Summary of the

ANNUAL REPORT

for the year 2007

CINKARNA

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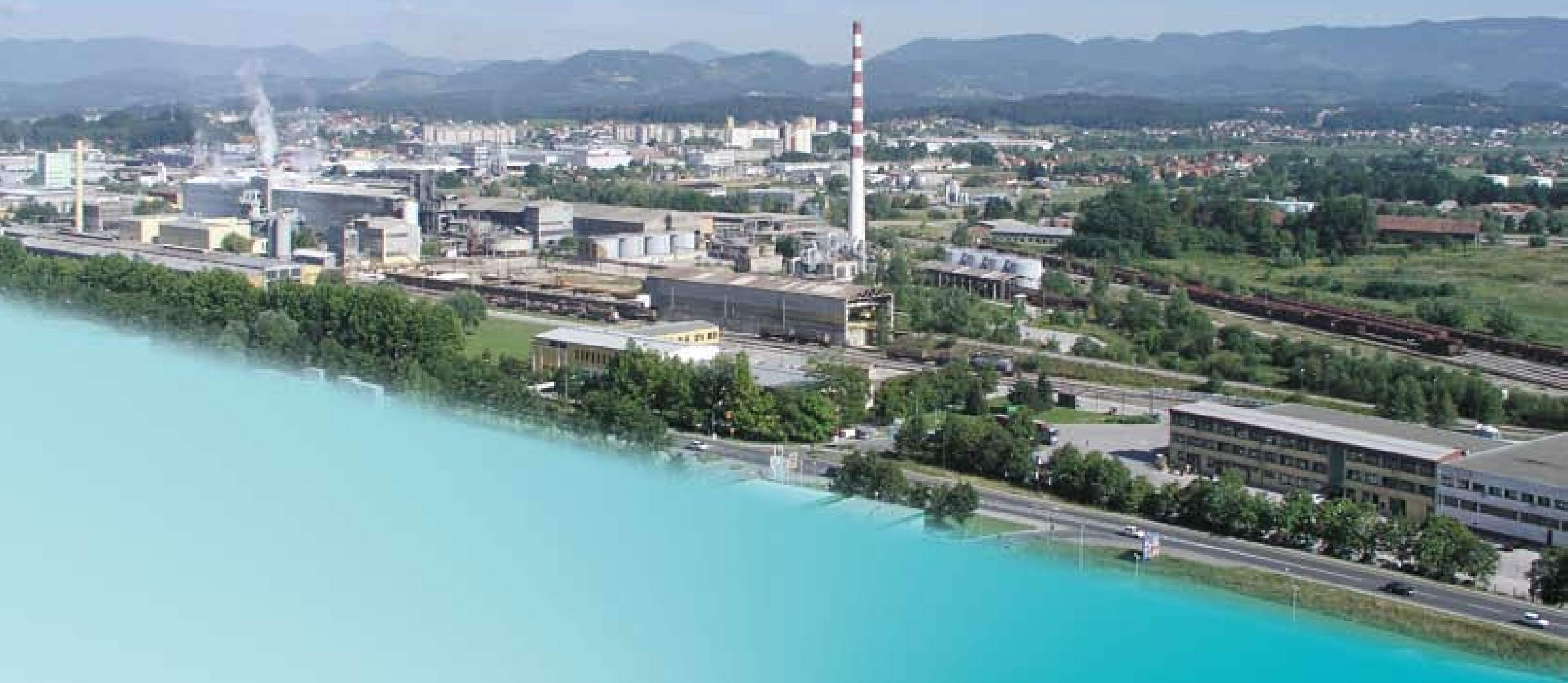
Celje, March 2008

Explanatory note

The Summary of the Annual Report for the year 2007, in the English language, is a direct translation of the Summary Annual Report for the year 2007, which was originally drawn up in the Slovenian language. The Annual Report for the year 2007 was revised by an independent auditor from the auditing firm KPMG, podjetje za revidiranje, d.o.o. A positive report from the independent auditor was obtained on 20th March 2008. The following translation of the Summary Annual Report for the year 2007 has not been revised and therefore it should only be used as an appendix to the Slovenian version of the revised Annual Report for the year 2007.

Celje, March 2008

Contents



Company profile

With its 135-year tradition of continuous activity, Cinkarna Celje, d.d. is among the most persistent companies in the Slovenian business sector. Until 1968, the company's primary activity was metallurgy, but having started producing titanium dioxide pigment in 1972 and its subsequent extension, Cinkarna Celje, d.d. is now classified as a company in the chemical processing sector. It employs 1131 people and generates over EUR 156 million per year in sales revenues, with over 80% of sales generated in export markets. It thus occupies the leading position in the Slovenian chemical processing sector and can therefore be classified as one of the most important Slovenian industrial companies.

Company vision

Cinkarna wishes to consolidate and upgrade its international status as a trustworthy, reliable and dedicated manufacturer of titanium dioxide pigment. Special emphasis will be placed on the achievement of an excellent ratio between price, quality and an expedient delivery of our products. We will manufacture 1.1 % of the entire world production and 3.5 % of the entire European production of titanium dioxide pigment. We plan to consolidate our status as a premium supplier of titanium-zinc sheets in North European markets, upgrade our position as a leading supplier of powder coatings in Slovenia, and we will endeavour to consolidate our position as a renowned supplier of high-quality building materials.

Company's product range

Cinkarna Celje, d.d. is a company with a wide range of products and sales programmes. The various product subgroups can be combined into different product sales groups with similar intended functions.

The leading product and sales group is titanium dioxide pigment, which combines the sales of different pigment types. Titanium dioxide pigment is a special inorganic chemical; its extraordinary colour, pigment and covering characteristics make it extremely useful in the production of varnishes and paints, plastic materials, laminates and paper. Cinkarna Celje, d.d. sells titanium dioxide pigment in global markets and acts as an equal competitor with international corporations, due to its constant progress with regards to its production volume, technology, adaptability, reliability and achievement of an optimal ratio between price, quality and delivery.

Another leading group, whose sales are predominately directed at international markets, is the production and processing of zinc, which is comprised of the sales of titanium-zinc sheets and, less importantly with regards to volume, zinc wire and zinc alloys. Titanium-zinc sheets are primarily intended for sale within the North European market, where it has been traditionally used in the production of roof coverings, curtain walling and other decorative and protective building elements.

The sales group of products intended for the needs of the graphic industry has a long history in Cinkarna. Its beginnings go back to the year 1933, when the manufacturing of zinc-based offset plates was established. Today's most important products within this group are offset printing plates.

The sales of products from the building industry market group are directed at the domestic market and at the markets of the former Yugoslav countries. The group includes building and restoration materials, cement adhesives & sealants, building mortars and facade plasters.

The sales group consisting of coatings, powder coatings and master batches is increasingly gaining importance. It is a sales group which represents a vertical upgrade of the basic production of titanium dioxide pigment. The coatings are used predominantly for the anti-corrosion protection of construction materials, and the majority of powder coatings are intended for anti-corrosion and decorative needs in the production of household appliances, heating bodies and other deluxe metal goods. Master batches are a dynamic product intended for incorporation in plastic materials, for the purpose of improving their applicable characteristics.

Other significant products and sales groups of Cinkarna Celje, d.d. are:

- the group of products for the agricultural industry, comprising of protective agents for plants and growing mediums, and
- the group of fluorinated polymers and elastomers that are, due to their characteristics, suitable for the transport of aggressive mediums and for the protection of processing equipment and hardware.

Introduction by the President of the Management Board

The business year 2007 has been one of the more successful in the Company's recent history. The achieved sales rate reached a record level in every aspect, and the achieved net profit came very close to the record year 2000. But it needs to be added that the year 2007 was composed of two entirely opposite halves with regards to the performance criteria: the first half of the year was extremely successful, but in the second half of the year, performance was extremely low. The decrease in operating performance in the second half of the year was a result of a rapid deterioration of macroeconomic conditions and a depressed situation in our leading economic sectors. We should chiefly mention the decrease in real economic growth in the USA and the EU, the instability of the financial and monetary markets (a downward trend in the value of the US dollar), inflation increase in the EU and its unexpected rapid growth in Slovenia (5.6 % p.a.) and the increase in the prices of fuels and raw materials, while the sale prices of our leading products kept falling persistently. It can be objectively said that the situation and trends from the second half of the year 2007 are not really promising for the business year 2008, so therefore, we are objectively pessimistic in our expectations.

The first evaluations of world economic growth in the year 2007 are negative or they tend to follow negative trends; MDS estimates that the growth rate of gross social product at a world level - as well as in individual key economic regions - decreased by some tenths of a percentage point. The predictions for the year 2008 are even worse; some analysts even describe the situation in the USA in the last quarter of the year 2007 and in the beginning of the year 2008 as "at least a pre-recession". But particularly alarming is the continuation of the downward trend of the American and German building industries; in both countries, the number of newly issued building permits in the year 2007 was unprecedentedly low.

We can provide quite a set of apparently ambiguous facts regarding the management and, in particular, the sales of titanium dioxide pigment in the former period. According to first partial statistical data, world consumption growth exceeded production growth by 0.1 of a percentage point, which amounted to almost 5 %. But in absolute values, the production was still higher than the consumption, which led to a significant increase in stock of finished products (+ 7 %). The total production and consumption approached 5 million tons. And the production capacity utilisation amounts to 95 %. The prices are a separate issue; we can still sense an excess supply originating mainly from the USA, and due to the weak dollar, the sales in the EU by American manufacturers or manufacturers with dollar costs are becoming increasingly profitable. The struggle for market share has been intense, and it has resulted in a decrease in sale prices of pigment in the sector by EUR 150 per ton. Cinkarna, with an additional 3000 tons of pigment sold, and only a slightly smaller loss in price, has actually been one of the winners in this story for the year 2007. With the increasing pressure on price from the administration and activities of American competitors, with the lowering of economic conjuncture and with an incredible growth in sulphur prices (at the moment, the FOB Vancouver prices reach USD 450 to 470 per ton, but in August 2007, the very same prices were around USD 45 to 50 per ton), the sector might, following the declared closing-down of production in one of its French production plants, experience some more shocks.

A key element of the titanium-zinc sheet production business has been the total breakdown of zinc stock prices, which occurred after 3.5 years of continuous growth. The stock price decreased from EUR 3294 per ton at the end of the year 2006 to EUR 1556 per ton at the end of the year 2007. Due to a low conjuncture in the German building industry and due to speculative restrictions on the purchasing of titanium-zinc sheets, the quantitative sales of titanium-zinc sheets decreased by 13 %. But, nevertheless, the performance of the programme has been even higher than in the "high-conjuncture" year 2006.

In other production programmes, operations and business were as follows: powder coatings, master batches, construction agents and, partially, Cuprablau achieved high growth rates in the volume of sales and were even more successful than usual at the same time. Their success is related to strong economic growth in Slovenia. The story of the graphic material programme is particularly interesting. With success in eastern markets and with the development and marketing of a plate supplementary to CtP, the programme has, after more than a decade of stagnation and even regression, achieved its first positive turning point. Both its sales and performance have increased significantly. In the rest of the less important programmes, the operations were conducted according to expectations.

In the year 2007, Cinkarna Celje, d.d. realised sales revenues to the amount of EUR 156.7 million, which is 4 % more than in the year 2006. Due to lower prices of zinc and sales prices of pigment, 6 % of our planned gross sales remained unrealised.

The net profit reached the amount of EUR 6.1 million (with a calculated income tax of EUR 1.4 million, including deferred taxes to the amount of EUR 0.06 million). The net profit surpassed the net profit of the previous year by 9% and is on par with this year's planned level (or even higher by some ten thousand euro). The net profit also includes EUR 2.7 million of revenues arising from the sale of property unnecessary for business operation and, in smaller proportions, from disinvestments of long-term financial investments.

The total value of exports in 2007 amounts to EUR 130.1 million, which surpasses the achievement of the year 2006 by 5 %. The majority of exports were realised by sales in Germany 44 %, Italy 12 %, the Netherlands 7 %, Turkey 6 %, the former Yugoslav countries 6 %, France 4 %, Austria 4%, Czech Republic 3 % and Hungary and Spain each 2 %. The rest of the exports were realised in other EU markets, the USA, East European markets, and Near East and North African markets.

On the free market of Ljubljana Stock, from the last trading day of 2006 to the last trading day of 2007, the value of shares of Cinkarna Celje, d.d. increased from EUR 112.67 per share to EUR143.19 per share, i.e. by 27.1 %. In 2007, the Company paid gross dividends amounting to EUR 2.92 per share (net EUR 2.19 per share), which means an increase of 7.7 % in relation to the previous year.

In 2007, the investment activities were conducted according to plans. In relation to the similar period of the previous year, the investment activities increased significantly during this period. An investment of EUR 14.3 million was made in fixed assets, which means nearly 42 % more than in the year 2006. The vast majority of assets were intended for environmental and energy projects, the most important among them being dry gypsum filling at the Za Travnikom location (after passing the technical inspection at the beginning of February 2008, we expect to start the pilot production process at the end of the same month), the reconstruction and modernisation of sulphuric acid production, the control of steam production and consumption, as well as the installation and start-up of a second spin drier for CEGIPS production. From the point of view of development activities, an interesting project was the investment made in a new pilot line for master batch development and testing.

As is apparent from the above outline (the Company's main investment emphasis), environmental protection and care are among the most important guidelines of our work; therefore, in the previous year, we also directed much of our efforts to projects and activities to limit the impacts on the environment and to economically handle energy resources. While doing so, a lot of our energy was spent on professional explanations and, in most cases, on using our arguments to reject prejudiced, malicious, often false and apparently manipulative allegations and attacks directed against our Company, the planned dynamics of which were apparently conducted parallel to the transition of the adoption of the new Spatial plan into its final phase. Considering the experience, knowledge and information the Company has acquired during this period, we intend to persist in the establishment of fair and open cooperation with the local population, their representatives and local authorities regarding a common concern for the protection of the environment and human health.

Our attention was directed to the provision of social security, work safety, the improvement of working conditions, the development of potentials and employee training. The improvement of the quality management system effectiveness continued to function with no disruptions throughout the year 2007.

Our business plans for the year 2008 were drawn up based upon declared global macroeconomic conditions, predicted growth rates of gross social product of the economically most important countries, as well as branch analyses and predictions. At the beginning of the year 2008, we can establish, with some degree of objective pessimism, that a difficult year lies ahead, bringing a decrease in international conjuncture, pressure on the price growth of raw materials and energy, and a rapid increase in labour costs. In 2008, we expect to generate sales revenues to the amount of EUR 162.9 million; the plan exceeds the sales achieved in the year 2007 by 4 %.

The planned net profit for the year 2008 amounts to EUR 3.2 million (- 48 % in relation to 2007). The business plan is an evaluation of future business conditions and its efficiency that is based on a currently available set of key data, so it should be apprehended as a prediction, yet with a certain level of uncertainty.

President of the Management Board - General Manager
Tomaž BENČINA, univ. dipl. inž. metal. in univ. dipl. ekon.

Report of the Supervisory Board of Cinkarna Celje, d.d.

In the year 2007, the Supervisory Board held four regular meetings and the members of the Supervisory Board additionally received periodical and on-demand reports, in both written and electronic forms. The attendance of members at the meetings was predominantly 100 %. Within the limits of the powers conferred upon us by the law and the Company's statutes, we carefully examined the submitted materials and presentations. The members of the Board asked questions and demanded additional data, analyses and reports, in order to receive further clarification on certain issues. Such methods of operating of the Supervisory Board prove that the Board has performed its obligations with due diligence and in the best conscience and knowledge of an individual, and therefore responsibly safeguarded the interests of both the Company and the shareholders.

Beside its primary function, i.e. the monitoring of the Company's current business, the Supervisory Board placed a special emphasis on the regular treatment and supervision of progress with regards to investment activities. We primarily focused on the regular and careful monitoring of the major and key investment of dry gypsum disposal at the Za Travnikom location, which is crucial for development. It has been determined that the investment was conducted in accordance with set plans and is compliant with the acquired building permit, which was confirmed by a successful start of the pilot production and an issued operating permit in the first quarter of 2008.

The Company achieved extraordinary business results in the first half of 2007, in terms of both scale and performance of operations. On the other hand, the second half of the year brought regression in performance, due to increasingly strained conditions in both the macro and micro business environments. The entire business year of 2007, composed of two differently successful periods, was good for Cinkarna Celje, d.d. The net profit of EUR 6.1 million represents the realisation of the planned profit or loss for this year, but at the same time, the objective limitations of the environment prevented the planned sales from being entirely realised. To sum up, the Company's performance was undoubtedly successful and the key objectives in accordance with the Company's strategy were achieved.

In the Supervisory Board's opinion, the present annual report containing the prescribed financial statements, publications, explanations and business report, contains all essential information, indicators and the appropriate explanations of individual events and facts. The Supervisory Board, therefore, approves the report for the year 2007 and the proposal for the distribution of the accumulated profit, reflecting a dividend policy adjusted for a longer period of time in compliance with Article 282 of the Company's Act (ZGD-1).

The Supervisory Board has also examined the report from the independent auditor, and it is our opinion, that it adequately represents a legally prescribed audit of financial statements and explanations, and we herewith confirm that the business report is in compliance with the audited financial statements, which sufficiently fulfils the requirements for integrity, objectivity and fairness of data on the company's pecuniary and financial situation within a specified time period.

The independent auditor was also directly present and offered some explanations at the Supervisory Board meeting, in which we devoted special attention to the adoption of the Annual Report for the year 2007.

President of the Supervisory Board
M. Vidnar

Vidnar

SUMMARY OF FINANCIAL REVIEW

Statements

Balance Sheet

in €

		31/12/2007	31/12/2006	Index 07/06
	ASSETS	**209,812,691**	**206,317,325**	**102**
A.	**Fixed assets**	**142,766,762**	**136,484,346**	**105**
I.	Intangible assets and long-term deferred expenses and accrued revenues	2,863,700	2,849,364	101
	1. Long-term property rights	2,765,772	2,849,102	97
	5. Other long-term deferred expenses and accrued revenues	97,928	262	37,377
II.	Tangible fixed assets	135,143,258	131,349,629	103
	1a. Land	8,588,330	8,628,689	100
	1b. Buildings	44,296,248	44,590,997	99
	2. Manufacturing plant and equipment	66,802,353	68,076,618	98
	3. Other devices and equipment	35,887	37,662	95
	4a. Tangible fixed assets in construction or manufacturing	14,778,110	9,922,893	149
	4b. Advances for tangible fixed assets	642,330	92,770	692
IV.	Long-term financial investments	3,665,005	1,132,482	324
	1c. Other shares and interests	3,556,193	986,453	361
	2b. Long-term loans to other entities	108,812	146,029	75
VI.	Deferred tax receivables	1,094,799	1,152,871	95
B.	**Current assets**	**66,890,630**	**69,766,671**	**96**
II.	Inventories	34,278,094	32,138,917	107
	1. Material	12,580,871	15,484,852	81
	2. Work in progress	2,810,173	4,779,144	59
	3. Products and articles of commerce	12,605,919	11,851,764	106
	4. Advances for inventories	6,281,131	23,157	27,124
III.	Short-term financial investments	36,096	50,159	72
	2b. Short-term loans to other entities	36,096	50,159	72
IV.	Short-term operating receivables	27,193,274	28,217,668	96
	2. Short-term operating receivables due from customers	25,732,789	25,542,910	101
	3. Short-term operating receivables due from other entities	1,460,485	2,674,758	55
V.	Monetary assets	5,383,166	9,359,927	58
C.	**Short-term deferred expenses and accrued revenues**	**155,299**	**66,308**	**234**
D.	**Off-balance-sheet record**	**33,401,479**	**35,113,969**	**95**

in €

		31/12/2007	31/12/2006	Index 07/06
	LIABILITIES	**209,812,691**	**206,317,325**	**102**
A.	**Equity**	**100,339,522**	**94,849,272**	**106**
I.	Called-up capital	20,396,244	20,396,244	100
	1. Share capital	20,396,244	20,396,244	100
II.	Capital surplus	44,284,976	44,284,976	100
III.	Revenue reserves	30,623,190	27,701,861	111
	1. Legal reserves	16,931,435	16,931,435	100
	2. Reserves for own shares	238,926	0	–
	3. Own shares	-238,926	0	–
	5. Other revenue reserves	13,691,755	10,770,426	127
IV.	Surplus from revaluation	2,113,783	0	–
VI.	Net operating profit or loss in the financial year	2,921,329	2,466,191	119
B.	**Provisions and long-term accrued expenses and deferred revenues**	**12,355,409**	**12,276,028**	**101**
	1. Provisions for pensions and similar obligations	3,074,847	3,095,434	99
	2. Other provisions	8,920,514	8,984,770	99
	3. Long-term accrued expenses and deferred revenues	360,048	195,824	184
C.	**Long-term liabilities**	**27,733,528**	**31,370,070**	**88**
I.	Long-term financial liabilities	25,472,845	29,418,563	87
	2. Long-term financial liabilities to banks	25,472,845	29,418,563	87
II.	Long-term operating liabilities	1,732,237	1,951,507	89
	5. Other long-term operating liabilities	1,732,237	1,951,507	89
III.	Deferred tax liabilities	528,446	0	–
D.	**Short-term liabilities**	**69,367,182**	**67,655,494**	**103**
II.	Short-term financial liabilities	58,763,809	56,257,244	104
	2. Short-term financial liabilities to banks	58,745,718	56,246,808	104
	4. Other short-term financial liabilities	18,091	10,436	173
III.	Short-term operating liabilities	10,603,373	11,398,250	93
	2. Short-term operating liabilities to suppliers	7,498,069	8,158,153	92
	4. Short-term operating liabilities based on advances	131,874	197,685	67
	5. Other short-term operating liabilities	2,973,430	3,042,412	98
E.	**Short-term accrued expenses and deferred revenues**	**17,050**	**166,461**	**10**
F.	**Off-balance-sheet record**	**33,401,479**	**35,113,969**	**95**

Profit and loss account

in €

		2007	2006	Index 07/06
1.	**Net sales revenues**	**156,736,386**	**150,730,637**	**104**
	- net sales revenues in domestic market	26,639,328	26,998,167	99
	- net sales revenues in foreign market	130,097,058	123,732,470	105
2.	**Change in value of inventories of finished goods and work in progress**	**-1,700,318**	**4,446,160**	**–**
3.	**Capitalised own products and services**	**5,052,314**	**3,589,694**	**141**
4.	**Other operating revenues (including revalued operating revenues)**	**2,605,820**	**1,349,143**	**193**
5.	**Costs of goods, materials and services**	**114,318,777**	**112,977,836**	**101**
	a) Acquisition cost of merchandise and materials sold, and cost of materials used	108,349,419	107,162,912	101
	b) Costs of services	5,969,358	5,814,924	103
6.	**Labour costs**	**25,115,065**	**24,714,717**	**102**
	a) Salaries and wages	18,758,515	18,410,875	102
	b) Social security costs	1,390,803	1,357,972	102
	c) Pension insurance costs	2,037,610	1,953,407	104
	d) Other labour costs	2,928,137	2,992,463	98
7.	**Write-offs**	**11,112,742**	**10,710,771**	**104**
	a) Amortisation	10,995,096	10,375,939	106
	b) Operating expenses from revaluation of intangible and tangible fixed assets	87,638	51,607	170
	c) Operating expenses from revaluation of current assets	30,008	283,225	11
8.	**Other operating expenses**	**1,118,516**	**958,310**	**117**
	Operating profit or loss	**11,029,102**	**10,754,000**	**103**
9.	**Financial revenues from participating interests**	**1,031,732**	**383,697**	**269**
	d) Financial revenues from other investments	1,031,732	383,697	269
10.	**Financial revenues from granted loans**	**69,282**	**0**	**–**
	b) Financial revenues from loans granted to other entities	69,282	0	–
11.	**Financial revenues from operating receivables**	**240,526**	**373,579**	**64**
	b) Financial revenues from operating receivables due from other entities	240,526	373,579	64
12.	**Financial expenses from impairment and write-offs in financial investments**	**4,173**	**277,011**	**2**
13.	**Financial expenses from financial liabilities**	**4,146,311**	**3,652,966**	**114**
	b) Financial expenses from borrowings obtained from banks	4,146,311	3,559,506	116
	c) Financial expenses from other financial liabilities	0	93,460	–
14.	**Financial expenses from operating liabilities**	**612,727**	**783,240**	**78**
	b) Financial expenses from operating liabilities to suppliers and bills-of-exchange liabilities	287,212	287,552	100
	c) Financial expenses from other operating liabilities	325,515	495,688	66
15.	**Other revenues**	**3,552**	**97,802**	**4**
16.	**Other expenses**	**77,467**	**17,175**	**451**
	Profit or loss before tax	**7,533,516**	**6,878,686**	**110**
17.	**Income tax**	**1,393,859**	**1,200,066**	**116**
18.	**Deferred taxes**	**-58,073**	**-89,987**	**65**
19.	**Net profit or loss in the accounting period**	**6,081,584**	**5,588,633**	**109**

Cash flow statement

in €

		2007	2006	Ind. 07/06
A.	**Cash flows from operating activities**			
a)	**Net profit or loss**	**6,081,584**	**5,588,633**	**109**
	Profit or loss before tax	7,533,516	6,878,686	110
	Income tax and other taxes not included in business events	1,451,932	1,290,053	113
b)	**Adjustments for**	**13,905,298**	**13,922,219**	**100**
	Amortisation +	10,995,096	10,375,939	106
	Operating revenues from revaluation -	226,906	649,134	35
	Operating expenses from revaluation +	87,638	51,607	170
	Financial revenues, excluding financial revenues from operating receivables	1,101,014	383,697	287
	Financial expenses, excluding financial expenses from operating liabilities	4,150,484	3,929,977	106
c)	**Changes of net current assets (and accruals, deferrals, provisions, deferred receivables and tax liabilities) of balance sheet items**	**-2,229,879**	**-7,794,936**	**29**
	Opening minus closing operating receivables	1,024,394	-4,776,131	–
	Opening minus closing deferred expenses and accrued revenues	-88,991	-4,048	2198
	Opening minus closing deferred tax receivables	58,072	89,987	65
	Opening minus closing inventories	-2,139,177	-3,300,150	65
	Closing minus opening operating debts	-1,014,147	-6,672	15200
	Closing minus opening accrued expenses and deferred revenues, and provisions	-70,030	202,078	–
d)	**Net operating inflows or net operating outflows (a+b+c)**	**17,757,003**	**11,715,916**	**151**
B.	**Cash flows from investing activities**			
a)	**Inflows from investing activities**	**1,451,689**	**514,390**	**282**
	Revenue from received interest and shares in the profit of others arising from investing activities	487,643	435,304	112
	Revenue from disposal of tangible fixed assets	226,906	649,134	35
	Revenue from disposal of long-term financial investments	724,621	79,086	916
	Revenue from disposal of short-term financial investments	12,519	0	–
b)	**Outflows from investing activities**	**14,890,699**	**10,624,596**	**140**
	Expenses for acquisition of intangible assets	327,821	455,296	72
	Expenses for acquisition of tangible fixed assets	14,562,878	10,127,487	144
	Expenses for acquisition of short-term financial investments	0	41,813	–
c)	**Net investment inflows or net investment outflows (a-b) or (b-a)**	**-13,439,010**	**-10,110,206**	**133**
C.	**Cash flows from financing activities**			
a)	**Inflows from financing activities**	**507,655**	**6,487,919**	**8**
	Revenue from increase of short-term financial liabilities	507,655	6,487,919	8
b)	**Outflows from financing activities**	**8,802,409**	**7,358,602**	**120**
	Expenses for interest arising from financing activities	4,150,484	3,929,977	106
	Expenses for repayment of capital	238,926	0	–
	Expenses for repayment of long-term financial liabilities	1,946,808	1,138,595	171
	Expenses for dividend payment and other shares in profit	2,466,191	2,290,030	108
c)	**Net financing inflows or net financing outflows (a-b) or (b-a)**	**-8,294,754**	**-870,683**	**953**
D.	**CLOSING BALANCE OF CASH AND CASH EQUIVALENTS**	**5,383,166**	**9,359,927**	**58**
x)	**Net cash flow for the period (net sum of Ad, Bc and Cc)**	**-3,976,761**	**735,027**	**–**
y)	**Opening balance of cash and cash equivalents**	**9,359,927**	**8,624,900**	**109**

Statement of changes in equity and declaration of accumulated profit

in €

Statement of changes in equity In 2007	Share capital	Capital surplus	Legal reserves	Reserves for own shares	Own shares	Other revenue reserves	Surplus from revaluation	Net profit from the business year	Equity total
	I/1	II	III/1	III/2	III/3	III/5	IV	V/1	
A. 31/12/2006	**20,396,244**	**44,284,976**	**16,931,435**	**0**	**0**	**10,770,426**	**0**	**2,466,191**	**94,849,272**
B. Transfer to equity				**0**	**-238,926**		**2,113,783**	**6,081,584**	**7,956,441**
a) Input of net profit or loss from the business year								6,081,584	6,081,584
b) Surplus from revaluation of long-term financial investments							2,113,783		2,113,783
c) Purchase of own shares					-238,926				-238,926
C. Transfer within equity				**238,926**		**2,921,329**		**-3,160,255**	**0**
a) Allocation of net profit following the resolution of the Management and Supervisory Board				238,926		2,921,329		-3,160,255	0
D. Transfer from equity								**2,466,191**	**2,466,191**
a) Disbursement of dividends								2,379,562	2,379,562
b) Disbursement of premiums								86,629	86,629
E. 31/12/2007	**20,396,244**	**44,284,976**	**16,931,435**	**238,926**	**-238,926**	**13,691,755**	**2,113,783**	**2,921,329**	**100,339,522**
ACCUMULATED PROFIT				**-238,926**		**-2,921,329**		**6,081,584**	**2,921,329**

in €

Statement of changes in equity in 2006	Share capital	Capital surplus	Legal reserves	Other revenue reserves	Retained net loss	Net profit from the business year	Equity total
	I/1	II	III/1	III/4	V/2	VI/1	
A. 01/01/2006	**20,396,244**	**44,284,976**	**16,931,435**	**9,955,984**	**-2,307,999**	**2,290,030**	**91,550,670**
B. Transfer to equity						**5,588,632**	**5,588,632**
a) Input of net profit or loss from the business year						5,588,632	5,588,632
C. Transfer within equity				**814,442**	**2,307,999**	**-3,122,441**	**0**
a) Allocation of net profit following the resolution of the Management and Supervisory Board				814,442		-814,442	
b) Settlement of retained loss					2,307,999	-2,307,999	0
D. Transfer from equity						**2,290,030**	**2,290,030**
a) Disbursement of dividends						2,209,593	2,209,593
b) Disbursement of premiums						80,437	80,437
E. 31/12/2006	**20,396,244**	**44,284,976**	**16,931,435**	**10,770,426**	**0**	**2,466,191**	**94,849,272**
ACCUMULATED PROFIT				**-814,442**	**-2,307,999**	**5,588,632**	**2,466,191**

Summary Business Review since 1999

	1999	2000	2001	2002	2003	2004	2005	2006	2007
SALES									
Domestic market	19,299.19	19,754.79	19,721.73	21,048.99	21,779.35	24,057.21	23,876.75	26,998.17	26,639.33
Foreign market	80,917.17	102,018.89	83,868.66	77,482.86	76,685.73	77,675.31	93,740.50	123,732.47	130,097.06
Sales	100,216.36	121,773.67	103,590.38	98,531.85	98,427.05	101,732.51	117,617.24	150,730.64	156,736.39
PROFIT OR LOSS									
Operating profit or loss	5,279.37	7,856.98	4,363.06	3,460.89	4,585.12	5,043.05	4,917.67	10,754.01	11,029.10
Profit or loss before tax	4,602.61	7,568.48	2,150.72	1,265.47	1,582.86	2,622.16	2,768.07	6,878.69	7,533.52
Taxes	536.00	1,200.21	357.23	/	/	/	295.66	1,290.06	1,451.93
Net profit or loss	4,066.61	6,368.28	1,793.50	1,265.47	1,582.86	2,622.16	2,472.41	5,588.64	6,081.58
LIABILITIES and ASSETS									
Equity	92,735.54	99,087.30	101,056.25	96,606.94	93,789.78	93,460.63	93,883.90	94,849.27	100,339.52
Financial debt	16,126.51	12,904.16	20,609.12	35,645.75	42,643.72	66,297.79	80,535.91	85,675.81	84,236.65
Financial debt ratio	12 %	9 %	14 %	24 %	27 %	37 %	41.0 %	41.5 %	40.2 %
Assets	133,088.44	137,765.35	146,795.86	151,382.51	157,189.31	180,126.85	196,757.65	206,317.43	209,812.69
Net working capital (NWC)	32,192.29	36,828.64	30,123.99	21,255.65	8,756.49	4,823.22	- 50.83	2,111.05	- 2,476.55
PER SHARE									
Dividends:									
– gross	1.52	1.71	2.35	2.18	2.12	2.09	2.51	2.72	2.92
– net	1.14	1.28	1.77	1.63	1.59	1.57	1.83	2.04	2.19
Net profit or loss	5.00	7.82	2.20	1.56	1.95	3.22	3.04	6.86	7.47
Equity	113.8	121.6	124.1	118.6	115.1	114.7	115.3	116.4	123.2
Market value at the end of the year	45.1	57.5	64.4	117.9	115.4	112.5	103.0	112.7	143.2
Shares	814,626	814,626	814,626	814,626	814,626	814,626	814,626	814,626	814,626
Shares with voting right	814,626	814,626	814,626	814,626	814,626	814,626	814,626	814,626	812,477

Employees	1,305	1,295	1,276	1,254	1,217	1,185	1,166	1,144	1,131
Shareholders	3,672	3,307	2,735	2,429	2,277	2,155	2,101	1,952	1,846

ACTIVITY RATIOS									
Liquidity ratio	2.64	2.93	2.30	1.71	1.22	1.09	1.00	1.03	0.96
Quick ratio	1.36	1.78	0.98	0.91	0.60	0.59	0.53	0.56	0.47
Inventory turnover ratio	14.1	22.5	15.1	12.1	13.8	12.3	12.8	13.9	12.8
Days' sales in receivables	69 days	61 days	60 days	61 days	64 days	60 days	60 days	56 days	58 days
Days payables	25 days	27 days	33 days	31 days	25 days	29 days	28 days	25 days	25 days
Long-term assets turnover ratio	1.23	1.49	1.21	1.04	0.96	0.87	0.90	1.10	1.12
Total assets turnover ratio	0.77	0.93	0.74	0.67	0.65	0.61	0.62	0.75	0.75
Operating efficiency ratio	1.05	1.07	1.04	1.04	1.05	1.05	1.04	1.07	1.07
Revenue profitability rate	5.2 %	6.5 %	3.7 %	3.4 %	4.3 %	4.6 %	3.9 %	6.7 %	6.8 %
Total net revenue profitability rate	3.9 %	5.1 %	1.5 %	1.2 %	1.5 %	2.3 %	2.0 %	3.5 %	3.7 %
Share of net profit or loss from sales	4.1 %	5.2 %	1.7 %	1.3 %	1.6 %	2.6 %	2.1 %	3.7 %	3.9 %
Return on Investment (ROI)	4.5 %	6.7 %	2.3 %	2.0 %	2.1 %	2.8 %	2.7 %	5.2 %	4.9 %
Return on Assets (ROA)	3.1 %	4.9 %	1.3 %	0.9 %	1.0 %	1.6 %	1.3 %	2.8 %	2.9 %
Return on Equity (ROE)	4.6 %	6.9 %	1.8 %	1.3 %	1.7 %	2.8 %	2.7 %	6.4 %	6.7 %

All values are in thousands of €, except:
– per share, and
– activity ratio values,

Dividends are related to the disbursments within a calender year, but they were already paid in the previous year,

Basic Company Information

Company:	Cinkarna, Metalurško kemična industrija Celje, d.d.
Headquarters:	Kidričeva 26, 3000 Celje
Telephone:	(+386) 03 427 6000
Fax:	(+386) 03 427 6106
Telex:	36517 METKEM SI
e-mail:	info@cinkarna.si
Internet page:	www.cinkarna.si

Production unit:	Kemija Mozirje
Head office:	Ljubija 11, Mozirje
Telephone:	(+386) 03 837 0900
Fax:	(+386) 03 837 0950

Company is in 100% ownership:

	Cinkarna – Kvarc, d.o.o., Tuzla Društvo za proizvodnju i promet
Head office:	Ul. 21. decembar b.b., Bukinje, 75000 TUZLA Federacija Bosne in Hercegovine
Telephone:	(+387) 35 286 544
Fax:	(+387) 35 286 545
e-mail:	cinkvarc@bih.net.ba

Representative office:	Predstavništvo Cinkarna Celje, Beograd
Head office:	Resavska 76, 11000 Beograd Republika Srbija
Telephone:	(+381) 11 2659484
Fax:	(+381) 11 2659484
Mobile phone:	(+381) 63 730 22 80
e-mail:	d.barba@YUBC.net

General Manager
Tomaž BENČINA
univ. dipl inž. metal. in univ. dipl. ekon.

Technical Manager
Nikolaja PODGORŠEK - SELIČ
univ. dipl. inž. kem. inž., spec.

Employees Representative
Marko CVETKO
dipl. inž. kem. inž., spec.

Company Organisation

- Management Board
- Production unit Titanov dioksid
- Production unit Metalurgija
- Production unit Grafika
- Production unit Kemija Celje
- Production unit Kemija Mozirje
- Production unit Veflon
- Corporate Professional Services
- Maintenance & Energy supply unit

Management Board

General Manager
Tomaž BENČINA, univ. dipl inž. metal. in univ. dipl. ekon.

Technical Manager
Nikolaja PODGORŠEK - SELIČ, univ. dipl. inž. kem. inž., spec.

Employees Representative
Marko CVETKO, dipl. inž. kem. inž., spec.

Supervisory Board

President
mag. Mateja VIDNAR

Deputy President
Oskar KOCJAN, MBA

Members
Jožica TOMINC, ekon.
Miran JURKOŠEK, inž. grad.
Marin ŽAGAR
Miran ŠPEGEL, dipl. org. men.

President
mag. Mateja VIDNAR

Deputy President
Oskar KOCJAN, MBA

Member
Jožica TOMINC, ekon.

Member
Miran JURKOŠEK, inž. grad.

Member
Marin ŽAGAR

Member
Miran ŠPEGEL, dipl. org. men.

Major business events following the end of the business year

During the period from 31st December 2007 to the elaboration of the audit report, there were no business events that would exercise a significant influence on the financial, material or income status of the company. One of the less extraordinary events following the balance sheet date was the additional payment of income tax for legal entities for the year 2006, to the amount of EUR 69 000, following the decision of tax authorities. The additional payment was a result of reduced recognised tax benefits for investments in research and development.

The Management Board of Cinkarna Celje, d.d. confirms the accuracy and honesty of statements in this Summary Annual Report of the Company, elaborated for the business year ending on 31st December 2007.

President of the Management Board - General Manager
Tomaž BENČINA, univ.dipl.inž.metal. in univ.dipl.ekon.

Proposal for the use of the accumulated profit from 2007

in thousands of EUR

Accumulated profit	2,921
– dividends	2,618
– premiums	95
– other revenue reserves	208