statement of Compliance with IFRS

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

The company prepares financial statements on the basis of the assumption of going concern. The accounting policies used are the same as in previous years.

Explanation of the effects of the transition to IFRS

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

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

Applying for simplification upon transition to IFRS

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

The Company uses the starting date of 1 January 2021 as the date of transition to IFRS and accordingly prepares the initial statement of financial position as at 1 January 2021 and the final 31 March 2021. The company also prepares a recalculation of the income statement for 2020 (if necessary) and applies IFRS in 2021.

Measurement bases

The financial statements have been prepared under the historical cost convention, except where the fair value of derivative financial instruments has been taken into account.

Functional and presentation currency

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

Use of estimates and valuations

In preparation of financial statements, the management has to make valuations, estimates and assumptions that affect the application of accounting policies and the reported values of assets, liabilities, revenues and expenses. Actual results may differ from these estimates.

Estimates include determining the useful lives and residual values of property, plant and equipment and intangible assets, value adjustments of inventories and receivables, estimates to use deferred tax assets, assumptions relevant to the actuarial calculation of employee benefits, assumptions included in calculation of possible provisions for ecological purposes and for lawsuits of legal and natural persons.

The estimates and assumptions made are reviewed regularly. Adjustments to accounting estimates are recognized for the period in which the estimates are revised if they affect only that period and for future periods affected by the adjustments. Information about significant estimates on uncertainty and decisive judgments prepared by the management in applying accounting policies and that have the most significant effect on the amounts recognized in the financial statements, are described in the notes:

II. Significant accounting policies

The company applies accounting policies in accordance with IFRS rules for the period presented in the accompanying financial statements. The accounting policies and calculation methods used by the company in the last reporting were treated in accordance with SAS and do not represent significant deviations or differences from the provisions of IFRS.

For transactions originally denominated in foreign currency, the exchange rate of a commercial bank or the middle exchange rate of the Bank of Slovenia is taken into account when converting business events during the year. Assets and liabilities denominated in foreign currencies are stated at the middle exchange rate of the Bank of Slovenia at the reporting date.

The company did not change the accounting policies published in the Annual Report for the financial year 2020. From the point of view of the transition to IFRS, it was also not necessary to change the accounting policies and calculation methods used until then.

1 Intangible assets and long-term accruals and deferrals

in €

A group of intangible assets for 2021	Purchase price		Value adjustments		Net book value	
	1. 1. 2021	31. 3. 2021	1. 1. 2021	31. 3. 2021	1. 1. 2021	31. 3. 2021
Long-term property rights	5,537,658	5,537,658	4,519,833	4,569,125	1,017,825	968,533
Other intangible assets	25,629	12,968	0	0	25,629	12,968
Assets under acquisition	17,646	22,640	0	0	17,646	22,640
TOTAL	5,580,933	5,573,266	4,519,833	4,569,125	1,061,100	1,004,141

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

2. Tangible fixed assets

in €

Group of tangible FA for 2021	Purchase price		Value adjustments		Net book value	
	1. 1. 2021	31. 3. 2021	1. 1. 2021	31. 3. 2021	1. 1. 2021	31. 3. 2021
Land	10,803,263	10,803,263	1,054,071	1,072,157	9,749,192	9,731,106
Buildings	124,538,191	124,688,990	81,177,713	81,985,072	43,360,477	42,703,918
Equipment	221,895,740	221,782,437	179,915,685	181,825,983	41,980,056	39,956,454
Assets under acquisition	10,492,059	12,078,966	0	0	10,492,059	12,078,966
Advances	821,380	691,293	4,158	4,158	817,222	687,135
TOTAL	368,550,632	370,044,950	262,151,627	264,887,370	106,399,005	105,157,579

The company checked their values and found that their present value does not exceed their recoverable amount. The company has no assets under lease, and as at 31 March 2021, the company has no assets pledged for any guarantees.

3 Financial investments in loans given

in
€

DFN Group 2021	Purchase price		Value adjustments		Net book value	
	1. 1. 2021	31. 3. 2021	1. 1. 2021	31. 3. 2021	1. 1. 2021	31. 3. 2021
Other investments	950,363	950,363	0	0	950,363	950,363
TOTAL	950,363	950,363	0	0	950,363	950,363

Year 2021	Elektro Celje, d.d.	Elektro Maribor, d.d.
Number of ordinary shares	165,818	18,350
Nominal value per share (in EUR)	5,10	5,50
Value in business books €	5,10	5,50

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

Short-term financial investments

in €

Investment group year 2021	Value of investments		Investment adjustment		Net investments	
	1. 1. 2021	31. 3. 2021	1. 1. 2021	31. 3. 2021	1. 1. 2021	31. 3. 2021

Fair value of derivatives	35.056	13.105	0	0	35.056	13.105
TOTAL	35.056	13.105	0	0	35.056	13.105

The fair value of derivative financial instruments as at 31 March 2021 in the amount of € 13,105 relates to forward transactions of purchase and sale of foreign currencies.

4 Inventories

in €

Inventories group	31. 3. 2021	1. 1. 2021	Realizable value
Material	24.375.746	21.487.973	24.375.746
Work in progress	2.448.048	2.533.235	2.448.048
Products	7.223.658	11.270.725	10.660.506
Merchandise	56.595	70.034	56.595
Advances given	23.611	162.638	23.611
TOTAL	34.127.657	35.524.605	37.564.505

Inventories are not pledged for guarantees. Advances given represent funds given for the purchase of raw materials and supplies. The net realizable value of inventories as at 31 March 2021 exceeds their book value.

5 Operating receivables

Short-term trade receivables

in €

Group of receivables year 2021	Value of receivables		Value adjustments		Net receivables	
	1. 1. 2021	31. 3. 2021	1. 1. 2021	31. 3. 2021	1. 1. 2021	31. 3. 2021
Customers at home	3,730,884	5,016,340	367,302	267,017	3,363,582	4,749,323
Customers abroad	21,012,811	28,789,418	360,960	358,111	20,651,851	28,431,307
Indirect exporters	718,749	1,090,661	0	0	718,749	1,090,661
TOTAL	25,462,444	34,896,418	728,262	625,128	24,734,182	34,271,290

Movement of value adjustments of short-term trade receivables

in €

Year 2021	Balance 1. 1. 2021	Correction 2021	Formed correction of value 2021	Correction write-offs of values of previous years	Paid written off receivables	Balance 31. 3. 2021
Customers at home	367,302	0	0	100,285	0	267,017
Customers abroad	360,960	0	0	0	2,848	358,111
TOTAL	728,262	0	0	100,285	2,848	625,128

Trade receivables by maturity

in €

Area section	Total receivables		Not yet due		Overdue							
					up to 15 days		16 to 60 days		61 to 180 days		Over 180 days	
	31.3.2021	1.1.2021	31.3.2021	1.1.2021	31.3.2021	1.1.2021	31.3.2021	1.1.2021	31.3.2021	1.1.2021	31.3.2021	1.1.2021
Customers at home	4,749,323	3,363,582	4,609,840	3,290,091	125,619	64,061	13,864	9,430	0	0	0	0
Customers abroad -EU and third countries	27,761,056	19,954,028	27,332,100	19,326,882	368,254	349,419	60,701	277,727	0	0	0	0
Customers in the markets of the former Yugoslavia	670,251	697,823	647,881	589,279	22,369	35,073	0	73,471	0	0	0	0
Indirect exporters	1,090,661	718,749	1,060,036	718,749	30,625	0	0	0	0	0	0	0

TOTAL trade receivables	34,271,290	24,734,182	33,649,857	23,925,001	546,867	448,553	74,566	360,628	0	0	0	0
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Short-term receivables from others

in €		
Receivables group	31. 3. 2021	1. 1. 2021
VAT receivables	1,543,279	1,708,534
Receivables from the state - Covid -19	2,283	101,073
Receivables from institutions	148,061	160,906
Receivables from employees	18,590	19,081
Other receivables	8,866	14,462
TOTAL	1,721,079	2,004,056

Receivables are not secured. The company has no receivables from members of the Management Board and the Supervisory Board.

6 Cash and cash equivalents

in €		
Asset group	31. 3. 2021	1. 1. 2021
Cash in hand	240	118
Cash in accounts	33,728,276	27,076,236
Short-term redeemable deposits	8,000,000	10,041,423
Foreign currency at bank	39,071	540,047
TOTAL	41,767,587	37,657,824

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

7 Equity

in €		
Equity items	31.03.2021	1. 1. 2021
Share capital	20,229,770	20,229,770
Capital reserves	44,284,976	44,284,976
Statutory reserves	16,931,435	16,931,435
Reserves for own shares	4,441,301	3,900,280
Own shares	-4,441,301	-3,900,280
Other reserves from profit	76,959,416	77,500,437
Reserves resulting from valuation at fair value	-1,452,475	-1,452,475
Retained net profit/loss	16,522,136	5,151,743
Net profit/loss for the financial year	7,435,108	11,370,393
TOTAL EQUITY	180,910,366	174,016,279

The share capital of the company consists of 807,977 freely transferable no-par value shares of the same class. All no-par value shares have the same nominal value and are fully paid up. As at the balance sheet date of 31 March 2021, the value of share capital amounts to € 20,229,767.

As at 31 March 2021, the company owns 24,873 treasury shares. In 2021, based on the General Meeting resolution of 5 June 2018 and the resolution of 17 June 2020, the company acquired 2,922 treasury shares in the amount of € 0.54 million, which represents 2.7% share capital. At the same

time, the company formed reserves for own shares for the same amount to the debit of other profit reserves.

8 Provisions and long-term accruals

in €		
Provisions and long-term accruals and deferrals	31. 3. 2021	1. 1. 2021
Provisions for long-service bonuses and severance	3,915,874	3,984,428
Other long-term provisions: for ecology	16,073,727	16,349,530
Government grants	12,629	51,228
Provisions for claim amounts	242,705	242,705
Accrued costs	15,692	15,692
Deferred income	240,453	232,817
TOTAL	20,501,081	20,876,401

The use of environmental provisions in 2021 is represented by the costs of contractors for work performed in the amount of € 275,803.

in €					
Reservations for ecological purposes	Balance as at 31. 12. 2019	Consumption 2020	Balance as at 31. 12. 2020	Consumption 2021	Balance as at 31. 12. 2021
Reservations for landfill for Travnik	384,366	23,592	360,774	2,391	358,383
Provisions for Bukovžlak landfill (ONOB)	4,479,351	940,286	3,539,065	255,312	3,283,754
Provisions for the high barrier Bukovžlak	2,951,877	22,955	2,928,922	4,000	2,924,922
Provision for elimination of risks due to old debts -CDM SMITH	6,011,275	9,000	6,002,275	14,100	5,988,175
Provision for ecology - Ecological investment in the field 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	275,803	16,073,727

in €				
Provisions and accruals year 2021	1.1.2021	Establishing	Dedicated consumption	31.03.2021
Provisions for long service bonus and severance	3,984,428	0	68,552	3,915,876
Provisions for claim amounts	242,705	0	0	242,705
Long-term accrued costs	15,692	0	0	15,692
Ecological reservations	16,349,530	0	275,803	16,073,727
Emissions coupons	51,228	0	38,599	12,629
Assigned contributions for empl. disabled people	1,799	7,634	0	9,433
Long-term 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	7,634	382,953	20,501,081

9 Short-term liabilities

Other short-term financial liabilities

in €		
Liabilities group	31. 3. 2021	1. 1. 2021
Short-term liabilities in respect of profit distribution	12,415	12,415
Short-term financial liabilities - assignments	68,225	47,675

TOTAL	80,640	60,090
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Short-term operating liabilities

in €

Liabilities group	31. 3. 2021	1. 1. 2021	Effect of transition to IFRS	31.12.2020
Short-term liabilities to suppliers in the country	9,442,499	7,605,375	-	7,605,375
Short-term liabilities to suppliers in foreign countries	5,028,366	1,679,397	-	1,679,397
Short-term receivables for uncharged goods and services	75,822	213	-	213
Short-term liabilities arising from advances	1,609	279,050	-190,783	469,832
Short-term liabilities to employees	1,294,435	2,236,814	-	2,236,814
Short-term liabilities for contributions of the payer	714,309	1,113,104	-	1,113,104
Short-term income tax liability	1,643,635	778,351	-	778,351
Short-term liabilities to governmental and other institutions	573,128	410,129	-	410,129
Liabilities based on contracts with customers	115,726	192,782	+192,782	0
Other short-term liabilities	4,869	7,909		7,909
TOTAL	18,894,397	14,303,123	1,999	14,301,123

Liabilities from contracts with customers arose due to contractual commitments to customers arising from agreed compensations for higher assortment.

10 Short term accrued and deferred asset items

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

in €

Description	31. 3. 2021	1. 1. 2021
Prepaid expenses	829,817	290,744
VAT on advances received	8,195	5,243
TOTAL	838,012	295,987

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

in €

Description	31.03.2021	1.01.2021	Effect of transition to IFRS	31.12.2020
Unused entitlement for annual leave included	816,490	816,499	0	816,499
Accrued costs	253,684	141,107	-1,999	143,107
VAT on advances given	58,874	82,553	0	82,553
Accrued expenses and deferred revenues	8,800	39,645	0	39,645
TOTAL	1,137,849	1,079,804	-1,999	1,081,804

11 Contingent assets and liabilities

in €

Description	31. 3. 2021	1. 1. 2021
Guarantees given	2,430,203	2,430,203
Forward transactions	2,285,857	1,976,362
VISA and Mastercard payment card	40,000	40,000
Material in finishing and processing	59,725	59,725
TOTAL	4,815,785	4,506,290

12 Write-offs

The company depreciates fixed assets evenly over time over the life of each fixed asset. Depreciation is charged to the value of an individual fixed asset.

Description	JAN..MAR 2021	JAN..MAR 2020
		in €
Depreciation and amortization	3,271,324	3,009,363
-Intangible assets	49,292	67,019
- easements	18,086	18,086
Buildings	852,109	882,118
Production equipment	2,350,442	2,040,791
Other equipment	1,395	1,350
Operating expenses from revaluation of long-term assets	71,751	3,493
- loss on elimination of intangible and tangible fixed assets	71,751	3,493
Operating expenses from revaluation of current assets	468	611
- of which value adjustment of receivables	0	611
- of which revaluation of inventories of materials and goods	468	0
TOTAL	3,343,543	3,013,467

13 Labour costs

Labour costs	JAN..MAR 2021	JAN..MAR 2020
		in €
Salaries and remuneration	5,008,351	5,436,596
Social security contributions	822,594	897,740
Reimbursements of expenses and other employee benefits	1,385,860	662,763
Supplementary pension insurance	103,261	100,731
TOTAL	7,320,066	7,097,830

14 Operating expenses

Operating expenses

Expenditure	JAN..MAR 2021	JAN..MAR 2020
		in €
Costs of material	24,046,465	23,803,226
Cost of services	3,310,966	3,757,837
Purchase value of goods and materials sold	61,736	93,129
Other operating expenses	298,530	285,150
TOTAL	27,717,697	27,939,342

As at 31 March 2021, the company had 807 employees. The average number of employees was 812.

15 Financial expenses

in €

Expenditure	JAN..MAR 2021	JAN..MAR 2020
Interest expense	10	220
Exchange differences	205,074	68,896
TOTAL	205,084	69,116

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

16. Costs by functional groups

The costs by functional groups are as follows:

in €

	JAN..MAR 2021	JAN..MAR 2020
Production costs of products sold	27,395,143	25,531,761
Purchase value of goods sold	61,736	93,129
Cost of sales	9,135,380	8,630,208
Costs of general activities	5,913,760	6,133,189
TOTAL	42,506,019	40,388,287

17 Revenue from contracts with customers

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

in €

	JAN..MAR 2021	JAN..MAR 2020
Net revenues from contracts with customers of products and services	50,217,546	47,629,830
Net revenues from contracts with buyers of goods and materials	109,980	104,742
TOTAL	50,327,526	47,770,572

18 Sales by segments

Sales by segments

in €

	Achieved	
	JAN..MAR 2021	JAN..MAR 2020
Titanium Dioxide	40,337,553	39,203,483
Zinc Processing	1,459,524	1,769,104
Construction Program	0	38,968
Varnishes, masterbatches and printing inks	4,635,680	3,965,364
Agro Program	2,980,558	1,914,463
Other	914,211	879,190
TOTAL	50,327,526	47,770,572

Sales by geographical segments

in €

	Achieved	
	JAN..MAR 2021	JAN..MAR 2020

Slovenia	4,819,408	4,723,906
European Union	37,530,636	35,365,027
Countries of the former Yugoslavia	1,057,041	971,040
Third countries	5,688,700	5,772,257
Third countries - dollar markets	1,231,741	938,342
TOTAL	50,327,526	47,770,572

19 Other operating income

	in €	
Revenue	JAN..MAR 2021	JAN..MAR 2020
Sale of emission coupons	462,157	0
Revaluatory operating income	2,695	345
Revenues from state support Covid-19	32,640	0
Collected written-off receivables	2,848	0
Compensation from insurance companies	2,395	12,334
Revenues from previous years	16,310	111,816
Other income	14,999	20,498
TOTAL	534,045	144,993

20 Financial revenues

	in €	
Revenue	JAN..MAR 2021	JAN..MAR 2020
Interest income	474	3,611
Exchange differences	141,309	105,122
TOTAL	141,783	108,733

21 Corporate income tax

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

III CASH-FLOW STATEMENT

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

IV STATEMENT OF CHANGES IN EQUITY

The statement of changes in equity takes the form of a composite table of changes in all components of equity. Theoretically possible items are not shown. Changes in equity relate to the resolution of the General Meeting on the distribution of distributable profit of the previous year for the payment of dividends to owners that have been or will be paid and to the purchase of treasury shares. Pursuant to point 14 of Article 64 of ZGD-1, a statement of distributable profit is added to the statement of changes in equity.

V FINANCIAL INSTRUMENTS AND FINANCIAL RISKS

Financial risks (liquidity and interest rate)

Liquidity risk

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

Interest rate risk means the possibility of losses due to unfavorable movements in interest rates on the market. The company has no long-term financial liabilities and has no measures in place. Should this fact change, appropriate measures would be put in place to manage such risk.

Credit risk

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

The risk is limited because we largely do business with established partners, who are often well-known traditional European industrial companies with high credit ratings. In recent years, we have noted that the payment discipline in Slovenia, the Balkans and in Eastern Europe is relatively low, but in the coming period we do not expect more problems in the geographical area and the potential risks have significantly reduced. By consolidating the portfolio of strategic business areas of the company, specifically the abolition of the program of graphic raw materials, the program of rolled titanium zinc, the program of anti-corrosion coatings and the program of construction materials, credit risk exposure decreased significantly, as evidenced by the maturity of receivables and the fact value adjustments of receivables due to doubt in payment or non-payment of receivables from customers.

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

		in €	
	Clarifications	31.12.2021	1.1.2021
Investments	3	13,105	35,056
Trade receivables	5	34,271,290	24,734,182
Cash and cash equivalents	6	41,767,587	37,657,824
TOTAL		76,051,982	62,427,062

The company has a healthy structure of trade receivables, which is evident in Note 6 Operating receivables in the table maturity of receivables by maturity and in the table of changes in the value adjustment of short-term trade receivables.

Currency risk

Cinkarna Celje d.d. procures and sells on the world market, as a result it is exposed to the risk of unfavourable development of exchange rates. Above all, the risk involves the €/ \$ foreign exchange rate. Since the majority of sales is carried out in euro, the exposure is particularly acute in dollar purchases of titanium-bearing raw materials, exceptionally also of sulphur and copper compounds. According to the scope, the exposure in US dollar denominated sales is significantly smaller.

Trends and forecasts regarding the dynamics of the currency pair €/ \$ is continuously monitored. Basically, short-term risk of unfavourable changes in the \$ exchange rate is managed by a

standardized and consistent use of financial instruments (dollar futures). We achieve virtually complete coverage of the relevant transactions that involve the €/€ currency pair.

IMPORTANT BUSINESS EVENTS AFTER THE END OF THE BUSINESS PERIOD

The company does not record any business events that would significantly affect the financial statements disclosed as at 31 March 2021.

SHARE AND OWNERSHIP DATA

Ownership Structure

Share capital of Cinkarna Celje d.d., amounting to € 20,229,769.66 is divided into 807,977 ordinary freely transferable shares. As at 31 March 2021, the company has a treasury shares fund, which includes 24,873 shares.

From the time of entry of the public limited company in the register on 4/2/1997 to 31/3/2021, the share register recorded changes of ownership of shares due to trading, inheritance and implementation of the program of internal purchase of shares in accordance with the program of ownership transformation, as shown in the table below.

The structure of the shareholding of Cinkarna Celje d.d.

Beneficiary	Balance as at 4.02.1997 upon entry in the court reg.		Balance as at 21.01.1998 upon entry in the KDD		Balance as at 31.12.2020		Balance as at 31.03.2021	
	str. %	no. shares	str. %	no. shares	str. %	no. shares	str. %	no. shares
1. LEGAL ENTITIES	53.59	436,534	33.74	274,868	76.05	614,482	75.68	611,454
1.1. D.S.U. d.o.o., LJ	21.95	178,777	1.94	15,789	-	-	-	-
1.2. Modra zavarovalnica d.d., LJ	21.87	178,184	22.03	179,506	20.17	162,963	20.17	162,963
1.3. DUTB, d.d., LJ					12.93	104,504	12.93	104,504
1.4. SDH - Slovenian Sovereign Holding, LJ	9.77	79,573	9.77	79,573	11.50	92,950	11.50	92,950
1.5. Unicredit Bank Austria AG, Vienna - fiduciary					4.54	36,710	4.48	36,210
1.6. TR5 d.o.o., LJ					3.03	24,517	3.27	26,420
1.7. Raiffeisen bank Austria d.d., Zagreb - fiduciary					2.31	18,662	2.38	19,194
1.8. NLB skladi - Slovenija mešani, LJ					1.47	11,877	1.37	11,070
1.9. Generali Galileo, mešani fleks. sklad, LJ					1.33	10,731	1.34	10,803
1.10. Generali Rastko Evropa, delniški, LJ					1.34	10,803	1.33	10,731
1.11. CITIBANK N.A. - fiduciary					1.11	9,006	1.11	9,006
1.12. Primorski skladi, d.d. Koper - PSP MODR					1.18	9,550	1.08	8,700
1.13. TINFIN d.o.o., LJ					0.88	7,103	0.88	7,103
1.14. DBS d.d., LJ					0.65	5,243	0.82	6,593
1.15. ERSTE Group Bank AG, Wien - client account					0.65	5,239	0.64	5,209
1.16. Triglav vzajemni skladi, LJ					0.50	4,007	0.50	4,007
1.17. Raiffeisen bank international AG, Wien (RBI)					0.39	3,175	0.33	2,685
1.18. MAVIA d.d., KR					0.55	4,452	0.55	4,452
1.19. NOVA KBM d.d., MB					0.57	4,628	0.57	4,628
1.20. Generali Dividendni, delniški, LJ					0.57	4,577	0.57	4,577
1.21. Other					10.38	83,785	9.86	79,649
2. NATURAL PERSONS	39.48	321,602	39.95	325,444	21.26	171,744	21.24	171,650
3. OWN SHARES	-	-	-	-	2.69	21,751	3.08	24,873
TOTAL 1+2+3	93.07	758,136	73.69	600,312	100.00	807,977	100.00	807,977

The total number of shareholders decreased from the early 5077 by 3080, that is 60 %, and on 31/12/2021 there were 1,997 registered shareholders.

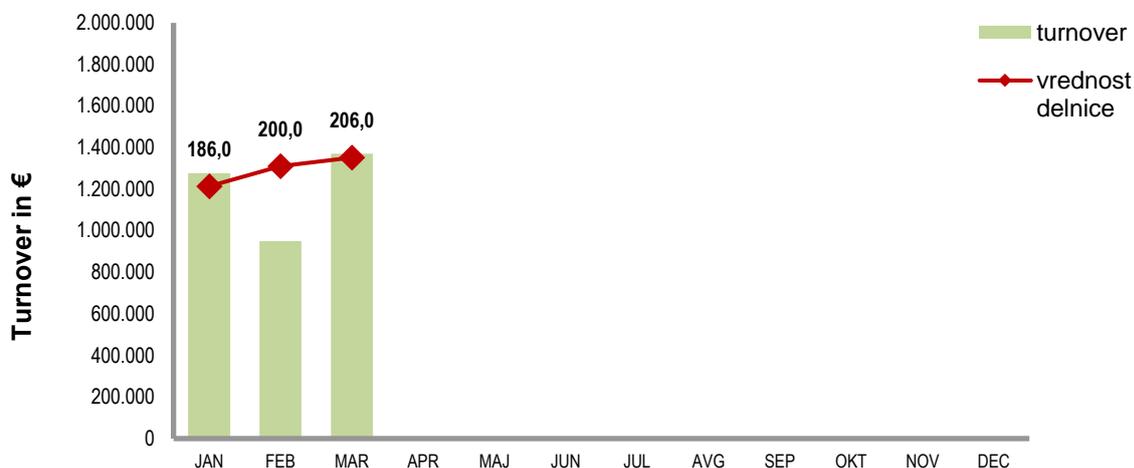
Stock trading

Trading in shares of Cinkarna labelled as CICG takes place on the open market with securities. The first day of trading was 6 March 1998. The average share price at that date amounted to € 33.71.

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

MONTH	UNIFORM EXCHANGE RATE in €		TURNOVER in €
	Year 2020	Year 2021	Year 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		
May	165,00		
June	173,00		
July	160,00		
August	166,00		
September	160,00		
October	150,00		
November	168,00		
December	178,00		

Changes in the value of shares on the open market and cumulative monthly turnover in 2021 (in EUR)



The value of shares of Cinkarna Celje d.d. quoted at the standard market of the Ljubljana Stock Exchange (labelled CICG) fluctuated between 174 €/share and 208 €/share in 2021.