CINKARNA

Summary of the

ANNUAL REPORT

for the year 2010

Celje, may 2011

Explanatory note

The Summary of the Annual Report for the year 2010, in the English language, is a direct translation of the Summary Annual Report for the year 2010, which was originally drawn up in the Slovenian language. The Annual Report for the year 2010 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 18th March 2011. The following translation of the Summary Annual Report for the year 2010 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 2010.

Celje, May 2011

Contents

Company profile

With its 139-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 1053 people and generates about EUR 153 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.

Introduction by the President of the Management Board

Fiscal year 2010 was highly successful for Cinkarna, even record-breaking. Without a doubt, in terms of business performance it was the best year in recent decades. Proactive business policy during the severe recession in 2009, aimed at increasing the market shares and focused on cash flow, yielded a steep rise in sales, rock-solid finances, and excellent results as the crisis began to thaw in 2010.
Both total sales, and operating profit and net income notably exceed the 2009 figures; moreover, the bold goals laid down in the 2010 Business plan were surpassed by far in all aspects.

The key sources of such superb performance were the increase in sales revenues resulting from a hike in the prices of core products, and successful management of input raw material and energy prices. The foundation for successful increase in average sales prices was the highly favourable market position consolidated by the beefed up market shares in the most lucrative downstream markets. Effective management of raw material prices, or containment of their escalation at acceptable levels, is a result of consistent implementation of policy of signing long-term sourcing and procurement contracts for key raw materials and energy. More specifically, this means that in core programs, sales by volume were constrained by available production capacities; downstream prices were rising due to a lack of supply in the markets; and before a new investment cycle and a series of environmental investments and obligations, we resumed the process of debt reduction.
In the context of environmental issues, it should be added that on October 28th 2010, the Environmental Agency of the Republic of Slovenia, Ministry of the Environment and Spatial Planning, issued an environmental permit and thus confirmed the environmental and legal compliance of operations of all Cinkarna's production programs.
Cinkarna is a healthy and financially stable company. Nevertheless, we remain cautious and attentive, focusing our business policy measures on management of risks related to poor liquidity of our customers in Slovenia and the Balkans, harsh crisis in the Slovenian construction industry, persistent problems of Slovenian financial sector, and the mounting fiscal burden imposed on the companies, related thereto.
Pursuant to the principles of accounting prudence and the provisions of Accounting Standards 10 and 3, the Annual report includes recognition of environmental provisions allocated for the termination and restoration of the Bukovžlak landfill, in the amount of EUR 5 million; and impairment of trade receivables in the amount of EUR 1.46 (of which EUR 1.2 million is reported in the financial statements as impairment of financial investment).

Regarding the international business environment, it can be stated that 2010 was, to a certain extent, a post-recession year; this involved some continuing instability. Combined with the exposure of the financial sector, such conditions carried on the uncertainty and support the fear from a recurrence of a slump in the global economy, or from a change in trajectory towards the second trough of the business cycle. Quarterly real GDP growth rates in 2010 actually bounced from red figures to positive in most major global economies; however, they are steel rather feeble and the growth is structurally unstable. Thus, ECB and UMAR outlooks anticipate a slight drop in the pace of growth. According to the forecasts, real GDP in the eurozone is expected to growth between 1.6 and 1.8 percent in 2010. Gradual recovery of the global economy will continue in 2011, albeit with somewhat lower growth rates. This means that the anticipated real GDP growth rates for 2011 are, on average, somewhat lower than 2010 figures. Also worrying is the fact that the activity of the European construction industry remains at historically low levels.

International market for titanium dioxide pigment was in a state of confusion in 2010. Steep rise in demand in early in the year, with limited local production capacity and inventories resulted in a severe supply deficit. This deficit is the largest by far in Europe an in the Middle East. In addition, the absence of supply from the Ashtabula, Ohio plant in late September aggravated the conditions in the USA as well. Paired with appreciation of dollar (for the most part of 2010) and resulting decrease of imports from the USA, lower output in Europe due to the shutdown of some unviable plants, stocking up at both the consumers and the suppliers, and a several-month shutdown of the Europe's largest pigment factory due to a terrible accident, this have rise to severe conditions in the pigment markets. In our estimate, both global consumption and production of pigment rose by good 10 percent over 2009, exceeding 5.1 tons annually. Total global nominal production capacity is estimated at 5.7 million tons, which means that currently, usage is at 90 percent. Hence, the point of market deficit was reached and the sales prices rose. Global supplies of pigment as at the end of December 2010 can be estimated at approximately 0.6 million tons, which suffices for about 40 days of normal production. Escalating demand and relatively low inventories resulted in mounting pressure on the sales prices which soared by 20 to 25% in 2010. It is clear that non-recurring and short-term effects on the market imbalance, like stocking up, plant shutdowns, and nervous reaction by the customers, will fade out. However, this will not change the fact that global production capacity is inadequate. Such lack of global capacity is a consequence of a decade of very low downstream prices and the resulting absence of incentive for new investments. In the recent decades, sales prices were always notably below the point of economic justifiability of investment into new capacity. This structural inconsistency may, given the high capital intensity and a temporal lag in investment, persist for a while. Regardless of that, it remains an indisputable fact that after years of relatively low amplitudes of market oscillation, there was an extraordinarily strong swing which, at least because of the hazards on the consumption side, also includes a danger of a breakdown. At the same time, the second stage of a transfer of returns along the value chain has clearly stepped in as the favourable upstream prices of raw materials, negotiated in the past, are very likely to rise drastically after the expiry of the currently valid contracts. Without abandoning any caution, it remains an undeniable fact that Cinkarna is currently attaining record-breaking prices of pigment, that output capacity is fully sold out, and that inventories suffice for just under 13 days of regular production.

The two key factors of successful performance of the titanium zinc sheet metal and zinc wire program are the changes in the market price of zinc and the activity of construction sector in Northern Europe. Conditions in sales of this program were somewhat less favourable than in the year before, but still solid. Higher prices of zinc pushed sales by value up by 17%; however, sales by volume dropped by 4%. Lower sales volume for titanium zinc sheet metal are a result of an extraordinarily harsh and long winter in Northern Europe, and flooding storms that hit Poland, Czech Republic, and Eastern Germany in the second quarter. Since may, our capacity was fully utilized due to high substitution demand. Relatively to 2009, results at this program are slightly worse. It should also be added that the performance of the program in the second half of the year, following the inflection of the price curve for zinc and its subsequent growth, saw a positive trend.

Other production/sales programs in 2010 performed much better in 2010 than in 2009. The program of coatings and lacquers should be singled out with a 47-percent growth. Construction program and graphic preparations were the only two programs whose performance was below the 2009 figures. With the former, this was a result of focus and dependence of the construction industry where the situation is very bleak; with the latter, the cause is the outdated key product, i.e. the offset printing plate. The project of upgrade to production equipment and development of a new CtP printing plate is already under way and yielding good results as we launched the new product in the second half of the year.

In 2010, Cinkarna Celje, d.d., **revenues from sales amounted to EUR 153 million**, which is 18 percent more than in 2009. As the international economic climate warmed up, along with hither prices of pigment and zinc and high pigment sales volume, we notably surpassed our sales plans.

Net income reached **EUR 8.9 million**. Net income exceeds the figure for the year before by 775 percent. As already noted, this is a record-breaking profit for Cinkarna.

Total value of exports in 2010 amounts to **EUR 132 million** which is 21% more than in 2009. The majority of exports were bound for Germany (37%), Italy (13%), Turkey (8%), France (7%), countries of former Yugoslavia (6%), Netherlands (5%), Austria (4%), Switzerland (2%), and Hungary (2%). The rest of international sales were made in other European markets and in the USA, Eastern Europe, Middle East, and North Africa.

In the period from the last trading day in 2009 to the last trading day in 2010, the price per Cinkarna Celje, d.d., share as traded at the entry market of the Ljubljana Stock Exchange rose from EUR 49.40 per share to EUR 58.16 per share, or by 18%. In 2010, the company paid out EUR 1 million of dividend, or a gross amount of EUR 1.25 per share.

Investment activities in 2010 were in progress as planned. Due to ameliorated economic climate, investments were higher than in the recession year of 2009. CAPEX amounted to EUR 7.5 million (of which EUR 2.6 million were own products and services), which is 76% more than in 2009. Investment dynamics still reflects persistently restrictive or conservative management of available cash and cash equivalents; it should be noted, however, that investment into environmental management and occupational health and safety has remained untouched.

Total financial debt of the company as at December 31st 2010 amounted to EUR 47.3 million (or 25.1% of all liabilities), which is just under EUR 18 million (or 9.2 percentage points) less than as at the end of 2009. Thus, we are pursuing the strategic goal of bringing the share of financial debt in total liabilities to 15%. This goal was defined based on a sensitivity analysis of results, considering the stage of the business cycle and the analysis of a time series of relevant industry data. Financial and business liabilities to creditors, suppliers, and the government were settled regularly and consistently with our financial plans. Company liquidity and solvency were within optimum and planned level throughout the year.

In terms of development, we continued to pursue the company strategy as we carried on intensive activities particularly in high-technology ultra-fine titanium dioxide that is of high importance given its type due to UV absorption and photo-catalytic properties. Development strategy is laid out in a polycentric fashion. Thus, other applications are also developed in parallel to the development of the core product.

The company implemented the Integrated Management System which provide compliance of our operations with the quality standards (ISO 9001), environmental management standards (ISO 14001), occupational health and safety standards (BS OHSAS 18001), and the EMAS regulation at our Mozirje unit. Auditors commended the strong commitment on the part of the management, a unique and transparent system, the way in which it was implemented in practice, and the inclusion of a large number of employees into the entire management system.

We were also focused on providing social security, safety at work, improvement of working conditions, development of potential, end education and training of our employees. The measures of motivation-oriented payroll and reward system allowed us to reach the business goals with satisfactory level of employee satisfaction, thus maintaining a suitable level of social cohesion at the company.

The business report that follows provides detailed information on the operations, including comparisons and analyses. It includes information that are relevant for a fair and objective account of operations in the past year. Financial position and financial operations in 2010 are reported by the financial statements herein, the balances, and the pertaining notes and explanations.

Business Plan 2011

Business plans for 2011 were compiled based on the forecasts of global macroeconomic conditions, anticipated GDP growth rates in economically most relevant countries, and industry analyses and anticipations. Upon the transition to 2011, we expect with moderate optimism the positive trends to continue, the global economy to warm up, and favourable market conditions in relevant industry markets to persist. Our sales revenues in 2011 are planned at EUR 146 million. The plan is somewhat lower as a result of the principle of prudence in planning the actual production volume. The market is not expected to present any constraints for the majority of our output. Net income for 2011 is planned in the amount of EUR 7.7 million, which is lower than 2010 for reasons stated above. Consistently with the investment plan, CAPEX in 2011 shall amount to EUR 7 million. The Business Plan is an estimate of future conditions of operations and performance thereof, based on currently available set of key pieces of information. Hence, it should be interpreted as a forecast which involves a certain degree of uncertainty.

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

Cinkarna Celje, d.d., Supervisory Board Report

In 2010, The Supervisory Board held seven regular sessions. The fifth session was a founding meeting as it implemented the Shareholders Assembly resolution on the appointment of two new SB members: Mrs. Barbara Gorjup and Mr. Milan Medved. Furthermore, two correspondence sessions were also held at which the independent Audit Committee member was appointed. The sessions were conducted with full attendance. The Supervisory Board carefully analyzed and discussed the submitted materials and presentations, within the authority laid down by the relevant legislation and the company Articles of Association. Questions and requests for additional information, analyses, and reports were raised to shed additional light on particular issues, making them clearer. We believe the Supervisory Board members performed their tasks with due diligence, in compliance with the legislation, integrity, and knowledge of each member, and thus responsibly protected the interests of the company and its shareholders.

In addition to supervision of the company's current operations, which is the Supervisory Board's core task, the Board pair due attention to the progress and plans for investment and the processes of confirmation of the relevant spatial plan and obtaining the environmental permit. With regard to investment, the Board found that in 2010, following the severe global economic crisis in 2009 (which, unfortunately, persists in Slovenian economy), investment dynamics is still relatively conservative. Investment activities are mostly focused on development and environmental and health-protection projects. Proceedings of confirming the Municipal detailed spatial plan are in progress in compliance with the relevant legislation and regulations. The Management Board is looking, within the framework of legislation, to speed up the process as much as possible. In late October, the company obtained the integrated environmental permit for its site in Celje. The Supervisory Board was informed about the proposal to recognize environment-related provisions in the amount of EUR 5 million for the restoration of the Bukovžlak landfill and confirmed the proposal as sensible.

Business performance in 2010 was record-breaking; they topped the 2009 figures by far and exceeded both the business plans the estimated adopted in December 2010. It is our estimate that the reported net profit of EUR 8.9 million and total sales of EUR 153.4 million are superior results, especially given the unstable international environment. The Supervisory Board furthermore believes that increased sales of key product, particularly titanium dioxide, paired with repayment of debt in the amount of EUR 17.9 million and faster pace of research and development activities are consistent with the pursuit of the company's medium term strategy. The SB supports the adopted measures of business policy aimed at improving the efficiency of operations, hedging and mitigation of risk and uncertainty, and provision of a stable and safe financial position for the company. This also includes the strategy of permanent progress in environmental management, in particular the said recognition of environmental management provisions and obtaining of integrated environmental permit.

The Supervisory Board believes this Annual Report complete with the mandatory financial statements, disclosures, and business report, includes all key information and indicators, as well as relevant notes and explanations regarding particular events and facts. Therefore, the Supervisory Board confirms the Annual Report for 2010 and the proposal on the allocation of distributable profit which reflects in a sensible manner the economic conditions and the business policy of the company pursuant to Article 282 of the Companies Act ZGD-1.

The Supervisory Board also examined the independent auditor's report which the company received on March 21st 2011. The SB believes the report represents the mandatory audit of the financial statements complete with notes and explanations, and confirms that the business report is consistent with the audited financial statements. Thus, the requirement for true and accurate representation of property and financial status of the company in the period at hand is has been fully met.

Audit Committee

The Audit Committee discussed the following issues:

- Report by the certified auditor KPMG Slovenija, podjetje za revidiranje (auditing company), d.o.o., Ljubljana, on the procedures and findings of the final audit for 2009.

- The Committee reviewed the 2009 Annual Report of the company Cinkarna, d.d., complete with the auditor's opinion, and prepared a report for the Supervisory Board. In the report, the Committee proposed that the Supervisory Board adopt the 2009 Annual Report.

- Based on the offer for providing auditing services in 2010, the Committee proposed to the Supervisory Board to propose to the Shareholders Assembly that the company KPMG Slovenija, podjetje za revidiranje (auditing company), d.o.o., Ljubljana, be selected as the company auditor for 2010.

At their sessions held on August 24th 2010 and November 17th 2010, the Supervisory Board of Cinkarna Celje, d.d., appointed new members of the Audit Committee. New Audit Committee members are: Mrs. Jožica Tominc, BA Econ. – Chairwoman; Mrs. Vida Lebar, BA Econ. – independent expert; and Mrs. Barbara Gorjup – member.

The newly constituted Audit Committee convened for the first time in January 2011. The Committee discussed the audited Annual Report of Cinkarna Celje, d.d., for 2010 at their 3rd session on March 25th 2011.
The Audit Committee duly reviewed the Annual Report of the company Cinkarna Celje, d.d., for 2010, as submitted by the Management Board. The Audit Committee finds that the 2010 Annual Report was compiled in a timely manner and in compliance with the provisions of the Companies Act and the Slovenian Accounting Standards.

Annual Report of the company Cinkarna Celje, d.d., for 2010 includes a condensed representation of the operations in the last three fiscal years. The analysis of the results and performance in 2010 allows detailed insight into the property and income of the company as it includes all necessary notes and explanations regarding sales, income, expenses, and costs, assets and liabilities, and risks in operations, including management thereof. Company development is based on the employees, investments, development activities, quality management and assurance, environmental management, and occupational health and safety, all of which is presented in the Annual Report.

Financial statements of the company Cinkarna Celje, d.d., for the fiscal year 2010 were audited by the auditing company KPMG Slovenia, podjetje za revidiranje (auditing company), d.o.o., Ljubljana, which was appointed as the company auditor by the Shareholders Assembly at the 13th regular session held on June 1st 2010. On March 18th 2011, the auditor issued an unqualified opinion on the financial statements of the company Cinkarna Celje, d.d., for the year 2010, confirming that the information in the Annual Report is consistent with the financial statements attached therewith.
Audit Committee duly reviewed the Auditor's Report which includes the auditor's unqualified opinion. Based on the information and disclosures from the Annual Report of Cinkarna Celje, d.d., for 2010, additional notes and explanations by expert services, auditor's explanations and independent report on the company financial statements, the Committee finds that the Annual Report complies in all relevant aspects with the requirements of the Companies Act (ZGD-1) and that the financial statements present a true and fair account of the property, liabilities, financial position, and income of the company in 2010.
The Audit Committee does not have any objections tot he Annual Report of the company Cinkarna Celje, d.d., for the year 2010, and therefore proposes to the Supervisory Board to adopt, pursuant to Article 282 of the Companies Act ZGD-1, the decision to confirm the Annual Report of the company Cinkarna Celje, d.d., for the year 2010.

Furthermore, the Audit Committee does not have any objections to the Management Board's proposal on the allocation of distributable profit for 2010 and proposes to the Supervisory Board that the Management Board and Supervisory Board, pursuant to Articles 230 and 282 of the Companies Act ZGD-1, to propose to the Shareholders Assembly to adopt the resolution to allocate the distributable profit of the company Cinkarna Celje, d.d., amounting to EUR 4,442,157, as follows: EUR 2,681,174.10 for dividend and EUR 1,760,982.90 to increase other reserves from profit.

President of the Supervisory Board
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. 2010	31. 12. 2009	Index 10/09
	ASSETS	**188.349.621**	**189.856.270**	**99**
A.	**Fixed assets**	**130.174.725**	**134.532.513**	**97**
I.	Intangible assets and long-term deferred expenses and accrued revenues	3.558.723	2.522.929	141
	1. Long-term property rights	3.053.892	2.236.424	137
	4. Long-term deferred development costs	195.138	58.857	332
	5. Other long-term deferred expenses and accrued revenues	309.693	227.648	136
II.	Tangible fixed assets	120.357.369	125.900.307	96
	1a. Land	8.618.818	8.618.818	100
	1b. Buildings	48.172.189	50.311.799	96
	2. Manufacturing plant and equipment	61.202.762	66.076.900	93
	3. Other devices and equipment	40.796	38.070	107
	4a. Tangible fixed assets in construction or manufacturing	1.899.148	842.498	225
	4b. Advances for tangible fixed assets	423.656	12.222	3466
IV.	Long-term financial investments	4.595.124	4.847.492	95
	1c. Other shares and interests	4.571.081	4.795.292	95
	2b. Long-term loans to other entities	24.043	52.200	46
VI.	Deferred tax receivables	1.663.509	1.261.785	132
B.	**Current assets**	**57.698.201**	**54.089.461**	**107**
II.	Inventories	21.084.028	20.946.307	101
	1. Material	10.838.992	9.652.825	112
	2. Work in progress	2.864.862	3.130.043	92
	3. Products and articles of commerce	5.967.822	8.142.996	73
	4. Advances for inventories	1.412.352	20.443	6909
III.	Short-term financial investments	23.349	26.582	88
	2b. Short-term loans to other entities	23.349	26.582	88
IV.	Short-term operating receivables	30.298.672	28.998.586	104
	2. Short-term operating receivables due from customers	28.773.264	26.490.154	109
	3. Short-term operating receivables due from other entities	1.525.408	2.508.432	61
V.	Monetary assets	6.292.152	4.117.986	153
C.	**Short-term deferred expenses and accrued revenues**	**476.695**	**1.234.296**	**39**
D.	**Off-balance-sheet record**	**77.329.447**	**82.566.565**	**94**

in €

		31. 12. 2010	31. 12. 2009	Index 10/09
	LIABILITIES	**188.349.621**	**189.856.270**	**99**
A.	**Equity**	**106.881.948**	**98.763.564**	**108**
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	36.073.725	31.631.503	114
	1. Legal reserves	16.931.435	16.931.435	100
	2. Reserves for own shares	238.926	238.296	100
	3. Own shares	-238.926	-238.926	100
	5. Other revenue reserves	19.142.290	14.700.068	130
IV.	Surplus from revaluation	1.684.846	1.435.181	117
VI.	Net operating profit or loss in the financial year	4.442.157	1.015.660	437
B.	**Provisions and long-term accrued expenses and deferred revenues**	**16.906.893**	**11.941.567**	**142**
	1. Provisions for pensions and similar obligations	3.361.657	3.023.895	111
	2. Other provisions	12.809.678	8.268.974	155
	3. Long-term accrued expenses and deferred revenues	735.558	648.698	113
C.	**Long-term liabilities**	**11.204.529**	**17.711.130**	**63**
I.	Long-term financial liabilities	10.795.453	17.170.494	63
	2. Long-term financial liabilities to banks	10.795.453	17.170.494	63
II.	Long-term operating liabilities	0	85.369	-
	5. Other long-term operating liabilities	0	85.369	-
III.	Deferred tax liabilities	409.076	455.267	90
Č.	**Short-term liabilities**	**52.553.431**	**60.833.709**	**86**
II.	Short-term financial liabilities	36.510.283	48.072.954	76
	2. Short-term financial liabilities to banks	36.375.040	47.368.333	77
	4. Other short-term financial liabilities	135.243	704.621	19
III.	Short-term operating liabilities	16.043.148	12.760.755	126
	2. Short-term operating liabilities to suppliers	10.390.701	9.998.441	104
	4 . Short-term operating liabilities based on advances	46.976	33.220	141
	5. Other short-term operating liabilities	5.605.471	2.729.094	205
D.	**Short-term accrued expenses and deferred revenues**	**802.820**	**606.300**	**132**
E.	**Off-balance-sheet record**	**77.329.447**	**82.566.565**	**94**

Profit and loss account

in €

		2010	2009	Index 10/09
1.	**Net sales revenues**	**153.392.068**	**129.576.268**	**118**
	- net sales revenues in domestic market	21.268.258	20.032.102	106
	- net sales revenues in foreign market	132.123.810	109.544.166	121
2.	**Change in value of inventories of finished goods and work in progress**	**-1.962.112**	**-4.945.450**	**40**
3.	**Capitalised own products and services**	**2.602.591**	**2.709.196**	**96**
4.	**Other operating revenues (including revalued operating revenues)**	**1.055.437**	**1.249.892**	**84**
5.	**Costs of goods, materials and services**	**99.118.365**	**84.674.332**	**117**
	a) Acquisition cost of merchandise and materials sold, and cost of materials used	85.285.830	78.457.245	109
	b) Costs of services	13.832.535	6.217.087	222
6.	**Labour costs**	**28.448.143**	**24.231.944**	**117**
	a) Salaries and wages	20.964.152	18.761.426	112
	b) Social security costs	1.614.644	1.333.393	121
	c) Pension insurance costs	2.316.683	1.968.153	118
	č) Other labour costs	3.552.664	2.168.972	164
7.	**Write-offs**	**12.311.260**	**14.067.861**	**88**
	a) Amortisation	11.983.886	12.085.174	99
	b) Operating expenses from revaluation of intangible and tangible fixed assets	22.540	16.041	141
	c) Operating expenses from revaluation of current assets	304.834	1.966.646	16
8.	**Other operating expenses**	**1.468.463**	**965.859**	**152**
	Operating profit or loss	**13.741.753**	**4.649.910**	**296**
9.	**Financial revenues from participating interests**	**60.376**	**107.561**	**56**
	č) Financial revenues from other investments	60.376	107.561	56
10.	**Financial revenues from granted loans**	**132.815**	**329.599**	**40**
	a) Financial revenues from loans granted to related companies	31.899	0	-
	b) Financial revenues from loans granted to other entities	100.916	329.599	31
11.	**Financial revenues from operating receivables**	**548.438**	**404.975**	**135**
	b) Financial revenues from operating receivables due from other entities	548.438	404.975	135
12.	**Financial expenses from impairment and write-offs in financial investments**	**1.208.624**	**45.236**	**2672**
13.	**Financial expenses from financial liabilities**	**2.326.566**	**4.185.693**	**56**
	b) Financial expenses from borrowings obtained from banks	2.326.566	4.185.693	56
14.	**Financial expenses from operating liabilities**	**311.857**	**265.025**	**118**
	b) Financial expenses from operating liabilities to suppliers and bills-of-exchange liabilities	31.846	100.059	32
	č) Financial expenses from other operating liabilities	280.011	164.966	170
15.	**Other revenues**	**240.499**	**126.195**	**191**
16.	**Other expenses**	**22.407**	**80.471**	**28**
	Profit or loss before tax	**10.854.427**	**1.041.815**	**1042**
17.	**Income tax**	**2.478.758**	**209.973**	**1181**
18.	**Deferred taxes**	**508.645**	**183.818**	**277**
19.	**Net profit or loss in the accounting period**	**8.884.314**	**1.015.660**	**875**

Cash flow statement

in €

		2010	2009	Ind. 10/09
A.	**Cash flows from operating activities**			
a)	**Net profit or loss**	**8.884.314**	**1.015.660**	**875**
	Profit or loss before tax	10.854.427	1.041.815	1042
	Income tax and other taxes not included in business events	1.970.113	26.155	7532
b)	**Adjustments for**	**15.301.168**	**15.466.834**	**99**
	Amortisation +	11.983.886	12.085.174	99
	Operating revenues from revaluation -	47.257	428.150	11
	Operating expenses from revaluation +	22.540	16.041	141
	Financial revenues, excluding financial revenues from operating receivables	193.191	437.160	44
	Financial expenses, excluding financial expenses from operating liabilities	3.535.190	4.230.929	84
c)	**Changes of net current assets (and accruals, deferrals, provisions, deferred receivables and tax liabilities) of balance sheet items**	**7.230.749**	**12.229.760**	59
	Opening minus closing operating receivables	-1.300.086	-1.227.123	106
	Opening minus closing deferred expenses and accrued revenues	757.601	-1.099.364	-
	Opening minus closing deferred tax receivables	-401.724	-298.746	134
	Opening minus closing inventories	-137.721	12.119.515	-
	Closing minus opening operating debts	3.197.024	2.348.678	136
	Closing minus opening accrued expenses and deferred revenues, and provisions	5.161.846	270.666	1907
	Opening minus closing deferred tax payables	-46.191	116.134	-
č)	**Net operating inflows or net operating outflows (a+b+c)**	**31.416.231**	**28.712.254**	**109**
B.	**Cash flows from investing activities**			
a)	**Inflows from investing activities**	**271.838**	**891.416**	**30**
	Revenue from received interest and shares in the profit of others arising from investing activities	193.191	437.160	44
	Revenue from disposal of tangible fixed assets	47.257	428.150	11
	Revenue from disposal of long-term financial investments	28.157	25.616	110
	Revenue from disposal of short-term financial investments	3.233	490	660
b)	**Outflows from investing activities**	**8.707.906**	**4.254.044**	**205**
	Expenses for acquisition of intangible assets	1.355.701	133.196	1018
	Expenses for acquisition of tangible fixed assets	6.143.581	4.120.848	149
	Expenses for acquisition of short-term financial investments	1.208.624	0	-
c)	**Net investment inflows or net investment outflows (a-b) or (b-a)**	**-8.436.068**	**-3.362.628**	**251**
C.	**Cash flows from financing activities**			
b)	**Outflows from financing activities**	**20.805.997**	**25.195.412**	**83**
	Expenses for interest arising from financing activities	2.326.566	4.230.929	55
	Expenses for repayment of capital	11.088.794	19.330.088	57
	Expenses for repayment of long-term financial liabilities	6.375.041	1.634.395	390
	Expenses for dividend payment and other shares in profit	1.015.596	0	-
c)	**Net financing inflows or net financing outflows (a-b) or (b-a)**	**-20.805.997**	**-25.195.412**	**83**
Č.	**CLOSING BALANCE OF CASH AND CASH EQUIVALENTS**	**6.292.152**	**4.117.986**	**153**
x)	**Net cash flow for the period (net sum of Ač, Bc and Cc)**	**2.174.166**	**154.214**	**1410**
y)	**Opening balance of cash and cash equivalents**	**4.117.986**	**3.963.772**	**104**

Statement of changes in equity and declaration of accumulated profit

in €

Statement of changes in equity in 2009	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 / 2009	**20.396.244**	**44.284.976**	**16.931.435**	**238.926**	**-238.926**	**13.900.274**	**1.402.884**	**799.794**	**97.715.607**
B2. Comprehensive income for the period							**32.297**	**1.015.660**	**1.047.957**
a) Net profit (loss) for the period								1.015.660	1.015.660
č) Surplus from revaluation of financial assets available for sale							32.297		32.297
B3. Transfer within equity						**799.794**		**-799.794**	**0**
b) Allocation of net profit following the resolution of the Management and Supervisory Board						799.794		-799.794	0
C. 31 / 12 / 2009	20.396.244	44.284.976	16.931.435	238.926	-238.926	14.700.068	1.435.181	1.015.660	98.763.564
ACCUMULATED PROFIT								**1.015.660**	**1.015.660**

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**

Summary Business Review since 2001

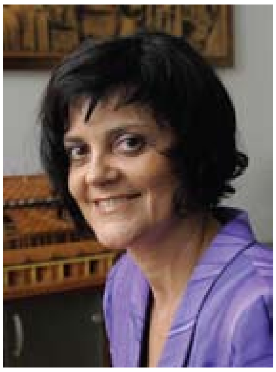
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
SALES										
Domestic market	19.721,73	21.048,99	21.779,35	24.057,21	23.876,75	26.998,17	26.639,33	23.621,65	20.032,10	21.268,26
Foreign market	83.868,66	77.482,86	76.685,73	77.675,31	93.740,50	123.732,47	130.097,06	107.945,90	109.544,17	132.123,81
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
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
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
Taxes	357,23	/	/	/	295,66	1.290,06	1.451,93	131,76	26,16	1.970,11
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
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
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
Financial debt ratio	14%	24%	27%	37%	41%	42%	40%	42%	34%	25%
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
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
PER SHARE										
Dividends:										
- gross	2,35	2,18	2,12	2,09	2,51	2,72	2,92	3,22	/	1,25
- net	1,77	1,63	1,59	1,57	1,83	2,04	2,19	2,42	/	1,00
Net profit or loss	2,20	1,56	1,95	3,22	3,04	6,86	7,47	0,98	1,25	10,91
Equity	124,1	118,6	115,1	114,7	115,3	116,4	123,2	120,0	121,2	131,20
Market value (31.12.)	64,4	117,9	115,4	112,5	103,0	112,7	143,2	72,0	49,4	58,16
Shares	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
Employees	1.276	1.254	1.217	1.185	1.166	1.144	1.131	1.113	1.079	1.053
Shareholders	2.735	2.429	2.277	2.155	2.101	1.952	1.846	1.770	1.735	1.696
ACTIVITY RATIOS										
Liquidity ratio	2,30	1,71	1,22	1,09	1,00	1,03	0,96	0,83	0,89	1,10
Quick ratio	0,98	0,91	0,60	0,59	0,53	0,56	0,47	0,41	0,55	0,70
Inventory turnover ratio	15,1	12,1	13,8	12,3	12,8	13,9	12,8	9,9	11,70	21,70
Days' sales in receivables	60 days	61 days	64 days	60 days	60 days	56 days	58 days	68 days	69 days	65 days
Days payables	33 days	31 days	25 days	29 days	28 days	25 days	25 days	29 days	37 days	39 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
Total assets turnover ratio	0,74	0,67	0,65	0,61	0,62	0,75	0,75	0,63	0,65	0,81
Operating efficiency ratio	1,04	1,04	1,05	1,05	1,04	1,07	1,07	1,03	1,04	1,10
Revenue profitability rate	3,7 %	3,4 %	4,3 %	4,6 %	3,9 %	6,7 %	6,8 %	3,3 %	3,6 %	8,9 %
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 %
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 %
Return on Investment (ROI)	2,3 %	2,0 %	2,1 %	2,8 %	2,7 %	5,2 %	4,9 %	2,8 %	2,6 %	7,0 %
Return on Assets (ROA)	1,3 %	0,9 %	1,0 %	1,6 %	1,3 %	2,8 %	2,9 %	0,4 %	0,5 %	4,7 %
Return on Equity (ROE)	1,8 %	1,3 %	1,7 %	2,8 %	2,7 %	6,4 %	6,7 %	0,8 %	1,0 %	9,1 %

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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Internet page:	www.cinkarna.si
Production unit:	Kemija Mozirje
	Ljubija 11, Mozirje
Telephone:	(+386) 03 837 0900
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Company is in 100% ownership:	Cinkarna – Kvarc, d.o.o., Tuzla Društvo za proizvodnju i promet
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	Resavska 76, 11000 Beograd
	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 2010 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 2010.

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 2010

in €

Accumulated profit	**4.442.157,00**
- dividends	2.681.174,10
- other revenue reserves	1.760.982,90