

SUMMARY
ANNUAL REPORT
Public Limited Comany
TALUM d.d.

for 2010

March 2011

TALUM D.D., KIDRIČEVO

1 KEY ACHIEVEMENTS IN 2010

Improved economic situation has influenced on the operating results of TALUM in 2010 in comparison with 2009. Exchange price of aluminium in dollar has increased very fast in the last three months, the average value in euro value was high above the expectations. In 2010 the average exchange price of aluminium, reached at the London Metal Exchange amounted to USD/t 2,173.00 USD/t or to EUR/t 1,673.90 EUR/t. In USD/t was by 5% higher than planned in TALUM, and in EUR/t 19% higher than planned.

*The volume of aluminum production in potline has reached 48% of full capacity in 2010. Thus **40,177 t of potline aluminium** was made in 2010, which is for 1% more than planned and for 14% more than last year at the same time. At the beginning of January we have started ten renewed potline cells in the south part of potline. From then on the potline has been working with 77 potline cells.*

In 2010 we managed to ensure smooth raw material supply which was in accordance with production needs in TALUM.

*In 2010 **103.773 t of final aluminium products** were manufactured which is by 12% more than planned and by 17% more than physical volume of production of primary aluminum in 2009.*

The physical volume of the sale of aluminium products in 2010 amounted to 100.867 t which is by 8% more in comparison with planned for 2010 and by 7% more than the volume generated in 2009.

*In 2010 **total net sale revenues amounted to 190,882,815 EUR** which is by 29% more than planned for 2010 and by 26% more than generated in 2009.*

Beside 8% higher generated physical volume in comparison with planned achieved sale prices also influenced on the faster growth, which were all higher than planned for 2010.

*From the data in the in the profit and loss accounts for 2010 it can be seen that TALUM concluded financial year 2010 with positive profit or loss of operating in absolute value of 12,069,603 EUR and with absolute value of **598,056 EUR**.*

*As at 31st December 2010 there were **844 employees** which is by 6% less than planned for the end of 2010 and by 5% less as at the end of 2009 when were 888 employees in TALUM.*

TALUM adopted and has been operating in accordance with Policy for quality, environmental management and safety and health at work, including the set aims. Long-term aims on the filed of environment management have been adopted for the period from 2004 to 2010 for the following specific fields: emissions into air, emissions into waters, management of waste and dangerous substances. In accordance with environmental management and safety and health at work policy framework and implementing aims have been defined as well as the Environmental Management Programme No.8/08 on the basis of integrated review and estimation of risk assessment of environmental aspects for the period from 2009 to 2011. The key improvements in the area of environmental management and health and safety at work were noted down in the Management Review record 172/10, which was executed in September 2010. System performance assessment shows that the environment management system was efficient in 2010 and the performance was in the accordance with the set aims and programmes.

TALUM has acquired environmental protection licence No. 35407-130/2006-11 which covers following activities of TALUM: 6,8 – production of anodes, 2,4 – operation of grey cast foundry, 2,5 a – production of primary aluminium in potlines and 2,5 b – aluminium melting in foundries with technically linked units and has been operating in accordance with the Environmental protection licence.

CONTENT

Page

1	KEY ACHIEVMENTS IN 2010	1
2	COMPANY PROFILE.....	3
3	BUSINESS REPORT	5
3.1	BUSINESS PERFORMANCE ANALYSIS	5
3.1.1	Purchase	5
3.1.2	Production	5
3.1.3	Sale	6
3.2	SUSTAINABLE DEVELOPMENT.....	9
3.2.1	Researches and development.....	9
3.2.2	Investments	9
3.2.3	Personnel	9
3.2.3.1	<i>Employment.....</i>	10
3.2.3.2	<i>Educational structure of employees</i>	11
3.2.3.3	<i>Number and share of people with disabilities.....</i>	11
3.2.4	Environmental management	12
3.2.5	Quality	14
3.2.6	Safety and Health at Work	16
4	SUMMARY FINANCIAL STATEMENTS	17
4.1	SUMMARY OF ACCOUNTING POLICIES INCLUDING A PRESENTATION OF ACCOUNTING DIRECTIONS	17
4.2	BALANCE SHEET	17
4.3	PROFIT AND LOSS ACCOUNT.....	19
4.4	VALUE ADDED PER EMPLOYEE.....	20
5	LIST OF TABLES	22
6	LIST OF PICTURES	22
7	REPORT BY THE AUTHORIZED AUDITOR	23

2 COMPANY PROFILE

Public limited company TALUM Kidričevo, Tovarniška cesta 10, is registered at the District Court in Ptuj, registration number 052/10047800, initial capital in the amount of 15.832.443,33 EUR, which is divided into 3.796.749 unit shares.

TALUM registration number: 5040868
TALUM tax number: 67572782
TALUM activity code: 24 420 – production of aluminium

TALUM ownership structure, as shown in the share register as at 31. December 2010 is as follows:

Shareholder	Registered office	Number of shares	Share in %
Elektro Slovenija d. o. o.	Hajdrihova 2, Ljubljana	3,037,400	80.00
Kapitalska družba d. d.	Dunajska c. 56, Ljubljana	219,459	5.780
TALUM B d. d.	Tovarniška c. 10, Kidričevo	252,061	6.639
Factor banka d. d.	Tivolska cesta 48, Ljubljana	287,829	7.581

Book value per share is 30,32 EUR.

TALUM operating activities have been in 2010 supervised by the Supervisory Board in the following composition:

Mr Miro ŽUNEC, Chairman of the Supervisory Board
 Mr Ivan MALEŠIČ,
 Mr Mirjan TRAMPUŽ,
 Mr Duško KOS,
 Mr Marko DROBNIČ,
 Mr Ivan OGRINC.

In the period to 3rd December 2010 TALUM was run and represented by the Management Board in the following composition:

Mr Danilo TOPLEK, Chairman,
 Mrs Brigita AĆIMOVIĆ,
 Mr Franc VISENJAK,
 Mr Zlatko ČUŠ.

Due to the expiry of mandate of Mrs Brigita Aćimović the Management Board was in the following composition as from 4th December 2010:

Mr Danilo TOPLEK, Chairman,
 Mr Franc VISENJAK,
 Mr Zlatko ČUŠ.

The following subsidiaries are affiliated into TALUM Public Limited Company and TALUM ownership as it follows:

VITAL d.o.o., Kidričevo	100% share,
STORAL d.o.o., Kidričevo	100% share,
VARGAS-AL d.o.o., Kidričevo	100% share,
REVITAL d.o.o., Kidričevo	100% share,
ALIN d.o.o., Kidričevo	100% share,
TALUM Aluminij d.o.o., Kidričevo	100% share,

TALUM Livarna d.o.o., Kidričevo	100% share,
TALUM Servis in inženiring d.o.o., Kidričevo	100% share,
TALUM Inštitut d.o.o., Kidričevo	100% share,
TALUM Rondelice d.o.o., Kidričevo	100% share
TALUM Izparilniki d.o.o., Kidričevo	100% share,
TALUM Ulitki d.o.o., Kidričevo	100% share,
TALUM Beograd d.o.o., Obrenovac	100% share,
RELAX-AL, Zagreb	97.65% share.

TALUM has greater investments in the following company: **Silkem d.o.o., Kidričevo** **35.34% share**

TALUM main production programs:

Foundry alloys:

primary (ingots or bars),
primarnim podobne (ingots or bars).

Kneading alloys:

billets.

Slugs and discs:

slugs,
discs.

Evaporators

Castings

Number of employees as at 31st December 2010: **844**

Total revenues for 2010: **228,217,234 EUR**

Total expenses for 2010: **224,509,985 EUR**

Profit or loss before tax: **3,707,249 EUR**

Net profit or loss: **598,056 EUR**

EBITDA **19,572,866 EUR**

(operating profit + depreciation)

Import export cover level: **113%**

Net foreign currency inflow: **39,655,095 EUR**

Total value of assets: **181,521,439 EUR**

- of which long term assets: **74,401,937 EUR**

Outstanding amounts: **75%/25%**

- own assets / liabilities:

Further information about TALUM is available at the web site: www.talum.si.

Common annual report is available at TALUM registered office TALUM d.d., Tovarniška cesta 10, 2325 Kidričevo.

3 BUSINESS REPORT

3.1 BUSINESS PERFORMANCE ANALYSIS

3.1.1 Purchase

In 2010 we managed to ensure smooth raw material supply and was in accordance with production needs in TALUM.

Table 1 shows the purchase of the most important raw materials in 2010 in comparison with purchase in 2009 and planned purchase for 2010 in tons.

Table 1: Purchase of important raw material, in t

Raw material	MU	Quantities in tons			Index	
		Realized		Plan	1:2	1:3
		2010	2009	2010	1:2	1:3
		1	2	3	4	5
Alumina	t	76,262	75,476	76,417	101	100
Petrol coke	t	18,701	10,774	16,313	174	115
Tar pitch	t	3,612	2,147	3,528	168	102
Al fluoride	t	601	486	695	124	86
Silicon 1	t	410	960	2,273	43	18
Silicon 2	t	363	960	368	38	99
Silicon 3	t	440	302	388	146	113
Silicon 4	t	0	48	0	0	0
Magnesium	t	348	173	249	201	140
Primary external aluminium	t	18,357	12,736	17,380	144	106
Waste primary aluminium	t	14,764	8,835	23,397	167	69
Waste secondary aluminium	t	2,057	972	1,043	212	197
Aluminium for processing*	t	29,524	12,849	14,500	230	204
Electricity	kWh	606,131,839	538,338,124	602,607,152	113	102
Natural gas	m3	15,412,800	13,014,417	14,637,171	118	105

Remark: * - is primary and waste aluminium, owned by customer or consignee and TALUM only processes it.
Source of data: TALUM Statistics, Strategic Sales Department.

TALUM has been assessing the quality of suppliers in accordance with adopted quality standards for several years.

In suppliers evaluating system have been included only suppliers which have been very important for the aluminium production and their supply common value reaches at least 90% of the value of all suppliers in TALUM. There are also included suppliers with increased number of delays and complaints and suppliers of chemicals, transport services and information technologies. Thus have been included 72 suppliers in the evaluation system in 2010. 65% of them were classified in rank A and 35% of them in rank B. No suppliers were classified in rank C.

3.1.2 Production

The volume of aluminum production in potline has reached 48% of full capacity in 2010. Thus 40,177 t of potline aluminium was made in 2010, which is for 1% more than planned and for 14% more than last year at the same time. At the beginning of January we have started ten renewed potline cells in the south part of potline. From then on the potline has been working with 77 potline cells.

In 2010 103.773 t of final aluminium products were manufactured which is by 12% more than planned and by 17% more than physical volume of production of primary aluminium in 2009.

The biggest share of production of goods manufactured in 2010, that is 55%, is of billets production. 24% of common production is of foundry alloys production. The production of slugs and discs was amounted to 20.456 t, production of evaporators to 675 t and production of casts to 1,449 t.

Figure 1 shows the production in 2010 in comparison with production in 2009 and with planned production in 2010, in tons.

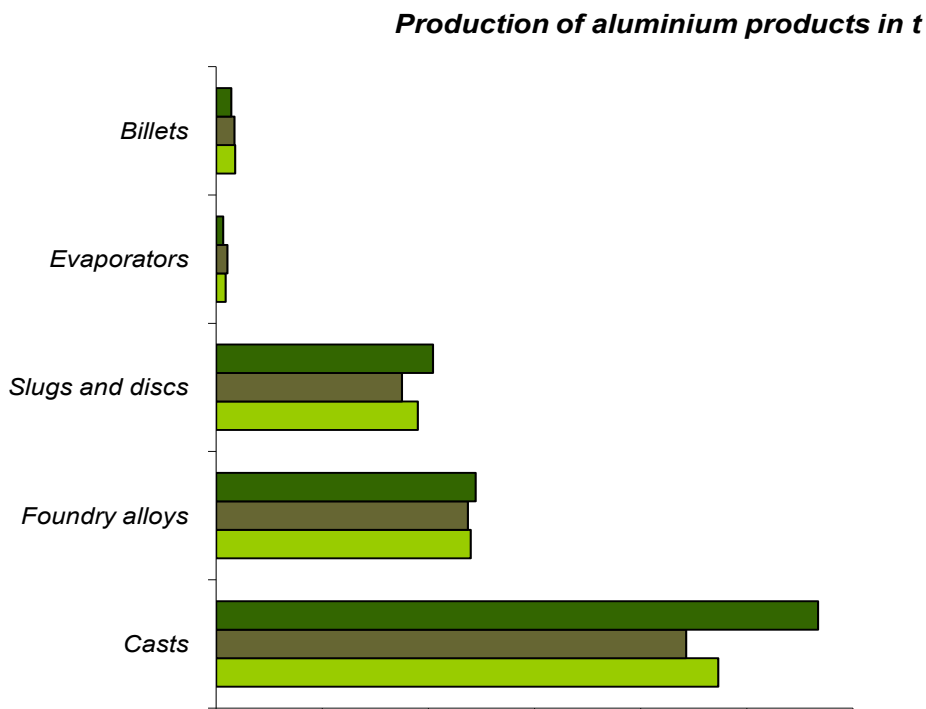


Figure 1: Production of aluminium products in 2010 in comparison with production in 2009 and in comparison with the production planned for 2010, in tons.

3.1.3 Sale

In 2010 the average exchange price of aluminium, reached at the London Metal Exchange amounted to USD/t 2,173.00 USD/t or to EUR/t 1,673.90 EUR/t. In USD/t was by 5% higher than planned in TALUM, and in EUR/t 19% higher than planned. Exchange price of aluminium in dollar has increased very fast in the last three months, the average value in euro value was high above the expectations.

Figure 2 shows the trends in the exchange price of aluminium at LME in 2010 in comparison with 2009 and in comparison with LME price, planned by TALUM for 2010, expressed in USD/t and EUR/t.

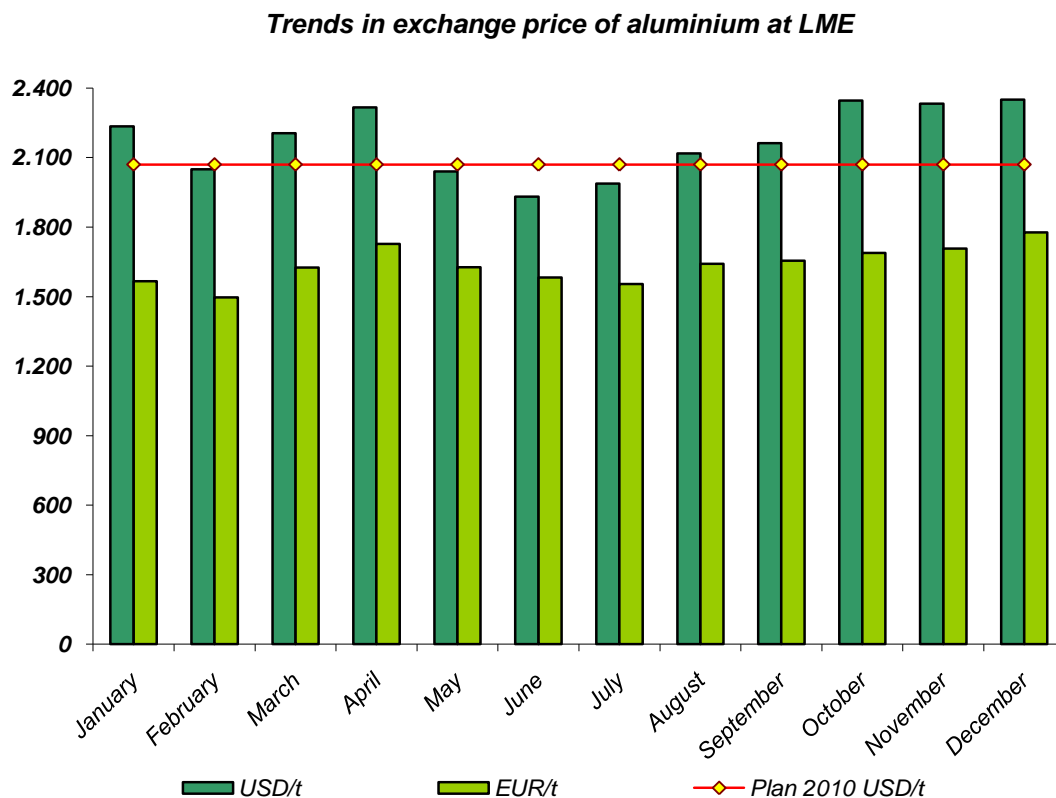


Figure 2: Exchange price of aluminium at LME in 2010, in USD/t and EUR/t.

The physical volume of the sale of aluminium products in 2010 amounted to 100.867 t which is by 8% more in comparison with planned for 2010 and by 7% more than the volume generated in 2009.

Figure 3 shows the structure of physical volume of the sale of individual aluminium products in 2010 in comparison with the structure of physical volume of the sale in 2009 and in comparison with planned structure of physical volume of the sale for 2010 in %, by individual products.

Structure of the physical volume of the sale by individual products in %

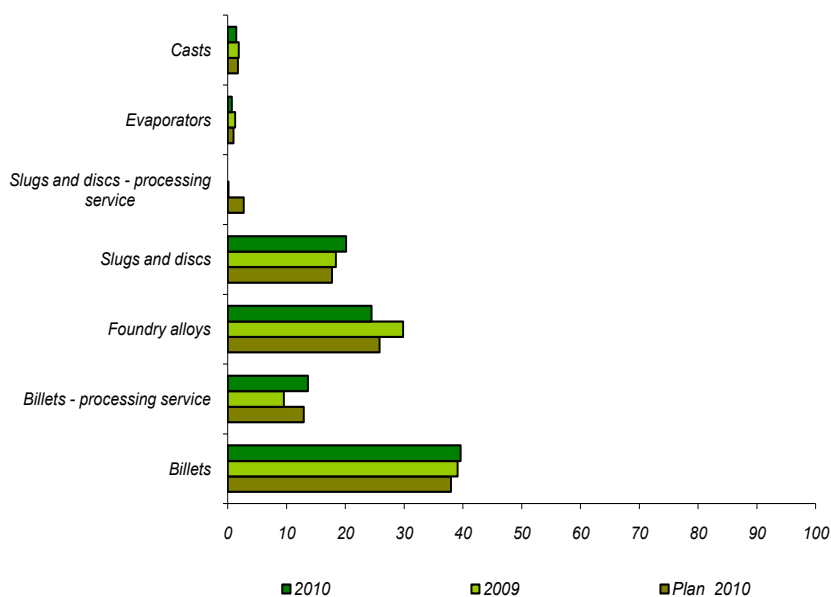


Figure 3: Structure of physical volume of sale by individual aluminium products in %.

In 2010 total net sale revenues amounted to 190,882,815 EUR which is by 29% more than planned for 2010 and by 26% more than generated in 2009.

Total net sale revenues, generated in 2010, consist of net revenues for export of 155,828,907 EUR or 82% in share and net revenues generated with domestic sale of 35,053,908 EUR or 18% in share.

Figure 4 shows the structure of net sales revenues generated in 2010 according to net revenues generated with export and domestic sale in comparison with 2009 and in comparison with planned structure of net sales revenue for 2010. Export sale was considered as sale to European Union Member States and other countries. The structure has been calculated of generated values of net sales revenues in EUR by individual fields.

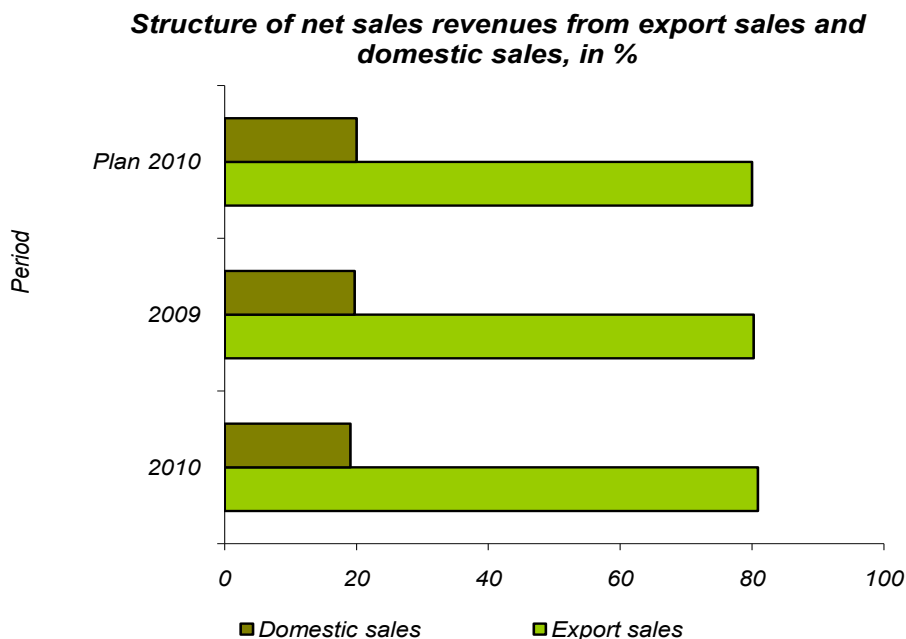


Figure 4: Structure of net sales revenues from export sales and domestic sales, in %.

3.2 SUSTAINABLE DEVELOPMENT

3.2.1 Researches and development

In 2010 17 development projects were being implemented. Five of them were completed and submitted to regular production.

In 2010 three project applications were prepared and successfully submitted to obtain EU grants.

In October 2010 two-year long project officially published by Ministry of Higher Education, Science and Technology named REDIKOMP – Research and development of a model of efficient potline communication with partners, was successfully concluded.

3.2.2 Investments

In 2010 17 investment projects were being implemented. Most of them were completed, some of them were stopped according to the economic situation. Thus are projects for use of waste heat: Heating of office building with heat energy ZHS, Use of waste heat in phase of Reidhamer stoves chamber cooling, Use of waste heat in Working unit Evaporators and Slugs and discs. Projects were stopped at the end of outline scheme or preparation phase and are prepared for execution depending of economic situation.

3.2.3 Personnel

In the last three months in 2010 personnel activities from the beginning of the year were continued, which means that the needs for workers were mostly soluted by internal reshuffling. The discussions were executed with employed workers for which the possibilities for employment in other working units were found.

Due to expected restart of stoves at the beginning of 2011 new co-workers have been employed in the last three months in MU Slugs and Discs and Kneading alloys. Higher number of workers will be employed in MU Potline and Anodes at the beginning of 2011.

New contracts in 2010 were signed either for changes of working place or for signing new fixed-term contracts with already employed workers.

Activities for looking for appropriate working places for people with disabilities and for prevention from forming new people with disabilities were executed. In 2010 on appropriate works were reallocated 5 disabled people inside the company, two were reallocated in subsidiary undertaking REVITAL.

In October and December activities in connection with expected reorganization were executed. By reorganization TALUM d.d. has been reorganized since 1st January 2011 in the way that the part of activities were transformed on newly-established companies which were established by TALUM which is their only member. By transformation of activities workers were transformed too. Employees which were taken over to new employers signed annex to the contracts valid on 31st December 2010 at transformer – TALUM d.d. Workers signed new contracts or were defined to new working place where the needs and changed circumstances of work required that.

3.2.3.1 *Employment*

As at 31st December 2010 there were 844 workers which is by 6% less than planned for the end of 2010 and by 5% less as at the end of 2009 when were 888 employees in TALUM.

The average age being 43.98 years in the same period last year, decreased on 43.74 years which is by 0.5% less. Decrease of average age is the consequence of employment of younger employees and leaving of large number of older employees whose contracts were cancelled because of business reason or which were retired.

In 2010 there was no need to hire external workers or workers employed at other employers.

The share of fixed-term employees have been increased in comparison with the the same time in 2009 when there were 6.5% of fixed-term employees. In 2010 this part has been increased on 8.3% which was the consequence of employment of new workers with fixed-term contract.

Table 2 shows employment in 2010.

Table 2: Employment in 2010

	TALUM	Management	Foundry alloys	Energ.	Pottline	Evaporators	Anodes	Maintenance	Transport	KK	Kneading alloys	Slugs and discs	Castings	Services
Number of employees as at 31 December 2009	888	10	50	28	74	42	45	193	33	28	57	112	99	117
Number of employees as at 31 December 2010	844	10	47	27	72	30	44	173	31	29	61	121	87	112
Average number of employees in 2010	877	10.9	48.2	28.8	74.9	35.7	43.1	193.1	32.3	29	57.5	112.4	94.3	116.8
Plan 2010	898	11	49	29	86	37	46	192	33	28	54	113	101	119
Comparison of the number of employees (plan 2010=100)	94.0	90.9	95.9	93.1	83.7	81.1	95.7	90.1	93.9	103.6	113.0	107.1	86.1	94.1
STAFF TURNOVER	8.8	10.0	2.0	13.8	9.1	11.9	2.2	12.8	9.1	6.9	1.6	1.6	15.9	9.9
- total														
- avoidable	1.2	0.0	0.0	3.4	0.0	4.8	0.0	0.5	0.0	0.0	1.6	0.8	4.7	0.0
Share of temporary employees	6.9	0.0	2.1	3.7	1.4	0.0	0.0	1.7	0.0	3.4	0.0	2.5	48.3	5.4
Average age	43.7	49.5	40.9	47.6	46.0	44.7	45.8	45.8	47.7	45.4	41.9	41.9	35.7	45.7

Source of data: TALUM Statistics, Human Resources.

3.2.3.2 Educational structure of employees

Educational structure of employees as at 31st December 2010 in comparison with the structure in 2009 is shown in Table 3.

Table 3: Educational structure of employees

TALUM	Educational structure of employees								
	Total	I	II	III	IV	V	VI	VII	VIII
Structure by recognised education :									
- 31. 12. 2009	888	1	33	102	363	217	58	112	2
- 31. 12. 2010	844	1	24	93	355	198	57	114	2
Structure by required education :									
- 31. 12. 2010	844	0	27	105	390	178	49	95	0
- plan 2010	898	0	39	110	409	190	55	95	0

Source of data: TALUM Statistics, Human Resources.

Most of employees have level IV or specialized school, especially technical courses. Over the years the number of employees with educational levels I, II and III has decreased, because most of employees have finished at least specialized secondary school. Deviations between recognized and required educational level are consequence of internal qualifications by which employees get internal required educational level (up to specialized level IV). Other deviations are mostly the consequence of planned number of employees.

3.2.3.3 Number and share of people with disabilities

At the end of 2010 there were 95 disabled persons employed in TALUM, which accounts for 11.26% of all employees. In 2009 there were 108 disabled persons, which accounted for 12.16% of all employees. Data show that the number of disabled

persons decreased which is the consequence of successful solving of disabled persons. However it has been noticed that the number of requests for disability status is increasing and consequently also the number of new disabled persons. Thus the activities for prevention of increasing number of new disabled persons and timely solving of new disabled persons.

In Accordance with the Vocational Rehabilitation and Disabled Persons Employment Act, an application was submitted for exemption from the payment of pension and disability insurance for disabled persons employed above the required quota whose disability is not a result of injury at work or occupational disease, together with an application for a bonus for exceeding the quota. Both applications were granted by the Fund for the promotion of Employment of Disabled Persons.

3.2.4 Environmental management

TALUM adopted and has been operating in accordance with Policy for quality, environmental management and safety and health at work, including the set aims.

Long-term aims on the filed of environment management have been adopted for the period from 2004 to 2010 for the following specific fields: emissions into air, emissions into waters, management of waste and dangerous substances. In accordance with environmental management and safety and health at work policy framework and implementing aims have been defined as well as the Environmental Management Programme No.8/08 on the basis of integrated review and estimation of risk assessment of environmental aspects for the period from 2009 to 2011. The key improvements in the area of environmental management and health and safety at work were noted down in the Management Review record 172/10, which was executed in September 2010. System performance assessment shows that the environment management system was efficient in 2010 and the performance was in the accordance with the set aims and programmes.

In September 2010 environment management system successfully passed control audit by BUREAU VERITAS in accordance with ISO 14001:2004. In February 2010 the accredited and extended procedures (twenty-three in total) under SIST EN ISO/IEC 17025 for MU Quality control executed by Slovenian Accreditation on the field of aluminium, aluminium alloys, waste waters, waste and emissions into air.

Environmental Protection Licence and Environmental Protection Licence for a Plant (SEVESO)

In accordance with environmental protection licence No. 35407-130/2006-11 which covers following activities of TALUM: 6,8 – production of anodes, 2,4 – operation of grey cast foundry, 2,5 a – production of primary aluminium in potlines and 2,5 b – aluminium melting in foundries with technically linked units, TALUM has been operating in accordance with the Environmental protection licence.

Within the framework of acquiring the Environmental protection licence for a plant (SEVESO) a new review 2/2010 of submitted Safety report with a detailed Protection and Rescue Plan was prepared. The above licence will have been issued in 2011 as MOP- Environmental Agency of the Republic of Slovenia were not able to carry out the procedure for TALUM in 2010.

In 2010 there were two inspection visits (fields: environmental protection licence, SEVESO), and no written orders issued.

Emissions into air

In 2010 operational monitoring of emissions into air was carried out for all the devices operated in accordance with the valid Environmental Protection Licence regarding emissions into air. Common report on operational monitoring of emissions into air for

2010 will have been supplied to Environmental Agency of the Republic of Slovenia by 31st March 2010.

TALUM has been included in the second national plan of green house gas emissions with its combustion facilities for the period from 1st January 2008 to 31st December 2012. The report for 2010 will be made and supplied to Environmental Agency of the Republic of Slovenia by 31st March 2011. In 2010 submitted quantity of emission coupons (EC) for the natural gas consumed amounted to 24,523 EC, later was executed the exchange of 10,700 EUA coupons (coupons on the trade of European Union) for 9,000 coupons CER and 3,000 coupons ERU (coupons outside the European Union trade). Current condition on the emission trading account is 1,040 EUA coupons, 9,000 CER coupons and 3,000 ERU coupons, thus total 13,040 coupons. Emissions of TGP equivalents stayed on the same level in 2010 as in 2009, when 67 potline cells were active and the emission factor was extended to production in MU Foundry alloys, MU Kneading alloys and production of narrow tape in MU Slugs and discs.

Gaseous fluorides emissions are shown in Figure 5. Carbon dioxide emissions of aluminium produced are shown in Figure 6.

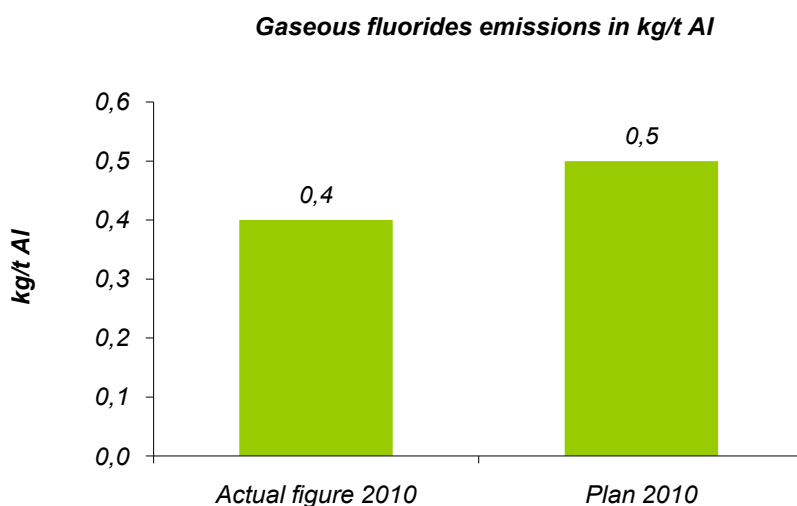


Figure 5: Gaseous fluorides emissions in kg/t Al

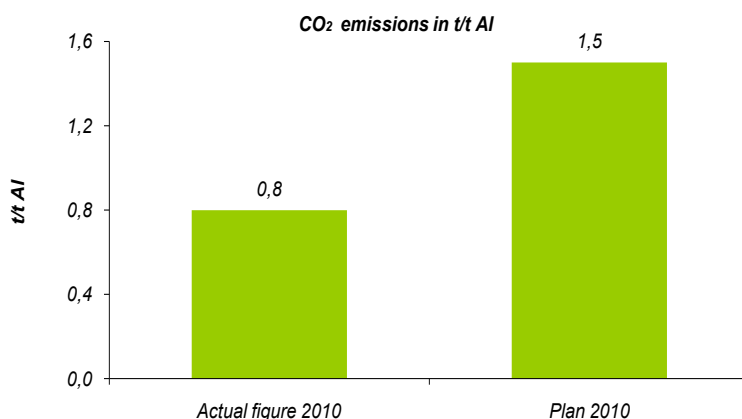


Figure 6: Carbon dioxide emissions in t/t of aluminium produced.

Emissions into waters

In 2010 waste water emissions were in accordance with Environmental Protection Licence for discharges of dangerous substances. Waste water quantity was reduced lower than 0.4 million m³. Thus the quantity of cooling water consumed has been kept under the aim value of 10 m³/t of aluminium, which is in accordance with the best available technique (principle BAT – Best Available Technology Principle). In accordance with aims of quality, environmental management and safety and health at work policy objectives the Environmental Protection Licence the project of sorting waste water into urban waste water, industrial and meteoric waste water was completed. Release of waste municipal water has been joint to the treatment plant in Apače since 5th February 2010.

Cooling water consumption in m³/t of aluminium produced is shown in Figure 7.

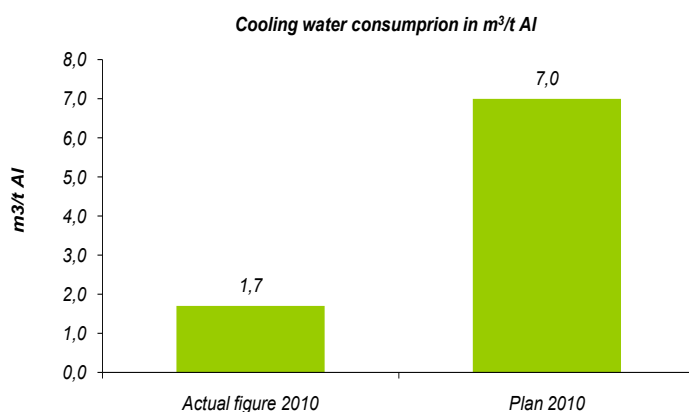


Figure 7: Cooling water consumption in m³/t of aluminium produced.

Raw materials, waste and dangerous substances

In 2010 certain improvements were achieved at the waste management, especially at waste separation, classification and recording in e-system. Both dumps have status of closed dumps. Low amounts of mud from the treatment plant were used for the recultivation of surface layer.

Processing of secondary aluminium was in accordance with Environmental Protection Licence. Specific use of raw materials and energy are shown in partial reports of individual manufacture units and are in accordance with technical normative of individual machines.

The system of handling with dangerous chemicals is in accordance with legislation in force, TALUM implemented procedure of registration for alumina and aluminium in the framework of REACH in November 2010. Currently we are entering to the period of registration procedure for other chemicals (e.g. cryolite for production) until 2013 (>100 tons/year) and 2018 (>1 tons/year) for the case of own import to EU.

3.2.5 Quality

Customer complaints

In 2010 complaints for all sales programs were received:

- *The plan for 2010 was to get 3 or less complaints for billets and bars. The aim was achieved as only 3 complaints were received. The aim for billets was not achieved as 5 complaints were approved,*
- *24 complaints were received for slugs and discs – 23 were approved. The annual aim is less than 15 complaints, which means that is not achieved,*
- *in the period concerned 852 inappropriate evaporators were supplied, which means 1,301 ppm (pieces per million pieces). The result has been deteriorated in the second half-year. The annual aim, which was less than 300 ppm of supplied inappropriate evaporators, was not achieved,*
- *102 complaints were received for castings. 91 complaints have already been approved, 11 have still been in the procedure. This means that currently have been approved 1.16% complaints of all sold castings, which means that the aim on the annual level has been achieved. It has been also achieved that all the complaints will be approved.*

Quality reject

Quality reject has been monitored for all production programmes, the recorded aims for 2010 were to achieve less than 2% of reject evaporators and less than 9% reject castings. The share of quality rejects for evaporators amounts to 2.4% and 8.2% for castings. This means that the quality reject for evaporators is not achieved, for castings is reached for the first time and it is lower than the planned value.

Maintenance interventions

In 2010 average number of emergency maintenance interventions per month was 120. The planned aim, in accordance with which the average number has to be lower than 130 per month, was achieved.

Supplier delays

The share of supplier delays at the supplies of income materials amounts to 1.6%. Planned aim, which amounts less than 1.5%, was not achieved. Deviation is the consequence of large number of delays in the first half-year.

Iron content in primary aluminium potline C

In regard with primary aluminium purity two aims were set for 2010:

- *to achieve at east 40% of primary aluminium with less than 0.09% of iron content in all shifts. In the period concerned 384 shifts or 35% did not reach such an average, which means that the aim was not achieved (in the second half-year even 367 shifts),*
- *iron content in the remaining primary aluminium amounts 0.11%, which means, that the aim was achieved, as it is lower than planned 0.12 content.*

CO₂ reactivity of C anodes

CO₂ reactivity of anodes amounts to 91.6%. The planned aim, in accordance with which the reactivity CO₂ reactivity of anodes has to be higher than 89%, has been achieved.

Innovation proposals

In 2010 292 innovative proposals were received, which accounts 0.3 proposal per employee in annual average. Planned aim, in accordance with which the aim is to receive at least 450 innovative proposals per year or 0.5 proposal per employee, was not achieved. Proposals were interfered by 144 innovators or 16% of employees. 93% of proposals were approved and 90% of them has been realizing. 6,697 EUR were spent for awards for innovators.

3.2.6 Safety and Health at Work

In year 2010 17 injuries at work occurred in TALUM, which is 8 injuries less than in 2009. Due to injuries 408 working days were lost in 2010. In 2009 905 working days were lost. 5 injuries occurred on the way to or from work in 2010, in 2009 occurred 2 injuries. Due to injuries occurred on the way on or from work 141 working days were lost in 2010; 77 days were lost in 2009.

In 2010 a total of 549 working days were lost due to injuries on the way to or from work; 982 days were lost.

An overview of the number of injuries at work in TALUM in last five years is shown in Table 4.

Table 4: Overview of the number of injuries at work

Period	Average number of employees based on hours	Number of injuries at work	Number of lost working days
2006	954	26	757
2007	997	31	781
2008	996	35	649
2009	901	25	905
2010	852	17	408

Source of data: TALUM Statistics, Management System

In the field of fire safety 8 early fires were recorded last year. In 2009 6 early fires were recorded.

In the field of inspecting the working equipment compliance of different categories was achieved, as it follows:

- *compliance of electric hand tools is 99.9%,*
- *compliance of attaching elements is 99%,*
- *compliance of working equipment is 97%,*
- *and compliance of ladders is 100%.*

In 2010 147 extraordinary events and 141 incidents in the area of environmental management and health and safety at work were recorded.

4 SUMMARY FINANCIAL STATEMENTS

4.1 SUMMARY OF ACCOUNTING POLICIES INCLUDING A PRESENTATION OF ACCOUNTING DIRECTIONS

Financial statements for 2010 have been drawn up in accordance with provisions of new Slovenian Accounting Standards (hereinafter referred to as SAS). According to these the Company financial situation and operating result have been presented realistically and fairly and in an understandable way. Financial year is the same as calendar year and lasts from 1st January 2010 to 31st December 2010.

Financial statements are shown on the basis of the following key accounting assumptions:

- consideration of trade events origin,
- consideration of operating time illimitableness..

The principles of intelligibility, relevance, reliability and comparability were taken into account at establishing accounting directions and drawing up financial statements. Thus sufficient guaranties for the accuracy were provided for respect or fulfilment of legal requirements and eliminations of fraud.

The principle of prudence was considered, which means that:

- are presented profits which have been already realised by 31st December 2010;
- that are considered all predictable risks and losses, incurred in financial year 2010 or in any of the previous financial years.

Components of assets and liabilities to asset sources liabilities have been valued individually.

Accounting books are kept on the basis of double-entry book-keeping system.

In presented financial statements for 2010 have been used the same accounting directions and methods as in the last financial statement.

In financial statements for 2009 we have corrected or reclassified:

- the effect of risk of a price change insurance (futures contract) in amount of 1,773,172 EUR we have increased sale revenues (export) and for the same amount we have increased financial expenses from operating liabilities,
- investments in paintings in amount of 841,657 EUR from long-term financial investments on tangible fixed assets.

The audited financial statements for the year ended December 31, 2010 are available at the head office of TALUM d.d.

4.2 BALANCE SHEET

Balance sheet as at 31st December 2010 and as at 31st December 2009 is shown in Table 5 on the following page:

Table 5: Balance Sheet as at 31st December 2010 and as at 31st December 2009, in EUR

Item	31. 12. 2010	31. 12. 2009
A. LONG-TERM ASSETS	74,401,937	82,937,766
I. Intangible long-term assets and long-term deferred items	1,027,613	1,555,742
II. Tangible fixed assets	62,635,753	63,603,940
1. Land and buildings	28,019,146	27,038,555
2. Equipment and other fixed assets	34,616,607	36,565,385
III. Investment property	0	0
IV. Long-term financial investments	5,890,189	9,205,071
V. Long-term operating receivables	1,254,962	1,870,400
VI. Deferred claims for tax	3,593,420	6,702,613
B. SHORT-TERM ASSETS	107,119,502	110,364,313
I. Assets held for sale	0	0
II. Inventories	42,760,304	30,877,716
1. Material	21,704,836	14,965,835
2. Work-in-progress	8,724,721	10,938,018
3. Products and merchandise	12,330,747	4,973,863
4. Advance payments for inventories	0	0
III. Short-term financial investments	23,736,676	43,848,548
IV. Short-term operating receivables	37,651,039	34,404,931
V. Financial sources	2,966,976	1,233,012
C. SHORT-TERM ACCURED DELIMITATIONS	4,507	106
D. ASSETS	181,521,439	193,302,079
OFF-BALANCE SHEET ASSETS	1,141,095	1,392,531
A. CAPITAL	115,125,277	114,527,221
I. Called-up capital	15,832,443	15,832,443
II. Capitalske reserves	58,270,438	58,270,438
III. Reserves from profit	40,012,385	46,934,302
IV. Surplus from revaluation	411,955	411,955
V. Net profit or loss from previous period	0	0
VI. Net profit or loss from financial year	598,056	-6,921,917
B. PROVISIONS AND LONG-TERM ACCURED COSTS	19,286,412	34,228,604
C. LONG-TERM LIABILITIES	12,775,659	24,690,831
I. Long-term financial liabilities	9,310,608	21,273,280
II. Long-term operating liabilities	3,362,062	3,314,562
III. Deferred liabilities for tax	102,989	102,989
D. SHORT-TERM LIABILITES	34,331,155	19,855,423
I. Liabilities, included in the groups of disposal	0	0
II. Short-term financial liabilities	16,135,471	13,390,892
III. Short-term operating liabilities	18,195,684	6,464,531
E. SHORT-TERM ACCURED COSTS	2,936	0
F. ASSETS SOURCES LIABILITIES	181,521,439	193,302,079
OFF-BALANCE SHEET LIABILITIES	1,141,095	1,392,531

Source of data: TALUM Statistics, Accounting Department.

4.3 PROFIT AND LOSS ACCOUNT

Table 6 shows profit and loss account for 2010 in comparison with profit and loss account in 2009.

Table 6: Profit and loss account, in EUR

Item	2010	2009	Index 2010/2009
1. NET SALES REVENUES	190,882,815	151,393,279	126
I. Domestic sales	35,053,908	29,550,453	119
II. Export	155,828,907	121,842,826	128
2. CHANGES IN THE VALUE OF THE INVENTORY OF PRODUCTS AND WORK-IN-PROGRESS	5,143,588	-21,755,835	-
3. CAPITALISED OWN PRODUCTS AND OWN SERVICES	4,170,006	3,498,264	119
4. OTHER OPERATING REVENUES (with revaluated operating revenues)	19,505,315	2,400,590	813
GROSS OPERATING YIELD	219,701,724	135,536,298	162
5. COSTS OF GOODS, MATERIALS AND SERVICES	177,404,230	108,075,409	164
I. Purchase value of goods sold	8,583,095	5,813,143	148
II. Cost of materials	159,738,080	95,264,399	168
IV. Cost of services	9,083,055	6,997,867	130
6. LABOUR COSTS	19,773,984	19,809,436	100
I. Costs of salaries	14,078,130	14,264,932	99
II. Costs of pension insurance	2,041,019	2,066,446	99
II. Costs of other social insurances	1,017,603	1,025,257	99
III. Other labour costs	2,637,232	2,452,801	108
7. WRITE-OFF VALUE	8,803,693	9,098,969	97
I. Depreciation	7,503,263	7,490,789	100
II. Operating expenses from revaluation for fixed assets	485,367	296	0
III. Operating expenses from revaluation for current assets	815,063	1,607,884	51
8. OTHER OPERATING EXPENSES	1,650,214	1,709,520	97
OPERATING RESULT	12,069,603	-3,157,036	-
9. FINANCIAL REVENUES	8,515,230	6,107,616	139
I. Financial revenues from shares	1,864,086	818,696	228
II. Financial revenues from lending	1,844,238	746,584	247
III. Financial revenues from operating receivables	4,806,906	4,542,336	106
10. FINANCIAL EXPENSES	16,691,792	9,978,367	167
I. Financial expenses from impairment and financial investments write-offs	323,303	259,926	124
II. Financial expenses from other financial liabilities	13,468,804	4,577,507	294
III. Financial expenses from operating liabilities	2,899,685	5,140,934	56
15. PROFIT OR LOSS FROM ORDINARY ACTIVITIES	3,893,041	-7,027,787	-
16. OTHER REVENUES	280	108	259
17. OTHER EXPENSES	186,072	54,763	340
18. PROFIT OR LOSS BEFORE TAX	3,707,249	-7,082,442	-
19. INCOME TAX	0	0	0
20. DEFERRED TAXES	-3,109,193	160,525	-
21. NET PROFIT OR LOSS FOR THE ACCOUNTING PERIOD	598,056	-6,921,917	-

Source of data: TALUM Statistics, Accounting Department.

4.4 VALUE ADDED PER EMPLOYEE

Table 7 shows the calculation of gross value added per employee in 2010 in comparison with 2009 and planned gross value added per employee in 2010 according to methodology GZS.

Table 7: Calculation of gross value added, in EUR

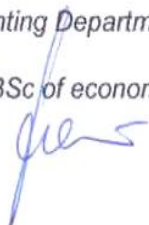
No.	Elements	Realized		Plan	Index	
		2010	2009	2010	1:2	1:3
		1	2	3	4	5
1	Net sales revenues	190,882,815	151,393,279	148,475,393	126	129
2	Changes in the inventory of products and work-in-progress	5,143,588	-21,755,835	0	-	0
3	Capitalized own products and own services	4,170,006	3,498,264	0	119	0
4	Other operating revenues (including revaluated operating revenues)	19,505,315	2,400,590	0	813	0
5	Costs of goods, materials and services	177,404,230	108,075,409	134,014,254	164	132
6	Other operating expenses	1,650,214	1,709,520	1,680,199	97	98
7	Number of employees based on hours	852	901	898	95	95
8	VALUE ADDED (1+2+3+4-5-6)	40,647,280	25,751,369	12,780,940	158	318
9	VALUE ADDED PER EMPLOYEE (8:7)	47,708	28,576	14,233	167	335

Source of Data: TALUM Statistics, Accounting Department.

The Annual Report Summary of TALUM d.d. for 2010 has been drawn up by Accounting Department.

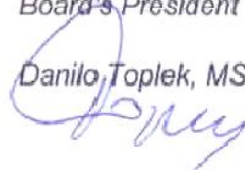
Head of Accounting Department

Daniel Lačen, BSc of economy



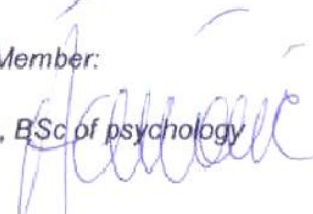
Board's President

Danilo Toplek, MSc



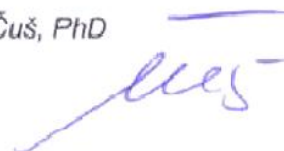
Board's Member:

Brigita Ačimović, BSc of psychology



Board's Member:

Zlatko Čuš, PhD



Board's Member:

Franč Visenjak, MSc



5 LIST OF TABLES

	Page
<i>Table 1: Purchase of important raw material, in t.....</i>	5
<i>Table 2: Employment in 2010.....</i>	11
<i>Table 3: Educational structure of employees</i>	11
<i>Table 4: Overview of the number of injuries at work</i>	16
<i>Table 5: Balance Sheet as at 31st December 2010 and as at 31st December 2009, in EUR.....</i>	18
<i>Table 6: Profit and loss account, in EUR.....</i>	19
<i>Table 7: Calculation of gross value added, in EUR.....</i>	20

6 LIST OF PICTURES

	Page
<i>Figure 1: Production of aluminium products in 2010 in comparison with production in 2009 and in comparison with the production planned for 2010, in tons.....</i>	6
<i>Figure 2: Exchange price of aluminium at LME in 2010, in USD/t and EUR/t.....</i>	7
<i>Figure 3: Structure of physical volume of sale by individual aluminium products in %.</i>	8
<i>Figure 4: Structure of net sales revenues from export sales and domestic sales, in %.....</i>	9
<i>Figure 5: Gaseous fluorides emissions in kg/t Al.....</i>	13
<i>Figure 6: Carbon dioxide emissions in t/t of aluminium produced.....</i>	13
<i>Figure 7: Cooling water consumption in m³/t of aluminium produced.</i>	14

7 REPORT BY THE AUTHORIZED AUDITOR



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REPORT OF THE INDEPENDENT AUDITOR ON THE SUMMARY FINANCIAL STATEMENTS

(Translation from the original in Slovene language)

To the Shareholders of
TALUM d.d.
 Tovarniška cesta 10
 2350 Kidričevo

The accompanying summary financial statements, which comprise the summary balance sheet as at December 31, 2010, the summary income statement for the year then ended, and related notes, are derived from the audited financial statements of TALUM d.d. for the year ended December 31, 2010. We expressed an unmodified audit opinion on those financial statements in our report dated March 11, 2011. Those financial statements, and the summary financial statements, do not reflect the effects of events that occurred subsequent to the date of our report on those financial statements.

The summary financial statements do not contain all disclosures required by the Slovene Accounting Standards. Reading the summary financial statements therefore is not a substitute for reading the audited financial statements of TALUM d.d..

Management's Responsibility for the Summary Financial Statements

Management is responsible for the preparation of a summary of the audited financial statements on the basis described in Note 4.1.

Auditor's Responsibility

Our responsibility is to express an opinion on the summary financial statements based on our procedures, which were conducted in accordance with International Standard on Auditing (ISA) 810, »Engagements to report on Summary Financial Statements.«

Opinion

In our opinion, the summary financial statements derived from the audited financial statements of TALUM d.d. for the year ended December 31, 2010 are consistent, in all material respects, with those financial statements, on the basis described in Note 4.1.

Ljubljana, April 11, 2011

BDO Revizija d.o.o.
 Cesta v Mestni log 1, Ljubljana

 Mateja Vrankar, certified auditor
 Managing Partner

