CINKARNA

Summary of the

ANNUAL REPORT for the year 2012

CINKARNA CELJE
Metalurško kemična
industrija Celje, d.d.

Celje, May 2013

Explanatory note

The Summary of the Annual Report for the year 2012, in the English language, is a direct translation of the Summary Annual Report for the year 2012, which was originally drawn up in the Slovenian language. The Annual Report for the year 2012 was revised by an independent auditor from the auditing firm DELOITTE REVIZIJA D.O.O. A positive report from the independent auditor was obtained on 18th March 2013. The following translation of the Summary Annual Report for the year 2012 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 2012.

Celje, May 2013

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Company profile

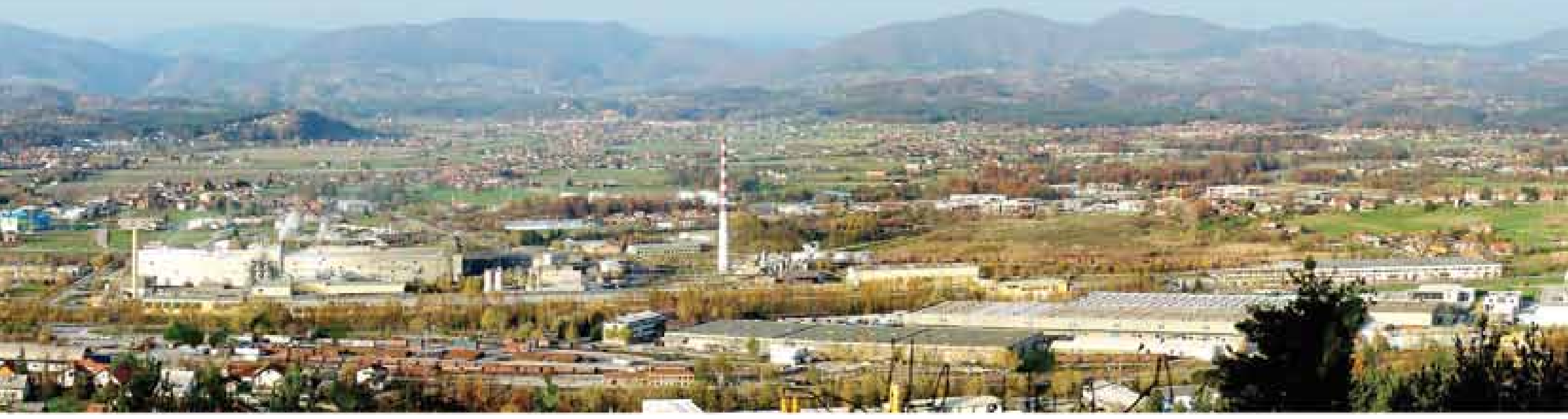
With its 140-year tradition of continuous activity, Cinkarna Celje, d.d. is among the most persistent companies in the Slovenian business sector. Until 1968, the company's primary activity was metallurgy, but having started producing titanium dioxide pigment in 1972 and its subsequent extension, Cinkarna Celje, d.d. is now classified as a company in the chemical processing sector. It employs 1005 people and generates about EUR 173 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

In 2012, our operations were highly successful. At the same time, however, it is evident that we did not achieve the same results as in the record-breaking year of 2011. Our forecasts and expectations concerning the continuation of the negative trend in company results in 2012 were correct. The extremely grave macroeconomic conditions in the world, the EU, and Slovenia were reflected in the reduced volume of orders and the resulting erosion of price levels. Margins declined in all key programs, and the performance of our operations was much lower in the second half of the year than in the first. Business plans with regard to sales volume could not be fulfilled due to the above-mentioned factors, but plans for net profit in 2012 were substantially exceeded.

Generally speaking, the company's results were excellent and only lag behind the results achieved in 2011; for this reason, this was the second best fiscal year in the company's 140-year history.

In view of the cooling off of the global economy, the increasingly severe general economic conditions, the deterioration of the operational capability of the Slovene banking sector, and liquidity challenges in connection with the payment of dividends of virtually the entire distributable profit of 2011, our corporate policies were revised significantly. We focused our efforts on product marketing, with aggressive pricing and an increase in market shares; we made conditions much stricter and reduced the level of investments, restricted our research and development expenditures and also implemented very conservative working capital and cash management.

In the period under consideration, activities relating to cleaning up old environmental hazards were carried out. The design phase of the cleaning up of the Bukovžlak Non-Hazardous Waste Landfill was concluded, and we proceeded with the acquisition of approvals and permits. At the Za Travnik Landfill, we continued to implement measures to improve the efficiency and the safety of dry landfilling and the barrier itself. An effectiveness study of the performance of the dry landfill project was implemented, and provided recommendations regarding: implementation of the project in the future and long-term clean-up strategies. Both landfalls were seismologically analyzed and evaluated. They were also inspected by external experts at the request of the Inspectorate of the Republic of Slovenia for Agriculture, Forestry, Food and the Environment (Ministry of Agriculture and the Environment). The analyses and reports indicate that both landfills are among the safest and best maintained in Slovenia. We are also continuing our preparatory activities for destroying low-level radioactive waste. The dynamics of the performance of all three projects greatly depends on the successful conclusion of administrative procedures and, of course, on the dividend policies of the owners.

After the first half of the year, the deterioration of the global business environment continued with the same intensity in the second half. After a relatively benign first quarter, the following nine months saw a further reduction in the general business activities of virtually the majority of significant international markets. With the exception of individual isolated positive curves, the indicators of economic activity, trust, and expectations were unfavorable throughout the period, and until the end of 2012 there were no signs of short-term or medium-term improvements – quite the contrary. The debt crisis and measures connected with its management have also been gradually taking their toll on the German economy, which played the greatest role in preventing the entire EU economy from officially entering a recession in the first half of the year. This happened in the third quarter, when GDP declined by 0.1%, which means that the European economy (following the 0.2% GDP fall in the second quarter) has technically been in a recession as of the third quarter. One may conclude that the global economy cooled off in 2012, and unstable conditions with a grim outlook may continue at the beginning of 2013. The forecasts and expectations for the future are bad.

For Cinkarna Celje, d. d., these conditions mean that the situation was extremely adverse throughout the period; demand for all of our main products was far below the 2011 levels, and price levels continually declined until the end of the year. Nonetheless, due to the restriction on raising prices with regard to purchasing, the company generated a relatively high free cash flow, which enabled incredibly high dividend payments. The business system was stable and profitable throughout the period; however, it is worth noting that profitability continued to fall until the end of the year due to the reduction in the levels of sales prices. The conditions in the international market for pigmentary titanium dioxide changed drastically in comparison to 2011. Following a significant economic shortage in the first three quarters of the previous year, major surpluses were seen in 2012. Surpluses were typical for the whole of 2012; however, it is true that the lag behind the previous year was the least obvious in the last quarter because the full extent of the crisis in the pigment market was evident as early as the last quarter of 2011. This confirms the hypothesis of an artificially generated demand surplus in 2011. Evidently, much of the demand surplus was a result of stockpiling connected with the wish of buyers to acquire safety stocks at acceptable prices and thus at least partially compensate and restrict the results of the anticipated consecutive price increases. Buyers still have large stocks of pigment, and even more worrying record pigment inventiories continue to persist by producers. At the end of the year, global pigment stocks held by manufacturers exceeded one million tons, which is 100 days of production (in the EU, no less than 110 days). In 2012, global pigment consumption decreased substantially, by approximately 20% in comparison to 2011. This decline in consumption was particularly drastic in Europe, the Middle East, and Asia/Pacific – approximately 20%. At 15%, it was somewhat less significant in North America. For the most part, the reasons for this drop lie in the decrease in global economic activities (which is especially difficult for the EU construction sector), the increasingly severe financial/debt crisis, the loss of trust and expectations, and of course the security/political crisis in the Middle East. We estimate that total consumption of pigmentary titanium dioxide at an annual level amounted to approximately 4.3 million tons, which is already below the level achieved in the recession year of 2009. It makes sense that production was adapted to consumption in the medium-term; this is why the utilization rate of global capacities was under 75%. The abundant supply and full inventories led to enormous pressure to lower average price levels, and this pressure resulted in a 20–25% decrease in average prices in the previous fiscal year (the fall in price in the first half of 2012 amounted to 5%, and 20% in the second half). The trend of decline in pigment prices is continuing in 2013. Considering record pigment stocks and insufficient demand, this development is understandable. It should be noted that pigment manufacturers responded vigorously in August and September (somewhat late, but better than never) to the changed market conditions by significantly cutting back on production. This measure led to the stabilization of the level of global pigment inventories among manufacturers; nonetheless, these stocks still increased by 27% at an annual level. At Cinkarna Celje, d.d., we are followers and are thus subject to the same fate. For this reason, our pigment sales were 10% lower than in the previous year, which therefore led to a cut in production. At the same time, average prices significantly decreased from the end of 2011 until the end of 2012. It should be noted that our pigment stock volume is comparably lower – 45 days of production.

To sum up, the conditions concerning operating activities connected with the main product were becoming increasingly severe. However, there was finally an actual transfer of market surpluses to the titanium materials market. The pressure on the prices of raw imput materials were not as severe in the second half of the year, and the end of the year brought a significant cooling off in the raw materials market, a substantial drop in demand, and major negative price corrections for raw materials. As a result, the gap between the prices that Cinkarna Celje, d.d. paid in 2012 in accordance with long-term agreements and market prices decreased by the end of the year; however, current market prices still do not reflect the serious conditions in the pigmentary titanium dioxide market. The beginning of 2013 will therefore not see any significant escalations in raw material prices. However, price levels for raw materials are an extremely limiting factor for the entire industry, one that will not allow profitable operations in 2013. On the contrary, Cinkarna Celje, d.d. agrees with the pessimistic forecasts and expectations for the industry. Accordingly, the pigmentary titanium dioxide industry will operate at a loss in 2013 due to the reduction in the gap between purchase and sales prices, as well as insufficient volume of demand. The Management continues to carry out activities aimed at restricting the loss by stressing the search and verification of alternative sources of raw materials.

With regard to the sale of titanium-zinc sheets, conditions were unstable and difficult. The curve of the stock market price of zinc saw a steady decline throughout the year. At the same time, sales markets began to shrink due to the severe decline in construction activities throughout the European economic area. At the beginning of the second quarter of the year, we launched a new production line for cleaning and coating titanium-zinc sheets. Unfortunately, a problem arose during the technological optimization of a device and during the production process itself. This problem escalated to the point where we were forced to temporarily halt production on the line. The technological optimization of the line for cleaning sheet metal will continue during the low season at the beginning of 2013. In addition to the problems with the new production device, poor economic conditions and decreased demand let to the poor results of the program, which were below the levels achieved in the previous year. A significant amount of attention was given to aggressively marketing the program in export markets, and we expect this to have some results in 2013.

With regard to the achieved sales value, operations connected with the majority of other sales programs were not as good as in 2011. The improvement of sales values was seen in printing plates, powder coatings, and fluoropolymers/thermoplastics. Quite understandably, the worsening of sales results led to lower operating profits for the majority of production/sales programs.

In 2012, Cinkarna Celje, d. d. generated sales worth €173.2 million, which is 6% less than in 2011. Our sales plan was not fulfilled; we fell short by 10%. Total export value was €149.5 million, which is 6% less than in the previous year. The bulk of exports went to Germany (36%), Italy (13%), Turkey (11%), France, the Netherlands, former Yugoslav states (5% each), and Austria and Algeria (3% each). The remainder went to other EU markets, the US, Eastern European markets, and Middle East and North African markets.

In the twelve months of 2012, net profit was €18.3 million. This is 28% lower than in 2011, when a record €25.5 million was generated. The generated net profit exceeds the plan by 16.5%.

In 2012, the value of Cinkarne Celje, d. d. stock at the Ljubljana Stock Exchange, from the final trading day of 2011 until the final trading day of 2012, dropped from €84.5 per share to €79.0 per share, i.e. 6.5%. In the same period, the SBI TOP index value increased by 8%. In 2012, the company paid out €12.2 million in dividends, which is €15.0 gross per dividend/stock. The dividend yield amounted to no less than 16.5%, which is 4 to 5 times the amount paid by the leading companies in the industry.

As of 31st Dec 2012, total financial liabilities amounted to €19.7 million (or 10% of total liabilities), which is €1.5 million or 7% less than at the end of 2011. Financial and operating liabilities to lenders, suppliers and the Government were being repaid correctly and in accordance with the financial plans. The liquidity and solvency of the company were within their optimal and planned levels for the whole period.

In the previous year, €8.05 million were invested in fixed assets, which is 20% less than in 2011. The investment dynamics decreased due to the increasingly severe market conditions, poor expectations concerning the development of the economic environment in the future, the poorer availability of financing, and a record-breaking dividend payment. These resources were spent on introducing some new lines (TiO2 packaging plant 1, a cleaning line in the Metallurgy Department, WG formulation CUZ), the construction of pipelines for gypsum, and other investments intended to meet statutory requirements and provide operational 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. We verified three new forms with our buyers and sold a few smaller amounts. 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 to upgrade 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 with EMAS regulations in the Mozirje production unit. Two lesser deficiencies were discovered in this year's external assessment. They were eliminated in a timely manner, and the validity of our certificates was thus extended.

Within our plans and possibilities, we focused our attention on providing social security and work safety, improving working conditions, developing potential, and employee training. Our business objectives were achieved by means of affirmative wage policy measures. Employee satisfaction levels were 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 2012 are shown in the attached financial statements and balance sheets.

2013 Business Plan

The business plans for 2013 were devised on the basis of prognoses of global macroeconomic conditions, the anticipated GDP growth in the economically most significant countries, and industry analyses and forecasts. Due to the basic market inbalance in the pigmentary titanium dioxide industry, 2013 will be one of the most difficult years for the entire industry, as well as one of the least successful in recent decades. Extremely high stocks of pigment in the entire value chain and extraordinarily low levels of global demand led to a rapid and steep decline in sales prices; this process is continuing in 2013 with the same intensity. In 2013, we expect to generate sales revenues in the amount of €168 million. The sales plan is 3% lower than the sales revenues generated in 2012. Due to the closing of the gap between sales and purchase prices, i.e. low price levels of pigment on the one hand and prices of titanium raw materials that are unadapted to the market on the other (the result of the scarcity of these materials), the performance of the company's operations will decrease substantially. We foresee the loss at the end of 2013 as amounting to no less than €12.3 million, despite the affirmative business policy measures.

In accordance with the investment plan, €5.1 million will be invested in the company's fixed assets, which is 37% less than the previous year. This is the minimum amount needed to provide for the operational capabilities of key sectors of the company. The business plan assesses future operating conditions and the performance of our operations based on the currently available set of key information. Therefore, it needs to be understood that the forecast carries a degree of uncertainty.

Chairman of the Board – Managing Director
Tomaž BENČINA, BS in Metallurgical Engineering and Economics

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

In 2012, the Supervisory Board convened at six regular sessions, and one correspondence session took place due to a call for an extraordinary General Meeting. In June, the Supervisory Board accepted the resignation of Mateja Vidnar from her position as Chairwoman and Member of the Supervisory Board as of 1st July 2012. On 28th Aug 2012, Dr. Milan Medved was appointed Chairman of the Supervisory Board, with Barbara Gorjup as his Deputy. At the extraordinary General Meeting on 23rd Oct 2012, Matjaž Janša was elected to the Supervisory Board.
For the most part, all the members attended the sessions. Within the powers granted to the Supervisory Board by law and the Company's Articles of Association, we carefully reviewed the submitted materials and 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 to the best of our knowledge and belief, and thus responsibly safeguarded the interests of the company and its stockholders.

In addition to monitoring 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 the scope of investments was suitably adapted or reduced by 20% due to the rapid deterioration in international economic conditions and the recession in the European economic area. Investment activities are mainly oriented to concluding investments from previous years, maintaining the company's operational capabilities, energy-related projects, and projects relating to health and environmental protection. The Supervisory Board made the necessary inquiries regarding the progress and development of project management processes, obtaining approvals and bids relating to the funds reserved for environmental protection from 2010 and 2011. It is especially important that, in December, the Supervisory Board discussed and unanimously confirmed the company's strategy until 2018. The key elements of the strategy are the further development of the most profitable programs, the gradual winding down of non-profitable programs, ensuring the spatial conditions for the company's long-term operations, the development of ultrafine titanium dioxide (and applications), and maintaining conservative financing policies.

In 2012, our business results were once again excellent; however, not quite as good as the results achieved in the record-breaking year of 2011, but still certainly at the very top of Slovene industry and the international market in pigmentary titanium dioxide. At the same time, they significantly exceeded our business plans, as well as the mid-year operations forecasts. As a result, we estimate that the recorded net profit of €18.3 million and total sales revenues of €173.2 million are outstanding achievements, considering the extremely poor international economic conditions. The Supervisory Board also feels that the low level of indebdetness, the development of new products and markets, the reduction in the number of employees, and the progress in the development of ultrafine titanium dioxide are appropriate reflections of the medium-term strategy of the company. The Supervisory Board supports the adopted corporate policy measures oriented to 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 2012 Annual Report and the proposal that the distributable profit of Cinkarna Celje, d.d. not be appropriated, but that the entire amount of the determined 2012 distributable profit in the amount of €10,616,785 be carried over as retained earnings.

The Supervisory Board also reviewed the independent auditor's report received by the company on 19 March 2013, and feels that it is an appropriate 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 so doing, the requirement for a true and fair representation of information on the company's assets and finances in the period in question is fulfilled.

The report of the Supervisory Board's Audit Committee on the work done in 2012 and the verification of the 2012 Annual Report of Cinkarna Celje d.d.

The Audit Committee of the Supervisory Board of Cinkarna Celje d. d. is comprised of: Jožica Tominc (Chairwoman), Barbara Gorjup (member), and Vida Lebar (independent external expert). These members were appointed by the Supervisory Board of Cinkarna Celje, d. d. at its sessions on 24th Aug 2010 and 17th Nov 2010. In 2012, it convened at six regular sessions and one correspondence session, and discussed the 2012 Annual Report at its sessions on 19 March 2013.
The first two sessions of the Audit Committee of the Supervisory Board of Cinkarna Celje d. d. in 2012 focused on discussing non-audited and audited annual reports concerning the operations

of Cinkarna Celje d. d. in 2011. It reviewed the 2011 Annual Report of the company Cinkarna Celje d. d., including the opinion of the auditor, and proposed that the Supervisory Board adopt the 2011 Annual Report. The proposal for the Supervisory Board was prepared in the form of an Audit Committee report concerning the verification of the 2011 Annual Report of Cinkarne Celje d. d., which was an integral part of the report on the work of the Audit Committee in 2011.

At the following sessions in 2012, the Audit Committee performed the following activities:

- discussed the interim data on the operations of Cinkarne Celje d. d. in 2012;
- reviewed offers received for the audit of the financial statements of Cinkarne Celje d. d. for 2012. It proposed that the Supervisory Board recommend that the General Meeting commission the auditing company Deloitte Revizija, d. o. o., Ljubljana to perform the audit of the financial statements of Cinkarne Celje d. d. for 2012. This proposal was accepted by the stockholders of Cinkarne Celje d. d. at the General Meeting on 5th June 2012;
- it reviewed the agreement on the auditing of the financial statements of Cinkarne Celje d. d. for 2012
- it interviewed the auditor on the scope and progress of pre-auditing processes for the auditing of the financial statements of Cinkarne Celje d. d. for 2012. It concluded an agreement with the auditors on extending the scope of the audit of internal controls for the purposes of financial reporting for the year ending 31st Dec 2012. Interviews on these procedures in connection with the final part of the 2012 audit were conducted by the Audit Committee in 2013;
- it discussed the audited report of the affiliated company Cinkarna Kvarc d. o. o. Tuzla for 2011 and familiarized itself with the plan of operations of this company for 2012. During the year, special attention was also given to a review of this company's accounts receivable.
- it familiarized itself with the Report on the Internal Controls in the Company for 2011, which was compiled by the Department for the Organization of Operating Activities.

The members of the Audit Committee received the draft of the audited 2012 Annual Report of Cinkarna Celje, d. d. on 8th March 2013. The draft of the Annual Report was carefully reviewed and comments prepared and submitted to the Management by 11th March 2013
The clean copy of the 2012 Annual Report of the company Cinkarna Celje, d. d. was received by the Audit Committee on 15th March 2013 and discussed at its session on 19th March 2013. The Audit Committee determined that the 2012 Annual Report had been composed in a timely manner and in accordance with the provisions of the Slovenian Companies Act and Slovenian Accounting Standards. The Cinkarna Celje d. d. 2012 Annual Report includes a condensed report on operations in the past three fiscal years. The analysis of results and operations in 2012 shows a detailed overview of the company's assets and profit or loss, because it includes all the necessary clarifications of 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 is manifested in 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 2012 financial statements, as well as its accounting guidelines and clarifications, were audited by the audit firm Deloitte Revizija d.o.o. Ljubljana, and confirmed by the company's Annual General Meeting at its fifteenth regular session on 5th June 2012. On 18th March 2012, the auditor issued a positive opinion on the 2012 financial statements of Cinkarna Celje, d. d. and also confirmed that the information 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. 2012 Annual Report of, the Audit Committee deems that the Annual Report has been compiled in accordance with the requirements of the Slovenian Companies Act (ZGD-1) and that all of the significant aspects of the financial statements fairly represent the financial condition of Cinkarna Celje d.d. as of 31 Dec 2012 and its profit and loss and cash flows for the concluded year. The Audit Committee has no objections to the Cinkarna Celje d. d. 2012 Annual Report that would in any way qualify its recommendation that the Supervisory Board reach a decision in accordance with Article 282 of ZGD-1 endorsing the Cinkarna Celje d. d. 2012 Annual Report.

Despite the exceptional results in the past two years, the Management expects 2013 to be one of the most difficult and least successful years, and that it will conclude with a substantial loss due to the severe economic conditions, and especially due to the fundamental inbalance in the pigmentary titanium dioxide market. For this reason, the Audit Committee has no objections to the proposal of the Management concerning the use of the 2012 distributable profit, and thus recommends that the Supervisory Board, together with the Board of Directors, propose that the Annual General Meeting vote in favour of not appropriating the distributable profit of Cinkarna Celje d. d. and in favour of carrying forward the entire amount of distributable profit of €10,616,785 generated in 2012 as retained earnings.

Predsednik NS
dr. Milan MEDVED
Medved

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 Celje, d. d. 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 and Computer to Plate - Thermal printing plates.

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

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

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

- the group of products for the agricultural industry, comprising of protective agents (copper and sulphur based fungicides) 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 €

		31/12/2012	31/12/2011	Index 12/11
	ASSETS	**196.001.270**	**197.957.048**	**99**
A.	**Fixed assets**	**120.069.551**	**128.368.419**	**94**
I.	Intangible assets and long-term deferred expenses and accrued revenues	3.366.893	3.460.071	97
	1. Long-term property rights	2.727.770	2.957.057	92
	4. Long-term deferred development costs	280.816	278.966	101
	5. Other long-term deferred expenses and accrued revenues	358.307	224.048	160
II.	Tangible fixed assets	112.261.119	117.996.499	95
	1a. Land	8.642.171	8.618.818	100
	1b. Buildings	45.995.866	46.955.414	98
	2. Manufacturing plant and equipment	53.771.992	58.339.532	92
	3. Other devices and equipment	37.531	39.066	96
	4a. Tangible fixed assets in construction or manufacturing	3.734.908	3.112.528	120
	4b. Advances for tangible fixed assets	78.651	931.141	8
IV.	Long-term financial investments	2.264.949	3.722.032	61
	1c. Other shares and interests	2.262.050	3.714.107	61
	2b. Long-term loans to other entities	2.899	7.925	37
V.	Long-term operating receivables due from customers	0	336.389	0
	2. Long-term operating receivables due from customers	0	336.389	0
VI.	Deferred tax receivables	2.176.590	2.853.428	76
B.	**Current assets**	**75.474.089**	**69.417.056**	**109**
II.	Inventories	35.716.739	31.041.782	115
	1. Material	16.949.137	13.901.588	122
	2. Work in progress	3.766.008	3.339.310	113
	3. Products and articles of commerce	14.768.471	13.473.431	110
	4. Advances for inventories	233.123	327.453	71
III.	Short-term financial investments	4.919	15.315	32
	2b. Short-term loans to other entities	4.919	15.315	32
IV.	Short-term operating receivables	31.164.524	28.909.557	108
	2. Short-term operating receivables due from customers	23.609.061	25.322.439	93
	3. Short-term operating receivables due from other entities	7.555.463	3.587.118	211
V.	Monetary assets	8.587.907	9.450.402	91
C.	Short-term deferred expenses and accrued revenues	457.630	171.573	267

in €

		31/12/2012	31/12/2011	Index 12/11
	LIABILITIES	**196.001.270**	**197.957.048**	**99**
A.	**Equity**	**133.348.357**	**127.512.332**	**105**
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	57.969.785	48.822.882	119
	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	41.038.350	31.891.447	129
IV.	Surplus from revaluation	80.567	351.192	23
V.	Net profit from previous years	1.469.883	907.882	162
VI.	Net operating profit or loss in the financial year	9.146.902	12.749.156	72
B.	**Provisions and long-term accrued expenses and deferred revenues**	**28.377.001**	**29.016.638**	**98**
	1. Provisions for pensions and similar obligations	3.281.597	3.605.255	91
	2. Other provisions	23.825.174	24.311.060	98
	3. Long-term accrued expenses and deferred revenues	1.270.230	1.100.323	115
C.	**Long-term liabilities**	**4.727.272**	**3.835.362**	**123**
I.	Long-term financial liabilities	4.727.272	3.763.636	126
	2. Long-term financial liabilities to banks	4.727.272	3.763.636	126
II.	Long-term operating liabilities	0	0	-
	5. Other long-term operating liabilities	0	0	-
III.	Deferred tax liabilities	0	71.726	0
Č.	**Short-term liabilities**	**28.221.221**	**36.585.654**	**77**
II.	Short-term financial liabilities	14.933.123	17.374.251	86
	2. Short-term financial liabilities to banks	14.909.091	17.281.818	86
	4. Other short-term financial liabilities	24.032	92.433	26
III.	Short-term operating liabilities	13.288.098	19.211.403	69
	2. Short-term operating liabilities to suppliers	10.580.277	11.407.669	93
	4 . Short-term operating liabilities based on advances	167.833	20.810	807
	5. Other short-term operating liabilities	2.539.988	7.782.924	33
D.	**Short-term accrued expenses and deferred revenues**	**1.327.419**	**1.007.062**	**132**

Profit and loss account

in €

		2012	2011	Index 12/11
1.	**Net sales revenues**	**173.217.515**	**184.067.759**	**94**
	- net sales revenues in domestic market	23.745.118	24.217.333	98
	- net sales revenues in foreign market	149.472.397	159.850.426	94
2.	**Change in value of inventories of finished goods and work in progress**	**1.697.923**	**8.003.875**	**21**
3.	**Capitalised own products and services**	**2.334.736**	**2.425.599**	**96**
4.	**Other operating revenues (including revalued operating revenues)**	**1.051.929**	**953.556**	**110**
5.	**Costs of goods, materials and services**	**110.216.226**	**117.627.789**	**94**
	a) Acquisition cost of merchandise and materials sold, and cost of materials used	99.101.798	94.607.994	105
	b) Costs of services	11.114.428	23.019.795	48
6.	**Labour costs**	**29.641.741**	**30.461.493**	**97**
	a) Salaries and wages	21.596.590	21.400.938	101
	b) Social security costs	1.706.416	1.761.258	97
	c) Pension insurance costs	2.387.600	2.486.001	96
	č) Other labour costs	3.951.135	4.813.296	82
7.	**Write-offs**	**13.443.252**	**13.194.877**	**102**
	a) Amortisation	12.511.246	12.307.093	102
	b) Operating expenses from revaluation of intangible and tangible fixed assets	519.158	148.208	350
	c) Operating expenses from revaluation of current assets	412.848	739.576	56
8.	**Other operating expenses**	**916.360**	**1.335.286**	**69**
	Operating profit or loss	24.084.524	32.831.344	73
9.	**Financial revenues from participating interests**	**19.010**	**37.671**	**50**
	č) Financial revenues from other investments	19.010	37.671	50
10.	**Financial revenues from granted loans**	**475.964**	**256.780**	**185**
	b) Financial revenues from loans granted to other entities	475.964	256.780	185
11.	**Financial revenues from operating receivables**	**443.424**	**734.476**	**60**
	b) Financial revenues from operating receivables due from other entities	443.424	734.476	60
12.	**Financial expenses from impairment and write-offs in financial investments**	**1.429.817**	**257**	**-**
13.	**Financial expenses from financial liabilities**	**868.158**	**1.451.125**	**60**
	b) Financial expenses from borrowings obtained from banks	868.158	1.451.125	60
14.	**Financial expenses from operating liabilities**	**312.656**	**784.221**	**40**
	b) Financial expenses from operating liabilities to suppliers and bills-of-exchange liabilities	119.253	491.319	24
	č) Financial expenses from other operating liabilities	193.403	292.902	66
15.	**Other revenues**	**64.671**	**14.209**	**455**
16.	**Other expenses**	**22.662**	**7.169**	**316**
	Profit or loss before tax	22.454.300	31.631.708	71
17.	**Income tax**	**3.487.726**	**7.327.251**	**48**
18.	**Deferred taxes**	**–672.769**	**1.193.856**	**-**
19.	**Net profit or loss in the accounting period**	**18.293.805**	**25.498.313**	**72**

Cash flow statement

in €

		2012	2011	Ind. 12/11
A.	**CASH FLOWS FROM OPERATING ACTIVITIES**			
a)	**Net profit or loss**	**18.293.805**	**25.498.313**	**72**
	Profit or loss before tax	22.454.300	31.631.708	71
	Income tax and other taxes not included in business events	4.160.495	6.133.395	68
b)	**Adjustments for**	**14.778.073**	**13.595.275**	**109**
	Amortisation +	12.511.246	12.307.093	102
	Operating revenues from revaluation -	55.332	16.957	326
	Operating expenses from revaluation +	519.158	148.208	350
	Financial revenues, excluding financial revenues from operating receivables	494.974	294.451	168
	Financial expenses, excluding financial expenses from operating liabilities	2.297.975	1.451.382	158
c)	**Changes of net current assets (and accruals, deferrals, provisions, deferred receivables and tax liabilities) of balance sheet items**	**−12.785.797**	**4.858.705**	**-**
	Opening minus closing operating receivables	-2.254.967	222.950	-
	Opening minus closing deferred expenses and accrued revenues	-286.057	305.122	-
	Opening minus closing deferred tax receivables	672.769	−1.193.855	-
	Opening minus closing inventories	−4.674.957	−9.957.754	47
	Closing minus opening operating debts	−5.923.305	3.168.255	-
	Closing minus opening accrued expenses and deferred revenues, and provisions	−319.280	12.313.987	-
	Opening minus closing deferred tax payables	0	0	-
č)	**Net operating inflows or net operating outflows (a+b+c)**	**20.286.081**	**43.952.293**	**46**
B.	**CASH FLOWS FROM INVESTING ACTIVITIES**			
a)	**Inflows from investing activities**	**565.728**	**335.560**	**169**
	Revenue from received interest and shares in the profit of others arising from investing activities	494.974	294.451	168
	Revenue from disposal of tangible fixed assets	55.332	16.957	326
	Revenue from disposal of long-term financial investments	5.026	16.118	31
	Revenue from disposal of short-term financial investments	10.396	8.034	129
b)	**Outflows from investing activities**	**7.201.846**	**9.996.036**	**72**
	Expenses for acquisition of intangible assets	180.762	174.130	104
	Expenses for acquisition of tangible fixed assets	7.021.084	9.821.649	71
	Expenses for acquisition of long-term financial investments	0	257	-
	Expenses for acquisition of short-term financial investments	0	0	-
c)	**Net investment inflows or net investment outflows (a-b) or (b-a)**	**−6.636.118**	**−9.660.476**	**69**
C.	**CASH FLOWS FROM FINANCING ACTIVITIES**			
b)	**Outflows from financing activities**	**14.512.458**	**31.133.567**	**47**
	Expenses for interest arising from financing activities	868.158	1.451.125	60
	Expenses for repayment of capital	511.691	19.116.350	3
	Expenses for repayment of long-term financial liabilities	945.454	7.031.817	13
	Expenses for dividend payment and other shares in profit	12.187.155	3.534.275	345
c)	**Net financing inflows or net financing outflows (a-b) or (b-a)**	**−14.512.458**	**−31.133.567**	**47**
Č.	**CLOSING BALANCE OF CASH AND CASH EQUIVALENTS**	**8.587.907**	**9.450.402**	**91**
x)	**Net cash flow for the period (net sum of Ač, Bc and Cc)**	**−862.495**	**3.158.250**	**-**
y)	**Opening balance of cash and cash equivalents**	**9.450.402**	**6.292.152**	**150**

Statement of changes in equity and declaration of accumulated profit

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**	**0**	**4.442.157**	**106.881.948**
Transfer of net profit to the accumulated profit								4.442.157	-4.442.157	0
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**

in €

Statement of changes in equity in 2012	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 / 2012	**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**
Transfer of net profit to the accumulated profit								12.749.156	-12.749.156	0
B1. Transactions with owners recorded in equity								**-12.187.155**		**-12.187.155**
g) Disbursement of dividends								-12.187.155		-12.187.155
B2. Comprehensive income for the period							**-270.625**		**18.293.805**	**18.023.180**
a) Net profit (loss) for the period									18.293.805	18.293.805
č) Surplus from revaluation of financial assets available for sale							-270.625			-270.625
B3. Transfer within equity						**9.146.903**			**-9.146.903**	**0**
b) Allocation of net profit following the resolution of the Management and Supervisory Board						9.146.903			-9.146.903	0
C. 31 / 12 / 2012	**20.396.244**	**44.284.976**	**16.931.435**	**238.926**	**-238.926**	**41.038.350**	**80.567**	**1.469.883**	**9.146.902**	**133.348.357**
ACCUMULATED PROFIT						-9.146.903		1.469.883	18.293.805	10.616.785

Summary Business Review since 2002

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
SALES											
Domestic market	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	23.745,12
Foreign market	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	149.472,40
Sales	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	173.217,52
PROFIT OR LOSS											
Operating profit or loss	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	24.084,52
Profit or loss before tax	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	22.454,30
Taxes	/	/	/	295,66	1.290,06	1.451,93	131,76	26,16	1.970,11	6.133,40	4.160,50
Net profit or loss	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	18.293,81
LIABILITIES and ASSETS											
Equity	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	133.348,36
Financial debt	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	19.660,40
Financial debt ratio	24 %	27 %	37 %	41 %	42 %	40 %	42 %	34 %	25 %	11 %	10 %
Assets	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	196.001,27
Net working capital (NWC)	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	47.252,87
PER SHARE											
Dividends:											
- gross	2,18	2,12	2,09	2,51	2,72	2,92	3,22	/	1,25	4,35	15,00
- net	1,63	1,59	1,57	1,83	2,04	2,19	2,42	/	1,00	3,48	12,00
Net profit or loss	1,56	1,95	3,22	3,04	6,86	7,47	0,98	1,25	10,91	31,30	22,46
Equity	118,6	115,1	114,7	115,3	116,4	123,2	120,0	121,2	131,20	156,53	163,7
Market value (31.12.)	117,9	115,4	112,5	103,0	112,7	143,2	72,0	49,4	58,16	84,50	79,0
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	812.477	812.477	812.477	812.477	812.477	812.477
Employees	1.254	1.217	1.185	1.166	1.144	1.131	1.113	1.079	1.053	1063	1005
Shareholders	2.429	2.277	2.155	2.101	1.952	1.846	1.770	1.735	1.696	1603	1648
ACTIVITY RATIOS											
Liquidity ratio	1,71	1,22	1,09	1,00	1,03	0,96	0,83	0,89	1,10	1,89	2,67
Quick ratio	0,91	0,60	0,59	0,53	0,56	0,47	0,41	0,55	0,70	1,04	1,41
Inventory turnover ratio	12,1	13,8	12,3	12,8	13,9	12,8	9,9	11,70	21,70	18,90	12,27
Days' sales in receivables	61 days	64 days	60 days	60 days	56 days	58 days	68 days	69 days	65 days	53 days	51 days
Days payables	31 days	25 days	29 days	28 days	25 days	25 days	29 days	37 days	39 days	37 days	36 days
Long-term assets turnover ratio	1,04	0,96	0,87	0,90	1,10	1,12	0,92	0,94	1,16	1,42	1,39
Total assets turnover ratio	0,67	0,65	0,61	0,62	0,75	0,75	0,63	0,65	0,81	0,95	0,88
Operating efficiency ratio	1,04	1,05	1,05	1,04	1,07	1,07	1,03	1,04	1,10	1,20	1,16
Revenue profitability rate	3,4 %	4,3 %	4,6 %	3,9 %	6,7 %	6,8 %	3,3 %	3,6 %	8,9 %	16,8%	13,5%
Total net revenue profitability rate	1,2 %	1,5 %	2,3 %	2,0 %	3,5 %	3,7 %	0,6 %	0,8 %	5,7 %	13,0%	10,3%
Sh. of net profit or loss from sales	1,3 %	1,6 %	2,6 %	2,1 %	3,7 %	3,9 %	0,6 %	0,8 %	5,8 %	13,9%	10,6%
Return on Investment (ROI)	2,0 %	2,1 %	2,8 %	2,7 %	5,2 %	4,9 %	2,8 %	2,6 %	7,0 %	17,1%	11,8%
Return on Assets (ROA)	0,9 %	1,0 %	1,6 %	1,3 %	2,8 %	2,9 %	0,4 %	0,5 %	4,7 %	13,2%	9,3%
Return on Equity (ROE)	1,3 %	1,7 %	2,8 %	2,7 %	6,4 %	6,7 %	0,8 %	1,0 %	9,1 %	25,5%	16,9%

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.

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

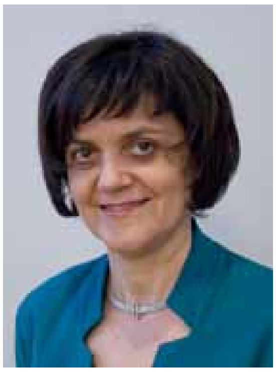
General Manager
Tomaž BENČINA, univ. dipl. inž. metal. in univ. dipl. ekon.

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.

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



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

Finance, accouting & IT
mag. Jurij VENGUST

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

Supervisory Board

President
Dr. Milan MEDVED

Deputy President
Mag. Barbara GORJUP

Members
Jožica TOMINC, ekon.
Mag. Matjaž JANŠA
Marin ŽAGAR
Dušan MESTINŠEK, dipl.inž.el.

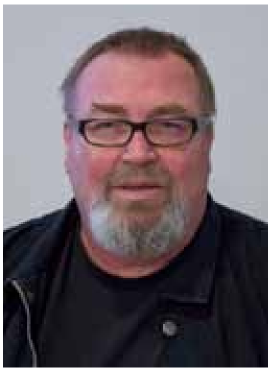
Auditing committee
Jožica TOMINC, ekon. (president)
Vida LEBAR, univ.dipl.ekon. (independent expert)
mag. Barbara GORJUP

President
dr. Milan MEDVED

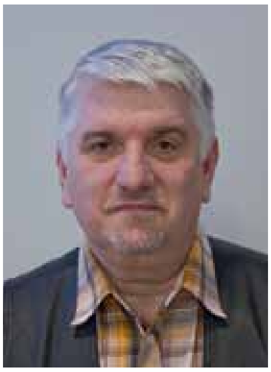
Deputy President
mag. Barbara GORJUP

Member
Jožica TOMINC, ekon.

Member
mag. Matjaž JANŠA



Member
Marin ŽAGAR



Member
Dušan MESTINŠEK, dipl.inž.el.

Basic Company Information

Company:	**Cinkarna, metalurško kemična industrija Celje, d. d.**	
Headquarters:	Kidričeva 26, 3000 Celje	
	Telephone:	(+386) 03 427 6000
	Fax:	(+386) 03 427 6106
	Telex:	36517 METKEM SI
	e-mail:	info@cinkarna.si
	Internet page:	www.cinkarna.si
Production unit:	Kemija Mozirje 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	
	Ul. 21. decembar b.b., Bukinje, 75000 TUZLA Federacija Bosne in Hercegovine	
	Telephone:	(+ 387) 35 286 544
	Fax:	(+ 387) 35 286 545
	e-mail:	cinkvarc@bih.net.ba
	Internet page:	www.cinkarna-kvarc.ba
Representative office:	Predstavništvo Cinkarna Celje, Beograd	
	Resavska 76, 11000 Beograd Republika Srbija	
	Telephone:	(+381) 11 2659484
	Fax:	(+381) 11 2659484
	Mobile phone:	(+381) 63 730 22 80
	e-mail:	d.barba@YUBC.net

Major business events following the end of the business year & statement of the Management Board

During the period from 31st December 2012 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 2012.

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 2012

in €

Accumulated profit	10.616.785
- dividends	-
- retained earnings	10.616.785