ANNUAL REPORT

2013

CINKARNA

CINKARNA

ANNUAL REPORT 2013

Celje, march 2014

Table of contents

Summary Presentation of the Operations over the Last Three Years

v €

	2011	2012	2013	% change 2013/2012
Sales	184,067,759	173,217,515	165,955,080	–4
Net profit or loss	25,498,313	18,293,805	7,160,899	–61
Sum of dividends paid	3,534,275	12,187,155	5,281,100	–57
Equity (31 December)	127,512,332	133,348,357	135,148,867	+1
Return on equity (ROE)	25.5%	16.9%	5.9%	–65
Per share values (diluted)				
- net profit or loss	31.30 €	22.46 €	8.79 €	–61
- dividends paid				
Gross	4.35 €	15.00 €	6.50 €	–57
Net	3.48 €	12.00 €	4.88 €	–59
- equity	156.5 €	163.7 €	165.9 €	+1
- market price (31 December)	84.5 €	79.0 €	90.0 €	+ 14
Number of shares	814,626	814,626	814,626	-
Number of shares with voting rights	812,477	812,477	812,477	-
Number of shareholders (31 December)	1603	1648	1706	+4
Number of employees (31 December)	1063	1005	993	–1

General Information

Basic information

Cinkarna, metalurško kemična industrija Celje, d. d. is organised as a public limited company with registered office in Celje at the address Kidričeva 26, which is registered in the register of companies of the court in Celje under reg. No. I-402-00.

Most important activities are:

- production of titanium dioxide,
- production of sulphuric acid,
- zinc processing,
- production of products for agriculture,
- production of products for the construction industry,
- production of anti-corrosion coatings and powder coatings,
- production of products for the graphics industry,
- processing of fluorinated polymers and elastomers,
- associated service activities.

Other company information:

- tax ID number	15280373
- registration ID number	5042801
- activity code	20.120
- company size	large PLC
- financial year	calendar year

Company's Registered Office, Locations, Associated Company, Representative Office

Company	**Cinkarna, metalurško kemična industrija Celje, d. d.**	
Registered office	Kidričeva 26, 3000 Celje	
	Telephone - switchboard:	(+386) 03 427 6000
	Fax–Management Board:	(+386) 03 427 6106
	Telex:	36517 METKEM SI
	E-mail:	info@cinkarna.si
	Url:	www.cinkarna.si

Separately located business unit	Kemija Mozirje	
Registered office	Ljubija 11, Mozirje	
	Telephone:	(+386) 03 837 0900
	Fax:	(+386) 03 837 0950

Company in 100% ownership	Cinkarna–Kvarc, d. o. o., Tuzla, Društvo za proizvodnju i promet	
Registered office	Ul. 21. decembar b. b., Bukinje, 75000 TUZLA Federacija Bosne in Hercegovine	
	Telephone:	(+387) 35 286 544
	Fax:	(+387) 35 286 545
	E-mail:	cinkvarc@bih.net.ba

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

Company organisation:

The company is organised as a set of business profit centres, separated in terms of organisation and management, accompanied by centralised support departments and a centralised unit providing maintenance and energy infrastructure.

Management Board

<u>Business units</u>

TITANIUM DIOXIDE BU		*Director Zoran Kanduč*
METALLURGY BU		*Director Friderik Madarasi*
GRAPHIC MATERIALS BU		*Director Irena Franko Knez*
CHEMISTRY CELJE BU		*Director Andrej Lubej*
CHEMISTRY MOZIRJE BU		*Director Irena Vačovnik*
POLYMERS BU		*Director Darko Košak*
JOINT EXPERT SERVICES		
	Finance Department	*Director Jurij Vengust*
	Marketing	*Director Borut Sedovnik*
	R&D Department	*Department Pavel Blagotinšek*
	Investment Department	*Department Blaž Črepinšek*
	HR and General Department	*Department Marko Cvetko*
	Employee Health and Safety Department	*Department Otmar Slapnik*
	Legal Department	*Department Darja Horvat*
	Quality Department	*Department Karmen Rajer Kanduč*
	Environmental Protection Department	*Department Bernarda Podgoršek Kovač*
	Accounting Department	*Department Irena Leščak Zalokar*
	IT Department	*Department Dragica Simončič*
MAINTENANCE AND ENERGY BU		Director Jože Gajšek

Company Profile

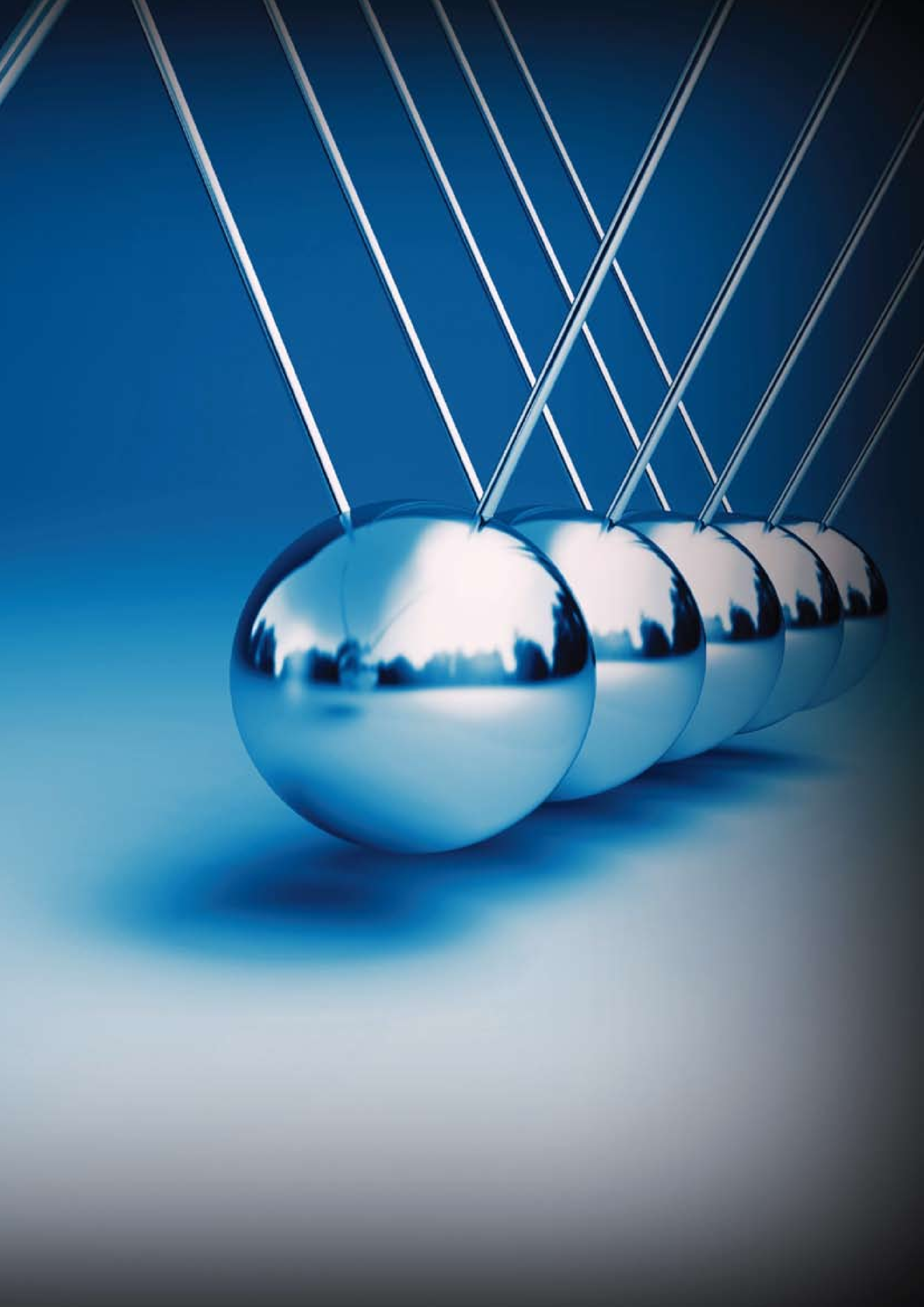
With its 140-year tradition of continuous activity, Cinkarna Celje, d.d. is among the most persistent companies in the Slovenian business sector. Until 1968, the company's primary activity was metallurgy, but having started producing titanium dioxide pigment in 1972 and its subsequent extension, Cinkarna Celje, d.d. is now classified as a company in the chemical processing sector. It employs 993 people and generates about EUR 166 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 Celje, d. d. wishes to consolidate and upgrade its international status of a trustworthy, reliable and dedicated manufacturer of titanium dioxide pigment. Special emphasis is placed on the achievement of an excellent ratio between price, quality and an expedient delivery of our products. We wish to retain our market position and manufacture more than one percent of the entire world consumption and over three percent of the entire European consumption 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 expected returns for our stockholders.



Foreword by the President of the Management Board

In line with the expectations, our performance in 2013 was poorer than in 2012 and 2011 that were record years for us in every respect and exceeded multi-annual mean values. The drop in operating performance was the result of market surpluses of our most important product, i.e. titanium dioxide pigment. A situation of excess supply and high inventory levels occurred in 2013 that dramatically lowered the equilibrium price level. Despite the objectively unfavourable market conditions, it should be noted that the operating performance of Cinkarna Celje, d. d. is equal to the performance of the best companies in the industry and is at the same time also better than planned. Despite the difference between the achieved net profit and planned loss in 2013 being extensive, an analysis of operating results of the most important players in the titanium dioxide pigment industry shows that the business plan was based on quality and appropriate assumptions. The company's Management Board assesses the company's operations in view of the conditions on our key industrial markets, the global economy and in Slovenia as being unexpectedly good. The most important reason for the operating performance plans being exceeded lies in the fact that the situation with surplus supply on the pigment market was relatively quickly transposed along the value chain to the market of titanium-bearing ores and titanium containing raw materials, which created conditions for a marked decrease in purchase prices.

Owing to the significantly changed external conditions, we immediately and comprehensively adjusted the company's business policy. The company focused primarily on the following in 2013:

I. aggressive product marketing and increasing market shares;
II. search for new and alternative sources of raw materials and optimisation of existing sources;
III. limitation and allocation of invested assets into projects that are most profitable in the short-term;
IV. savings and restrictions in the area of purchasing costs and labour costs;
V. deleveraging.

The results of consistent implementation of the above measures are a high physical volume of sales, decrease in inventories and consequently current assets, preservation of positive profit margins and good cash levels alongside significantly lower indebtedness.

The good level of our own cash allowed us in the second half of the year to commence an investment project geared towards modernisation, stabilisation of production capacities and improvement of environmental acceptability of our principal programme, titanium dioxide pigment (within the limits stipulated by the environmental permit). We will also continue the social responsibility project of the rehabilitation of landfills. We have produced a concrete project for the rehabilitation of the Bukovžlak non-hazardous waste landfill and obtained bids from potential contractors, however, implementation is still not possible because we were unable to obtain consent, i.e. easement or the right of superficies, from the Municipality of Celje. For the Za Travnik landfill, we produced (or amended) the project for dry backfilling and implemented measures for the improvement of the efficiency of dry backfilling and safety of the barrier. We are continuing the activities for responsible handling of TENORM (technologically enhanced naturally occurring radioactive material) waste and are evaluating possibilities for their safe destruction.

Taking into account absolute values of macroeconomic indicators, the global business environment in 2013 was still relatively difficult. It is also obvious that the EU economy dug itself out of the recession in the second quarter, albeit with difficulties. Following the relatively optimistic third quarter, we again detected clear signs of cooling and slowing economic activity in the last quarter. Judging from the observations in the macroeconomic environment and publications of international analysts, the situation in the global economy in 2013 was somewhat better than in 2012, whereby a positive trend was observed primarily in developed economies. The situation was relatively solid also in China, India, the US and Turkey where the respective estimated GDP growth rates in 2013 were 7.6%, 3.9%, 1.9% and 4.0% respectively. It could be concluded that the level of economic activity was still low, but that the global economy showed positive signs of improvement and optimism.
For Cinkarna Celje, d. d., the above conditions mean that the conditions were unstable and full of challenges. Despite the price levels for most of the products being much lower than in the previous year, the physical volume of demand for principal products was markedly higher despite the distinctly long and harsh winter. It is the larger volume of demand and the associated increase in physical sales that, coupled with lower prices of purchased raw materials, materials and energy, made it possible to partly compensate for the significant decrease in the average sales prices and thereby the realisation of very solid net profits.

Conditions on the international titanium dioxide pigment market underwent dramatic changes again. After the market deficits in 2010 and 2011 and surpluses in 2012, a fragile balance was gradually established in 2013. Global consumption of pigment increased by 10 to 15% YOY. The increase in demand and consumption was biggest, i.e. more than 30%, in the Middle East and Africa. The increase in consumption in Europe was somewhat over 10%, while it was around 20% in Asia. On the American continent, the increase in demand was only somewhat over 5% (however, the drop of the market there in the previous year was much lower then elsewhere). We estimate that the consumption of pigment on an annual level is currently between 5.3 and 5.5 million tons (the gap in the estimate is the result of difficulties associated with the availability of statistical data for China), which is still around 5% beneath the 2011 levels. An improvement is nevertheless quite obvious.
The rate of utilisation of production capacities increased and is around 80%, meaning that global production has closely followed the rise in consumption, which is why inventories are still high and exceed 1.1 million tons or are roughly 75 days of normal production.
The average international prices of titanium dioxide pigment fell by over 15% by the end of 2012. It should be added that 2/3 of the decrease in average prices happened in the first half of 2013. Unfortunately, after a period of relatively stable prices in the third quarter, there was a repeated drop in price levels in the last quarter. Cinkarna Celje, d. d. is a relatively small pigment producer, which is why we primarily follow the trend and adapt to it, whereby we strive to achieve as mush as is possible in the given market conditions. This objective was attained in 2013 as we grew our quantitative sales by 20% with our average price level decreasing less than that of the industry. Our inventory levels at the end of 2013 were also lower than those of the industry as they were only 30 days of normal production. The results achieved were excellent in these terms.

As already mentioned, conditions changed significantly on purchasing markets. Market surpluses and high inventory levels of producers forced the latter to adjust their price levels of ilmenite, titanium slag and other titanium containing raw materials. The prices of raw materials decreased gradually and continuously throughout 2013. The mid-year ratio between current sales and purchasing prices provided for the realisation of solid net profits.

Conditions in the sale of titanium-zinc sheets were certainly the most difficult after 2007. The main reason for the difficulties is the crisis in the European construction sector. The low volume of investments is preventing sales increases on the titanium zinc sheet market. The competition for market shares in a stagnating market caused a spiral drop in prices and subsequently profit margins. Conditions in 2013 were additionally strained because of an extended and harsh winter as well as the drop in the stock market prices of zinc. By entering new markets and developing new products, we managed in the third and fourth quarters to completely make up for the shortfall in quantitative sales from the first half of the year and thus exceeded the physical sales volume from 2012. Internal rationalisation and optimisation measures allowed us to visibly improve business program performance despite the eroding prices.

Operations of most of the other sales programmes in 2013 were better than in 2012 both in terms of sales volumes and profitability. We should also highlight the increase in the sales of masterbatches, powder coatings, fluoropolymers / thermoplasts and the graphic materials programme. The only important exceptions is unfortunately still the construction materials programme where the difficulties faced by the Slovenian construction sector and the extremely low volume of investments are fully reflected in the sales. We are trying to improve operations with internal rationalisation and primarily the search for new sales channels and buyers.

In 2013, Cinkarna Celje, d. d. generated sales revenues in the amount of EUR 166 million, which is 4% less than in 2012. We lagged behind the sales plan by somewhat over 1 percent. Total exports reached EUR 142.4 million, which is 5% less YOY. The majority of exports went to Germany (37%), Turkey (13%), Italy (12%), France (6%), the Netherlands (5%), and Croatia and Austria with 3% each. The remaining exports went to other EU markets, the US, Eastern European markets, and markets in the Middle East and North Africa.

The net profit over the 12 months of 2013 came in at EUR 7.2 million. The said net profit was 61% lower than in 2012 when we generated an outstanding EUR 18.3 million in net profit. The net profit significantly exceeds the planned net profit as the plan envisaged net loss of EUR 12.3 million for 2013. We should add that the net profit of Cinkarna Celje, d. d. in 2013 was additionally lowered by impairments of long-term investments in Slovenia banks (NLB, Abanka and Banka Celje) in the total amount of EUR 1.3 million.

The share price of the Cinkarna Celje, d. d. shares rose in the entry market of the Ljubljana Stock Exchange from the last trading day in 2012 to the last trading day in 2013 from 79.0€/share to 90.0 €/share or by 13.9%. The price rise can be attributed to the commencement of sale of the majority shareholding in the company, the high dividend payout and stable achievement of above-average operating results. During the same period, the value of the SBI TOP index increased by 3.2%. The company paid out EUR 5.3 million in dividends in 2013, which is EUR 6.5 per share gross. The dividend yield came in at a high 8.9% and significantly exceeded dividend yields of other companies in the industry.

The total financial indebtedness as at 31 December 2013 was EUR 4.8 million (or 2.6% of total liabilities), which is EUR 14.9 million or 76% less than at the end of 2012. Deposits and funds held in accounts at the end of 2013 were worth EUR 8.1 million. Financial and operating liabilities to lenders, suppliers and the state were settled without interruptions and in line with financial plans. The company's liquidity and solvency were within optimum and planned levels throughout.

In the previous year, we invested EUR 6.6 million, which is 8% less than in 2012 and 29% more than what was planned for 2013. We decreased the dynamics of investments in the first half of the year because of the strained operating conditions and pessimistic forecasts and expectations about the development of the economic environment in 2013, which is why the investments in the first half of the year mostly involved maintenance of operational capability of machinery, environmental acceptability and safety of employees. Conditions stabilised gradually in the second half of the year so we increased the scope of investments significantly. The increase in the scope of investments relates to the mentioned modernisation and stabilisation of production capacities as well as the improvement of environmental acceptability of titanium dioxide production.

We are continuing the work in the area of development in line with the company's strategy. We are focusing our energy into high-tech ultrafine titanium dioxide (that is important because of its UV absorption and photocatalytic properties) and applications based on the said material. In this area, we successfully developed several types of UF TiO_2 intended for various applications and users. We have built numerous technical/development/marketing partnerships that are gradually developing into effective sales channels. We are also gradually increasing the number of orders and sales volumes.

We are upgrading the Integrated Management System with new objectives whereby the system ensures compliance of our operations with quality standards (ISO 9001), environmental standards (ISO 14001) and safety and health standards (BS OHSAS 18001); and at our Mozirje production unit also with the EMAS regulation.

Within the scope of the plans and possibilities we geared our activities into the assurance of social security, work safety, working conditions improvement, development of potentials and the training of employees. We implemented measures of positive pay policy and achieved our business objectives alongside satisfactory employee satisfaction and this managed to maintain a suitable level of social cohesion at the company.
The Business Report provided below discloses the more important data on operations, including comparisons and analyses. It comprises information that is relevant for the fair and objective presentation of the operations over the previous year. The company's financial position and operations in 2013 are shown by the company's Financial Statements with Notes.

Business Plan for 2014

We compiled the business plans for 2014 by taking account of the forecasts of global macroeconomic conditions, projected GDP growth rates in the economically most important countries, and the analyses and assumptions for our industry. Owing to the stabilisation and the slight improvement of market conditions in the titanium dioxide pigment market, we expect 2014 and especially the second half of the year to be somewhat more successful than 2013 for the entire industry, whereby the year is set to also bring many challenges. For the first half of the year, we expect the average sales prices of titanium dioxide pigment to remain under pressure primarily because of the large pigment inventories held by producers. Over the said period, global inventories will decrease as we expect global demand in 2014 to be relatively high and robust, which should gradually create the conditions for the first adjustments of sales prices. We are planning to generate sales revenues of EUR 176 million in 2014, which will make the sales plane well over 6% higher than the sales realised in 2013. As the ratio between sales and purchasing prices improves, whereby we expect a reasonable downward adjustment of the purchasing prices of key raw materials and energy, operating performance will also improve considerably. The planned net profit at the end of 2014 alongside the focus on the curbing of costs and increasing quantitative sales of products will amount to a high EUR 12.1 million. In accordance with the investment plan, which involves the completion of the programme for the modernisation, stabilisation and intensification of titanium dioxide pigment production, we will invest EUR 7 million into the company's fixed assets, which is 6% more than in the year before. Investments also include improvements in the areas of environmental protection and health of the employees. The Business Plan represents an assessment of the future operating conditions and estimate of operating performance that is based on the currently available set of key information, which is why it should be understood as a forecast that inexorably carries with it a certain level of uncertainty.

President of the Management Board – General Manager:
Tomaž BENČINA, BSc (Metallurgy) and BSc (Econ)

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

In 2013, the Supervisory Board held six regular sessions. The Supervisory Board was in full attendance at most of the meetings. Within the scope of the competencies, duties and responsibilities vested in the Supervisory Board by the law and the company's Articles of Association, we considered the submitted materials, presentations, special explanations and notes thoroughly. We tried to additionally clarify and study certain topics by way of constructive proposals, questions and requests for additional data, analyses and reports. We believe that the Supervisory Board acted with the due diligence required by the law and to the best of their knowledge and conscience, thereby responsibly protecting the interests of the company and the shareholders.

Alongside the monitoring of current company operations, the Supervisory Board 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 8% due to the relatively difficult economic conditions, but at the same time exceeded investment plans by 29%. The higher investment dynamics in the second half of the year reflected the improvement of conditions and the associated commencement of investments aimed at modernisation, stabilisation and improvement of environmental acceptability of titanium dioxide pigment production.
The Supervisory Board made the necessary inquiries regarding the progress and development of project management processes, acquisition of consents and bids relating to the drawing of environmental provisions formed in previous years.

The Supervisory Board was also briefed of a serious accident at work that occurred on 1 November 2013. We monitored the successful elimination of consequences, introduction of additional preventive measures and were happy and relieved to hear that the injured workers were recovering well.

In December, the Supervisory Board discussed and unanimously confirmed an ambitious operating plan for 2014. An increase in sales of 6%, planned net profit of EUR 12.1 million and planned increase in investments show that the company is in excellent shape business-wise and that we can be optimistic about developments in operations in 2014.

Operating results in 2013 were quite solid. They were certainly a bit poorer than those achieved in the record years of 2010, 2011 and 2012, but were also undoubtedly at the top of the Slovenian industry and among the best in the global titanium dioxide pigment industry. We should add that the results considerably exceeded the business plans and interim operating forecasts as well as the operating results of most of the competitive producers of titanium dioxide pigment. We, therefore, assess the disclosed net profit of EUR 7.2 million and total sales in the amount of EUR 166 million in the still discouraging international economic conditions to be praiseworthy achievements. The decrease of indebtedness by 76% (financial debt amounted to EUR 4.8 million at the end of the year or somewhat less than 3% of all sources of financing), the increase of market shares on key markets, the lowering of the number of employees and progress in the development of ultrafine titanium dioxide are some of the most important external indicators of satisfactory fulfilment of the company's set medium-term strategy. The Supervisory Board supports the adopted business policies geared towards boosting operating efficiency, mitigating risks and uncertainties, and ensuring the company's stable financial position. We expect and demand special attention to be paid to the assurance of compliance in the pursuit of continuous progress in the areas of environmental protection and the protection of the health of employees.

The Supervisory Board feels that this Annual Report, which includes the prescribed financial statements, disclosures, notes 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 Annual Report and the proposal for the appropriation of net distributable profit of Cinkarna Celje, d.d. for 2013.

The Supervisory Board also reviewed the independent auditor's report received by the company on 17 March 2014, and feels that it is an appropriate presentation of the statutory audit of financial statements and notes, and accepts the auditor's opinion that the business report complies 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.

Report of the Supervisory Board's Audit Committee on the Work Done in 2013 and the Verification of the 2013 Annual Report of Cinkarna Celje d.d.

The Auditing Committee of the Supervisory Board of Cinkarna Celje, d. d. in the following composition: Ms. Jožica Tominc (Economist) – Chair, Barbara Gorjup, MSc – member and Vida Lebar (BSc (Econ)) – independent external expert; met in one correspondence meeting and five regular meetings in 2013, and discussed the 2013 Annual Report of Cinkarna Celje, d. d. at its meetings in 2014.

All Audit Committee members were present at all meetings. The meetings were also attended by Jure Vengust, MSc, member of the Management Board in charge of Finance, Accounting and IT, and Ms. Irena Leščak Zalokar, Head of the Accounting Department, who provided answers or explanations to the questions of Committee members. Two meetings were attended by representative of the Deloitte revizija d. o. o. audit firm as well as other rapporteurs, who attended meetings as appropriate.

The first Audit Committee meeting in 2013 was a correspondence meeting. At the meeting, the Committee granted its consent to signing of the Annex to the Agreement on the Auditing of Financial Statements of Cinkarna Celje, d. d., for the 2012 Financial Year because the proposal by the Management Board and the Auditing Committee for an expanded scope of auditing of internal controls for financial reporting purposes for the year ended 31 December 2012 caused an increased scope of work.

At all regular meetings, the Audit Committee familiarised itself with interim operating results of Cinkarna Celje, d. d. and paid special attention to financial and accounting information. They carefully considered the contents of interim and annual business reports of the company and prepared proposals for corrections.

They were briefed on the analysis of the functioning of internal controls of the purchasing process at the company.

The Audit Committee also regularly monitored data and information on the operations of the Tuzla-based subsidiary Cinkarna Kvarc d. o. o. They considered the audited report of the Tuzla-based subsidiary Cinkarna Kvarc d. o. o. for 2012 and the report on operations for the period from 1 January to 30 June 2013. In 2013, they again devoted special attention to the review of the volume and quality of the company's receivables.

In line with their competencies, the Committee was active in 2013 in procedures of the regular audit of Cinkarna Celje, d. d. These activities involved primarily the following:

- They met with the auditors and were briefed on the course of the final audit of the Financial Statements of Cinkarna Celje, d. d. for 2012.
- They were briefed on the findings of the audit of Financial Statements of Cinkarna Celje, d. d. for 2012 and of the Auditor's Opinion.
- They were further presented with the letter from the management on the findings of the audit of Financial Statements of Cinkarna Celje, d. d. for the year ended 31 December 2012. They considered the schedule for the realisation of the auditor's recommendations and monitored the realisation of the said plan.
- They proposed to the Supervisory Board that it should propose to the General Meeting to engage the Deloitte revizija, d. o. o. audit firm for the auditing of the Financial Statements of Cinkarna Celje, d. d. for 2013.
- They participated in the drafting of the agreement with the auditor for the auditing of the Financial Statements of Cinkarna Celje, d. d. for 2013 and the determination of the required contents of the relationship with the auditor.
- They met with the auditors and were briefed of the course of the preliminary audit of the Financial Statements of Cinkarna Celje, d. d. for 2013.

The meetings and activities in 2014 were intended for the familiarisation with the final audit of the Financial Statements of the company for 2013 and the review of the Annual Report of Cinkarna Celje, d. d. for 2013.

The first draft of the Annual Report of Cinkarna Celje, d. d. for 2013 was received by the members of the Audit Committee on 28 February 2014. They carefully reviewed the draft Annual Report and sent their comments to the Management Board which were in turn considered at the Audit Committee meeting held on 4 March 2014. The certified auditor was also present at the meeting and they described to the members of the Audit Committee the course of the audit and responded to their questions. It was agreed that, in the days that were to follow, the auditor would meticulously review the accounting portion of the report and issue eventual comments. Based on the comments of the Audit Committee and the auditor, the Management Board prepared a revised draft of the Annual Report that was reviewed again by the members of the Audit Committee, i.e. between 7 and 11 March 2014.

The clean copy of the Annual Report of Cinkarna Celje, d. d. for 2013 was received by the Audit Committee on 17 March 2013 and considered it at its meeting on 20 March 2013. The Audit Committee found that the Annual Report of Cinkarna Celje, d. d. for 2013 was compiled in a timely manner and in accordance with the Slovenian Accounting Standards as well as the provisions of the Companies Act.

The business part of the Annual Report comprises a summary presentation of operations for the last three financial years. The analysis of the results and operations in 2013 provides a detailed overview of the assets and the profit or loss of the company as it contains all of the necessary notes on sales, operating profit or loss, expenses and costs, assets and liabilities.

The risks arising from the company’s operations and their management are defined in a special chapter and broken down into operational level risks and key operations risks. An assessment of the probability of each type of risk occurring is shown as are the amount of damage or loss that could be incurred by the company and the method of managing the said risks.

The development of the company is based on its employees, investments, the development activity, quality assurance and successful implementation of the strategic plan for the following five-year period. Social responsibility is exhibited by the company through responsible and lawful management of the environment, assurance of the health and safety of employees, and participation and support for social projects and activities geared primarily towards the development and advancement of children and young people, which is also presented in the Annual Report.

Financial statements of Cinkarna Celje, d. d. for 2013 including the accounting policies and notes were audited by the Deloitte revizija d. o. o. audit firm that was confirmed by the General Meeting at its 17th regular meeting on 4 June 2013. On 17 March 2014, the auditor issued an unqualified opinion on the financial statements of Cinkarna Celje d. d. for 2013 and at the same time confirmed that the information in business report comply with the enclosed financial statements.

The Audit Committee came to the conclusion, based on the unqualified opinion in the Auditor's Report, the additional explanations provided by the auditor and expert departments and the data and disclosures contained in the Annual Report of Cinkarna Celje for 2011, that the Annual Report had been compiled in accordance with the Companies Act and that the Financial Statements in all respects provide a fair presentation of financial position of Cinkarna Celje, d. d. as at 31 December 2013 and its profit and cash flow for the year then ended in accordance with the Slovenian Accounting Standards.

The Audit Committee had no objections to the Annual Report of Cinkarna Celje for 2013, which would lead the Committee to withhold the proposal to the Supervisory Board to act in accordance with Article 282 of the Companies Act and approve the Annual Report of Cinkarna Celje for 2013.

The Audit Committee further had no objection to the Management Board's proposal on the use of distributable profit for 2013 and proposed to the Supervisory Board to act jointly with the Management Board in proposing, in accordance with Articles 230 and 282 of the Companies Act, the adoption of the resolution for distributable profit of Cinkarna Celje in the amount of EUR 8,916,135 to be used for dividend distribution in the amount of 8 EUR/share or a total of EUR 6,499,816, and for the transfer of the remainder of EUR 2,416,319 to profit brought forward.

President of the Supervisory Board
Milan MEDVED, PhD

Activities and Product Lines

Cinkarna Celje, d. d. is a company with broad product and sale 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 successfully competes with international corporations thanks to its constant progress with regards to its constant technological advances, formulations, adaptability, reliability and the achievement of an optimal ratio between price, quality and delivery. This group is complemented by a number of types of ultrafine titanium dioxide pigments. These are products featuring high added value that can assume the role of a photocatalyst or UV absorber thanks to their crystalline structure. They are incorporated in high-tech products (self-cleaning systems, photovoltaics, suntan lotions, materials with UV stabilisers, etc.).

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 on the markets of Northern Europe, where it has traditionally been 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 the market group of products for the building industry are directed at the domestic market and at the markets of the countries of former Yugoslavia. 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 in 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 anticorrosion protection of construction materials, and the majority of powder coatings are intended for anticorrosion and decorative needs in the production of household appliances, heating elements and other metal goods. Masterbatches 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 protective agents for plants,
- growing mediums and mineral fertilisers,
- the group of fluorinated polymers and elastomers that, owing to their characteristics, are
- suitable for the transport of aggressive mediums and for the protection of processing
- equipment and hardware,
- sulphuric acid,
- semi-finished products from the production of titanium dioxide pigment: titanyl sulphate, metatitanic acid and sodium titanate and
- co-products from the production of titanium dioxide pigment: white gypsum – CEGIPS (intended for the cement industry and use in agriculture) and red gypsum – RCGIPS (intended for the filling in civil engineering construction, construction of low dikes and covering layers).

Analysis of Performance and Operations in 2013

SALES

Total sales generated by the company in 2013 under quite unstable macroeconomic conditions were 4.2% lower than in 2012 and 1.3% lower than planned. Total sales or net saes revenues reached EUR 165.96 million and were the third largest sales after the record years of 2011 and 2012.

The changing of the dynamics of monthly net sales revenues followed the seasonal character of sales of our main products (titanium dioxide pigment and zinc sheets), construction programme and agricultural programme.

The analysis of quarterly and monthly sales established that the sales in Q4 of 2013 were the worst in the year. Sales in the final quarter were lower than those of the third quarter by 25% and were also lower than those of Q4 2012 by 8%. They were by somewhat less than 6% higher than the sales plan for the last quarter. The total Q4 2013 sales amounted to EUR 33 million, whereby the lag as compared to 2012 was primarily the result of a significant decrease in the sales prices of titanium dioxide pigment and titanium-zinc sheets. In the last quarter of 2013 and after the relatively stable conditions in Q3, we were again faced with increased pressure to lower average sales prices of titanium dioxide pigment. This development could partly be attributed to renewed growth in the inventories of finished products and the resulting excess supply and partly to the drop in consumption owing to the low season. Sales in Q1 2013 came in at EUR 40.3 million and were significantly lower YOY because of the extremely long and harsh winter. Sales in Q2 and Q4 of 2013 were EUR 48.5 and 44.1 million respectively and exceeded the sales of comparable periods in 2012 by 0.4 and 3.4% respectively. The good results in these two periods were the result of significantly higher pigment and titanium-zinc sheet sales volumes. The highest monthly sales were achieved in May with EUR 16.5 million (while the highest monthly sales in 2012 were achieved in March > EUR 17.4 million) and the lowest were recorded in December with EUR 7.8 million (the lowest monthly sales in 2012 were also recorded in December with > EUR 7 million). The poor results in December resulted primarily from the traditionally low winter season associated with a low number of business days.

In general, the dynamics of quarterly and monthly sales in 2013 were in line with multi-annual expectations and traditional seasonal changes.

in EUR

Trg	2012	2013	Changes in the year 2013 (%)
Slovenia	23,745,118	23,523,812	–1
EU	104,806,457	104,441,258	–
Third countries of former Yugoslavia	8,146,471	6,866,900	–16
Third countries - other	36,519,469	31,123,110	–15
Total	**173,217,515**	**165,955,080**	**–4**
Slovenia	15%	14%	
EU +	60%	65%	
Middle and Near East and Africa	8%	6%	
Eastern Europe	17%	15%	
ZDA & Mercosur	0%	0%	

Total sales on foreign markets in 2013 decreased 4.2% YOY. Sales on the domestic market decreased by less than one percent. The decrease in the sales on foreign markets is largely attributable to the extensive drop in sales on the markets of third countries, i.e. North Africa and Eastern Europe (primarily because of the deterioration of macroeconomic conditions and political/security conditions on said markets). Another negative impact was the 16% drop in the sales to the markets of former Yugoslavia, whereby the drop in sales in exclusively the result of the accession of Croatia to the EU on 1 July 2013, while sales on other markets of former Yugoslavia were on the level of the previous year. Sales results on EU markets are encouraging as they were on the level of the sale of the previous year (in net terms – considering Croatia's accession to the EU, sales results decreased somewhat, i.e. by 2.6%), which means that we significantly improved our market shares and market position on the most profitable markets if we take into account the decrease in the prices of titanium dioxide pigment and titanium-zinc sheets. The sales on dollar markets increased by 7% because of the increased sales volumes in the Middle East (United Arab Emirates, Kuwait and Yemen) and the United States of America. Maintaining presence on dollar markets is a part of the sales strategy of diversification of sales markets geared towards lowering sales risks. Sales focused exclusively of European or regional markets would represent an unacceptable operational risk because of instability in this environment.

The mentioned decrease in the sales on the domestic market of somewhat less than 1 percent is a good result despite the harsh economic conditions in Slovenia and lower average sales prices, and indicates an increase in the physical sales volume. We are primarily satisfied with the growth in the sales of masterbatches and powder coatings.

The share of total exports within the total sales of the company in 2013 was 85.8%, which is a decrease of 0.5% YOY. The value of the exports in US dollars came in at 189,385,458 and decreased by 1.5% YOY. The majority, i.e. 92%, of the exports is accounted for the exports of titanium dioxide pigment (78%) and titanium-zinc sheets (14%).

German, Italian, French and Turkish markets remain the most important for successful sales of the company. The German market is the target for 37% of total exports or well over 32% of the company's total sales. The market is extremely important for the sale of titanium dioxide pigment (18.3 kt of pigment sold in 2013) and crucial for the sale of titanium-zinc sheets (6 kt of sheets sold in 2013). Over the current year, we significantly increased the sales of pigment in Germany and thus increased our market share on our most profitable market.
The sound geographic structure of sales allowed us to successfully offset the drop in the sales on the markets of North Africa and Eastern Europe with increased sales on dollar markets (USA, UAE, Yemen, and Kuwait). It is reasonable to highlight the excellent sales in Turkey that is demonstrating to be a large and important market and is providing the company's sales with stability and robustness. The decrease in value-based sales in the EU is primarily the result of the decrease in the sales prices of pigment and the decrease in the prices of titanium-zinc sheets.

We have not detected any special difficulties on specific markets in the period under consideration, with the exception of stoppages relating to security issues in individual markets in the Middle East (Syria, Egypt, etc.) and the extremely unattractive prices in North Africa (Tunisia, Algeria and Morocco). Conditions on the markets of economically weaker EU countries (Spain, Greece, Portugal, etc.) did not deteriorate significantly, and our sales there are predominantly dependent on the competitiveness of our products in terms of price.

It is obvious that the structure of sales on national markets is changing dynamically throughout, mostly because of the urgency to quickly adapt to market conditions on individual national markets. The strategic orientation to EU markets certainly will remain a constant of our operations in the future as well.

Sales programme	2012		2013	
	Value in EUR	Share in %	Value in EUR	Share in %
Titanium dioxide	124,997,071	72	116,380,966	70
Zinc processing	22,838,165	13	22,780,910	14
Graphic materials	5,382,264	3	6,025,856	4
Construction programme	3,791,160	2	3,564,079	2
Coatings and varnishes	9,737,087	6	10,505,083	6
Agricultural programme	2,774,391	2	2,718,347	2
Other	3,697,377	2	3,979,840	2
Sales value	**173,217,515**	**100**	**165,955,080**	**100**

The most important sales programme of the company is titanium dioxide pigment where we recorded a drop in 2013 of 7% in terms of the value of sales. The deterioration is primarily the result of significantly lower average sales prices. Unfortunately, the decrease in market prices could not be offset entirely by a significant increase in sales quantities. The most important facts affecting the business volume of the programme in 2013 were the increases in global consumption by 10 to 15%, a moderate drop in the level of total inventories and the subsequent establishment of a fragile market equilibrium and the associated stabilisation of sales prices. It should also be mentioned that, in the last two months of year, we saw an obviously incongruous growth in the volume of global production and the subsequent growth in the level of global inventories. Pigment sales in 2013 were worth EUR 116.4 million, which is somewhat more than 70% of the company's total sales. The relative importance of the programme decreased by 2 percentage points when compared to 2012 because of the increase in the sales of other programmes.

The zinc processing sales programme was the same in 2013 as it was in 2012 despite the significantly lower average stock market prices of zinc and the low demand volumes resulting from the severe crisis in the European construction sector. In quantitative terms, the programme is recording an improvement in all product groups, i.e. sheets, zinc wire, anodes and alloys. Positive movements are the result of the introduction of individual new products, successful breakthrough to new markets and the expansion of the offer of products.

The sales of the graphic materials programme are gradually increasing through the constant scaling up of marketing activities. Despite the difficulties related to the outdated production programme, the general crisis on regional markets and devastating conditions in the industry in terms of late-payment culture, the trend shows a 12% rise YOY (but also a 10% lag behind the sales plans). An encouraging fact is that the biggest increase was seen in the sale of the main product, printing plates, whereby the biggest increase within this group was the sale of modern CtP Thermal printing plates. Improvements in sales results and a number of measures aimed at internal optimisation and rationalisation are gradually improving the operating results of the programme.

The sales of the construction programme comprising construction adhesives, mortars and plasters decreased by 6% YOY in 2013. This means that the cumulative drop in the value of sales from the onset of the crisis in 2008 is more than 40%, while the cumulative drop in sales in terms of quantities is already nearing 60%. The extremely big drop is the result off catastrophic conditions in the Slovenian construction sector. There were unfortunately no changes in this field in 2013, whereby individual statistical indicators even point to a significant drop in construction activity when compared to the year before. The new renewed drop in construction activity indicates that difficulties are set to continue and get even worse. It should be added that the programme is still in positive territory despite the mentioned drops as we have observed a strict policy of cost limitation. The biggest fall in sales was recorded in cement adhesives, and this is worrying.

In 2013, there was an 8% YOY increase in the sales of the **coatings programme**, whereby the sales of masterbatches increased by 9% in terms of value and that of powder coatings increased by 7% in terms of value. The sales of classic anti-corrosion product increase by 6% despite the opposite long-term trend. The improvement in the area of sales is the result of the increase in the powder coating sales volumes alongside the relatively stable prices, while the outstanding increase in the sales volumes of masterbatches of 37% was, unfortunately, not reflected in an increase in sales in terms of value because of the extensive drop in the sales prices. We increased the sales volumes by entering new markets and finding new buyers.

The sales of the agricultural programme comprising the Cuprablau and Pepelin fungicides, green vitriol and Humovit decreased by 2% YOY in 2013. The drop is primarily the result of the decrease in the sales volumes of Cuprablau (to a lesser extent also of green vitriol), which we were unable to offset by increased sales volume of Pepelin and Humovit. By undergoing national registrations of phyto-pharmaceuticals, expansion of the portfolio of product versions, development of new products and establishment of business partnerships, we will in the following years penetrate new markets and notably increase sales volumes of Cuprablau. The delay in the implementation of this plan is the result of long-lasting and extremely complex procedures for the registration of individual products from the copper programme.

The item **"other"** comprises the sales programmes of thermoplasts, polymers, elastomers and systems for the transport of aggressive mediums, sulphuric acid, CEGIPS, merchandise and services, and intermediate products from the production of titanium dioxide (metatitanic acid, titanyl sulphate and sodium titanate). The products that warrant special mention in this group in terms of sales increases are thermoplasts, elastomers, polymers and systems for the transport of aggressive mediums, which increased by 17%, as well as a 63-fold increase in the sales of intermediate products. The increase in the sales of the group of "other" products relates to the sales of sulphuric acids that was 2% higher and the 7% increase in the sales of services and merchandise. In strategic terms, we should note the 25% increase in the sales volumes of CEGIPS, which is important for the long-term operations of the company as it decreases the quantity of disposed material at the Za Travnik landfill and extends the period of use of the said landfill. We sold 87,000 tons of CEGIPS (the sales reached 70,000 tons in 2012). Based on the successful sale of CEGIPS, we decided in 2012 to invest in an addit6ional centrifuge that we started using at the end of June of 2013. We simultaneously decided to invest in another, i.e. fourth, centrifuge that will increase nominal capacity by an additional 30%. We plan on starting up the centrifuge in the first months of 2014.

PROFIT OR LOSS

The **operating profit or loss in 2013 of EUR 8,628,400 (5.2% of sales)**, which is 64% lower YOY, exceeds the plan as we planned on EUR 11.7 million of operating loss in 2013. Profit or loss after amortisation or EBITDA is worth a solid EUR 21.5 million, which is 13% of sales revenues. EBITDA decreased by 41% YOY.

Year	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Operating profit or loss in millions of EUR	5.3	7.9	4.4	3.5	4.6	5.0	4.9	10.8	11.0	4.6	4.7	13.7	32.8	24.1	8.6

After accounting the impact of finance income and expenses (as well as other income and expenses), we disclosed **operating profit before taxes of EUR 7,573,785 in 2013**, which is 66% lower than in 2012. It is, of course, significantly higher than planned as the planned envisaged a loss before taxes of EUR 12.3 million. The negative financing balance of EUR 1.1 million decreased by 36% YOY alongside a decrease in the cost of interest of 37% (the cost of interest in 2013 were EUR 550,000, while they were EUR 868,000 in 2012). The cost of interest decreased proportionately with the decrease in liabilities to banks, which was coupled with the decrease in the reference interest rate.

The above negative financing balance in 2013 also comprises EUR 1.3 million of impairments or revaluation of financial assets, whereby the impairment was made to the company's shareholdings in Slovenian banks: NLB, Abanka and Banka Celje. Based on the decision of the Bank of Slovenia on the termination of the capital of NLB and Abanka, we derecognised investments in the shares of the two banks, while we impaired the shares of Banka Celje to 0 based on objective evidence dictating the impairment of the said security (the results of stress tests performed by the Bank of Slovenia, the non-payment of the coupon of the BCE11 bond, published operating results of Banka Celje – I–IX 2013).

Year	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Net profit in millions of EUR	4.1	6.4	1.8	1.3	1.6	2.6	2.5	5.6	6.1	0.8	1.0	8.9	25.5	18.3	7.2

The net operating profit or loss for the period is EUR 7,160,899, which is 61% lower YOY and significantly better than planned. We planned on generating a net loss of EUR 12.3 million in 2013. Considering the state of the international economy and especially the results of our competitors in the titanium dioxide segment, we assess the result as very good. The net profit comprises profit or loss before tax, the accounted corporate income tax of EUR 697,000 (the effective tax rate is thus 9.2%) and the amount of deferred taxes in the amount of EUR + 284,000. The amount of deferred taxes or the upwards change in the balance of deferred taxes relates primarily to the recalculation of the values of deferred taxes (taking into account the changes of tax rates according to the Corporate Income Tax Act) and the impairment of financial assets, while the downwards change relates to the net decrease in provisions for employees according to SAS 10. The tax relief comprises relief for investments into research and development, hiring of disabled persons, voluntary supplementary pension insurance, investment into equipment and donations.

SHARES – Value and Turnover

The shares of Cinkarna Celje, d. d. are listed in the entry market of the Ljubljana Stock Exchange under the designation CICG. The average price per share as at the first day of trading, i.e. 6 March 1998, was EUR 33.64 per share.

The total number of shareholders as at the last day of 2013 was 1,706, while the total number of issued shares was 814,626, whereby 812,477 shares carry voting rights and 2,149 are the company's treasury shares. The number of shareholders decreased by 66% from the start of trading on the free market to the last day of 2013. It should, however, be added that the process of ownership concentration has stopped and reversed course as there was an increase in the number of shareholders by 3.5% for the second consecutive year.

We find that the trend of the price of the shares of Cinkarna Celje, d. d. listed in the entry market of the Ljubljana Stock Exchange in 2013 was positive and that the value fluctuated between EUR 70 and 90 per share during the year. The clearer and more distinct growth characteristic of the last quarter is attributed to the commencement of the sale of the majority shareholding, the high dividend distribution and stable achievement of above-average operating results. The share price rose from the last trading day in 2012 to the last trading day in 2013 from 79.0 €/share to 90.0 €/share or by 13.9%. During the same period, the value of the SBI TOP index increased by 3.2%.

The company's market cap as at the last trading day in 2013 was EUR 73.3 million. The company's market cap as at the last trading day in 2012 was EUR 64.4 million. The table below shows the changes in the price of the CICG share over the last year (average price at the end of the month).

Year	1998	2009	2010	2011	2012	2013											
Month	3	12	12	12	12	1	2	3	4	5	6	7	8	9	10	11	12
Price of CICG in EUR	33.6	49.4	58.2	84.5	79.0	83.0	80.0	81.0	72.5	70.0	73.1	75.3	75.0	70.0	80.1	86.0	90.0

The average cumulative monthly turnover in the shares of Cinkarna Celje, d. d. in 2013 was EUR 223,000 and was somewhat less than 60% lower than the average monthly turnover in 2012 when it was EUR 555,000. The average daily turnover of CICG shares in 2013 was EUR 10,800 (EUR 27,000 in 2012). The total annual turnover was EUR 2,672,000 (EUR 6,660,000 in 2012).

The table shows extreme values of the share price and the cumulative monthly turnover over the last three years.

	2011		2012		2013	
	Maximum	Minimum	Maximum	Minimum	najvišji	Minimum
Share price in EUR/share	91.0	58.2	95.1	70.0	95.0	64.0
Cumulative monthly turnover in thousands of EUR	139.1	17.6	3,259.4	15.5	407.2	48.7

DIVIDENDS

On 4 June 2013, the company's General Meeting voted in favour of the counterproposal of the PanSlovenian Shareholders' Association (Vseslovensko združenje malih delničarjev, d. d.) on the use of distributable profit for 2012 worth EUR 10.6 million. In accordance with the adopted counter-proposal, a part of distributable profit of EUR 5.3 million was paid out in the form of dividends. The dividend per share was worth EUR 6.5 gross, which is 57% less than the historically highest dividend paid out in 2012 (EUR 15 per share). Dividend distribution in 2013 was higher than the distributions of the leading companies in the titanium dioxide industry. The difference of EUR 5.3 was brought forward to the following financial year as profit brought forward.

The company did not increase the number of treasury shares in 2013. The company's treasury stock comprises 2,149 shares, which is 0.26% of all issued shares. The treasury stock was formed based on the General Meeting resolution from 2007.

Dividend distributions over the last three years are shown in the table below.

	2011	2012	2013	Change in 2013 (%)	Change in 2012 (%)
Gross dividend in EUR/share	4.35	15.0	6.5	-57	+245
Net dividend in EUR/share	3.48	12.0	4.88	-59	+245
P/E 31 December	2.7	3.5	10.2	+191	+30

The company paid out 29% of the net profit from 2012 in the form of dividends in 2013. The dividend yield of the share as at the distribution date was a high 8.9%. The payment represented 19.8% of the total free cash flow from operations in 2013 and enabled normal financing of current operations and investments despite being relatively high and despite diverging from the proposal of the Management/Supervisory Board. The fact is that the operating performance in 2013 deviated significantly from the plans, which was primarily due to the unexpectedly rapid adjustment/decrease in purchase price levels, which was positively reflected in reliable and stable coverage of all financial liabilities of the company.

EXPENSES AND COSTS

The analysis of expenses and costs provided below relates mostly to the cost of material, raw materials and energy, labour cost and cost of interest. The biggest impact on the company's operating performance was exerted by the changes in the cost of material, raw material and energy as the company pursues capitally intensive activities. Labour cost is defined primarily through a constructive dialogue with social partners and operating performance. The cost of interest no longer represent an important efficiency and performance factor for the company because of continuous lowering of the level of indebtedness. An extremely important factor for the scope and dynamics of costs is the conditions in global and European economy. Economic activity in 2013 was relatively low and represented only a slight departure from recessionary conditions from 2012. Business environment development trends are also slightly positive throughout. Conditions have undoubtedly made it possible to continue the process of the gradual decrease in the prices of raw materials and energy products, the sliding of reference and key interest rates and have, last but not least, at least indirectly caused the adjustment of labour cost.

Within the structure of consumption of raw materials, packaging and energy in 2013, we could observe slight deviations from 2012. The reason behind this is the increase in the direct costs of raw materials and materials of 8% combined with the decrease in the costs of energy products of 4%. The total direct costs of materials, energy and packaging over the period increased by 7%, whereby production increased by 16%. The positive result or the net decrease in the direct costs of production is the result of the decrease in the prices of raw materials that depended on the low expansion, whereby the most important decreases in the prices of titanium slag, ilmenite and non-ferrous metals (and raw materials ties to the prices of non-ferrous metals). The improvement in the specific consumption of raw materials and energy products was another important positive effect. The improvement in specific consumption is the resulted of the significantly greater production volume (especially pigment). As already mentioned, the greatest progress was observed in the lowering of the costs of energy consumed that resulted primarily from the 19% drop in the average prices of natural gas and the 5% decrease in the average prices of electricity. It can be said beyond doubt that there is no longer any pressure on raising the prices of raw materials coupled with the continuation of the conditions of a relatively unfavourable macroeconomic environment, which is primarily due to the gradual improvement of conditions in the titanium dioxide industry. On the contrary, 2013 saw several consecutive downward corrections of the purchase prices of key raw materials.
In line with the set strategy, we sustainably implement project geared towards the search, testing and verification of new/improved purchasing sources and purchasing channels, optimisation of old purchasing sources and channels, development and introduction of rationalisation and modern technologies in the field of energy consumption, lowering the specific consumption of materials/raw materials and increasing the original profitability of product groups through increases in the structural share of new or established products with a higher added value.

The biggest share of production costs in 2013 was again caused by raw materials for production (85.2%), which was followed by energy (12.8%) and packaging (2.0%).
It would be reasonable to shed additional light on the limitations of the mentioned cost categories. The amounts for raw materials, materials and packaging at the end of 2013 also comprise EUR 1,990,180 worth of costs relating to capitalised own products and services, while these costs in 2012 (because of the lower scope of capitalised own products and services at the time) were EUR 1,293,968. This means that the direct production costs increased on a net basis, i.e. by the difference between the above amounts.

In 2013, we imported EUR 86.06 (+23% YOY) million of raw materials, materials and spare parts. The majority of imports of raw materials are represented by the imports of titanium slag, ilmenite, pure zinc, sulphur and aluminium. The rate of coverage of imports with exports is 1.65.

Despite the significant deterioration of efficiency and profitability of the operations in the titanium dioxide segment in 2013, the positive payroll policy allowed us to achieve solid operating results. As in the previous years in terms of the payroll policy, we again kept to the agreements and guidelines of social partners at the state level and at the company level in 2013, which is why we raised basic salaries and wages by 2%.

The average monthly gross wage increased by 0.3% YOY and came in at EUR 1,910.15 in 2013, while it was EUR 1,903.8 in 2012. The increase in the average wage was primarily the result of the increase in the basic wage that we mentioned above.

In 2013, we paid employees a holiday pay of EUR 1,066.50 gross per employee. In August, we reimbursed employees for material expenses in the total amount of EUR 240 gross per employee. In December, we paid employees a Christmas bonus of EUR 1,078.87 gross per employee.
In 2013, the company also paid supplementary pension insurance contributions for employees into the Kapitalski vzajemni pokojninski sklad managed by Modra zavarovalnica, whereby the annual contribution was EUR 530.40 per employee.

The generated labour cost at the company level was 3.8% lower YOY. The labour cost per employee in 2013 increased 0.6% YOY.
Labour productivity increased by 22%, which is primarily the result of a 16% higher production volume and to a lesser extent the result of a 4% decrease in the average number of employees. Added value per employee dropped by 23% and came in at a still high EUR 51,000 in 2013.

The amount of the accounted depreciation and amortisation in 2013 was somewhat less than one percent lower than in 2012. The scope of investment in the current year was EUR 6.6 million, which is 8% less than in 2012. The scope of investment is also by EUR 5.8 million lower than the amount of the accounted amortisation and depreciation because the ratio between the scope of investment and the accounted amortisation and depreciation has been negative since 2007, which means that the gradual decrease in the amount of the accounted amortisation and depreciation is understandable and expected.

The cost of interest decreased in 2013 by 37% (in 2013, interest costs were EUR 550,000, while they were EUR 868,000 in 2012), which is proportionate to the decrease in liabilities to banks. This was coupled with reference interest rates falling in the first half of the year. Total liabilities to banks came in at EUR 4.7 million at the end of the year, which meant they decreased in 2013 by EUR 14.9 million or 76%. The cost of interest are becoming an ever smaller item in operating performance because we are decreasing our indebtedness, which in turn means that the risk associated with interest rate changes is negligible.

Alongside a significant increase in the physical volume of operations and despite the distinct drops in the average sales prices in 2013 we generated a solid net profit of EUR 7.2 million using a restrictive policy in the area of costs and expenditures. We accounted a corporate income tax of EUR 697,000 for 2013. The change in deferred taxes amounts to EUR +284,000.

Operating profit or loss and expenditures	**2012**		**2013**	
	Value in EUR	Share in %	Value in EUR	Share in %
Operating profit or loss	24,084,524	13	8,628,400	5
Cost of goods, materials and services	110,216,226	62	115,486,303	69
Labour cost	29,641,741	17	28,455,515	17
Amortisation and depreciation expense	13,443,252	7	12,865,138	8
Other expenses	916,360	1	1,064,461	1
Total / operating revenues	**178,302,103**	**100**	**166,499,817**	**100**

ASSETS AND LIABILITIES

The sources of financing for the achieved scope of operations in 2013 were our own assets accumulated over the course of current operations and short-term debt sources. The financing of the increase and upgrading of production/business equipment and buildings as well as investments underway was exclusively from our own assets accumulated over the course of current operations. Over the previous year, we focused especially on decreasing indebtedness, management of short-term assets and ensuring sufficient cash flows at all times.

Assets	2012		2013	
	Value in EUR	Share in %	Value in EUR	Share in %
Non-current assets	120,069,551	61.3	113,532,428	61.9
Current assets	75,474,089	38.5	69,175,095	37.7
- inventories	*35,716,739*	*18.2*	*30,793,485*	*16.8*
- receivables	*31,164,524*	*15.9*	*30,244,131*	*16.5*
- cash and cash equivalents	*8,587,907*	*4.4*	*8,136,743*	*4.4*
- short-term prepaid expenses and accrued income	457,630	0.2	651,873	0.4
Total assets	**196,001,270**	**100**	**183,359,396**	**100**

The share of non-current assets within the structure of total assets increased by 0.6 percentage points as compared to the balance as at the end of 2012 and came in at 61.9%. The biggest category of non-current assets is property, plant and equipment (94%). Their value decreased to EUR 5.76 million, i.e. by the accounted depreciation that exceeded the amount actually invested in property, plant and equipment in 2013. Long-term financial assets decreased by 32% in 2013, primarily owing to the impairment of investments into Slovenian banks (NLB, Abanka and Banka Celje). The aforementioned decrease in long-term financial assets is lower by the amount of the capital increase in Cinkarna – Kvarc, d. o. o. of EUR 575,000. Long-term financial assets comprise stocks and shareholdings in electricity distribution companies and Cinkarna – Kvarc, d. o. o. as well as the value of provided long-term loans for sold apartments. Deferred tax assets comprise the amounts of deferred taxes at the end of 2013 with adjustments resulting from the recalculation for the higher tax rates, impairments of financial assets, changes in the amount of provisions and other lower-value changes in deferred taxes.

The share of current assets within the structure of total assets decreased by 0.8 percentage points as compared to the balance as at the end of the previous year and came in at 37.7%. Their scope decreased by 8% upon the decrease in inventories and operating receivables.

Short-term operating receivables are an important category of current assets (44%). They comprise short-term trade receivables and short-term operating receivables due from others. They decreased by 3% as compared to the balance at the end of 2012. They decreased because of the decrease in short-term operating receivables due from others, which was primarily the result of the decrease in receivables due from the state that are represented by the difference between the paid prepayment of the corporate income tax and, to a lesser extent, the result of the decreased in VAT receivables. Operating trade receivables increased by 2% (EUR 0.5 million), which is an excellent achievement in the given economic conditions considering that there was a negligible increase in days sales outstanding. It should be added that the sales volume over the last two months of 2013 was 2% YOY.

The most item in the structure of current assets in terms of scope is **inventories** (share of 44.5%), which decreased by 14 as compared to the balance at the end of 2012. The value of the inventories of products decreased by 19% in 2013 primarily because of the sharp drop in the value of the inventories of titanium dioxide pigment as the physical volume of pigment inventories decreased by 945 tons in 2013. Pigment inventories reached the volume of 30 days of production at the end of the year. Inventories of materials (including advances) decreased by 7%, while the value of the inventories of unfinished products decreased by 26% or EUR 981,000, i.e. for all production programmes of the company.

Cash (and cash equivalents) represent 11.8% of the total value of current assets. Their volume decreased by 5% in the period under consideration as compared to the balance at the end of 2012. The balance of cash at the end of the year complies with the safe and conservative policy for the assurance of liquidity and solvency.

Short-term prepaid expenses and accrued income represent costs of the coming year (2014) that have been paid in advance. They rose by 42%.

Liabilities	**2012**		**2013**	
	Value in EUR	Share in %	Value in EUR	Share in %
Equity	133,348,357	68	135,148,867	74
Provisions	28,377,001	15	27,791,524	15
Long-term financial and operating liabilities	4,727,272	2	181,818	-
Short-term financial and operating liabilities	28,221,221	14	18,958,165	10
Short-term accrued expenses and deferred income	1,327,419	1	1,279,022	1
Total liabilities	**196,001,270**	**100**	**183,359,396**	**100**

The value of equity in the structure of liabilities as at 31 December 2013 is 73.7%, which is 5.7 percentage points more than at the end of 2012. The amount of equity increased by more than 1 percent, i.e. primarily by the difference between the net profit generated in 2013 (EUR 7.2 million) and the paid out dividends in the amount of EUR 5.3 million. There were no other material changes in equity.
The amount of share capital within total equity remained unchanged at EUR 20,396,244.37 and comprises 814,626 ordinary freely transferable no-par value shares. The book value per share as at 31 December 2013 was EUR 166 (it increased by more than 1 percent from the beginning of the year). The company has 2,149 treasury shares (provisions were formed upon the determination of distributable net profit for 2007), meaning that the number of shares with voting and dividend rights is 812,477.

Provisions and long-term accrued expenses and deferred revenues account for 15.2% of liabilities. Other provisions were formed within the scope of ownership transformation arising from provisions for ecology and in 2010 in the amount of EUR 5 million for the closure and rehabilitation of the Bukovžlak solid waste landfill. In 2011, we formed provisions for environmental rehabilitation, i.e. the destruction of TENORM waste, in the amount of EUR 5 million and for the renovation and reconstruction of the barrier for the Za Travnik landfill in the amount of EUR 7 million. Other provisions decreased by 2% in 2013. Provisions for severance pay, jubilee bonuses and similar liabilities were formed on 1 January 2006 in accordance with the Slovenian Accounting Standards. They change in line with their use and new provisioning for the purposes, for which they were formed. Long-term accrued expenses and deferred revenues increased by 9% as a balance of the increase caused by accounted unpaid contributions for the Pension and Disability Insurance Institute of the Republic of Slovenia for disabled employees over the quota of assets acquired for the co-financing of investments into R&D and the decrease in the coverage of the costs of depreciation and amortisation of asset purchased from the quota in the period up to 31 December 2013.

Operating and financial liabilities decreased by 42% as compared to the balance at the end of the previous year. Long-term liabilities account for 1% of all operating and financial liabilities. The share of operating and financial liabilities decreased in the period under consideration by 13.4 percentage points because of the decrease in the long-term financial debt. The company's gross debt service ratio as at 31 December 2013 was 10.4% and was 6.4 percentage points lower ad compared to the balance as at 31 December 2012 when it was 16.8%.

Short-term and long-term financial liabilities as at 31 December 2013 amounted to EUR 4,747,016, which is 76% less than at the end of 2012. The company's debt ratio is, therefore, 2.6% and decreased by 7.4% over the twelve months of 2013. The total financial debt, with the exception of the amount of EUR 20,000 (other short-term financial liabilities), relates to a bank debt.

Short-term trade payables amounted to EUR 11.6 million as at 31 December 2013, which represented an increase that was primarily due to the increase on the scope of operations in December.

Other short-term operating liabilities amounted to EUR 2.75 million as at 31 December 2013. The increase of 8% was the result of the increased volume of purchases from the EU and the associated amount of the charged VAT (self-assessment of tax). Liabilities to employees came in at EUR 2.2 million, which was an increase of 5%.

Short-term accrued costs and deferred revenues amounted to EUR 1.3 million and comprised primarily the liabilities for unpaid annual leave, accrued variable part of the costs of Management Board remuneration for 2013, VAT from advances, short-term deferred revenues and accrued costs of commissions. Short-term accrued costs and deferred revenues decreased by 4% over the period under consideration.

Company’y operational risks and their management

Because of the breadth, diversification and complexity of its operations as well as the nature of the industries, in which it operates, Cinkarna Celje, d. d. is exposed to various risks. The system for defining, systemisation and strategising on the management of said risks has been setup on relevant levels. We basically distinguish between:

a. operational level risks;
b. key risks in the company’s operations.

a. *Operational Level Risks*

Operational level risks are partial risks, uncertainties and threats that are standard, so to say, or immanent to specific business processes and thereby to the entire organisation. The company encounters them continuously, meaning that they are highly probable (ordinary) in terms of the possibility of their occurrence. We manage them by applying prescribed processes and procedures that are governed by internal rules, by-laws and work instructions, all of which are merged in an integrated management system (according to the ISO management system).

b. *Key Risks in the Company’s Operations*

Key risks in the company’s operations are risks that fundamentally determine the operating and financial position and its operational and financial exposure. The custodian directly charged with detecting, defining and acting accordingly with regard to the key risks of operations is the company’s Management Board. The responsibility of an individual Management Board member with regard to the individual risk areas is defined with their respective competencies. Management Board members verify, review, define and trigger measures for the concurrent management of risks (i.e. upon occurrence), while the entire system is integrally evaluated once a quarter and disclosed to the public within the scope of regular reporting in accordance with the valid legislation (Financial Instruments Market Act), i.e. twice a year (and more frequently if there is a legal basis for this).
The fundamental risks in the company’s operations are divided into the following basic groups:

I. Sales risks
II. Production risks
III. Financial risks
IV. Risks related to spatial planning and environmental legislation

Specific risks within individual basic groups are defined below. The possibility of the occurrence of a loss event, the potential for damage and the method of their management is defined for each individual risk.

The system is defined and updated wit respect to the status and expectations prevailing at the time of the compilation of this report.

I. Sales Risks

Product sale risk	Probability of occurrence	Amount of damage
	Medium	**Medium**
Definition	The risk is associated with the possibility and ability of successfully selling products on target markets. It relates to the increasing negotiation power of buyers, economic (in)stability of markets, growing power of competitors (on account of capital concentrations) and the suitability of the elements of our own marketing mix (price, product, market, promotion). The risk decreased because of the increase in demand and stabilisation of the market in the titanium dioxide industry. The moderate increase in capital investment in the EU (Northern and Eastern Europe) has slightly decreased the risk in the area of titanium-zinc sheets sales.	
Management	The risk is mitigated by expansion of the sales network, diversification and shortening of sales channels, development of marketing partnerships, and development of new products that allow entry to new markets and industries. We also manage the risk through systematic monitoring and comparative analyses of relevant industries (competitors and buyers), increases in the share of direct sales and the introduction of standards in the area of management of quality, safety, the environment and health. The risk is managed through strategic maintenance of so-called compensation markets (USA, Near/Middle East) where we can direct surpluses of unsold quantities.	

Raw materials and energy purchasing risk	Probability of occurrence	Amount of damage
	Medium	**Medium**
Definition	The company is highly dependent on the purchasing of quality and appropriately priced raw materials and energy. These are mostly standardised raw materials of a global character, primarily titanium-bearing ores, zinc, aluminium and sulphur. The negotiating power of the supplier is high (and is exhibiting a growing trend). In the long-term, the risk is considerable in terms of the prices and, when considering the trends, also increasingly in terms of availability. The stabilisation of sales markets of titanium dioxide pigment and the development of individual new deposits of titanium-bearing materials, the risk decreased significantly in 2013 and we expect the situation not to change in the short-term. The risk in the area of energy products (gas and electricity) is important because of the expected trend of rising prices, the objective limitations of resources and the fact that the prices of energy products in Slovenia are higher than those paid by the industry in Western Europe. In the short-term, we expect a surplus in supply or low demand to prevail on the energy market in 2014. Prices will be low, meaning that the energy market does not represent a high risk in the short-term.	
Management	We manage the risk by searching for and evaluating alternative raw materials resources (catalogues of verified alternative raw materials and suppliers). We build long-term and stable partnerships in a targeted manner. We develop infrastructure, information systems, technologies and products so as to limit the use of critical raw materials, reduce dependence on individual suppliers and limit the volatility of purchasing prices. In the area of energy products (and raw materials), we conclude (where possible) long-term fixed-price purchasing agreements, balance the structure of consumption of individual energy products, implement energy management and continuous measures/projects for energy use optimisation. We include targets for specific consumption of raw materials and energy products into the integrated management system.	

Risk of macro conditions in target economic environments	Probability of occurrence	Amount of damage
	Medium	**Medium**
Definition	Considering that the company is not limited geographically, it is exposed to the risk of changes in regional and global macroeconomic conditions, political/security conditions and even climate events that can cause damage or loss. The global and especially the EU economy climbed out of the recession in 2013 and economic activity indicators were mostly positive. We estimate that the risk of macroeconomic conditions has decreased and that there will be no significant changes in the coming period.	
Management	We manage the risk by focusing on relatively safe and stable markets within EU+ (more than 80% of sales), while sales outside the borders of EU+ are distributed over a broad portfolio of markets such as: USA, Near/Middle and Far East. We develop a balanced sales structure from the point of view of risks/returns. An important element of the strategy for the management of this risk is flexibility in directing sales to different geographic markets. We consequently maintain an optimum scope of so-called compensation markets. In doing so, we regularly monitor macroeconomic forecasts and projections and adapt our business policy accordingly. We lower manageable risks strategically (e.g. financial risks) in order to enhance the compensation ability in objective risks of the global economic environment.	

II. Production Risks

Risks of availability of the means of work	Probability of occurrence	Amount of damage
	Medium	**High**
Definition	Cinkarna Celje, d. d. is a capitally intensive company involved in a processing industry with a high share of continuous processes. From the point of view of the loading and wear of the means of work, the conditions are mostly unfavourable (chemically aggressive substances, high temperatures, pressure, etc.).	
Management	The risk is mitigated by way of a system of a professionally elaborated and excellently organised preventative and curative maintenance. As mentioned, special attention is placed on preventative maintenance – state that implies excellent technical diagnostics.	

Risk of the occurrence of accidents, fires, uncontrolled releases of substances into the environment and accidents at work	Probability of occurrence	Amount of damage
	Medium	**High**
Definition	The chemical processing and metallurgical industry implies the risk of the occurrence of such accidents.	
Management	The risk is managed through systematic evaluation of environmental impacts, periodical assessments of fire hazards and systemisation of employment positions with respect to the risk assessment. In the area of environmental impact mitigation, we have systematically introduced European environmental standards through the implementation of the principles of the "Responsible Action programme", and are continuously harmonising our activities with the requirements of the IED directive. We implement our processes by observing the "best available technology" principle. As regards fire safety, we have our own fire fighting unit organised, and the company also holds adequate fire insurance. In the area of accidents at work, we have a headquarters service established that implements supervision and control over the observation of safety at work rules and measures. We provide regular education and training for employees. The company holds liability insurance. we conclude written agreements with external contractors and provide them with training. We have introduced work instructions for the performance of maintenance intervention in terms of fire prevention, accident prevention and improvement of cleanliness in the workplace. We have had the ISO 14001 environmental management system and the BS OHSAS 18001 safety and health management system in place since 2009, both of which are certified by an authorised institution. A part of the company certifies compliance with environmental regulations by registering in the EMAS register kept by the Ministry of Agriculture and the Environment. We have performed an assessment of hazards by way of the protection and rescue plan.	

III. Financial Risks

Interest rate risk	Probability of occurrence	Amount of damage
	Low	**Low**
Definition	Despite the continuation of the process of decreasing financial indebtedness (liabilities to banks currently represent 2.6% of total liabilities), the company is still exposed to the risk of rising interest rates on money markets. This applies especially to the coming years because the key (ECB, FED) and reference interest rates are currently still extremely low.	
Management	The risk is mitigated through selective use of interest rate swap instruments and fixed forward interest rate agreements (FFRA). We devote special attention to the hedging interest rates when concluding long-term credit agreements and decide on the hedge based on the trends of the key interest rates of the ECB and the FED. Interest rates of short-term liabilities are hedged (or not) based on the current assessments of short-term risk.	

Currency risk	Probability of occurrence	Amount of damage
	Medium	**Medium**
Definition	Cinkarna Celje, d. d. performs its purchasing and sales in the global market, which is why it is also exposed to the risk of unfavourable inter-currency ratios. The main ratio is the €/$. Because the majority of sales are transacted in euros, exposure is worrying especially in dollar-denominated purchasing of titanium-bearing ores.	
Management	The risk of unfavourable changes in exchange rates of the $ are mitigated in two ways; a part of the exposure is covered by operational hedging, which is the currency matching of sales and purchasing, while we hedge the uncovered difference by concluding USD index futures contracts provided that the assessment of exposure so dictates.	
Credit risk	Probability of occurrence	Amount of damage
	Medium	**Medium**
Definition	This is the risk of potential non-fulfilment of contractual obligations on the part of buyers, meaning that buyers are late in paying or default on their past-due liabilities. The risk is limited as we mostly do business with long-standing partners who are frequently well-known traditional European industrial companies with a high credit rating. We find that, during the recessionary period, the culture of late payment has deteriorated severely in Slovenia and the Balkans, and we expect further deterioration in this regard in the future as well.	
Management	The risk is mitigated by development of long-term partnerships, concentration of sales to reliable buyers, and regular monitoring and verification of the business health of our buyers. We also have a department organised for the dynamic monitoring and maturity of outstanding receivables, balance of outstanding receivables and their collection. When it comes to mediation, court and out-of-court recovery of receivables, we cooperate with external providers of such services. We make use of payment security instruments (advance payment, bills of exchange, documentary letter of credit, bank guarantee or documentary collections) in individual cases.	

IV. Risks Related to Spatial Planning and Environmental Legislation

Rehabilitation of the Bukovžlak non-hazardous waste landfill	Probability of occurrence	Amount of damage
	High	**High**
Definition	In Q4 of 2010, the Management Board adopted the decision not to include the Bukovžlak non-hazardous waste landfill in the application for an environmental permit because of the high financial burdens and limited availability/capacity of the landfill and for the landfill closure procedure to be commenced immediately. The landfill is closed, while an extensive rehabilitation should be implemented so as to ensure safety and prevent environmental pollution.	
Management	In 2010, the Company formed environmental provisions in the amount of EUR 5 million that was debited to profit or loss. The drafting of project documentation for the comprehensive rehabilitation of the landfill has been completed and the application for a construction permit has been filed. We have obtained all of the required consents, with the exception of the right to build from the owner (Municipality of Celje), which is why the schedule for the commencement of rehabilitation cannot be predicted at this time. if the owner keeps preventing us from undertaking the rehabilitation of the site, we will clean drainage facilities and shafts in 2014 in order to ensure minimum safety conditions.	

Pipeline for the pumping of neutralising agent at the Za Travnik landfill	Probability of occurrence	Amount of damage
	Low	**High**
Definition	The company only as one functioning pipeline for the pumping of the neutralising agent to the Za Travnik landfill. The pipeline is old and does not have sufficient capacity. In the event of leaks, stoppages of the production of titanium dioxide must be performed. We were able to repair the leaks to date in sufficiently short periods of time, which is why the risk is still assessed as low. The risk will, however, increase in the future.	
Management	We are conducting the project for the construction of a new pipeline in stages. The first stage involves the most critical part. The main obstacle is the easements for the acquisition of a building permit.	

Amendments of the IED directive - Industrial Emissions Directive (formerly IPPC) and subsequent changes to the environmental permit	Probability of occurrence	Amount of damage
	High	**High**
Definition	The European IED directive that prescribes maximum emissions of high-risk facilities is making the requirements regarding environmental impacts even stricter. Amendments apply to us in the area of dust emissions. Continuous measurements will be required at larger sources of dust. Measures in case of the limits being exceeded will be stricter. The values provided by "best available technology" will be introduced for air emissions. The IED directive will leave open the issue of the treatment of the slag landfill. If the landfill is treated according to the general Decree on the landfill of waste, additional environmental taxes are possible as is the requirement for the establishment of financial security for closure. It will be necessary to introduce soil and groundwater monitoring, which will be reflected financially in the installation of piezometers as an annual costs of the implementation of monitoring and the final cost of the establishment of a baseline state in case of the company's closure. Amendments was set to be transposed into our legislation by 6 January 2013, while we were supposed to comply with the additional requirements by 6 January 2014, however, the Ministry of Agriculture and the Environment has not yet prepared the new legislation.	
Management	We systematically implement a number of preventative measures aimed at lowering emissions to the minimum technically feasible values determined in the "best available technology" norms. In line with the requirements of the environmental permit, we carried out a part of the continuous dust emission measurements already in 2011. Once the amendments are transposed into our legislation, we will trigger activities for the assurance of compliance with eventual additional requirements and file an application for the change of the environmental permit. The Ministry of Agriculture and the Environment did not meet the deadline for the transposition of the IED directive into our national legislation. We are still waiting for the new legislation to be enacted.	

Availability of the titanium slag landfill	Probability of occurrence	Amount of damage
	High	**High**
Definition	Considering the projections, the time until the dry backfilling of the Za Travnik landfill is 9 years. The backfilling of the landfill means the stoppage of titanium dioxide production.	
Management	We are implementing the procedure for the exclusion of white gypsum (CEGIPS) from the neutralising agent. For each ton of material we eliminate, the above time is prolonged. The expansion of production of CEGIPS is adapted to market opportunities. The use of red gypsum for the production of an impermeable cover during the closure of the Bukovžlak non-hazardous waste landfill has been approved. We have initiated the project for the sustainable development of titanium dioxide production that is searching for solutions for the reduction of waste generation through a number of development projects.	

Assurance of the stability of barriers	Probability of occurrence	Amount of damage
	Low	**High**
Definition	Barriers represent a hazard in case of a collapse. It can occur in the event of a powerful earthquake or hundred year floods.	
Management	We carry out the prescribed monitoring that are analysed once a year by experts from the Faculty of Civil and Geodetic Engineering of the University of Ljubljana. We observe all recommendations by concurrent maintenance. Projects of the break wave have been developed. The project for the maintenance of the high Za Travnik barrier has been set up, which will utilise the provision of EUR 7 million established for this purpose in 2011. The rehabilitation of the barrier of the Bukovžlak non-hazardous waste landfill is included in the project for the closure of the said landfill. The project will include the implementation of protective measures for the reduction of the threat to local houses and inhabitants in the event of a break wave at the Bukovžlak slag landfill.	

Temporary storage of TENORM waste	Probability of occurrence	Amount of damage
	Medium	**Medium**
Definition	The process of titanium dioxide production creates smaller amounts of TENORM waste (technologically enhanced naturally occurring radioactive material). Their source is the ore with radioactivity that is slightly above background radiation. During the production process, there is a build-up of radionuclides on certain parts of equipment, which is why parts of the equipment are classified as TENORM waste after the expiry of their useful life. Cinkarna Celje, d. d. holds a permit from the Slovenian Nuclear safety Administration until 2016 for the temporary storage of such waste.	
Management	We carry out all of the prescribed supervision procedures and thus prevent the possibility of the temporary storage licence being revoked. Formal procedures are underway for the destruction of this waste, for which we established provisions in the amount of EUR 5 million in 2011.	

Environmental air permit	Probability of occurrence	Amount of damage
	High	**High**
Definition	The Decree on the emission of substances into the atmosphere from stationary sources of pollution requires the issue of a special environmental protection permit for air. The criterion for the issue is that the 3% threshold of emissions of individual pollutants is not exceeded in the entire area of the evaluation. The basic area of evaluation in our case is the radius of 5 km around our company. The Slovenian Environment Agency will within the scope of this permit determine the threshold air emission quantities. The quantities will represent a limiting factor for the quantity of production.	
Management	In order to manage the risks of emission quantities being exceeded, we are supplementing the system for the supervision using indicative dust meters and continuous measures for the improvement of the operation of existing treatment plants. In line with the requirements, we submitted an application for the environmental permit for air in June of 2011. The Slovenian Environment Agency requested the supplementation of the application at the end of 2011. We performed additional measurements and modelling allowing us to define important sources of emissions and the possible methods for action in case the established criteria are exceeded. The Slovenian Environment Agency has not yet brought a final decision as to the application.	

Environmental permit pursuant to the SEVESO directive	Probability of occurrence	Amount of damage
	Low	**Medium**
Definition	The Seveso directive requires a special environmental protection permit for facilities that represent a risk of an accident involving hazardous substances. With its current quantities of stored raw materials, semi-finished products and products of Cuprablau, solvents and the Graphic materials BU and hydrazine for the production of sulphuric acid, Cinkarna Celje, d. d. is classified as a low-risk facility. The deadline for the issue of the permit for this type of facilities is 2015.	
Management	In line with the requirements, we will supplement the Design for the Mitigation of the Risk Posed to the Environment and prepare a Safety Plan in the beginning of 2014.	

Compliance with the Water Directive (Decree on surface water status (Official Gazette of the Republic of Slovenia, Nos. 14/2009, and 98/2010)) and Directive 2000/60/EC of the European Parliament	Probability of occurrence	Amount of damage
	Medium	**High**
Definition	The said regulation requires the Republic of Slovenia to achieve a good chemical status of watercourses by 2015. Because of the discharge of waste water into watercourses, adaptation will probably be required.	
Management	We are monitoring the phase of the drafting of legislation and using information to concurrently prepare variants of eventually required adaptations.	

Corporate Management

System of Internal Controls and Management Related to the Risks Associated with the Financial Reporting Procedure

The company has set up a system of operational and supervisory internal controls at all levels and areas of operations so as to manage risks that affect the successful achievement of objectives in terms of:
- efficiency and performance of operations,
- reliability of financial reporting and
- compliance with legislative and internal regulations.

Control activities and responsible persons are recorded in internal acts (description of employment positions, authorisations, organisational regulations, rules, and rules of procedure).

The company provides for:
- accounting controlling of data that encompasses the assessment of the correctness of accounting information and elimination of irregularities found; the implementation of the competencies of the Accounting Service and the Financial Service;
- verification of the reliability of accounting data that is performed by inventorying assets and liabilities. Inventorying is performed by the permanent inventory commission in accordance with the annual inventory schedule: The head of inventory and member of the inventory commission are organisationally assigned within the Accounting Service. For the purpose of individual types of inventory or extraordinary taking of inventory, the Management Board can appoint special inventory commissions;
- the assessment of deviations of the actual amounts from the planned amounts that can indicate deficiencies in implementation as well as objective planning. Activities are performed within the scope of the Accounting Service;
- internal control over the implementation of prescribed procedures in the area of purchasing, warehousing and consumption of materials and the area of production, warehousing and sale of products (control of consumption and approval of prescribed documentation, analysis of eventual discrepancies and proposals of measures). Activities are performed within the scope of the Accounting Service and the company's management.
- Internal controls in the computer-assisted IT system relating to the management, infrastructure, protection, purchasing, development and maintenance of software is provided by the IT Service. Controls within individual applications or controls for software solution users provide for the completeness and accuracy of the capture and processing of data.
- The internal controls system is complemented by the internal assessment system according to:
- ISO 9001 – quality management systems,
- ISO 14001 – environmental management systems and the EMAS regulation for Chemistry
- Mozirje BU,
- BS OHSAS 18001 – health and safety at work systems.
- The internal assessment of the functioning of processes is performed by qualified internal assessors so as to verify whether activities are performed in accordance with the management system and whether the introduced management system is suitable and effective for the achievement of set objectives. External assessments are performed by a certification house:
- the auditing of annual financial statements is performed by an external audit firm;
- based on the resolution of the Management Board, verification of the functioning of operational and supervisory internal controls is performed once a year; by way of a resolution, the Management Board designates a responsible person, the area of supervision and the schedule for the implementation of supervision.

Discrepancies established by individual forms of internal controls are analysed by responsible persons and the company's management, based on which they initiate measures for the remediation or prevention of the causes for the occurrence of risks that have or could cause deviations from the set rules and objectives of the company.

Information on the Work of the Company's General Meeting, Including Competencies, Shareholders' Rights and Their Enforcement

The General Meeting is convened by the Management Board at their own initiative, at the request of the Supervisory Board or at the request of the company's shareholders who represent one twentieth of the share capital. The General Meeting takes valid decisions at sessions with a regular majority of votes cast, whereby they decide especially on:

- the adoption of the annual report and the use of distributable profit,
- appointment of the members of the Supervisory board,
- discharging the Management Board and the Supervisory Board,
- appointment of the auditor and other matters.

They decide by a ¾ majority especially on amendments to the:

- Articles of Association,
- measures for increasing or decreasing share capital,
- status changes and winding up of the company and other matters, provided this is stipulated by the law or the Articles of Association.

Shareholders can attend the General Meeting and exercise their voting rights only under the condition that they announce their attendance at the General Meeting to the company's Management Board in writing no later than by the end of the fourth day prior to the General Meeting session. An individual shareholder's number of votes at the General Meeting is determined by the votes vested in the shares that the former owns according to the information in the share register on the fourth day prior to the date of the General Meeting session.

Shareholders can exercise their rights arising from shares directly at the General Meeting or through proxies, whereby the letter of proxy must be issued in writing and deposited with the company.

As a rule, one General Meeting is held per year.

Information on the Composition and Work of Management and Supervisory Bodies with Commissions

Management Board

General Manager
Tomaž BENČINA, BSc (Metallurgy) and BSc (Economics)

CTO
Nikolaja PODGORŠEK - SELIČ, BSc (Chemical Engineering), Specialist

Member of the Management Board – Finance, Accounting and IT
Jurij VENGUST, MSc

Labour Director
Marko CVETKO, BSc (Chemical Engineering), Specialist

General Manager
Tomaž BENČINA,
BSc (Metallurgy) and BSc (Economics)

CTO
Nikolaja PODGORŠEK - SELIČ,
BSc (Chemical Engineering), Specialist

Member of the Management Board
– Finance, Accounting and IT
Jurij VENGUST, MSc

Labour Director
Marko CVETKO,
BSc (Chemical Engineering), Specialist

The Company has a two-tier governance system and is governed by a Management Board and a Supervisory Board.

The Management Board represents and presents the company. It is composed of a President and three members, one of whom is the Labour Director (conditions for the appointment and discharge of the Labour Director as well as his/her competencies are stipulated by the Worker Participation in Management Act).

The Management Board adopts all decisions in accordance with the law and the Articles of Association, with the exception of decisions that fall within the express competence of the General Meeting and the Supervisory Board. The Management Board has the following competencies vis-à-vis the General Meeting:

- prepares information on matters involving the company, professional materials and resolutions within the competence of the General Meeting,
- convenes the General Meeting,
- implements resolutions adopted by the General Meeting.

The Management Board reports on the following to the Supervisory Board:

- company's profitability;
- planned business policy and transactions that could materially affect profitability or solvency of the company as well as other matters pursuant to the law and provided that the Supervisory Board so requests.

Supervisory Board

President
Milan MEDVED, PhD

Deputy President
Barbara GORJUP, MSc

Members
Jožica TOMINC, econ.
Matjaž JANŠA, MSc
Marin ŽAGAR
Dušan MESTINŠEK, BSc (Electrical Engineering)

President
Milan MEDVED, PhD

Deputy President
Barbara GORJUP, MSc

Members
Jožica TOMINC, econ

Members
Matjaž JANŠA, MSc

Members
Marin ŽAGAR

Members
Dušan MESTINŠEK, BSc (Electrical Engineering)

The Supervisory Board comprises six members, two of whom are labour representatives elected by the Works Council that notified the General Meeting thereof. The Supervisory Board is appointed by the General Meeting, within the exception of Supervisory Board members who are labour representatives. The competencies of the Supervisory Board are stipulated by the law. The detailed regulation, method and conditions for their work are regulated by the Supervisory Board by way of the Rules of Procedure on the Work of the Supervisory Board. The Management Board must procure the consent of the Supervisory Board for the setting of the business policy, adoption of plans, establishment and co-establishment of companies, increasing and transferring the founding contributions of the company in other companies, purchase and transfer of shares and shareholdings of the company in other companies, awarding of the authorisation for procuration, etc.

Supervisory Board sessions are convened by the President of the Supervisory Board at their own initiative or the initiative of any member of the Supervisory Board or at the initiative of the Management Board. The Supervisory Board constitutes a quorum for decision-making in sessions if at least half of the members are present during decision-making.

As a rule, the Supervisory Board meets six times a year.

The Supervisory Board of Cinkarna Celje, d. d. has an **Audit Committee** that is composed of three members and is a permanent body within the Supervisory Board. Members of the Audit Committee in 2013 were Jožica TOMINC, econ., ((President), Vida LEBAR, BSc (Econ.) (independent expert) and Barbara GORJUP, MSc (member).

Based on its consideration, the Committee drafts proposals for resolutions, position statements and opinions within the competence of the Supervisory Board and relating to the annual and business reports of the company's Management Board, reports and opinions of external auditors, and also prepares Supervisory Board reports for the General Meeting. The Supervisory Board must provide concurrent notifications on its work and activities and communicate the reports at sessions.

Corporate Governance Statement

We do not use a concrete code (e.g. "Code of Governance of Publicly Traded Companies") because we apply a comprehensive formal/legal framework of Slovenian legislation and implementing regulations as well as general principles of fair operation in other operations. We also apply the system of internal standards of operation and management.

Bases for Development and Strategy

EMPLOYEES

Key data

Number of employees: 993
Average age: 47.11 years
Percentage of employees by gender: 76.3% male, 23.7% female
Percentage of work performed in the first shift: 64.9%

As at 31 December 2013, there were 993 employees at Cinkarna Celje, d. d., 76.3% of whom were men and 23.7% were women. In line with the business policy of the company's Management Board, good operating results and planned employment, the number of employees decreased by 1.2% or 12 employees. In 2013, 47 people stopped working at the company, whereby 33 cases involved retirement. We employed 37 new workers (generally with levels IV, V and VII of vocational education). We managed our other employment needs by internal reassignment.

External employee turnover in 2013 came in at 4.7%, while the internal turnover, which include internal reassignments, came in at 6.7%. External employee turnover is 1.9 percentage points lower than the year before, while internal turnover is 2.9 percentage points lower (6.6% and 9.6% respectively in 2012), which can be attributed to the lower number of retirements than in 2012 and similar internal dynamics of reassignments within the company.

As at 31 December 2013, the average age structure at the company was 47.11 years (44.96 years of age for men and 49.25 years for women). Despite the 37 new employments, the age structure turned in the negative direction as the average age rose by 0.33 percentage points.

Year	1985	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Number of employees	2427	1254	1217	1185	1166	1144	1131	1113	1079	1053	1063	1005	993

From 1985, when the company's management began implementing a long-term restrictive HR policy, the number of employees decreased by 1434 employees or somewhat less than 60%.

The company invests a lot into the development and education of employees. The employment and education policy positively affects the rise in the qualifications structure that is visibly on the rise despite the long-term HR restriction on new employments.

Level of education	**2012**		**2013**	
	No. of employees	Share in %	No. of employees	Share in %
VIII	16	1.6	17	1.7
VII	103	10.2	107	10.8
VI	64	6.4	61	6.2
V	276	27.5	291	29.3
IV, III	337	33.5	329	33.1
II, I	209	20.8	188	18.9
Balance as at 31 December	**1005**	**100.0**	**993**	**100.0**

The analysis of statistical data indicates a drop in unskilled labour force from the former 48.7% to the current level of 18.9% and an increase in labour force with a suitable level of qualifications from the former 3.5% to the current 12.5%. Internal reassignments and merging of jobs are slowly bringing about a positive balance between the actual and required education and the company is also willing to invest only in those employees whose acquired education benefits the company and the work process.

The trend of the falling number of unskilled and retrained workers and the hiring of workers with education levels IV, V and VII is also positive, which is in turn favourably affecting the educational structure within the company. A part of the functional gap in this area is filled by intensive internal training.

The average scope of employee absences from work decreased by 0.1% in 2013 as compared to the year before and came in at 21.7% (sick leave absences account for 5 percentage points of the said amount or 23% of all absences). The percentage of sickness benefits decreased by 0.2 percentage points as compared to the year before and came in at 5%.

A detailed analysis of sick leave shows that sick leave in 2013 decreased as compared to 2012 by 3.9% or by 0.2 percentage points. The causes for absenteeism at Cinkarna Celje, d. d. and the associated sick leave are primarily:

- nature of the work (difficult, physically straining work),
- age of the population (distinct impact on absenteeism as the average age is 47.1 years of age),
- work in four shifts (35.1% of workers work in several shifts),
- large number of disabled employees (10.8% of all employees).

In 2014, we plan to have 991 employees on average or 988 according to the balance at the end of the year. The plan for the number of employees is based primarily on the envisaged production and sales plan (as well as investment plans) combined with the optimisation of the economy of production processes and increase in activities in specific professional areas. There will be 6 fewer employees in 2014 than there were in 2013. The majority of retirements pursuant to the Pension and Disability Insurance Act (ZPIZ-2) will be implemented in the second half of 2014. There will be no significant decreases in the number of employees next year as the majority of people leaving production business units will be replaced with new hiring, while we will try to substitute for employees in support services by reassignments and the optimisation of the work and tasks.
We will continue the policy of productive hiring and decrease the percentage of unskilled labour as well as carry out the reorganisation of the work so as to reduce the number of administrative employees. It should be noted that we have managed to reduce the percentage of all employees within the 1st and 2nd qualification level to below 19%. In 2014, we wish to lower the structural portion of the 1st and 2nd level by an additional percentage point. The success of implementation rests on the willingness or retirement of employees. Analogously, we plan on boosting the qualifications structure of the 6th, 7th and 8th qualification level by at least half of a percentage point (the balance as at the end of 2013 was 18.6% of employees with this level of education).

INVESTMENT

Owing to the strained conditions on the market, we reduced investment to a minimum in the beginning of the year. We only carried out the urgent work and completed unfinished investments. In June, improved conditions prompted us to restart the project we began two years ago, i.e. the project for increasing the operating reliability of the production of titanium dioxide.
The volume of investment decreased by approximately 8% with respect to 2012 and came in at EUR 6,599,760.

The bigger investments worth mentioning that are also already being implemented are:

- acquisition of the fourth centrifuge for Cegips,
- additional vat for the preparation of the pre-mix for separation,
- vat for the supply of solutions for separation,
- optimisation of receivers on the Schnakenberg system for flue gas treatment,
- line for the preparation of titanyl sulphate,
- additional Fundabac filter with associated equipment for the washing of gel,
- updating of the line in the production of printing plates,
- heat station for the heating of the Titanium Dioxide BU with hot condensates,
- reconstruction of the Litopon transformer station,
- warehouse bays at the Chemistry Mozirje BU,

- enlargement of the silo for TiO_2 at the Chemistry Mozirje BU,
- Hosokawa ACM 5 mill,
- raising of the level of the warehouse in the floodplain area of the Chemistry Mozirje BU,
- acquisition of quality control equipment (microwave kiln for separations, weather chamber, etc.),
- acquisition of two new measurement units for the measurement of SO_2 concentrations in external air,
- a number of improvements for the assurance of better working conditions.

We carried out several larger overhauls primarily at the Titanium Dioxide BU and Metallurgy BU.

A portion of the funds was invested in the acquisition of individual fixed assets.

DEVELOPMENT ACTIVITY

We used three framework objectives to monitor the development activity in 2013.

I. Developing New Products and Services

Development activities were carried out for all 28 planned innovations. We successfully completed 19 of them, while we experienced unforeseen difficulties with 9 innovations, which meant the projects were extended or the objective was cancelled. Some of the more important new products include: titanium dioxide RC 893 and RC 897, new ceramics glue, fertiliser based on copper hydroxide and tri-base sulphate, zinc manganese wire, two types of microcrystalline rutile (photocatalyst and UV absorber), superparamagnetic photocatalyst, rotocasting, prototypes of regulation ball valves of several dimensions. The developed services include the welding of wearing parts of the granulator for the operation of pre-drying with the Interweld abrasive material, new method for the determination of magnesium content and a new method for the measurement of gloss.

II. Improving Existing Products and Services

Several improvements were successfully introduced in 2013, which enable better quality (application properties of Vilakit, water absorption of Humovit, purpose-built conventional plate for digital coating, improved gumming solution and Laminaflex colours, modernised technology for Zn casting, start-up of the treatment plant for Zn sheets, improved effect of the surfaces of structural powder coatings), improved safety (remote control on the final track at the rolling mill), lower costs (wear-resistant vital parts of the air mills for pigment).

III. Commencement of the Marketing of New Products Developed in the Previous Year

The market for UF TiO_2 is slowly opening up. We sent 120 samples for testing, while the quantities sold were below the plan. We also did not fulfil the sales plans for temperature-resistant PL, Zn-primer, polystyrene masterbatch with microcapsulated wax and Calcin B.

The products that we began marketing in 2013 together accounted for 3.6% of total sales.

The project for the dry filling of gypsum at the Za Travnik landfill was applied to the Life+ European call for tenders. The project was not confirmed.

We achieved partial results on three-year projects that were co-financed by the Slovenian Research Agency (ARRS):

- development of advanced processes for the achievement of high-efficiency nano-modified textile materials,
- development of an advanced TiO_2/SiO_2 photocatalyst for air purification in interior spaces,
- electronic microscopy and microanalysis of materials on a sub-micron scale,
- hydrothermal synthesis of strongly bonded coatings of photocatalytic TiO_2 on metallic surfaces,
- modification of the surface of TiO_2 nanoparticles – prevention of agglomeration and preservation of intrinsic functionality.

The costs and investments for research/development activities in 2013 were EUR 266,699 (financed with our own funds). The sum of all amounts we invested in R&D in 2013 (including co-financing) is EUR 397,568 or 0.24% of total sales revenues.

QUALITY ASSURANCE

In the area of product quality assurance, we set the objective of reducing the total number of complaints and recurring complaints. We did not achieve the objectives, but did carry out the necessary corrective measures based in the complaints.
The CSI (customer satisfaction index) and the CSR (customer risk index) have not yet been determined.
Quality objectives were geared towards the reduction of reject. At the Metallurgy BU, we achieved the objective, but did not achieve it at the Graphic Materials BU.

STRATEGY

The strategic plan adopted in 2007 expired at the end of 2012. As regards the 2007–2012 period, we can say beyond doubt that all strategic objectives in the field of volume and profitability of operations (which also includes dividend distribution), investments in assets, financial stability, financing structure and development activities were achieved and significantly exceeded.

In the second half of 2012, we drafted a new strategic plan for the 2013–2018 period. The strategic plan was presented to the Supervisory Board in December 2012 where it was unanimously confirmed and adopted following a constructive debate (with a small number of editing corrections).

The key elements of the valid strategy are:

I. After the unfavourable year of 2013 that was marked by an extensive drop in operating performance, our corporate-level plan envisages the achievement of the normalisation of conditions, directed growth in the scope of operations and gradual improvement of its performance. We plan to have EUR 6 to 7 million in net profit at the end of the strategic period as well as an ROC of more than 5%, and we plan to distribute EUR 3 to 4 million in dividends.
II. Over the strategic period, we will change the structure of the company's strategic business lines. We will invest in raising the scope of operations of the most profitable business lines exhibiting the most potential and we also plan withdrawal from and divestment of business lines that operate below the planned performance standards and simultaneously have limited development potentials. The following lines of business are the most important to us in this sense: 10% growth in the principal programme of titanium dioxide pigment, 20% increase in the activity of the zinc processing programme and manifold increase in the production and sale of the copper fungicide programme.
III. Development activities are planned for the development and marketing of high-tech ultrafine titanium dioxide that is important because of its UV absorption and photocatalytic properties (depending on the type). We are also developing applications (products and systems, in which UF titanium dioxide is used) in parallel with the development of ultrafine titanium dioxide.
IV. When it comes to financing, we will continue the conservative policy of low indebtedness, low financial leverage and thereby the low level of risk to the business system.
V. Another two important items of the strategy are the successful rehabilitation of the Bukovžlak non-hazardous waste landfill and the assurance of conditions for the long-term operation of the Za Travnik landfill.

The success and primarily the keeping to the timeline of the strategic plan implementation are expressly dependent on a large number of independent and/or interdependent factors. The company formulated the strategic plan and adopted a set of binding and key orientations of future operation relating to the entire period until the end of 2018. because of the extreme importance of macroeconomic conditions and conditions in the industry at the time, many elements of the strategic plan will very probably be fulfilled in the temporal sense, however, with a certain level of divergence, either in the positive or negative direction.

Social Responsibility

ENVIRONMENTAL MANAGEMENT

When defining the framework objectives of the company that ensure continuous improvement, we set for annual objectives in the area of the environment:

I. **Reducing Specific Energy Consumption**
In 2010, we completed a five-year project for the optimisation of energy consumption that encompassed the majority of possible cuts in consumption. Despite this, we set the objective of at least a 1-percenbt additional decrease each year. We did not meet this objective in 2013 as some of the planned tasks were not completed. At the Metallurgy BU, new energy needs appeared as a result of the introduction of improvements.

II. **Reducing the Quantity of Disposed Non-Hazardous Waste**
The objective is not being met at the Chemistry Mozirje BU where the flood caused the creation of an unforeseen quantity of waste packaging. The plan also does not envisage the disposal of Cegips because the start-up of the third centrifuge was late because of difficulties we experienced with the equipment and project documentation.

III. **Reducing Dust Emissions**
Dust emissions that were determined through internal controls are lower than planned. The objective was, therefore, achieved.

IV. **Reducing Emissions of Substances in Water**
The objective envisaged the lowering of three elements that do not represent a violation of legislation, but do affect the amount of taxes that we pay for water use. There are still occasional fluctuations for one parameter. The objective was only achieved in terms of average quantities. The fluctuations will be eliminated by additional regulation over the following year. The development project has not been completed yet for the other two parameters.

By meeting our obligations for 2011, we again obtained the right to use the Responsible Care (POR) logo (CEFIC) until February 2014. By the end of June of 2013, we again submitted a new POR report for 2012.

During the first half of 2013, we submitted 2 new applications and 2 submissions for previous applications for a change of the environmental permit with the Slovenian Environment Agency.

During this year, we underwent a total of 11 environmental inspections (1 at the location in Mozirje, and 10 at the location in Celje) and 2 inspections in the field of chemicals. We were issued with 1 decision (overlaying of the filled gypsum landfill) that we complied with by the deadline.

As required by law, we prepared and submitted in a timely manner all reports on monitoring carried out in 2012. There were no cases of threshold values being exceeded.
Legislative requirements were fulfilled for the chemicals, the deadlines for which have expired (discontinuation of use – purchasing of a chemical that did not have a suitable safety sheet – Polymers, adjustment of lighting), while others are still underway (environmental permit – Seveso, adjustment of the chemical oxygen demand – TiO2, Graphic Materials BU).

The Environmental Protection Service received one complaint or question from the public. The spreading of dust resulted from a damaged pliable pipe for the emptying of a cistern used by an external haulier.

An external audit for renewal was carried out in accordance with the ISO 14001 standard and the EMAS Regulation.

SAFETY AND HEALTH

The number of injuries at work is manageable. We strive to promote activities on the system for the recognition of potential hazards and resolution of near-miss events to care for the health of employees as much as possible and keep the number of injuries at a minimum.

We have two annual framework objectives in the area of health and safety:

I. Lowering the frequency and severity of injuries at work

We achieved the objective. The measured FS factor that measures the ratio between frequency and severity reached the value of 40.26 in 2012, but dropped to 27.08 in 2013.

II. Organising and Implementing Promotion of Employee Health

In 2013, we organised 8 health-related promotions (healthy breakfast, discount at health spas for employee recreation, screening of short animated films dealing with health and safety at work in the main dining hall, presentation of the SVIT national programme for the screening and early diagnosis of precancerous changes and cancer of the large intestines and the anus, for which we used an inflatable model of the large intestines, blood sugar and lipids control, workshop on how to quit smoking, articles in internal newsletters).

The Health and Safety at Work Service prepared materials for education about potential hazards and near-miss events. Materials were provided to all employees. Based on these, individual units have set up systems for the detection and elimination of potential hazards.
By implementing activities in the area of assurance of health and safety at work, we again confirmed the compliance of our system with the requirements of the BS OHSAS 18001 standard and also confirmed that the system works in practice.
We recorded 27 injuries at work which is the second lowest result in the last ten years.

SOCIAL RESPONSIBILITY PROJECTS

e are aware at the company of the utmost importance of developing intergenerational cooperation, transfer of knowledge and joint building of a system of values at our company. This is why we devote special attention to working with young people from Slovenian primary and secondary schools, educational institutes and universities. We regularly organise visits and presentations, take part in the preparation of research and seminar papers, bachelor’s theses and post-graduate theses as well as scientific papers.

We are proud of the multi-annual project of intensive cooperation with primary schools, the fundamental purpose of which is to encourage the creativity and thought processes of children as well as to promote their awareness of the broader social importance of industrial production and development.

Below are the results achieved within the scope of the above project:

- in 2008, we incentivised children with the **“Draw Your Reward”** contest,
- in 2009, we drew **“Animals on the Gypsum Landfill”** together,
- in 2010, we made birdhouses with children under the slogan **“Nature, It Is I«**,
- in 2011, the International Year of Chemistry, we thought about and formulated ideas on the significance and purpose of the products of Cinkarna Celje, d. d. in everyday life within the scope of the contest entitled **“Cool Chemistry”**,
- in 2012, we prepared interesting projects to mark the jubilee of 140 years of our continuous operations in 2013,
- in 2013, we, therefore, organised the contest entitled **“Let Us Create a New Home for the Bees”** and built a study bee house as part of this contest.

All of the contests were extremely well-received and attended. They saw the participation of schools and institutes from the broader Celje region and achieved their aim of enriching the participants, i.e. children, teachers, childcare workers and employees of Cinkarna Celje, d. d. In addition to the above contest, the celebration on the 140 year anniversary of the company was marked by:

- picnic for all employees;
- tactical fire drill,
- staging of the exhibition "140 Steps through the History of Cinkarna Celje" with the uncovering of the bust of Alfred Nobel who was a personal friend of the first managing director of Cinkarna Celje, Albert Brunner,
- charity St. Nicholas fair "For Zlatko's Family", the proceeds of which were donated to the family of our deceased employee.

DONATIONS AND SPONSORSHIPS

We are convinced that it is our duty to act and operate with a long-term view and sustainably both from the point of view of environmental impacts and relations with the broader society. We are aware of our role and importance, which is why we substantially encourage, support and finance activities that improve the quality of life and work of the people and the entire community.

In doing so, we devote special attention to supporting activities geared towards the development and advancement of children and young people.

In 2013, we devoted EUR 709,000 or somewhat more than 0.4% of total sales to various sponsorships and donations.

The most important areas and activities that we invest in and develop with the holders of said activities are:

- sports societies and clubs (we are the main sponsor of the Celje football club and the Kladivar athletics club, we support the Esimit Europa project, the Helios basketball club, the Velenje handball club, the Celje PL handball club and the Z'dežele judo club);
- artistic creation, work of cultural institutes and arts societies (SLG Celje, the Celje octet and a number of cultural and arts societies);
- educational, childcare and charity organisations and associations (Rotary, Lions, Celje tourist society, voluntary fire brigade, Don Boskov center, KGZ MB.

In most cases and especially in cases that involve large investments, we get directly involved in the management, operations and supervision of societies, clubs and institutes. We thus actively take part in and help ensure that funds are used for the purpose, for which they were provided.

In addition to the above areas, we also take part in investments for improvements of the educational and traffic infrastructure in our immediate surroundings (construction of traffic infrastructure at the Teharje local community).

Financial Report

FINANCIAL STATEMENTS

Balance Sheet

in EUR

		Notes	31 December 2013	31 December 2012	Index 13/12
	ASSETS		**183,359,396**	**196,001,270**	**94**
A.	**Non-current assets**		**113,532,428**	**120,069,551**	**95**
I.	Intangible assets and long-term deferred costs and accrued revenues	1	3,037,181	3,366,893	90
	1. Long-term property rights		2,548,646	2,727,770	93
	4. Long-term deferred development expenses		58,857	280,816	21
	5. Other long-term deferred costs and accrued revenues		429,678	358,307	120
II.	Property, plant and equipment	2	106,501,769	112,261,119	95
	1a. Land		8,624,600	8,642,171	100
	1b. Buildings		44,138,752	45,995,866	96
	2. Production plant and machinery		48,958,841	53,771,992	91
	3. Other plant and equipment		35,848	37,531	96
	4a. Property, plant and equipment under construction and in production		4,717,024	3,734,908	126
	4b. Advances for the acquisition of property, plant and equipment		26,704	78,651	34
IV.	Long-term financial assets	3	1,532,890	2,264,949	68
	1c. Other shares and stakes		1,530,866	2,262,050	68
	2b. Long-term loans to others		2,024	2,899	70
V.	Long-term operating receivables		0	0	–
	2. Long-term trade receivables		0	0	–
VI.	Deferred tax assets	4	2,460,588	2,176,590	113
B.	**Current assets**		**69,175,095**	**75,474,089**	**92**
II.	Inventories	5	30,793,485	35,716,739	86
	1. Materials		15,772,535	16,949,137	93
	2. Work-in-progress		2,784,986	3,766,008	74
	3. Products and merchandise		11,997,405	14,768,471	81
	4. Advances for inventories		238,559	233,123	102
III.	Short-term financial assets	3	736	4,919	15
	2b. Short-term loans to others		736	4,919	15
IV.	Short-term operating receivables	6	30,244,131	31,164,524	97
	2. Short-term operating trade receivables		24,118,559	23,609,061	102
	3. Short-term operating receivables due from others		6,125,572	7,555,463	81
V.	Cash and cash equivalents	7	8,136,743	8,587,907	95
C.	**Short-term prepaid expenses and accrued income**	**12**	**651,873**	**457,630**	**142**

in EUR

		Notes	31 December 2013	31 December 2013	Index 13/12
	EQUITY AND LIABILITIES		**183,359,396**	**196,001,270**	**94**
A.	**Equity**	**8**	**135,148,867**	**133,348,357**	**101**
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		61,550,235	57,969,785	106
	1. Legal reserves		16,931,435	16,931,435	100
	2. Reserves for treasury shares		238,926	238,926	100
	3. Treasury shares		-238,926	-238,926	100
	5. Other revenue reserves		44,618,800	41,038,350	109
IV.	Revaluation surplus		1,277	80,567	2
V.	Net profit brought forward		5,335,685	1,469,883	363
VI.	Net profit or loss for the financial year		3,580,450	9,146,902	39
B.	**Provisions and long-term accrued costs and deferred revenues**	**9**	**27,791,524**	**28,377,001**	**98**
	1. Provisions for pensions and similar liabilities		3,124,269	3,281,597	95
	2. Other provisions		23,288,422	23,825,174	98
	3. Long-term accrued costs and deferred revenues		1,378,833	1,270,230	109
C.	**Long-term liabilities**		**181,818**	**4,727,272**	**4**
I.	Long-term financial liabilities	10	181,818	4,727,272	4
	2. Long-term financial liabilities to banks		181,818	4,727,272	4
II.	Long-term operating liabilities	10	0	0	–
	5. Other long-term operating liabilities		0	0	–
III.	Deferred tax liabilities	4	0	0	–
Č.	**Short-term liabilities**	**11**	**18,958,165**	**28,221,221**	**67**
II.	Short-term financial liabilities		4,565,198	14,933,123	31
	2. Short-term financial liabilities to banks		4,545,454	14,909,091	30
	4. Other short-term financial liabilities		19,744	24,032	82
III.	Short-term operating liabilities		14,392,967	13,288,098	108
	2. Short-term trade payables		11,637,731	10,580,277	110
	4. Short-term operating liabilities from advances		2,907	167,833	2
	5. Other short-term operating liabilities		2,752,329	2,539,988	108
D.	**Short-term accrued costs and deferred revenues**	**12**	**1,279,022**	**1,327,419**	**96**

Notes to the Financial Statements are an integral part of the Financial Statements and should be read in connection with the later.

Profit and Loss Account

in EUR

		Notes	Year 2013	Year 2012	IND. 13/12
1.	**Net sales revenues**	**16**	**165,955,080**	**173,217,515**	**96**
	- net sales revenues on the domestic market		23,523,812	23,745,118	99
	- net sales revenues on the foreign market		142,431,268	149,472,397	95
2.	**Change in the value of inventories of products and work-in-progress**		**-3,835,005**	**1,697,923**	**–**
3.	**Capitalised own products and own services**		**3,148,513**	**2,334,736**	**135**
4.	**Other operating revenue (including operating revenue from revaluation)**	**16**	**1,231,229**	**1,051,929**	**117**
5.	**Cost of goods, materials and services**	**15**	**115,486,303**	**110,216,226**	**105**
	a) Cost of goods and materials sold and cost of materials used		105,149,121	99,101,798	106
	b) Cost of services		10,337,182	11,114,428	93
6.	**Labour cost**	**14**	**28,455,515**	**29,641,741**	**96**
	a) Cost of wages and salaries		21,347,172	21,596,590	99
	b) Cost of social insurance		1,641,667	1,706,416	96
	c) Cost of pension insurance		2,267,998	2,387,600	95
	d) Other labour cost		3,198,678	3,951,135	81
7.	**Amortisation and depreciation expense**	**13**	**12,865,138**	**13,443,252**	**96**
	a) Amortisation and depreciation expense		12,433,963	12,511,246	99
	b) Operating expenses from revaluation of intangible assets and property, plant and equipment		254,859	519,158	49
	c) Operating expenses from revaluation of current assets		176,316	412,848	43
8.	**Other operating expenses**	**15**	**1,064,461**	**916,360**	**116**
	Operating profit or loss		**8,628,400**	**24,084,524**	**36**
9.	**Finance income from participating interests**	**16**	**105,335**	**19,010**	**554**
	d) Finance income from other investments		105,335	19,010	554
10.	**Finance income from loans granted**	**16**	**767,876**	**475,964**	**161**
	b) Finance income from loans to others		767,876	475,964	161
11.	**Finance income from operating receivables**	**16**	**390,501**	**443,424**	**88**
	b) Finance income from operating receivables due from others		390,501	443,424	88
12.	**Finance expenses from impairments and write-offs of financial assets**	**15**	**1,306,569**	**1,429,817**	**91**
13.	**Finance expenses from financial liabilities**	**15**	**549,825**	**868,158**	**63**
	b) Finance expenses from bank loans		549,825	868,158	63
14.	**Finance expenses from operating liabilities**	**15**	**475,308**	**312,656**	**152**
	b) Finance expenses from trade payables and bills payable		160,772	119,253	135
	c) Finance expenses from other operating liabilities		314,536	193,403	163
15.	**Other income**	**16**	**59,057**	**64,671**	**91**
16.	**Other expenses**	**15**	**45,682**	**22,662**	**202**
	Profit or loss before tax		**7,573,785**	**22,454,300**	**34**
17.	**Income tax**	**17**	**696,885**	**3,487,726**	**20**
18.	**Deferred taxes**	**17**	**283,999**	**-672,769**	**–**
19.	**Net profit of loss for the period**		**7,160,899**	**18,293,805**	**39**

Notes to the Financial Statements are an integral part of the Financial Statements and should be read in connection with the later.

Statement of Other Comprehensive Income

in EUR

		Year 2013	Year 2012	Index 13/12
19.	**Net profit or loss for the period**	**7,160,899**	**18,293,805**	**39**
21.	Change in the surplus from revaluation of available-for-sale financial assets	-79,290	-338,281	23
	Effect of deferred taxes – change from revaluation of available-for-sale financial assets	0	67,656	–
24.	**Total comprehensive income for the reporting period**	**7,081,609**	**18,023,180**	**39**
	(19+20+21+22+23)			

Notes to the Financial Statements are an integral part of the Financial Statements and should be read in connection with the later.

Statement of Changes in Equity and Determination of Distributable Net Profit

in EUR

Statement of changes in equity for 2013	Share capital	Capital surplus	Rezerve iz dobička				Revaluation surplus	Ne profit or loss brought forward	Net profit for the financial year	Total equity
			Legal reserves	Reserves for treasury shares	Treasury shares	Other revenue reserves				
	I/1	II	III/1	III/2	III/3	III/5	IV	V	VI/1	VII
A2. Opening balance of the reporting period	**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**
B1. Changes in equity - transactions with owners								**-5,281,100**		**-5,281,100**
g) Dividend distribution								-5,281,100		-5,281,100
B2. Total comprehensive income for the reporting period							**-79,290**		**7,160,899**	**7,081,609**
a) Entry of net profit or loss for the reporting period									7,160,899	7,160,899
d) Change in the surplus from revaluation of financial assets							-79,290			- 79,290
B3. Changes in equity						**3,580,450**		**9,146,902**	**-12,727,352**	**0**
a) Allocation of the remaining net profit in the reporting period to other equity items								9,146,902	-9,146,902	**0**
b) Allocation of net profit in accordance with the decision of the Management Board and the Supervisory Board						3.580.450			-3,580,450	**0**
C. Closing balance for the reporting period	**20,396,244**	**44,284,976**	**16,931,435**	**238,926**	**-238,926**	**44,618,800**	**1,277**	**5,335,685**	**3,580,450**	**135,148,867**
DISTRIBUTABLE NET PROFIT								**5,335,685**	**3,580,450**	**8,916,135**

in EUR

Statement of changes in equity for 2012	Share capital	Capital surplus	Rezerve iz dobička				Revaluation surplus	Ne profit or loss brought forward	Net profit for the financial year	Total equity
			Legal reserves	Reserves for treasury shares	Treasury shares	Other revenue reserves				
	I/1	II	III/1	III/2	III/3	III/5	IV	V	VI/1	VII
A2. Opening balance of the reporting period	**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**
B1. Changes in equity - transactions with owners								**-12,187,155**		**-12,187,155**
g) Dividend distribution								-12,187,155		-12,187,155
B2. Total comprehensive income for the reporting period							**-270,625**		**18,293,805**	**18,023,180**
a) Entry of net profit or loss for the reporting period									18,293,805	18,293,805
d) Change in the surplus from revaluation of financial assets							-270,625			-270,625
B3. Changes in equity						**9,146,903**		**12,749,156**	**-21,896,059**	**0**
a) Allocation of the remaining net profit in the reporting period to other equity items								12,749,156	-12,749,156	**0**
b) Allocation of net profit in accordance with the decision of the Management Board and the Supervisory Board						9,146,903			-9,146,903	**0**
C. Closing balance for the reporting period	**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**
DISTRIBUTABLE NET PROFIT								**1,469,883**	**9,146,902**	**10,616,785**

Notes to the Financial Statements are an integral part of the Financial Statements and should be read in connection with the later.

Cash Flow Statement

in EUR

		2013	2012	Ind. 13/12
A.	**CASH FLOWS FROM OPERATING ACTIVITIES**			
a)	**Net profit or loss**	**7,160,899**	**18,293,805**	**39**
	Profit or loss before tax	7,573,785	22,454,300	34
	Income taxes and other taxes not included in operating expenses	412,886	4,160,495	10
b)	**Adjustment for**	**13,646,782**	**14,778,073**	**92**
	- amortisation	12,433,963	12,511,246	99
	operating revenue from revaluation -	25,223	55,332	46
	operating expenses from revaluation +	254,859	519,158	49
	finance income excluding finance income from operating receivables -	873,211	494,974	176
	finance expenses excluding finance expenses from operating liabilities +	1,856,394	2,297,975	81
c)	**Changes in net current assets (and accruals and deferrals, provisions and deferred tax assets and liabilities) of the operating items in the balance sheet**	**5,836,401**	**-12,785,797**	**–**
	Opening less closing operating receivables	920,393	-2,254,967	–
	Opening less closing prepayments and accrued income	-194,243	-286,057	68
	Opening less closing deferred tax assets	-283,998	672,769	–
	Opening less closing inventories	4,923,254	-4,674,957	–
	Closing less opening operating liabilities	1,104,869	-5,923,305	–
	Closing less opening accrued expenses and deferred income and provisions	-633,874	-319,280	199
	Closing less opening deferred tax liabilities	0	0	–
č)	**Net cash from operating activities or net cash used in investing activities (a + b+c)**	**26,644,082**	**20,286,081**	**131**
B.	**CASH FLOWS FROM INVESTING ACTIVITIES**			
a)	**Receipts from investing activities**	**903,492**	**565,728**	**160**
	Receipts from interest received and profit participations in other entities pertaining to investing activities	362,826	494,974	73
	Receipts from disposal of property, plant and equipment	25,223	55,332	46
	Receipts from disposal of long-term financial assets	511,261	5,026	10172
	Receipts from disposal of short-term financial assets	4,184	10,396	40
b)	**Disbursements for investing activities**	**7,175,146**	**7,201,846**	**100**
	Disbursements for the acquisition of intangible assets	158,966	180,762	88
	Disbursements for the acquisition of property, plant and equipment	6,440,794	7,021,084	92
	Disbursements for the acquisition of long-term financial assets	575,386	0	–
	Disbursements for the acquisition of short-term financial assets	0	0	–
c)	**Net cash from investing activities or net cash used in investing activities (a-b) or (b-a)**	**-6,271,654**	**-6,636,118**	**95**
C.	**CASH FLOWS FROM FINANCING ACTIVITIES**			
b)	**Disbursements for financing activities**	**20,823,594**	**14,512,458**	**143**
	Disbursements for paid interest pertaining to financing activities	549,825	868,158	63
	Disbursements for repayment of short-term financial liabilities	10,447,215	511,691	2.042
	Disbursements for repayment of long-term financial liabilities	4,545,454	945,454	481
	Disbursements for dividends and other profit distributions	5,281,100	12,187,155	43
c)	**Net cash from financing activities or net cash used in financing activities (a-b) or (b-a)**	**-20,823,594**	**-14,512,458**	**143**
Č.	**CASH AND CASH EQUIVALENTS AT END OF PERIOD**	**8,136,743**	**8,587,907**	**95**
x)	**Net cash flows for the period (sum of items Ad, Bc and Cc)**	**-451,166**	**-862,495**	**52**
y)	**Opening balance of cash and cash equivalents**	**8,587,907**	**9,450,402**	**91**

Notes to the Financial Statements are an integral part of the Financial Statements and should be read in connection with the later.

NOTES TO THE FINANCIAL STATEMENTSS

I Bases for the preparation of financial statements

Statement of Compliance

The company's Financial Statements were prepared in accordance with the Slovenian Accounting Standards 2006 (hereinafter: SAS) including the changes and amendments thereto, the provisions of the Companies Act, the Corporate Income Tax Act, the Rules on Accounting And Finances and the organisational regulations of the company.

The company prepares Financial Statements according to the going concern principle.

Bases for Measurement

When disclosing and valuing individual items of financial statements, standards are applied directly, with the exception of the valuation of items, for which the standards provide the company with a choice between different valuation methods, which is defined by accounting policies.

Financial statements were prepared by observing the initial cost, with exception of the available-for-sale financial assets. The methods used for the measurement of fair value are described in the individual items of accounting policies.

The balance sheet has the form of a sequential report defined in SAS 24.4. and the Companies Act (ZGD-1). Balance sheet items are disclosed according to carrying amount, which is the difference between the total value and the valued adjustment.

Assets are initially valued according to initial cost (purchase price, cost value) and subsequently, in the event of impairment, as the lower of the following two options: carrying amount or the recoverable amount.
The recoverable amount is the higher of the following two: either the fair value net of selling costs or the fair value net of the value of asset in use.

Liabilities are initially valued at cost. Later, the carrying amount of liabilities upon the assumption of prudence is the higher of the following two values: initial cost or fair value.

The principle of individual valuation of assets and liabilities was observed.

Revenues and expenses are accounted when they occur and recorded in the accounting period, to which they pertain.

Functional and Presentation Currency

Financial statements and notes thereto are compiled in euros by disregarding cents. Accounting information presented in the business report in euros are rounded to the nearest integer.

Application of Estimates and Judgements

When compiling financial statements, the management must provide estimates, assessments and assumptions that affect the application of accounting policies and disclosed values, liabilities, revenues and expenses. Actual results can diverge from said estimates.

Estimates and the stated assumptions must be regularly reviewed. Adjustments of accounting estimates are recognised for the period, in which estimates are adjusted provided they affect only this period, and for future periods, which are affected by the adjustments. Information on significant uncertainty estimates and decisive judgements that were prepared by the management within the process of accounting policy implementation and which affect the amounts in financial statements the most are described in the notes.

II Accounting policies

The accounting policies have been applied consistently by the Company to all periods presented in the attached financial statements.

For transactions that are originally executed in foreign currencies, the recalculation of business events during the year observes the exchange rate of a commercial bank or the middle exchange rate of the Bank of Slovenia. Assets and liabilities expressed in a foreign currency were converted at the middle exchange rate of the Bank of Slovenia as at the reporting date.

Intangible Assets and Long-Term Deferred Costs and Accrued Revenues

Internally generated costs of development are recognised as an intangible asset. The recognition of an intangible asset shall be reversed and eliminated from the books of account and from the balance sheet on disposal or when no future economic benefits are expected from its further use and subsequent disposal.

Other intangible assets with a defined useful life are disclosed at cost reduced by the amortisation adjustment and the eventual accumulated impairment loss. The cost also includes the cost of borrowing until the creation of an intangible asset.

Subsequent expenditures relating to intangible assets are capitalised when they increase future economic benefits of the asset to which they relate.

The company uses the straight-line depreciation method. Amortisation rates are determined according to the expected useful life. Amortisation is accounted individually until the value that forms the basis for the calculation of amortisation is replaced in full, whereby amortisation begins when an intangible assets with a finite useful life is available for use.

Estimated useful lives for the current and comparative period are:

Software	2 to 10 years
Technical and project documentation	8 to 40 years
Easement	20 years

Property, Plant and Equipment

Property, plant and equipment of the company includes land, buildings, manufacturing equipment and other property, plant and equipment, small tools, property, plant and equipment under construction and in production and advances for the acquisition of property, plant and equipment.

The company applies the cost model. The cost value is composed of the costs that can be directly attributed to the acquisition of an individual fixed asset (import and non-refundable purchase taxes as well as costs that can be attributed to the asset being brought to working condition for intended use, especially the cost of transport and installation). The company uses the cost model and records property, plant and equipment according to their cost value reduced by accumulated depreciation and the cumulative impairment losses. The cost of an item of property, plant and equipment also comprises the borrowing costs related to the acquisition of the asset and incurred until it is brought to working condition for its intended use.

The cost of a self-constructed item of property, plant and equipment comprises the cost of constructing or producing the asset (cost of materials, labour, services of external contractors and services of the company's business units) that relate directly to the asset and the general cost of constructing or producing the asset that can be attributed to the asset being brought to working condition for its intended use.

The cost of an item of property, plant and equipment is distributed among its components if their value is significant, if they have different useful lives and/or patterns of consumption relevant given the total purchase price of such item and are accounted as an individual asset.

Subsequent expenditure on an item of property, plant and equipment increases its cost in case of a replacement and if it is probable that its future economic benefits will exceed the ones originally assessed. In the event of subsequent expenditure on a fully depreciated item of property, plant and equipment, such item is recognised as a new asset with a new useful life.

The company uses the straight-line depreciation method. Amortisation rates are determined according to the expected useful life. Depreciation is accounted individually until the value that forms the basis for the calculation of depreciation is replaced in full, whereby depreciation begins on the first day of the month following the month when the asset is available for use. Land and fixed assets of artistic and cultural importance are not depreciated.

Estimated useful lives for the current and comparative period are:

Buildings	5 to 71 years
Production equipment	2 to 30 years
Other equipment	2 to 5 years

Financial Assets

In the balance sheet, financial assets are disclosed as long-term and short-term financial assets. Long-term financial assets are investments that the company intends to hold for a period longer than one year and which are not held for trading.

An equity investments, equity securities of other companies or debt securities of other companies or a country's debt securities are valued at fair value upon initial recognition increased by direct costs of acquisition of the investment.

Long-term financial assets in subsidiaries and affiliates are valued in financial statements at cost net of eventual impairments. Remitted profit participations increase finance income.

If there is unbiased evidence of a financial asset being impaired in the long-term, the impairment is recognised in the profit or loss as a finance expense.

Investments into debt and equity securities, with the exception of investments into subsidiaries and affiliates, are treated as available-for-sale investments and are measured at fair value in financial statements. These financial instruments are recognised or reversed as at the date of the transaction. The fair value of available-for-sale securities listed on the stock exchange equals the published average price per share as at the balance sheet date. Changes in the fair value of an investment into securities listed on an organised securities are disclosed by the company as an increase in the relevant surplus from revaluation or a decrease of the relevant surplus from revaluation. The fair value of shares and shareholdings in unlisted companies is estimated based on the most recent transactions or based on a different valid valuation method. If the fair value of shares and shareholdings in unlisted companies does not allow valuation based on the most recent transactions or based on a different valid valuation method and there is unbiased evidence of a decrease in the value of such shares and shareholdings, their value is impaired in line with the unbiased evidence.

Financial assets are measured at fair value upon initial recognition. Financial assets, for which no prices are published on an active market and the fair value of which cannot be reliably measured, are measured at cost net of impairments.

Inventories

The company records inventories of raw materials and materials as well as support materials, packaging and merchandise at cost including all dependent purchasing costs. When disclosing inventories and consumption of materials, the company uses fixed prices with deviations. The consumption of basic raw materials is recorded according to the FIFO method, while the consumption of other inventories of materials and goods are recorded according to their weighted average prices method.

Inventories of raw materials and materials without changes are revalued for impairment by writing down values according to the following criteria:

- third year	25 %
- fourth year	50 %
- fifth year	100 %

The inventories of work-in-progress and semi-finished products are valued at production costs which include the direct costs of material and production services. Inventories of finished products are valued at production costs which include direct costs of materials, wages, production services, depreciation and the general production costs of production cost centres that comprise the costs of materials, maintenance, insurance and a part of the costs of other services. When disclosing inventories of work-in-progress and finished products, the company uses fixed prices (AVC) with deviations. The transfer of the costs from inventories is performed according to the weighted average prices method.

Inventories of work-in-progress and finished products without changes are revalued for impairment by writing down values according to the following criteria:

- second year	25 %
- third year	50 %
- fourth year	100 %

Receivables

TReceivables are initially recognised at amounts arising from relevant documents and according to the assumption that they will be paid.

Receivables, for which it is presumed that they will not be settled or will not be settled in their entirety, are considered doubtful, while receivables at issue are those, for which court proceedings have been instituted. The company accounts their value adjustment to the debit of operating expenses from revaluation relating to receivables.

The revaluation of trade receivables and other operating receivables is based on individual judgement of their risk-level.

Receivables expressed in a foreign currency are translated to euros (the functional currency of the company) as at the reporting date. Increasing receivables increases finance income, while decreasing them increases finance expenses.

Cash and Cash Equivalents

Cash and cash equivalents comprise: cash in hand, funds in transaction and foreign currency accounts, bank deposits with maturity of 3 months and less, and similar investments intended for the assurance of solvency. Upon initial recognition, cash is disclosed in amounts that arise from relevant documents, based on which rights associated therewith are managed.

Equity

The Company's total equity comprises: called-up capital, capital reserves, revenue reserves, revaluation surplus, net profit or loss brought forward and the previously undistributed or uncovered net profit or loss for the financial year.

Called-up capital comprises the basic share capital that is nominally defined in the company's articles of association and comprises ordinary shares.

Treasury shares: upon the redemption of treasury shares disclosed as part of share capital, the amount of the consideration paid including the costs that are directly related to the redemption exclusive of eventual tax effects is recognised as a change in equity. Redeemed shares are disclosed as treasury shares and are detracted from equity. Upon the sales of treasury shares or their subsequent re-issue, the amount received is disclosed as a capital increase, while the thus obtained surplus or shortage of the transaction is transferred to capital surplus or retained profit.

Capital surplus comprises the capital surplus formed within the procedure of ownership transformation and the general revaluation adjustment of capital that included the revalorisation of share capital prior to 2002 in accordance with the SAS valid at the time. The general revaluation adjustment of the company's capital was transferred to capital surplus on 1 January 2006 because of the transition to the SAS (2006).

Revenue reserves are appropriated retained earnings from the Company's net profit from previous years, which serve primarily for settling potential future loss. They comprise: legal reserves, reserves for treasury shares or own shareholdings, treasury shares or own shareholdings (as a deduction item), statutory reserves and other revenue reserves.

Net profit brought forward is the remainder of the net profit at the time that was not distributed to owners in the form of dividends or other participations and also not defined as a reserve for a particular purpose. Net loss brought forward is loss that is not settled with net profit for the financial year or other accumulated equity items, primarily reserves and profit from previous years; as such, it decreases total equity.

Revaluation surplus relates to the change of fair value of investments into the equity of other companies that are measured at fair value through equity.

Provisions and Long-Term Accrued Expenses and Deferred Income

Provisions are recognised when the company has present legal or indirect obligations as a result of a past event, the amount of which can be reliably estimated and it is probable that the settlement of the obligation will result in an outflow of resources embodying economic benefits. The amount recognised as a provision should be the best estimate of the expenditure required to settle the obligation at the reporting date. The company recognises provisions against the relevant expenses or costs once the respective conditions have been met.

Provisions for severance pay and jubilee bonuses: pursuant to the law, the collective agreement and the internal rules, the company is obliged to pay its employees jubilee bonuses and severance pay upon retirement, for which long-term provisions were formed. There are no other pension liabilities. Provisions are established in the amount of the estimated future disbursements for severance pay and jubilee bonuses, discounted at the balance sheet date.

Provisions for ecology are established as the best estimate of the costs associated with the operation of landfills owned by the company for the coverage of long-term obligations.

Deferred revenues: government grants are recognised in financial statements when they are received and when there is reasonable assurance that the company will comply with the conditions attached to them. Deferred revenues received for the coverage of costs are recognised strictly and consistently as income in the periods, in which the relevant costs, which deferred revenues are supposed to replace, are incurred. Government grants associated with assets are strictly and consistently recognised in the profit and loss account among other operating revenues during the useful life of an individual asset.

Liabilities

Long-term liabilities are disclosed as long-term financial liabilities and long-term operating liabilities. Long-term financial liabilities are liabilities arising from the loans received. They are increased by accrued interest or decreased by repaid amounts and potential other settlements provided there is an agreement for this with the creditor. The carrying amount of long-term liabilities equals their initial cost reduced by the repayment of the principal and transfers to short-term liabilities until the need for revaluation arises.

Within the scope of short-term liabilities, short term financial liabilities and short-term operating liabilities are disclosed separately. Short-term financial liabilities are liabilities arising from the loans received. Short-term operating liabilities are liabilities arising from the purchase of products or services, liabilities arising from the work performed, liabilities to state institutions and other liabilities with maturity shorter than one year.

Liabilities expressed in a foreign currency are translated to euros (the functional currency of the company) as at the date they are incurred. The exchange rate difference that occurs by the settlement date or the reporting date is recorded under expenses or finance income.

Short-Term Prepaid Expenses And Accrued Income and Accrued Expenses and Deferred Income

Within the scope of short-term prepaid expenses and accrued income, the company discloses short-term deferred costs or expenses. In line with the established methodology for deferring the costs of annual liabilities, deferred costs of holiday pay, paid insurance premiums and other short-term costs are disclosed during the year. As at the reporting date, the company discloses prepaid purchasing costs of raw materials and the costs relating to the future balance sheet period. The company discloses the VAT from received advances among short-term prepaid expenses and accrued income.

Short-term accrued expenses and deferred income include short-term accrued costs (expenses) and short-term deferred revenues. In line with the established methodology for deferring the costs of annual liabilities, planned liabilities for social contributions are deferred during the year, while accounted revenues during the year arising from the sale of products and services are recorded among short-term deferred income. The company discloses accounted unused rights to annual leave among short-term accrued expenses and deferred income. The company discloses VAT from received advances among short-term accrued expenses and deferred income.

Revenues

Revenues are recognised if the increase in economic benefits in the accounting period is associated with an increase in the value of an asset or a decrease in debt, and if the increase can be reliably measured. Revenues are recognised when it is reasonable to expect that they will lead to receipts if these have not been realised upon their occurrence.

<u>Operating Revenues</u>
Revenues from sale of products and goods are recognised at fair value of the received repayment or receivable arising therefrom, whereby they are decreased by refunds and discounts, rebates for resale and quantity-related discounts. Revenues are disclosed when the buyer assumes all significant forms of risk and benefits associated with the ownership of the asset, when there is certainty regarding the repayment of the compensation and the associated costs or options of product returns, and when the company ceases further decision-making with regard to sold products.

Revenues from rendered services are recognised depending on the level of finality of the transaction as at the reporting date. The level of finality is assessed with a review of the work performed. Revenues based on received subsidies or grants are measured according to the amounts received for this purpose.
Operating revenues from revaluation arise upon the disposal of intangible assets and items of property, plant and equipment as surpluses from their sales value above their carrying amount.

Finance income comprises income from interest received from investments, dividend income, income from the disposal of available-for-sale financial assets, positive exchange rate differences and the profit from hedging instruments that are recognised in the profit and loss account. Interest income is recognised upon occurrence using the effective interest rate method. Dividend income is recognised in profit or loss when the company perfects the right to receive payment.

Other revenue comprises unusual items. They occur in amounts that actually occurred.

Expenses

Expenses are recognised if the decrease in economic benefits in the accounting period is associated with the decrease in an asset or the increase of liabilities, and if the decrease can be reliably measured.

Operating expenses are recognised when material is used or the service is rendered, i.e. in the period to which they relate.
Operating expenses from revaluation occur in association with property, plant and equipment, intangible assets and operating current assets because of their impairment.

Finance expenses comprise the costs of interest on loans, negative exchange rate differences, losses from impairment of financial assets that are recognised in the profit and loss account. Borrowing costs are recognised in the profit and loss account according to the effective interest rate method.

Other expenses comprise unusual items that are disclosed in the actually incurred amounts.

Corporate Income Tax

The corporate income tax for the financial year comprises the assessed and deferred tax. Corporate income tax is disclosed in the profit and loss account, with the exception of the portion where it relates to items that are disclosed directly in equity. Taxable profit differs from net profit reported in the profit and loss account because it is exclusive of items of income and expenditures that are taxable or deductible in other years and items that are never taxable or deductible.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted and applicable at the reporting date.

Deferred tax is disclosed according to the balance sheet liability method, whereby temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and amounts for tax reporting purposes are observed. Deferred tax is disclosed in an amount that is expected to be payable upon the reversal of temporary differences pursuant to the laws enacted or essentially enacted as at the reporting date.

A deferred tax asset is recognised to the extent that it is probable that taxable profit will be available against which the deferred asset can be utilised. Deferred tax assets are decreased by the amount, for which it is no longer probable that it can be claimed as tax relief.

Reporting by Segment

A segment is a recognisable component part of the company that deals with particular products or services (area segment) or products and services in separate, geographically defined economic environment (regional segment) and differs from other segments in terms of risks and returns. Information by segment is disclosed by regional and area segments of the company. The reporting by the company by individual segments is based on regional segments supported by the method of management within the company and the internal reporting system.

Regional segments of the company are Slovenia, European Union, third countries and markets of former Yugoslavia.

Profit or loss by area segments is disclosed as the difference between operating revenues and expenses by taking into account revenues and expenses that can be attributed directly to a particular segment, which excludes revenue and expenses from revaluation that cannot be reasonably allocated by area segments. Smaller area segments are merged into a single category as they are immaterial, whereby detailed disclosures could also cause significant damage or loss to the company.

III Notes

1 Intangible Assets and Long-Term Deferred Costs and Accrued Revenues

in EUR

Group of intangible assets for 2013	Cost		Value adjustment		Carrying amount	
	1 January 2013	31 December 2013	1 January 2013	31 December 2013	1 January 2013	31 December 2013
Long-term property rights	5,851,324	5,938,181	3,123,554	3,389,535	2,727,770	2,548,646
Deferred development expenses	280,816	58,857	0	0	280,816	58,857
Other intangible assets	28,523	83,673	0	0	28,523	83,673
Assets being acquired	329,784	346,005	0	0	329,784	346,005
TOTAL	**6,490,447**	**6,426,716**	**3,123,554**	**3,389,535**	**3,366,893**	**3,037,181**

in EUR

Group of intangible assets for 2012	Cost		Value adjustment		Carrying amount	
	1 January 2012	31 December 2012	1 January 2012	31 December 2012	1 January 2012	31 December 2012
Long-term property rights	5,812,604	5,851,324	2,855,547	3,123,554	2,957,057	2,727,770
Deferred development expenses	278,966	280,816	0	0	278,966	280,816
Other intangible assets	52,932	28,523	0	0	52,932	28,523
Assets being acquired	171,116	329,784	0	0	171,116	329,784
TOTAL	**6,315,618**	**6,490,447**	**2,855,547**	**3,123,554**	**3,460,071**	**3,366,893**

In 2013, the company reduced long-term property rights from investments into software and derecognised deferred development expenses in the amount of EUR 221,958. EUR 83,673 worth of emission coupons received from the state free-of-charge that are valued at EUR 1 according to the note to SAS 2/2006 were allocated to other long-term deferred costs and accrued revenues.

<u>Changes in Intangible Assets</u>

in EUR

2013	Long-term property rights	Other long-term deferred costs and accrued revenues	Deferred development expenses	Assets being acquired	TOTAL
COST					
Balance as at 1 January 2013	5,851,325	28,523	280,816	329,784	**6,490,448**
Increases	87,596	55,150		103,817	**246,563**
Decreases	740		221,959	87,596	**310,295**
Balance as at 31 December 2013	5,938,181	83,673	58,857	346,005	**6,426,716**
VALUE ADJUSTMENT					
Balance as at 1 January 2013	3,123,555	0	0	0	**3,123,555**
Amortisation for the current year	266,720	0	0	0	**266,720**
Decreases	740	0	0	0	**740**
Balance as at 31 December 2013	3,389,535	0	0	0	**3,389,535**
CARRYING AMOUNT					
Balance as at 1 January 2013	2,727,770	28,523	280,816	329,784	**3,366,893**
Balance as at 31 December 2013	2,548,646	83,673	58,857	346,005	**3,037,181**

2 Property, Plant and Equipment

in EUR

Group of property, plant and equipment for 2013	Cost		Value adjustment		Carrying amount	
	1 January 2013	31 December 2013	1 January 2013	31 December 2013	1 January 2013	31 December 2013
Land	8,642,171	8,624,600	0	0	8,642,171	8,624,600
Buildings	106,484,540	107,232,828	60,488,674	63.094.076	45,995,866	44,138,752
Equipment	198,352,034	201,977,982	144,542,511	152.983.293	53,809,523	48,994,689
Assets being acquired	3,734,908	4,717,024	0	0	3,734,908	4,717,024
Advances	164,708	112,761	86,057	86.057	78,651	26,704
TOTAL	**317,378,361**	**322,665,195**	**205,117,242**	**216,163,426**	**112,261,119**	**106,501,769**

in EUR

Group of property, plant and equipment for 2012	Cost		Value adjustment		Carrying amount	
	1 January 2012	31 December 2012	1 January 2012	31 December 2012	1 January 2012	31 December 2012
Land	8,618,818	8,642,171	0	0	8,618,818	8,642,171
Buildings	104,682,425	106,484,540	57,727,011	60,488,674	46,955,414	45,995,866
Equipment	196,488,308	198,352,034	138,109,710	144,542,511	58,378,598	53,809,523
Assets being acquired	3,112,528	3,734,908	0	0	3,112,528	3,734,908
Advances	1,017,198	164,708	86,057	86,057	931,141	78,651
TOTAL	**313,919,277**	**317,378,361**	**195,922,778**	**205,117,242**	**117,996,499**	**112,261,119**

Changes in Property, Plant and Equipment

in EUR

Leto 2013	Land	Buildings	Other plant and equipment	Total	Assets being acquired	Advances	TOTAL
COST							
Balance as at 1 January 2013	8,642,171	106,484,540	198,352,034	313,478,745	3,734,908	164,707	**317,378,360**
Increases	0	748,288	4,761,748	5,510,037	6,492,152	437,158	**12,439,346**
Decreases	17,571	0	1,135,801	1,153,372	5,510,037	489,103	**7,152,512**
Balance as at 31 December 2013	8,624,600	107,232,828	201,977,982	317,835,410	4,717,023	112,761	**322,665,195**
VALUE ADJUSTMENT							
Balance as at 1 January 2013	0	60,488,674	144,542,511	205,031,184	0	86,057	**205,117,241**
Depreciation for the current year	0	2,605,403	9,568,822	12,174,225	0	0	**12,174,225**
Decreases	0	0	1,128,041	1,128,041	0	0	**1,128,041**
Impairment	0	0	0	0	0	0	**0**
Balance as at 31 December 2013	0	63,094,076	152,983,293	216,077,369	0	86,057	**216,163,426**
CARRYING AMOUNT							
Balance as at 1 January 2013	8,642,171	45,995,866	53,809,523	108,447,560	3,734,908	78,651	**112,261,119**
Balance as at 31 December 2013	8,624,600	44,138,752	48,994,689	101,758,041	4,717,023	26,704	**106,501,769**

Data for the previous and current period include assets that are permanently out of commission and the carrying amount of which in 2013 was EUR 1,085. Their accounted depreciation for the current year of EUR 6,768 is posted under operating expenses from revaluation.
The company holds no assets under financial lease.

Fixed assets include real estate registered in the land register of the District Court in Celje with the book value of EUR 5,799,850. The real estate is encumbered by a maximum mortgage of EUR 16,000,000 serving as collateral for the Bank of Celje pursuant to a real estate pledge agreement. Financial liabilities for the acquisition of fixed assets amount to EUR 181,818 and arise from long-term loans.

3 Financial Assets

Long-Term Financial Assets

in EUR

Group of long-term financial assets for 2013	Cost		Value adjustment		Carrying amount	
	1 January 2013	31 December 2013	1 January 2013	31 December 2013	1 January 2013	31 December 2013
Shares of banks	1,314,873	758,591	8,304	758,591	1,306,569	0
Cinkarna–Kvarc, d. o. o.	5,117	580,503	0	0	5,117	580,503
Other investments	2,638,891	2,638,891	1,688,527	1,688,527	950,364	950,364
Long-term loans	518,204	2,760	510,386	0	7,818	2,760
- of which the short-term portion amounts to	-4,919	-736	0	0	-4,919	-736
TOTAL	**4,472,166**	**3,980,009**	**2,207,217**	**2,447,118**	**2,264,949**	**1,532,890**

in EUR

Group of long-term financial assets for 2012	Cost		Value adjustment		Carrying amount	
	1 January 2012	31 December 2012	1 January 2012	31 December 2012	1 January 2012	31 December 2012
Shares of banks	1,928,850	1,314,873	0	8,304	1,928,850	1,306,569
Cinkarna–Kvarc, d. o. o.	5,117	5,117	0	0	5,117	5,117
Other investments	2,638,891	2,638,891	858,751	1,688,527	1,780,140	950,364
Long-term loans	565,525	518,204	542,285	510,386	23,240	7,818
- of which the short-term portion amounts to	−15,315	−4,919	0	0	−15,315	−4,919
TOTAL	**5,123,068**	**4,472,166**	**1,401,036**	**2,207,217**	**3,722,032**	**2,264,949**

2013	ABANKA Vipa, d. d.	Banka Celje, d. d.	Merkur, d. d.	NLB, d. d.	Elekto Celje, d. d.	Elektro Maribor, d. d.
Number of ordinary shares	0	5,003	31,859	0	165,818	18,350
Cost of a share in EUR	0	98.03	26.05	0	5.10	5.50
Value in books of account in EUR	0	0	0	0	5,10	5,50

2012	ABANKA Vipa, d. d.	Banka Celje, d. d.	Merkur, d. d.	NLB, d. d.	Elekto Celje, d. d.	Elektro Maribor, d. d.
Number of ordinary shares	51,900	5,003	31,859	2,597	165,818	18,350
Cost of a share in EUR	4.17	98.03	26.05	123.44	5.10	5.50
Value in books of account in EUR	4.01	151.63	0.00	130.87	5.10	5.50

As part of the compulsory composition of Merkur d. d., the company transferred a part of its claims to the debtor as an in-kind contribution based on an increase in the debtor's share capital and thus acquired 31,859 shares.

Pursuant to the eighth paragraph of Article 56 of the Companies Act (ZGD-1-UPB3), financial statements of a controlled company are not consolidated as that is not relevant for the true and fair presentation of the operations of the group as a whole, which is evident from the table below.

in EUR

2013	Cinkarna Celje, d. d.	Cinkarna Kvarc, d. o. o.	Total	Share of Cinkarna Kvarc, d. o. o. in the total value in %
Total revenues	167,822,586	1,193,117	169,015,703	0.71
Sales	265,955,080	1,187,591	267,142,671	0.44
Equity	135,148,867	607,491	135,756,358	0.45
Total assets	183,359,396	994,718	184,354,114	0.54

in EUR

2012	Cinkarna Celje, d. d.	Cinkarna Kvarc, d. o. o.	Total	Share of Cinkarna Kvarc, d. o. o. in the total value in %
Total revenues	179,305,172	1,257,794	180,562,966	0.70
Sales	173,217,515	1,247,144	174,464,659	0.72
Equity	133,348,357	30,350	133,378,707	0.02
Total assets	196,001,270	1,006,946	197,008,216	0.51

Data from the balance sheet and the income statement of the controlled company as at 31 December 2013 are recalculated from the original currency (KM) to the currency of account (€) according to the monthly exchange rate of the Bank of Slovenia for December 2013 (1.95583 KM/€).

in EUR

Transactions with the controlled company	Leto 2013	Leto 2012
Revenues from the sales of products to the controlled company	411,501	444,003
Receivables of the controlling company	281,680	333,179
Loan granted to the controlled company	0	510,386
Interest on loans granted to the controlled company	0	4,127

Changes in Long-Term Financial Assets

in EUR

2013	Long-term investments				Long-term loans granted	
	Shares of banks	CC Kvarc, d. o. o.	Other investments	Total	to others	CC Kvarc, d. o. o.
COST						
Balance as at 1 January 2013	1,578,525	5,117	2,638,891	**4,222,533**	7,818	510,386
Increases during the year	0	575,386	0	**575,386**	0	0
Decreases during the year	547,978	0	0	**547,978**	5,058	510,386
Balance as at 31 December 2013	1,030,547	580,503	2,638,891	**4,249,941**	2,760	0
VALUE ADJUSTMENT						
Balance as at 1 January 2013	271,956	0	1,688,527	**1,960,483**	0	510,386
Increases during the year	758,591	0	0	**758,591**	0	0
Decreases during the year		0	0	**0**	0	510,386
Balance as at 31 December 2013	1,030,547	0	1,688,527	**2,719,074**	0	0
CARRYING AMOUNT						
Balance as at 1 January 2013	1,306,569	5,117	950,365	**2,262,051**	7,818	0
- of which the short-term portion amounts to	0	0	0	**0**	-4,919	0
Balance as at 1 January 2013	1,306,569	5,117	950,365	**2,262,051**	2,899	0
Balance as at 31 December 2013	0	580,503	950,364	**1,530,867**	2,760	0
- of which the short-term portion amounts to	0	0	0	**0**	-736	0
Balance as at 31 December 2013	0	580,503	950,364	**1,530,867**	2,024	0

Pursuant to the decision of the Bank of Slovenia on the invalidation and striking of the shares of Abanka Vipa, d. d. and NLB, d. d. and the objective estimate of the value of the shares of Banka Celje, d. d., the company impaired its investments into Slovenian banks.

The balance of long-term loans relates to housing loans. Members of the Management and Supervisory Boards did not receive any long-term loans.

Short-Term Financial Assets

in EUR

Skupina naložb leto 2013	Investment value		Adjustment of investments		Net investments	
	1 January 2013	31 December 2013	1 January 2013	31 December 2013	1 January 2013	31 December 2013
Short-term part of long-term investments	4,919	736	0	0	4,919	736
TOTAL	**4,919**	**736**	**0**	**0**	**4,919**	**736**

v €

Skupina naložb leto 2012	Investment value		Adjustment of investments		Net investments	
	1 January 2012	31 December 2012	1 January 2012	31 December 2012	1 January 2012	31 December 2012
Kratkoročni del dolgoroč. naložb.	15,315	4,919	0	0	15,315	4,919
SKUPAJ	**15,315**	**4,919**	**0**	**0**	**15,315**	**4,919**

4 Deferred Tax Assets and Tax Liabilities

in EUR

Description	Assets		Liabilities	
	2013	2012	2013	2012
Balance as at 1 January	**2,176,590**	**2,853,428**	**0**	**71,726**
Increase during the year	410,748	178,790	0	0
Decrease during the year	126,749	855,628	0	71,726
Balance as at 31 December	**2,460,589**	**2,176,590**	**0**	**0**

The decrease in deferred tax liabilities relates to the use of provisions for jubilee bonuses and severance pay and the derecognition of the formed value adjustment of long-term investments.
The increase in receivables represents one half of the formed provision for jubilee bonuses and severance pay upon retirement of EUR 6,619, for the formed value adjustment of investments in the amount of EUR 128,960 and for the recalculation according to the currently valid tax rate in the amount of EUR 275,169.
Changes in the balance of deferred tax assets had a positive impact on the profit and loss account of EUR 283,999.

5 Inventories

in EUR

Group of inventories	31 December 2013	31 December 2012	Ind. 13/12	Realisable value
Materials	15,772,535	16,949,137	93	13,778,846
Work-in-progress	2,784,986	3,766,008	74	2,794,127
Products	11,879,329	14,733,312	81	14,849,009
Merchandise	118,076	35,159	336	118,076
Advances given	238,559	233,123	102	238,559
TOTAL	**30,793,485**	**35,716,739**	**86**	**31,778,617**

During the financial year, a value adjustment of EUR 154,694 was made for the inventories of materials because of revaluation, obsolescence and unserviceability. No inventory differences were established in 2013.

A value adjustment of EUR 14,906 was during the current year made for the inventories of work-in-progress and finished products because obsolescence and unserviceability. No inventory differences were established in 2013.

The value of the inventories of finished products and production decreased by EUR 3,835,005 as compared to 2012.
Inventories have not been pledged as collateral.

6 Operating Receivables

Short-Term Trade Receivables

in EUR

Group of receivables for 2013	Value of receivables		Value adjustment		Net receivables	
	1 January 2013	31 December 2013	1 January 2013	31 December 2013	1 January 2013	31 December 2013
Buyers in the country	5,400,141	5,217,026	520,728	487,981	4,879,413	4,729,045
Foreign buyers	18,106,307	19,353,032	915,584	679,498	17,190,723	18,673,534
Exporting agents	1,526,089	708,119	0	0	1,526,089	708,119
Advances given	12,836	7,860	0	0	12,836	7,860
TOTAL	**25,045,373**	**25,286,038**	**1,436,312**	**1,167,479**	**23,609,061**	**24,118,559**

in EUR

Group of receivables for 2012	Value of receivables		Value adjustment		Net receivables	
	1 January 2012	31 December 2012	1 January 2012	31 December 2012	1 January 2012	31 December 2012
Buyers in the country	5,380,074	5,400,141	1,002,634	520,728	4,377,440	4,879,413
Foreign buyers	20,128,392	18,106,307	917,133	915,584	19,211,259	17,190,723
Exporting agents	1,640,824	1,526,089	0	0	1,640,824	1,526,089
Advances given	92,916	12,836	0	0	92,916	12,836
TOTAL	**27,242,206**	**25,045,373**	**1,919,767**	**1,436,312**	**25,322,439**	**23,609,061**

Changes in value adjustments of receivables

in EUR

2013	Balance 1 January 2013	Formed value adjustment in 2013	Write-offs of value adjustments from previous years	Balance 31 December 2013
Buyers in the country	520,727	13,081	67,654	466,154
Foreign buyers	915,585	0	214,260	701,325
TOTAL	**1,436,312**	**13,081**	**281,914**	**1,167,479**

in EUR

2012	Balance 1 January 2012	Formed value adjustment in 2012	Write-offs of value adjustments from previous years	Balance 31 December 2012
Buyers in the country	1,002,634	43,584	525,491	520,727
Foreign buyers	917,133	207,073	208,621	915,585
TOTAL	**1,919,767**	**250,657**	**734,112**	**1,436,312**

Receivables by Maturity

in EUR

Območni odsek	Total receivables		Not past due		Past due							
					0 to 15 days		from 16 to 60 days		from 61 to 180 days		over 180 days	
	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012
Buyers in the country	4,729,045	4,879,413	3,923,625	3,661,403	378,046	536,321	325,683	351,586	34,052	90,875	67,639	239,228
Foreign buyers - EU and third countries	17,715,445	15,049,259	13,299,218	11,790,673	2,487,369	1,746,406	1,472,461	1,127,936	103,532	310,261	352,865	73,983
Buyers on the markets of former Yugoslavia	958,090	2,141,464	432,762	1,268,341	46,244	319,527	213,616	201,672	210,200	326,988	55,268	24,936
Exporting agents	708,119	1,526,089	708,119	1,370,737	0	155,352	0	0	0	0	0	0
Advances given	7,860	12,836	7,860	12,836	0	0	0	0	0	0	0	0
TOTAL trade receivables	**24,118,559**	**23,609,061**	**18,371,584**	**18,103,990**	**2,911,659**	**2,757,606**	**2,011,760**	**1,681,194**	**728,124**	**728,124**	**475,772**	**338,147**

Receivables due from the subsidiary Cinkarna-Kvarc, d. o. o. amount to EUR 281,680, whereby EUR 174,462 of the said amount is past due.

Short-Term Receivables due from Others

in EUR

Group of receivables for 2013	Value of receivables		Value adjustment		Net receivables	
	1 January 2013	31 December 2013	1 January 2013	31 December 2013	1 January 2013	31 December 2013
Receivables for VAT	4,125,271	3,455,864	0	0	4,125,271	3,455,864
Receivables due from institutions	99,820	225,815	0	0	99,820	225,815
Receivables for corporate income tax	3,228,921	2,322,582	0	0	3,228,921	2,322,582
Receivables due from employees	30,575	23,419	0	0	30,575	23,419
Other receivables	70,876	97,893	0	0	70,876	97,893
TOTAL	**7,555,463**	**6,125,572**	**0**	**0**	**7,555,463**	**6,125,572**

in EUR

Group of receivables for 2012	Value of receivables		Value adjustment		Net receivables	
	1 January 2012	31 December 2012	1 January 2012	31 December 2012	1 January 2012	31 December 2012
Receivables for VAT	3,403,714	4,125,271	0	0	3,403,714	4,125,271
Receivables due from institutions	83,272	99,820	0	0	83,272	99,820
Receivables due from employees	26,870	30,575	0	0	26,870	30,575
Receivables for corporate income tax	0	3,228,921	0	0	0	3,228,921
Other receivables	73,262	70,876	0	0	73,262	70,876
TOTAL	**3,587,118**	**7,555,463**	**0**	**0**	**3,587,118**	**7,555,463**

The company has no receivables due from the members of Management and Supervisory Boards. Receivables are not collateralised.

7 Cash and Cash Equivalents

in EUR

Group of assets	31 December 2013	31 December 2012	Index 13 / 12
Cash in hand	837	829	101
Cash in accounts	1,007,153	3,000,161	34
Short-term call deposits	6,834,350	5,297,280	129
Short-term foreign currency call deposits	258,126	91,785	281
Foreign currency assets in accounts	36,277	197,852	18
TOTAL	**8,136,743**	**8,587,907**	**95**

Short-term assets are deposited with domestic banks and remunerated at a fixed annual interest rate ranging from 0.01% to 1.50%.

8 Equity

in EUR

Equity items	31 December 2013	31 December 2012
Share capital	20,396,244	20,396,244
Capital surplus	44,284,976	44,284,976
Legal reserves	16,931,435	16,931,435
Reserves for treasury shares	238,926	238,926
Treasury shares	-238,926	-238,926
Other revenue reserves	44,618,800	41,038,350
Revaluation surplus	1,277	80,567
Net profit brought forward	5,335,685	1,469,883
Net profit or loss for the financial year	3,580,450	9,146,902
TOTAL CAPITAL	**135,148,867**	**133,348,357**

The company's share capital comprises 814,626 freely transferable no-par value shares of the same class. All no par value shares have the same nominal value and have been paid up in full.

The company owns 2,149 treasury shares that were acquired on 18 June 2007 from the company D.S.U. – in liquidation, whereby their value is EUR 238,926 or 111.18 €/share, which represents 0.26% of the share capital.

Participation of the Management Board in the Company's Stock

2013	Number of shares	Stake in the company (%)
Benčina Tomaž	383	0,047
Podgoršek Selič Nikolaja	186	0,023
Cvetko Marko	31	0,004

2012	Number of shares	Stake in the company (%)
Benčina Tomaž	383	0,047
Podgoršek Selič Nikolaja	186	0,023
Cvetko Marko	31	0,004

If capital revaluation adjustment were performed for the preservation of purchasing power of capital based on the consumer price index (k 0.007), the company would disclose profit of EUR 6,355,930, whereby the company's capital as at 31 December 2013 would be EUR 134,343,898.

The surplus from revaluation decreased because of the derecognition of long-term financial assets.

v €

2013	1 January 2013	Increase	Decrease	31 December 2013
Surplus from revaluation of long-term financial assets	80,567	0	79,290	1,277
Adjustment of the surplus from deferred tax	0	0	0	0
Surplus from revaluation of derivatives	0	0	0	0
Adjustment of the surplus from deferred tax	0	0	0	0
TOTAL	**80,567**	**0**	**79,290**	**1,277**

v €

Leto 2012	1 January 2012	Increase	Decrease	31 December 2012
Surplus from revaluation of long-term financial assets	439,196	0	358,629	80,567
Adjustment of the surplus from deferred tax	–71,726	71,726	0	0
Surplus from revaluation of derivatives	–20,348	20,348	0	0
Adjustment of the surplus from deferred tax	4,070	-4,070	0	0
TOTAL	**351˝,192**	**88,004**	**358,629**	**80,567**

The 2012 net profit brought forward as part of the distributable net profit was allocated by the General Meeting for the distribution of dividends to shareholders, i.e. in the amount of EUR 5,281,100, while the remainder remained unallocated.

9 Provisions and Long-Term Accrued Expenses and Deferred Revenues

The company discloses provisions for jubilee bonuses and severance pay upon retirement formed in accordance with point 9 of the Introduction to SAS 2006. The actuarial calculation was made according to the book reserve method. The following assumptions were used: growth of salaries and wages at the company of 2%, discount interest rate of 4.50% per annum, changes in hiring, conditions for retirement, mortality rates 2002.

Other long-term provisions relate to provisions for ecology that were formed within the procedure of ownership transformation of companies and valued at historic cost. The drawing represents the accounted depreciation o fixed assets acquired for these purposes.

In 2011, the Company formed provisions for ecology in the amount of EUR 12,000,000. They were formed for the estimated amount of costs of the rehabilitation of the barrier for the Za Travnik landfill in the amount of EUR 7,000,000 and the estimated amount of costs for the final removal of low-level radioactive waste in the amount of EUR 5,000,000. The estimate of the costs for the Za Travnik landfill is based on the estimate for the rehabilitation at the Bukovžlak non-hazardous waste landfill (from 2010) according to the comparable surface areas method where the scale factor used was 11.25. The drawing represents costs of the contractors for the work performed in the amount of EUR 105,083 and the accounted depreciation of EUR 214 which debit the formed provisions directly.
The estimate of the costs for the destruction of waste was made for two theoretically feasible solutions based on the valid pricelist of the Agency for Radwaste Management. In the event that the estimates diverge from the project calculation of the costs, we will correct the value of the provisions concurrently.

In 2007, the company obtained decision No. PIZ-06/0245 for the exemption from the payment of contributions for pension and disability insurance in accordance with Article 74 of the Vocational Rehabilitation and Employment of Disabled Persons Act. The exempt contributions are disclosed among deferred revenues which also comprise funds from the easement of the Mobitel company and the funds received from the European Regional Development Fund.

in EUR

Provisions and long-term accrued expenses and deferred revenues	31 December 2013	31 December 2012	Ind. 13/12
Provisions for severance pay and jubilee bonuses	3,124,269	3,281,597	95
Other long-term provisions: for ecology	23,283,955	23,820,707	98
Other long-term provisions: other	4,467	4,467	100
Government grants received	35,744	5,457	655
Deferred revenues	1,343,089	1,264,773	106
TOTAL	**27,791,524**	**28,377,001**	**98**

in EUR

Provisions and long-term accrued expenses and deferred revenues for 2013	1 January 2013	Formation	Use	Transfer	31 December 2013
Provisions for severance pay and jubilee bonuses	3,281.597	77,871	235,199		3,124,269
Provisions for ecology	23,820.707	0	536,751		23,283,956
Other long-term provisions	4,467	0	0		4,467
Emission coupons	5,457	55,150	24,863		35,744
Exempt contributions for employment of disabled persons	234,987	257,180	0	17,860	474,307
Long-term deferred revenue for equipment for disabled persons	657,997	17,860	172,488		503,369
Funds received from the ERDF	347,823	0	2,953		344,870
Other deferred revenue	23,966	0	3,424		20,542
TOTAL	**28,377,001**	**408,061**	**975,678**	**17,860**	**27,791,524**

in EUR

Provisions and long-term accrued expenses and deferred revenues for 2012	1 January 2012	Formation	Use	31 December 2013
Provisions for severance pay and jubilee bonuses	3,605,255	105,791	429,449	3,281,597
Provisions for ecology	24,278,070	0	457,363	23,820,707
Other long-term provisions	4,467	0	0	4,467
Emission coupons	28,523	0	23,066	5,457
Exempt contributions for employment of disabled persons	780,010	173,917	60,943	892,984
Funds received from the ERDF	289,500	58,323	0	347,823
Other deferred revenue	30,813	0	6,847	23,966
TOTAL	**29,016,638**	**338,031**	**977,668**	**28,377,001**

10 Long-Term Liabilities

Long-Term Financial Liabilities

in EUR

Group of liabilities	31 December 2013	31 December 2012	Ind. 13/12
Long-term loans from domestic banks	2,727,272	6,636,363	41
- of which the short-term portion amounts to	-2,545,454	-1,909,091	133
TOTAL	**181,818**	**4,727,272**	**4**

All long-term financial liabilities to banks are secured with a mortgage on real estate in the amount of EUR 16,000,000. The major part of the loans is remunerated according to the 6-month EURIBOR and various margins of between 1.5% and 2.7% per annum.
The company has no liabilities with maturity longer than five years.

11 Short-Term Liabilities

Short-Term Financial Liabilities

in EUR

Group of liabilities	31 December 2013	31 December 2012	Ind. 13/12
Short-term loans from domestic banks	2,000,000	13,000,000	15
Short-term part of long-term liabilities	2,545,454	1,909,091	133
TOTAL	**4,545,454**	**14,909,091**	**30**

Short-term financial liabilities to banks are collateralised with bills of exchange, while liabilities to Banka Celje, d. d. are also collateralised with the abovementioned umbrella mortgage in the maximum amount of EUR 16,000,000. Loans is remunerated according to the 6-month EURIBOR and various margins of between 2.5 % and 2.7% per annum. Leans remunerated at the fixed interest rate from 4.2% to 4.4% have been repaid so that the company has no such contracts as at the cut-off balance sheet date of 31 December 2013.

Other Short-Term Financial Liabilities

in EUR

Group of liabilities	31 December 2013	31 December 2012	Ind. 13/12
Short-term liabilities associated with the disbursement of profit or loss	19,744	24,032	82
TOTAL	**19,744**	**24,032**	**82**

Liabilities are decreased by the amount of paid out dividends.

Short-Term Operating Liabilities

in EUR

Group of liabilities	31 December 2013	31 December 2012	Ind. 13/12
Short-term trade payables to domestic suppliers	6,761,178	6,227,690	109
Short-term trade payables to foreign suppliers	4,876,553	4,202,448	116
Short-term liabilities for goods and services not invoiced	-	150,139	-
Short-term operating liabilities from advances	2,907	167,833	2
Short-term liabilities to employees	1,927,807	2,039,593	95
Short-term liabilities for the payroll tax	287,007	297,403	97
Short-term liabilities for corporate income tax	-	-	-
Short-term liabilities to government and other institutions	520,610	52,341	995
Short-term liabilities for interest	9,023	47,169	19
Other short-term liabilities	7,882	103,482	8
TOTAL	**14,392,967**	**13,288,098**	**108**

12 Short-Term Prepayments and Accrued Income and Accruals and Income Collected in Advance

Short-term deferred costs and accrued revenues include short-term deferred expenses and prepayments and accrued income.

in EUR

Description	31 December 2013	31 December 2012
Prepaid expenses	34,590	453,394
Other prepaid expenses and accrued income	617,284	4,236
TOTAL	**651,873**	**457,630**

Short-term accrued costs and deferred revenues comprise short-term accrued costs and expenses. In 2013, the company additionally accrued the variable part of remuneration to the Management Board.

in EUR

Description	31 December 2013	31 December 2012
Accrued costs or expenditures	893,098	1,048,136
VAT from advances granted	124,855	30,000
Short-term deferred revenues and other accrued costs and deferred income	261,069	249,283
TOTAL	**1,279,022**	**1,327,419**

Contingent Liabilities

in EUR

Description	31 December 2013	31 December 2012	Ind. 13/12
Guarantees granted	200,042	310,512	64
VISA credit card	17,269	18,000	96
TOTAL	**217,311**	**328,512**	**66**

Guarantees granted represent a liability to Banka Celje, d. d. in the amount of EUR 76,500 and warranty guarantees in the amount of EUR 123,542.

13 Amortisation and Depreciation Expense

The company uses the straight-line depreciation method to depreciate fixed assets over the expected useful life of an individual fixed asset. Depreciation is debited to the value of an individual fixed asset.

in EUR

Description	2013	2012	Ind. 13/12
Amortisation and depreciation	**12,433,963**	**12,511,246**	**99**
- intangible assets	266,506	273,940	97
- buildings	2,605,403	2,658,045	98
- production equipment	9,560,372	9,576,634	100
- other equipment	1,682	2,627	64
Operating expenses from revaluation of non-current assets	**254,859**	**519,158**	**49**
- impairment of intangible assets and property, plant and equipment	221,958	451,186	49
- losses from the elimination of intangible assets and property, plant and equipment	26,133	60,732	43
- of which the amortisation of assets not being used amounts to	6,768	7,240	93
Operating expenses from revaluation of current assets	**176,316**	**412,848**	**43**
- of which the value adjustment and write-off of receivables amounts to	21,622	170,219	13
- of which the revaluation of inventories of materials amounts to	154,694	242,629	64
TOTAL	**12,865,138**	**13,443,252**	**96**

14 Labour Cost

in EUR

Labour cost	2013	2012	Ind. 13/12
Salaries, wages and compensations for salaries and wages	21,347,172	21,596,590	99
Social security contributions	3,611,410	3,778,511	96
Reimbursements of expenses to employees	3,198,678	3,951,135	81
Supplementary pension insurance	298,255	315,505	95
TOTAL	**28,455,515**	**29,641,741**	**96**

Labour costs includes accounted liabilities to employees pursuant to the collective agreement for the chemical, non-metallic and rubber industry of Slovenia and pursuant to individual employment contract, and the reimbursement of work-related expenses pursuant to the collective agreement. The company accounted unused annual leave in accordance with SAS 15 and IAS 19. The company is registered in the register o pension funds as an employer that finances a pension plan with the designation PN-1 that is operated by Kapitalski vzajemni pokojninski sklad (Capital Mutual Pension Fund).

Gross Receipts of Groups of Persons

in EUR

	2013	2012
Members of the Management Board	823,966	858,188
Members of the Supervisory Board	87,887	57,292
Employees under contracts, for which the tariff section of the collective agreement does not apply	2,813,220	2,892,428
Total gross receipts of groups of persons	**3,725,073**	**3,807,908**

Receipts of Management Board Members

in EUR

2013	Gross salary – fixed part	Gross salary – variable part	Perks and other receipts	Total receipts
Tomaž Benčina	213,912	57,619	14,422	285,953
Nikolaja Podgoršek Selič	171,126	46,094	14,368	231,588
Jurij Vengust	156,872	42,255	9,765	208,892
Marko Cvetko	72,393	20,447	4,693	97,533
Total receipts of the Management Board	**614,303**	**166,415**	**43,248**	**823,966**

in EUR

2012	Gross salary – fixed part	Gross salary – variable part	Perks and other receipts	Total receipts
Tomaž Benčina	230,473	52,379	15,978	298,830
Nikolaja Podgoršek Selič	184,378	41,902	15,090	241,370
Jurij Vengust	169,021	38,412	10,481	217,914
Marko Cvetko	75,947	18,787	5,340	100,074
Total receipts of the Management Board	**659,819**	**151,480**	**46,889**	**858,188**

Perks and other receipts include: use of a company vehicle for private purposes as well, holiday pay, manager insurance, supplementary pension insurance, reimbursements of the costs of transport to and from work and meals, and eventual other receipts.

Receipts of Supervisory Board Members

in EUR

2013	Supervisory Board session attendance fees	Remunera-tion for the discharge of the func-tion	Attendance fees of the Audit Committee	Material costs	Total receipts
Matjaž Janša	1,650	10,300		351	12,301
Jožica Tominc	1,650	14,163	1,276	409	17,498
Marin Žagar	1,650	10,300			11,950
Barbara Gorjup	1,375	14,163	1,276	439	17,253
Dušan Mestinšek	1,375	10,300			11,675
Milan Medved	1,650	15,450		111	17,211
Total receipts of Supervisory Board members	**9,350**	**74,675**	**2,552**	**1,310**	**87,887**

in EUR

2012	Attendance fees of the session attendance fees	Remuneration for the discharge of the function	Attendance fees of the Audit Committee	Material costs	Total receipts
Mateja Vidnar	3,100	1,288	0	115	4,503
Matjaž Janša	550	1,087	0	117	1,754
Jožica Tominc	3,038	7,081	2,210	450	12,779
Marin Žagar	3,038	5,150	0	0	8,188
Barbara Gorjup	3,038	6,824	1,656	524	12,042
Dušan Mestinšek	3,038	5,150	0	0	8,188
Milan Medved	3,038	6,695	0	105	9,838
Total receipts of Supervisory Board members	**18,840**	**33,275**	**3,866**	**1,311**	**57,292**

Receipts of the members of the Supervisory Board include receipts for the discharge of the function within the scope of the Supervisory Board.

15 Expenses

Operating Expenses

in EUR

Expense	2013	2012	Ind. 13/12
Cost of material	104,959,516	98,893,493	106
Cost of services	10,337,182	11,114,428	93
Cost of goods and materials sold	189,605	208,305	91
Other operating expenses	1,064,461	916,360	116
TOTAL	**116,550,764**	**111,132,586**	**105**

Operating expenses are the same as accrued costs, which arose in the accounting period, increased by the costs that are retained in opening inventories of products and work-in-progress and decreased by the costs that are retained in the closing inventories of products and work-in-progress valued at production costs. Operating expenses are increased by the cost of merchandise and materials sold. Other costs of services comprise the costs of services associated with maintenance, transport services and services of intermediaries.

Other operating expenses represent taxes for ecology-related reimbursements and taxes, contribution for the use of building land owned by the municipality, rewards for students and pupils doing in-company placement and other costs of the financial year.

The 2013 audit of financial statements was performed by the Deloitte revizija, d. o. o. audit firm. The contractual value of the agreed auditing services was EUR 22,000 increased by the VAT and travel expenses. The Deloitte revizija, d. o. o. audit firm did not perform any other services for Cinkarna Celje, d. d. in 2013.

Financial Expenses

in EUR

Expense	2013	2012	Ind. 13/12
Interest expenses	551,627	868,958	63
Exchange rate differences	473,506	311,856	152
Expenses from reversal of financial assets	547,978	-	-
Expenses from impairment	758,591	1,429,817	53
TOTAL	**2,331,702**	**2,610,631**	**89**

Financial expenses comprise accounted liabilities for the financial year arising from long-term and short-term financial debt, operating liabilities and negative exchange rate differences generated in operations and financing activities. Expenses from reversal relate to financial assets.

Other expenses include primarily the difference between the damage of EUR 36,650 caused by a storm that was covered by the insurance and the damage that was not covered and the compensations paid to natural persons.

In accordance with SAS 25.25, the costs are presented by functional groups:

in EUR

	2013	2012	Ind. 13/12
Production costs of products sold	106,086,031	94,343,568	112
Cost of goods sold	189,605	208,305	91
Selling cost	35,682,036	36,804,147	97
Costs of general activities	19,748,749	21,163,637	93
TOTAL	**161,706,422**	**152,519,657**	**106**

16 Revenues

Sales revenues consist of the sales values of sold products, merchandise and material, and services rendered in the accounting period. The breakdown of net sales revenues by area and regional segments is shown below.

Sales by Area Segments

in EUR

	Achieved		Ind. 13/12
	2013	2012	
Titanium dioxide	116,380,966	124,997,071	93
Zinc processing	22,780,910	22,838,165	100
Graphic materials	6,025,856	5,382,264	112
Construction programme	3,564,079	3,791,160	94
Coatings and varnishes	10,505,083	9,737,087	108
Agricultural programme	2,718,347	2,774,391	98
Other	3,979,840	3,697,377	108
TOTAL	**165,955,080**	**173,217,515**	**96**

Sales by Regional Segments

in EUR

	Achieved		Ind. 13/12
	2013	2012	
Slovenia	23,523,812	23,745,118	99
European Union	104,441,258	104,806,457	100
Market of the countries of former Yugoslavia	6,866,900	8,146,471	84
Third countries	25,085,980	30,876,250	81
Third countries – dollar market	6,037,130	5,643,219	107
TOTAL	**165,955,080**	**173,217,515**	**96**

Profit or loss by area segments

in EUR

	2013	2012	Ind. 13/12
Titanium dioxide	11,344,676	24,596,038	46
Other	-2,343,463	–3,360,037	70
Unclassified	-1,840,314	–2,942,196	63
TOTAL	**7,160,899**	**18,293,805**	**39**

Other Operating Revenue

in EUR

Revenue	2013	2012	Ind. 13/12
Revenues from the use and reversal of long-term provisions	437,831	411,613	106
Operating revenue from revaluation	25,223	57,118	44
Other revenue	760,558	583,198	130
TOTAL	**1,223,613**	**1,051,929**	**116**

Other operating revenue includes revenue associated with business effects. Written-off receivables that have been recovered in the amount of EUR 105,192, funds from development funds in the amount of EUR 174,847, financial incentives for the hiring of disabled persons above the quota in the amount of EUR 172,488, funds from the Slovene Enterprise Fund for the coverage of damage caused by flooding in the amount of EUR 125,176, funds from the insurance company for the coverage of damage at Metallurgy BU in the amount of EUR 115,364, excise duties for energy products, emission coupons, etc.

Finance Income

in EUR

Income	2013	2012	Ind. 13/12
Interest income	257,490	492,947	52
Exchange rate differences	390,501	394,570	99
Income from dividends and participating interests	510,386	18,982	2.689
Income from other investments	105,335	31,899	330
TOTAL	**1,263,712**	**938,398**	**135**

Finance income includes interest received from investing activities and receivables, dividends and profit participations, income from long-term financial assets and positive exchange rate differences from operations and financing activities.

Other income comprises unusual items, the majority of which are funds received from suppliers for early payment.

17 Corporate Income Tax

Corporate income tax is accounted in accordance with the Rules on corporate income tax returns at the rate of 17% of the tax base. The tax base in 2013 is decreased by allowances provided for investments into research and development, hiring of disabled persons, voluntary supplementary pension insurance, investment into equipment and donations.

in EUR

	2013	2012	Ind. 13/12
Pre-tax profit/loss in accordance with SAS	**7,573,785**	**22,454,300**	**34**
Revenues excluded from the tax base or increasing the tax base	–641,605	–146,043	439
Expenses not recognised for tax purposes	866,239	1,162,441	75
Tax relief	–3,699,096	–4,094,442	90
Total tax base	**4,099,323**	**19,376,256**	**21**
Tax rate	17%	18%	94
Income tax	**696,885**	**3,487,726**	**20**

The effective tax rate calculated as the ratio between tax expenses and the accounting profit or loss is 15.53% in 2012 and 9.20% in 2013.

In accordance with SAS 19.16 and 5.15, the company disclosed an increase in deferred tax assets arising from temporary differences.

The increase in 2013 relates to the difference between:

in EUR

Description	2013	2012
Use of provisions	–126,750	–97,529
Reversal of the formed value adjustment of receivables	0	–130,342
Recalculation to the new tax rate	275,169	–627,757
Formed provisions	6,619	7,934
Formed value adjustment of receivables (investments)	128,960	174,925
TOTAL	**283,999**	**–672,769**

V Cash flow statement

The cash flow statement shows the change is the balance of cash and cash equivalents for the financial year as the difference between the balance as at 31 December 2013 and 1 January 2013. It is compiled according to the indirect method using data from two consecutive balance sheets in accordance with SAS 26.15, i.e. according to the abbreviated format II. Theoretically possible items are not shown and values are disclosed for the current and previous year.

VI Statement of changes in equity

The statement of changes in equity has the form of a table of changes of all equity items in accordance with SAS 27. Theoretically possible items are not shown.

Changes in equity relate to the decision of the General Meeting on the allocation of net distributable profit for 2012 for dividend distribution to the owners that were paid out in the first half of 2013.

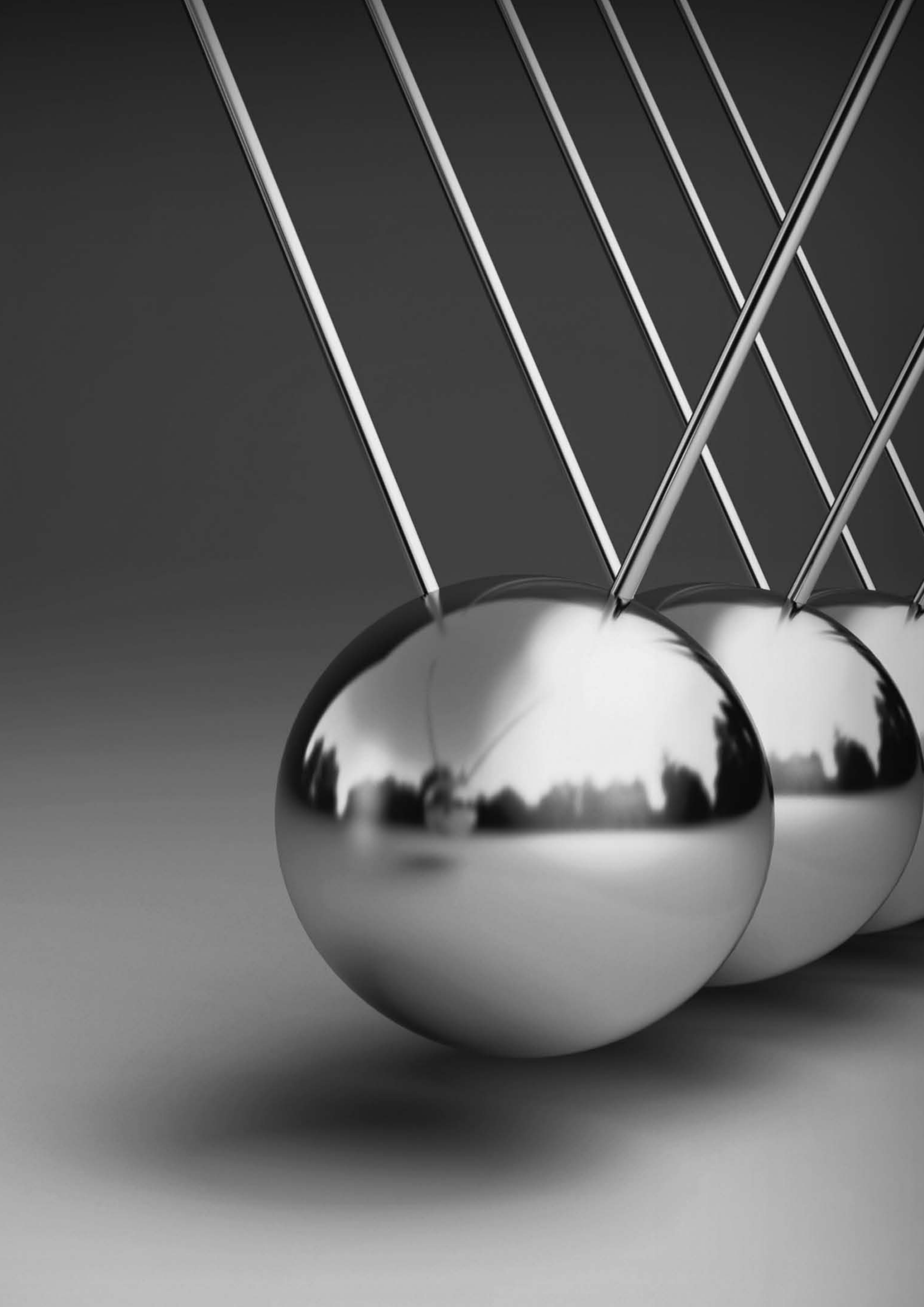
Pursuant to point 14 of Article 64 of the Companies Act (ZGD-1), the determination of net distributable profit is appended to the statement of changes in equity. It represents half of the net profit for 2013 and 2012 net profit brought forward. The proposal for distribution of net distributable profit is provided in the appendix.

VII Accounting ratios according to sas 30.28

Accounting ratios	**2013**	**2012**
Equity financing rate	73.71%	68.00%
Long-term financing rate	88.96%	84.90%
Operating fixed assets rate	59.51%	58.80%
Long-term assets rate	61.92%	61.30%
Equity to operating fixed assets	1.24	1.16
Immediate solvency ratio	0.43	0.3
Quick ratio	2.03	1.41
Current ratio	3.65	2.67
Operating efficiency ratio	1.06	1.16
ROE	0.059	0.169
Dividends to share equity ratio	0.259	0.6

Important Business Events Occurring after the End of the Financial Year

In the period from 31 December 2013 to the compilation of the audit report, there were no business events that could materially affect the financial, material and income position of the company as at 31 December 2013.



Deloitte Revizija d.o.o.
Dunajska cesta 156
1000 Ljubljana
Slovenia

Tel.: 386 (0) 1 3072 800
Fax: 386 (0) 1 3072 900
www.deloitte.si

INDEPENDENT AUDITOR'S REPORT
to the Owners of CINKARNA Celje, d. d

Report on the Financial Statements

We have audited the accompanying financial statements of the Cinkarna Celje, d. d company comprising the balance sheet as at 31 December 2013 the profit and loss account and statement of other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended as well as the summary of the material accounting policies and other explanatory information.

Management's Responsibility for Financial Statements

The management is responsible for the preparation and fair presentation of these financial statements in accordance with the Slovenian Accounting Standards as well as for such internal controls that are necessary in line with the management's decision to enable the preparation of financial statements that are free from material misstatement arising from fraud or errors.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on an audit. We conducted the audit in accordance with the International Standards on Auditing. Those standards require that we comply with ethical requirements as well as plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain auditing evidence supporting the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal controls associated with the preparation and fair presentation of the company's financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal controls at the company. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the management, as well as evaluating the overall presentation of financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

[1]The name Deloitte refers to Deloitte Touche Tohmatsu Limited, a UK "company limited by guarantee" and its network of member firms, all of which are independent and distinct legal entities. For a detailed presentation of the legal structure of Deloitte Touche Tohmatsu Limited and its member firms, please visit the following link: www.deloitte.com/si/nasa-druzba.
Member of Deloitte Touche Tohmatsu Limited

Opinion

In our opinion, the financial statements give a true and fair view – in all material respects – of the financial position of the CINKARNA Celje, d. d. company as at 31 December 2013, and its financial performance and its cash flows for the year then ended in accordance with the Slovenian Accounting Standards.

Report On Other Legal and Regulatory requirements:

The management is responsible for the preparation of the business report in accordance with the requirements of the Companies Act (ZGD-1). Our responsibility is to provide and assessment of whether the business report complies with the audited financial statements. Our procedures in this regard were carried out in accordance with the International Standard on Auditing 720 and limited to only the assessment of compliance of the business report with the audited financial statements. It is our opinion that the business report complies with the audited financial statements.

DELOITTE REVIZIJA, d.o.o.

Tina Kolenc Praznik
Certified auditor

Dušan Hartman
Member of the Management Board

Deloitte.
DELOITTE REVIZIJA D.O.O.
Ljubljana, Slovenija 3

In Ljubljana, 17 March 2014

Summary Overview of Operations since 2003

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
SALES											
Domestic market	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	23,523.81
Foreign market	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	142,431.27
Sales	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	165,955.08
PROFIT OR LOSS											
Operating profit or loss	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	8,628.40
Pre-tax operating profit or loss	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	7,573.79
Taxes	/	/	295.66	1,290.06	1,451.93	131,76	26.16	1,970.11	6,133.40	4,160.50	412.89
Net profit or loss	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	7,160.90
LIABILITIES AND ASSETS											
Equity	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	135,148.87
Financial debt	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	4,747.01
Financial debt ratio	27%	37%	41%	42%	40%	42%	34%	25%	11%	10%	3%
Assets	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	183,359.40
Net working capital	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	50,216.93
PER SHARE											
Dividends:											
- gross	2.12	2.09	2.51	2.72	2.92	3.22	/	1.25	4.35	15.00	6.50
- net	1.59	1.57	1.83	2.04	2.19	2.42	/	1.00	3.48	12.00	4.88
Net profit or loss	1.95	3.22	3.04	6.86	7.47	0.98	1.25	10.91	31.3	22.46	8.79
Equity	115.1	114.7	115.3	116.4	123.2	120	121.2	131.2	156.53	163.7	165.9
Market value at end of year	115.4	112.5	103	112.7	143.2	72	49.4	58.2	84.5	79	90
Number of shares	814,626	814,626	814,626	814,626	814,626	814,626	814,626	814,626	814,626	814,626	814,626
Number of shares with voting rights	814,626	814,626	814,626	814,626	812,477	812,477	812,477	812,477	812,477	812,477	812,477
Number of employees	1217	1185	1166	1144	1131	1113	1079	1053	1063	1005	993
Number of shareholders	2277	2155	2101	1952	1846	1770	1735	1696	1603	1648	1706
OPERATING RATIOS											
Liquidity ratio	1.22	1.09	1	1.03	0.96	0.83	0.89	1.1	1.89	2.67	3.65
Quick ratio	0.6	0.59	0.53	0.56	0.47	0.41	0.55	0.7	1.04	1.41	2.02
Inventory turnover ratio	13.8	12.3	12.8	13.9	12.8	9.9	11.7	21.7	18.9	12.27	12.4
Days sales outstanding	64 days	60 days	60 days	56 days	58 days	68 days	69 days	65 days	53 days	51 days	52 days
Days payables	25 days	29 days	28 days	25 days	25 days	29 days	37 days	39 days	37 days	36 days	35 days
Fixed asset turnover ratio	0.96	0.87	0.9	1.1	1.12	0.92	0.94	1.16	1.42	1.39	1.42
Total asset turnover ratio	0.65	0.61	0.62	0.75	0.75	0.63	0.65	0.81	0.95	0.88	0.87
EBIT	1.05	1.05	1.04	1.07	1.07	1.03	1.04	1.1	1.2	1.16	1.05
Profit margin	4.30%	4.60%	3.90%	6.70%	6.80%	3.30%	3.60%	8.90%	16.80%	13.50%	5.20%
Total net profit margin	1.50%	2.30%	2.00%	3.50%	3.70%	0.60%	0.80%	5.70%	13.00%	10.30%	4.30%
Net profit ratio	1.60%	2.60%	2.10%	3.70%	3.90%	0.60%	0.80%	5.80%	13.90%	10.60%	4.31%
Return on investment (ROI)	2.10%	2.80%	2.70%	5.20%	4.90%	2.80%	2.60%	7.00%	17.10%	11.80%	4.28%
ROA	1.00%	1.60%	1.30%	2.80%	2.90%	0.40%	0.50%	4.70%	13.20%	9.30%	3.78%
ROE	1.70%	2.80%	2.70%	6.40%	6.70%	0.80%	1.00%	9.10%	25.50%	16.90%	5.89%

Values are expressed in thousands of EUR, with the exception of:

- per share values and
- values of ratios.

Dividends relate to disbursements within the calendar year that were paid out for the previous year.

Company's General Meeting/Structure of Equity

STRUCTURE OF THE OWNERSHIP OF SHARES OF CINKARNA CELJE, D. D.

Consecutive No.	Beneficiary	Balance as at 4 February 1997 upon registration in the register of companies:		Balance as at 21 January 1998 upon registration with the Central Securities Clearing Corporation		Balance as at 31 December 2012		Balance as at 31 December 2013	
		%	No. of shares	%	No. of shares	%	No. of shares	%	No. of shares
1.	**TOTAL FOR COMPANIES**	**53.59**	**436,534**	**33.74**	**274,868**	**33.46**	**272,618**	**33.46**	**272,618**
1.1. 1.2. 1.3. 1.4.	Modra zavarovalnica d.d., Lj Kritni sklad PPS, Lj Slov. odškod. družba d.d. D.S.U. d.o.o. Ljubljana	21.87 9.77 21.95	178,184 79,573 178,777	22.03 9.77 1.94	179,506 79,573 15,789	20.00 2.05 11.41 /	162,963 16,705 92,950 /	20.00 2.05 11.41 /	162,963 16,705 92,950 /
2.	**INTERNAL SHAREHOLDERS**	**30.68**	**249,942**	**31.36**	**255,444**	**6.18**	**50,332**	**6.06**	**49,357**
3.	**OTHER LEGAL ENTITIES**	**6.93**	**56,490**	**26.31**	**214,314**	**54.47**	**443,692**	**52.64**	**428,775**
3.1.	- Zvon Ena Holding (in bankruptcy)					15.72	128,031	15.72	128,031
3.2.	- Zvon Dva Holding (in bankruptcy)					0.04	310	0.04	310
3.3. 3.4. 3.5. 3.6.	- NFD 1 mešani fleks. podsklad-jug - NFD Investicijsko svetovanje,d.o.o. - NFD Razviti trgi, del. podsklad - NFD Novi trgi, Ljubljana					13.72 0.01 0.21 0.06	111,731 55 1,674 500	12.93 0.01 0.21 0.06	105,325 55 1,674 500
3.7. 3.8. 3.9.	- KD Dividendni delniški - KD Galileo, flex. str. naložb - KD Rastko, delniški					2.77 3.11 2.35	22,558 25,372 19,114	1.56 3.12 2.35	12,688 25,376 19,114
3.10.	- KD Balkan, delniški					0.48	3,930	0.48	3,930
3.11.	- BANKA KOPER, d.d. Koper					4.09	33,299	4.09	33,299
3.12.	- NOVA KBM D.D. Maribor					3.92	31,914	3.92	31,914
3.13.	- ABANKA Vipa, d.d. Ljubljana					1.72	14,000	1.72	14,000
3.14.	- PSP Modra linija – delniški					1.45	11,781	1.45	11,781
3.15.	- OTHER					5.08	39,423	4.98	40,778
4.	**EXTERNAL SHAREHOLDERS**	**8.80**	**71,660**	**8.59**	**70,000**	**5.63**	**45,835**	**7.58**	**61,727**
5.	**TREASURY SHARES**	**-**	**-**	**-**	**-**	**0.26**	**2,149**	**0.26**	**2,149**
	TOTAL 1+2+3+4+5	**100.0**	**814,626**	**100.0**	**814,626**	**100.0**	**814,626**	**100.0**	**814,626**
Number of shares with voting rights			**814,626**		**814,626**		**812,477**		**812,477**

Statement by the Management and the Persons Responsible for the Compilation of the Annual Report of 17 March 2014:

The indicated and undersigned members of management and the persons responsible for the compilation of the Annual Report within the meaning of the second paragraph of Article 110 of the Financial Instruments Market Act hereby confirm that, to the best of our knowledge:

I. the financial report complies with the relevant financial reporting standards, i.e. the Slovenian Accounting Standards; as such, it provides a true and fair presentation of the company's assets, liabilities, profit or loss and financial position;

II. the business report presents a fair presentation of the development and the operating results of the company and its financial position, including the description of the material types of risks, to which the company is exposed.

The Management Board hereby accepts and confirms the Annual Report on this 17 March 2014.

Company's management

President of the Management Board – General Manager

Tomaž BENČINA, BSc (Metallurgy) and BSc (Economics)

Member of the Management Board – CTO

Nikolaja PODGORŠEK SELIČ
BSc (Chemical Engineering), Specialist

Member of the Managemer Board – Finance, Accounting and IT

Jurij VENGUST, MSc

Company's management

President of the Management Board – Labour Director

Marko CVETKO
BSc (Chemical Engineering), Specialist

Persons responsible for the compilation of the Annual Report

Member of the Management Board – Finance, Accounting and IT

Jurij VENGUST, MSc

Head of the Accounting Service

Irena LEŠČAK ZALOKAR, economi

Proposal for the Use of the 2013 Net Distributable Profit

in EUR

Net distributable profit	**8,916,135**
- dividends (8 €/share)	6,499,816
- bonuses for the Management Board	-
- profit brought forward	2,416,319
- increase in other revenue reserves	-

Explanation of the Proposal for the Use of the 2013 Net Distributable Profit: owing to the expected moderate improvement of conditions on international pigment markets, we plan to realise net profit of EUR 12.1 million in 2014. The free cash flow from operations in 2014 will presumably suffice for the coverage of investment needs, debt servicing and disbursement of proposed dividends. The Management Board proposes the disbursement of dividends in the amount of EUR 6.5 million or 8 €/share. This means that the dividends paid out in 2014 will increase when compared to those from 2013 by 23 percent. The total value of the dividend disbursement could reach 90% of the generated net profit in 2013. The Management Board believes that the proposed distribution of distributable profit appropriately reflects the business performance of the company and simultaneously the interests of the owners who favour growth of dividends. The difference of EUR 2.4 would be brought forward to the following financial year as profit brought forward.

Print: Tiskarna Cinkarna, march 2014

Company Culture

BUSINESS PARTNERS

We will constantly focus our efforts into fair, high-quality and timely fulfilment of our customers' needs. We will develop mutual trust, cooperation and business friendship.
The liabilities to suppliers, banks and contractors will be settled with utmost responsibility.

SHAREHOLDERS

We will strive for the shareholders' investment and their confidence as to the correctness of the decision to invest to be rewarded by expected and suitable returns. The care for long-term vitality and profitability of the Company will be realised by investments into development and employees.
We understand that our responsibility is proportionate to the trust that has been placed in us by the shareholders.

EMPLOYEES

All employees will enjoy an honest relationship with the company. Fair payment for the work well-done is an unalienable right. We will ensure that the rights to suitable information, personal safety and equal treatment are exercised. The duty of the company's management is to promote a positive atmosphere and care for the development and implementation of the rules and principles of ethical operations.

LOCAL COMMUNITY

Within the scope of the sustainable development philosophy, investment in environmentally-oriented project and targeted technology design, we will strive for optimum paths and methods of environmental protection and health of our community members.
We will strive for and participate in the development and progress of the local community in the areas of education, sports and culture, i.e. as permitted by the means at our disposal.