CINKARNA

Summary of the

ANNUAL REPORT

for the year 2011

CINKARNA CELJE
Metalurško kemična
industrija Celje, d.d.

Celje, may 2012

Explanatory note

The Summary of the Annual Report for the year 2011, in the English language, is a direct translation of the Summary Annual Report for the year 2011, which was originally drawn up in the Slovenian language. The Annual Report for the year 2011 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 22nd March 2012. The following translation of the Summary Annual Report for the year 2011 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 2011.

Celje, May 2012

Contents

Company profile

With its 140-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 1063 people and generates about EUR 184 million per year in sales revenues, with over 85% 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 more than one percent of the entire world production and over three percents 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.

Mission

By carrying out chemical and metallurgical processes professionally and with social responsibility, we manufacture a wide range of products necessary for everyday life. We provide work and personal growth to our employees and the anticipated profit to our stockholders.

Introduction by the Chairman of the Board

After 2010, which had been our most successful and record-breaking year up to that point, we raised the bar significantly higher and even surpassed it with our exceptional business results. Our operations were more than successful in 2011. We achieved top-level business results, which are most certainly exceptional and outstanding within the Slovenian economic area as well as in the international business environment. They clearly surpass all of Cinkarna Celje, d.d.'s previous results; for this reason, this was the best fiscal year in the 140-year history of our company.

The long-term strategy (which runs through 2012) that focused on increasing market shares, concentrating activities in the most profitable markets, developing long-term marketing partnerships, and optimizing raw material sources, was completely brought to fruition due to a conservative financing policy, producing top results and gains.

The total sales, operating profit, and the net profit or loss significantly exceed the results achieved in the previous year, and they are also significantly higher than the goals carefully set in the 2011 business plan.

Activities relating to cleaning up old environmental hazards were intensively carried out during this period. A planned investment concerning water drainage in the eastern part of the Za Travnik barrier was carried out. As this project progressed, we came to the conclusion that part of this barrier needed to be renovated and partly rebuilt, for which provisions in the amount of €7 million were created, chargeable to the 2011 profit or loss statement. The planning and design of the renovation of the Bukovžlak municipal solid waste disposal site (provisions in the amount of €5 million were created, chargeable to the 2010 profit or loss statement) is nearly completed. We have determined that the amount of this provision was suitable, which means that, given the currently known facts, the value of the project will not significantly deviate from the amount of the provisions. We also introduced formal processes for the destruction of low-level radioactive waste, for which provisions in the amount of €5 million were created, chargeable to the 2011 profit or loss statement.

The global business environment went through very dynamic changes throughout 2011. Although quarterly GDP growth levels of more significant global economies were still showing promise in the first half of the year, economic growth was brought to a standstill in the third quarter, and this standstill finally transformed into a clear downturn in the last quarter. With regard to the Slovenian economy the situation was even worse, and the downturn already occurred in the first half of the year. In the third quarter we experienced a decline, which only worsened in the last quarter. The changing prognoses concerning important global economies' economic growth were very telling. These prognoses are periodically published by national and international organizations and agencies (UMAR, the OECD, Eurostat, BLS, and the ECB) and, in the last quarter, Euro Zone GDP prognoses for 2011 decreased from 1.8 to 1.6% and even from 1.4 to –0.1% for 2012. Clearly, the debt crisis arising from countries' failure to solve their public finance problems grew into a general economic crisis during the past two quarters. Therefore, what is known as "German Angst" is no longer just media rhetoric describing the general state of mind in the European economic area in the third quarter. The new general economic crisis (or simply the W-curve) arose from the debt crisis in the EU and became reality; the global economy cooled off, and these instable and unfavorable conditions continue in the beginning of 2012.

For Cinkarna Celje, d.d. all of this means that around the half-year mark of 2011 conditions in our main business were still very dynamic, even heated, and in the second part of the third quarter they gradually began cooling off and consequently stabilizing. Sales prices still grew due to inertia, so progress was also made in the last quarter of 2011. However, the process of raising prices was significantly harder and its scope was very restricted. Due to the limited escalation of prices in purchasing, the company generated a high free cash flow throughout the year, which enabled it to continue the process of the rapid debt reduction. The business system remained stable and profitable the entire time.

The situation on the domestic Slovenian market and in the Balkans was entirely different. Low economic activity, together with structural problems (the crisis in the construction and finance sectors) and the relatively ineffective legal framework, exacerbated conditions and rendered normal operations impossible. Though the conditions in the first half of the year were already shattering, they became significantly worse in the second half of the year, and the illiquidity (followed by compulsory compositions and bankruptcies) of our partners, who were still solid thus far, became a daily occurrence. The liquidity problems of the economy and the resulting late-payment culture on the Slovenian market are gaining unimaginable magnitude with devastating consequences.

With regard to the international titanium dioxide market, in the third quarter conditions largely stabilized following the outstanding first half of the year, and actually dramatically worsened in the fourth quarter. The basic global economic shortage typical of the first half of the year became an interim state in the third quarter; this state could also be called transitional or instable balance. The final quarter saw an economic surplus, partly due to the general economic crisis, and partly due to the previously overheated market. This finally led to a dramatic decline in the use and accumulation of the global pigment stock. In the first half of the year, these conditions allowed quick and proportionate price corrections according to various sales markets; however, conditions in the third and fourth quarters changed to the extent that positive price corrections were still possible but the amount varied depending on the geographic market. In any event, we faced significant buyer resistance in the last quarter.

The global use of pigment increased in the first half of 2011, stagnated in the third quarter, and quickly declined in the last quarter. In comparison with 2010, the total annual consumption is nearly 5% lower. Consumption declined by just over 15% in the Middle East due to the known instable political and security conditions, and approximately 5% in Asian and Pacific markets and in Europe; the decline was the least in America, and was only a few percent. We estimate that the total annual consumption of titanium dioxide pigment reached just over 4.9 million tons. The manufacturers' pigment stock amounts to 750 thousand tons, which means that this stock has increased by over 30% since the beginning of the year and represents just less than 55 days of normal production. Taking into consideration the consumption already mentioned and the increased global pigment stock, the total production of pigment did not exceed the limit; that is, the 90% utilization of available production capacities. In the 12-month period of 2011, prices on the international pigment market increased by just over 40%. Cinkarna Celje, d.d. followed these trends successfully and it took full advantage of the given market conditions; the aforementioned increase in sales prices were exceeded, the production capacities were sold out by the beginning of the last quarter, and the stock level amounted to just over 18 days of regular production. Unfortunately, in the last quarter we shared the fate of all players in the international pigment market, which means that our sales volume fell significantly and our stock grew. In spite of the market surplus, there were no decreases in sales prices and, as a result, we made sales with large margins in the final quarter, and thus achieved an above-average company result (net operating profit). Conditions in the third and fourth quarters most definitely changed; the market shortage became a surplus and the amount of orders fell.

The paragraph above outlined the basis for the extremely successful operations of Cinkarna Celje, d.d. in 2011. In all seriousness, I must also once again warn that the above-average results are also the consequence of favorable purchase agreements for raw materials and power that were arranged before the industry, namely the pigment market, took off. These agreements will expire in 2012 and 2013, resulting in the closure of the gap between purchasing and sales and thus a significant setback in company results.

Conditions concerning the sale of titanium-zinc sheets were unusually difficult. The stock-market price of zinc fluctuated extensively and the curve also tended to be directed downwards. To add to this negative trend, there were also problems in marketing our sales volume in the eastern markets (the Czech Republic, Poland, and Hungary) in the first half of the year, connected with the escalation of competition and worse general economic conditions. The increase in the sales of sheet metal to Germany and the Netherlands, however, was very positive. The second half of the year saw some improvements in mass sales in all markets because even the eastern markets mentioned above revived. For this reason, our sales volume is higher than in 2010. The program results have always been under pressure due to high maintenance costs and the replacement parts required to renovate and technically and technologically upgrade the equipment. The program effectiveness significantly improved in the second half of the year, and additional improvements in business performance are anticipated in 2012 when the investment in equipment for cleaning and coating titanium and zinc sheets will be completed; this equipment improves their appearance and quality and enables the production and sale of two versions of the product that vary in external appearance.

The operations of the majority of other sales programs have been better than in 2010; only the construction program remains below 2010 levels, mainly due to its regional orientation and dependence on the Slovenian construction sector, which is experiencing increasingly bigger problems. The graphic program sales are somewhat lower than in 2010 and are significantly lower than planned. The program is under crisis management, and we expect that a number of marketing and production measures being implemented will provide the desired results after all.

In 2011, Cinkarna Celje, d.d. generated sales revenues in the amount of €184.1 million, which is 20% more than in 2010. The planned sales revenues were exceeded by 26%. The total export value reached €159.9 million, which is 21% more than in the previous year. The majority of exports were realized through sales to Germany (39%), Italy (14%), Turkey (8%), France (6%), former Yugoslav states (6%), the Netherlands (5%), and Austria (5%). The remaining exports were realized in other EU markets, the U.S., eastern European markets, and the Middle East and North African markets.

In the twelve months of 2011, net profit amounted to €25.5 million. This result is 187% higher than that of 2010, when €8.9 million of net profit was generated. It must also be added that the establishment of environmental provisions, namely for the destruction of low-level radioactive waste in the amount of €5 million and for the renovation and reconstruction of the barrier for the Za Travnik waste disposal site in the amount of €7 million, was charged to the 2011 profit or loss. The generated net profit exceeds the planned net profit by 229%. With regard to the annual profit, the business plan had already been exceeded at the 2011 half-year mark.

In 2011, the value of Cinkarna Celje, d.d. stock increased from €58.16/share to €84.50/share (or by 45%) from the last trading day in 2010 to the last trading day in 2011 at the Ljubljana Stock Exchange entry market. The value of the SBI TOP index decreased by 31% in the same period. In 2011, the company allocated €3.5 million in dividends, which is €4.35 dividend/share (gross). The dividend yield amounted to no less than 5.1%.

As of 31 Dec 2011, the total financial liabilities amounted to €21.1 million (or 10.7% of all resources), which is €26.2 million less than at the end of 2010. The financial and operating liabilities to lenders, suppliers, and the Government were being repaid properly and in accordance with the financial plans. The liquidity and solvency of the company were within their optimal and planned levels the entire time.

In the previous year, €10.1 million was invested in fixed assets, which is 34% more than in 2010. The investment dynamics increased due to significantly improved operations and thus the availability of financial resources. These resources were spent on the installment of semi-industrial equipment for the production of ultrafine titanium dioxide, the renovation of the IT data center, warehousing capacities for liquid sulfur, the vital renovation of industrial infrastructure, and investments in environmental management and human health and safety.

In accordance with the company's planned strategy, intensive development activities continued, mainly concerning high-tech ultrafine titanium dioxide, which is important, depending on its kind or type, due to its UV absorption and photocatalytic properties. Pilot production was concluded at the end of the half-year period. We manufactured the first commercial quantities of two products. The first quantities of the photocatalytic ultrafine titanium dioxide have already been sold on the market. Our development strategy is polycentric, so the development of suitable applications is being carried out parallel to the development of the basic product.

Our new goals are an upgrade to our Integrated Management System (IMS), which enables our operations to conform with quality standards (ISO 9001), environmental standards (ISO 14001), health and safety standards (BS OHSAS 18001), and in the Mozirje production unit also with EMAS regulations. No non-conformities were discovered in this year's external assessment, and the auditors continue to speak highly of the management's strong commitment, the unique and transparent system, how it is implemented in practice, and the involvement of a wide circle of employees in the entire management system.

We focused our attention on providing social security and work safety, improving working conditions, developing potentials, and employee training. Our business objectives were achieved by means of affirmative wage policy measures. The employee satisfaction level was sufficient and we thus managed to maintain a suitable level of social cohesion in the company.

The financial state and the financial management of the company in 2011 are shown below in the attached financial statements, balance sheets, and their explanations.

2012 Business plan

The business plans for 2012 were devised on the basis of the prognoses of global macroeconomic conditions, the anticipated GDP growth levels in the economically most significant countries, and industry analyses and forecasts. As we enter 2012, we are aware that we are faced with a very difficult and volatile year. We took into account the predicted cooling off of the international economy, as well as our measures and activities oriented towards ensuring business effectiveness in these substantially changed conditions and circumstances. In 2012, we expect to generate sales revenues in the amount of €192 million. The plan aims slightly higher that the sales revenues generated in 2011, mainly because we plan to deinvest relatively large quantities of our titanium dioxide pigment stock created in 2011. Therefore, we do not expect the market for the production of our main products to create any significant restrictions. The planned net profit or loss for 2012 amounts to €15.7 million. It is lower than the amount generated in 2011 mainly due to the steep increase in the prices of raw materials and energy, which began closing the gap between entry and exit prices. In accordance with the investment plan, €10 million will be invested in the company's fixed assets. The business plan is the assessment of the future operating conditions and the performance of our operations, based on the currently available set of key information. Therefore, it needs to be understood as a forecast which is undoubtedly connected with a certain degree of uncertainty.

Chairman of the Board – Managing Director

Tomaž BENČINA
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Supervisory Board of Cinkarna Celje, d.d. Report

In 2011, the Supervisory Board convened at five regular sessions and one special session. For the most part, the members attended the sessions in full numbers. Within the powers granted to the Supervisory Board by law and the Company's Articles of Association, we carefully reviewed the submitted materials and the presentations that were made. By asking questions and requesting additional information, analyses, and reports, we attempted to further clarify particular issues. We feel that the Supervisory Board acted with due diligence, in accordance with the law, and to the best of our knowledge and belief, and thus responsibly safeguarded the interests of the company and its stockholders.

In addition to monitoring the current company operations, which is the Supervisory Board's principal task, it also devoted the necessary attention to investment plans and progress, environmental issues, and public relations. With regard to investment progress, it was determined that investments, following a relatively conservative policy in 2009 and 2010, took on a trend, content, and scope that support the company's development plans. Investment activities are mainly oriented towards maintaining the company's operational capabilities, development projects, and projects relating to health and environmental protection. The Supervisory Board made the necessary inquiries, reviewed the expert groundwork and reasoning, and consequently confirmed the usefulness of creating environmental provisions in the amount of €12 million. These resources are intended for the reconstruction and partial renovation of a part of the barrier at the Za Travnik waste disposal site (€7 million) and the destruction of low-level radioactive waste (€5 million).

In 2011, our business results were record-breaking, substantially better than the results achieved in 2010. At the same time, they significantly exceeded the expectations of the 2011 business plan. As a result, we estimate that the recorded net profit in the amount of €25.5 million and the total sales revenues in the amount of €184.1 million are, considering the instable international economic conditions, outstanding achievements which far exceed current results and plans. The Supervisory Board also feels that the extreme increase in added value, the decrease in financial liabilities by €26.2 million, and the continuation of R&D activities are proper reflections of the set medium-term strategy of the company. The Supervisory Board supports the adopted corporate policy measures oriented towards increasing business performance, reducing risks and uncertainties, and ensuring the stable and safe financial condition of the company. These measures also include the sustainable development strategy in environmental and employee health protection.

The Supervisory Board feels that this Annual Report, which includes the necessary financial statements, disclosures, explanations, and the business report, includes all of the main information and indicators as well as suitable clarifications concerning particular events and facts. Therefore, the Supervisory Board confirms the 2011 Annual Report and the proposal for the appropriation of distributable profit, which reasonably reflects economic conditions and the company's corporate policy, in accordance with Article 282 of the Slovenian Companies Act (ZGD-1).

The Supervisory Board also reviewed the independent auditor's report received by the company on 22 March 2012, and feels that it is a suitable representation of the statutory audit of financial statements and clarifications, and accepts the auditor's opinion that the Business Report is in accordance with the audited financial statements. By doing so, the requirement for a true and fair representation of the information concerning the company's assets and finances in the period in question is fulfilled.

The report of the Supervisory Board's Audit Committee concerning the work done in 2011 and the verification of the 2011 Annual Report of Cinkarna Celje d.d.

The Audit Committee, appointed by the Supervisory Board of Cinkarna Celje d.d. at its sessions on 24 Aug 2010 and 17 Nov 2010, the members of which are Jožica Tominc (Chairwoman), Vida Lebar (independent external expert), and Barbara Gorjup (member), convened at five sessions in 2011, and discussed the 2011 Annual Report at its sessions on 6 March 2012 and 27 March 2012.

The Audit Committee activities in 2012:

- It discussed the operations data of all Cinkarna Celje d.d. business units for 2009 and for a 9-month period in 2010. The Audit Committee also discussed the annual and year-on-year operations data of the affiliated company Cinkarna Kvarc d.o.o. Tuzla;
- It discussed the year-on-year operations data of Cinkarna Celje d.d. and the non-audited operations data of Cinkarna Celje d.d. in 2010. Committee members requested special clarifications concerning the fate of business units operating with loss, the creation of provisions for the environment, and all major changes in balance sheet items;
- It interviewed the auditor concerning the progress of the final part of the 2010 audit as well as the pre-audit procedures for 2011. Interviews concerning these procedures in connection with the final part of the 2011 audit were conducted by the Audit Committee in 2012;
- It reviewed the Cinkarna Celje d.d. 2010 Annual Report including the auditor's opinion, and recommended that the Supervisory Board adopt the 2010 Annual Report;
- On the basis of the offer to perform the 2011 audit, it advised the Supervisory Board to recommend the audit firm KPMG Slovenija, podjetje za revidiranje, d.o.o. Ljubljana to the Annual General Meeting to audit the company's operations in 2011, and it also commented on the draft of the Audit Agreement;
- It reviewed the established internal control system and the report concerning the internal controls performed in 2010
- It reviewed Cinkarna Celje d.d.'s risk management
- It commented on the new Rules On Accounting and Finances.

The draft of the audited Cinkarna Celje d.d. 2011 Annual Report was discussed by the Audit Committee at its session on 6 March 2012. Because the work in progress was not evaluated entirely and, as a result, an incorrect business performance was recorded, the Audit Committee members received a corrected Cinkarna Celje d.d. 2011 Annual Report on 20 March 2012 and discussed it at its session on 27 March 2012.

The Cinkarna Celje d.d. 2011 Annual Report submitted was carefully reviewed by the Audit Committee and it was determined that the 2011 Annual Report was composed in a timely manner and in accordance with the provisions of the Slovenian Companies Act and the Slovenian Accounting Standards.

The Cinkarna Celje d.d. 2011 Annual Report includes a condensed representation of operations in the past three fiscal years. The analysis of results and operations in 2011 shows a detailed overview of the company's assets and profit or loss because it includes all of the necessary clarifications concerning sales revenues, expenses and costs, assets and resources, and operating risks and their management. The company's development is based on its employees, investments, development activities, and quality assurance. Its social responsibility manifests itself through responsible and legal environmental management, ensuring the health and safety of its employees, and working on and supporting social projects and activities oriented mainly towards the development and progress of children and youth, which is also presented in the Annual Report.

Cinkarna Celje d.d.'s 2011 financial statements were audited by the audit firm KPMG Slovenija, podjetje za revidiranje, d.o.o. Ljubljana, and were confirmed by the company's Annual General Meeting at its fourteenth regular session on 6 June 2011. On 22 March 2012, the auditor issued his positive opinion concerning the company's 2011 financial statements and also confirmed that the information contained in the financial report is in accordance with the attached financial statements.

On the basis of the positive opinion in the auditor's report, the clarifications of the auditor and expert services, and the data and disclosures in the Cinkarna Celje d.d. 2011 Annual Report of, the Audit Committee deems that the Annual Report has been composed in accordance with the requirements of the Slovenian Companies Act (ZGD-1) and that all of the significant aspects of the financial statements are a fair representation of the financial condition of Cinkarna Celje d.d. as of 31 Dec 2011 and its profit or loss and cash flows for 2011.

The Audit Committee does not have any objections concerning the Cinkarna Celje d.d. 2011 Annual Report that would in any way keep it from recommending it to the Supervisory Board that it reach a decision in accordance with Article 282 of ZGD-1 concerning the confirmation of the Cinkarna Celje d.d. 2011 Annual Report.
The Audit Committee also does not have any objections concerning the Board of Directors proposal regarding the use of the 2011 distributable profit, and thus recommends that the Supervisory Board, together with the Board of Directors, propose at the Annual General Meeting that it should adopt a decision by means of which the distributable profit of Cinkarna Celje d.d. in the amount of €13,657,038.00 be used as follows: €6,004,205.00 for dividends and the remaining profit in the amount of €7,652,833.00 carried forward.

Celje, 27 March 2012

SB Chairwoman
mag. Mateja VIDNAR

Vidnar

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 optical 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. We've recently added a new, ultra fine titanium dioxide product line, developed for technologically demanding UV-absorbers and photo-catalysts applications.

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, also compatible with "Computer to Plate" systems.

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,
- 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,
- sulphuric acid, and
- red and white gypsum.

SUMMARY OF FINANCIAL REVIEW

Statements

Balance Sheet

in €

		31/12/2011	31/12/2010	Index 11/10
	ASSETS	**197.957.048**	**188.349.621**	**105**
A.	**Fixed assets**	**128.454.476**	**130.174.725**	**99**
I.	Intangible assets and long-term deferred expenses and accrued revenues	3.460.071	3.558.723	97
	1. Long-term property rights	2.957.057	3.053.892	97
	4. Long-term deferred development costs	278.966	195.138	143
	5. Other long-term deferred expenses and accrued revenues	224.048	309.693	72
II.	Tangible fixed assets	118.082.556	120.357.369	98
	1a. Land	8.618.818	8.618.818	100
	1b. Buildings	46.955.414	48.172.189	97
	2. Manufacturing plant and equipment	58.339.532	61.202.762	95
	3. Other devices and equipment	39.066	40.796	96
	4a. Tangible fixed assets in construction or manufacturing	3.112.528	1.899.148	164
	4b. Advances for tangible fixed assets	1.017.198	423.656	240
IV.	Long-term financial investments	3.722.032	4.595.124	81
	1c. Other shares and interests	3.714.107	4.571.081	81
	2b. Long-term loans to other entities	7.925	24.043	33
V.	Long-term operating receivables due from customers	336.389	0	-
	2. Long-term operating receivables due from customers	336.389	0	-
VI.	Deferred tax receivables	2.853.428	1.663.509	172
B.	**Current assets**	**69.330.999**	**57.698.201**	**120**
II.	Inventories	31.041.782	21.084.028	147
	1. Material	13.901.588	10.838.992	128
	2. Work in progress	3.339.310	2.864.862	117
	3. Products and articles of commerce	13.473.431	5.967.822	226
	4. Advances for inventories	327.453	1.412.352	23
III.	Short-term financial investments	15.315	23.349	66
	2b. Short-term loans to other entities	15.315	23.349	66
IV.	Short-term operating receivables	28.823.500	30.298.672	95
	2. Short-term operating receivables due from customers	25.236.382	28.773.264	88
	3. Short-term operating receivables due from other entities	3.587.118	1.525.408	235
V.	Monetary assets	9.450.402	6.292.152	150
C.	**Short-term deferred expenses and accrued revenues**	**171.573**	**476.695**	**36**

in €

		31/12/2011	31/12/2010	Index 11/10
	LIABILITIES	**197.957.048**	**188.349.621**	**105**
A.	**Equity**	**127.512.332**	**106.881.948**	**119**
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	48.822.882	36.073.725	134
	1. Legal reserves	16.931.435	16.931.435	100
	2. Reserves for own shares	238.926	238.926	100
	3. Own shares	-238.926	-238.926	100
	5. Other revenue reserves	31.891.447	19.142.290	167
IV.	Surplus from revaluation	351.192	1.684.846	21
V.	Net profit from previous years	907.882	0	-
VI.	Net operating profit or loss in the financial year	12.749.156	4.442.157	287
B.	**Provisions and long-term accrued expenses and deferred revenues**	**29.016.638**	**16.906.893**	**172**
	1. Provisions for pensions and similar obligations	3.605.255	3.361.657	107
	2. Other provisions	24.311.060	12.809.678	190
	3. Long-term accrued expenses and deferred revenues	1.100.323	735.558	150
C.	**Long-term liabilities**	**3.835.362**	**11.204.529**	**34**
I.	Long-term financial liabilities	3.763.636	10.795.453	35
	2. Long-term financial liabilities to banks	3.763.636	10.795.453	35
II.	Long-term operating liabilities	0	0	-
	5. Other long-term operating liabilities	0	0	-
III.	Deferred tax liabilities	71.726	409.076	18
Č.	**Short-term liabilities**	**36.585.654**	**52.553.431**	**70**
II.	Short-term financial liabilities	17.374.251	36.510.283	48
	2. Short-term financial liabilities to banks	17.281.818	36.375.040	48
	4. Other short-term financial liabilities	92.433	135.243	68
III.	Short-term operating liabilities	19.211.403	16.043.148	120
	2. Short-term operating liabilities to suppliers	11.407.669	10.390.701	110
	4 . Short-term operating liabilities based on advances	20.810	46.976	44
	5. Other short-term operating liabilities	7.782.924	5.605.471	139
D.	**Short-term accrued expenses and deferred revenues**	**1.007.062**	**802.820**	**125**

Profit and loss account

in €

		2011	2010	Index 11/10
1.	**Net sales revenues**	**184.067.759**	**153.392.068**	**120**
	- net sales revenues in domestic market	24.217.333	21.268.258	114
	- net sales revenues in foreign market	159.850.426	132.123.810	121
2.	**Change in value of inventories of finished goods and work in progress**	**8.003.875**	**-1.962.112**	**-**
3.	**Capitalised own products and services**	**2.425.599**	**2.602.591**	**93**
4.	**Other operating revenues (including revalued operating revenues)**	**953.556**	**1.055.437**	**90**
5.	**Costs of goods, materials and services**	**117.627.789**	**99.118.365**	**119**
	a) Acquisition cost of merchandise and materials sold, and cost of materials used	94.607.994	85.285.830	111
	b) Costs of services	23.019.795	13.832.535	166
6.	**Labour costs**	**30.461.493**	**28.448.143**	**107**
	a) Salaries and wages	21.400.938	20.964.152	102
	b) Social security costs	1.761.258	1.614.644	109
	c) Pension insurance costs	2.486.001	2.316.683	107
	č) Other labour costs	4.813.296	3.552.664	135
7.	**Write-offs**	**13.194.877**	**12.311.260**	**107**
	a) Amortisation	12.307.093	11.983.886	103
	b) Operating expenses from revaluation of intangible and tangible fixed assets	148.208	22.540	658
	c) Operating expenses from revaluation of current assets	739.576	304.834	243
8.	**Other operating expenses**	**1.335.286**	**1.468.463**	**91**
	Operating profit or loss	**32.831.344**	**13.741.753**	**239**
9.	**Financial revenues from participating interests**	**37.671**	**60.376**	**62**
	č) Financial revenues from other investments	37.671	60.376	62
10.	**Financial revenues from granted loans**	**256.780**	**132.815**	**193**
	b) Financial revenues from loans granted to other entities	256.780	132.815	193
11.	**Financial revenues from operating receivables**	**734.476**	**548.438**	**134**
	b) Financial revenues from operating receivables due from other entities	734.476	548.438	134
12.	**Financial expenses from impairment and write-offs in financial investments**	**257**	**1.208.624**	**0**
13.	**Financial expenses from financial liabilities**	**1.451.125**	**2.326.566**	**62**
	b) Financial expenses from borrowings obtained from banks	1.451.125	2.326.566	62
14.	**Financial expenses from operating liabilities**	**784.221**	**311.857**	**251**
	b) Financial expenses from operating liabilities to suppliers and bills-of-exchange liabilities	491.319	31.846	1543
	č) Financial expenses from other operating liabilities	292.902	280.011	105
15.	**Other revenues**	**14.209**	**240.499**	**6**
16.	**Other expenses**	**7.169**	**22.407**	**32**
	Profit or loss before tax	**31.631.708**	**10.854.427**	**291**
17.	**Income tax**	**7.327.251**	**2.478.758**	**296**
18.	**Deferred taxes**	**1.193.856**	**508.645**	**235**
19.	**Net profit or loss in the accounting period**	**25.498.313**	**8.884.314**	**287**

Cash flow statement

in €

		2011	2010	Ind. 11/10
A.	**Cash flows from operating activities**			
a)	**Net profit or loss**	**25.498.313**	**8.884.314**	**287**
	Profit or loss before tax	31.631.708	10.854.427	291
	Income tax and other taxes not included in business events	6.133.395	1.970.113	311
b)	**Adjustments for**	**13.595.275**	**15.301.168**	**89**
	Amortisation +	12.307.093	11.983.886	103
	Operating revenues from revaluation -	16.957	47.257	36
	Operating expenses from revaluation +	148.208	22.540	658
	Financial revenues, excluding financial revenues from operating receivables	294.451	193.191	152
	Financial expenses, excluding financial expenses from operating liabilities	1.451.382	3.535.190	41
c)	**Changes of net current assets (and accruals, deferrals, provisions, deferred receivables and tax liabilities) of balance sheet items**	**4 .944.762**	**7.230.749**	68
	Opening minus closing operating receivables	309.007	-1.300.086	-
	Opening minus closing deferred expenses and accrued revenues	305.122	757.601	40
	Opening minus closing deferred tax receivables	-1.193.855	-401.724	297
	Opening minus closing inventories	-9.957.754	-137.721	7230
	Closing minus opening operating debts	3.168.255	3.197.024	99
	Closing minus opening accrued expenses and deferred revenues, and provisions	12.313.987	5.161.846	239
	Opening minus closing deferred tax payables	0	-46.191	-
č)	**Net operating inflows or net operating outflows (a+b+c)**	**44.038.350**	**31.416.231**	**140**
B.	**Cash flows from investing activities**			
a)	**Inflows from investing activities**	**335.560**	**271.838**	**123**
	Revenue from received interest and shares in the profit of others arising from investing activities	294.451	193.191	152
	Revenue from disposal of tangible fixed assets	16.957	47.257	36
	Revenue from disposal of long-term financial investments	16.118	28.157	57
	Revenue from disposal of short-term financial investments	8.034	3.233	248
b)	**Outflows from investing activities**	**10.082.093**	**8.707.906**	**116**
	Expenses for acquisition of intangible assets	174.130	1.355.701	13
	Expenses for acquisition of tangible fixed assets	9.907.706	6.143.581	161
	Expenses for acquisition of long-term financial investments	257	0	-
	Expenses for acquisition of short-term financial investments	0	1.208.624	-
c)	**Net investment inflows or net investment outflows (a-b) or (b-a)**	**-9.746.533**	**-8.436.068**	**116**
C.	**Cash flows from financing activities**			
b)	**Outflows from financing activities**	**31.133.567**	**20.805.997**	**150**
	Expenses for interest arising from financing activities	1.451.125	2.326.566	62
	Expenses for repayment of capital	19.116.350	11.088.794	172
	Expenses for repayment of long-term financial liabilities	7.031.817	6.375.041	110
	Expenses for dividend payment and other shares in profit	3.534.275	1.015.596	348
c)	**Net financing inflows or net financing outflows (a-b) or (b-a)**	**-31.133.567**	**-20.805.997**	**150**
Č.	**CLOSING BALANCE OF CASH AND CASH EQUIVALENTS**	**9.450.402**	**6.292.152**	**150**
x)	**Net cash flow for the period (net sum of Ač, Bc and Cc)**	**3.158.250**	**2.174.166**	**145**
y)	**Opening balance of cash and cash equivalents**	**6.292.152**	**4.117.986**	**153**

Statement of changes in equity and declaration of accumulated profit

in €

Statement of changes in equity in 2010	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	VI/1	VII
A. 01 / 01 / 2010	**20.396.244**	**44.284.976**	**16.931.435**	**238.926**	**-238.926**	**14.700.069**	**1.435.181**	**1.015.660**	**98.763.565**
B1. Transactions with owners recorded in equity								**1.015.596**	**1.015.596**
g) Disbursement of dividends								1.015.596	1.015.596
B2. Comprehensive income for the period							**249.665**	**8.884.314**	**9.133.979**
a) Net profit (loss) for the period								8.884.314	8.884.314
č) Surplus from revaluation of financial assets available for sale							249.665		249.665
B3. Transfer within equity						**4.442.221**		**-4.442.221**	**0**
b) Allocation of net profit following the resolution of the Management and Supervisory Board						4.442.221		-4.442.221	0
C. 31 / 12 / 2010	20.396.244	44.284.976	16.931.435	238.926	-238.926	19.142.290	1.684.846	4.442.157	106.881.948
ACCUMULATED PROFIT						-4.442.157		**8.884.314**	**4.442.157**

in €

Statement of changes in equity in 2011	Share capital	Capital surplus	Legal reserves	Reserves for own shares	Own shares	Other revenue reserves	Surplus from revaluation	Net profit from previous years	Net profit from the business year	Equity total
	I/1	II	III/1	III/2	III/3	III/5	IV	V	VI/1	VII
A. 01 / 01 / 2011	**20.396.244**	**44.284.976**	**16.931.435**	**238.926**	**-238.926**	**19.142.290**	**1.684.846**	**4.442.157**	**0**	**106.881.948**
B1. Transactions with owners recorded in equity								**3.534.275**		**3.534.275**
g) Disbursement of dividends								3.534.275		3.534.275
B2. Comprehensive income for the period							**-1.333.654**		**25.498.313**	**24.164.659**
a) Net profit (loss) for the period									25.498.313	25.498.313
č) Surplus from revaluation of financial assets available for sale							-1.333.654			-1.333.654
B3. Transfer within equity						**12.749.157**			**-12.749.157**	**0**
b) Allocation of net profit following the resolution of the Management and Supervisory Board						12.749.157			-12.749.157	0
C. 31 / 12 / 2011	**20.396.244**	**44.284.976**	**16.931.435**	**238.926**	**-238.926**	**31.891.447**	**351.192**	**907.882**	**12.749.156**	**127.512.332**
ACCUMULATED PROFIT						**-12.749.157**		**907.882**	**25.498.313**	**13.657.038**

Summary Business Review since 2001

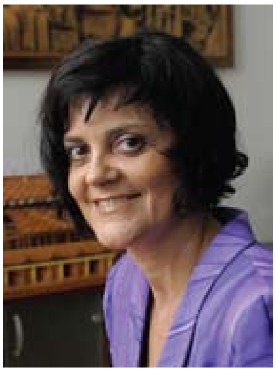
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
SALES											
Domestic market	19.721,73	21.048,99	21.779,35	24.057,21	23.876,75	26.998,17	26.639,33	23.621,65	20.032,10	21.268,26	24. 217,33
Foreign market	83.868,66	77.482,86	76.685,73	77.675,31	93.740,50	123.732,47	130.097,06	107.945,90	109.544,17	132.123,81	159.850,43
Sales	103.590,38	98.531,85	98.427,05	101.732,51	117.617,24	150.730,64	156.736,39	131.567.55	129.576,27	153.392,07	184.067,76
PROFIT OR LOSS											
Operating profit or loss	4.363,06	3.460,89	4.585,12	5.043,05	4.917,67	10.754,01	11.029,10	4.551,92	4.649,91	13.741,75	32.831,34
Profit or loss before tax	2.150,72	1.265,47	1.582,86	2.622,16	2.768,07	6.878,69	7.533,52	931,55	1.041,82	10.854,43	31.631,71
Taxes	357,23	/	/	/	295,66	1.290,06	1.451,93	131,76	26,16	1.970,11	6.133,40
Net profit or loss	1.793,50	1.265,47	1.582,86	2.622,16	2.472,41	5.588,64	6.081,58	799,79	1.015,66	8.884,31	25.498,31
LIABILITIES and ASSETS											
Equity	101.056,25	96.606,94	93.789,78	93.460,63	93.883,90	94.849,27	100.339,52	97.715,61	98.763,56	106.881,95	127.512,33
Financial debt	20.609,12	35.645,75	42.643,72	66.297,79	80.535,91	85.675,81	84.236,65	86.345.47	65.243,45	47.305,74	21.137,89
Financial debt ratio	14%	24%	27%	37%	41%	42%	40%	42%	34%	25%	11%
Assets	146.795,86	151.382,51	157.189,31	180.126,85	196.757,65	206.317,43	209.812,69	207.364,17	189.856,27	188.349,62	197.957,05
Net working capital (NWC)	30.123,99	21.255,65	8.756,49	4.823,22	-50,83	2.111,05	-2.476,55	-13.228,47	-6.744,25	5.144,77	32.745,35
PER SHARE											
Dividends:											
- gross	2,35	2,18	2,12	2,09	2,51	2,72	2,92	3,22	/	1,25	4,35
- net	1,77	1,63	1,59	1,57	1,83	2,04	2,19	2,42	/	1,00	3,48
Net profit or loss	2,20	1,56	1,95	3,22	3,04	6,86	7,47	0,98	1,25	10,91	31,30
Equity	124,1	118,6	115,1	114,7	115,3	116,4	123,2	120,0	121,2	131,20	156,53
Market value (31.12.)	64,4	117,9	115,4	112,5	103,0	112,7	143,2	72,0	49,4	58,16	84,50
Shares	814.626	814.626	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	812.477	812.477	812.477	812.477	812.477
Employees	1.276	1.254	1.217	1.185	1.166	1.144	1.131	1.113	1.079	1.053	1063
Shareholders	2.735	2.429	2.277	2.155	2.101	1.952	1.846	1.770	1.735	1.696	1603
ACTIVITY RATIOS											
Liquidity ratio	2,30	1,71	1,22	1,09	1,00	1,03	0,96	0,83	0,89	1,10	1,90
Quick ratio	0,98	0,91	0,60	0,59	0,53	0,56	0,47	0,41	0,55	0,70	1,05
Inventory turnover ratio	15,1	12,1	13,8	12,3	12,8	13,9	12,8	9,9	11,70	21,70	18,90
Days' sales in receivables	60 days	61 days	64 days	60 days	60 days	56 days	58 days	68 days	69 days	65 days	53 days
Days payables	33 days	31 days	25 days	29 days	28 days	25 days	25 days	29 days	37 days	39 days	37 days
Long-term assets turnover ratio	1,21	1,04	0,96	0,87	0,90	1,10	1,12	0,92	0,94	1,16	1,42
Total assets turnover ratio	0,74	0,67	0,65	0,61	0,62	0,75	0,75	0,63	0,65	0,81	0,95
Operating efficiency ratio	1,04	1,04	1,05	1,05	1,04	1,07	1,07	1,03	1,04	1,10	1,20
Revenue profitability rate	3,7 %	3,4 %	4,3 %	4,6 %	3,9 %	6,7 %	6,8 %	3,3 %	3,6 %	8,9 %	16,8%
Total net revenue profitability rate	1,5 %	1,2 %	1,5 %	2,3 %	2,0 %	3,5 %	3,7 %	0,6 %	0,8 %	5,7 %	13,0%
Sh. of net profit or loss from sales	1,7 %	1,3 %	1,6 %	2,6 %	2,1 %	3,7 %	3,9 %	0,6 %	0,8 %	5,8 %	13,9%
Return on Investment (ROI)	2,3 %	2,0 %	2,1 %	2,8 %	2,7 %	5,2 %	4,9 %	2,8 %	2,6 %	7,0 %	17,1%
Return on Assets (ROA)	1,3 %	0,9 %	1,0 %	1,6 %	1,3 %	2,8 %	2,9 %	0,4 %	0,5 %	4,7 %	13,2%
Return on Equity (ROE)	1,8 %	1,3 %	1,7 %	2,8 %	2,7 %	6,4 %	6,7 %	0,8 %	1,0 %	9,1 %	25,5%

All values are in thousands of €, except:

- per share, and
- activity ratio values.

Dividends are actual disbursments within the nominated calender year, but are attributable to the previous year.

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



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

Finance, accounting & IT
mag. Jurij VENGUST

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.

Finance, accounting & IT
mag. Jurij VENGUST

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

President
mag. Mateja VIDNAR

Deputy President
dr. Milan MEDVED

Member
Jožica TOMINC, ekon.

Member
mag. Barbara GORJUP

Member
Marin ŽAGAR

Member
Dušan MESTINŠEK, dipl.inž.el.

Supervisory Board

President
mag. Mateja VIDNAR

Deputy President
dr. Milan MEDVED

Members
Jožica TOMINC, ekon.
mag. Barbara GORJUP
Marin ŽAGAR
Dušan MESTINŠEK, dipl.inž.el.

Auditing committee
Jožica TOMINC, ekon. (president)
Vida LEBAR, univ.dipl.ekon. (independent expert)
mag. Barbara GORJUP

Basic Company Information

Company:	Cinkarna, Metalurško kemična industrija Celje, d.d.
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Production unit:	Kemija Mozirje
	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
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	Republika Srbija
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Major business events following the end of the business year & statement of the Management Board

During the period from 31st December 2011 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.

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 2011.

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

Appendix:

PROPOSAL FOR THE USE OF THE ACCUMULATED PROFIT FROM 2011

	in €
Accumulated profit	13.657.038
- dividends	6.004.205
- retained earnings	7.652.833