ANNUAL REPORT

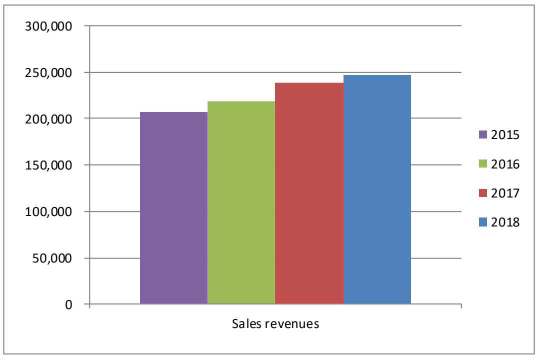
of the company UNIOR d.d. and of the UNIOR Group

2018

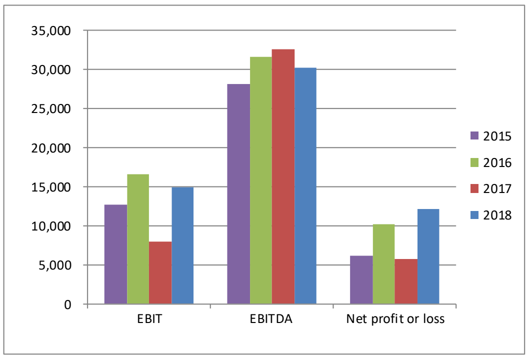
Key performance data of the Unior Group

(in thousands of EUR)	2018	2017	2016	2015
Profit or loss				
Sales revenues	246,453	239,020	219,112	207,411
EBIT	14,991	8,038	16,588	12,702
EBITDA	30,188	32,640	31,582	28,124
Net profit or loss	12,155	5,696	10,192	6,187
Financial position				
Total assets	370,394	363,974	347,978	339,547
Total equity	166,446	158,647	152,554	144,631
Financial liabilities	124,762	129,501	127,780	131,812
Operating liabilities	67,346	59,729	57,832	53,582
Return indicators				
EBIT margin (in %)	6.08	3.36	7.57	6.12
EBITDA margin (in %)	12.25	13.66	14.41	13.56
ROA - return on assets (in %)	3.31	1.60	2.96	1.79
ROE - return on equity (in %)	7.77	3.73	7.10	4.44
Financial health indicators				
Equity / total assets (in %)	44.94	43.59	43.84	42.60
Net financial liabilities / EBITDA	3.67	3.47	3.65	4.43
Employees				
Unior + subsidiaries – year end	3,187	3,212	3,077	2,994
Unior + subsidiaries + associates	3,827	3,861	3,715	3,746

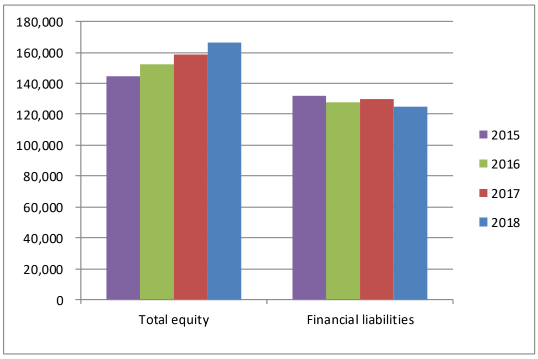
Sales revenues (in thousands of EUR)



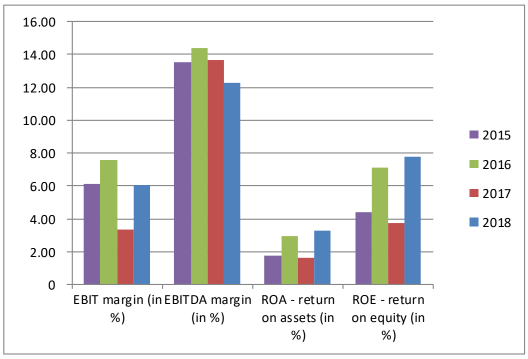
EBIT, EBITDA and net profit or loss (in thousands of EUR)



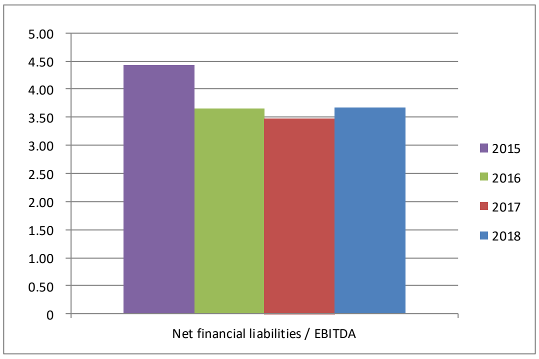
Equity and financial liabilities (in thousands of EUR)



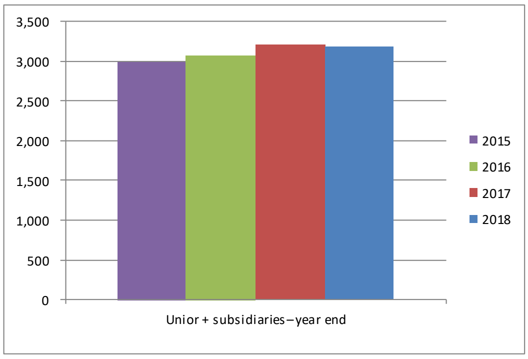
Return indicators Statements Unior



EBITDA compared to the net financial debt of the Unior Group



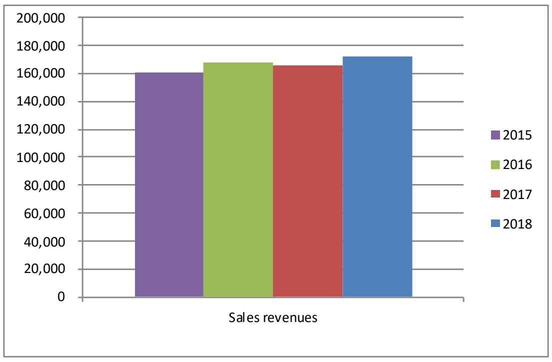
Changes in the number of employees of the Unior Group



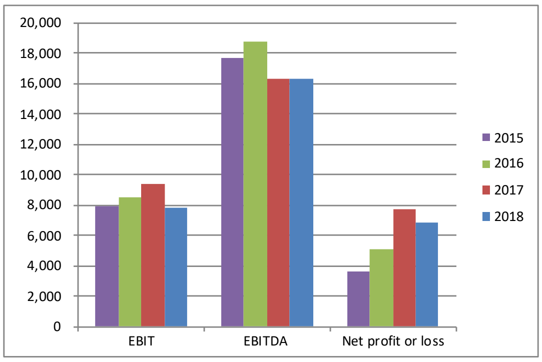
Key performance data of Unior

(in thousands of EUR)	2018	2017	2016	2015
Profit or loss				
Sales revenues	172,365	165,273	167,942	159,819
EBIT	7,795	9,414	8,507	7,902
EBITDA	16,274	16,278	18,691	17,647
Net profit or loss	6,795	7,747	5,089	3,612
Financial position				
Total assets	252,105	245,247	285,799	278,718
Total equity	95,864	89,063	112,425	108,204
Financial liabilities	105,977	109,737	122,248	122,681
Operating liabilities	45,371	41,925	43,754	40,761
Return indicators				
EBIT margin (in %)	4.52	5.70	5.07	4.94
EBITDA margin (in %)	9.44	9.85	11.13	11.04
ROA - return on assets (in %)	2.73	2.92	1.80	1.27
ROE - return on equity (in %)	7.63	8.00	4.72	3.43
Financial health indicators				
Equity / total assets (in %)	38.03	36.32	39.34	38.82
Net financial liabilities / EBITDA	6.14	6.35	6.18	6.81
Employees				
Employees – year end	1,825	1,793	2,128	2,103

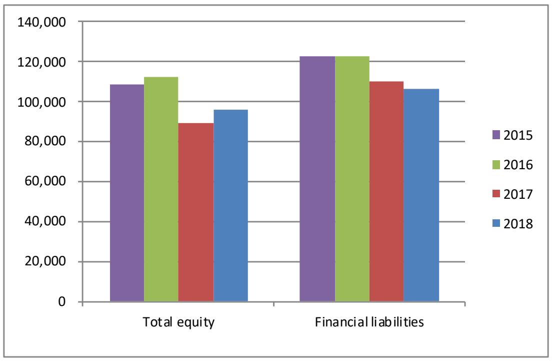
Sales revenues (in thousands of EUR)



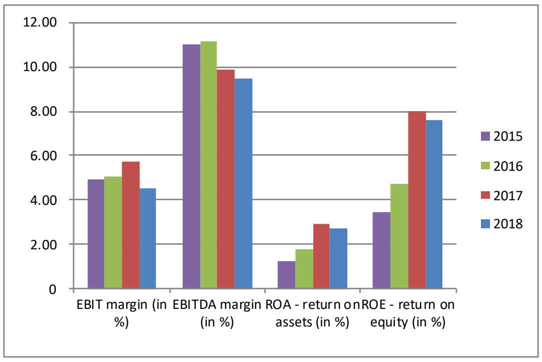
EBIT, EBITDA and net profit or loss (in thousands of EUR)



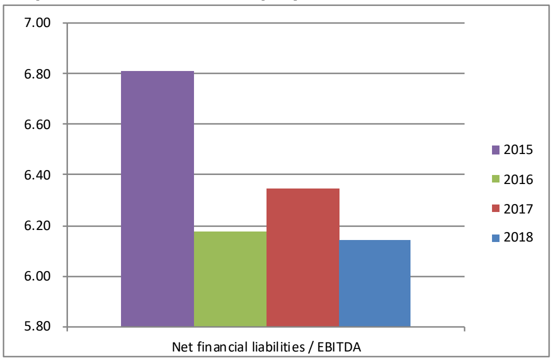
Equity and financial liabilities (in thousands of EUR)



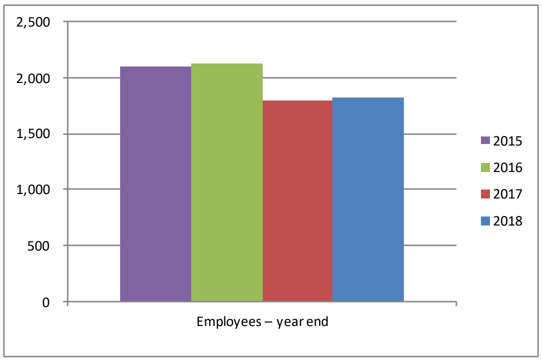
Return indicators of Unior company



Comparison of EBITDA and company's financial debt



Changes in the number of employees



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BUSINESS REPORT

of the company UNIOR d.d. and of the UNIOR Group

1 Letter from the President of the Management Board

Dear shareholders, business partners and colleagues,

In 2018, the economic environment in the key markets and activities of UNIOR d.d. was dynamic and, with the exception of the last quarter, positive and encouraging. For the most part, the results achieved and the key indicators of the company exceed the ones displayed during last year; however, some of the items do not meet our ambitiously planned objectives due to reasons that will be explained in detail below.

In the first half of 2018, we were facing an extremely high contraction in the automobile industry, displaying itself through a high volume of orders in our largest programme, Forge. As a result, we were lacking production capacities and were especially facing a lack of adequate workforce and higher costs than planned in order to be able to keep the existing staff. Said high contraction provoked an increase in raw material prices, specifically the price of steel we use for forging; in addition, other factors influencing the cost of steel have also been increasing, such as accessories for steel scrap and alloyed elements. We invested a lot of effort into negotiations with our customers, and we were mostly able to transfer the increase in raw material prices into our sales prices; by employing an active personnel policy, we also guaranteed a sufficient number of adequate personnel, some of whom also joined us from abroad. From September on, we were facing a reduction in orders from certain bigger clients in the automotive industry who had not prepared themselves properly for the new WLTP measurement protocol, featuring a much more stringent test regime of measuring the CO2 emissions and the use of fuel. It caused a narrow bottleneck to many vehicle manufacturers due to the new cars homologation and delivery delays of vehicles to customers in September, which consequentially also caused a lower amount of orders for all suppliers in the automotive industry.

In the Special Machines Programme, we were facing a lack of orders in the first half of 2018, which provoked a curtailed production run; during the second half of the year, however, we managed to obtain new orders by actively marketing new customers, and also completed said orders. Notwithstanding all of our efforts, the sales results we achieved in this programme were poorer than in 2017 but still exceeded our plans; the financial result, however, is lower than the result planned and achieved in 2017.

A good contraction in most of our markets was also proven for our Hand Tools Programme; however, we didn't manage to make full use of it. The main reason for this fact were the disordered deliveries of forged parts for the Forge Programme which was facing the issue of too many orders by the autumn, provoking a delay in forged parts deliveries to be used for the creation of hand tools.

In 2018, we achieved a historical record of EUR 172.4 million net revenue from sales, which represents 4.3 per cent more than we achieved in 2017, and 2.2 per cent more than we had planned. We achieved EUR 36,374 of gross added value per employee, which represents 3.1 per cent more than we achieved in 2017, but 1.1 per cent less than we had planned. In 2018, our EBITDA was EUR €16.3 million, which represents almost the same amount as in 2017, but 6.8 per cent less than we had planned. The achieved profit of UNIOR d.d. amounting to EUR 7.6 million, without considering the deferred taxes, represents EUR 5,000 more than we achieved in 2017 (i.e. 0.1 per cent), but also represents 2.4 per cent less than we had planned.

The business transactions of UNIOR d.d. in 2018 can be assessed as partially successful: in comparison with last year, we improved most of our key business indicators but cannot be satisfied with the fact that we have not achieved most of our planned KBIs. In comparison with 2017, we experienced a 4.3 per cent growth in sales and a 6.8 per cent gross profit growth, making us remain at practically the same EBITDA level as last year. The main reasons for this are as follows: the growth in the prices of steel due to the steel additive and alloying elements in the year 2018 was only partially transferred to the sales price (the contractually agreed delay in the enforcement of changes in the purchase prices with buyers); growth of labour costs as a result of higher wages due to the conditions on the labour market (in the framework of the Forge Programme, we generally produced elements in three, sometimes even four shifts during the first half of the year, which resulted in higher labour and maintenance costs); a smaller lack of work in the Forge Programme in the last two months of the year; a lack of orders in the Special Machines Programme in the first half of the year and, as a consequence, lower sales and poorer financial results than in the previous year; disordered supply of forged parts for the Hand Tools Programme, due to which this programme failed to realise all of the orders and opportunities obtained.

In a similar vein as in the last few years, the Forge Programme achieved record external sales value and, for the first time in its existence, exceeded annual sales of EUR 100 million, while growth reached a double-digits value. In 2018, we improved our sales results mainly in the field of hot-forged forgings, especially for forged parts used in steering mechanisms and connecting rods; in this field, we belong among the most important producers in the world. The increase in sales was mainly due to established higher sales prices due to the increase in basic prices of steel and the growth in the prices of steel scrap and alloying elements on the one hand, and the larger quantities produced on the other. We should specifically point out the successfully implemented project of increasing our productivity.

In 2018, the Hand Tools Programme continued obtaining new customers, conquering new markets, consolidating, and realising the reorganisation of the existing sales network, especially through our subsidiaries for the distribution of hand tools. Due to the stagnation in the classical hand tools market, the programme is continuing to successfully accomplish the strategy of growth in sales of the specialist tools and cold-forged parts, the development of new products, and the growth in sales to existing and new customers; on the other hand, it is focusing a large amount of its energy towards improving cost-effectiveness, whereby it is necessary to point out the successfully implemented productivity growth project in manufacturing facilities and the warehouse. This programme also marked a growth in sales which achieved the level of its planned growth.

In 2018, the Special Machines Programme saw a decline in sales as a consequence of a lack of orders during the first quarter; said lack was more than 20 per cent lower than in 2017, but nevertheless stayed higher than planned. The programme was reorganised, and an even more active approach of searching for new customers and sales channels was carried out, yielding the first results in the second half of the year and especially reflecting itself in the orders obtained for the whole of 2019 and, partially, even for 2020.

At the end of 2018, UNIOR d.d. had 1,825 employees, i.e. 30 employees fewer than planned and 32 employees more than in 2017. Like most Slovenian companies, UNIOR was also facing a lack of employees in 2018: not only when it came to loss-making personnel, as was the case in previous years, but, increasingly, also in other areas of work. Considering the sales increase, we managed to compensate our lack of employees with productivity growth and overtime; on the other hand, we also invested a lot of energy into new, additional activities destined to finding new coworkers, including foreigners. We partially mitigated the lack of personnel in the employment market and the risk of the existing employees leaving the company with average wage growths which have been growing at a slower pace than the gross income.

After a couple of weaker years in terms of investment, 2017 was the first year that we managed to invest the sum of EUR 13.9 from our own cash flow, mainly into the Forge Programme. A similar situation occurred in 2018 when we invested the sum of EUR 13.2 million; however, we continue to find that we will have to keep up with this investment dynamics if we wish to follow through with our orders, continue updating our machine fleet, and keep up the automation process. Every day, we are also becoming increasingly aware of the issue we have due to the lack of production areas.

In 2018, we continued the adopted policy and the measures in the field of employing loss-making personnel. In the past year, the labour market situation in Slovenia has shown a huge deficit in personnel suitable for performing production and maintenance work. For this reason, we employed more than 40 foreigners in Unior, thus ensuring an undisturbed production process with the intention of supplying products to our clients on time. In the field of increasing the level of employee satisfaction, we performed the first individual measurement of the climate in the organisation. Based on the results we obtained and according to the results of each individual unit, we focused on corrective actions in order to improve said results. We are aware of the fact that only a satisfied employee can also be a successful employee. We continued with the promotion of health for our employees, and also performed business school courses for all four leadership levels. In order to improve the level of safety in our work processes, we also carried out all necessary activities and acquired the OHSAS certificate. In the future, we also plan to systematically improve the processes according to the system of constant improvement in this way, thus giving the appropriate weight to this area and directing it towards healthy and safe work processes. With the project of the Comprehensive Support of the company for the active ageing of the workforce (ASI) and the funds we received for this purpose, we prepared personal development plans for employees older than 45, and also performed training sessions.

In January 2018, we purchased the entire share of the shareholder Dalekovod in the Croatian company Unidal, thus becoming a 100 per cent owner of the company that we renamed Unior Vinkovci.

In April 2018, we successfully completed the sales process of RTC Krvavec that we sold to the company Alpska investicijska družba, which allowed us to improve the cash flow of the company with the purchase price paid and the loans that RTC Krvavec paid back to Unior.

In December, we successfully completed the sales process of the Unior business share in the company Rhydcon which we sold to its majority owner, the German company Hansa. Since the investment proved to be non-strategic, we improved the cash flow with its sale.

In recent years, the Unior Group has continued with its trend towards growth, which is a consequence of sound past investment policies, contraction, and numerous activities destined to ameliorate the business processes of our subsidiaries and associated companies. The indebtedness of our group has also been decreasing; in 2018, it fell by 3.7 per cent. The capital return reached 7.8 per cent, while the EBITDA margin reached 12.3 per cent.

In 2018, the UNIOR group achieved EUR 246.5 million net revenue from sales, which represents 3.1 per cent more than we achieved in 2017, and 0.5 per cent more than we planned. EBITDA amounted to EUR 30.2 million, i.e. 7.5 per cent less than in 2017, while the net profit and loss of the UNIOR Group reached the sum of EUR 12.2, i.e. EUR 6.5 million more than in 2017, representing an increase of 113.4 per cent.

While comparing the results of the UNIOR Group between 2017 and 2018, it must be understood that the net profit or loss in 2017 was lower because we revaluated the assets of the company at the end of 2017 in light of the expected sale of the company RTC Krvavec; said assets were then transferred under current assets for sale, which had a negative impact on both the operating profit and the net profit or loss for the year 2017, amounting to EUR 10.4 million. Since the business operations of the company RCT Krvavec had an important positive influence on the business operations of the UNIOR Group in 2017, while said effects were no longer present in 2018, the UNIOR Group observed a EUR 4.7 million lower turnover, a EUR 1.7 million lower EBITDA, and a EUR 474,000 lower net profit or loss in 2018.

For most of the year, the UNIOR Group also concluded its business transactions under favourable contraction conditions; in the second half of the year, however, the forge in China was already partially under the influence of the drop in car sales on the Chinese market. The operating results of the group could have been even better without the aforementioned negative influence on the business operations of the company UNIOR d.d.; in addition, due to the different formation of the sales price in China compared to Europe, a higher entry price of steel influenced the lower yield even more than in UNIOR d.d. In case of the Chinese forge, we only managed to partially transfer it to the customers.

UNIOR Group, which created EUR 25.1 million of new building and equipment investments in 2018, employed 3,187 employees at the end of the year, i.e. 0.8 per cent less than a year ago; in the meantime, the employment rate of the Group and its associated companies fell by 0.9 per cent to 3,827 employees.

Concerning the business operations of the UNIOR Group, it is important to add that, in comparison with a year ago, we reduced our indebtedness to banks by EUR 4.7 million, while regularly fulfilling our obligations towards employees, business partners, and banks, and also fulfilling all of our obligations towards banks, defined in the Syndicated Loan Agreement.

For the year 2019, the year in which we will be celebrating a venerable anniversary (100 years of our company), the business plan for UNIOR d.d. foresees EUR 184.3 million of net income from sales, i.e. 6.9 per cent more than in the past year. A growth in sales is planned for all three programmes, whereas the Machine Engineering programme is foreseen to grow the most; in this programme, we managed to obtain orders for the entire financial year 2019 and also for a part of the financial year 2020, making the order backlog more fruitful than ever. The current order status of the first quarter for the Forge and Hand Tools Programmes show that we could achieve the planned sales in the first quarter. However, the situation for the following couple of months is rather vague, mostly when it comes to the buyers of forged parts, due to unclear projections about Brexit, trade wars, etc. The Management Board assesses that, unless global turmoil ensues, the goals we have set for 2019 are realistic and can be achieved.

Darko Hrastnik
President of the Management Board

Hrastnik

2 Report of the Supervisory Board

In 2018, the Supervisory Board supervised the operation of UNIOR d.d. and of the UNIOR Group in accordance with the powers conferred on it by law, the company's Articles of Association and the Supervisory Board's rules of procedure.

The Supervisory Board has been functioning with six members: Mag. Branko Pavlin - President, Simona Razvornik Škofič, univ. dipl. ekon. - Vice President, Jože Golobič, univ. dipl. prav. - Member, and Rajko Stanković - Member (all representatives of capital), as well as Saša Artnak, dipl. ekon. - Member and Boris Brdnik, dipl. org. - Member (both representatives of employees).

Activity of the Supervisory Board

In 2018, the Supervisory Board assembled at six regular sessions. The information on all significant activities and decisions of the Management Board was promptly provided to the Supervisory Board.

The Management Board provided the Supervisory Board with reports on UNIOR d.d.'s operation, as well as reports on the operation of the UNIOR Group, which enabled the Supervisory Board to duly fulfil its supervisory role. The Management Board reports were usually divided into individual sections and were separate for all three company programmes, giving a summarised view of all business effects. The reports allowed the Management Board to indicate all the most important categories affecting the operation of the limited company. These categories are balance sheets, income statement, sales balance, cost balance, cash flow balance and other economic and technical indicators. With the financial statements for 2018, comparable statements for the previous year and planned statements for the current year were also included.

At its regular meetings, the Supervisory Board examined the quarterly business reports for 2018, and was updated on the company's current operation and the estimated operation for the coming short-term periods. A lot of attention has been directed toward current liquidity management and meeting the set goals, analysing deviations from the set business objectives, and business risks. The activities were constantly aimed at monitoring achievement of the objectives of the adopted annual and medium-term business plan at the level of the Company as well as the Unior Group, with emphasis on key strategic orientations: increasing the profitability and decreasing indebtedness, managing the cost of operation and productivity growth, promoting creativity, and socially responsible conduct. The Supervisory Board was informed of the current operation of Unior d.d. at all regular sessions.

The Supervisory Board held its first regular session in February 2018. At the session, the Board became aware of the report of the Audit Commission, and took note of the selection procedure of the external member of the Audit Committee for the Supervisory Board, and named said external member of the Audit Committee for the Supervisory Board. In accordance with the recommendations arising from the Code of Corporate Governance of companies with equity investments of the State, the Supervisory Board consolidated the proposal of paying the members of the Supervisory Board. In addition, it also took note of the key performance indicators of the companies of the group, and of the open court proceedings.

The Supervisory Board held its second regular session in March 2018. At the session, the Board became aware of the annual report of the Internal Audit Department on the internal audit carried out for 2017, and also took note of the annual work plan of the Internal Audit Department for 2018. The Supervisory Board took note of the Audit Committee report on the revision of the Unior Annual

Report for 2017. It adopted the written report on the results of the verification of the audited annual report, as well as of the audited consolidated Unior Annual Report for 2017, and also adopted the Company Management Statement, the Statement of Compliance with the Code, and the Declaration on Non-financial Operations. It took note of the decision of the Management Board of the company on the net income of the current year 2017, intended to cover the loss from the previous years. It also considered the proposition of the Management of the company stating that the distributable profit should remain undistributed. The Supervisory Board took note of the report of the Resources Committee. Based on a proposal by the Personnel Committee, the Supervisory Board took note of the variable remunerations of the Management of the company, took note of their criteria, and confirmed the payment of the variable remunerations of the Management for 2017. The Supervisory Board took note of the proposal of the Audit Committee and proposed to the assembly of the shareholders of UNIOR d.d. to name the authorised company Deloitte revizija d.o.o. to perform the revision of the Unior Annual Report for the financial year 2018. The Supervisory Board further discussed and approved the agenda of the 22nd meeting of the UNIOR d.d. assembly, as well as the decision propositions pertaining to individual items on the agenda. The Supervisory Board took note of the proposal of the Management, and gave its consent for the liquidation of the company Unior International Ltd.

The Supervisory Board held its third regular session in May 2018. It took note of the report of the Audit Commission, of the Unaudited Report on operations of Unior d.d. and of the Unior Group for the first quarter, and of the final report of the sales process of RTC Krvavec. The Supervisory Board also assessed the possibilities of dividend payments for the financial year 2017, but has noted that the company could not pay dividends for several reasons. The main reason is that, in December of 2016, Unior d.d. concluded a Syndicated Loan Agreement with creditor banks, which includes a prohibition on paying dividends without the consent of the banks, unless the indicator of the net financial debt on EBITDA after the payment of dividends is equal or lower than the ration of 3.0 at the level of the UNIOR Group. Since the revised indicator in the financial year 2017 was of 3.47, the condition was not met. In spite of it, the company took the recommendation of the Supervisory Board and addressed an application to the creditor banks in order to obtain their consent for paying dividends in the financial year 2018; however, the banks did not provide their consent for such payment. In addition, in 2017 UNIOR d.d. was also using the profit of the current year to cover the yet-uncovered loss from previous years, making the balance sheet profit for 2017 amount to EUR 437,000, according to the Companies Act.

At its regular meeting held in August 2018, the Supervisory Board took note of the report of the Personnel Committee that was mostly intended to discuss the Act on establishing criteria for the payment of the variable remuneration of the Management for the financial year 2019. It also took note of the report of the Audit Committee of the Supervisory Board, and addressed the unrevised semi-annual business report.

The Supervisory Board held its fifth regular meeting in November 2018. It took note of the report of the Personnel Committee; following its proposal, it adopted an Act on establishing the variable remuneration of the Management. Mr Darko Hrastnik was named as president of the Management Board of Unior d.d. for the period between 01/06/2019 and 31/05/2024. The Supervisory Board took note of the report of the Audit Committee. In the context of the reports of the Internal Audit Department, it also took note of the work report of the Internal Audit Department and of the Annual Work Plan of the Internal Audit Service for 2019. It consented to the Annual Work Plan of the Internal Audit Department for 2019. In the context of discussions centred around the unrevised nine-month operation report, the Supervisory Board took note of all crucial business segments of both individual programmes and of the company as a whole. It took note of the key performance indicators of the companies in the group, and was informed of the current business operations of Unior d.d. The Supervisory Board provided details to the Management Board concerning the content of the medium-term business plan for the Unior Group and for Unior d.d. from 2018 to 2022. It also took note of the goals of major strategic tasks and of common projects. The Supervisory Board consented to the medium-term business plan. During the session, the Management Board presented the Supervisory Board with the guidelines for the business plan for 2019. The Supervisory Board unanimously endorsed the financial calendar of publications of Unior d.d. for 2019.

The Supervisory Board meeting held in December 2018 was intended to discuss the business plan for 2019. The Board also took note of the planned business information of Unior d.d. and of the Unior Group. The Supervisory Board consented to the business plan of Unior d.d. In addition, it took note of the Benchmarking Analysis of the Unior d.d. programmes. The Supervisory Board acquainted itself with the report of the Personnel Committee; following its proposition, it also confirmed the Annexes to the employment contracts of the President and of the Member of the Board.

The Supervisory Board deemed that in 2018 its actions were independent of the Management Board and that there had been no conflict of interest in the work performed by its own members.

Apart from a few instances of justified non-attendance, all members were present at the meetings. The President and a member of the Management Board were invited to all the meetings. The material used at the meetings was of good quality, providing the Supervisory Board members with proper information.

Opinion on the statement on the management of the company

The Supervisory Board reviewed and acquainted itself with the Statement on the management of the company, the Declaration of Conformity with the Code, and the Statement on non-financial operations, published in section 9.7 of the annual report of 2018. The Board agrees with these statements and acknowledges them.

Annual Report

The Audit Committee reviewed the Annual Report of the company Unior d.d. and the Unior Group, as well as the report of the audit company Deloitte Revizija d.o.o., from Ljubljana, and compiled a draft report on its verification for the Supervisory Board.

Based on the review of the Annual Report and the consolidated annual report, the auditors' report and the report of the Supervisory Board's Audit Committee, the Supervisory Board considers the non-consolidated and consolidated financial statements to be a true and fair view of the financial position of the company Unior d.d. and the Unior Group on 31/12/2018 and their income statement, the statement of other comprehensive income and cash flows for the year then ended in accordance with the international financial reporting standards as adopted by the EU. The Supervisory Board has no comments with regard to the Annual Report of the company Unior d.d. and the Unior Group for the business year 2018 and therefore accepts it.

Statement of profits

The Supervisory Board took note of the decision of the Management Board of the company that the net profit or loss on the basis of the revised income statement for the year 2018 amounted to EUR 6,795,024.96. Net profit or loss is entirely formed by distributable profit, reduced by long-term deferred development costs amounting to EUR 2,728,126.73.

The established distributable profit of the financial year 2018 on the basis of the revised annual financial statements of the company for the year 2018 amounts to EUR 8,120,858.64. The Management Board proposes that the distributable profit remain undistributed.

The Management Board and the Supervisory Board note that, due to its commitments toward creditor banks and on the basis of the Syndicated Loan Agreement concluded in 2016, the company cannot propose to pay dividends.

The Supervisory Board proposes that the General Meeting of Shareholders grant a discharge to the Management Board and the Supervisory Board for operations in 2018.

In forming the draft resolution on the allocation of profit for the current year of 2018, the Management Board and the Supervisory Board took into account the valid provisions of the Companies act and the Articles of Association of Unior d.d.

The functioning of the Supervisory Board Committees

The **Supervisory Board Audit Committee** of the company UNIOR d.d., consisting of: In 2018, Simona Razvornik Škofič, univ. dipl. ekon. - President, Rajko Stanković - Member, Saša Artnak, dipl. ekon. - Member, and Mag. Blanka Vezjak - independent external expert assembled during six regular sessions and one extraordinary session. The members of the Audit Committee were present at all the meetings.

Two of the sessions of the Audit Committee were devoted to the examination of the Annual Report, the proposal for the distribution of the distributable profit, interviews with the auditors, and the performance of all activities needed in order to be able to provide the Supervisory Board with a proposal to confirm the revised Annual Report of the company and of the group. The Audit Committee verified the existence of contracts concluded with the auditing company regarding the performance of non-audit related services, and assessed the success of the work of the external revision committee; in addition, it also made a proposal to name the auditor for the financial year 2018. After its appointment at the general meeting of the company, it reviewed the draft of the contract with the auditor.

During its sessions, the Audit Committee also performed the following tasks:

- Adopted the work plan of the Committee for 2018.
- Regularly took note of and discussed the reports on interim business operations.
- Took note of the underlying document for internal revision, the medium-term Internal Audit Department plan during the period between 2017 and 2021, and the work plan of the Internal Audit Department for 2018. In addition, it also addressed and took note of the annual report of the Internal Audit Department for 2017. Discussed and took note of periodic reports of the Internal Audit Department.
- Took note of the arrangement of the internal and external Accounting Department.
- Verified how the company took care of issues related to ethics, fraud prevention, and compliance of business operations.
- Took note of the IT systems operation at the level of the company and of the Group.
- Verified the internal control system and the risk management system (including the risk registry).
- Verified the land registry regulation of the assets of the company and of the Group on 31/12/2017, and took note of the Single Property Registry.
- Met with the external auditor before the beginning of the pre-audit phase, took note of the time frame of the audit and of the plan of the activities of the external auditor, and discussed the addressing of important audit areas with the auditor.
- Discussed the annual Internal Audit Department plan for 2019.
- Assessed the work of the Internal Audit Department.

- Carried out the self-assessment of the work of the Audit Committee, as well as the assessment of the independence of the members of the Audit Committee.
- Adopted the work plan of the Committee for 2019.

The **Supervisory Board Personnel Committee** of the company UNIOR d.d., consisting of: Jože Golobič, univ. dipl. prav., - President, Mag. Branko Pavlin - Member, and Boris Brdnik, dipl. org. - Member assembled during five regular sessions in 2018.

The Personnel Commission took note of the calculation of the variable remuneration of the Management Board for 2017, based on the then-valid criteria, confirmed the calculation, and proposed that the same decision be confirmed by the Supervisory Board. Furthermore, the Personnel Committee studied the valid criteria and started the procedure of changing them, with the effective date of 2019. The Personnel Committee also established new (quantitative) criteria and proposed a new Act for the Supervisory Board to approve, establishing the variable remuneration of the Management Board in order to reflect the new criteria. Due to the acceptance of said new criteria for the determination of the variable remuneration of the Management Board, the Personnel Committee also discussed and adopted amendments and supplements of the employment contracts of the president and the members of the Management Board.

Due to the termination of the mandate of the President of the Management Board in 2019, the Personnel Committee began the procedures in order to name a new President of the Management Board in the second half of 2018. Within the context of these activities, the Personnel Committee discussed and adopted appropriate measures related to the review of the work of the President of the Management Board in the (past) mandate currently running out. The Committee assessed the work of the President of the Management Board of Unior d.d. in the past mandate period as successful, and submitted its assessment of the work of the President of the Management Board to the Supervisory Board for approval. Based on the assessment of his work and on the strategy and plans for the future work, the Personnel Committee adopted the decision to grant a new five-year term to the President of the Management Board, whereas said new term is scheduled to begin on 01/06/2019. The Personnel Committee also consolidated a new employment agreement with the President of the Management Board for the new mandate. It then submitted both documents to the Supervisory Board of the company for approval.

Chairman of the Supervisory Board:
Branko Pavlin, MSc.

3 Presentation of the Company

History

Back in the 18th century, the first iron workshops (iron foundries) grew at the foothills of Pohorje; they primarily operated as forges manufacturing agricultural and craft tools. In 1919, the Styria Iron and Industrial Limited Liability Company was established in Zreče, manufacturing forged hand tools for farming, forestry and different types of crafts. Before the Second World War, a forging plant with the short name Styria Zreče already employed 250 workers. In 1944, the factory which also kept up with production during the war, employing 450 people, burned down completely.

After the war, the already-restored factory was given a new name, the Zreče Forged Tools Factory (TKO). It was nationalised in 1950. The basic reconstruction of the company whose main direction was manufacturing hand tools was related to the new technology of American-style drop-forging. Its new capacities (a tool workshop and a site for mechanical treatment of hand tools) have provided the basis for the development of two production programmes: Hand Tools and Drop-Forged Forgings, increasingly used in the automotive industry.

In the seventies, the factory took on new developmental visions and also got a new name: UNIOR Kovaška industrija d.d. The new name is a compound of the words "UNIverzalno ORodje" (universal tools), for which the factory was already well known back then. UNIOR became increasingly important as a partner to the automotive industry; nowadays, it is one of the major European manufacturers of lightweight forgings and one of the most important European manufacturers of connecting rods for internal combustion engines.

In the middle of the seventies, UNIOR started the construction of the Rogla Ski and Spa Resort in the nearby Pohorje hills, and the Terme Zreče Spa Resort in the town of Zreče itself, thus developing its Tourism Programme. The growing needs of the company related to mechanical treatment gave the idea for the creation of the Mechanical Equipment programme in 1978, which started with the development and the construction of special machines for metal processing.

After the emancipation of Slovenia, UNIOR was also facing great difficulties; however, it successfully compensated for the loss of the former Yugoslav market with new export markets. UNIOR started expanding its hand tools exports by establishing a branched distribution network throughout the world: particularly important are the UNIOR marketing and sales distribution companies in Austria, Germany, Great Britain, France, Italy, Spain, Greece, the Republic of North Macedonia, and Singapore.

In 1997, the company was redesigned into a joint-stock company called UNIOR Kovaška industrija Zreče d.d., shortened as UNIOR d.d.

With the establishment of the company Ningbo Unior Forging Co. Ltd. in 2005 in Yuyau, China, owning a 50 per cent share of the company UNIOR d.d. and performing the activity of forging, UNIOR became a global supplier in the automotive industry.

In 2017, the Tourism programme was excluded; a new company, Unitur d.o.o., in 100 per cent ownership of the company UNIOR d.d., was entered into the court register, whereas the Special Machines Programme was renamed into the Special Machines Programme.

Today, the UNIOR joint-stock company is one of the biggest and most important Slovenian export companies, priding itself in the professional and innovative tradition of its programmes. The company is committed to providing business excellence, carried out by its devoted employees. The UNIOR Group and its international network of affiliated companies is building on the visibility and consolidation of the UNIOR brand, thus taking the Slovenian name out in the world.

UNIOR today

The UNIOR joint-stock company is organised into three programmes:

- Forge,
- Hand Tools and
- Special Machines.

The mission of UNIOR d.d.

We are a global development partner in the production of forged products, hand tools and technological solutions for metal processing.

We are fulfilling our mission on the basis of our values, core skills, and competitive advantages.

Our values are:

- responsibility,
- excellence,
- innovation, and
- entrepreneurship.

Our core skills and competitive advantages are:

- a wide range of technical and technological knowledge,
- adaptability,
- identifying business opportunities in our key business segments,
- producing high technology products,
- favourable price vs. product quality ratio
- programmes and companies of the UNIOR Group forming part of the key global providers, and
- global presence.

The vision of UNIOR d.d.

We are recognised as an innovative, forward-looking international company in the field of metal processing activities. In some areas of operation, we belong among the leading companies in the world according to the market share of the technical solutions. By developing our own innovative processes through cooperation with business partners and research organisations, we are developing, producing and marketing products and technical solutions with an increasingly higher added value which is set to reach the amount of EUR 43,000 per employee by 2022.

UNIOR Group

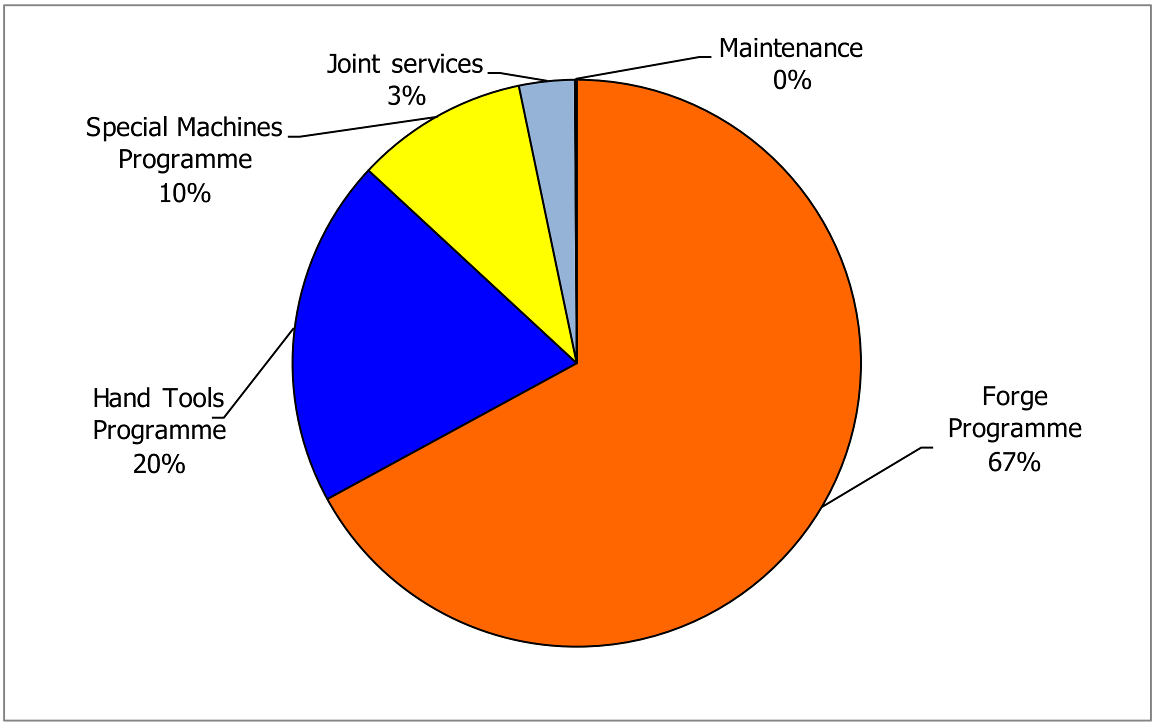
The UNIOR Group consists of seventeen subsidiaries and six associated companies from eighteen countries.

The most important markets of Unior Group

Company	Country	Continent
Subsidiaries:		
UNITUR	Slovenia	Europe
ROGLA INVESTICIJE	Slovenia	Europe
SPITT	Slovenia	Europe
UNIOR PRODUKTIONS- UND HANDELSGESELLSCHAFT	Austria	Europe
UNIOR BULGARIA	Bulgaria	Europe
UNIOR FRANCE	France	Europe
UNIOR VINKOVCI	Croatia	Europe
UNIOR ITALY	Italy	Europe
UNIOR MAKEDONIA	Macedonia	Europe
UNIOR GERMANY	Germany	Europe
UNIOR PROFESSIONAL TOOLS	Russia	Europe
UNIOR COMPONENTS	Serbia	Europe
UNIOR SPAIN	Spain	Europe
UNIOR INTERNATIONAL	Great Britain	Europe
UNIOR HUNGARY	Hungary	Europe
NINGBO UNIOR FORGING	China	Asia
UNIOR – NORTH AMERICA	USA	North America
Associated companies:		
RC SIMIT	Slovenia	Europe
ŠTORE STEEL	Slovenia	Europe
UNIOR TEHNA	Bosnia and Herzegovina	Europe
UNIOR TEPID	Romania	Europe
UNIOR TEOS ALATI	Serbia	Europe
UNIOR SINGAPORE	Singapore	Asia

4 The Company's Programmes and Activities

Sales revenues of UNIOR by programme in 2018



Forge Programme

The Forge Programme develops, forges, sinters and processes products for the automotive industry and other buyers.

We produced 20 million rods and 32 million parts for steering mechanisms for cars. Our key strategic orientations have been: transfer of higher prices of materials (steel) to consumers, increase in added value, cost control, and adaptation of capacities to current market needs.

The Forge Programme is the oldest programme and the foundation from which UNIOR evolved into the company it is today. In 2018, it contributed 67 per cent to the total sales revenues of the company, arising as one of the largest forged parts producers in the supply chain, including on the European scale.

We exclusively supply manufacturers from the automotive industry (more than 96 per cent of our products go to this industry) with highly demanding forgings that comply with the highest safety requirements. These are primarily parts of steering mechanisms for cars, load-bearing parts of chassis, connecting rods and other forged parts that are not axisymmetric. A small part of the programme includes forgings for the Hand Tools Programme within the scope of the Company.

We operate as a development supplier on the market and, together with our buyers, are developing and optimising forgings for easier processing and the best use characteristics. We supply directly to the OEM assembly line, and are a "Tier 1" and "Tier 2" supplier. As a supplier to the automotive industry, we are committed to the current quality standards. For this purpose, we have acquired the

ISO IATF 16949 standard and our buyers also regularly monitor and control the quality of our products, accuracy of the supply, and other ability of competitiveness.

Our manufacturing subsidiaries Unior Vinkovci d.o.o. in Croatia and NINGBO UNIOR Ltd. in China are also growing in importance. On account of the latter, we rank among the global manufacturers of forged parts, and, as such, remain in the trend of global projects, which will increasingly shape our future.

Mission

We develop, forge and process forgings and assemblies for the automotive industry and other buyers.

Vision

We are a global, modern and successful development programme, which has its place in the group of the most successful automobile manufacturers or their systemic suppliers. With the production of forged parts for steering mechanisms for cars and connecting rods, we will be ranked first or second among the forges in our industry in Europe.

Strategy

The development strategy is based on the key assumptions of the cost and technological competitiveness of our manufacture during the continuous growth of demand for hot-forged forgings and in the current trend of negative investment growth in this sector.

On the European market, we intend to retain the leading position in the field of hot-forged steel forgings for steering mechanisms for cars, and in the field of connecting rods, we intend to overtake the few remaining competitors in order to rank second in the volume of supplies; as far as the importance of our projects is concerned, the goal is to put ourselves at the very top. In 2020, we wish to begin producing parts for steering systems – forged aluminium parts which would help us consolidate our position of the leading provider in the area. At the same time, we would help the automotive manufacturers reduce the weight of their vehicles, thus reducing CO_2 emissions.

During the last decade, we have been carefully guiding the investments in the development of technologies and tools, as well as in the modernisation of our production process, while at the same time strengthening our offer by developing the department of mechanical processing of forged parts. We are comprehensively managing the development and the technology of the production of all production tools, while the diverse machine fleet in the forge enables us to produce competitive products in small and large batches. In addition to hammer or press forging, we can also offer customers heat treatment, final treatment, and testing as well as mechanical processing of forged parts.

In terms of techniques and technologies, we are managing the resources needed for the expected process and product quality of the most demanding customers from the automotive industry, while our connection with the nearby steel mill and mechanical engineering workshop offer us both the potential and the competitive advantage that the other similar forges do not have. Location dispersion, which is the basis for specialisation, works in favour of cost efficiency, while our global development through our forge in China has helped us create the necessary conditions to obtain large, global projects.

Global visibility is opening up new opportunities and growth possibilities for the development of our trademark in markets such as Mexico, the United States, Russia, and Latin America. Large automotive concerns are communicating their expectations to us, inviting us to more actively join said markets.

Key strategic orientations for achieving objectives:

- the growth in the sales of connecting rods shall exceed the sales of the steering mechanism parts where we will retain our market share,
- we have the potential to extend our production to the Mexican or, additionally, Chinese markets,
- serial production of forged aluminium parts,
- sale, conversion or cessation of activities of the Sinter plant,
- forging and final control automation, as well as the provision of staff, are the conditions that we need to meet in order to implement our sales plan,
- solution of our lack of space, implementing investments, and
- larger series and specialisation – dedicated machines in the plant processing Forged Parts.

Hand Tools Programme

In the production of hand tools, which represents 20 per cent of Unior's revenue, we apply the latest technological findings and follow the latest trends, as well as adapt to new needs and habits of our users.

We belong among the five most important European manufacturers of hand tools. The Hand Tools Programme encompasses more than 5,000 different products with a demonstrated high quality that meet the needs of professional master craftsmen across all continents of the world. We also develop and manufacture hand tools for specific market niches, such as bicycle tools and motorbike and automotive tools. We enable users a tool protection system for working at heights; at the request of each individual user, we can also equip the tools with a radio frequency system.

Our own development and capacities make it possible for us to develop solutions for individual branches and industries.

Our own developmental achievements in 2018 were mostly connected to new solutions for the aviation industry, the area of structural engineering, and the most demanding users in the electrical industry, including users in nuclear power plants. Our own development and innovations, developed in close cooperation with our customers, are also the foundation of the new strategic directions of the Hand Tools Programme.

We complement and upgrade the successful development, production, and marketing of product groups of hand tools, such as functional wrenches, advanced socket wrenches, efficient pliers, safely insulated tools for work under high voltage (VDE), various scissors, a comprehensive set of plumbing tools, durable metal containers, ergonomic screwdrivers, etc., with the development of new technologies in the field of cold forging. Knowledge, experience and capacities of one's own forge, as well as the possibility of producing cold-forged products such as nuts, screws, rotors, stators, shafts, gearings, gear pumps, and hubs, are extremely important elements for the execution of specific solutions. Our advantage lies in the fact that we provide products with small tolerances and without subsequent processing with a high cost efficiency. These capabilities have also made it possible for us to further expand the scope of our development into the field of hydraulic motors and agricultural machinery. With the expansion of the scope of development into the field of non-ferrous metals, we are also acquiring the technology of forging asymmetrical hollow products.

When manufacturing hand tools, we consider the latest technological developments and are constantly adapting to new needs of our users. We use top materials, such as chromium and vanadium steel, which guarantee a long service life of our tools. Tools are modelled with advanced computer programs and under the watchful eye of our experienced team of experts in individual fields. The tools are made using state-of-the-art computer controlled machines for the thermal, mechanical and surface treatment of materials and the protection of products. We are highly responsive and flexible, which contributes to the satisfaction of our buyers. Our original implementation solutions guarantee the utmost usefulness, effectiveness and attractiveness of the tools. By taking into consideration the ergonomic requirements, we are increasing the level of comfort and safety at work. The high added value is reflected in the functionality, durability, safety, and perfection.

The products belonging to our Hand Tools Programme comply with stringent global quality standards. Unior tools have a lifetime warranty for all material faults. They comply with the requirements of the VDE and IEC 6090 standards, and are also compliant with the CE Marking and many others. Unior tools also meet and exceed (by 40 per cent) all DIN standards. The reason we are able to provide warranty and comply with quality standards is because our tools are optimally constructed, and because we have mastered all of our production processes. We operate in accordance with the EFQM Business Excellence Model which includes all of our employees into the quality improvement processes.

Mission

We develop, manufacture, and market high-quality hand tools and cold-forged products for specific market niches and general use. We are a reliable partner for everyone looking for useful, efficient, and safe tools with a long lifespan.

Vision

In 2022, UNIOR will become the leading world manufacturer of certain specific tools according to sales income in the field of hand tools, as well as one of the five largest manufacturers of general tools in the world. We will increase our market share in the global professional consumption of hand tools, measured at purchase price of wholesalers, from 1.7 per cent to 2.0 per cent.

Strategy

Our development strategy is based on the long-standing tradition of our own production, our own knowledge and on the standpoints of the work we have performed until today, especially during the recent years, in the field of marketing; to this, we are adding new business dimensions and new directions.

Our key orientation is directed towards further specialisation or sales growth in the field of new marketing segments using the so-called special or specific tools. In the field of already-developed and established specific tools, we intend to further consolidate our position by becoming the manufacturer of biking tools with the largest market share in the world, as well as one of the largest manufacturers of VDE tools and metal packagings or products ensuring an orderly workspace across Europe.

We also intend to specialise even further into the production of our own standard assortment by speeding up the process of developing products with a higher added value. Special attention will be given to the field of pliers, where we intend to become the second largest manufacturer of pliers in Europe. We will revise our product assortment, exclude unprofitable articles with low sales figures, and replace others with the purchase.
We will continue to look for opportunities in new markets and in industrial platforms.

As a consequence, it will be necessary to reorganise and optimise our own production in accordance with the new volumes of the assortment. We will automate large-batch processes to the optimum extent, while searching for external sources for certain other processes and products with a lower production rate due to smaller batches. Thus, the Production Department will increase the efficiency of production processes by reducing flow times, modifying the standardisation system, increasing employee productivity, rationalising costs, and ensuring quality products.

In the field of industrial marketing, we will offer technologies to the market that we generally need ourselves as well but do not manage to fill our capacities purely by taking advantage of our own needs. The offer will consist of specific technologies and technologies where we can offer specific knowledge.

We will continue with the renewal of our marketing channels, especially of our own sales network, where we intend to gradually transform most European companies from distribution companies to sales companies dealing exclusively with sales, whereas we will be providing logistics from external suppliers.

We will renovate the internal logistics systems, production planning, warehousing, and preparations for external distribution.

Key strategic orientations for achieving objectives:

- accelerated development and growth of sales of specialist tools and pliers,
- growth of sales of cold-forged products,
- rationalisation or shrinking of our assortment,
- automation,
- productivity increase by implementing measures and naturally decreasing employment rates,
- rationalisation of sales channels, sales network, and logistics,
- a higher specialisation rate according to individual facilities, and
- optimisation of logistics processes in the programme.

Special Machines Programme

The activities of the Special Machines Programme consist of the development and construction of specific purpose CNC machine tools which are intended for the treatment of steel and aluminium blanks or blanks of other castings. As a rule, the machines are prototypes and require the integration of the most recent knowledge in the field of cutting technology. Despite the specific needs of the buyer, we build machines from standardised modules. In view of the demand for processing specific workpieces, we have designed some basic models of machines, which can be altered to meet the buyer’s demands and the internal regulations.

Our products are a result of our own development and technological solutions developed through long-standing tradition. We market them directly to users in the automotive industry, mostly to automobile manufacturers and, to a smaller extent, to “Tier 1” suppliers. In the beginning, we were only oriented to EU countries, placing an emphasis on German car manufacturers; in the last decade, however, our sales activities have also been expanded to the global market. Such expansion was mainly a consequence of a transfer of technology to other continents (North America, China). Customers have been expecting our partnership that we created in the EU market as well as worldwide, anywhere where their manufacturing plants are present, even though such presence made us face an additional challenge due to the fact that we are relatively small.

In the market, we exploit the tradition of the entire UNIOR, its diversification and global presence in the metal processing industry. Due to the complexity and high value of the products, we are building a business model for our specific area:

- Business/economic buyers' confidence in our solutions and products,
- High professional qualifications of our staff,
- Tradition and a multi-annual presence in the most demanding segment of capital equipment,
- A wide range of reference products, and
- Quality products at comparable market prices.

Key features of our offer:

- Expert support in the development phase of the product,
- Our responsiveness and continuous presence,
- Flexibility to the buyer's demands,
- Product/machine flexibility,
- Energy-efficient machines,
- Quality takeover and fast start-up,
- Quality and fast service in the immediate vicinity,
- Favourable price, and
- Reliable and stable operation of the machine.

Mechanical engineering is very complex as we have to face individual enquiries, unique machinery and technical solutions. On today's market, we are recognised for our flexibility, responsiveness, expertise and highly technologically qualified personnel. We have focused on niche segments such as components for car engines, processing parts for bodywork and seized the field of deep drilling technology as a specific treatment technology.

Construction trends of special-purpose machines are following the direction of increased flexibility, wider applicability, shorter delivery deadlines and providing high-quality servicing in the immediate vicinity of the buyer.

Intensive investments in the development and mastery of new technologies provides us with market recognisability as a development supplier. Close cooperation, trust and many years of experience in processing important engine parts, such as crankshafts and camshafts and various elements of peripheral units, enable us a continuous flow of orders. Modern trends with regard to the flexibility of machines also require new adaptations and a change in the way of thinking for tomorrow.

In addition to complete satisfaction of the needs, demands and expectations of our customers, we are introducing creativity in our programme, formulating satisfied, creative, contemporary thinking and progress-oriented co-workers.

In order to ensure the requirements and expectations of quality are met and in order to be successful in an era of rapid technological innovation and uncompromising competition, we have chosen the quality standards ISO 9001 and VDA 6.4 to harmonise the quality system with global practices. We also aim to be an ecologically oriented, environmentally friendly company, which is why we have undertaken to act in accordance with the requirements of the ISO 14001 standard. This will help us ensure the basis for the satisfaction of our buyers and the satisfaction of all of us.

<u>Mission</u>
We develop technology solutions and manufacture specific machines for known customers. Our products are innovative, technologically advanced and provide a higher rate of competitiveness to our customers.

Vision

The Special Machines Programme is one of 10 main mechanical engineering programmes for the production of specific machines in the field of cutting metals in Europe. In our key markets - the EU, North America and China - we wish to ensure long-term presence and produce the most technologically demanding machines for the automotive industry.

Strategy

The strategy of the programme is set up according to the current competitive position of the Special Machines Programme in the European automotive industry, while also taking into consideration the current business fitness of the programme. Unior's Special Machines Programme is a highly technological and developmental supplier of specific machines mostly destined to the German automotive industry; however, it is currently also undergoing a reorganisation or transitional phase in order to ensure better business efficiency.

During the following period, we will devote most of our attention to the existing customers in the EU, especially to the German OEM where we are already an established, long-term supplier. Our orientation will be directed towards ensuring a uniform scope of business transactions; we will mostly prioritise projects with a greater profitability instead of the expansion of the scope of our business transactions.

An additional element in the improvement of business efficiency will be the improvement of the organisation of our business transactions in the programme, where we will organise our functioning according to the project and choose the best approach for each of them in order to implement the specific machine construction projects. Thus, we will make the entire organisation implement and monitor the objectives for the implementation of projects – technical excellence, timely execution of orders, and economic profitability.

In the technical field, we will be maintaining the position of a development partner in the automotive industry for certain types of processing motor parts – crankshafts and deep drilling; in addition, we will also adapt ourselves to new requirements coming from our "Tier 1" customers and from customers outside of the automotive industry with less stringent requirements, smaller machine sizes and much larger flexibility. For this purpose, we will develop new concepts of flexible machines which will also be appropriate for the use in smaller series and for customers or users with less stringent technological requirements.

When it comes to constructing and designing machines, we will simplify the complexity of technological solutions, giving more emphasis to the standardisation of elements and purchasing components. In mechanical processing, cooperation, procurement of specific components, and machine designing, we will simplify our concept of machine creation, making the creation and delivery of the machines go from the average length of 12 months to the duration of under 10 months from the date of the order.

On our strategic markets where we create most of our traffic volume, we will continue to further consolidate our position in order to support our business processes with our own affiliate companies which will be carrying out sales and service support. The geographic distribution by region will be focused on the EU with a turnover of 50 per cent, mostly for the German automotive industry, and will be followed by a 25 per cent realisation in North and South America, and 25 per cent realisation in China.

Key strategic orientations for achieving set objectives:

- improving the status of our orders obtained from existing clients – uniformity takes precedence to the volume,

- optimum capacity utilisation in order to achieve the highest yield,
- more effective project management through project-oriented organisation,
- a stable business scope without extreme fluctuation amplitudes,
- introduction of new machine concepts which will be both more universal and more flexible,
- uniform distribution to three main market regions: the EU, North and South America, and China, and
- ensuring long-term performance and market presence.

5 Important events in 2018

Purchase of UNIDAL d.o.o.
On 4 January 2018, the company UNIOR d.d. obtained a 100 per cent ownership stake in the Croatian company UNIDAL d.o.o. based on the payment of the purchase price. The contract on the sale of the 44.65 per cent ownership stake with the vendor Dalekovod d.d. from Zagreb was signed on 28 December 2017. By entering said change into the court register, the company has renamed itself to UNIOR Vinkovci d.o.o.

Completion of registration processes
The Slovenian Small Shareholder Association filed a complaint against the company UNIOR d.d. related to carving out of the company UNITUR d.o.o.; due to process reasons, said complaint has been founded, but the registration court then decided in favour of the company UNIOR d.d. again on 5 March 2018. The Slovenian Small Shareholder Association filed another complaint against the decision issued on 5 March 2018. Since no appeals have been filed by the Slovenian Small Shareholder Association against the decision on the registration of the company UNITUR d.o.o with carved-out assets, said decision is therefore final.

Sale of RTC Krvavec d.d.
On 9 April 2018, the buyer, Alpska investicijska družba d.o.o. Ljubljana, fulfilled all the suspensive conditions for the implementation of the legal business determined in the contract signed in December. Therefore, shares representing 98.56 per cent of the ownership of the company RTC Krvavec d.d. were transferred on that same day in the KDD Centralno klirinška depotna družba d.o.o. to the new owner, Alpska investicijska družba d.d.

Notification of the convocation of the General Meeting
On 4 May 2018, the notification for the convocation of the 22th General Meeting of Shareholders was published on the website of AJPES, SEOnet and on the Company's website; the meeting itself took place on 6 June 2018.

Information on action for annulment
On 6 June, the company was made aware that the High Court in Celje had adopted a Decision rejecting the appeal of the Slovenian Small Shareholder Association against the decision of the Celje District Court, with which said court entered the carving out of the tourist activity into the newly-established company Unitur d.o.o. Said Decision of the High Court in Celje marks the final breaching of the registration barrier, making the entering of the carving out of the company Unior d.d. valid.

The Company's General Meeting
On 6 June, the 22nd General Meeting of Shareholders of UNIOR d.d., was held, at which the shareholders:

- considered the information regarding the Annual Report, the auditor's opinion and the written report of the Supervisory Board regarding the Annual Report;
- decided on the balance sheet profit for the business year 2017 and granting a discharge from liability to the Management and the Supervisory Boards;
- appointed the auditing company for 2018; and
- decided on renumeration to the Supervisory Board members.

Appointment of the President of the Management Board
At its regular session held on 29 November, the Supervisory Board of the company named Mr Darko Hrastnik as the President of the Management Board of UNIOR d.d. for the period between 01/06/2019 and 31/05/2024.

Sale of the company Rhydcon d.o.o.

On 13 December 2018, the company signed an agreement on the sale of a 33.5 per cent business share in the company Rhydcon d.o.o., Šmarje pri Jelšah, with the buyer, Hansa-Flex Armerding GmbH. With the sale of said business share, the company entirely exited its ownership of the company Rhydcon d.o.o.

6 The Most Important Markets and Buyers

UNIOR is a supplier to the automotive industry, which is why developments in this industry are crucial for our business. Our main buyers include all the most prominent manufacturers: Volkswagen, Audi, Škoda, BMW, Daimler, Renault, Dacia, grupacija JLR, ZF Friedrichshafen, Volvo, Robert Bosch, Jtekt, SEAC, GKN. Among the other sectors our buyers operate in, it is also worth mentioning the craftsmen, repairers and end users who are primarily important for the Hand Tools Programme.

Our most important market is the European Union, where we export over 90 per cent of all products in the field of the metal processing industry, which means that together with sales in Slovenia, we generate almost 90 per cent of all sales revenues through sales on this market. Among other markets that are most important for us are the European markets outside the EU, and Asian markets.

Forge Programme

Like other programmes, the EU market is also the most important for forgings from the Zreče forge and the Croatian Unior Vinkovci since we generate over 97 per cent of all sales revenues in this market – only less than 3 per cent of these revenues are generated in Slovenia. The majority of the products (95 per cent share) are intended directly for the automotive industry (the buyers include VW, Audi, Renault, Dacia, BMW, Volvo, Škoda, Porsche, JLR) and their sub-suppliers (ZF Friedrichshafen, THK, JTEKT, SEAC, GKN, Robert Bosch, Mahle).

We have also strengthened our position in the field of connecting rods. We have gained new projects in connecting rods, which will allow us to maintain the total number of connecting rods at a level of over 25 million over the next few years. We also take part in the development of engines built into hybrid vehicles. Our strongest competitors on the most important markets are the European manufacturers.

We are the world's leading producer in the field of steering mechanisms for personal vehicles. Competition from Asia (especially from China and India) is extremely present on our most important markets of parts for steering mechanisms. A large step towards Europe was particularly also made by our Indian competition in 2018. Our key advantages in our battle with these competitors are our cooperation with buyers in development projects, high productivity, technological advantages and flexibility.

In the field of sale of sintered products, we are facing a much stronger competition on these markets than in the forging and processing programmes. Major global producers seek to manage the entire supply chain, and the automation of production is also greatly increased, all of which impedes the functioning of smaller specialised manufacturers. However, they are still present and successful since the key customers (automotive and also increasingly other industries) support the existence of competitive and flexible providers.

Hand Tools Programme

In our region, tool forging boasts a very long tradition that we have further developed. It is therefore no surprise that the Unior brand has stood for seamless, reliable and high-quality hand tools in various markets for decades.

We sell UNIOR hand tools worldwide. Our products are available to customers in 120 countries on all continents. The biggest, 58 per cent share of sales is created in the European Union.

We hold the leading position on many markets, especially with products such as wrenches, pliers, metal packaging, and insulated tools. When it comes to the sale of classic tools, we are facing competition from other European manufacturers; however, by employing a successful marketing strategy focused on distribution ("push" strategy), we are already successfully taking over their market shares in Western Europe.

In addition to said strategy, we are successfully implementing the following strategies:
- entering new markets and industrial platforms;
- directly targeting consumers;
- market segmentation, allowing us to expand the scope of specific tools sales in individual market niches and with new customers.

The UNIOR brand of manual tools is becoming the leading brand with professional users of hand tools due to its quality and the fact that it is meeting their expectations, as well as due to a planned close cooperation with the buyers. We are treating our customers as long-term business partners. The tools are designed to be used by professional users, which include a variety of industries, such as: Gasprom, Bombardier, Magna Stayer, VW, Ford, Airbus, MAN, Dacia, Emerson, Trek, KTM.

The most important users of UNIOR hand tools and cold-forged products come from the following industries:
- hydraulics,
- pneumatics,
- production of water pumps,
- production of agricultural machinery (tractors, tractor processors, work machines),
- heavy construction machinery,
- automotive industry and the production of internal combustion engines for ships, trucks, military industry, and the oil and gas industry.

We are the first choice for anyone looking for useful, efficient, and safe tools with a long lifespan. We are a reliable partner designing improved solutions in the fields with specific tool-related requirements. We have an in-depth knowledge of specific niches and fields of use of hand tools.

Special Machines Programme

We are present on the market with a wide range of special-purpose machines, which are in accordance with the requirements and expectations of the buyer, and ever more flexible. This is a trend which is detected as a result of the rapid changes of models of cars and the increasing competitiveness of Asian countries (Korea, Japan, China). Consequently, buyers only invest in equipment that ensures them a high level of productivity, although such equipment is not necessarily the most economically justifiable. To reduce the consumption of energy, new materials (lightweight alloys of aluminium, magnesium), which change the concepts machines, and the trends of transition to ecologically less harmful processing technologies are increasingly present. To increase profitability and reduce risk, the OEM buyers are deciding on more contractual services and increasingly pass into the control phase, development of new products, finalising the products and marketing.

The expectations of our customers are clear – purchase the most reliable and flexible capital equipment with the least possible investment funds. Numerous buyers are not ready to accept the latest achievements or decide on simpler and faster supplied equipment in view of the low labour costs in non-European countries.

With regard to the wide range of machinery for metal processing within the Special Machines Programme, we have focused on the segments that are prepared to invest in the niches. Today, these are:

- Automotive industry – as the driving force of new investments and the integration of technologies;
- Supplier - "Tier 1" which is also the orientation of the automotive industry to maintain and monitor a wider range of suppliers in order to reduce their own risk.

We are in constant close connection with our target group of buyers – the automotive industry – from the development stage of the buyer's product onwards, as this is the only way we can offer the most appropriate solutions, although this is not a decisive factor in obtaining orders. This is of course associated with high development costs, which are usually not granted by the buyer at this stage and we can only employ this advantage with a better knowledge of any technical and technological problems.

To ensure the increasing volume of business, we have to adopt the development policies of our main buyers. Until now, Europe has been the main initiator of integrating new technologies with a greater emphasis on the suppliers of components. With new technical and technological solutions, we also supplemented our customer support in North America and will do the same next year in China, where the largest level of growth is expected in the future.

Strategically, we see an upgrade of the programme by penetrating the relevant markets with our own brand or combined with a local machine manufacturer, since this would simplify the post-servicing activities, reduce the risk of origin, language barriers and the local characteristics of the buyer.

A strong concentration of machinery sales in the automotive industry also causes the dispersion of our clients. Mainly under the influence of globalisation, we are also striving to satisfy the needs of our customers in the subsidiaries of large concerns.

On the market, we mainly encounter the well-known competitors in German machine engineering, who have a technological advantage due to their tradition and the maximum support from the best development institutes. This support and unflawed communication in their native language provides them with a strategic advantage.

Construction of special-purpose machinery is tied to a cyclical demand. It is also tied to the development of new types of engines, which are further tied to global trends (diesel or petrol, smaller engines – greater power, new environmental regulations, emission reductions, car weight reductions).

By carefully monitoring our buyer's needs, we are slowly aiming at developing even more flexible products, cheaper and more accessible performances, shorter delivery deadlines and care for good servicing, which gives the buyer a guarantee for the proper functioning of our products – machinery.

We are fostering and developing a long-term presence in key markets with the support of the agent network and our own marketing activities, while our global approach certainly provides us with the scope, recognisability, compliance with our long-term strategy, the development policies of the programme and increased competitiveness.

7 Shares

Upon the establishment of the UNIOR public limited company, 2,138,200 shares were issued with a face value of EUR 8.35. Since then, the company has carried out two capital increases. The first was performed on 01/12/1999, when an additional 200,214 shares were issued, and the second on 01/02/2010, when 500,000 new shares were issued. UNIOR thus had 2,838,414 shares as at 31/12/2018, which have been registered as no-par value shares since 2006. They are issued in a dematerialised form and registered as of 21/01/2000 in the Central Securities Register kept by the KDD – Central Securities Clearing Corporation, d.d., in Ljubljana.

Important information on the shares

	2018	2017	2016	2015
Total number of shares	2,838,414	2,838,414	2,838,414	2,838,414
Number of treasury shares	3,330	3,330	3,330	3,330
Number of shareholders	928	951	1,018	1,229
Dividends per share	-	-	-	-
Value of treasury shares in the balance sheet (in thousand EUR)	120	120	120	120

Treasury shares

The UNIOR Group has a total of 3,330 treasury shares representing 0.12 of the total equity. The shares are owned by Unior Deutschland GmbH, Leonberg and SPITT d.o.o., Zreče. UNIOR d.d. holds no treasury shares.

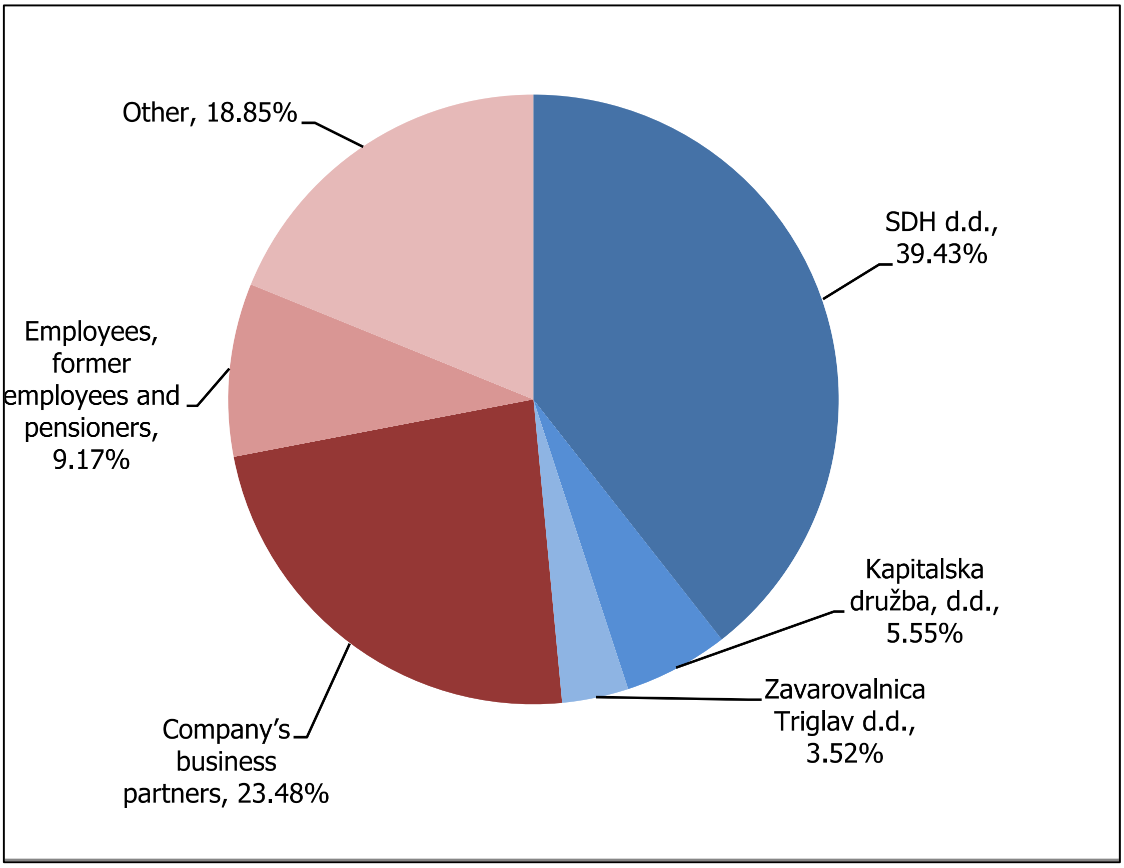
Ownership structure

Ten largest shareholders at 31/12/2018

Shareholder	Number of shares	Equity stake
SDH d.d.	1,119,079	39.43%
ŠTORE STEEL d.o.o.	346,182	12.20%
Alta Skladi d.d. – Flexible mixed subfund JVE	178,433	6.29%
KAPITALSKA DRUŽBA d.d.	157,572	5.55%
RHYDCON d.o.o.	119,328	4.20%
ZAVAROVALNICA TRIGLAV, d.d.	100,000	3.52%
Subotič Tomaž, Praga	56,702	2.00%
NLB Skladi d.o.o. – Slovenia mixed	56,428	1.99%
ŽELEZAR ŠTORE D.P. d.d.	43,627	1.54%
BTS COMPANY d.o.o.	29,527	1.04%
Ten largest shareholders	**2,206,878**	**77.75%**
Other shareholders	631,536	22.25%
TOTAL	**2,838,414**	**100.00%**

Ownership Structure at 31/12/2018

Shareholder	nber of shares	Equity stake
SDH d.d.	1,119,079	39.43%
Kapitalska družba, d.d.	157,572	5.55%
Zavarovalnica Triglav d.d.	100,000	3.52%
Company's business partners	666,528	23.48%
Employees, former employees and pensioners	260,321	9.17%
Other	534,914	18.85%
TOTAL	**2,838,414**	**100.00%**



Listing of the Shares on the Stock exchange

At the 14th regular General Meeting of the Company held on 21/07/2010, the decision was made for the shares of UNIOR d.d., to be listed on the regulated securities market of the Ljubljana Stock exchange. On 13/07/2011, the Company obtained a decision from the Securities Market Agency with ref. no. 40200-10/2011-6. The Prospectus was published on 16/08/2011 and the shares were listed as of 18/08/2011 on the Ljubljana Stock Exchange. The first trading day was 22/08/2011. Shares have been listed in the Standard Quotation of the shares market.

Informing the Shareholders

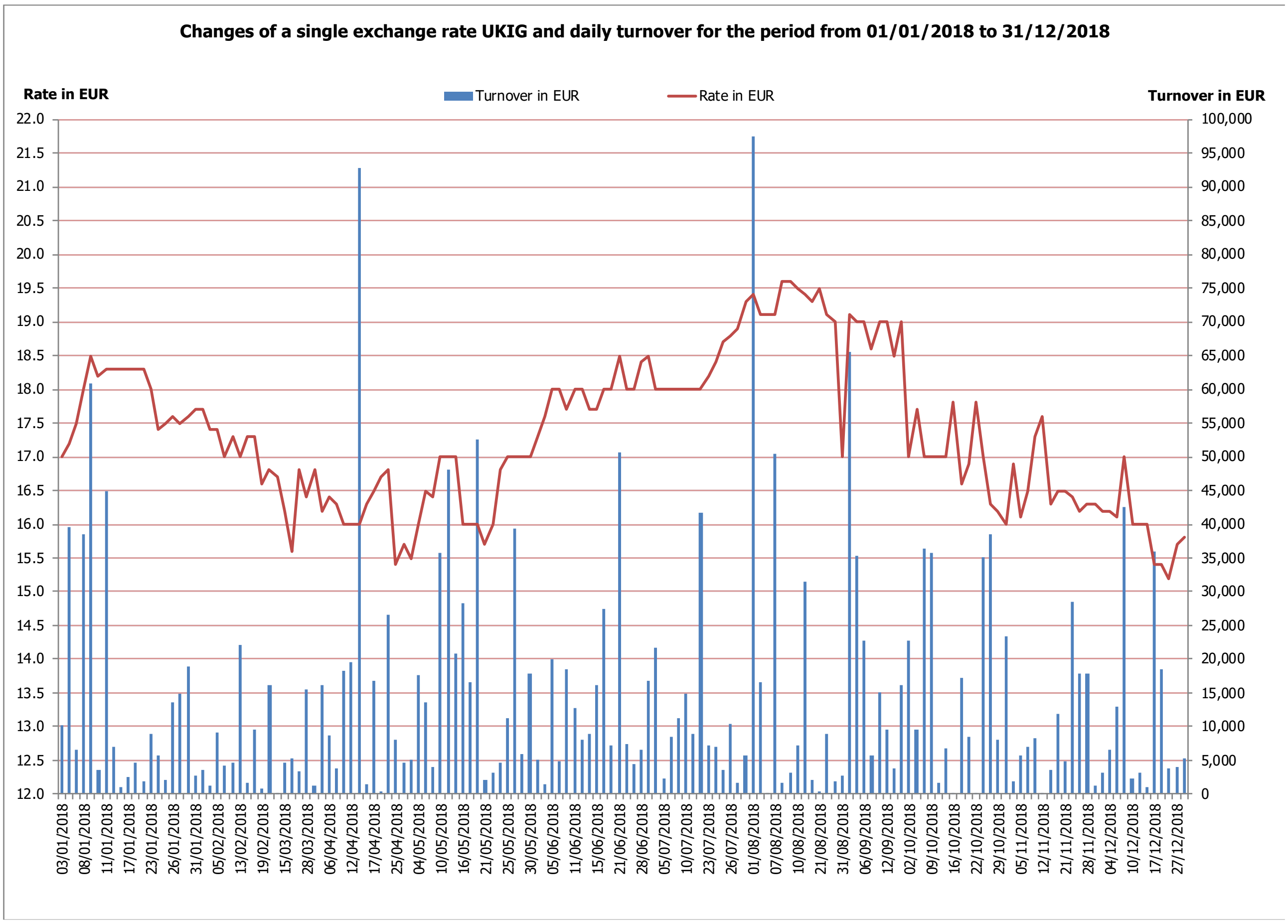
After listing the shares on the Ljubljana Stock Exchange, the Company followed the practice of notifying all of the shareholders and new interested investors in accordance with the law and customary business practice through the SEOnet electronic notification system of the Ljubljana Stock Exchange and the Company's website.

Performance indicators per share

	2018	2017	2016	2015
Earnings per share	2.39	2.73	1.79	1.27
Book value per share (in EUR)	33.77	31.38	39.61	38.12
Sales per share (in EUR)	60.73	58.23	59.17	56.31
Cash flow per share (in EUR)	5.23	5.57	6.23	5.92
Pay-out ratio	0%	0%	0%	0%

Trading in UKIG Shares

The stock market price of a UKIG share as at 28/12/2018 (closing price) was EUR 15.80. The entire turnover generated between 01/01/2018 and 31/12/2018 was of EUR 2,188.729,50. The price-to-book value ratio of the share as at 28/12/2018 was 0.47.



8 Social responsibility

Unior is extremely present in its environment and is highly connected with a wide circle of interested stakeholders due to the tradition and experience of our ancestors. We are aware that economic, social and societal development generate a greater impact in our company.

To a great extent, not only the local economy but also education, culture, sport, and general social development depend on Unior. We are proud to be able to say that our knowledge, hard work and ambitiousness of all generations, as well as our wide scope of activities are providing numerous employee positions, contributing in a significant manner to the recognition, visits, and progression of the entire region.

The joint-stock company UNIOR is successfully implementing the basic certificate of a Family-Friendly Company, which is the foundation of the European Work & Family Audit Licence. It seeks to provide short- and long-term positive effects of coordinating the professional and personal life of its employees, as well as to reduce fluctuations, sick leave and the number of accidents in order to increase the satisfaction, motivation, and loyalty of its employees.

Unior provides workers with a quality working environment, by focusing and investing in the knowledge of our employees and in safe and healthy living.

Unior has introduced certified systems, consistent with international standards for quality (ISO 9001, IATF 16949, VDA 6.4) and environmental management (ISO 14001), and the system for occupational health and safety according to the requirements of the OHSAS 18001 international specification.

8.1 Employees

At the end of 2018, 1,825 employees were employed in UNIOR d.d. Due to a favourable order balance, the number of employees increased by 32 employees in comparison to 2017. The largest increase was recorded in the Forge Programme and in the Special Machines Programme.

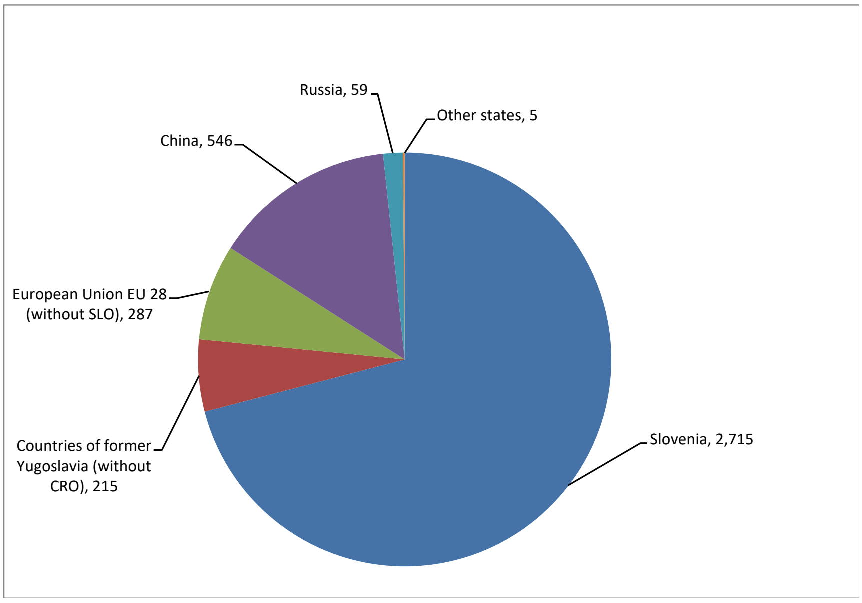
Data on employees

Data on employees	2018	2017	2016	2015
Total number of employees	1.825	1.793	2.128	2.103
– Forge Programme	*1.007*	*982*	*963*	*948*
– Hand Tools Programme	*390*	*395*	*391*	*395*
– Special Machines Programme	*177*	*154*	*169*	*153*
– Tourism Programme	-	-	*371*	*371*
– Joint services	*155*	*160*	*136*	*136*
– Maintenance	*96*	*102*	*98*	*100*
Number of employees leaving	161	158	233	201
New employees	193	169	258	199
Average years of service	17,8	17,7	17,9	17,9
Average age	41,7	41,6	41,7	41,6
Average number employees based on hou	1.780	1.787	2.057	2.036
Average absence from work (in hours)	130,2	132,7	107,0	105,2
Costs of education and training (in EUR)	288.925	181.968	206.069	163.919
Average salary (in EUR)	1.619	1.535	1.483	1.445

In 2018, 161 employees left the company, the majority of whom left after a mutually agreed-upon termination or a termination of their employment contracts at their own request. There were 193 new employees, most of whom joined the Forge programme. The average age of the employees remained at nearly the same level as the previous year due to employments of younger people and retirements.

Structure of employees by country (UNIOR Group)

	Number of employees
Slovenia	2,715
Countries of former Yugoslavia (without CRO)	215
European Union EU 28 (without SLO)	287
China	546
Russia	59
Other states	5
TOTAL	**3,827**



Sick Leave and Injuries at Work

In 2018, the total sick leave rate was 6.13 per cent, i.e. 0.07 per cent lower than in 2017 when it reached 6.2 per cent. In 2018, the rate of sick leave of up to 30 days was 3.36 per cent, i.e. 0.04 per cent lower than in 2017 when it reached 3.4 per cent. In 2018, the rate of sick leave of over 30 days was 2.77 per cent, i.e. 0.03 per cent lower than in 2017 when it reached 2.80 per cent.

In 2018, we implemented preventive actions of the Work Health and Safety Promotion Programme. The goals of the programme were reducing accidents at work, controlling the consistent use of hearing protection, improving working conditions, decreasing sick leave, reducing musculoskeletal disorders, and caring for a healthy lifestyle with activity.

In 2018, we had 69 workplace injuries, i.e. 4.5 per cent more than in 2017, and 150 fewer days were lost due to workplace injuries than in 2017. In 2018, the average absence from work due to injury lasted 30.7 days; in 2017, it lasted 27.2 days on average. Both Unior and insurance companies are placing a greater emphasis on a participatory approach by the workers, and the portion of denied (unjustified) claims is also decreasing.

The measures in the area of health and safety at work have been primarily directed towards prevention:

- training workers regarding the hazards in the workplace and the obligations regarding safe work,
- preventative medical examinations of employees,
- the implementation of tests for alcohol intoxication at the workplace,
- systematic control of sick leave,
- inspections of the working and safety equipment and the elimination of deficiencies,
- systematic treatment of accidents and the prompt elimination of deficiencies,
- control of safety at work (use of personal protective equipment, control of the tidiness of workplaces, devices) and fire safety,
- preventative drills for the evacuation from the facilities in case of fire or other emergency events,
- implementing actions in the field of health promotion (workshops for employees teaching them how to cope with stress and how to perform relaxation techniques, training of managers in the field of communication with employees after the end of their sickness absence, interviews after their sickness absence, preventive vaccinations against the seasonal flu; we also tested a healthy breakfast for all employees, a preventive programme for employees – locomotive therapy,

osteoporosis checkup – and other sports activities, as well as activities in the framework of World Health Days),
- implementation of ergonomics training for persons involved in the production process, and the introduction and preparation for the certification of the system for occupational health and safety according to the requirements of the OHSAS 18001 standard in external facilities.

Training and Education

In UNIOR d.d., we are aware that the development of our employees is one of the key processes helping us to realise our vision and the goals of the organisation in the ever-changing environment. We mostly help our employees develop themselves through the training system; however, we are gradually also including other personnel development methods which we are connecting with the existing systems.

We strive for permanent professional development of our employees with external and internal training, since we are aware of the importance of lifelong learning and transfer of knowledge among employees. Great significance is given to the development and upgrading of leaders' competencies. Since 2013, we have been managing Business Schools which have included all four manager levels since 2017. Said Business Schools are therefore being frequented by all managers, from the members of the Board of the company to frontline employees.

In 2018, we received funds in the framework of the project providing complete support for companies in the field of active ageing of workforce (ASI). Said training included 469 employees over the age of 45.

In addition to developing the competencies of existing employees, we are also emphasising the importance of cooperation with potential new partners. One of the ways to attract new employees, which is already a part of our processes, is a system of scholarships, with which we wish to include potential new candidates into the work process and in the UNIOR company. We met with them at the end of the school year, created a workshop in creative thinking technique in the framework of Innovative Day, and also followed them as they were performing their traineeships. In recent years, the number of concluded scholarship contracts with high schoolers and students has been on the rise again.

In 2018, we dedicated nearly EUR 289,000 to training, education and work studies, i.e. 58.8 per cent more than in 2017.

Employee structure by Education

	Qualification level	31/12/2018	31/12/2017	31/12/2016	31/12/2015
I	Unskilled	322	333	378	396
II	Semi-skilled	132	132	149	150
IV	Skilled	603	596	714	702
V	Secondary vocational education	449	425	519	518
VI.	Higher vocational education	112	112	125	124
VII/1	Graduate vocational education	116	111	145	121
VII/2	University vocational education	78	71	80	79
VIII/1	Master’s degree	12	12	16	13
VIII/2	PhD	1	1	2	0
IX.	Postgraduate-Doctor	0	0	0	
TOTAL		**1,825**	**1,793**	**2,128**	**2,103**

Staffing slightly improved in 2018, since the number of employees with medium and high level of education increased. The number of unqualified employees decreased slightly.

Average salaries

The average monthly gross salary per employee in 2018 amounted to EUR 1,619 and was 5.5 per cent higher in comparison with the same period in the previous year. With a 1.7 per cent rise in consumer prices, this represents a 3.7 per cent real increase in average salaries. The net salary increased during this period by 4.6 per cent or by 2.9 per cent in real terms.

Communication with employees

In the field of internal communication in 2018, we focused on promoting sectional meetings, thus accentuating the interpersonal communication flow throughout the hierarchy of the company, from the top down, which included all of the employees. We have upgraded our communication with the employees by using weekly e-news and a printed magazine, Kovaški list. The activities related to the system of internal communication will be further strengthened in the coming years with an update of the system of internal communication. We used internal communication and the activities implemented to reinforce the identity of Unior, the value of creativity, innovation and health of the employees of UNIOR d.d., while paying special attention to directing our employees in their communication which influences the promotion of innovation processes.

Communication with employees in Unior d.d. is arranged and systematical. It is conducted through a network and hierarchically using various tools: with an internal quarterly newspaper, monthly news, if necessary with a printed newsletter, regularly with notices on notice boards and via the internet and sectoral meetings. Interpersonal communication takes place in accordance with a predetermined communication schedule of the workers’ council, trade unions, the Management Board, the Executive Committee, workers’ assemblies and sectoral meetings.

8.2 Company

The joint-stock company UNIOR is extremely embedded into its environment; it is remarkably close to a wide circle of interested stakeholders, and is constantly following the needs of its environment. This is why our business relies on the principles of ethical conduct, sustainability, and caring for a healthy environment.

By raising awareness, moral support and financial assets, we assist various organisations and associations. We support current events and numerous one-time events through sponsorship and donations. We support young people and provide help for people with disabilities. Every year, we support numerous cultural, sports and humanitarian projects.

We are proud of our scholarship tradition. Our scholarships have lightened the financial burden for many families during the education of their children. Within the Slovenske Konjice – Zreče School Centre, we educate our personnel in our own workshop. We are aware that the employees represent the pillar of high-quality, solid cooperation of every company, and that this is the only way for us to create this hundred-year-old tradition, embedded in history.

We are proud to say that we have created numerous jobs, significantly contributed to a better recognition and a rise of visitor numbers in our region, and promoted the progress of the entire region with our know-how, work ethics and ambitions as well as our diversified programmes.

8.3 Environmental Protection

Our fundamental principle is the responsibility to protect the environment, to prevent negative impacts on the environment, to comply with the requirements of the law, and to continuously improve in the area of environmental protection. At the location Kovaška cesta 10, Zreče, we are IED (Industry Emissions Directive) liable persons in accordance with the Decree on activities and installations causing large-scale environmental pollution; in 2009, we also obtained an integral environmental permit. We have established and certified an environmental management system in accordance with ISO 14001, which provides effective control, reduces harmful effects on the environment, rationalises the consumption of resources, promotes sustainable production and consumption, and provides for a replacement of substances which are harmful to human health and to the environment.

Based on identified environmental aspects, legal and other requirements, the results of monitoring activities, information received from employees, interested parties, neighbours and buyers, we have set up programmes and objectives for the coming years.

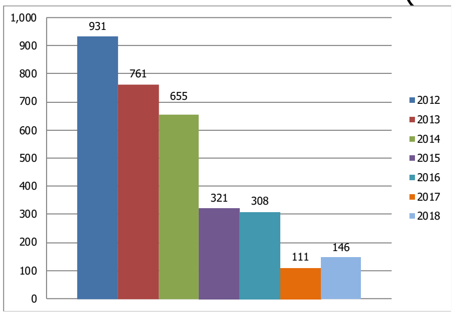
Energy Consumption, Energy Efficiency

We monitor the consumption of drinking and process water and take appropriate actions (the elimination of leakages, the introduction of solutions to reduce consumption). We build our employees' awareness of the need to conserve energy – closing of valves for water and air, switching off lights during breaks, etc. We monitor energy consumption and take action when it exceeds the set targets. We have installed meters on all major energy consumers, which measure the energy consumed and the quantities used. Since we are continuously monitoring these data, we are able to detect when a machine is poorly utilised or in need of major repair. We provide innovative, technologically advanced and reliable solutions in the field of energy services, thereby improving energy efficiency and our environmental footprint. We utilise waste heat from hardening furnaces and compressors, and use it for space heating during the winter, and for warming the galvanic baths in the summer. The existing system of targeted monitoring of energy consumption has been upgraded with the new energy management information system for better control of energy consumption. We have implemented a system for energy management (SUE) functioning on the basis of guidelines for the implementation of the SIST NE ISO 50001 standard. We sanitised the boiler station in the lower zone, as well as the Dobrava boiler station, thus increasing the efficiency of the thermal energy production and decreasing our losses by about 20 per cent. In the OOK plants Slovenske Konjice, Orodje Vitanje and Narez - Odkovki Vitanje compressor stations, we have replaced the existing compressors with more modern ones, thus improving the energy efficiency of the production of compressed air by 16 per cent.

Waste Water

At the external locations of Unior d.d., mostly sanitary and meteoric waste water are formed. Technological and cooling wastewater are produced at the location of the Upper Zone in Zreče, and are discharged into the sewers or into the watercourse. Based on quantities and operational monitoring of waste technological, cooling and municipal waters, an authorised company calculates load units (LU) and prepares a forecast for calculating environmental taxes for water pollution.

Loading the environment with waste water (Load unit – LU)

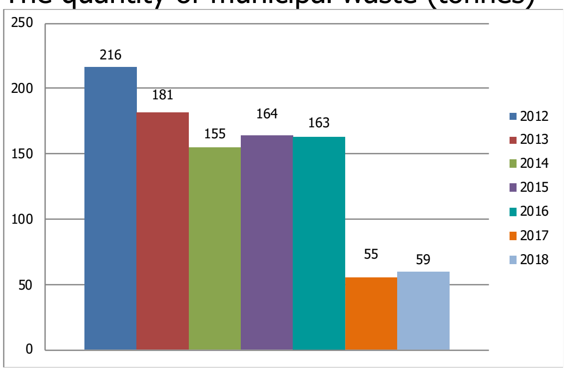


In 2018, the total load units (LU) of wastewater increased by 31 per cent compared to 2017. Load units increased due to the increase in quantities of waste municipal water, which is connected with the increase in the scope of production. In the past year, we have connected the Upper Zone to the sewerage system of the Zreče Municipality.

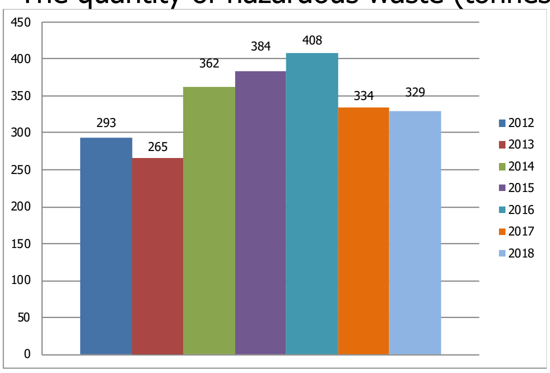
Waste

The diagrams show that the quantity of hazardous waste and packaging decreased slightly in comparison with 2017, while the quantity of mixed municipal waste increased slightly. The total quantity of waste in 2018 increased by 0.8 per cent in comparison with 2017; however, the quantity of waste produced per tonne of created products decreased by 2 per cent due to the increase in scope of production.
In 2018, we regularly conducted training in the field of environmental protection with an emphasis on waste separation.

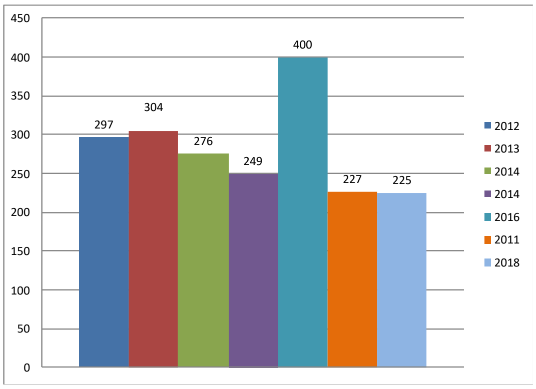
The quantity of municipal waste (tonnes)



The quantity of hazardous waste (tonnes)



The quantity of packaging (tonnes)



Air Emissions

23 statutory measurements of emissions in the air have been implemented at the locations of Kovačnica Zreče, Sinter and Obdelovalnica. It was determined that none of the measurements of emission concentrations of the prescribed parameters at all locations exceeded the permissible values of air emissions. In 2018, we installed two new filters for cleaning dust particles at the Ročno orodje Lenart and Vitanje locations.

Noise

In the past year, we have performed noise measurements at the location of Upper zone Zreče. The measured values were consistent with the legally prescribed limits and the requirements of the environmental permit.

In 2018, we carried out a series of measurements for the reduction of noise in the environment. We installed anti-noise protections onto the fans of the roof at the Sinter location, 9 anti-noise absorbers and noise suppressors, two noise-reduction cabins for Narez, noise protection implemented during the loading of metal waste, and a noise barrier onto the roof of the Forge. Said measures made it possible for us to reduce the noise in the framework provided by the Project for lowering the noise level in the environment.

Chemicals

In 2018, we carried out periodic legally prescribed training for employees who work with hazardous substances, and also installed a new, more modern application for the register of chemicals which has also been audited.

9 Corporate Governance

Unior d.d. employs a two-tier governance system. The tasks of the Management Board and the Supervisory Board are separated in accordance with the legislation and the Articles of Association, so that the Management Board manages the business of the Company and the Supervisory Board is responsible for supervising the operations. The Company also has an Executive Board composed of the executive directors of individual programmes, the executive directors of sectors, the internal revision manager and the President and a member of the Management Board. The main task of the members of the Executive Board is to manage individual programmes independently and within the scope of the authorisations granted to them.

As a private company limited by shares, we endeavoured in the past to achieve the maximum possible transparency of operations and to provide honest and correct information to our shareholders and other stakeholders on conducting business at the Company. With the listing of our shares on the stock exchange in 2011, we began introducing even more stringent corporate governance standards at the Company and adapted our operations to the regulatory requirements, the stock exchange rules and the strict standards that apply for the environment. Therefore, we are now operating as a public limited company.

As early as in the process of preparing for the listing on the stock exchange, we appointed a person responsible for investor relations at the Company. Investors and other stakeholders are notified about all events at the Company through the SEOnet stock exchange system and the company's website. The website for investors was overhauled and now offers comprehensive and up-to-date information on contents that are of interest to this target group. In doing this, we have increased the transparency of our operations and provided investors with access to information so that they can make quality and informed investment decisions.

9.1 The Management Board

The Company has a two-member Management Board. The President of the Management Board is Mr Darko Hrastnik, who was appointed to the position on 31/01/2014, when the Supervisory Board entrusted him with a new five-year mandate for the period from 01/06/2014 to 31/05/2019. This is his second term as the President of the Management Board. Before that, he was twice a Member of the Management Board. On 29/11/2018, the Supervisory Board allocated him his third mandate of the President of the Supervisory Board for the mandate period from 01/06/2019 to 31/05/2024. As a member of the Management Board, Branko Bračko was again named a Member of the Management Board of UNIOR d.d. for the mandate period from 15/11/2017 to 14/11/2022. He is a member of the Management Board for the second time.

Information on the Work and Leadership Experience of the Management Board Members

Darko Hrastnik, President of the Management Board
Education: Bachelor of Metallurgical Engineering and Materials

Working and leadership experience:

2000–	UNIOR d.d.	
	2012–	President of the Management Board
	2009–2012	Member of the Management Board
	2007–2012	Executive Director of the Hand Tools Programme
	2004–2007	Director of the Hand Tools Programme

	2002–2003	Member of the Management Board
	2000–2002	Assistant to the Director of the Forge Programme, responsible for the following areas: sintering, processing forged parts at Slovenske Konjice, cold forging and demanding project assignments
1999–2008	Higher Vocational College in Celje, associate lecturer for the Business Administration and Management course	
1996–2000	MPP Livarna, d.o.o., Maribor, Managing Director	
1994–1996	TAM Metalurgija, d.o.o., Marketing Director	
1994–1994	Livarna Ferralit, d.o.o., Žalec, Head of Production	
1989–1993	Livarna, d.o.o., Štore	
	1992–1993	Technical Director
	1989–1992	Development Department

Branko Bračko, member of the Management Board
Education: Bachelor of Mechanical Engineering

Working and leadership experience:

2012–	Unior d.d., member of the Management Board
2009–2012	UNIOR Formingtools d.o.o., Kragujevac (Serbia), Director
2009–2012	Unior d.d., Deputy Executive Director of the Special Machines Programme
2008–2009	Weba Maribor d.o.o., procurator
2002–2007	Unior d.d., Deputy Director of the Special Machines Programme
2001–2002	MPP Tehnološka oprema d.o.o., Maribor, Assistant Director
1994–2001	Unior d.d., Special Machinery Programme, Head of Technology, Head of Processing, Head of Assembly, Head of Production
1992–1994	Carrera Optyl d.o.o. Ormož, Assistant Head of Production

9.2 Executive Board

The Executive Board is composed of the members of the Management Board, Directors of programmes, Head of the Internal Audit Department, and other members invited by the Management Board. The main tasks of the Executive Board are the independent management of each individual programme or service. The Board works closely with the Management Board and executes its functions at the strategic and operational levels, and also functions as a consulting body for the Management Board.

The Executive Board is composed of:
- Darko Hrastnik, BSMet., President of the Management Board,
- Branko Bračko, BSME., Member of the Management Board,
- Robert Ribič, BSME., Director of the Forge Programme,
- Danilo Lorger, BS.Che.E., Director of the Hand Tools Programme,
- Boštjan Leskovar MSc, Director of the Special Machines Programme,
- Uroš Stropnik MSc., Director of General Affairs sector,
- Bogdan Polanec MSc., Financial Director,
- Boštjan Slapnik MSc., Director of the Purchasing sector,
- Zlatko Zobovič, BSEc., Director of the Controlling sector,
- Rok Planinšec MSc., Director of the ITS sector,
- Director of the Maintenance sector,
- Dani Kukovič, BSEE., Director of the Energetics sector,
- Patricija Sedmak, BSEc., Head of the Internal Audit Department.

9.3 The Supervisory Board

The Supervisory Board operates within the scope of the authorisations conferred on it by Article 281 of the Companies Act. Its main task in the two-tier system is to oversee the operations of the Management Board and thereby protect the interests of the Company's stakeholders.

At the 3rd General Meeting held on 23/08/2017, a new six-member Supervisory Board was elected for a period of four years, namely from 13/12/2017 to 12/12/2021.

The representatives of the owners within the Supervisory Board are:

- Branko Pavlin, MSc., President,
- Simona Razvornik Škofič, BSEc., Deputy,
- Jože Golobič, BA in Law, and
- Rajko Stanković, senior administrative employee.

The representatives of the employees are:

- Boris Brdnik, BMS, and
- Saša Artnak, BSE.

The Supervisory Board of the Company has two Committees, the Audit Committee and the Human Resources Committee.

The Audit Committee operates in the following composition:

- Simona Razvornik Škofič, BSEc. (President),
- Rajko Stanković, senior administrative employee (Deputy),
- Saša Artnak, BSE.,
- Blanka Vezjak MSc., Audit Committee’s external member (as of 15/02/2018).

The Human Resources Committee operates in the following composition:

- Jože Golobič, BA in Law (President),
- Branko Pavlin MSc., (Deputy),
- Boris Brdnik, BMS.

9.4 General Meeting of Shareholders

The General Meeting of Shareholders is the Company's highest body where the will of the shareholders is exercised directly and key decisions are taken. Each of the Company's shares provides one vote, though treasury shares do not provide voting rights. The Company has not issued preference shares or shares with limited voting rights.

As a rule, the Company's Management Board convenes the General Meeting of Shareholders once a year in June by publishing the information on the AJPES website, SEOnet information system and on the Company's website no later than thirty days before the scheduled date. All shareholders who are registered in the Company's share register as at the cut-off date, which is published in the notification on the convening of the General Meeting, as well as their representatives and proxies are entitled to attend and vote at the General Meeting. The documentary materials for the General Meeting are available for inspection at the Company's registered office as of the convening until the meeting is held.

At the General Meeting, the Management Board presents to the shareholders all the information necessary to assess the individual items on the agenda, taking into account the legal and any other restrictions regarding their disclosure.

On 6 June 2018, the 22nd regular General Meeting was held and the shareholders:
- considered the information regarding the Annual Report, the auditor's opinion and the written report of the Supervisory Board regarding the Annual Report;
- decided on the balance sheet profit for the business year 2017 and granting a discharge from liability to the Management and the Supervisory Boards;
- appointed the auditing company for 2018; and
- decided on renumeration to the Supervisory Board members.

The notices about the resolutions passed at the General Meeting were published on SEOnet and the Company's website on 06/06/2018.

The regular General Meeting in 2019 is planned to be held on 5 June 2019. The notification of the convening of the General Meeting of Shareholders with the suggested content of resolutions, place, time and the conditions for participation and voting is expected to be published on the AJPES website, SEOnet information system and on the Company's website on 26 April 2019.

9.5 Remuneration to the Management Board and the Supervisory Board

Remuneration to the Management Board and the Supervisory Board are presented in detail in the Chapter 9.7 and 12.7 of the 2018 Annual Report.

The Management Board

In 2018, both members of the Management Board received a fixed remuneration under an employment contract concluded with the Company's Supervisory Board for their work. The members received variable remunerations according to the contract, but were not rewarded with options, as this was not provided for under the contract.

The Supervisory Board

The members of the Supervisory Board receive session attendance fees for their work, and the members of special committees within the Supervisory Board receive an additional session attendance fee for their work in these committees. In addition to the above, they also receive per diems and have their travel expenses reimbursed in accordance with the regulations. Attendance fees to the members of the Supervisory Board and the members of the Committees may be paid out until they reach 50 per cent of the basic remuneration for the performance of their functions. Additional session attendance fees payments for performing their function may be paid out until the amount reaches 50 per cent of the basic remuneration for the performance of their functions.

9.6 Trading in the Shares of the Management Board and the Supervisory Board

The internal owners (employees and the Management Board) at Unior together hold a 5.76 per cent interest, whereby the Management Board holds 0.06 per cent and the Supervisory Board has no company shares. In 2018, the number of shares and participating interests owned by the Management Board and the Supervisory Board did not change.

Trading in the Shares of the Management Board and the Supervisory Board

	Ownership		Net purchases in	
	2018	2017	2018	2017
Darko Hrastnik	1,505	1,505	0	0
Branko Bračko	250	250	0	0
Management Board total	**1,755**	**1,755**	**0**	**0**
Branko Pavlin	0	0	0	0
Simona Razvornik Škofič	0	0	0	0
Jože Golobič	0	0	0	0
Rajko Stankovič	0	0	0	0
Saša Artnak	0	0	0	0
Boris Brdnik	0	0	0	0
Supervisory Board total	**0**	**0**	**0**	**0**
Total number of issued shares	**2,838,414**	**2,838,414**		

As a public limited company, we have designed a list of persons who have access to insider information. These persons have limits imposed on the volume of trading prior to publication in accordance with the legislation and the rules of the Ljubljana Stock Exchange.

9.7 The Statement on the Management of the Company, The Statement on the Compliance with the Code and The Statement on the Non-financial Operations

The Management Board and the Supervisory Board of Unior Kovaška industrija d.d. hereby declare that the governance of the Company in the 2018 financial year complied with the provisions of the Companies Act, the Financial Instruments Market Act, the Rules of the Ljubljana Stock Exchange and other applicable regulations in force.

The statement on the governance of the Company forms an integral part of the 2018 Annual Report and will be available on the Company's website at www.unior.si for no less than five years following its publication.

The governance system at Unior d.d. ensures direction and provides for the control of the Company and its subsidiaries. It lays down the distribution of the rights and responsibilities between the management bodies; sets the rules and procedures for corporate decision-making at the Company; provides a framework for setting, achieving and monitoring the realisation of business objectives and introduces values, principles and standards for fair and responsible decision-making and conduct within the scope of all of the aspects of our operations.

The corporate governance system is a means of achieving the Company's long-term strategic objectives and a way for the Management Board and the Supervisory Board of UNIOR d.d., to fulfil their obligations vis-à-vis the Company's shareholders and other stakeholders. The vision and objective of UNIOR d.d. and its subsidiaries are the introduction of modern governance principles and the highest possible level of compliance with advanced domestic and foreign practices.

Notes According to the Companies Act

Pursuant to the fifth paragraph of Article 70 of the Companies Act, which lays down the minimum required content of the Corporate Governance Statement, UNIOR d.d. is hereby providing the following notes:

1. *Description of the main characteristics of the internal control systems and risk management in the company in relation to the financial reporting procedure.*

   UNIOR d.d., manages the risks and implements internal control procedures at all levels. The purpose of the internal controls is the assurance of accuracy, reliability and transparency of all processes as well as the management of the risks associated with financial reporting. The internal control system simultaneously sets up the mechanisms that prevent the irrational use of assets and cost effectiveness.

   The internal control system comprises procedures that ensure that:
   - business events are recorded based on authentic bookkeeping documents, which serve for the accurate and fair recording of these events and provide a guarantee that the Company disposes of its assets fairly and honestly;
   - business events are recorded and financial statements are compiled in accordance with the applicable legislation in force;

- eventual unauthorised acquisition, use and disposal of the Company's assets that could materially affect the financial statements are prevented or detected in time.

The internal control of the company is implemented by everyone employed in the company, especially the employees in the finance sector and accounting and controlling, which are responsible for the keeping of the accounts and the formation of the financial statements in accordance with the accounting, tax and other regulations in force. Authorised external auditors annually verify the adequacy of the internal control within the information system. An internal audit service is established within the company, which is also responsible for verifying the function of the system of internal controls.

2. *The material direct and indirect ownership of the Company's securities in terms of the achievement of a qualified holding as laid down by the act governing acquisitions.*

   The data on the achievement of a qualified holding as laid down by the Takeovers Act is published promptly in the electronic notification system of the Ljubljana Stock Exchange and communicated to the Securities Market Agency. The holder of the qualifying holding, as laid down by the Takeovers Act, at UNIOR d.d., as at 31/12/2018 was the company SDH, d.d., with an equity stake of 1,119,079 shares or 39.4 per cent.

3. *Notes on each holder of securities that carry special control rights.*

   The individual shareholders of UNIOR d.d., have no special control rights arising from the ownership of the Company's shares.

4. *Notes on all voting right limitations.*

   The shareholders of UNIOR d.d., have no limitations on the exercise of their voting rights.

5. *The Company's rules on the appointment and replacement of the members of the management and supervisory bodies and the amendment to the Articles of Association.*

   The Company's rules do not specifically regulate the appointment and replacement of the members of the management and supervisory bodies and the amendment to the Articles of Association. We observe the applicable legislation in force in its entirety.

6. *The authorisations of the members of the Company's management, specifically the authorisations for the issuance and repurchase of treasury shares.*

   UNIOR d.d. did not have the authorisation for the issuance and repurchase of treasury shares in 2018.

7. *Functioning of the Company's General Meeting and its key competencies.*

   The General Meeting of Shareholders met once in 2018. The competencies of the General Meeting and the rights of the shareholders are provided for by the law and are exercised in the manner laid down by the Company's Articles of Association, the Rules of Procedure of the General Meeting and the Chair of the General Meeting. The course of the voting at the General Meeting of the public limited company UNIOR is explained in greater detail in chapter 9.4 The General Meeting of the 2018 Annual Report.

8. *Data on the composition and functioning of the management and supervisory bodies and their respective committees.*

   A comprehensive presentation of the management and supervisory bodies and their respective committees is provided in chapter 9 Corporate Governance of the 2018 Annual Report.

9. *Description of the diversity policy, which is carried out in connection with the representation in the managing and supervisory bodies of the company.*

A specific diversity policy in accordance with the Article 70 of the Companies Act (ZGD-1) with regard to representation in the management or supervisory bodies of the company was not formally adopted by the company; however, all the appointments of the members of these bodies are carried out in accordance with the Companies Act, the Rules of Procedure of the Supervisory Board and the Slovenian Corporate Governance Code for Public Limited Companies, so that the same options are provided to all categories in all human resources procedures. Although the company had not adopted the diversity policy, which would be carried out in connection with the representation in the management or supervisory bodies of the company regarding aspects such as gender, age or education, the management and supervisory bodies are constituted in a way that provides the complementarity of knowledge and experience of the members and the heterogeneity of the body.

The Management Board and the Supervisory Board constitution, and the amount of their renumeration

The Management Board constitution and organisation is presented in Section 9.1 of the 2018 Annual Report, and is shown in the table below according to Annex C of the Code.

Name and surname (gender, nationality, year of birth)	Function	The first designation of the function	The end of the function/the term	Education	Membership in supervisory bodies of the non-associated companies
Darko Hrastnik (male, Slovenian, 1964)	President of the Management Board	17/08/2012	31/05/2019	BSMet	-
Branko Bračko (male, Slovenian, 1967)	Member of the Management Board	15/11/2012	14/11/2022	BSME	member of the Supervisory Board of the company Stanovanjsko podjetje Konjice d.o.o.

The Supervisory Board, its constitution, the members and the commissions are presented in Chapter 9.3 of the 2018 Annual Report, while the constitution is presented in the following table according to Annex C of the Code.

Name and surname (gender, nationality, year of birth)	Function	The first designation of the function	End of the function	Equity/employee representative	Participation on Supervisory Board meetings	Education	Independence in accordance with Article 23 of the Code	The existence of the conflict of interests	Membership in supervisory bodies of the non-associated companies	Membership in commissions	President/ member	Participation on Supervisory Board meetings
Branko Pavlin (male, Slovenian, 1950)	president of SB	13.12.2013	12.12.2021	Equity President	6/6	MSc in business administration	YES	NO	president of the Supervisory Board of the Business association of supervisors	Human Resources	Vice President	5/5
Simona Razvornik Škofič (female, Slovenian, 1971)	Vice President of the Supervisory	13.12.2017	12.12.2021	Equity President	5/6	BSEc.	YES	NO	-	the Audit Committee	President	8/8
Jože Golobič (male, Slovenian, 1973)	member of SB	13.12.2017	12.12.2021	Equity President	6/6	BA in Law	YES	NO	member of SB of Elektro Maribor, d.d.	Human Resources Commission	President	5/5
Rajko Stanković (male, Slovenian, 1968)	member of SB	13.12.2017	12.12.2021	Equity President	6/6	Senior Administration Official	YES	NO	member of SB and Audit Committee of Žito d.o.o.	the Audit Committee	Vice President	8/8
Boris Brdnik (male, Slovenian, 1972)	member of SB	13.12.2017	12.12.2021	Employee Representative	6/6	BMS	YES	NO	-	Human Resources Commission	member	5/5
Saša Artnak (female, Slovenian, 1986)	member of SB	13.12.2017	12.12.2021	Employee Representative	6/6	BSEc.	YES	NO	-	the Audit Committee	member	7/8

Name and surname (gender, nationality)	Commission	Participation on meetings	Education	Membership in supervisory bodies of the non-associated companies
Blanka Vezjak (female, Slovenian)	the Audit Committee	7/8	Master of Economics	member of audit committees of Skupna d.d. Ljubljana member of Audit Committee of SID – Prve kreditna zavarovalnica d.d. Ljubljana

The Management Board and Supervisory Board members' remuneration is shown below according to the Annex C of the Code, and is explained in more detail in the Chapter 9.5 of the 2018 Annual Report.

(in EUR)	Function	Fixed remuneration	Variable remuneration	Deferred remuneration	Total gross
Darko Hrastnik	President of the Management Board	151,450	49,141	0	**200,591**
Branko Bračko	Member of the Management Board	139,450	45,209	0	**184,659**

(in EUR)	Function	Payment for performed work	Meeting expenses	Total gross
Branko Pavlin	president of SB	14,155	3,053	**17,208**
Simona Razvornik Škofič	member of SB	11,489	3,926	**15,415**
Jože Golobič	member of SB	10,692	3,160	**13,852**
Rajko Stankovič	member of SB	9,870	4,137	**14,007**
Saša Artnak	member of SB	9,817	3,052	**12,869**
Boris Brdnik	member of SB	9,817	2,449	**12,266**
Blanka Vezjak	member of SB Commission	1,806	1,616	**3,422**

Statement of Compliance with the Corporate Governance Code for Joint Stock Companies

The Management Board and the Supervisory Board of UNIOR Kovaška industrija d.d., hereby declare that the Company observes the provisions of the Corporate Governance Code for Joint Stock Companies dated 27/10/2016, which entered into force on 01/01/2017 (hereinafter referred to as the Code), with certain deviations that do not affect the good governance practices and that are explained herein.

The Statement of Compliance with the Code provisions forms an integral part of the 2018 Annual Report and will be available on the Company's website at www.unior.si for no less than five years following its publication.

The Code is published on the website of the Ljubljana Stock Exchange at www.ljse.si.

The Statement relates to the period of the 2018 financial year, i.e. from 01/01/2018 to 31/12/2018. There were no changes in the Company's governance from the end of the financial year until the publication of the Statement.

The Company's Management Board and Supervisory Board provide explanations for the deviations from the individual provisions of the Code:

- Provision 1: The Company operates in line with the basic objective, which is to maximise the value of the Company in a long-term and sustainable way, and other goals such as the long-term creation of value for the shareholders and the observation of social and environmental aspects with the aim of ensuring the Company's sustainable development, even though this is not provided for in the Company's Articles of Association.

- Provision 4: A specific diversity policy with regard to representation in the management or supervisory bodies of was not formally adopted by the company - the Management Board together with the Supervisory Board; however, all the appointments of the members of these bodies are carried out in accordance with the Companies Act, the Rules of Procedure of the Supervisory Board and the Code, so that the same options are provided to all categories in all human resources procedures. Although the company had not adopted the diversity policy, which would be carried out in connection with the representation in the management or supervisory bodies of the company regarding aspects such as gender, age or education, the management and supervisory bodies are constituted in a way that provides the complementarity of knowledge and experience of the members and the heterogeneity of the body.

- Provision 8.1: In the event of a notice by an institution or an individual who intends to collect authorisations for the General Meeting in an organised manner, the Company provides for the publication of this information, namely by publishing the list of authorised persons and their contact details, the deadlines for the collection and the proxy form, while it does not publish all of the costs incurred by the Company in relation to the organised collection of proxies.

- Provision 9: In composing and appointing the Supervisory Board, the Diversity Policy is not taken into account because the Diversity Policy has not been adopted, as explained in Provision 4 (2nd indent of this Chapter).

- Provision 10: In the process of choosing the Supervisory Board members, the Diversity Policy is not taken into account because the Diversity Policy has not been adopted, as explained in Provision 4 (2nd indent of this Chapter). Also, not all the conditions set out in point 10.1 are taken into account, in particular the level of education and the acquired documents, which demonstrate specialised professional competence for membership in the Supervisory Board.

- Provision 14: In the 2018 financial year, the Supervisory Board did not carry out the self-assessment procedure in accordance with this provision of the Code. The system of evaluating the effectiveness of the work of the Supervisory Board and Supervisory Board commissions is under preparation. At the meetings of the Supervisory Board, however, the members determine the efficiency of their work, as well as request from all the supervisory board commissions to report on their work for each of their meetings.

- Provision 28.3: The company does not publish its communications in a foreign language as usual in international financial circles, but provides publications only in Slovenian because it is listed on the standard listing of the Ljubljana Stock Exchange, which does not prescribe this.

- Provision 29.9: In 2018, the company did not provide public information on the Rules of procedure of its bodies (the management, supervision and general meeting) on the company's website; however, the Rules of Procedure were available to all users for their work, and the Rules of Procedure of the General Meeting are available at each General Meeting session.

The Statement on the Non-financial Operations

On the basis of Article 70.c of the Companies Act, UNIOR d.d. makes the Statement on the Non-financial Operations.

The Statement on the Non-financial Operations forms an integral part of the 2018 Annual Report and is available on the Company's website at www.unior.si for no less than five years following its publication.

UNIOR d.d. is a parent company in the dynamic UNIOR Group, which, together with subsidiaries and associated companies, operates in 18 countries around the world and sells its products and services on all continents. More about the company's business model is Chapter 3 Company Profile, Chapter 4 Programmes and Activities of the Company and Chapter 6 The Most Important Markets and Customers of the 2018 Annual Report.

The management policy is set out in UNIOR's Corporate Governance Policy document, which defines the main factors for the company's operation and is publicly published on the company's website (https://www.unior.si/skupina/o-skupini-unior/korporativno-upravljanje/vodstvo-druzbe) and presents a commitment for the Supervisory Board, Management Board and management personnel, heads of departments and employees for current and future operations. Commitment to environmental protection is adapted to the requirements of the international ISO 14001 standard, which has been obtained by the company. The quality of products and services is always the one that rewards us, therefore we strive to ensure top quality for our customers and business partners. Our objective are controlled high-quality results, and that is why we have certificated the following systems of ISO 9001, IATF 16949, VDA 6.4. and OHSAS 18001 – the management, sales, development, procurement to production, logistics, processes, efficiency and effectiveness. At Unior, we have made care for our employees a part of all our business planning. As the biggest employer in the region, one of the largest in the country and as an economic entity that contributes and shapes the way of life here, we are aware that by investing in our employees, we not only show our responsibility to colleagues, but also our responsibility to the wider environment, as we prove with the Basic Family-Friendly Company Certificate obtained in 2017. Our company is aware of social dialogue, so when adopting regulations that regulate the rights, obligations and responsibilities of our workers, both the Workers' Council and representative trade unions in the company are included in accordance with the applicable legislation.

Careful inspections in all areas are carried out as an integral part of all the systems we manage in our company. Each head of a certain process in our company prepares their own report on operations, which is presented to the company's management at regular periodical meetings held at least quarterly. The results and performance of individual areas are checked at these management reviews, and individual conclusions result from them addressing the changes and striving for constant improvement of the entire system.

We are more than aware of the risks in the company's business, and we therefore pay special attention to all the risks. A Risk Management Committee is formed, and individual custodians are defined in accordance with the established risk register. More on risk is given in Chapter 9.8 Risk Management of the 2018 Annual Report.

We take into account business ethics in our work and build an organisational culture that promotes legal, transparent and ethical behaviour of all employed in the company. For this reason, we have established a fraud control system in UNIOR d.d. and the Management Board has appointed an authorised person. We have adopted the Ethical Code of UNIOR d.d., which was presented to all employees and was adopted in writing by all of them. It brings the basic ethical standards of action in one place, together with the employees' commitments to ensure excellence, responsibility and transparency. We respect the culture of the company at all levels, take into account human rights and treat each individual with respect, and as a big employer we guarantee fair, safe and healthy working conditions for all employees. In order to prevent corruption and bribery, we have adopted the rules set out in the Rules on Business Gifts, the Ethics Standards Policy and the Rules on the Prevention and Detecting Frauds. For the purpose of identifying fraud, theft, conflict of interest and other harmful behaviour, we have an anonymous telephone number and a general e-address that are available to everyone at all times.

The key non-financial performance indicators in UNIOR d.d. are monitored through research and measurements of organisational climate and employee satisfaction, we ensure regular and good communication with all employees, training and education of all employees, and have obtained the Family-Friendly Company Certificate. The attitude towards all stakeholders of the company is presented in detail in Chapter 8 Social Responsibility of the 2018 Annual report.

Zreče, 25 March 2019

President of the Management Board Darko Hrastnik	Management Board Member Branko Bračko	Chairman of the Supervisory Board Branko Pavlin MSc.

9.8 Risk Management

Unior has developed a risk management and implemented it in business processes in accordance with the guidelines and requirements of the quality management system. The Risk Management Committee and risk managers regularly monitor risk exposure, plan and implement measures to mitigate the risks, and plan and monitor the performance of potential for improvements, which further contribute to the risk management. We have established a risk register with descriptions and characteristics for each of the identified risks. The approach to risk management differs for different risks, although the purpose of the measures is to reduce each of them to the lowest possible level in accordance with the available resources.

Below is a detailed description of the risks with the bigger exposure in this period:

BUSINESS RISKS

Risk area	Risk description	Management method	Exposure
Human resources or employees	The risk of lack of crucial and professionally trained staff for certain positions.	Adopted and confirmed policy to acquire and retain staff. Various activities are implemented in order to eliminate the risks, a quarterly or monthly reporting has been implemented for the Forge Programme.	High
Ownership structure	The risk of changes in the ownership structure can enable the elimination of weaknesses and exploiting of opportunities, or can cause danger.	Cooperation within the framework of the options in the sales process, communication between stakeholders, legal protection of interests and business simulation.	Moderate
Sales and marketing	The risk of trade markets and appropriateness of the marketing processes.	Timely response to changing market conditions, adapting offers, new market channels and strategies, differentiation and diversification.	Moderate
Environmental Protection	Increase in environmental noise levels	Implementation of measures in accordance with the Remediation of Noise Programme in the environment and active collaboration with the local residents.	Moderate

RISKS, ASSOCIATED WITH THE LACK OF SUITABLE STAFF

In the area of employment, we are facing a problem to assure proper staff for certain positions, mostly deficit occupations in technical field. In the context of the risks, we also consider the fluctuation of employees. Business growth and market conditions are starting to exceed the capacity of the relevant workforce recruitment exclusively from Slovenia, especially for the Forge Programme, therefore we continued employing foreigners in the year 2018. To mitigate the risks, numerous promotion activities of deficit occupations (scholarships, participation at career fairs, extended advertising of job vacancies) have also been implemented, as well as activities in the field of human resource development (business schools, 360 degrees evaluation, system of rewards, introducing a competence model, introducing mentoring, improving organisational climate, scholarship holders management) and implementation of improvements in working conditions. In case the number of new staff needs increases, the labour costs in the labour market will increase due to the lack of candidates. Only with additional incentive schemes will we be able to retain and ensure a new suitable personnel.

RISK OF CHANGES IN THE OWNERSHIP STRUCTURE

The risk refers to the predicted change of the majority of shareholders, as it may have a decisive impact on the strategic orientations of the company's business operations. It is a business share of the shareholders, which might be sold at a favourable offer price of shares or the takeover offers of new potential owners. The risk can be alleviated in the context of the legally permitted cooperation with potential new owners, appropriate communication with stakeholders and the simulation of scenario planning. If shareholdings were to change by more than 50 per cent, the new owner(s) would impact the strategic orientations of the company. Should this result in positive effects for the company, we see no danger. Otherwise, this might represent an issue.

SALES AND MARKETING RISKS

Unior’s sales and distribution network is widely diverse, as we sell our products in approximately 100 countries around the world. Such dispersion and diversity of geopolitical and macroeconomic conditions and legal, cultural and entrepreneurial environment also indicates different sales risks. We estimate that the key competitive advantages of Unior’s processes and products are their appropriate price, quality, flexibility and innovation. We are devoting our attention to current buyers and markets, building a long-term development partnerships. At the same time, we are aiming at potential new buyers and markets, which require a different approach and a view on risks. Given the high level of market dependence on the market of cars powered by internal combustion engines, we pay special attention to the development of this market and potentially widespread use of electric cars, which could affect the demand for forgings related to internal combustion engines. The risk is alleviated thanks to the diversity of products and the search for opportunities outside of the automobile industry as well as co-development of products together with the buyers. We respond to the trends in the field of galvanic protection of hand tools. We monitor events related to the global economy, economic situation in the EU and a potential new economic crisis.

THE RISK OF INCREASED NOISE LEVELS IN THE ENVIRONMENT

Unior has developed a Remediation of Noise Programme and the Environmental Management Programme to eliminate and reduce the noise and other environmental impacts. We regularly monitor environmental legislation and actively implement measures to reduce the noise level in the environment. In the search for solutions, we actively cooperate with local residents and the local community. In the event of any complaints from the local residents, we consider them carefully.

OPERATIONAL RISKS

Risk area	Risk description	Management method	Exposure
Employees	The risk of workplace accidents and injuries; the risks associated with an unplanned increase of personnel absence	Training, performing measures based on the workplace risk assessment, implementation and certification of a OHSAS 18001 system of managing safety and health at work.	Moderate
Information Technology and Systems	Management and protection of the data and information	Preparation of the risk assessment, consistent adherence to security policies, physical limitations of access to the ITS premises and data centre, protection of communication and information connections.	Moderate

RISKS ASSOCIATED WITH WORKPLACE INJURIES OF EMPLOYEES

In the field of health and safety at work we assess the probability of the occurrence of an accident or injuries at the workplace using our own methodology. The risks are assessed seasonally and are decreased using appropriate preventive measures. In 2018, we implemented preventive actions of the Work Health and Safety Promotion Programme. The objectives of the Programme were reducing accidents at work, controlling the consistent use of hearing protection, improving working conditions, decreasing sick leave and caring for a healthy lifestyle with activities. We implemented the Stop to the Accidents Project and certified a OHSAS 18001 safety management system. Special attention is paid to risks that occur due to the use of hazardous substances and possible accidents as a result. We also implement several systemic measures to prevent them. All of these measures help to improve the awareness of these dangers, prevention of the injuries and developing health defects at the workplace. We implemented training and consulting in the field of ergonomics with the external expert. We have trained a certain number of individuals for this purpose, who know the methods and are qualified for professional help in ergonomics. By reducing/increasing the number of injuries in the workplace, the percentage of absence from work can also be lowered/increased for this reason. Compensation claims can also increase due to an increased number of injuries.

RISKS OF DISRUPTION IN THE AVAILABILITY OF INFORMATION RESOURCES

Information technology and systems provides clear and comprehensive answers to strategic issues and challenges for the future related to information technology. We are currently implementing organisational and technical measures to ensure IT security. Organisational measures relate to the security policy, limitation of access to data centre, education of the employees in the ITS sector and the users. Technical measures include: firewall, separation of local area network and Internet access, VPN access for business partners, VPN access for employees, separation of networks, protection of the mail server, protection of workstations and protection of the LAN network. In the future, we plan some additional organisational and technical measures and other measures depending on the needs of the business environment that we support.

FINANCIAL RISKS

Risk area	Risk description	Management method	Exposure
Credit risk	The risk of customers not paying their liabilities and occurrence of financial losses arising from non-compliance with the obligations (payments) by the customer as the other party	Planning the cash flow, the timely collection of outstanding receivables, accounts receivable insurance, factoring, cost and current assets management and monitoring indicators.	Low
Interest rate changes	Risk of financial loss due to unfavourable interest rate movements	Management of the financing business principles, considering the golden balance rule: long-term investments are financed through long-term resources, daily monitoring, diversification of external financing sources, monitoring changes in the external environment, interest rate swap, diversification of the maturity of liabilities and cost management.	Low
Liquidity risk	Possibility of lack of liquid assets for servicing business and financial liabilities and their settlement within the agreed deadlines	Regular planning regarding liquid assets needed, making the liquidity reserve, unused revolving loan, cost management	Low

CREDIT RISK

Credit risks are managed through regular monitoring of the business operations and financial position of all existing and new business partners, with limiting exposure to individual business partners and with an active process of collecting receivables. The ever-changing macroeconomic environment influences our customers as it can cause changes in their credit rating and solvency. Therefore, despite the company's receivables management, late payments from our customers or even their inability to pay are possible. By regular monitoring of outstanding and overdue accounts receivable, the age structure of receivables and the trends of average payment deadlines, the company's credit exposure is kept within acceptable limits. All accounts receivable, with the exception of associated companies, are secured with the insurance company from 01/10/2014. Credit risks are closely monitored in all areas of the business.

RISK OF CHANGES IN INTEREST RATES

A change in the interest rate can significantly reduce the economic benefits of the company, which is why we constantly monitor the movement of the reference interest rates on the market. The risk is assessed as low, a stable low level of reference interest rates has been constantly present in recent years. With the consortium of banks, the company reached an agreement that the interest margins are to be formed according to the margin scale and with regard to the performance of the UNIOR Group by 2023, which represents a beneficial effect on the performance of the company in the future periods. In December 2017, we protected our credit exposure of EUR 47.5 million, which represents a part of the loan B, due in 2023, for a period of five years with the interest rate swap.

This lowered the risk of rising interest rates. The risk of rising interest rates is shown in the table below.

Balance of the liabilities tied to an individual variable interest rate in 2018

in (EUR)	Amount of the liability as at 31/12/2018	Interest rate in %	Hypothetical rise in interest rates by 15%	by 50%	by 100%
Interest rate type					
3-month EURIBOR	89,850,017	-0.3090	41,645	138,818	277,636
6-month EURIBOR	15,667,645	-0.2370	5,570	18,566	37,132
Total effect	**105,517,662**		**47,215**	**157,384**	**314,768**

Balance of the liabilities tied to an individual variable interest rate in 2017

in (EUR)	Amount of the liability as at 31/12/2017	Interest rate in %	Hypothetical rise in interest rates by 15%	by 50%	by 100%
Interest rate type					
3-month EURIBOR	92,214,228	-0.3290	45,508	151,692	303,385
6-month EURIBOR	17,072,438	-0.2710	6,940	23,133	42,266
Total effect	**109,286,666**		**52,448**	**174,825**	**345,651**

LIQUIDITY RISK

Risk of financial solvency represents a risk connected to a lack of available financial resources and consequently the company's inability to meet its obligations within the agreed deadlines. Financial solvency largely depends on effective money management and the investment dynamics. The company manages the financial solvency risks by monitoring and centralised equalising of liquidity assets (receivables and inventory), liabilities to resources of assets and cash flows from operating activities and investing. Much attention is paid to planning and monitoring of the cash flow plans. Successful planning enables us to optimally manage any short-term surpluses or deficits of liquid assets - a short-term imbalance is regulated by drawing of approved revolving credit line at the commercial banks union. Besides the money on the account, it also represents the company's liquidity reserve.

COMPLIANCE RISK

Risk area	Risk description	Management method	Exposure
Compliance	Risk of legislative and tax changes	Regular monitoring of proposals for changes in the legislation and regulations, management controls and investments.	Moderate

THE RISK OF COMPLIANCE WITH THE LEGISLATIVE AND TAX CHANGES

Legislative risk occurs when the company does not ensure the regulatory requirements are met. The risk of compliance with legislative provisions, taxes and contributions is the risk of the occurrence of statutory or regulatory sanctions, substantial financial loss or loss of reputation, which may be suffered as a result of non-compliance with the laws, regulations, rules, related organisational standards and codes of conduct that apply to the company and its activities. The risk is estimated as moderate and we achieve it by regularly monitoring the amendments to the legislation and regulations, and by introducing appropriate internal acts. This is handled by our FRS sector and legal department with the assistance of other external colleagues.

10 Business Report

10.1 The Situation in the Economy and the Automotive Industry

After the encouraging economic growth in the first half of 2018, global economic growth is slowly stabilising. The uncertainty is a common denominator of global trends, reducing business investments, weakening the trust of consumers in purchases of permanent and semi-permanent assets (vehicles, real estate) and has a discouraging impact on world trade. Trade wars or negotiations between the US and the EU as well as the US and China, cause a line of undesirable effects, which are mostly negatively influencing behaviour of the global multinationals, which depend on a fast and competitively priced operating of a downstream and upstream chain.

Gross domestic product in the European Union, according to Eurostat, increased by 1.9 per cent in 2018, while it increased by 1.8 per cent in the euro area, which was lower than in the previous year growth (2.4 per cent). Germany, which is the most important Slovenian foreign trade partner, made 1.4 per cent GDP growth in 2018, which is 0.8 percentage points lower than the growth in 2017.

Economic growth in Slovenia was 4.5 per cent in 2018, which is slightly less than in the previous year (4.9 per cent), but it somewhat exceeded the average growth in the European Union, reducing the backlog between Slovenia and the EU average for the fifth year in a row.

Macroeconomic indicators of Unior's key markerts in 2018

	EU	Euro zone	Germany	France	Slovenia
GDP growth	1.9%	1.8%	1.4%	1.5%	4.5%
Unemployment	7.0%	8.2%	3.4%	9.1%	5.4%

Source: Eurostat

Annual inflation in the euro area was 1.6 per cent and 1.4 per cent in Slovenia, while the average annual inflation was 1.7 per cent.

In 2018, industrial production growth increased by 4.6 per cent in Slovenia compared to 2017, but was 3.4 percentage points lower than the growth in the previous year. The production value of manufacturing in the processing industry and production value in the electricity, gas and steam supply industry were higher than in the previous year.

The OECD predicts, that economic growth will globally increase in 2019 by 3.3 per cent, and by 3.4 per cent in 2020. All developed world economies are very connected and depend on the Chinese economy, which feels the consequences of domestic demand decrease and a trade war with the US. According to expectations, China's growth next year will be 6 per cent. Economic growth in the European Union will continue too, but will be slower since the moderation in economic activity already started in the end of 2018. Economic growth in 2019 is expected to be around 1.5 per cent in the euro area and around 1 per cent in the European Union, while the expectations for Slovenia remain optimistic, as economic analysts of the Chamber of Commerce and Industry of Slovenia (CCI) estimate that economic growth in 2018 reached 3.5 per cent, powered mainly by domestic consumption, especially of households, partially of the state and especially investments. There is still a considerable uncertainty in Europe due to Brexit as well as the threat of US tariffs on car imports from the European Union. An unsettled exit would substantially increase costs for all European economies.

(Sources: Information of the Statistical Office of the Republic of Slovenia (SURS) and Eurostat, OECD, CCI Analytics: Current economic trends, March 2019)

Automotive Industry

Production of motor vehicles

After eight years of increasing production, the global automotive industry shrank by 1.2 per cent in 2018, since 95.4 million vehicles was produced. Despite the 4.2 per cent decline in production, China retained its position as the largest car producer in the world with 27.8 million vehicles produced. Second place among the continents was again occupied by Europe with a 1.3 per cent drop in production with 21.3 million vehicles produced and a 22.3 per cent share in the worldwide automotive industry. The largest drop was experienced by Germany, which in the last quarter faced difficulties of their vehicle manufacturers in the transition to the new WLPT measurement protocol with a much stricter testing regime for measuring CO_2 emissions and fuel consumption. It caused a narrow bottleneck to many vehicle manufacturers due to the homologation of new cars and delays in delivery of vehicles to customers. On the other side, automobile manufacturing on the American continent increased after three years of decline, where 20.7 million vehicles were produced, which is 0.4 per cent more than in the previous year.

Production of motor vehicles worldwide

in million vehicles	2017	2018	Growth 18/17
EUROPE	**21.6**	**21.3**	**-1.3%**
EU28	18.4	17.9	-2.5%
EU15	14.4	13.7	-4.7%
Germany	5.6	5.1	-9.3%
Spain	2.8	2.8	-1.0%
France	2.2	2.3	2.0%
Great Britain	1.7	1.6	-8.3%
Rest of Europe	3.2	3.4	5.7%
AMERICA	**20.6**	**20.7**	**0.4%**
USA	11.2	11.3	1.1%
Mexico	4.1	4.1	0.1%
Brazil	2.7	2.9	5.2%
ASIA & OCEANIA	**53.4**	**52.3**	**-2.1%**
China	29.0	27.8	-4.2%
Japan	9.7	9.7	0.4%
India	4.8	5.2	8.0%
South Korea	4.1	4.0	-2.1%
AFRICA	**1.0**	**1.1**	**12.1%**
TOTAL	**96.6**	**95.4**	**-1.2%**

Source: International Organisation of Motor Vehicle Manufacturers (OICA)
OICA – Organisation Internationale des Constructeurs d'Automobiles

Sales of motor vehicles in the European Union

Sales of motor vehicles in the European Union in 2018 were marked by high growth until the end of August, as 6.1 per cent more cars were sold in eight months than in the previous year. With the introduction of the new WLTP measurement protocol, the number of cars sold began to decline significantly between 1 September and the end of the year. Nevertheless, the number of passenger cars sold in the European Union in 2018 increased by 0.1 per cent and reached 15.2 million, which represents an increase in sales for a fifth year in a row.

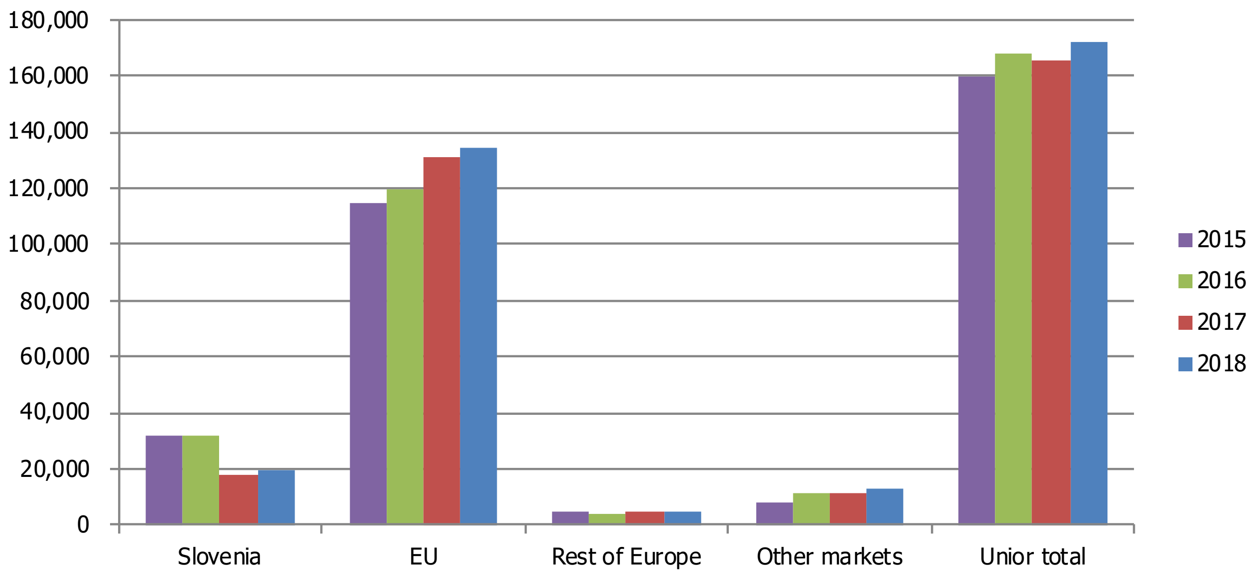
10.2 Sales

UNIOR d.d. sales revenues in 2018 came in at EUR 172.4 million and increased by 4.3 per cent compared to the previous year. The Forge Programme and the Hand Tools Programme recorded a sales growth, while sales in the Special Machines Programme were lower than 2017, but higher than planned. The growth in sales was largely due to the relatively stable market of the global automotive industry, which is UNIOR d.d.'s main client, as well as accelerated sales activities in new markets.

Non-euro markets encompass 10.5 per cent of our revenues; the sales on these markets grew by 12.6 per cent, meaning that we managed to keep the buyers we had obtained and we have also obtained new ones. EU markets are present in the structure with 89.5 per cent and are still the most important for our business. We recorded a 10.1 per cent increase in these markets (Slovenia excluded), which is the result of greater sales in the Forge Programme, while sales in Slovenia increased by 2.5 per cent (the growth in the Slovenian market is lower due to the exclusion of tourism activities into the autonomous company, since most of the sales on the domestic market was generated by these activities).

Sales revenue by the market

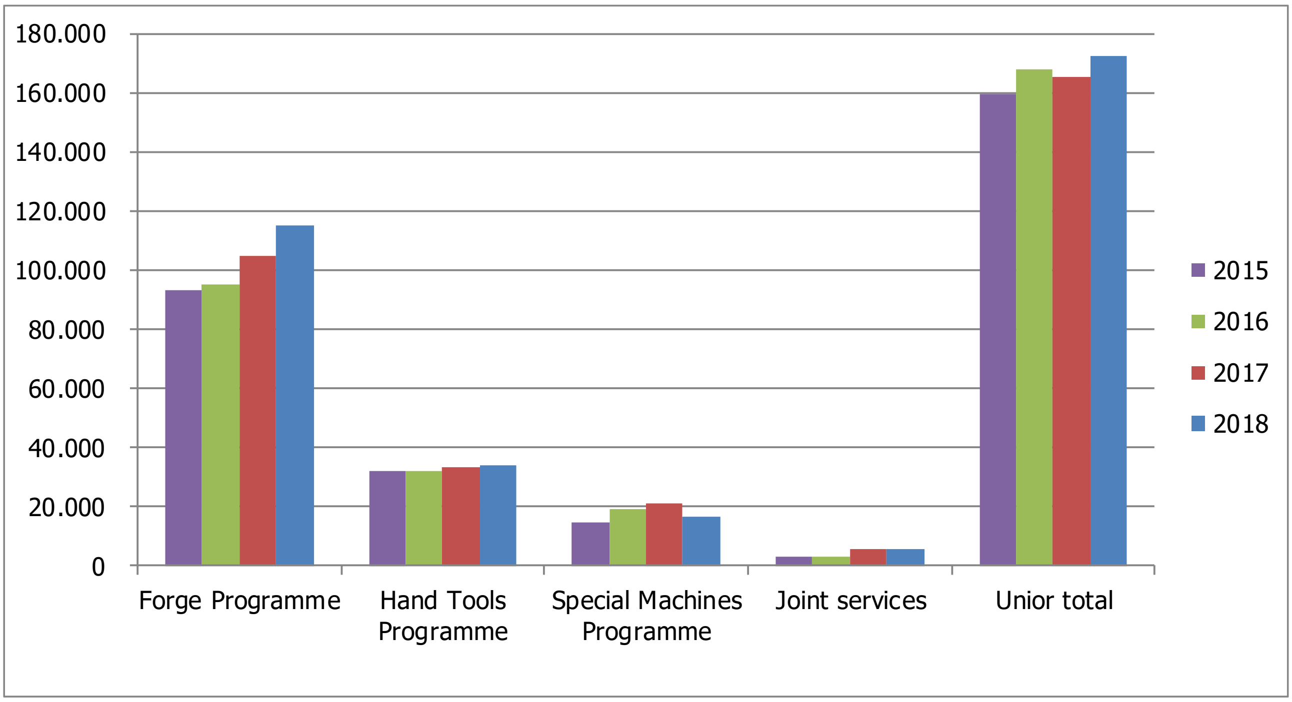
(in thousands of EUR)	2018	2017	2016	2015
Slovenia	19,985	18,146	32,048	32,034
EU	134,287	131,059	119,893	114,706
Rest of Europe	4,998	4,501	4,365	4,589
Other markets	13,095	11,567	11,636	8,490
Unior total	**172,365**	**165,273**	**167,942**	**159,819**



The Forge Programme had the highest growth in sales as it was EUR 10.9 million or 10.4 per cent higher in comparison to the previous year. Sales increased by 2.2 per cent in quantity, and the rest of the growth is covered by a higher basic selling price achieved and a higher price due to higher stock exchange prices of steel scrap and alloying elements. Sales in the Hand Tools Programme were by 2.1 per cent higher in 2018 than the previous year; sales in the Special Machines Programme was 20.9 per cent lower, but exceeded the planned sales by 9.8 per cent for 2018. The claim about the stable sales growth and important projects gained for the following years in the Forge Programme, as set out in the 2017 Annual Report, was absolutely achieved by sales in 2018.

Sales revenue by the programme

(in thousands of EUR)	2018	2017	2016	2015
Forge Programme	115.566	104.676	95.491	93.257
Hand Tools Programme	34.233	33.516	32.239	31.783
Special Machines Programme	16.932	21.413	19.311	14.693
Tourism Programme	-	-	17.500	16.763
Joint services	5.460	5.614	3.282	3.132
Maintenance	174	54	120	189
Unior total	**172.365**	**165.273**	**167.942**	**159.819**



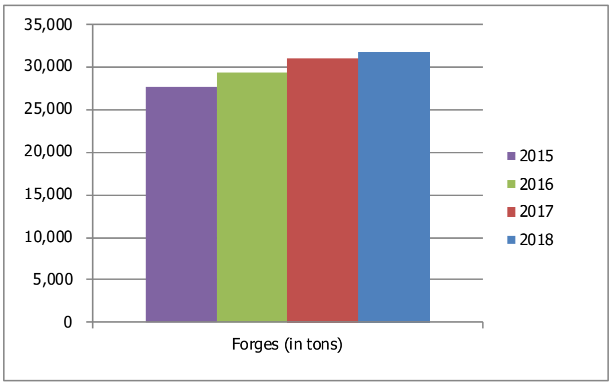
10.3 Production and services

The production of all programmes increased compared to the previous year. With it, production followed an increased market demand, also reflected in higher sales than in the previous year. Production growth of the Forge Programme is 2.2 per cent, and the Hand Tools Programme recorded 5.2 per cent growth. Special Machines Programme production is measured by the number of working hours and 3.4 per cent more hours was recorded due to a larger scope of orders for 2019 already obtained in the 2018 business year.

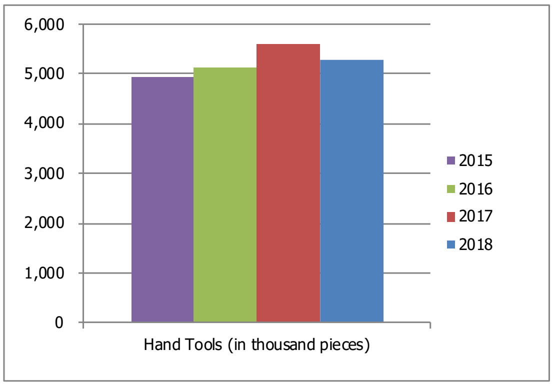
Production and services by programme

	2018	2017	2016	2015
Forges (in tons)	31,662	30,978	29,263	27,679
Forges (in thousand pieces)	79,516	79,966	78,144	74,995
Hand Tools (in tons)	2,931	2,787	2,688	2,348
Hand Tools (in thousand pieces)	5,291	5,601	5,130	4,919
Special Machines (performed hours)	63,978	61,868	66,239	59,043

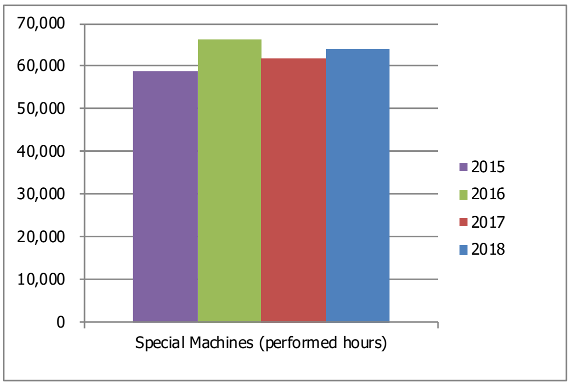
Production of forged parts



Production of hand tools



Production pf special machines



10.4 Purchasing

Steel
Steel producers sold out in 2018 due to expansion and lack of capacities. We had big problems in reaching an agreement with all the suppliers on annual quantities and so we were able to acquire the required quantities for our production. We purchased 55,238 tonnes of steel, which is 1.5 per cent more than in 2017. The prices were higher, which is a result of the basic prices rise and additions (steel scrap and alloying supplements). The steel stock was 5,730 tonnes at the end 2018, and the average monthly consumption was 4,438 tonnes. The delivery deadlines were 2 to 6 months longer but became slightly shorter in the final quarter. Given the forecast, we expect less problems regarding the quantities in 2019.

Steel powder
We purchased 545 tonnes of steel powder in 2018, which is 5.5 per cent more than in 2017. Prices increased as a result of basic price and supplements growth. We had the most difficulties in 2018 due to the extension of delivery deadlines, resulting in higher scope of inventory which were on average 93 tonnes; however, the delivery deadlines were shorter again at the end of 2018.

Other (bushings, aluminium, copper sheet, grey cast iron, non-ferrous metal)
Purchasing of other metallurgy in 2018 was 8,332 kilograms in the total value of EUR 189,000. In comparison to 2017, we ordered 22 per cent less and the unit price is higher; the reason are higher prices and different assortment procurement.

Sheet metal
In 2018, we purchased 1,140 tonnes of alloy and structural sheet metal, namely 1,140 tonnes or 2.2 per cent more than in the same period of the previous year. The sheet metal price increased in 2018, which is the result of increased demand. We mitigated the price growth by buying sheet metal from different suppliers. We expect a lower price increase of sheet metal in 2019, especially since we have already purchased a certain amount. A price drop could follow later as indicated by movements in the automotive industry.

Grinding materials
In 2018 consumption of grinding materials was similar to the previous year and amounted to EUR 395,000. In 2019 we expect it to be similar to 2018. We will continue to seek alternatives and better materials for better productivity and reduced costs of production processes and purchases.

Cutting Tools
The consumption of cutting tools increased by almost 10 per cent in value in 2018 compared to 2017 as a result of increased extent of work in 2018 compared to 2017.

Expandable supplies
The value of expandable supplies consumed dropped by 7 per cent in 2018 compared to 2017, which is primarily a result of better exploitation of expandable supplies and partially of the affects the UNITUR's hive off.

Chemical products
Regarding the value of chemical products, we recorded a drop of 8 per cent in consumption in 2018 compared to 2017, which is mostly the result of a more rational use and replacement of certain emulsions, greases and oils with more efficient ones.

10.5 Operating performance

In 2018, Unior d.d. generated EUR 6.8 million of net profit or loss, which is EUR 0.9 million or 12.3 per cent less than the net profit of 2017, when we generated EUR 7.7 million of net profit. If we compare the profit or loss before the deferred taxes calculated, we see that it was EUR 7.6 million in 2018 or EUR 5 thousand better than a comparable one in the 2017 fiscal year.

The operating result decreased by EUR 1.6 million – in 2018, the operating profit was EUR 7.8 million, while the 2017 business year generated an operating profit of EUR 9.4 million. The lower operating profit was influenced primarily by higher write-offs, which were exactly EUR 1.6 million higher compared to the previous year. If we compare the EBITDA achieved – EUR 16.3 million, which includes the write-offs, it is completely comparable to the achievement in 2017 (lower EUR 4 thousand lower). Sales in 2018 were EUR 172.4 million, while the operating expenses were EUR 173.2 million. Gross profit generated in 2018 was EUR 181 million and exceeds the comparable one in the previous year by EUR 11.5 million.

Sales and Profitability of Unior company

(in thousands of EUR)	2018	2017	2016	2015
Sales revenues	172,365	165,273	167,942	159,819
Operating costs	173,255	160,088	167,922	155,528
EBIT	7,795	9,414	8,507	7,902
EBITDA	16,274	16,278	18,691	17,647
Profit and loss before taxes	7,559	7,554	4,813	2,738
Net profit or loss	6,795	7,747	5,089	3,612

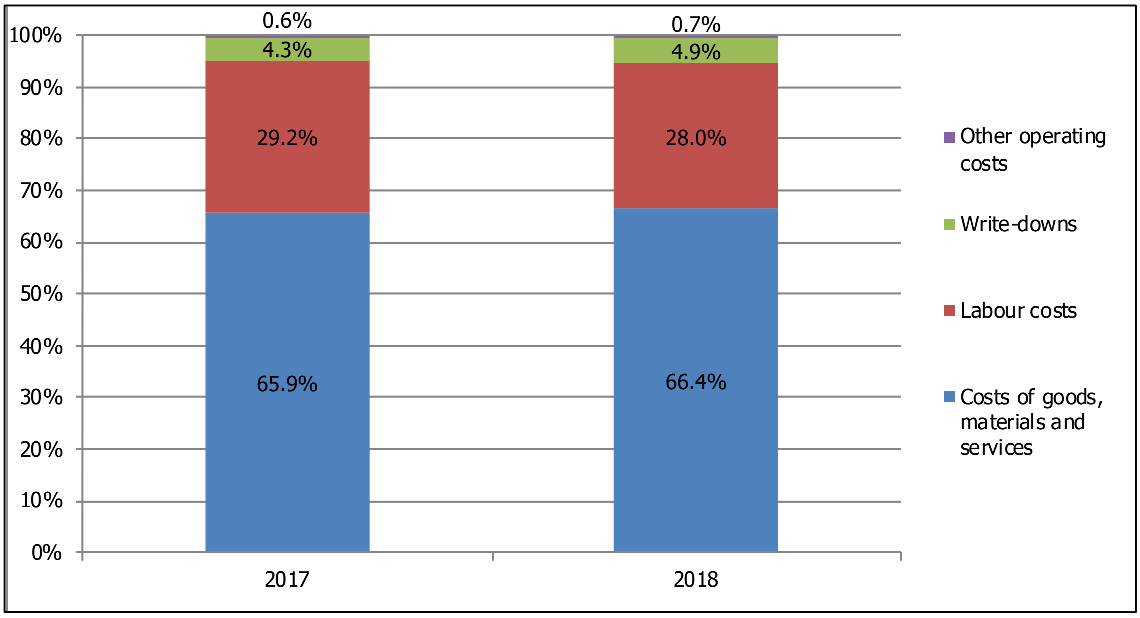
The year 2018 continued with the most important objective to protect the cash flow and ensure the continuous solvency of the company, with an emphasis on the regular settlement of liabilities to employees, business partners and the banks. All commitments to banks, defined in the 2016 Syndicated Loan Agreement, are met on a regular basis. As a result of our work, quality and innovative products and services, we enjoy an increasingly stronger reputation among our competitors, suppliers, banks and the wider environment in many areas, which is also confirmed by the AAA class certificate in credit excellence received by Unior in March 2019, awarded by the analytical house Bisnode, the biggest partner company of the Dun & Bradstreet credit-rating agency, which performs financial analysis of companies within the framework of the international project and has many years of tradition in awarding certificates of excellence in 12 European countries. Only 23.2 per cent of companies in the market hold a certificate of excellence, which ranks our company at the top of best legal entities in Slovenia.

Operating expenses structure

Operating expenses increased by 8.2 per cent in 2018 in comparison to the previous year and excess of the growth of the gross profit by 1.4 percentage point, which is by 6.8 per cent more than in the comparable period. The expenses structure by type did not change significantly in comparison to the preceding year as there was an increase in the costs of goods, material, services and write-offs, while labour costs in the structure ration decreased.

Operating expenses structure

(in thousands of EUR)	2018	2017
Costs of goods, materials and services	115,046	105,511
Labour costs	48,471	46,794
Write-downs	8,479	6,864
Other operating costs	1,259	919
Total operating expenses	**173,255**	**160,088**



The costs of goods, materials and services together increased by 9 per cent compared to the previous period. The increase is largely attributed to the higher steel prices due to higher stock prices of steel scrap additions and alloying elements. Labour costs increased by 3.6 per cent, resulting from a higher number of employees by 1.8 per cent, promotions and increased length-of-service increments (additional year), as well as extraordinary labour shortages and the resulting pressures on wages increase. The write-offs and other operating costs represent a smaller share in this structure, however the write-offs were 23.5 per cent higher, which is the result of higher investments in 2017 and 2018 compared to 2013 to 2016, when the investments made were lower than accounted depreciation.

Productivity

(in EUR)	2018	2017	2016	2015
Gross profit per employee	101,714	94,853	85,770	80,270
Gross value added per employee	36,374	35,295	34,161	32,190

The Company measures the productivity using the gross profit per employee indicator, which increased by 7.2 per cent compared to 2017. The second indicator, namely the gross value added per employee, increased by 3.1 per cent, reaching a record value in the history of the company's business operations.

10.6 Performance indicators

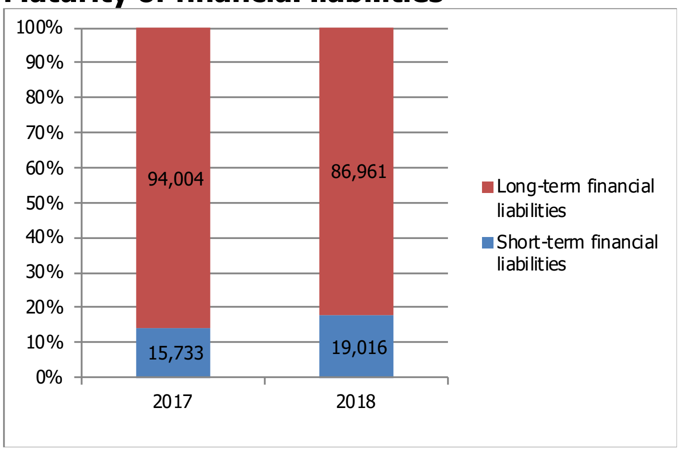
	UNIOR d.d.		UNIOR Group	
	2018	2017	2018	2017
Self-financing ratio *(equity/liabilities to asset sources)*	0.380	0.363	0.449	0.436
Long-term financing ratio *((equity+ long-term debt + long-term provisions) / liabilities))*	0.745	0.765	0.754	0.768
Fixed asset investment ratio *(Fixed assets at carrying amount / assets)*	0.353	0.341	0.507	0.496
Long-term investment ratio *((Fixed assets at the carrying amount + investment properties + long-term financial investments + long-term operating receivables)/assets)*	0.545	0.548	0.597	0.584
Capital/fixed asset coverage ratio *(equity / fixed assets at the carrying amount)*	1.077	1.065	0.886	0.879
Indirect short-term liabilities coverage ratio – quick ratio *(liquid assets/short-term liabilities)*	0.093	0.112	0.132	0.170
Progressive short-term liabilities coverage ratio – quick ratio *((liquid assets + short-term receivables)/ short-term liabilities)*	0.603	0.712	0.661	0.720
Short-term liabilities coverage ratio - short-term ratio *(short-term assets/short-term liabilities*	1.719	1.839	1.596	1.740
Operating efficiency ratio *(operating revenues/operating expenses)*	1.045	1.059	1.062	1.034
Net return on capital *(net profit of the business year/average equity excluding net profit or loss for the reporting year)*	0.076	0.080	0.078	0.037
Dividend return ratio *(total dividends paid out in the business year/average share capital of the parent company)*	0,000	0,000	0,000	0,000

10.7 Financial position

The total assets of the company were amounted to EUR 252.1 million and they increased by 6.9 million or 2.8 per cent in the 2018 calendar year. The long-term assets have increased by EUR 2.2 million, namely property, plant and equipment by EUR 6.3 million due to the surplus of investments over depreciation, intangible assets are lower by EUR 0.9 million due to depreciation, long-term financial investments dropped by EUR 1.8 million due to the excess of repayments of the long-term loans, sales and write-offs over the new investments. Long-term trade receivables are EUR 0.6 million lower; the decrease is almost entirely constituted by lower long-term trade receivables due from the Group companies, while the reduction of EUR 0.8 million represents long-term assets that reduce the lower deferred tax receivables. Short-term assets have increased by EUR 4.6 million or 4.3 per cent. The increase constitutes a stock increase of EUR 7.5 million due to higher entry prices of steel and a high degree of unfinished work in progress mostly in Special Machines due to the high level of unfinished projects from the beginning of the 2019 fiscal year already in 2018. Short-term trade receivables from customers are EUR 1.8 million lower, while the cash balance was comparable with the state in the beginning of the year.

The capital of the company increased by EUR 6.8 million in 2018, which is the result of the profit in the 2018 business year. Financial liabilities decreased by EUR 3.8 million in the current year, arising from regular payments of principal on loans and the instalments of the financial lease in 2018. The company did not get any new loans. 82.1 per cent of the financial liabilities of the company are long-term, while the short-term liabilities constitute a drawn down revolving loan, and EUR 7.3 million of the principal amounts of long-term financial liabilities that fall due in 2019. Given the interest rate, 99.6 of all the company’s financial liabilities are tied to a variable interest rate, of which 43.4 per cent of the latter was secured with interest-rate swaps for a period of five years.

Maturity of financial liabilities

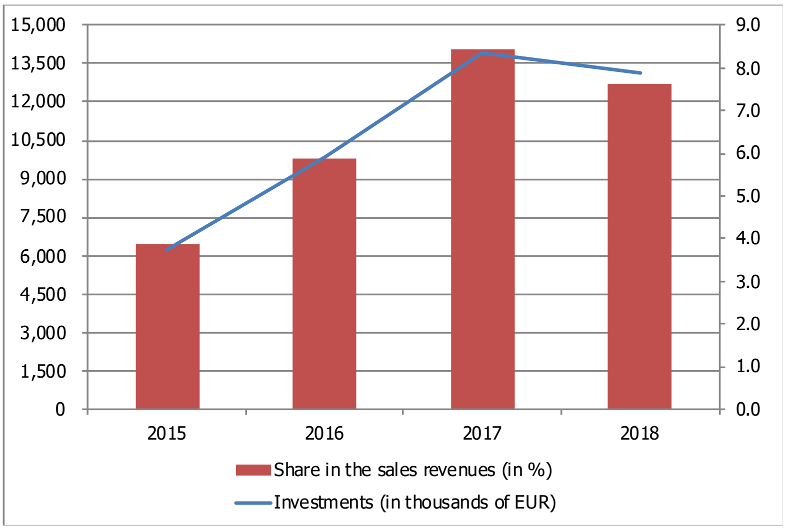


The operating liabilities in increased by EUR 3.4 million in 2018 or 8.2 per cent and amounted to EUR 45.4 million. The short-term operating liabilities towards the suppliers increased by EUR 1 million, while the advances given to the customers represent the liabilities increased by EUR 2.3 million. Other short-term operating liabilities increased by EUR 0.2 million, including EUR 0.5 million of deferred revenues for goods shipped in December but not yet arrived to customers.

10.8 Investments

In 2018, we invested EUR 13.2 million in new fixed assets. EUR 2.3 million of the investments was in the form of own products. The total value of investments decreased by EUR 0.8 million compared to 2017; however, the investments are cumulatively within the period from 2012 almost exactly at the amount of the write-offs value in the same period. The investments in construction facilities amounted to EUR 3.4 million, namely the main part to the Forge Programme for the needs of extending our production hall. For the modernisation and expansion of the mechanical capacities of production, we earmarked EUR 7.2 million, namely the main part (5.3 million) for the Forge Programme, where we purchased two new forging lines and a number of processing machines for the needs of increased production.

	2018	2017	2016	2015
Investments (in thousands of EUR)	13,165	13,948	9,866	6,203
Share in the sales revenues (in %)	7.64	8.44	5.87	3.88



In 2018, EUR 11.1 million was earmarked for the payment of investments in fixed assets, of which there was no outflow of funds for capitalised own products in the amount of EUR 2.3 million. Payments in 2018 were by EUR 0.8 million higher than in the previous year, while EUR 1 million of funds was earmarked in 2018 for payment of investments in the previous year 2017.

Investments into associated companies

In 2018, the company earmarked EUR 3.6 million for investments in associated companies, namely EUR 2.4 million for the purchase of a 44.65 per cent ownership equity in UNIDAL d.o.o. and later for a legal capital increase of UNIOR Vinkovci d.o.o. Croatia. Another EUR 81,000 was intended for the initial capital payment for UNIOR NORTH AMERICA Inc. in the United States, and EUR 1.1 million was a conversion of receivables into equity of Unior International Ltd. in liquidation. In the cases of UNIOR Vinkovci d.o.o. and UNIOR International Ltd. capital increase, it is a case of legal capital increase needed to ensure the positive capital of individual companies.

10.9 Internal Audit Department

With regard to the organisation, the Internal Audit Department acted as an independent support function within the parent company and is under the direct authority of the company's Management Board and the Audit Committee or the Supervisory Board. The internal auditing activity is performed on the level of UNIOR d.d. and in subsidiaries of the UNIOR Group in Slovenia and abroad on the basis of International Standards for the Professional Practice of Internal Auditing and adopted fundamental internal auditing documents.

The Internal Audit Department carries out its mission on the basis of the medium-term and annual work plan. In accordance with the 2018 work plan, we performed twelve regular internal audits and internal audit review in the field of IT, performed by the external provider of the Internal Audit Department and completed the report in 2019.

In the context of performed reviews, the achievement of the audit objectives in the categories of operation, reporting and compliance with the regulations of each audited area was checked. Recommendations categorised by risk levels were proposed for each of the reviewed areas. Checking their realisation was also carried out on a regular basis.

The Internal Audit Department reported to the auditee of an area, management of the audited area and the company's Management Board after each performed review. Periodically, a summary of the findings from individual reviews, risks and the implementation of the internal audit recommendations was reported to the Management Board, the Supervisory Board and its Audit Committee.

10.10 Events after the balance sheet

After the balance-sheet date there were no significant events, which would have a significant impact on the operations of the UNIOR d.d.

10.11 The provision of public utility services

The provision of the public utility service of heat supply in the area of the Development Plan for the Town Centre of Zreče

The Concession Contract was concluded with the Zreče Municipality for a period of 20 years. Pursuant to the above Contract, UNIOR d.d. has taken over concession activities based on the Management and Performance Agreement. In accordance with the Concession Contract for the Provision of the Public Utility Service of Heat Supply in the Area of Zreče, UNIOR d.d. is obliged also to manage and maintain the network for the heat distribution.

Income statement for operating activities of public corporate entities – providing heating energy

(in EUR)	2017	2016
Revenue from the supply of natural gas and electricity	542,029	427,308
Total revenues	**542,029**	**427,308**
Cost of materials and services	501,432	331,790
Depreciation	69,816	89,063
Labour costs	100,199	47,711
Other operating expenses	15,758	0
Financial expenses for financial liabilities	13,917	0
Total operating costs	**701,122**	**469,545**
PROFIT OR LOSS	**-159,093**	**-41,812**

The revenues from the provision of the public utility service are monitored for the purpose of the separate accounting of the activity of public utility service provision in accordance with the Concession Contract for the Provision of the Public Utility Service of Heat Supply in the Area Covered by the Development Plan for the Zreče town centre within the scope of the cost centres established for this purpose. The revenues comprise the heat supply fees charged to the users.

Operating costs are composed of fixed eligible costs (costs of materials and services, labour costs, maintenance costs, depreciation and other operating expenses) and variable costs (cost of energy).

Criteria for expenses separation in connection with the public services provision in accordance with the Transparency of Financial Relations and Maintenance of Separate Accounts for Different Activities Act (ZPFOLERD-1)

UNIOR d.d. provides the public utility service of heat supply in the area of the Development Plan for the Town Centre of Zreče.

For the purpose of the separate disclosure and accounting of the public utility service activity under the concession contracts, UNIOR d.d., has organised separate cost centres, namely:

- Cost centre designated 52100 – SPTE 1 (production of electricity and heat)
- Cost centre designated 52200 – SPTE 2 (production of electricity and heat)
- Cost centre designated code 52500 - Dobrava Boiler House (heat)

The direct costs of the public utility services are recorded according to their natural types and depending on which element of the business process incurs them: costs of the means for work or depreciation/amortisation, labour costs, cost of services, costs of the work items or the costs of materials.

Post-production of heat and electricity distribution

Fixed eligible costs without the costs of energy (costs of materials and services, labour costs, maintenance costs, depreciation, other write-offs and other operating expenses) connected to Dobrava Boiler House CCD 52500 are fully a result of heat production and sale.

Fixed eligible costs regarding cost centre designated 52100 cogeneration SPTE 1 and 52200 cogeneration SPTE 2 are calculated according to the share of electricity and heat produced.
The calculation is based on the manufacturer's technical specifications of the production device and represents the following ratio:

- SPTE 1: CCD 52100 (electricity 391kW - 45.4 per cent)
  (heat 508kW – 54.6 per cent)
- SPTE 2: CCD 52200 (electricity 637kW - 43.94 per cent)
  (heat 766kW – 56.51 per cent)

Variable costs (energy) of the cost centre designated 52100 cogeneration SPTE 1 and 52200 cogeneration SPTE 2 shall be determined in proportion of electricity and heat actually produced.

The indirect costs of the public utility services are ascertained using the required criteria for the purpose of their allocation to the individual activities and for the separate accounting of individual activities.

The indirect costs of the public utility services are the general costs of the Company's Joint Services Department. The criterion applied is the share of the revenue of an individual activity in the total revenues of the Company.

The objective eligibility of the criteria was verified by the selected auditing company, Deloitte revizija d.o.o. in the year 2018.

10.12 Objectives for 2019

In 2019, UNIOR d.d., plans to achieve EUR 184.3 million in net sales revenues, which is 6.9 per cent more than in the previous year.

At the end of 2019, we plan a profit in the amount of EUR 8.1 million, which is 18.7 per cent more than in 2018 and is bringing us closer to the results achieved by the best companies in the industries we operate in.

Sales and Profitability of Unior company

(in thousands of EUR)	2019 (plan)	2018 (realisation)
Sales revenues	184,303	172,365
EBIT	9,597	7,795
EBITDA	17,504	16,274
Profit or loss	8,068	6,805

Forge Programme

The sales plan is based on the existing and planned expansion in 2019. It is positive for us that we supply connecting rods for automobile industry almost exclusively for petrol engines, which increases our growth in the connecting rods area and thus the growth of our business.

Sales of private cars in Europe increased over the past year until the end of August, and issues occurred in sales in September due to the new environmental WLTP standard regarding measurement of CO_2. The European automotive industry was also influenced by the decline in economic activity in China, where sales have been dropping since July 2018, compared to 2017. Sales in North America are stable with a slight growth for now.

2019 is uncertain mostly due to the announced customs duties by North America for the EU car imports to America, where the current customs duties are 2.5 per cent, while the Trump Administration announces as much as 25 per cent. On the other hand, it is important how the Chinese market will behave in 2019.

The strategic objectives of the Forge Programme will be orientated towards obtaining the necessary technical and capacity conditions for maintaining the existing market shares, cutting all activities and costs that do not bring added value, and also towards the search for new projects and development directions, which usually deviate from the current market and production policy of the programme, but follow current trends within the automotive industry.

In the field of hot forging, an increase especially in the connecting rods is planned as we have managed to obtain an important new buyer in the past year for these products. Increased cooperation with the existing customers is also planned.

In processing of forging parts, we plan slightly lower sales due to the suspension of existing projects of our customers and lower growth in new projects.

We plan a moderate increase in sales at the Sinter plant, mainly due to a very good expansion in the Freight Programme. Especially due to the excellent conjuncture in the freight programme, further growth is expected in 2019 at Sinter despite the lack of new projects.

Hand Tools Programme

In 2019, we will continue with sales activities such as the reorganisation of the sales network (shortening the distribution chain), penetrating new markets and market niches, and entry and cooperation with international groups. We will use the pull strategy intensely with distributors with the aim of promoting sales in final industrial buyers. The sales growth will be generated by increasing sales in Western Europe (France, England, Italy) and acquisition of new markets in Eastern Europe, such as the Czech Republic, Slovakia, Estonia and Kazakhstan. Positive results are expected thanks to new customers obtained in 2018.

The sales growth shall be recorded on specialised tools mainly in the markets, where a significant share is held by bicycle tools, workshop equipment and VDE tools.

We also expect growth sales in the domestic market primarily with newly developed products, since we estimate that we have reached the limit ability to absorb the market of high quality tools. Regarding export, our growth is based on promoting sales in the existing markets with existing buyers, searching for new ones as well as penetrating the new markets, industry platforms and market niches. Sales growth is expected in all regions except the Middle East, which is the consequence of the economic and political situation and stopping sales due to long payment deadlines of customers. Slovenia has been constantly growing in the last five years, therefore we expect the growth of sales especially in newly developed products. Regarding the EU countries, we expected growth in France, Italy, England and Germany by obtaining new customers. In other European countries which are not EU members, the growth is linked to the sales network reorganisation in the market of Russia. In Asia, a growth in sales is expected in China with the new distributor for the automotive industry. In Africa, we expect a decline in sales in Egypt due to price competition and we will have to replace this part of sales.

Special Machines Programme

The previous year was one of the poorer ones regarding the situation in orders; however, we had confirmed EUR 18 million of orders at the end of 2018 for 2019. Improving the work in the sales department and active presence in major markets result in a higher scope of orders and uniform distribution pf projects throughout 2019.

A turnover increase and a price rise is in line with the strategy to improve business performance as well as to deliver balanced business of individual years compared - large fluctuations in the realisation in the past prevented optimising of business and the provision of adequate capacity. We will have to ensure the present state of orders and the adjusted capacity to provide them at this level of realisation and we will strive to do so in the following years, too.

The direction of sales, service and partner activities will continue to be focused primarily on existing customers, with whom we have long-term experience and with which we can negotiate for larger and longer-term investment projects. The greater part of sales is expected to continue in the European Union market. We expect the difference to the optimum filling of capacities to come from other traditionally strong markets: North and South America as well as China, where the largest activity of investments by the EU and domestic by engine and vehicle manufacturers (OEMs) is expected. From 2020 onwards, sale of one or two machines is expected on other markets and countries, such as Russia, Turkey, the Middle East and South Africa.

FINANCIAL REPORT

11 UNIOR d.d. Financial Statements

11.1 Balance Sheet as at 31/12/2018

	(in EUR) Item	Clarification	31/12/2018	31/12/2017
	ASSETS		**252,104,579**	**245,246,753**
A.	**LONG–TERM ASSETS**		**141,433,820**	**139,189,433**
I.	**Intangible assets and other IA**	**12.3.1**	**3,526,040**	**4,483,757**
1.	Long-term property rights		265,378	300,664
2.	Goodwill		403,940	403,940
3.	Long-term deferred development costs		2,728,127	3,617,239
4.	Other intangible assets		125,345	143,264
5.	Intangible assets being acquired		3,250	18,650
II.	**Tangible assets**	**12.3.2**	**85,485,287**	**79,174,024**
1.	Land and buildings		36,164,953	34,960,774
	a) Land		*10,590,369*	*10,512,295*
	b) Buildings		*25,574,584*	*24,448,479*
2.	Manufacturing plants and equipment		39,499,541	37,465,030
3.	Other plant and equipment, small tools and other tangible fixed assets		647	4,145
4.	Property, plant and equipment being acquired		9,820,146	6,744,074
III.	**Investment properties**	**12.3.3**	**13,549,113**	**13,461,616**
IV.	**Long-term financial investments**	**12.3.4**	**27,285,997**	**29,120,587**
1.	Long-term financial investments, except loans		24,999,262	22,922,599
	a) Shares and stakes in Group companies		*22,072,476*	*19,249,687*
	b) Shares and stakes in associated companies		*2,812,335*	*3,561,701*
	c) Other shares and stakes		*114,451*	*111,211*
2.	Long-term loans		2,286,735	6,197,988
	a) Long-term loans to Group companies		*2,256,843*	*6,136,629*
	b) Long-term loans to others		*29,892*	*61,359*
V.	**Long-term operating receivables**	**12.3.7**	**7,676,365**	**8,273,275**
1.	Long-term operating receivables due from Group companies		7,606,254	8,159,883
2.	Long-term operating trade receivables		0	0
3.	Long-term operating receivables due from others		70,111	113,392
VI.	**Deferred tax assets**	**12.3.13**	**3,911,018**	**4,676,173**
B.	**SHORT–TERM ASSETS**		**110,670,759**	**106,057,321**
I.	**Assets (disposal groups) held for sale**	**12.3.5**	**0**	**610,065**
II.	**Inventories**	**12.3.6**	**68,192,963**	**60,692,963**
1.	Material		24,368,812	20,397,378
2.	Work in progress		25,179,617	22,603,433
3.	Products		14,603,737	13,539,801
4.	Merchandise		4,040,797	4,152,352
III.	**Short-term financial investments**	**12.3.8**	**3,644,341**	**3,677,565**
1.	Short-term financial investments, except loans		0	0
2.	Short-term loans		3,644,341	3,677,565
	a) Short-term loans to Group companies		*3,622,913*	*3,471,654*
	b) Other short-term loans		*21,428*	*205,911*
IV.	**Short-term operating receivables**	**12.3.7**	**32,830,110**	**34,637,547**
1.	Short-term operating receivables due from Group companies		6,602,931	7,998,793
2.	Long-term operating trade receivables		22,149,701	20,315,835
3.	Long-term operating receivables due from others		4,077,478	6,322,919
V.	**Monetary assets**	**12.3.9**	**6,003,345**	**6,439,180**

	(in EUR) Item	Clarification	31/12/2018	31/12/2017
	LIABILITIES TO ASSET SOURCES		**252,104,579**	**245,246,753**
A.	**CAPITAL**	**12.3.10**	**95,863,809**	**89,062,543**
I.	**Called-up capital**		**23,688,983**	**23,688,983**
1.	Share capital		23,688,983	23,688,983
2.	Uncalled capital (deduction item)		0	0
II.	**Capital reserves**		**30,277,035**	**30,277,035**
III.	**Reserves created from profit**		**22,648,109**	**22,648,109**
1.	Legal reserves		1,417,442	1,417,442
2.	Reserves for treasury shares and own stakes		120,190	120,190
3.	Treasury shares and own stakes (deduction item)		0	0
4.	Statutory reserves		0	0
5.	Other revenue reserves		21,110,477	21,110,477
IV.	**Reserves from valuation at fair value**		**8,400,697**	**8,394,456**
V.	**Retained earnings**		**4,053,960**	**0**
VI.	**Net loss brought forward**		**0**	**0**
VII.	**Net profit for the business year**		**6,795,025**	**4,053,960**
VIII	**Net loss for the financial year**		**0**	**0**
B.	**PROVISION IN DEFERRED REVENUE**	**12.3.11**	**4,892,799**	**4,522,383**
1.	Provisions for pensions and similar liabilities		4,371,919	4,051,603
2.	Other provisions		520,880	470,780
3.	Deferred revenue		0	0
C.	**LONG-TERM LIABILITIES**		**86,960,900**	**94,003,838**
I.	**Long-term financial liabilities**	**12.3.12**	**86,960,900**	**94,003,838**
1.	Long-term financial liabilities to companies in the Group		0	0
2.	Long-term financial liabilities to banks		86,960,900	94,003,838
3.	Long-term financial liabilities arising from bonds		0	0
4.	Other long-term financial liabilities		0	0
II.	**Long-term operating liabilities**		**0**	**0**
1.	Long-term operating liabilities to Group companies		0	0
2.	Long-term operating liabilities to suppliers		0	0
3.	Long-term liabilities for bills of exchange		0	0
4.	Long-term operating liabilities from advances		0	0
5.	Other long-term operating liabilities		0	0
III.	**Deferred tax liabilities**	**12.3.13**	**0**	**0**
D.	**SHORT-TERM LIABILITIES**		**64,387,071**	**57,657,989**
I.	**Liabilities of disposal groups**		**0**	**0**
II.	**Short-term financial liabilities**	**12.3.14**	**19,015,733**	**15,732,985**
1.	Short-term financial liabilities due to Group companies		450,567	441,919
2.	Short-term financial liabilities to banks		18,556,762	15,038,731
3.	Short-term financial liabilities arising from bonds		0	0
4.	Other short-term financial liabilities		8,404	252,335
III.	**Short-term operating liabilities**	**12.3.15**	**45,371,338**	**41,925,004**
1.	Short-term operating liabilities to companies in the Group		2,180,773	2,269,252
2.	Short-term operating liabilities to suppliers		30,240,140	29,196,401
3.	Short-term bills payable		0	0
4.	Short-term operating liabilities from advances		5,739,190	3,458,288
5.	Other short-term operating liabilities		7,211,235	7,001,064

Notes on the financial statements form an integral part of the financial statements.

11.2 Profit and loss statement for the period from 01/01/2018 to 31/12/2018

(in EUR)	Item	Clarification	2018	2017
A.	**Net sales revenue**	**12.4.1**	**172,365,201**	**165,272,708**
1.	Net revenue from sales on the domestic market		19,985,013	18,146,136
	a) Net revenue from the sale of products and services		*10,466,560*	*9,822,678*
	b) Net revenue from the sale of goods and materials		*9,518,453*	*8,323,458*
2.	Net revenue from the sales on foreign markets		152,380,188	147,126,572
	a) Net revenue from the sale of products and services		*138,723,657*	*135,389,693*
	b) Net revenue from the sale of goods and materials		*13,656,531*	*11,736,879*
B.	**Change in the value of the inventories of finished products and work-in-progress**		**4,003,193**	**(956,886)**
C.	**Capitalized own products and services**	**12.4.2**	**2,349,852**	**3,451,429**
D.	**Other operating revenues**	**12.4.3**	**2,332,074**	**1,734,963**
I.	**GROSS OPERATING PROFIT**		**181,050,320**	**169,502,213**
E.	**Costs of goods, materials and services**	**12.4.4**	**115,046,012**	**105,510,616**
1.	Purchase value of sold goods and materials		13,973,829	11,999,746
2.	Costs of materials used		81,689,320	73,617,931
	a) Materials costs		*63,887,686*	*58,433,581*
	b) Costs of energy		*6,321,431*	*6,225,717*
	c) Other cost of materials		*11,480,203*	*8,958,633*
3.	Costs of services		19,382,863	19,892,939
	a) Transport services		*4,088,459*	*4,175,926*
	b) Costs of maintenance		*908,573*	*653,839*
	c) Rents		*572,773*	*282,988*
	d) Other costs of services		*13,813,058*	*14,780,186*
F.	**Labour costs**	**12.4.4**	**48,470,596**	**46,794,451**
1.	Salary costs		35,556,532	34,128,465
2.	Costs of pension insurance		445,923	437,792
3.	Costs of other social insurance		6,106,503	5,759,631
4.	Other labour costs		6,361,638	6,468,563
F	**Amortization and depreciation expenses**	**12.4.4**	**8,479,172**	**6,863,973**
1.	Depreciation		7,040,254	6,386,369
2.	Operating expenses from the revaluation of intangible fixed assets and property, plant and equipment		652,973	64,514
3.	Operating expenses from the revaluation of current assets		785,945	413,090
H.	**Other operating expenses**	**12.4.4**	**1,259,456**	**919,227**
1.	Provisions		79,169	11,852
2.	Other costs		1,180,287	907,376
II.	**OPERATING PROFIT OR LOSS**		**7,795,084**	**9,413,946**
I.	**Financial revenues**	**12.4.5**	**4,252,837**	**2,601,709**
1.	Financial revenue from shares		3,899,108	1,885,032
	a) Financial income from participating interest in Group companies		*2,050,961*	*1,368,625*
	b) Financial income from participating interest in associates		*1,844,854*	*516,327*
	c) Financial income from participating interest in other companies		*3,293*	*80*
	d) Financial income from other investments		*0*	*0*
2.	Financial revenue from loans granted		247,382	489,002
	a) Financial income from loans to Group companies		*238,925*	*310,696*
	b) Financial income from loans to others		*8,457*	*178,306*
3.	Financial revenue from operating receivables		106,347	227,676
	a) Financial income from operating receivables due from Group companies		*0*	*0*
	b) Financial income from operating receivables due from others		*106,347*	*227,676*
I.	**Financial expenses**	**12.4.5**	**4,489,205**	**4,461,958**
1.	Financial expenses from impairment and financial investment write-offs		*1,104,755*	*1,006,333*
2.	Financial expenses for financial liabilities		3,132,769	3,095,967
	a) Financial expenses from loans, received from Group companies		*8,254*	*4,950*
	b) Financial expenses from bank loans		*3,120,259*	*3,090,854*
	c) Financial expenses from issued bonds		*0*	*0*
	d) Financial expenses from other financial liabilities		*4,256*	*163*
3.	Financial expenses for operating liabilities		251,681	359,659
	a) Financial expenses from operation liabilities to Group companies		*14,563*	*21,143*
	b) Finance expenses from trade payables and bills payable		*147,237*	*162,268*
	c) Financial expenses from other operating liabilities		*89,881*	*176,248*
III.	**PROFIT**		**7,558,716**	**7,553,697**
	Income tax	**12.5**	**0**	**0**
	Deferred tax	**12.5**	**763,691**	**(193,496)**
	NET PROFIT OR LOSS FOR THE ACCOUNTING PERIOD		**6,795,025**	**7,747,193**

Notes on the financial statements form an integral part of the financial statements.

11.3 Statement of other comprehensive income

(in EUR)	Item	2018	2017
1.	**Net profit/loss for the business year after tax**	**6,795,025**	**7,747,193**
2.	**Other comprehensive income for the reporting period, after tax**	**6,241**	**163,101**
3.	**Items which will later not be reclassified as profit and loss**	**6,241**	**163,101**
3.1	Net profit/loss recognised in the reserves due to revaluation of fair value in relation to the tangible fixed assets	106,810	(13,668)
3.2	Actuarial net profit/loss for pension programmes and changes of deferred taxes, recognized in retained profit/loss	(100,569)	176,769
4.	**Total comprehensive income for the financial year after tax**	**6,801,266**	**7,910,294**
	Net loss per share	-	-
	Net earnings per share	*2.39*	*2.73*

Notes on the financial statements form an integral part of the financial statements.

11.4 Cash flow statement

(in EUR)

	Item	Clarification	2018	2017
A.	***Cash flows from operating activities***			
a)	**Net profit or loss**			
	Profit or loss before tax		7,558,716	7,553,697
	Income tax and other taxes which are not included in the operating expenses	12.5.	(763,691)	193,496
			6,795,025	**7,747,193**
b)	**Adjustments for**			
	Amortization and depreciation (+)	12.3.1, 12.3.2	7,040,254	6,386,369
	Operating revenues from revaluation associated with investment and financing items (-)	12.4.3	(84,063)	(69,527)
	Operating expenses from revaluation associated with investment and financing items (+)	12.4.4	652,973	64,514
	Formation of value adjustments for receivables	12.3.7	315,382	61,695
	Formulation of value adjustments for inventories	12.3.6	470,540	138,911
	Establishment and reversal of long-term provisions	12.3.11	503,799	447,861
	Financial income excluding financial income from operating receivables (-)	12.4.5	(4,146,490)	(2,374,033)
	Financial expenses excluding financial expenses from operating liabilities (+)	12.4.5	3,132,769	3,095,967
			7,885,164	**7,751,756**
b)	**Changes in net current assets (and accruals and deferrals, provisions and deferred tax assets, and tax liability) of operating items of the balance sheet**			
	Opening less closing operating receivables	12.3.7	2,404,348	(3,518,196)
	Opening less closing deferred tax assets	12.3.13	763,691	(193,495)
	Initial – less final supply	12.3.6	(7,500,000)	(760,649)
	Final – less initial business debts	12.3.15	3,446,334	2,356,255
	Final – less initial deferred tax liabilities	12.3.13	1,464	424,533
			(884,162)	**(1,691,552)**
č)	**Net cash from/used in operating activities (a + b + c)**		**13,796,026**	**13,807,397**
B.	***Investing activity cash flows***			
a)	**Income from investing activities**			
	Receipts from interest and profit participations related to investing activities	12.4.5	3,899,108	1,885,032
	Cash inflows from the disposal of intangible assets	12.3.1	33,970	29,123
	Cash inflows from the disposal of property, plant and equipment	12.3.2	1,263,898	852,412
	Proceeds from disposal of long-term financial investments	12.3.4	3,913,115	758,311
	Cash inflows from the disposal of short-term financial investments	12.3.8	1,477,592	2,048,064
			10,587,683	**5,572,942**
b)	**Disbursements from investing activities**			
	Disbursements from the acquisition of intangible assets	12.3.1	(6,951)	(2,651,051)
	Expenses for acquisition of tangible fixed assets	12.3.2	(13,291,791)	(11,296,285)
	Expenses for acquisition of investment property	12.3.3	(3,434)	(55,146)
	Expenses for acquisition of long-term financial investments	12.3.4	(4,007,624)	(3,873,509)
	Expenditures for the purchase of short-term financial investments	12.3.8	(616,784)	(1,324,058)
			(17,926,584)	**(19,200,049)**
c)	**Investing activities receipt excess or investing activities expenditure excess (a + b)**		**(7,338,901)**	**(13,627,107)**
C.	***Financing cash flows***			
a)	**Income from financing activities**			
	Income from the increase in long-term financial liabilities	12.3.12	431,018	765,232
	Income from an increase in short-term financial liabilities	12.3.14	8,784,993	9,285,113
			9,216,011	**10,050,345**
b)	**Financing expenditures**			
	Disbursements from paid interest pertaining to financing	12.4.5	(3,132,769)	(3,095,967)
	Expenses for payment of long-term financial liabilities	12.3.12	(216,280)	(634,800)
	Expenses for payment of short-term financial liabilities	12.3.14	(12,759,922)	(6,816,135)
			(16,108,971)	**(10,546,902)**
c)	**Financing receipt excess or financing expenditure excess (a + b)**		**(6,892,960)**	**(496,557)**
D.	***Closing stock of financial means***		**6,003,345**	**6,439,180**
x)	Net cash for the period (sum of surpluses Ad, Bc and Cc)		**(435,835)**	**(316,267)**
y)	Opening balance of monetary assets		**6,439,180**	**6,755,447**

Notes on the financial statements form an integral part of the financial statements.

11.5 Statement of changes in equity

CHANGES IN EQUITY FOR THE PERIOD FROM 31/12/2017 TO 31/12/2018

	I. Called-up capital	II. Capital reserves	III. Reserves created from profit			IV. Reserves from valuation at fair value	V. Net profit or loss brought forward	VI. Net operating profit or loss of for the financial year	Total
(in EUR)	Share capital		Legal reserves	Reserves for treasury shares	Other revenue profit		Net profit brought forward	Net profit for the business year	
Balance as at the end of the previous reporting period	**23,688,983**	**30,277,035**	**1,417,442**	**120,190**	**21,110,477**	**8,394,456**	**0**	**4,053,960**	**89,062,543**
Opening balance of the reporting period	**23,688,983**	**30,277,035**	**1,417,442**	**120,190**	**21,110,477**	**8,394,456**	**0**	**4,053,960**	**89,062,543**
Total comprehensive income for the reporting period	**0**	**0**	**0**	**0**	**0**	**6,241**	**0**	**6,795,025**	**6,801,266**
Input of operating profit/loss for the reporting period	0	0	0	0	0	0	0	6,795,025	6,795,025
Entry of actuarial profit from severance pay	0	0	0	0	0	(99,105)	0	0	(99,105)
Changes in reserves from valuation of financial investments at fair value	0	0	0	0	0	106,810	0	0	106,810
Other ingredients of comprehensive income for the reporting period	0	0	0	0	0	(1,464)	0	0	(1,464)
Changes in equity	**0**	**0**	**0**	**0**	**0**	**0**	**4,053,960**	**(4,053,960)**	**0**
Allocation of the remaining net profit in the comparative reporting period to other components of equity	0	0	0	0	0	0	4,053,960	(4,053,960)	0
Closing balance of the reporting period	**23,688,983**	**30,277,035**	**1,417,442**	**120,190**	**21,110,477**	**8,400,697**	**4,053,960**	**6,795,025**	**95,863,809**

CHANGES IN EQUITY FOR THE PERIOD FROM 31/12/2016 TO 31/12/2017

	I. Called-up capital	II. Capital reserves	III. Reserves created from profit			IV. Reserves from valuation at fair value	V. Net profit or loss brought forward	VI. Net operating profit or loss of for the financial year	Total
(in EUR)	Share capital		Legal reserves	Reserves for treasury shares	Other revenue reserves		Net profit/loss brought forward	Net profit for the business year	
Balance as at the end of the previous reporting period	**23,688,983**	**41,686,964**	**1,951,606**	**120,190**	**36,487,740**	**23,001,591**	**(19,601,341)**	**5,089,184**	**112,424,917**
Retrospective adjustments	0	(11,409,929)	(534,164)	0	(14,318,731)	(14,770,236)	8,948,862	1,904,531	(30,179,667)
Opening balance of the reporting period	**23,688,983**	**30,277,035**	**1,417,442**	**120,190**	**22,169,009**	**8,231,355**	**(10,652,479)**	**6,993,715**	**82,245,250**
Correction of elimination of UNITUR d.o.o.	0	0	0	0	(1,058,532)		(34,469)	0	(1,093,001)
Total comprehensive income for the reporting period	**0**	**0**	**0**	**0**	**0**	**163,101**	**0**	**7,747,193**	**7,910,294**
Input of operating profit/loss for the reporting period	0	0	0	0	0	0	0	7,747,193	7,747,193
Entry of actuarial profit from severance pay	0	0	0	0	0	601,301	0	0	601,301
Changes in reserves from valuation of financial investments at fair value	0	0	0	0	0	(13,668)	0	0	(13,668)
Other ingredients of comprehensive income for the reporting period						(424,532)			(424,532)
Changes in equity	**0**	**0**	**0**	**0**	**0**	**0**	**10,686,948**	**(10,686,948)**	**0**
Allocation of the remaining net profit in the comparative reporting period to other components of equity	0	0	0	0	0	0	6,993,715	(6,993,715)	0
Allocation of net profit for the reporting period to other capital accounts	0	0	0	0	0	0	3,693,233	(3,693,233)	0
Closing balance of the reporting period	**23,688,983**	**30,277,035**	**1,417,442**	**120,190**	**21,110,477**	**8,394,456**	**0**	**4,053,960**	**89,062,543**

Notes on the financial statements form an integral part of the financial statements.

12 Notes on the financial statements

UNIOR Kovaška industrija d.d., with its registered office at Kovaška 10, Zreče, Slovenia, is the controlling company of the UNIOR Group.

The Company's financial statements were prepared for the year ended on 31/12/2018.

The list of all companies in which UNIOR d.d. holds at least a 20 per cent equity stake as well as all the information on these companies are disclosed in chapter 15 of the UNIOR's 2018 Annual Report.

12.1 Statement of compliance

The individual financial statements have been prepared in accordance with the Companies Act and the International Financial Reporting Standards (IFRS) adopted by the International Accounting Standards Board (IASB), as well as the Interpretations adopted by the International Financial Reporting Interpretations Committee (IFRIC) and the European Union.

As regards the process of standard confirmation by the European Union, there were no differences as at the balance sheet date between the accounting policies used by Unior d.d., and the International Financial Reporting Standards (IFRS) adopted by the European Union. These required financial statements have been compiled to comply with the legal requirements. According to the law, the Company is obliged to have these financial statements audited by an independent auditor. The audit is limited to the required financial statements for general purposes, so that the legal requirement of auditing the required financial statements is met. The audit covers the required financial statements as a whole and gives no assurance as to individual line items, accounts or transactions. The audited financial statements are not intended to be used by any party for deciding on ownership, financing or any specific transactions referring to the Company. As a result, the users of the required financial statements may not rely solely on the financial statements and are obliged to conduct other appropriate procedures before adopting decisions.

The Management Board of UNIOR d.d. confirmed the financial statements on 25/03/2019.

12.2 Basis for the preparation of the financial statements

All financial statements and notes on the financial statements are prepared and presented in euros (EUR) without cents and are rounded to the nearest whole number.

12.2.1 Fair value

The assets and liabilities shown, with the exception of available-for-sale financial assets are valued at cost or amortised cost, for which we estimate are the same as the fair values of these assets or liabilities.

The book value of assets and liabilities is equal to their fair value. According to the fair values hierarchy, we classify them in the following levels:

- Level 1: assets valued using the exchange rate on the last day of the accounting period

- Level 3: assets which cannot be obtained from market data; this category consists of land and investment property at an estimated value, and buildings and equipment at the current book value. Long-term financial investments are presented at cost, less impairment, while trade receivables, short-term financial investments and liabilities are presented at their amortised cost.

Classification of assets and liabilities in relation to their fair value as at 31 December 2018

(in EUR)	Level 1	Level 3	Total
Tangible assets		**10,590,369**	**10,590,369**
- Land		*10,590,369*	*10,590,369*
Investment properties		**13,549,113**	**13,549,113**
Long-term financial investments	**3,900**	**27,282,097**	**27,285,997**
- Quoted shares	*3,900*		*3,900*
- Unquoted shares		*24,995,362*	*24,995,362*
- Long-term financial investments - long-term loans		*2,286,735*	*2,286,735*
Long-term operating receivables		**7,676,365**	**7,676,365**
Short-term financial investments		**3,644,341**	**3,644,341**
Short-term operating receivables		**32,830,110**	**32,830,110**
Long-term financial liabilities		**86,960,900**	**86,960,900**
Long-term operating liabilities		**0**	**0**
Short-term financial liabilities		**19,015,733**	**19,015,733**
Short-term operating liabilities		**45,371,338**	**45,371,338**

Classification of assets and liabilities in relation to their fair value as at 31 December 2017

(in EUR)	Level 1	Level 3	Total
Tangible assets		**10,512,295**	**10,512,295**
- Land		*10,512,295*	*10,512,295*
Investment properties		**13,461,616**	**13,461,616**
Long-term financial investments	**660**	**29,119,927**	**29,120,587**
- Quoted shares	*660*		*660*
- Unquoted shares		*22,921,939*	*22,921,939*
- Long-term financial investments - long-term loans		*6,197,988*	*6,197,988*
Long-term operating receivables		**8,273,275**	**8,273,275**
Short-term financial investments		**3,677,565**	**3,677,565**
Short-term operating receivables		**34,637,547**	**34,637,547**
Long-term financial liabilities		**94,003,838**	**94,003,838**
Long-term operating liabilities		**0**	**0**
Short-term financial liabilities		**15,732,985**	**15,732,985**
Short-term operating liabilities		**41,925,004**	**41,925,004**

We show land and investment property at their estimated value, long-term financial investments at cost less impairment, and trade receivables, short-term financial investments and liabilities at their amortised cost.

The methodology used for the estimated values is disclosed for individual categories in Chapter 12.3 of the 2018 Annual Report.

12.2.2 Accounting policies used

The accounting policies used are the same ones that the Company used in previous years.

In the current reporting period, the following new standards, amendments to the existing standards and new interpretations issued by the International Accounting Standards Committee (OMRS) and adopted by the EU, shall apply:

- **IFRS 9 "Financial Instruments"**, adopted by the EU on 22 November 2016 (effective for annual periods, commencing 1 January 2018 or later);
- **IFRS 15 "Revenue from Contracts with Customers"** and amendments to the IFRS 15 "The effective date of the IFRS 15", adopted by the EU on 22 September 2016 (effective for annual periods, commencing 1 January 2018 or later);
- **Amendments to the IFRS 2 "Share-Based Payment"** – Classification and Measurement of Share-Based Payment Transactions, adopted by the EU on 26 February 2018 (effective for annual periods, commencing on 1 January 2018 or later);
- **Amendments to the IFRS 4 "Insurance Contracts"** – Application of the IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts, adopted by the EU on 3 November 2017 (effective for annual periods, commencing on 1 January 2018 or later or upon first application of the IFRS 9 "Financial Instruments");
- **Amendments to the IFRS 15 "Revenue from Contracts with Customers"** – Interpretations to the IFRS 15 "Revenue from Contracts with Customers", adopted by the EU on 31 October 2017 (effective for annual periods, commencing on 1 January 2018 or later);
- **Amendments to the IAS 40 "Investment Property"** - Transfer of investment property, adopted by the EU on 14 March 2018 (effective for annual periods, commencing on 1 January 2018 or later);
- **Amendments to IFRS 1 and IAS 28 "Improvements to the IFRS" (2014–2016)**, which are derived from the Annual Improvement Project to IFRS Standards (IFRS 1, IFRS 12, IAS 28), in particular in order to eliminate inconsistencies and interpretations of the text, adopted by the EU on 7 February 2018 (amendments to IFRS 1 and IAS 28 should be effective for annual periods, commencing on 1 January 2018 or later);
- **IFRIC 22 "Foreign Currency Transactions and Advance Consideration"** adopted by the EU on 28 March 2018 (effective for annual periods commencing 1 January 2018 or later).

The adoption of these new standards, amendments to the existing standards and interpretations did not result in significant changes in the financial statements, and the effects are as follows:

- **IFRS 9 "Financial Instruments"** - the company's investments and shares in subsidiaries and associated companies were allocated into the investments measured at cost, and the long-term assets available for sale were allocated in financial assets measured at fair value through profit and loss.
- **IFRS 15 "Revenue from contracts with customers"** - at the end of the business year, the company reported EUR 450,326 of deferred revenues arising from the sale of goods not yet arrived to the customers in the 2018 fiscal year, and the conditions for recognition of revenue were not fulfilled in accordance to the IFRS 15.

12.2.3 Foreign currency business

Transactions denominated in a foreign currency are translated into euros according to the reference exchange rate of the European Central Bank as at the day of the transaction. Cash assets and liabilities denominated in a foreign currency as at the balance sheet date are translated into the domestic currency according to the reference exchange rate of the European Central Bank applying as at the last day of the reporting period. Exchange rate differences are recognised in the profit or loss statement.

For the purpose of consolidation, the balance sheets of subsidiaries that are not disclosed in euros were translated according to the closing mid-market reference exchange rate of the European Central Bank as at 31/12/2018, while the profit and loss statements of the subsidiaries were translated using the average rate of the European Central Bank for 2018. The difference is disclosed under the equity adjustment in the consolidated financial statements of the UNIOR Group.

12.2.4 Operating profit/loss

Operating profit or loss is defined as operating profit or loss before tax and financial items. Financial items include interest on bank balances, deposits, investments held for sale, interest paid on loans, profit or loss from the disposal of available-for-sale financial instruments, and exchange rate gains and losses from the translation of all monetary assets and liabilities in a foreign currency.

12.2.5 Significant estimates and judgements

In accordance with the International Financial Reporting Standards, the Company's management issues estimates, judgements and assumptions for the preparation of financial statements, namely those that affect the application of policies and the disclosed values of assets and liabilities, revenues and expenses. The estimates are formulated according to the experience from previous years and the expectations in the reporting period. The actual results may differ from these estimates, which is why the estimates are constantly verified and revised. Evaluations and judgements are also present in impairments of financial investments, receivables, and inventory impairments and estimates of the useful life of fixed assets. Estimates and judgements within land valuation use valuation methods which are based on the future cash flows method and comparable transactions.

Deferred taxes
Based on the estimate that there will be sufficient profit available in the future, we formed deferred tax assets arising from:

- Provisions for jubilee awards and severance pay upon retirement;
- Impairments of trade receivables;
- Impairment of financial investments,
- Investment tax relief for investments into research and development;

Deferred taxes are presented in greater detail in chapter 12.3.13 of the 2018 Annual Report.

Deferred tax assets that are recognised as part of the provisioning for jubilee awards and severance pay, are decreased by the appropriate amounts using the provisions formed and increased by the appropriate amounts with respect to the newly formed provisions.

The tax rate used for the calculation of the amount of deductible temporary differences is 19 per cent. Based on the conditions set out in the IAS 12 and the Business Plan for the coming period, we estimate that we will have taxable profits at our disposal to cover the unused tax losses in the coming years.

The disclosed deferred tax liabilities arise from taxable temporary differences from the revaluation of land (at fair value directly in equity) and severance pay.

As at the reporting date, we verify the disclosed amount of deferred tax assets and deferred tax liabilities. If the Company does not have sufficient profits available, the disclosed amount of deferred tax assets is lowered accordingly.

Provisions
The Company's management confirms the content and the amount of the provisions formed, namely on the basis of:
- the calculation of provisions for jubilee awards and severance pay;
- the estimate of the potential expected amount of damages communicated by the Company's legal department or other external attorney on the basis of existing lawsuits and claims for damages.

The amounts of the provisions formed are the best estimate of future expenditure.

12.2.6 Summary of Significant Accounting Policies and Disclosures

We present individual categories in accordance with the International Financial Reporting Standards that prescribe disclosures, including all important issues. The accounting policies used as well as the nature and the level of the importance of the disclosures are defined in the internal acts of the Company. We have also disclosed comparative information from the previous period and included the said information in the quantitative and descriptive sections for all the significant information that is reported in the financial statements. The comparative figures have been adjusted so that they are in accordance with the presentation of the information in the current year.

The accounting policies that are shown below were consistently adhered to in all periods shown in the financial statements.

Property, plant and equipment
For the land evaluation, we use the revaluation model based on the appraisal of an chartered valuation surveyor in accordance with international valuation standards at least every four years. When measuring construction facilities, devices and equipment we use the cost model. An asset is disclosed at cost less the accumulated depreciation adjustment and any accumulated impairment losses. The manner and methods for the valuation of assets due to impairment are described below under the heading "Impairment of Property, Plant and Equipment". The cost of an item of property, plant and equipment is the cash price equivalent at the recognition date. The cost of an item of property, plant and equipment comprises: its purchase price, including import duties and non-refundable purchase taxes, after deducting trade discounts and rebates; any costs directly attributable to bringing the asset to the location and the condition necessary for it to be capable of operating in the manner intended by the management and the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located. The company undertakes this obligation either when the item is acquired or as a consequence of having used the item during a particular period for purposes other than to produce inventories during that period. The revaluation of land is performed based on an appraisal by a chartered valuation surveyor. The revaluation is disclosed through equity as reserves from valuation at fair value.

In case of a significant cost value of an item of property, plant and equipment, which contains components with different estimated useful lives, we divide the item into its component parts. Each component part is treated separately. Land is treated separately and is not depreciated.

<u>Borrowing costs</u>
Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset increase the value of that asset. The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when the expenditures, borrowing costs and the activities necessary to prepare the asset for its intended use arise.

Financial lease
At the beginning of a lease, we recognise the financial lease in the balance sheet as an asset and liability at the amounts equal to the fair value of the leased asset or, if the value is lower, at the present value of the minimum lease payments, whereby both values are determined upon the conclusion of the lease. When calculating the present value of the minimum lease payments, the discount rate is the interest rate associated with the lease, provided that it can be determined, otherwise, we use the assumed interest rate for borrowing, which should be paid by the lessee. We add all of the initial direct costs borne by the lessee to the amount recognised as an asset.

Subsequent expenditure
The subsequent expenditure associated with the replacement of an item of property, plant and equipment increases its value. Other subsequent expenditures associated with an item of property, plant and equipment increase its value if it is likely that its future economic benefits will exceed the originally estimated ones, or that its useful life will be prolonged. All other expenditures are recognised as expenses when they arise.

Amortisation and depreciation
The amount of depreciation in each period is recognised in the profit or loss. We begin to depreciate an asset when it is available for use. Fixed assets are depreciated according to the straight-line depreciation method taking into account the estimated useful life of each item of property, plant and equipment. The depreciation method used is examined at the end of each financial year. The residual value of an asset is only taken into account for important items, also taking into account the costs of the liquidation of the item of property, plant and equipment. We do not depreciate land and works of art.

Depreciation rates, used by the company, are the following:

	Lowest (in %)	Highest (in %)
Property, plant and equipment:		
Properties:		
Real estate	0.2	20.4
Built buildings	0.2	5.0
Other buildings	2.0	20.4
Equipment:		
Production equipment	0.5	25.2
Computer and electrical equipment	0.0	50.0
Fork lifts and hoists	4.0	23.5
Automobiles and tractors	3.0	26.7
Cleaning and heating equipment	2.0	20.1
Measuring and control devices	0.0	25.0
Furniture – office and other	0.2	20.0
Other equipment	12.0	25.0

Derecognition
The recognition of the carrying amount of individual items of property, plant and equipment is reversed upon disposal or if we do not expect any future economic benefits from its use or disposal. Gains or losses arising from the derecognition of an item of property, plant and equipment are included in the profit or loss when any of the conditions are met.

Intangible assets
An intangible asset is initially recognised at cost. After the initial recognition, intangible assets are disclosed at cost less the amortisation adjustment and the eventual impairment loss. Development costs incurred shall be recognised as intangible assets if the Company can demonstrate the following:

the technical feasibility of completing the project so that it will be available for use or sale; its intention to complete the project and use or sell it; its ability to use or sell the project; the likelihood that the project will generate future economic benefits (the existence of a market for the output of the project or the project itself or, if the project is to be used internally, the usefulness of the project); the availability of technical, financial and other resources to complete the development and to use or sell the project, and its ability to reliably measure the expenditure attributable to the intangible asset during its development (the capitalisation of costs).

Goodwill

Goodwill is valued at the fair value of the transferred purchase consideration, including the recognised value of any non-controlling interest in the acquiree less the net recognised value of the acquired assets and liabilities valued as at the acquisition date. The transferred purchase consideration includes the fair value of the transferred assets, liabilities to the previous owners of the acquiree and the shares issued by the company. The Company's management performs an annual assessment of whether an impairment of the intangible asset is necessary.

Emission coupons

Long-term deferred costs of emission coupons allocated by the Slovenian Environment Agency operating within the scope of the Ministry of the Environment and Spatial Planning are disclosed as part of the intangible long-term fixed assets.

Amortisation and depreciation

Amortisation begins when an asset is available for use, i.e. when it is at the location and in the condition necessary for it to function as planned.

The carrying amount of an intangible asset is decreased according to the straight-line amortisation method over the asset's useful life.

The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each financial year. If the expected useful life of the asset differs from previous estimates, the amortisation period is changed accordingly.

The useful life of an intangible asset that arises from contractual or other legal rights does not exceed the period of validity of contractual or other legal rights, but may be shorter, depending on the period in which we expect to use the asset. The estimated useful life of other intangible assets is five years.

Depreciation rates, used by the company, are the following:

	Lowest (in %)	Highest (in %)
Intangible long-term fixed assets:	3.0	20.0

Investment property

We hold investment properties with the aim of generating rent or increasing the value of a long-term investment. We use the fair value method for the measurement of investment property, whereby an appraisal from a chartered valuation surveyor serves as the basis for the measurement. Revenues are recognised in the profit and loss statement. Investment properties are not depreciated.

Financial investments

Financial investments into subsidiaries, associates and joint ventures or other companies are valued at cost. The same method is also used for unrelated undertakings.

Financial instruments

Financial instruments can be classified into classes, namely:

1. Financial instruments measured at amortised cost;
2. Financial instruments measured at fair value through other comprehensive income; and
3. Financial instruments measured at fair value through profit and loss.

Financial instruments at amortised cost

The company classifies these financial instruments as the financial assets held within the business model for the acquisition of the contractual cash flows if the cash flows represent only payments of principal and interest from unsettled principal (loans, receivables and unlisted debt securities). A financial instrument is recognised at fair value, plus the direct costs of the transaction. Profit and loss is recognised in the profit or loss account upon elimination, modification or impairment.

Financial instruments at fair value through other comprehensive income

We have formed a group for equities, which we might decide - in case of recognition - to keep them in our portfolio for long-term purposes and not to intend them for the purposes of trading. Upon initial recognition, they are measured at purchase price, to which we add the transaction costs arising from the acquisition of the financial asset. Gains and losses arising from these financial instruments are never allocated in the statement of profit or loss. Dividends from financial instruments classified into this group are recognised as financial revenue in the statement of profit or loss.

Financial instruments measured at fair value through profit and loss

Financial instruments allocated into this group are intended for trading, as well as financial instruments, the company needs to measure at their fair value. Gains and losses arising from these financial instruments are allocated in the statement of profit or loss. Dividends from financial instruments classified into this group are recognised as financial revenue in the statement of profit or loss.

Operating receivables

We record long-term and short-term trade receivables due from our buyers, the state and the employees in the books of account separately. We also disclose interest on the above receivables among operating receivables. Long-term and short-term operating receivables are initially disclosed at amounts arising from the contracts or relevant bookkeeping documents. We translate the operating receivables denominated in foreign currencies on the last day of the financial year into the domestic currency according to the reference exchange rate of the European Central Bank.
The suitability of the disclosed size of an individual receivable is determined at the end of the reporting period based on informed evidence regarding expected cash flows for repayment. The impairment of receivables is formed on the basis of expected losses on the basis of the risk that the receivables would not be repaid. We take into account historical, current and future-oriented information on payments.

Commodity loans

The Company extends commodity loans to companies within the Group and associated companies for their operations. Commodity loans are recognised among long-term trade receivables. We can charge interest for commodity loans. Value adjustments for commodity loans are made after the Company's management assesses them individually.

Loans granted

Upon initial recognition, loans granted are disclosed at their amortised costed cost taking into account the effective interest method. Depending on their maturity date, they are classified as long-term or short-term assets as at the settlement date. With the aim of managing credit risk, we determine the maturity of the loan and the settlement method according to the borrower's credit rating, secured by the traditional security or instruments (e.g. blank bills of exchange, pledge of securities and other property or (im)movables, the possibility of a unilateral offsetting of mutual obligations, etc.). In case of any failure to fulfil the contractual obligations of the borrower we approach the realisation of collateral. For assessing the repayability of loans granted, we use the cash flow availability assessment method of the creditor for the repayment and the net asset value method to assess the assets the creditor disposes of and are the basis for the repayment of the loans granted.

Loans received
We record the received loans at the amortised cost upon their initial recognition, whereby taking into account the effective interest method. The structure of the received loans is dominated by bank loans with the repayment of the principal on the expiry of the loan agreement. Depending on their maturity, they are classified as long-term or short-term financial liabilities upon recognition. On the last day of the year, all financial liabilities that fall due within the next year are transferred to short-term financial liabilities. Loans received are secured with blank bills of exchange, receivables, stocks and mortgages on movable and immovable property.

Assets held for sale
Assets (disposal groups) for sale are non-current assets intended for sale and their value will be repaid with the sale within the next twelve months and not by their use. In the group of assets for sale long-term assets are reclassified at a time when sales are highly probable, which means that we have a known buyer and a pre-contract or contract for the sale of such an asset. Assets on assets held for sale are reclassified at carrying amount as they were shown among long-term assets regardless of the expected receipt for this asset. Assets for sale are not amortised.

Inventories
Inventories are valued at their historical cost or net realisable value, namely at the lower of the two values. The net realisable value is the estimated selling price in the ordinary course of business decreased by the estimated costs of completion and sale. The unit price of an item held in inventory includes the costs incurred when acquiring inventories and bringing them to their present location and condition. For finished products and work-in-progress, the costs include a corresponding proportion of production costs with the normal use of production assets. The consumption of inventories is disclosed according to the weighted average cost method. At the end of the year, the Company verifies the inventories that have not had any movement in the current year and impairs them to their realisable value.
The Company formulates inventory adjustments according to their age, namely:
- for inventories that have not had any movement in the current year, an adjustment in the amount of 5 per cent of the inventories value is formed,
- for inventories that have not had any movement in two years, an adjustment in the additional amount of 15 per cent of the inventories value is formed,
- for inventories that have not had any movement in three years, an adjustment in the additional amount of 10 per cent of the inventories value is formed,
- for inventories that have not had any movement in four years, an adjustment in the additional amount of 10 per cent of the inventories value is formed,
- for inventories that have not had any movement in five years or more, an adjustment in the additional amount of 10 per cent of the inventories value is formed.

Cash
Cash includes cash in hand and sight deposits and bank deposits with a maturity of up to three months. The balance of cash and cash equivalents denominated in foreign currencies is translated into the domestic currency according to the reference exchange rate of the European Central Bank applying as at the last day of the financial year.

Equity

Share capital

The share capital of UNIOR d.d., is divided into 2,838,414 ordinary registered no-par value shares that are that are issued in the name and are freely transferable.

Dividends

Dividends are recognised in the Company's financial statements when the General Meeting of Shareholders adopts the decision to distribute dividends.

The Redemption of Treasury Shares

We did not trade in treasury shares in 2018.

Provisions

Provisions for severance pay and jubilee awards

In accordance with the corporate collective agreement and statutory provisions, the Company is required to account and pay jubilee awards and severance pay upon retirement. For the measurement of these types of earnings, we use a simplified method of accounting, which requires the valuation of actuarial liabilities in accordance with the expected growth in salaries from the date of valuation up to the envisaged retirement of an employee. This means the imputation of earnings in proportion to the work performed. The estimated liability is recognised in the amount of the present value of expected future expenditures. When measuring them, we also estimate the projected increase in salaries and staff turnover.

Based on the calculation, we recognise gains or losses in the current year in the income statement. The main parameters taken into account in the calculation are the retirement age of 60 years for women and 62 for men, the required length of service for 40 years, the discount rate of 1.2 per cent and the annual wage growth of 2.2 per cent.

Government grants

Government grants are recognised at fair value, but not until there is reasonable assurance that UNIOR d.d. will fulfil the conditions in relation to them and receive the support. Government grants are recognised as income in periods matched to the related costs these grants are supposed to cover. If a government grant relates to a particular asset, it is recognised as deferred income, which UNIOR d.d. recognises in the income statement in the period of the expected useful life of the asset in equal annual amounts.

Financial liabilities

Financial liabilities are initially recognised at fair value excluding any transaction costs incurred. In subsequent periods, financial liabilities were measured according to their repayment value by using the valid interest method. Any difference between receipts (excluding transaction costs) and liabilities is recognised in the income statement throughout the period of financial liability.

Profit tax

Profit tax is accounted in accordance with the Corporate Income Tax Act. The basis for the accounting of the income tax is the gross profit increased by expenses not recognised for tax purposes and decreased by legally permitted tax relief. The tax liability for corporate income tax is calculated from the resulting amount. In 2018, the tax base is positive and is covered by past tax deductions.

Deferred taxes

With the aim of demonstrating an appropriate profit or loss in the reporting period, we also accounted for deferred taxes. These are disclosed as deferred tax assets and deferred tax liabilities.

We used the balance sheet liability method when accounting for deferred taxes. The carrying amounts of assets and liabilities were compared with their tax base, and the difference between the two values was defined as a permanent or temporary difference. Temporary differences were divided into taxable and deductible. The taxable temporary differences increased the taxable amounts and deferred tax liabilities. The deductible temporary differences decreased our taxable amounts and increased the deferred tax assets.

Income

Revenues from services rendered

Operating revenues are recognised when it is reasonable to expect that they will lead to receipts if these have not been realised upon their occurrence and if they can be reliably measured, we use a five-level model in accordance with MRSP 15.

When recognising revenues from the services rendered, we use the method of the percentage of completion as at the balance sheet date. We use this method when recognising revenues in the reporting period of the services rendered. We disclose the amounts of each significant category of revenue recognised in the period and the already generated revenues on domestic and foreign markets. Revenues on the domestic market are the revenues earned in Slovenia, and foreign markets are the EU countries and third countries.

Revenues from the sale of products, goods and materials

Revenues from the sale of products, goods and materials are measured on the basis of the prices indicated in the invoices and other documents decreased by discounts granted upon sale or later. The substantively matching items from previous periods are also disclosed among the revenues from the sale of products, goods, materials and the services rendered.

Rental income

Rental income mainly comprises income from investment property, i.e. buildings and land that we let under operating leases. The Company classifies rental income as operating income.

Other operating revenues with operating revenues from revaluation

We disclose grants, subsidies, premiums and revenues from the revaluation generated from the sale of fixed assets and the reversal of provisions in the net amount among other revenues.

Financial revenue and financial expenses

Financial revenue comprises revenue from the interest received for the loans granted, dividend income, income from the disposal of available-for-sale financial assets and exchange rate gains. Interest income is recognised when it occurs, using the effective interest method. Dividend income is disclosed in the profit or loss when the right to the payout is exercised.

Financial expenses comprise interest costs on borrowings, exchange rate losses and losses arising from the impairment of financial assets, which are recognised in the income statement. Loan costs are recognised in the profit or loss statement using the effective interest method.

Gross operating profit

Gross operating profit comprises sales revenues, changes in the value of inventories of finished products and work-in-progress, capitalised own products and services as well as other operating revenues.

Expenses – Costs

Costs are recognised as expenses in the period in which they occur. We classify them according to their nature. We disclose them according to their types within the scope of the Company's three-digit chart of accounts. Expenses are recognised if the decrease in economic benefits in the reporting period is associated with decreases in assets or increases in debt and if this decrease can be reliably measured.

Profit or loss
Profit or loss consists of the operating profit or loss increased by financial income and decreased by financial expenses.

The Impairment of Property, Plant and Equipment
If there is any indication that an asset may be impaired, we estimate its recoverable amount. If the asset's recoverable amount cannot be estimated, the Company determines the recoverable amount of the cash-generating unit the asset belongs to. Impairment is disclosed in the income statement and, in case of the revaluation of land, in the capital revaluation surplus. Impairment losses need to be reversed if there are changes in the estimates that were used to determine the recoverable amount of the assets. The loss due to the impairment of the asset is reversed only up to the amount that does not entail the increased carrying amount of an asset exceeding the carrying amount that would have been determined after the deduction of the depreciation write-off, if the impairment loss was not recognised as an asset in prior years. The reversal of a loss is recognised in the profit or loss as an income. For land we determine fair value by valuation.

Impairment of intangible assets
We verify intangible assets as at the reporting date for impairment purposes. Where the recoverable amount is lower than the carrying amount of an asset, the carrying amount is decreased to the asset's recoverable amount. The Company states such a decrease as an impairment loss and posts it as an operating expense from revaluation.

Impairment of Financial Assets
At each reporting date, the Company performs a test of the assessment of the impairment of financial investments according to the selected criteria defined in the rules on accounting in order to determine whether there is objective evidence of potential impairment of the financial investment. If such reasons exist, we calculate the amount of the impairment loss.

If we find that it is necessary to perform an impairment of the financial investments disclosed at the amortised cost, the amount of the loss is measured as the difference between the carrying amount of the financial investment and the present value of expected future cash flows discounted by the original effective interest rate. We recognise the amount of the loss in profit or loss. If the reasons for the impairment of a financial investment cease to exist, the reversal of the impairment of a financial investment disclosed at the amortised cost is recognised in the profit or loss.

When financial investments are measured at fair value through other comprehensive income, they are measured at initial recognition at initial cost, including the cost of the transaction arising from the purchase of a financial asset. Gains and losses arising from these financial instruments are never allocated in the statement of profit or loss.

For financial instruments measured at fair value through profit or loss, gains and losses arising from these financial instruments are allocated to the income statement.

Statement of other comprehensive income
The statement of other comprehensive income shows items (including potential adjustments for reclassification) that are not recognised in the profit or loss as required or permitted by other IFRS.

Cash flow statement
The Company reports cash flows from operations using the direct method based on the items in the balance sheet as at 31/12/2018 and 31/12/2017, as well as the income statement for 2018 and the additional data required for the adjustment of outflows and inflows.

Statement of Changes in Equity
The statement of changes in equity shows the movement of the individual components of equity in the financial year (the total revenues and expenditures as well as the transactions with owners in their capacity as owners), including the allocation of net profit. The statement of comprehensive income, which increases the net profit of the current year by all of the revenues that we recognised directly in equity, is included.

12.2.7 New Standards and Interpretations that have not yet Entered into Force

Standards and interpretations issued by the IASB and adopted by the European Union that have not yet entered in force

At the date of approval of these financial statements, the following standard, amendments to the existing standard and an explanation issued by the IASB and adopted by the EU have not yet entered into force:

- **IFRS 16 "Leases"** adopted by the EU on 31 October 2017 (effective for annual periods beginning on or after 1 January 2019),
- **Amendments to IFRS 9 "Financial Instruments"** - Elements of the Advance Payment with Negative Compensation adopted by the EU on 22 March 2018 (effective for annual periods beginning on or after 1 January 2019),
- **IFRIC 23 "Uncertainty in the Treatment of Profit Tax"** adopted by the EU on 23 October 2018 (applies to annual periods beginning on or after 1 January 2019).

The company has decided not to use the new standard, changes to existing standards and new interpretations prior to the dates of their validity. The company foresees that the introduction of these standards and changes to existing standards during the initial period of application will not have a significant impact on the financial statements, but the effects are as follows:

- **IFRS 16 "Leases"** - long-term assets and financial liabilities in the balance sheet of UNIOR d.d., in order to take into account the disclosure of leases, increase by EUR 2,164,403 and the impact on the profit and loss account of UNIOR dd is EUR 81,845. Impact on the balance sheet of the UNIOR Group - increase in long-term assets amounts to EUR 2,839,842 and the impact on the income statement of the UNIOR Group amounts to EUR 70,433.

New standards and amendments of the existing standards issued by the IASB, but not yet adopted by the European Union

At present, IFRS as adopted by the EU do not fundamentally differ from those adopted by the International Accounting Standards Board (IASB) with the exception of the following new standards and changes to existing standards, which as of 31/12/2018 (the dates of entry into force below apply to IFRS as issued by the IASB):

- **IFRS 14 "Regulatory Deferral Accounts"** (effective for annual periods, commencing on 1 January 2016 or later) – The European Commission decided not to start the process of approving this intermediate standard and to wait for the issue of its final version,

- **IFRS 17 "Insurance Contracts"** (effective for annual periods beginning on or after 1 January 2021),
- **Amendments to IFRS 3 "Business Combinations"**- Definition of a business entity (effective for business combinations where the acquisition date is the same as the start date of the first annual reporting period beginning on or after 1 January 2020 and the acquisition of assets that occur at the beginning this period or beyond),
- **Amendments to the IFRS 10 "Consolidated Financial Statements" and the IAS 28 "Investments in Associates and Joint Ventures"** – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture and further amendments (the date of the commencement has been deferred indefinitely until the completion of the research project associated with the equity method),
- **Amendments to IAS 1 "Presentation of Financial Statements" and IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors"**- Definition *Essential* (applies to annual periods beginning on or after 1 January 2020),
- **Amendments to IAS 19 "Earnings of Employees"** - the planning of changes, restrictions and settlements (effective for annual periods, commencing on 1 January 2019),
- **Amendments to IAS 28 "Investments in Associate Companies and Joint Ventures"** - The long-term investments in associates and joint ventures (effective for annual periods, commencing on 1 January 2019 or later),
- **Amendments to different standards "Improvements to the IFRS Standards" (cycle 2015–2017)"**, which are derived from the Annual Improvement Project to the IFRS (IFRS 3, IFRS 11, IAS 12 and IAS 23), in particular in order to eliminate inconsistencies and interpretations of the text (effective for annual periods beginning on or after 1 January 2019),
- **Amendments to references to the conceptual framework in IFRS** (effective for annual periods beginning on or after 1 January 2020).

The company anticipates that the introduction of these new standards, changes to existing standards and new explanations during the initial period of application will not have a significant impact on the financial statements.

Hedge accounting in relation to a financial assets and liabilities portfolio whose principles the European Union has not yet adopted, is still unregulated.

12.3 Notes on the Balance Sheet

12.3.1 Intangible assets

(in EUR)	Goodwill	Deferred costs costs	Investments rights to to ind. property	Other intangible assets	IFA in acquisition	Total
Purchase value						
Balance as at 31 December 2017	484,728	12,377,042	2,412,165	143,264	18,650	15,435,849
Direct increases – investments	0	0	0	6,951	0	6,951
Transfer from investments in progress	0	6,300	0	0	(6,300)	0
Decreases during the year	0	0	(150,545)	(24,870)	(9,100)	(184,515)
Balance as at 31 December 2018	484,728	12,383,342	2,261,620	125,345	3,250	15,258,285
Value adjustment						
Balance as at 31 December 2017	80,788	8,759,803	2,111,501	0	0	10,952,092
Amortization and depreciation in the year	0	895,412	35,286	0	0	930,698
Impairment	0	0	(150,545)	0	0	(150,545)
Balance as at 31 December 2018	80,788	9,655,215	1,996,242	0	0	11,732,245
Current value as at 31 December 2018	**403,940**	**2,728,127**	**265,378**	**125,345**	**3,250**	**3,526,040**
Current value as at 31 December 2017	403,940	3,617,239	300,664	143,264	18,650	4,483,757

(in EUR)	Goodwill	Deferred costs costs	Investments rights to to ind. property	Other intangible assets	IFA in acquisition	Total
Purchase value						
Balance as at 31 December 2016	484,728	9,744,523	4,540,257	165,153	86,032	15,020,693
Transfer to UNITUR d.o.o.	0	0	(1,938,571)	0	0	(1,938,571)
Direct increases – investments	0	2,632,519	4,998	7,234	6,300	2,651,051
Transfer from investments in progress	0	0	73,682	0	(73,682)	0
Decreases during the year	0	0	(268,201)	(29,123)	0	(297,324)
Balance as at 31 December 2017	484,728	12,377,042	2,412,165	143,264	18,650	15,435,849
Value adjustment						
Balance as at 31 December 2016	80,788	7,951,122	2,818,800	0	0	10,850,710
Transfer to UNITUR d.o.o.	0	0	(477,022)	0	0	(477,022)
Amortization and depreciation in the year	0	808,681	37,924	0	0	846,605
Impairment	0	0	(268,201)	0	0	(268,201)
Balance as at 31 December 2017	80,788	8,759,803	2,111,501	0	0	10,952,092
Current value as at 31 December 2017	**403,940**	**3,617,239**	**300,664**	**143,264**	**18,650**	**4,483,757**
Current value as at 31 December 2016	403,940	1,793,401	1,721,457	165,153	86,032	4,169,983

The company received 6,951 emission coupons from the Ministry of the Environment and Spatial Planning, the Slovenian Environmental Agency for 2018. These coupons are recorded in the books of account at the value of 1 euro. In 2018, the Company settled its liabilities for 2018 in the amount of 7,363 coupons. On 31/12/2018 the state of the emission coupons amounted to 14,917.

The reduction of intangible fixed assets in the amount of EUR 0.9 million represents depreciation of long-term deferred development costs in the Special Machines Programme. Among other intangible fixed assets in the amount of EUR 125,345, emission coupons and long-term deferred costs and accrued revenues are disclosed.

The Company has no intangible fixed assets pledged as collateral for its debts.

12.3.2 Property, plant and equipment

(in EUR)	Land	Buildings	Production equipment	Small tools	Fixed assets under acquisition	Total
Purchase value						
Balance as at 31 December 2017	10,512,295	58,998,907	129,996,116	597,668	6,744,074	206,849,060
Direct increases – investments	131,001	0	0	0	13,160,790	13,291,791
Transfer from investments in progress	0	2,627,758	7,381,601	0	(10,009,359)	0
Decreases during the year	(357,315)	(393,272)	(4,620,919)	(115)	(75,359)	(5,446,980)
Revaluation	304,388	0	0	0	0	304,388
Balance as at 31 December 2018	10,590,369	61,233,393	132,756,798	597,553	9,820,146	214,998,259
Value adjustment						
Balance as at 31 December 2017	0	34,550,428	92,531,085	593,523	0	127,675,036
Amortization and depreciation in the year	0	1,418,029	4,688,029	3,498	0	6,109,556
Decreases during the year	0	(309,648)	(3,961,857)	(115)	0	(4,271,620)
Balance as at 31 December 2018	0	35,658,809	93,257,257	596,906	0	129,512,972
Current value as at 31 December 2018	**10,590,369**	**25,574,584**	**39,499,541**	**647**	**9,820,146**	**85,485,287**
Current value as at 31 December 2017	10,512,295	24,448,479	37,465,031	4,145	6,744,074	79,174,024

(in EUR)	Land	Buildings	Production equipment	Small tools	Fixed assets under acquisition	Total
Purchase value						
Balance as at 31 December 2016	32,709,337	123,189,983	144,864,625	612,080	7,872,927	309,248,952
Transfer to UNITUR d.o.o.	(22,437,589)	(69,084,504)	(19,359,419)	0	(696,033)	(111,577,544)
Direct increases – investments	262,480	4,425	19,659	0	11,009,721	11,296,285
Transfer from investments in progress	0	5,740,933	5,675,763	0	(11,416,696)	0
Decreases during the year	(21,933)	(851,930)	(1,204,513)	(14,412)	(25,845)	(2,118,632)
Revaluation	0	0	0	0	0	0
Balance as at 31 December 2017	10,512,295	58,998,907	129,996,116	597,668	6,744,074	206,849,060
Value adjustment						
Balance as at 31 December 2016	0	63,919,763	104,470,877	570,944	0	168,961,584
Transfer to UNITUR d.o.o.	0	(30,599,508)	(14,960,584)	0	0	(45,560,092)
Amortization and depreciation in the year	0	1,302,988	4,199,785	36,991	0	5,539,764
Decreases during the year	0	(72,816)	(1,178,992)	(14,412)	0	(1,266,220)
Balance as at 31 December 2017	0	34,550,428	92,531,085	593,523	0	127,675,036
Current value as at 31 December 2017	**10,512,295**	**24,448,479**	**37,465,030**	**4,145**	**6,744,074**	**79,174,024**
Current value as at 31 December 2016	32,709,337	59,270,220	40,393,748	41,136	7,872,927	140,287,368

Among property, plant and equipment, the company has disclosed assets that were gained by financial lease in the cost of EUR 895,861 (EUR 1,145,779 in 2017) and the present value as at 31/12/2018 of EUR 595,664 (EUR 760,765 in 2017).

The largest investments were aimed at modernising and expanding the machine's production capacities, the main part of the Forge Programme, where we purchased two new forging lines and a large number of machine tools for the needs of increased production. The largest investment of the Hand Tools Programme is the delivery of the whole assembly machine for laser cutting of sheet metal at the plant in Lenart. In 2018, the company earmarked EUR 3.4 million in the completion and upgrading of production facilities.

As a guarantee for debts, the company has pledged land and buildings at an estimated value of EUR 56,650,000, as well as production equipment at the present value of EUR 21,113,895.

Due to changes, the land was revaluated to its fair value on the basis of an appraisal report, compiled by an authorised real estate appraiser, according to the balance as at 31/12/2018. The method used by the surveyor was the market sales method, which indicates the value with the comparison of the valuated property with equal or similar properties for which the information on price was available. On the basis of the sales prices achieved and the adjustments, an indicative price, which a comparable property would achieve on the market, was taken into account. Public utility charges were added to the land valuation, namely as a right attributed to the construction land where the facilities with issued building permits are located.

The value of revalued land at cost is EUR 2,926,853.

12.3.3 Investment property

Investment properties

(in EUR)	31/12/2018	31/12/2017
Land	7,379,503	7,295,439
Buildings	6,169,610	6,166,176
Total	**13,549,113**	**13,461,616**

Changes in investment properties

(in EUR)	31/12/2018	31/12/2017
Opening balance as at 1 January	**13,461,616**	**13,761,637**
Transfer to UNITUR d.o.o.	0	(183,688)
Acquisitions	3,434	55,146
Revaluation	84,063	0
Additional transfer UNITUR d.o.o.	0	(171,480)
Closing balance as at 31 December	**13,549,113**	**13,461,616**

Investment property includes land and buildings intended for resale or rentals, at the locations of Maribor and Zreče. Investment property is measured at fair value through profit or loss. In 2018, fair value was determined based on an appraisal by a chartered property surveyor according to the balance as at 31/12/2018. For land intended for sale and disclosed among investment properties, the surveyor used the market sales method, which indicates the value with the comparison of the valuated property with equal or similar properties for which the information on price is available. On the basis of the sales prices achieved and the adjustments, an indicative price, which a comparable property would achieve on the market, was taken into account. Public utility charges were added to the land valuation, namely as a right attributed to the construction land where the facilities with issued building permits are located.

The method of assessing the value of the investment property for the location of the production halls in Maribor is the market sales method for determining the value of the land. In the appraisal report, the chartered surveyor considered the value obtained by the income capitalisation approach, which represents a market valuation. The income capitalisation approach is based on the capitalisation of the expected stable profit that will be generated by the holder of the property rights through the use of the property. The basis for assessing the stable profit are the rents which are charged by the owner to tenants in accordance with the intended purpose of the property. The capitalisation rate was established on the basis of the build-up approach and amounts to 7.5 per cent for the production and storage facilities and 8.5 per cent for offices.

The cost of rent in 2018 amounted to EUR 572,773, while in 2017 it amounted to EUR 282,988. The increase is due to the fact that in December 2017 the company started with the hire and wash service of work clothes for all employees, and in the last quarter of 2018 rented server and computer capacity.

The minimum sum of rents from operating leases – receivables

(in EUR)	2018	2017
Up to 1 year	984,469	971,484
From 2 to 5 years	3,937,876	3,885,936
More than 5 years	4,922,344	4,857,420
Total	**9,844,689**	**9,714,841**

The minimum sum of rents from operating leases – liabilities

(in EUR)	2018	2017
Up to 1 year	572,773	339,899
From 2 to 5 years	2,291,091	1,359,597
More than 5 years	2,863,863	1,699,496
Total	**5,727,727**	**3,398,992**

Future rents are related to renting the production hall in Maribor, a production line for powder coating and the rental of classrooms, apartments and parking lots.

The company pays rents for its business and storage facilities for the needs of the Special Machines Programme, for a parking space at the Obdelava odkovkov plant in Slovenske Konjice and for hire of working clothes for all employees.

12.3.4 Long-term financial investments

Investments in subsidiary companies valued at cost

(in EUR)	Share	31/12/2018	31/12/2017
in the country:			
ROGLA INVESTICIJE d.o.o. Zreče	100.000	385,368	385,368
SPITT d.o.o. Zreče	100.000	265,000	265,000
UNITUR d.o.o. Zreče	100.000	6,483,792	6,483,792
		7,134,160	7,134,160
abroad:			
UNIOR Produktions- und Handels-GmbH Ferlach	99.550	510,000	0
UNIOR DEUTSCHLAND GmbH Leonberg	100.000	1,052,614	1,052,614
UNIOR FRANCE S.A.S. Melun	100.000	0	0
UNIOR ITALIA S.R.L. Limbiate	95.000	71,202	71,202
UNIOR SPAIN S.L. Uharte-Arakil	95.000	398,718	398,718
UNIOR INTERNATIONAL Ltd. Lincolnshire	100.000	0	0
UNIOR MAKEDONIA d.o.o. Skopje	97.360	560,000	650,000
UNIOR PROFESSIONAL TOOLS Ltd St. Petersburg	55.000	178,332	178,332
UNIOR COMPONENTS d.o.o. Kragujevac	100.000	4,908,158	4,908,158
NINGBO UNIOR FORGING Co.Ltd. Yuyao	50.000	1,983,530	1,983,530
UNIOR NORTH AMERICA Inc. Novi	100.000	81,480	0
UNIOR BULGARIA Ltd, Bulgaria	77.310	2,000	102,400
UNIOR VINKOVCI d.o.o. Vinkovci	100.000	5,192,282	2,770,573
UNIOR HUNGARIA Kft. Nagyrecse	70.000	0	0
		14,938,316	12,115,527
Total subsidiaries		**22,072,476**	**19,249,687**

Investments in subsidiary companies valued at cost

(in EUR)	Share	31/12/2018	31/12/2017
in the country:			
RHYDCON d.o.o. Šmarje pri Jelšah	33.500	0	699,366
ŠTORE STEEL d.o.o., Štore	29.253	1,274,260	1,274,260
RC SIMIT d.o.o. Kidričevo	20.000	200,000	200,000
		1,474,260	2,173,626
abroad:			
UNIOR SINGAPORE Pte. Ltd. Singapore	40.000	0	0
UNIOR TEOS ALATI d.o.o., Belgrade	20.000	423,000	423,000
UNIOR TEPID, S.R.L. Brasov	49.000	765,075	765,075
SINTER a.d. Užice	25.067	0	50,000
UNIOR TEHNA d.o.o. Sarajevo	25.000	150,000	150,000
		1,338,075	1,388,075
Total associated companies		**2,812,335**	**3,561,701**

For investments in affiliated companies, the company earmarked EUR 3.6 million in 2018, namely EUR 2.4 million for the purchase of a 44.65 per cent ownership interest in UNIDAL d.o.o. and later, the legally necessary recapitalisation of the renowned company UNIOR Vinkovci d.o.o. Croatia. Another EUR 81,000 was intended for the initial capital payment for UNIOR NORTH AMERICA Inc. in the United States, and EUR 1.1 million was a conversion of receivables into equity of Unior International Ltd. in liquidation. In cases of capital injections of UNIOR Vinkovci d.o.o. and UNIOR International Ltd. this is a legal necessary recapitalisation to ensure the positive capital of an individual company. The company sold the investment in the associate Rhydcon d.o.o. namely another co-owner of Hansa-Flex Armedring GmbH from Germany for the purchase price of EUR 1.2 million.

The company includes subsidiaries in which it holds a 50 per cent equity stake and a resulting dominant influence, into the consolidated financial statements.

Financial assets measured at fair value through profit or loss

(in EUR)	31/12/2018	31/12/2017
Other investments	114,451	111,211
Total in other companies and banks	**114,451**	**111,211**

Long-term financial investments in debts measured at the amortized cost

(in EUR)	31/12/2018	31/12/2017
issued to subsidiaries:		
Long-term credit RTC KRVAVEC d.d.	0	3,312,598
Long-term credit SPITT d.o.o.	136,877	155,127
Long-term credit UNIOR Vinkovci d.o.o.	1,890,000	1,975,000
Long-term credit UNIOR HUNGARIA Kft.	455,234	725,154
Long-term credit NINGBO UNIOR FORGING Co.Ltd.	0	756,133
Long-term credit UNIOR BULGARIA Ltd	192,000	288,000
Long-term credit UNIOR ESPANA S.L.	388,888	0
Transfer to short-term investments	(806,156)	(1,075,383)
issued to others:	0	0
Long-term credit Jorgić Broker a.d.	5,538	15,578
Long-term credit BIONIC MEDICAL d.o.o.	42,857	64,285
Long-term credit TEMNIK Primož	0	8,102
Long-term deposit for excise duties	2,925	2,925
Transfer to short-term investments	(21,428)	(29,531)
Total in liabilities	**2,286,735**	**6,197,988**
Total long-term financial investments excluding treasury shares	**27,285,997**	**29,120,587**

Long-term loan Unior Hungaria Kft. is secured by a mortgage on real estate owned by UNIOR Hungaria Kft. The value of the mortgage is EUR 753,075, the loan matures on 31/12/2019 and the interest rate is 6 month Euribor + 3 per cent. Since we estimate that there is a probability that the loan will not be fully repaid, a correction of the value of the loan in the amount of EUR 600 thousand is already made. For the purpose of repayment of the rest of the loan, the pledged property is for sale and it has been estimated that the sale price will exceed the value of the disclosed loan. Other long-term investments into loans are not secured with a pledged property. The long-term loans presented are fully repayable.

Receipts accruing from interests in 2018 amounted to EUR 238,925 and EUR 310,696 in 2017.

Changes in long-term investments in shares, stakes and loans

(in EUR)	2018	2017
Investments in shares and stakes as at 1 January	**29,120,587**	**21,228,669**
Transfer to UNITUR d.o.o.	0	(12,519)
Increases:		
Acquisition of shares and stakes	3,577,544	1,868,650
Spin-off of UNITUR d.o.o.	0	6,483,792
Increase of investments in liabilities	430,080	2,004,859
Return of a short-term part of investments in liabilities	0	695,295
Reversal of impairments	510,000	300,000
Revaluation to fair value	3,240	0
Other increases – reconciliation of investment payments	0	32,309
Decreases:		
Sale of shares and stakes	(699,366)	(26,636)
Termination	(50,000)	(845)
Transfer on assets intended for sales	0	(610,065)
Repayments of long-term loans granted	(3,213,749)	(731,675)
Short-term part of investments in liabilities	(827,584)	(1,104,914)
Impairment of investment	(1,564,755)	(1,006,333)
Balance as at 31 December	**27,285,997**	**29,120,587**

Impairment in 2018 represents impaired value adjustments of long-term financial investments in the amount of EUR 1,074 thousand for UNIOR International Ltd because the company is in liquidation proceedings and EUR 100 thousand rectified the investment in UNIOR Bulgaria Ltd and EUR 90 thousand in the investment in UNIOR Makedonija d.o.o., based on the valuation of the value of the investments by an authorised valuer of the value of the certified assessor companies. EUR 300 thousand represents an additional impairment of the long-term loan to UNIOR Hungaria Kft. due to the risk that the loan will not be repaid in full. The elimination of the impairment of the investment in UNIOR Ferlach GmbH, which was fully impaired in past years, amounting to EUR 510 thousand, was also carried out on the basis of a valuation by a qualified appraiser to the value of the company. The basis for valuation is the fair value of the company, less the cost of selling with the assumption of hypothetical sales on the market. A yield-based method was used with the discounted cash flow method. The sale of shares and stakes represents the sale of a 33.5 per cent stake in Rhydcon d.o.o.

Equity and profit or loss of associates

Company name	Country of the company	Percentage of participation in capital	Size in capital in EUR	Operating profit or loss for the period in EUR
Subsidiaries:				
UNITUR d.o.o.	Slovenia	100.000	34,853,086	(754,036)
ROGLA INVESTICIJE d.o.o.	Slovenia	100.000	437,188	1,622
SPITT d.o.o.	Slovenia	100.000	309,392	10,094
UNIOR Produktions- und Handels-GmbH	Austria	99.550	52,150	30,886
UNIOR DEUTSCHLAND GmbH	Germany	100.000	1,138,572	145,106
UNIOR FRANCE S.A.S.	France	100.000	(30,353)	72,097
UNIOR ITALIA S.R.L.	Italy	95.000	152,820	(10,948)
UNIOR SPAIN S.L.	Spain	95.000	510,185	37,568
UNIOR INTERNATIONAL Ltd.	Great Britain	100.000	65,004	(381,020)
UNIOR MAKEDONIJA d.o.o.	Macedonia	97.363	46,472	98
UNIOR PROFESSIONAL TOOLS Ltd.	Russia	55.000	771,549	(168,429)
UNIOR BULGARIA Ltd.	Bulgaria	77.310	37,370	(1,779)
UNIOR HUNGARIA Kft.	Hungary	70.000	(536,905)	(60,264)
UNIOR COMPONENTS d.o.o.	Serbia	100.000	12,493,312	939,660
UNIOR - NORTH AMERICA Inc.	USA	100.000	97,365	9,724
NINGBO UNIOR FORGING Co. Ltd.	China	50.000	23,839,207	4,339,893
UNIOR VINKOVCI d.o.o.	Croatia	100.000	3,459,025	272,228
Associated companies:				
ŠTORE STEEL d.o.o.	Slovenia	29.253	60,780,033	8,649,020
RC SIMIT d.o.o.	Slovenia	20.000	927,652	(28,339)
UNIOR TEPID S.R.L.	Romania	49.000	5,502,133	1,088,277
UNIOR SINGAPORE Pte. Ltd.	Singapore	40.000	(65,213)	(30,080)
UNIOR TEHNA d.o.o.	Bosnia and Herzegovina	25.000	1,425,001	490,631
UNIOR TEOS ALATI d.o.o.	Serbia	20.000	3,031,755	509,398

12.3.5 Assets (disposal groups) held for sale

Among the assets for sale in the amount of EUR 610 thousand is an investment in the company RTC Krvavec d.d., for the sale of which the company signed the contract in December 2017 and the sale procedure was completed in the business year 2018.

12.3.6 Inventories

(in EUR)	31/12/2018	31/12/2017
Material	24,751,712	20,316,345
Work in progress	25,171,302	22,577,229
Products	15,926,920	14,428,354
Merchandise	4,102,497	4,145,372
Stocktaking surpluses	45,866	262,629
Stocktaking deficits	94,440	392,269
Value adjustment	(1,899,774)	(1,429,234)
Total	**68,192,963**	**60,692,963**

Balance of value adjustment of inventories

(in EUR)	31/12/2018	31/12/2017
- material	413,010	331,567
- finished products	1,401,630	1,038,558
- merchandise	85,134	59,109
Total	**1,899,774**	**1,429,234**

Change in value adjustment of inventories

(in EUR)	2018	2017
Balance of inventory value adjustment as at 1 January	**1,429,234**	**1,290,323**
- material	81,443	(105,335)
- finished products	363,072	267,396
- merchandise	26,025	(23,150)
Balance as at 31 December	**1,899,774**	**1,429,234**

In the financial year 2018, inventories increased by EUR 7.5 million. The inventory of materials has increased due to the higher input prices of steel. The inventory of unfinished production is higher mainly in the Special Machines Programme due to the completion of projects that are to be or will be made in early 2019.

The book value of inventories is equal to net realisable value and each year, using the methodology written in the accounting policies, we create a value adjustment for inventories that did not have movements in certain periods. The total impairment provision for inventories amounts to EUR 470,540.

Inventories in the amount of EUR 20 million are pledged for the benefit of the banks for the purposes of insurance of financial liabilities.

Inventories in the table above are shown in gross amounts, as value adjustments of the inventories and inventory adjustments arising from determined changes during stocktaking are stated separately. The inventories stated in the balance sheet are shown in their net amounts.

12.3.7 Trade receivables

(in EUR)	31/12/2018	31/12/2017
Long-term operating receivables		
Long-term operating receivables from subsidiaries	7,606,254	8,159,883
Long-term operating receivables due from associates	0	0
Long-term operating receivables due from others	513,003	556,284
Short-term part of long-term operating receivables	0	0
Value adjustment of long-term operating receivables	(442,892)	(442,892)
Total long-term operating receivables	**7,676,365**	**8,273,275**
Short-term operating receivables		
Short-term operating receivables from subsidiaries	6,588,001	7,981,245
Short-term operating receivables due from associates	1,900,336	1,497,148
Short-term trade receivables - at home	3,546,820	2,577,323
Short-term trade receivables - abroad	15,141,390	15,558,281
Receivables for VAT	694,353	1,626,075
Advances	1,714,351	780,968
Advances from associated companies	14,930	17,548
Other short-term operating receivables	3,383,125	4,696,844
Short-term part of long-term operating receivables	0	0
Value adjustments	(153,196)	(97,885)
Value adjustments – subsidiaries	0	0
Total short-term operating receivables	**32,830,110**	**34,637,547**

Long-term trade receivables reduced by EUR 0.6 million due to repayments by both affiliated companies and customers. Other short-term receivables include receivables in the amount of EUR 0.8 million from non-interest-bearing factoring trade receivables, receivables for the profit of Ningbo Unior in the amount of EUR 1.2 million, receivables from refunds and active accruals and deferrals in the amount of EUR 96 thousand, of which short-term deferred costs amounted to EUR 20 thousand and accrued revenues amounted to EUR 76 thousand. Receivables in the table are entirely repayable. The company estimates the repayability of individual receivables separately, namely it estimates the likelihood of the cash flow intended for the repayment of individual receivables. This is verified with the verification of the credit rating of the buyer and taking into consideration the likelihood of repayment. Whereas all receivables are short-term, the company does not discount the receivables when taking into account their repayment.

In 2018, the company formed the following value adjustments of trade receivables.

Change in receivables value adjustments

(in EUR)	2018	2017
Balance as at 1 January	**97,885**	**803,833**
Transfer to UNITUR d.o.o.	0	(59,739)
Collected receivables previously written-off	(10,886)	(40,501)
Final write-off of receivables	(249,185)	(667,403)
Formation of value adjustment in the year:	315,382	61,695
Balance as at 31 December	**153,196**	**97,885**

Since 01/10/2014 onwards, the company has secured all trade receivables with the exception of receivables to the associated companies. We have finally written off customer receivables in the amount of EUR 0.2 million. For all these receivables a value adjustment was made in previous years. For short-term trade receivables in the amount of up to EUR 19.6 million, we have concluded a non-recourse factoring contract.

Maturity of the Company's receivables	31/12/2018	31/12/2017
Outstanding receivables	25,022,550	26,801,086
Receivables overdue up to 90 days	5,007,383	4,010,210
Receivables overdue from 91 to 180 days	894,054	2,463,439
Receivables overdue from 181 to 360 days	1,263,855	1,151,308
Receivables overdue by more than 360 days	642,268	211,504
Total	**32,830,110**	**34,637,547**

12.3.8 Short-term financial investments

(in EUR)	31/12/2018	31/12/2017
Loans granted:		
- to subsidiaries	2,816,757	2,396,272
- to associated companies	0	0
- to others	0	0
Short-term financial investments in deposits	0	176,379
Short-term part of long-term loans to subsidiaries	806,156	1,075,383
Short-term part of long-term investments in liabilities	21,428	29,531
Value adjustment of short-term financial investments in liabilities	0	0
Total	**3,644,341**	**3,677,565**

Other short-term financial investments have not been pledged.

The company presents short-term financial investments at amortised cost.

For short-term loans (except for short-term part of long-term loans) the Company has not received insurance, it is estimated, that are entirely repayable. Received payments for the approved loans represent a reduction in loans.

Changes in short-term financial investments

(in EUR)	2018	2017
Balance as at 1 January	**3,677,565**	**3,991,952**
Increases:		
Increase of short-term loans to Group companies	616,784	1,311,628
Increase in short-term loans granted to associated companies	0	12,419
Increase of investments in deposits	0	11
Transfer of short-term part of long-term financial investments	827,584	1,104,914
Decreases:		
Decrease of short-term loans to Group companies	(1,271,682)	(942,342)
Decrease in short-term loans granted to associated companies	0	(935,465)
Decrease in short-term loans to others	(29,531)	(43,057)
Decrease in financial investments in deposits	(176,379)	(127,200)
Transfer to long-term financial investments	0	(695,295)
Balance as at 31 December	**3,644,341**	**3,677,565**

12.3.9 Monetary assets

(in EUR)	31/12/2018	31/12/2017
Cash in hand and cheques received	279	505
Monetary assets in the bank	6,003,066	6,438,675
Total	**6,003,345**	**6,439,180**

The cash balance is comparable to the amount at the end of the previous year, but it is represented by the balance of cash on accounts with commercial banks and cash in hand.

12.3.10 Equity

The equity of UNIOR d.d. comprises called-up capital, capital reserves, revenue reserves, reserves from revaluation at fair value and the net loss and profit brought forward for the business year.

The company's share capital as at 31 December 2018 was registered in the amount of EUR 23,688,983 as disclosed in the balance sheet. It is divided into 2,838,414 no-par value shares. The book value of the share as at 31/12/2018 amounts to EUR 33.77 and has increased by 7.6 per cent compared to the previous year due to the profit for the current year.

Revenue reserves in the amount of EUR 22,648,109 are intentionally retained revenues from previous years, mainly for the settlement of potential future losses and according to the situation at the end of 2017 did not change.

Reserves from revaluation at fair value in the amount of EUR 8,400,697 represent reserves from the revaluation of land at fair value and losses on the actuarial calculations of severance pay upon retirement. In the past year, the amount of provisions due to fair value measurements amounted to EUR 8,394,456. An increase of EUR 105,346 represents a change in reserves due to the valuation of land at fair value, while a decrease of EUR 99,105 is made to changes in actuarial gains from the calculation of provisions on the basis of pension programmes.

Reserves from valuation at fair value

(in EUR)	31/12/2018	31/12/2017
Land	10,398,501	10,291,691
Severance	(529,466)	(529,466)
Actuarial gains	502,196	601,301
Impairment of surpluses value	(1,970,534)	(1,969,070)
Total	**8,400,697**	**8,394,456**

Changes in reserves from valuation at fair value

(in EUR)	2018	2017
Balance as at 1 January	**8,394,456**	**23,001,591**
Elimination of UNITUR d.o.o.	0	(14,770,236)
Decreases:		
- Land	0	(13,668)
- Actuarial gains	(99,105)	0
- Impairment of surpluses value	(1,464)	(424,533)
Increases:		
- Land	106,810	0
- Actuarial gains	0	601,301
Balance as at 31 December	**8,400,697**	**8,394,456**

The net profit for the business year – EUR 6,795,025, while in the previous year it amounted to EUR 7,747,193.

Changes in equity in the current year represent:

- an increase in the revaluation surplus in the amount of EUR 105,346 and a decrease in actuarial gains in the calculation of the retirement provision for EUR 99,105,
- the net profit brought forward - profit increased from the transfer of the unallocated profit for the financial year 2017 in the amount of EUR 4,053,960,
- the entry of net profit in 2018 amounts to EUR 6,795,025.

The accumulated loss is a category according to the Companies Act.

(in EUR)	**31/12/2018**	**31/12/2017**
a) profit for the current year	6,795,025	7,747,193
b) net profit brought forward	4,053,960	0
c) net loss brought forward	0	(3,693,233)
d) decrease in capital reserves	0	0
d) decrease in profit reserves	0	0
e) increase in profit reserves	0	0
f) long-term deferred development costs	(2,728,127)	(3,617,239)
g) accumulated profit	**8,120,858**	**436,721**

12.3.11 Long-Term Provisions and Deferred Income

(in EUR)	Provisions for severance pay and jubilee awards	Provisions for annuities	Grants received for fixed assets	Provisions long-term deferred revenues	Total
Balance as at 31 December 2017	**4,051,603**	**245,726**	**225,053**	**0**	**4,522,383**
Established provisions	695,828	79,410	6,951	0	782,189
Drawn provisions	(97,122)	(17,190)	(19,071)	0	(133,383)
Reversal of provisions	(278,390)	0	0	0	(278,390)
Balance as at 31 December 2018	**4,371,919**	**307,946**	**212,933**	**0**	**4,892,799**

(in EUR)	Provisions for severance pay and jubilee awards	Provisions for annuities	Grants received for fixed assets	Provisions long-term deferred revenues	Total
Balance as at 31 December 2016	**4,444,928**	**250,670**	**2,597,830**	**78,483**	**7,371,911**
Transfer to UNITUR d.o.o.	(684,523)	0	(2,360,650)	(78,483)	(3,123,656)
Established provisions	1,057,652	11,852	7,234	0	1,076,738
Drawn provisions	(137,577)	(16,795)	(19,360)	0	(173,732)
Reversal of provisions	(628,877)	0	0	0	(628,877)
Balance as at 31 December 2017	**4,051,603**	**245,726**	**225,053**	**0**	**4,522,383**

Provisions for jubilee awards and severance pay are formed in the amount of the estimated future payouts for jubilee awards and severance pay discounted at the balance sheet date. The main parameters taken into account in the calculation are the retirement age of 60 years for women and 62 for men, the required length of service for 40 years, the discount rate of 1.2 per cent and annual wage growth of 2.2 per cent. Provisions are reversed due to different assumptions in the calculation of provisions and for all employees for which the provisions have been formed in the past and are now no longer employed at Unior.

Provisions for annuities are formed for those employees who were injured at work in the company and have permanent consequences.

Among the long-term provisions, the funds received from the Ministry of the Economy for co-financing development projects and the Ministry of the Environment and Spatial Planning for received emission coupons are also shown. The provisions are drawn in accordance with the depreciation of the co-financed fixed assets. The balance of provision as at 31/12/2018 amounts to EUR 212,933.

In relation to government grants, there are no unfulfilled conditions or contingent liabilities.

12.3.12 Long-term financial liabilities

Changes in long-term financial liabilities

(in EUR)	Principal of the debt 01. jan. 2018	New loans in the year	Return on the unpaid short-term part	Repayments in the year	Principal of the debt 31 December 2018	Part that falls due in year 2019	Long-term part
Bank or creditor							
Domestic banks	93,642,134	0	0	(19,853)	93,622,281	(7,005,384)	86,616,897
Financial lease	361,704	431,018	0	(196,427)	596,295	(252,292)	344,003
Total loans obtained	**94,003,838**	**431,018**	**0**	**(216,280)**	**94,218,576**	**(7,257,676)**	**86,960,900**

(in EUR)	Principal of the debt 1 January 2017	Transfer under UNITUR d.o.o.	New loans in the year	Return on the unpaid short-term part	Repayments in the year	Principal of the debt 31 December 2017	Part that falls due in year 2018	Long-term part
Bank or creditor								
Domestic banks	114,537,574	(14,426,584)	0	0	(331,471)	99,779,519	(6,137,385)	93,642,134
Financial lease	172,254	(28,356)	765,232	0	(303,329)	605,801	(244,097)	361,704
Total loans obtained	**114,709,828**	**(14,454,940)**	**765,232**	**0**	**(634,800)**	**100,385,320**	**(6,381,482)**	**94,003,838**

The interest rates on long-term loans range from the six-month Euribor + 2.0 per cent to the six-month Euribor + 3.19 per cent and the three-month Euribor + 0.5 per cent to the three-month Euribor + 2.3 per cent. The company has raised long-term loans with a reference interest rate for a three-month and six-month Euribor. In 2017, the company concluded an interest rate swap for a period of five years for long-term loans in the amount of EUR 47.5 million and thereby secured the company against any adverse effects of the movement of the variable Euribor interest rate.

Maturity of long-term financial liabilities by year

(in EUR)	2018	2017
Maturity from 1 to 2 years	15,203,538	7,191,326
Maturity from 2 to 3 years	11,143,999	15,128,081
Maturity from 3 to 4 years	11,264,903	11,102,555
Maturity from 4 to 5 years	49,318,833	11,226,066
Maturity of more than 5 years	29,627	49,355,810
Total	**86,960,900**	**94,003,838**

Long-term and short-term liabilities from financing are mortgages on property, movables, investments and inventories at fair value of EUR 134,060,738, as well as given bills. These amounts comprise the values of the secured loan agreements. Insurance for long-term liabilities from financing in the past year was the same.

12.3.13 Deferred Tax Assets and Liabilities

Deferred tax liabilities

(in EUR)	31/12/2018	31/12/2017
Deferred long-term tax asset	**5,881,552**	**6,645,243**
– Jubilee awards and severance pay	830,665	769,805
– Impairment of trade receivables	29,107	18,598
– Impairment of financial investments	328,577	0
– Tax relief for investments	1,834,992	2,119,306
– Investments in research and development	797,992	829,146
– Tax loss	2,060,219	2,908,388
Deferred long-term tax liabilities	**(1,970,534)**	**(1,969,070)**
– Land revaluation surplus	(1,975,715)	(1,955,421)
– Severance payments revaluation surplus	5,181	(13,649)
Net deferred long-term tax asset	**3,911,018**	**4,676,173**

Changes in deferred tax assets	2018	2017
Balance of the deferred tax asset as at 1 January	**6,645,243**	**7,498,724**
Transfer to UNITUR d.o.o.	0	(1,046,976)
Decrease:		
– Long-term provisions for jubilee awards and severance pay	0	0
– Reversal of impairments of trade receivables	0	(122,780)
– Reversal of impairments of financial investments	0	0
– Tax relief for investments	(284,314)	0
– Investment into research and development	(31,154)	(554,553)
– Tax loss	(848,170)	0
Increases:		
– Long-term provisions for jubilee awards and severance pay	60,860	65,041
– Impairment of trade receivables	10,509	0
– Impairment of financial investments	328,577	0
– Tax relief for investments	0	373,531
– Investment into research and development	0	0
– Tax loss	0	432,257
Balance of deferred tax assets as at 31 December	**5,881,552**	**6,645,243**

Changes in deferred tax liability	2018	2017
Balance of the deferred tax liability as at 1 January	**1,969,070**	**5,623,526**
Transfer to UNITUR d.o.o.	0	(4,078,989)
Decrease	0	0
Increase	1,464	424,533
Balance of deferred tax liabilities on 31 December	**1,970,534**	**1,969,070**

Deferred taxes are disclosed according to the balance sheet liability method, whereby the temporary difference between the carrying amount of the assets and the liabilities is taken into account for financial reporting and tax reporting purposes. The deferred tax is disclosed in the amount that will have to be paid according to expectations upon the reversal of the temporary differences pursuant to the laws that have been enacted or substantially enacted at the reporting date.

Deferred tax assets arise from the calculated provisions for jubilee awards and severance pay, the impairment of trade receivables, the impairment of investments into research and development and the disclosed tax loss. The tax rate applied to all items is 19 per cent.

Long-term deferred tax liabilities relate to the recalculation of property - land to a fair value which is shown on the revaluation surplus and the surplus from revaluation of severance pay. The tax rate applied is 19 per cent.

12.3.14 Short-term financial liabilities

Changes in short-term financial liabilities

(in EUR)	Balance of debt 1 January 2018 with short-term part long-term liabilities	New loans in the year	Liability From payment in capital	Repayments in the year	Transfer of the short-term part of part of long-term liabilities	Balance of the debt 31 December 2018
Bank or creditor						
Domestic banks	15,038,731	7,906,860	0	(11,646,506)	7,005,384	18,304,470
Related parties	450,157	878,133	0	(869,319)	0	458,971
Financial lease	244,097	0	0	(244,097)	252,292	252,292
Total loans obtained	**15,732,985**	**8,784,993**	**0**	**(12,759,922)**	**7,257,676**	**19,015,733**

(in EUR)	Balance of debt 1 January 2017 with short-term part long-term liabilities	Transfer under UNITUR d.o.o.	New loans in the year	Transfer of unpaid short-term part to long-term liability	Repayments in the year	Transfer of the short-term part of part of long-term liabilities	Balance of the debt 31 December 2017
Bank or creditor							
Domestic banks	7,188,240	(634,652)	8,900,000	0	(6,552,242)	6,137,385	15,038,731
Related parties	183,459		385,113	0	(118,415)	0	450,157
Financial lease	166,858	(21,380)	0	0	(145,478)	244,097	244,097
Total loans obtained	**7,538,557**	**(656,032)**	**9,285,113**	**0**	**(6,816,135)**	**6,381,482**	**15,732,985**

Among short-term financial liabilities the company shows a rented short term loan from related companies Unior Deutschland GmbH, Rogla investicije d.o.o. and RC Simit d.o.o. and a revolving loan with a consortium of commercial banks and short-term project financing. All other financial liabilities are long-term.

The interest rate for the leased short-term loans is 2.0 to 4.0 per cent fixed and 6-month Euribor + 1.8 per cent to 6-month Euribor + 2.5 per cent.

Long-term and short-term liabilities from financing are mortgages on property, movables, investments and inventories at fair value of EUR 134,060,738, as well as given bills. These amounts comprise the values of the secured loan agreements.

12.3.15 Short-term operating liabilities

Short-term operating liabilities

(in EUR)	31/12/2018	31/12/2017
Short-term operating liabilities to subsidiaries		
Slovenia	43,674	450,833
Abroad	2,137,099	1,818,419
Short-term operating liabilities to associated companies		
Slovenia	5,293,604	6,548,896
Abroad	204,387	21,730
Short-term operating liabilities to other suppliers:		
Slovenia	16,312,519	14,990,814
Abroad	8,429,630	7,634,960
Short-term operating liabilities to the state	567,238	538,201
Short-term operating liabilities to employees	3,785,463	3,699,252
Short-term operating liabilities for advances	5,739,190	3,458,288
Short-term operating liabilities for interest	27,363	43,392
Other short-term liabilities	2,831,171	2,720,218
Short-term part of the long-term operating liabilities	0	0
Total	**45,371,338**	**41,925,004**

Maturity of company's operating liabilities

(in EUR)	31/12/2018	31/12/2017
Outstanding liabilities	32,448,042	30,121,444
Overdue liabilities up to 90 days	12,430,161	11,186,883
Maturity from 91 to 180 days	489,503	427,745
Maturity from 181 to 360 days	3,632	164,676
Overdue liabilities over 360 days	0	24,257
Total	**45,371,338**	**41,925,004**

Other short-term liabilities include:

- accrued costs in the amount of EUR 1,604,330, which include accrued commissions for the sale of EUR 744,768, an obligation for unused vacation for 2018 in the amount of EUR 845,262, an obligation for audit 2018 of EUR 14,300;
- short-term deferred revenues in the amount of EUR 450,326 from MSPR 15 for goods that were equipped with buyers at the end of 2018 but not yet arrived in the financial year 2018;
- VAT from given advances in the amount of EUR 85,560.

12.3.16 Contingent liabilities

(in EUR)	31.12.2018	31.12.2017
Warranties and guarantees given	1,750,595	2,523,151
Total	**1,750,595**	**2,523,151**

The given guarantees and guarantees for related persons amount to EUR 1,750,595 and were decreased due to the sale of the investment of RTC Krvavec, for which guarantees were given.

12.4 Notes on the Income Statement

12.4.1 Net sales revenue

Net sales revenues by geographical segment

(in EUR)	2018	2017
Slovenia	**19,985,013**	**18,146,136**
– subsidiaries	1,382,400	1,431,235
– associated companies	258,116	82,717
– other buyers	18,344,497	16,632,184
Other countries	**152,380,188**	**147,126,572**
– subsidiaries	15,510,218	13,618,123
– associated companies	5,683,405	4,890,497
– other buyers	131,186,565	128,617,952
Total	**172,365,201**	**165,272,708**

Net revenue from sales by sectoral sections

(in EUR)	2018	2017
Forges	115,566,280	104,675,636
Hand Tools	34,232,888	33,516,356
Special Machines	16,931,696	21,413,056
Joint services	5,460,196	5,613,919
Maintenance	174,141	53,741
Total	**172,365,201**	**165,272,708**

12.4.2 Capitalised own products and services

Capitalised own products and services are products produced by the company for its own needs and capitalised among tangible fixed or intangible long-term assets. Their value does not exceed the cost of their production or the provision of services.

(in EUR)	2018	2017
Capitalized own products and services	2,349,852	3,451,429
Total	**2,349,852**	**3,451,429**

Among the capitalised own products and services the value of capital costs of development in the Special Machines Programme in the amount of EUR1.2 million is shown, as well as own maintenance investments for the needs of other programmes in the amount of EUR 1.1 million, which includes the general renovation of machines in the foundry and the renovation of CNC machines.

12.4.3 Other operating revenues

(in EUR)	2018	2017
Rewards for exceeding the quota of disabled employees	137,267	167,951
Paid receivables that were already included in the value adjustment	24,620	40,501
Damages received	334,260	250,413
Reversal of long-term provisions	529,576	270,062
Profit from the sale of fixed assets	606,920	69,527
Revaluation of investment property to fair value	84,063	0
Subsidies, grants and similar revenues	71,650	7,813
Emission coupon sales	7,234	7,523
Other operating revenues	536,484	921,172
Total	**2,332,074**	**1,734,963**

The write-off of long-term provisions includes the elimination of provisions from retained contributions for the employment of disabled persons above the prescribed quota and the elimination of long-term provisions from the actuarial calculation of severance pay and jubilee benefits, while the profit from the transfer of fixed assets is a positive effect of the sale of unnecessary land.

12.4.4 Costs and expenses

2018 (in EUR)	Prod. costs	Costs of sales	Costs of general activities	Total
Cost of goods sold/production costs	6,420,788	5,407,234	2,145,807	13,973,829
Cost of materials	79,207,969	892,560	1,588,791	81,689,320
Cost of services	13,759,344	2,907,327	2,716,192	19,382,863
Cost of wages and salaries	29,686,533	*1,644,465*	*4,225,534*	35,556,532
Cost of social insurance	5,151,480	*260,176*	*694,847*	6,106,503
Cost of pension insurance	383,599	*13,922*	*48,402*	445,923
Other labour costs	5,524,001	*170,005*	*667,632*	6,361,638
Total labour costs	40,745,613	2,088,568	5,636,415	48,470,596
Amortization and depreciation	6,290,472	95,802	653,980	7,040,254
Operating expenses from the revaluation of current assets	353,459	429,416	3,070	785,945
Operating expenses from the revaluation of intangible assets and property, plant and equipment	636,073	4,322	12,578	652,973
Other costs	672,002	112,127	475,327	1,259,456
Total costs	**148,085,720**	**11,937,356**	**13,232,160**	**173,255,236**

2017 (in EUR)	Prod. costs	Costs of sales	Costs of general activities	Total
Cost of goods sold/production costs	5,531,124	4,527,001	1,941,622	11,999,746
Cost of materials	71,126,252	793,876	1,697,803	73,617,931
Cost of services	14,170,432	2,657,830	3,064,677	19,892,939
Cost of wages and salaries	28,277,199	*1,438,972*	*4,412,295*	34,128,465
Cost of social insurance	4,803,340	*236,402*	*719,890*	5,759,631
Cost of pension insurance	371,695	*14,290*	*51,806*	437,792
Other labour costs	5,637,965	*153,889*	*676,708*	6,468,563
Total labour costs	39,090,198	1,843,553	5,860,699	46,794,451
Amortization and depreciation	5,673,870	106,450	606,050	6,386,369
Operating expenses from the revaluation of current assets	338,760	54,336	19,993	413,090
Operating expenses from the revaluation of intangible assets and property, plant and equipment	28,538	0	35,975	64,514
Other costs	520,238	92,173	306,817	919,227
Total costs	**136,479,413**	**10,075,218**	**13,533,636**	**160,088,267**

Other labour costs comprise the costs of holiday allowance, meal allowance, travel allowance, jubilee awards and severance pay above the created provision and certain other payments to employees.

Among the cost of services, the company shows EUR 49,602 for the cost for hiring workers through recruitment agencies, which represents 6 employees in relation to hours worked.

The purchasing of material in associated companies is presented in chapter 12.6.2 of the Annual Report 2018.

As part of its other costs, the company discloses:

(in EUR)	**2018**	**2017**
- Provisions for annuities	79,169	11,852
- Charge for the use of building land	180,645	153,632
- Environmental protection expenditures	80,124	65,170
- Bonuses to pupils and students undergoing practical training	466,722	440,006
- Scholarships to pupils and students	78,147	51,589
- Damages paid to employees	77,470	58,299
- Financial aid - grants	239,663	123,076
- Impairment of investment property	0	0
- Other operating expenses	57,516	15,603
Total	**1,259,456**	**919,227**

The contractual amount for auditing the Annual Report of Unior d.d. and the consolidated annual report for the UNIOR Group amounts to EUR 20,000. The audit was performed by Deloitte Revizija d.o.o. Ljubljana. Contractual amounts for the provision of non-audit services amounted to EUR 800 in the financial year 2018 and include the verification of the regularity of the calculation of financial commitments for the needs of banks and the verification of the criteria for allocating revenues for the operation of the public service.

12.4.5 Financial revenue and financial expenses

Financial revenues

(in EUR)	2018	2017
Financial revenue from shares and interests		
Financial income from participating interest in Group companies	2,050,961	1,068,625
Financial income from investments in associates	1,844,854	516,327
Financial income from investments in other companies	3,293	80
Financial income from impairment of financial investments	0	300,000
Total	3,899,108	1,885,032
Financial revenue from loans		
Financial income from loans granted to Group companies	238,925	310,696
Finance income from loans granted to others	8,457	178,306
Total	247,382	489,002
Finance income from operating receivables		
Financial profit from operating receivables due from Group companies	0	0
Finance income from operating receivables due from others	106,347	227,676
Total	106,347	227,676
Total financial income	**4,252,837**	**2,601,709**

Financial revenue from shares in Group companies includes profits in the companies Unior Components d.o.o., Unior Deutschland GmbH and Ningbo Unior Forging Co. Ltd. Financial revenue from shares in associates includes a share in profit in the company Unior Teos doo, Unior Tepid s.r.l., Unior Tehna d.o.o. and Štore Steel d.o.o., and a profit from the sale of the investment Rhydcon d.o.o.

Financial expenses

(in EUR)	2018	2017
Financial expenses due to impairment and write-offs of investments	1,104,755	1,006,333
Financial expenses from financial liabilities		
Financial expenses from loans, received from Group companies	8,254	4,950
Financial expenses from loans received from banks	3,120,259	3,090,854
Financial expenses from other financial liabilities	4,256	163
Total	3,132,769	3,095,967
Financial expenses for operating liabilities		
Financial expenses from operation liabilities to Group companies	14,563	21,143
Financial expenditures from trade payables and bills payable	147,237	162,268
Financial expenses from other operating liabilities	89,881	176,248
Total	251,681	359,659
Total financial expenses	**4,489,205**	**4,461,958**

Impairment of Financial Investments

In the amount of EUR 1,074,355 the investment UNIOR International Ltd was impaired, EUR 100,400 investment UNIOR Bulgaria Ltd., EUR 90,000 investment UNIOR Makedonija doo, EUR 300,000 formed loan value adjustment by UNIOR Hungaria Kft. and the written-off investment of Sinter Užice a.d in the amount of EUR 50,000 due to the termination of the liquidation from the deletion from the court register. An adjustment of the investment of UNIOR Produktions- und Handels- GmbH Ferlach was fixed in the amount of EUR 510,000.

12.5 Corporate Income Tax Account and Deferred Taxes

(in EUR)	2018	2017
Income tax	0	0
Deferred taxes	763,691	(193,496)
Total	**763,691**	**(193,496)**

Reconciliation of the taxable and accounting profit multiplied by the tax rate in Slovenia:

(in EUR)	2018	2017
Net profit or loss for the period before taxes	7,558,716	7,608,436
Income tax in Slovenia 19%	1,436,156	1,445,603
Non-taxable income	1,181,159	84,671
Expenses not recognised for tax purposes	3,937,333	2,948,302
Value adjustment of receivables	10,509	(122,780)
Value adjustment of investments	328,577	0
Provisioning	60,860	65,041
Tax relief for investments in research and development	(31,154)	(554,553)
Tax relief for investments	(284,314)	373,531
Tax relief for the employment of disabled people	0	0
Tax relief for supplementary pension insurance	0	0
Tax loss	(848,170)	432,257
Deferred taxes	763,691	(193,496)
Effective tax rate in %	10.1	(2.5)

In 2018, the tax base was disclosed in the amount of EUR 8,928,102. The tax base is reduced in order to use the tax relief for investments in research and development in the amount of EUR 1,437,056, for investments in the amount of EUR 881,152, for covering the loss of EUR 4,464,051, for the employment of disabled persons in the amount of EUR 1,470,062, for supplementary pension insurance EUR 445,923 and for donations in the amount of EUR 229,858. There is no tax base. Tax relief which can be used in subsequent periods amounts to a total of EUR 24,701,066, of which a tax loss of EUR 10,843,256.

Deferred taxes

The profit ascertained according to the tax legislation differs from the profit ascertained pursuant to the accounting principles and the IFRS. The deferral of taxes is accounted only for temporary differences in the tax burden between the business accounts and financial statements, i.e. for those that are reconciled in the defined period.

A deferred tax asset is calculated using the temporary difference in the long-term provisions for severance pay and jubilee awards, the impairment of trade receivables, unused tax relief and tax losses.

The effect of deferred taxes on the net profit amounts to EUR 763,691, which decreases the net profit for the current year.

12.6 Related-Party Transactions

12.6.1 Sales to associated companies

Sale to related parties

(in EUR)	2018	2017
Subsidiaries:		
In the country:	**1,382,400**	**1,431,235**
UNITUR d.o.o. Zreče	1,358,553	1,416,307
RTC KRVAVEC d.d. Cerklje	0	423
SPITT d.o.o. Zreče	23,847	14,505
Abroad:	**15,510,218**	**13,618,123**
UNIOR Produktions- und Handels-GmbH Ferlach	3,617,028	3,203,416
UNIOR DEUTSCHLAND GmbH Leonberg	965,969	807,513
UNIOR FRANCE S.A.S. Melun	0	0
UNIOR ITALIA S.R.L. Limbiate	1,096,734	1,129,221
UNIOR SPAIN S.L. Uharte-Arakil	702,148	677,424
UNIOR HELLAS S.A. Metamorfosis	0	(1,672)
UNIOR INTERNATIONAL Ltd. Lincolnshire	369,756	881,219
UNIOR MAKEDONIA d.o.o. Skopje	187,211	138,187
UNIOR PROFESSIONAL TOOLS Ltd St. Petersburg	1,022,538	1,207,367
UNIOR USA CORPORATION Olney	0	19,417
UNIOR BULGARIA Ltd. Sofia	212,550	216,107
UNIOR HUNGARIA Kft. Nagyrecse	280,757	177,150
UNIOR COMPONENTS d.o.o. Kragujevac	198,094	241,055
UNIOR NORTH AMERICA Inc. Novi	178,441	0
NINGBO UNIOR FORGING Co.Ltd. Yuyao	262,091	27,447
UNIOR VINKOVCI d.o.o. Vinkovci	6,416,901	4,894,273
Total subsidiaries	**16,892,618**	**15,049,358**
Associated companies:		
In the country:	**258,116**	**82,717**
ŠTORE STEEL d.o.o., Štore	208,200	26,280
RHYDCON d.o.o. Šmarje pri Jelšah	35,436	30,276
RC SIMIT d.o.o. Kidričevo	14,480	26,162
Abroad:	**5,683,405**	**4,890,497**
UNIOR TEPID S.R.L. Brasov	3,810,164	3,052,241
UNIOR SINGAPORE Pte. Ltd. Singapore	118,729	203,612
UNIOR TEHNA d.o.o. Sarajevo	494,417	471,875
UNIOR TEOS ALATI d.o.o., Belgrade	1,260,095	1,162,770
Total associated companies	**5,941,521**	**4,973,214**
Total sales to related parties	**22,834,139**	**20,022,572**

12.6.2 Purchases from associated companies

Purchases from related parties

(in EUR)	2018	2017
Subsidiaries:		
In the country:	**393,884**	**755,732**
UNITUR d.o.o. Zreče	223,580	599,489
SPITT d.o.o. Zreče	170,304	156,243
Abroad:	**13,098,346**	**12,071,905**
UNIOR Produktions- und Handels-GmbH Ferlach	789,068	1,079,679
UNIOR DEUTSCHLAND GmbH Leonberg	274,362	1,035,251
UNIOR ITALIA S.R.L. Limbiate	26,276	17,959
UNIOR SPAIN S.L. Uharte-Arakil	1,759	1,759
UNIOR HELLAS S.A. Metamorfosis	0	1,204,518
UNIOR INTERNATIONAL Ltd. Lincolnshire	523,759	114,108
UNIOR MAKEDONIA d.o.o. Skopje	22,787	30,153
UNIOR BULGARIA Ltd. Sofia	161	0
UNIOR COMPONENTS d.o.o. Kragujevac	657,600	784,708
UNIOR NORTH AMERICA Inc. Novi	124,350	0
NINGBO UNIOR FORGING Co.Ltd. Yuyao	582,000	316,815
UNIOR VINKOVCI d.o.o. Vinkovci	10,096,224	7,486,955
Total subsidiaries	**13,492,230**	**12,827,637**
Associated companies:		
in the country:	**22,412,286**	**20,334,019**
ŠTORE STEEL d.o.o., Štore	22,365,286	20,334,019
RHYDCON d.o.o. Šmarje pri Jelšah	47,000	0
abroad:	**367,058**	**160,942**
UNIOR TEPID S.R.L. Brasov	163,688	8,533
UNIOR SINGAPORE Pte. Ltd. Singapore	4,983	4,621
UNIOR TEHNA d.o.o. Sarajevo	0	2,141
UNIOR TEOS ALATI d.o.o., Belgrade	198,387	145,647
Total associated companies	**22,779,344**	**20,494,961**
Total purchase from related parties	**36,271,574**	**33,322,598**

12.6.3 Trade receivables from associated companies

Operating receivables due from related parties

(in EUR)	31/12/2018	31/12/2017
Subsidiaries:		
In the country:	**7,105,254**	**7,270,615**
UNITUR d.o.o. Zreče	7,098,549	7,268,410
SPITT d.o.o. Zreče	6,705	2,205
Abroad:	**7,103,931**	**8,888,061**
UNIOR Produktions- und Handels-GmbH Ferlach	1,894,630	1,746,649
UNIOR DEUTSCHLAND GmbH Leonberg	270,731	26,341
UNIOR ITALIA S.R.L. Limbiate	368,154	426,650
UNIOR SPAIN S.L. Uharte-Arakil	193,729	689,246
UNIOR INTERNATIONAL Ltd. Lincolnshire	0	1,502,196
UNIOR MAKEDONIA d.o.o. Skopje	448,296	424,817
UNIOR PROFESSIONAL TOOLS Ltd St. Petersburg	1,216,312	1,031,820
UNIOR BULGARIA Ltd. Sofia	214,672	174,025
UNIOR HUNGARIA Kft. Nagyrecse	163,201	136,216
UNIOR COMPONENTS d.o.o. Kragujevac	68,045	35,615
UNIOR NORTH AMERICA Inc. Novi	165,222	0
UNIOR VINKOVCI d.o.o. Vinkovci	2,100,939	2,694,485
Total subsidiaries	**14,209,185**	**16,158,676**
Associated companies:		
In the country:	**49,260**	**88,320**
ŠTORE STEEL d.o.o., Štore	49,260	79,232
RHYDCON d.o.o. Šmarje pri Jelšah	0	6,160
RC SIMIT d.o.o. Kidričevo	0	2,928
Abroad:	**1,851,076**	**1,408,828**
UNIOR TEPID S.R.L. Brasov	1,664,694	1,219,701
UNIOR TEHNA d.o.o. Sarajevo	153,858	199,332
UNIOR TEOS ALATI d.o.o., Belgrade	27,929	(10,205)
Total associated companies	**1,900,336**	**1,497,148**
Total operating receivables due from related parties	**16,109,521**	**17,655,824**

12.6.4 Operating liabilities to associated companies

Operating liabilities to related parties

(in EUR)	31/12/2018	31/12/2017
Subsidiaries:		
In the country:	**43,674**	**450,833**
UNITUR d.o.o. Zreče	0	310,754
SPITT d.o.o. Zreče	43,674	140,079
Abroad:	**2,137,099**	**1,818,419**
UNIOR Produktions- und Handels-GmbH Ferlach	567,132	638,643
UNIOR DEUTSCHLAND GmbH Leonberg	97,245	0
UNIOR ITALIA S.R.L. Limbiate	3,357	3,628
UNIOR SPAIN S.L. Uharte-Arakil	1,759	1,759
UNIOR BULGARIA Ltd. Sofia	(9)	0
UNIOR COMPONENTS d.o.o. Kragujevac	418,654	526,256
UNIOR NORTH AMERICA Inc. Novi	90,534	0
NINGBO UNIOR FORGING Co.Ltd. Yuyao	232,800	18,000
UNIOR VINKOVCI d.o.o. Vinkovci	725,627	630,133
Total subsidiaries	**2,180,773**	**2,269,252**
Associated companies:		
In the country:	**5,293,604**	**6,548,896**
ŠTORE STEEL d.o.o., Štore	5,291,047	6,545,839
RC SIMIT d.o.o. Kidričevo	2,557	3,057
Abroad:	**204,387**	**21,730**
UNIOR TEPID S.R.L. Brasov	146,910	3,194
UNIOR SINGAPORE Pte. Ltd. Singapore	170	0
UNIOR TEOS ALATI d.o.o., Belgrade	57,307	18,536
Total associated companies	**5,497,991**	**6,570,626**
Total operating liabilities due from related parties	**7,678,764**	**8,839,878**

12.6.5 Receivables and liabilities from loans and interest arising from associated companies

Receivables from loans and interest from associated companies

(in EUR)	31/12/2018	31/12/2017
Subsidiaries:		
In the country:	**2,853,632**	**5,717,941**
RTC Krvavec d.d., Cerklje	0	3,342,427
UNITUR d.o.o., Zreče	1,860,534	1,251,103
SPITT d.o.o., Zreče	993,098	1,124,411
Abroad:	**3,026,125**	**3,890,342**
UNIOR Makedonija d.o.o., Skopje	91,823	91,823
UNIOR VINKOVCI d.o.o., Croatia	1,896,348	1,981,633
UNIOR HUNGARIA Kft. Nagyrecse, Hungary	455,234	725,154
NINGBO UNIOR FORGING Co. Ltd, China	0	802,543
UNIOR SPAIN S.L. Uharte-Arakil	389,893	
UNIOR BULGARIA Ltd, Bulgaria	192,827	289,190
Total subsidiaries	**5,879,757**	**9,608,283**

Liabilities arising from loans and interest from associated companies

(in EUR)	31/12/2018	31/12/2017
Subsidiaries:		
In the country:	**64,867**	**63,312**
ROGLA INVESTICIJE d.o.o., Zreče	64,867	63,312
Abroad:	**385,700**	**378,607**
UNIOR GERMANY GmbH, Germany	385,700	378,607
Total subsidiaries	**450,567**	**441,919**
Associated companies:		
In the country:	**8,404**	**8,238**
RC SIMIT d.o.o., Kidričevo	8,404	8,238
Total associated companies	**8,404**	**8,238**
Total liabilities from loans due from related parties	**458,971**	**450,157**

12.7 Receipts of the Management Board and Supervisory Board

Remuneration to the Management Board and the Supervisory Board

	Gross values		Net values	
(in EUR)	2018	2017	2018	2017
Darko Hrastnik	200,591	171,714	79,813	81,693
Branko Bračko	184,659	158,338	82,794	77,423
Management Board total	**385,250**	**330,052**	**162,607**	**159,116**
Branko Pavlin	17,208	13,173	12,380	9,398
Simona Razvornik Škofič	15,415	473	11,075	344
Jože Golobič	13,852	0	9,939	0
Rajko Stankovič	14,007	0	10,052	0
Saša Artnak	12,869	0	9,224	0
Boris Brdnik	12,266	0	8,785	0
Marko Pahor	216	9,754	157	6,912
Drago Rabzelj	227	10,351	165	7,346
Darko Dujmović	212	9,681	154	6,859
Franc Dover	244	10,782	178	7,660
Marjan Adamič	212	9,256	154	6,550
Blanka Vezjak *	3,422	0	2,489	0
Gregor Korošec *	35	1,641	26	1,194
Velimir Cugmas **	0	665	0	484
Supervisory Board total	**90,185**	**65,776**	**64,778**	**46,746**

* external member of the Supervisory Board Commission

** members of the nominating Commission of the Supervisory Board

12.8 Proposal for allocation of balance sheet profit for the current year

The Management Board adopted the audited financial statements by resolution dated 25/03/2019.

The accumulated profit for the financial year 2018, based on the audited annual financial statements of the company for 2018, amounts to EUR 8,120,858. The Management Board proposes that the distributable profit remain undistributed.

The distributable profit for the financial year 2018 consists of net profit in the amount of EUR 6,795,025, transferred profit from previous years in the amount of EUR 4,053,960 and reduced by long-term deferred development costs in the amount of EUR 2,728,127.

13 Statement on the Management Board's Responsibility

The Management Board is responsible for the preparation of the Annual Report so that it presents a true and fair view of the company's assets and liabilities and its operating results for 2018.

The Management confirms that the appropriate Accounting Policies have been consistently employed and that the accounting appraisals have been prepared with care and due diligence. The Management Board further confirms that the financial statements, together with the notes, have been compiled on the basis of the assumptions of a going concern as well as in accordance with the applicable legislation in force and the International Financial Reporting Standards.

The Management Board is also responsible for the adequacy of the accounting practices, the adoption of suitable measures for safeguarding assets and for the prevention and detection of fraud and other irregularities or illegal acts.

At any time within a period of five years following the lapse of the year in which the tax must be assessed, the tax authorities may audit the company's operations, which may consequently result in additional tax liabilities, default interest and penalties arising from the corporate income tax or other taxes and levies. The Company's Management Board is not aware of any circumstances that might cause any major liability thereunder.

Zreče, 25 March 2019

President of the Management Board,
Darko Hrastnik, BSMet. (Metallurgical Engineering)

Member of the Management Board,
Branko Bračko, BSME. (Mechanical Engineering)

14 Independent Auditor's Report

Deloitte.

Deloitte revizija d.o.o.
Dunajska cesta 165
1000 Ljubljana
Slovenia

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

INDEPENDENT AUDITOR'S REPORT
For shareholders of the UNIOR d.d.

Opinion

We have audited the financial statements of the company UNIOR d.d., (hereinafter the "Company"), composed of its balance sheet of 31 December 2018, the profit and loss statement, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended and explanatory notes to the financial statements, including a summary of essential accounting policies.

We believe that the financial statements give a true and fair view of the financial position of the company on 31 December 2018, its profit and loss statement and cash flows for the year then ended in accordance with the international financial reporting standards, as adopted by the European Union (hereinafter the "IFRS").

Basis for Opinion

The audit was carried out pursuant to the International Auditing Standards (IAS) and Regulation (EU) No. 537/2014 of European Parliament and the Council of 16 April 2014 on specific requirements regarding statutory audits of public-interest entities (the Regulation). Our responsibilities based on these standards are described in this report in the paragraph *Auditor's responsibility for auditing the financial statements.* In accordance with the Code of Ethics for Professional Accountants, issued by the International Ethics Standards Board for Accountants (Code IESBA), and ethical requirements, which relate to the auditing of financial statements in Slovenia, we confirm our independence from the company and our compliance with all other ethical obligations in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Key Audit Matters

Key audit matters are those that are, in our expert valuation, the most essential for our professional in terms of our auditing of financial statements for the financial year, which ended on 31 December 2018. These matters were processed in the context of our audit of the financial statements as a whole and in forming our opinions about them and we do not give separate opinions on these matters.

Key Audit Matter	Audit procedures in key audit matter discourse
Recoverable amount of financial assets in subsidiaries in the financial statements	
Financial investments in the equity of subsidiaries are in the amount of EUR 22,072 thousand and are measured at the purchase value. Long-term and short-term loans to subsidiaries are in the amount of EUR 2,256 thousand and are measured at the amortised cost. Financial assets on 31/12/2018 to subsidiaries amount to EUR 24,328 thousand and represent 9.65% of assets. The Management annually assesses the impairment signs of the aforementioned investments and granted loans and, where required, performs annual tests based on the discounting future cash flows. This procedure requires management assessment. In an assessment of impairment signs a professional judgement and the use of subjective assumptions by the management are required. Due to the significance of the above-mentioned circumstances, the identification of impairment signs and the calculation of the impairments are considered as key audit matters.	We have assessed the management's considering of the signs of impairments of investments and loans. The emphasis of our audit procedures was on assessing and testing the key auditing assumptions, which the management used for identifying the signs of impairment and for assessing these impairments. These procedures included: – verification of net asset value with investment value, – the assessment of assumptions, which are used for the calculation of discount measurements and their recalculation, – the review of planned future cash flows, which the company uses for impairment testing, – the comparison of planned cash flows, including the assumptions on revenue growth rate and operating profitability, with previous results for testing the accuracy of the management's assumptions,

	– the assessment verification of signs of granted loans impairment, – the verification of adequacy of granted loans, – the assessment of adequacy of disclosures in the financial statements. The disclosures in relation to financial assets in subsidiaries are included in explanation notes 12.3.4 and 12.3.8.

Other information

The Management Board is responsible for other information. Other information comprises information in the annual report, with the exception of accounting statements and the auditor's report on the latter.

Our opinion on the financial statements does not apply to other information and we do not express any kind of assurance regarding them.

Our responsibility with regard to the conducted audit of the financial statements is to read other information and estimate whether it is significantly non-compliant with the financial statements, regulatory requirements or our knowledge, obtained during the audit of the company, or whether it indicates being significantly incorrect in any other way. If we conclude, on the basis of the work performed, that there is significant misstatement of other information, we must report such circumstances. With regard to the stated and on the basis of the described procedures we report that:

- other information in all relevant respects is in line with the audited financial statements,
- other information is prepared in accordance with the applicable laws and regulations, and
- on the basis of knowledge and understanding of the company and its environment, which we acquired during the audit, we have not established any relevant misstatements in connection with other information.

Responsibilities of the Management Board, Supervisory Board and the Audit Committee for the financial statements

The Management Board is responsible for the preparation and fair presentation of these financial statements in accordance with the IFRS standards and for such internal control, in accordance with the decision of the Management Board, to enable the preparation of the financial statements, which contain no significant misstatement due to fraud or error.

When preparing the financial statements of the company, the Management Board's responsibility is to estimate the ability of the Group to continue as a going concern, to disclose matters related to the going concern and to use the assumption of the going concern as a basis for accounting, unless the Management Board intends to liquidate the company or suspend business operations or does not have any other realistic possibility than to perform one or the other.

The Supervisory Board and the Audit Committee are responsible for the supervision of the preparation of the financial statements and to confirm the audited annual report.

Auditor's responsibility for auditing the financial statements

Our objectives are to obtain reasonable assurance that the financial statements as a whole do not contain any material misstatements due to fraud or error and to compile the auditor's report which includes our opinion. Reasonable assurance is a high level of assurance, but not a guarantee, that the audit, conducted in accordance with the rules of auditing, always find a relevant misstatement, if it exists. Misstatements may arise from fraud or error and are considered as material if it is reasonable to expect that they would individually or jointly affect the economic decisions of the users adopted on the basis of these financial statements.

During the conduct of the audit in accordance with the rules of auditing, we exercise professional judgement and maintain a professional distrust. We also:

- Identify and assess the risks of material misstatements in the financial statements, whether due to fraud or error, form and perform audit procedures in response to the assessed risks and obtain sufficient and suitable audit evidence, which provide the basis for our opinion. The risk of not detecting a misstatement arising from fraud is greater than the one connected to an error, as fraud may include secret agreements, falsification, deliberate omissions, misleading disclosures or the avoidance of internal controls.

- We gain an understanding of internal controls which are important for the audit, namely with the aim of creating audit procedures suitable for the circumstances, but not with a view to express an opinion on the effectiveness of the company's internal controls.
- Estimate the suitability of the applied accounting policies and the acceptability of the accounting estimates and related disclosures of the management.
- On the basis of the acquired audit evidence of the existence of significant uncertainty regarding the events or circumstances, which raise doubts in the capacity of the organisation to continue as a going concern, we adopt a decision on the suitability of the management's use of the going concern assumption as a basis for the accounting. If we adopt a decision on the existence of significant uncertainties, we are obliged to report on the relevant noted disclosures in the financial statements in the auditor's report, or, if such disclosures are inadequate, adjust our opinion. An auditor's decisions are based on the audit evidence obtained up to the date of the issuance of the auditor's report. However, the later events or circumstances may cause the suspension of the organisation as a going concern.
- Evaluate the general presentation, structure and content of the financial statements, including the disclosures, and estimate whether the financial statements represent the respective business transactions and events in such a manner that a fair presentation is achieved.

We inform the Supervisory Board and the Audit Committee, among other things, about the planned scope and timeframe of the audit and about significant audit findings, including significant deficiencies of internal controls, which we have detected during our audit.

We also presented our statement to the Supervisory Board and the Audit Committee that we comply with all ethical requirements with regard to the independence and informed them of all relationships and other requirements, which could be justifiably believed to affect our independence, and inform them about the related measures.

Among all the matters which we presented to the Supervisory Board and the Audit Committee, we defined the most important ones in auditing the financial statements of the current period as the key audit matters. These matters are described in the Auditor's report, unless the legal or regulatory provisions prohibit the public disclosure of such matters.

Report on other legal and regulatory requirements

Naming the auditor and the duration of the transaction
Deloitte revizija d.o.o. was named as the legal auditor of the company at the shareholder's meeting on 6 June 2018. Our performance of the trade lasts fully and without interruptions for 7 years.

Certificate of the Audit Committee
We confirm that our audit opinion on financial statements in this report complies with the additional report to the Audit Committee on 25 March 2019, in accordance with Article 11 of the Regulation (EU) no. 537/2014 of the European Parliament and Board.

Performing non-auditing services
We declare that we have not performed any illegal non-auditing services from Article 5(1) of the Regulation (EU) no. 537/2014 of the European Parliament and the Council. Besides the required audit, we did not perform any other services which are not revealed in the annual report for the audited company.

On behalf of the auditing company Deloitte revizija d.o.o., the person responsible for the audit is Barbara Žibret Kralj.

DELOITTE REVIZIJA d.o.o.
Dunajska 165, 1000
Ljubljana

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

Barbara Žibret Kralj
Authorised auditor

Ljubljana, 25 March 2019

CONSOLIDATED FINANCIAL REPORT

15 UNIOR Group

15.1 The Composition of the Unior Group

Subsidiaries

Company name	Country	Share in %
UNITUR d.o.o.	Slovenia	100.00
ROGLA INVESTICIJE d. o. o.	Slovenia	100.00
SPITT d. o. o.	Slovenia	100.00
UNIOR PRODUKTIONS UND HANDELS GmbH	Austria	99.55
UNIOR DEUTSCHLAND GmbH	Germany	100.00
UNIOR FRANCE S. A. S.	France	100.00
UNIOR ITALIA S. R. L.	Italy	95.00
UNIOR ESPANA S. L.	Spain	95.00
UNIOR INTERNATIONAL Ltd.	Great Britain	100.00
UNIOR MAKEDONIJA d. o. o.	Macedonia	97.36
UNIOR PROFESSIONAL TOOLS Ltd.	Russia	55.00
UNIOR BULGARIA Ltd.	Bulgaria	77.31
UNIOR COMPONENTS d. o. o.	Serbia	100.00
NINGBO UNIOR FORGING Co. Ltd.	China	50.00
UNIOR VINKOVCI d. o. o.	Croatia	100.00
UNIOR HUNGARIA Kft.	Hungary	70.00
UNIOR - NORTH AMERICA Inc.	USA	100.00

Associates

Company name	Country	Share in %
ŠTORE STEEL d. o. o.	Slovenia	29.25
RC SIMIT, d. o. o.	Slovenia	20.00
UNIOR TEPID S. R. L.	Romania	49.00
UNIOR SINGAPORE Pte. Ltd.	Singapore	40.00
UNIOR TEHNA, d. o. o.	Bosnia and Herzegovina	25.00
UNIOR TEOS ALATI d. o. o.	Serbia	20.00

The consolidated financial statements of the UNIOR Group include all the companies in which the parent company UNIOR d.d. holds a 50 per cent or greater stake, as it has a determining influence.

The consolidated financial statements also include associated companies according to the equity method. These companies are: Štore Steel d.o.o. and RC Simit d.o.o. in Slovenia and Unior Tepid S.R.L., Unior Singapore PTE Ltd., Unior Tehna d.o.o. and Unior Teos Alati d.o.o. abroad, in which the parent company UNIOR d.d. has at least 20 per cent and less than 50 per cent of the equity stake.

In January 2018, with the purchase of 44.65 per cent of the company Dalekovod d.d. Zagreb the ownership stake in Unidal d.o.o. in Croatia was increased to 100 per cent. In order to increase the visibility and exploitation of the good brand name UNIOR, the company was renamed Unior Vinkovci d.o.o.

On 9 April 2018 the sales process of RTC Krvavec was completed, as the new owner Alpska investicijska družba d.o.o. fulfilled all the deferred terms in the contract signed in December 2017 to fulfil this legal transaction. With this, all assets and liabilities of RTC Krvavec from the UNIOR Group were sold off, which were presented in the financial statements of the UNIOR Group on 31/12/2017 among short-term assets or liabilities for sale. This business did not have any effect on the consolidated income statement of the UNIOR Group in 2018.

With the recapitalisation of Unior International Ltd in the UK the ownership stake in this company was increased to 100 per cent and at the end of the year the company is in the process of liquidation, so we removed it from the UNIOR Group on 31/12/2018.

On 13 December 2018 we sold a 33.5 per cent stake in Rhydcon d.o.o. to the so far majority owner to Hansa-Flex Armerding GmbH from Germany. With this sale, UNIOR d.d. completely withdrew from the ownership of Rhydcon d.o.o., which is no longer part of the UNIOR Group.

15.2 Presentation of the Companies Included in the Consolidation

15.2.1 Subsidiaries

UNITUR d.o.o.

Company Address:	Cesta na Roglo 15, 3214 ZREČE
Country:	Slovenia
Telephone:	+386 3 757 61 00
Fax:	+386 3 576 24 46
Website:	http://www.unitur.eu
E-mail:	turizem@unitur.eu
The company's activity:	Tourist and other business activities
Number of employees:	362

ROGLA INVESTICIJE d.o.o.

Company Address:	Kovaška cesta 10, 3214 ZREČE
Country:	Slovenia
Telephone:	+386 3 757 81 00
Fax:	+386 3 576 21 03
E-mail:	unior@unior.com
The company's activity:	Real estate trading
Number of employees:	0

SPITT d.o.o.

Company Address:	Kovaška cesta 10, 3214 ZREČE
Country:	Slovenia
Telephone:	+386 3 757 81 00
Fax:	+386 3 576 21 03
The company's activity:	Energy - steam and hot water supply
Number of employees:	0

UNIOR PRODUKTIONS- und HANDELS- GmbH

Company Address:	Auengasse 9, 9170 FERLACH
Country:	Austria
Telephone:	+43 4227 35 14
Fax:	+43 4227 35 15 18
Website:	http://www.unior.at
E-mail:	office@unior.at
The company's activity:	The sale of hand tools
Number of employees:	9

UNIOR DEUTSCHLAND GmbH

Company Address:	Hertichstrasse 81, 71229 LEONBERG	
Country:	Germany	
Telephone:	+49 1 634 469 908,	+49 7146 28 500
Fax:	+386 3 576 26 43,	+49 7146 28 5020
Website:	http://www.unior-deutschland.com	
E-mail:	deutschland@unior.com,	unior@unior-deutschland.com
The company's activity:	The sale of hand tools and	the sale and servicing of machines
Number of employees:	5	

UNIOR FRANCE S.A.S.

Company Address:	166-172 Rue du General Delestraint, 77000 MELUN
Country:	France
Telephone:	+33 1 64 37 23 00
Fax:	+33 1 64 39 40 90
E-mail:	contact@uniortools.fr
The company's activity:	The sale of hand tools
Number of employees:	10

UNIOR ITALIA S.R.L.

Company Address:	Via Caserta 8, 20812 LIMBIATE (MB)
Country:	Italy
Telephone:	+39 02 99 04 3403
Fax:	+39 02 99 04 3414
E-mail:	unioritalia@unioritalia.it
The company's activity:	The sale of hand tools
Number of employees: 2	

UNIOR ESPAÑA S.L.

Company Address:	Poligon Sargaitz 2, Nave A5, 31840 UHARTE - ARAKIL (Navarra)
Country:	Spain
Telephone:	+34 948 56 71 13
Fax:	+34 948 46 42 48
Website:	http://www.unior.es
E-mail:	unior@unior.es
The company's activity:	The sale of hand tools
Number of employees:	3

UNIOR MAKEDONIA d.o.o.

Company Address:	Naroden front, br.5, 1000 SKOPJE
Country:	Macedonia
Telephone:	+389 2 243 20 57
Fax:	+389 2 243 20 89
Website:	http://www.uniormakedonija.mk
E-mail:	info@uniormakedonija.mk
The company's activity:	The sale of hand tools
Number of employees:	7

UNIOR PROFESSIONAL TOOLS Ltd.

Company Address:	Blagodatnaya str. 63, bld. 1, D, 196105 SAINT PETERSBURG
Country:	Russia
Telephone:	+7 812 449 83 50
Fax:	+7 812 449 83 51
Website:	http://www.unior.ru
E-mail:	sales@unior.ru
The company's activity:	The sale of hand tools
Number of employees:	59

UNIOR BULGARIA Ltd.

Company Address:	Ulitsa "Ivan Susanin" 49, 1404 SOFIA
Country:	Bulgaria
Telephone:	+359 2 9559 233
Fax:	+359 2 9559 380
Website:	http://www.unior.bg
E-mail:	office@unior.bg
The company's activity:	The sale of hand tools
Number of employees:	6

UNIOR COMPONENTS d.o.o.

Company Address:	Kosovska 4, 34000 KRAGUJEVAC
Country:	Serbia
Telephone:	+ 381 34 306 300
Fax:	+ 381 34 306 336
Website:	http://www.unior-components.com
E-mail:	contact@unior-components.com
The company's activity:	The manufacture of machine tools
Number of employees:	158

NINGBO UNIOR FORGING Company Ltd.

Company Address:	Xindongwu, Moushan, YUYAO, ZHEJIANG 315456
Country:	China
Telephone:	+ 86 574 6249 6150
Fax:	+ 86 574 6249 6152
Website:	http://www.unior.cn
E-mail:	info@unior.cn
The company's activity:	The production of steel forgings for the automotive industry
Number of employees:	546

UNIOR VINKOVCI d.o.o. (to 1.3.2018 **UNIDAL d.o.o.**)

Company Address:	Ulica Kneza Mislava 42, 32100 VINKOVCI
Country:	Croatia
Telephone:	+385 32 323 999
Fax:	+385 32 323 206
E-mail:	kovacnica@unior.com
The company's activity:	The production of forgings
Number of employees:	190

UNIOR Hungaria Kft.

Company Address:	Napfeny utca 1, 8756 NAGYRECSE
Country:	Hungary
Telephone:	+36 93 571 070
Fax:	+36 93 571 073
Website:	http://www.unior.hu
E-mail:	info@unior.hu
The company's activity:	The sale of hand tools
Number of employees:	4

UNIOR – NORTH AMERICA Inc.

Company Address:	28213 Carlton Way Drive, 48377 NOVI (Michigan)
Country:	USA
Telephone:	+1 248 730 0060
Fax:	+1 908 634 3044
Website:	http://www.unior.com
E-mail:	bleskovar@unior.com
The company's activity:	Sales, purchasing and service services on the North American market
Number of employees:	1

15.2.2 Associated companies

ŠTORE STEEL d.o.o.

Company Address:	Železarska 3, 3220 ŠTORE
Country:	Slovenia
Telephone:	+386 3 780 51 00
Fax:	+386 3 780 53 83
Website:	http://www.store-steel.si
E-mail:	info@store-steel.si
The company's activity:	The production of steel
Number of employees:	528

RC SIMIT d.o.o.

Company Address:	Tovarniška cesta 10, 2325 KIDRIČEVO
Country:	Slovenia
Telephone:	+386 2 799 55 25
Fax:	+386 2 799 56 35
Website:	http://www.rcsimit.si
E-mail:	info@rcsimit.si
The company's activity:	Development centre for advanced materials and technologies
Number of employees:	0

UNIOR TEPID S.R.L.

Company Address:	str. Bruxelles, nr. 10, 507165 PREJMER, jud. BRASOV
Country:	Romania
Telephone:	+40 268 322 483
Fax:	+40 268 317 786
Website:	http://www.sculeserioase.ro
E-mail:	tepid@tepid.ro
The company's activity:	The sale of hand tools
Number of employees:	58

UNIOR SINGAPORE Pte. Ltd.

Company Address:	9 Tagore Lane #02-10, 9@Tagore Building, SINGAPORE 787472
Country:	Singapore
Telephone:	+65 645 138 18; +65 645 138 39
Fax:	+65 645 138 07
Website:	http://www.unior.com.sg
E-mail:	unior@singnet.com.sg
The company's activity:	The sale of hand tools
Number of employees:	4

UNIOR TEOS ALATI d.o.o.

Company Address:	Subotička 23, 11000 Belgrade
Country:	Serbia
Telephone:	+381 11 744 03 30
Fax:	+381 11 744 08 05
Website:	http://www.uniorteos.com
E-mail:	office@uniorteos.com
The company's activity:	The sale of hand tools
Number of employees:	22

UNIOR TEHNA d.o.o.

Company Address:	Bačići 58, 71000 SARAJEVO
Country:	Bosnia and Herzegovina
Telephone:	+387 33 776 376
Fax:	+387 33 776 371
Website:	www.uniortehna.ba
E-mail:	info@uniortehna.ba
The company's activity:	The sale of hand tools
Number of employees:	28

16 Consolidated Financial Statements

16.1 Consolidated Balance Sheet as at 31/12/2018

(in EUR) Item	Clarification	as at 31/12/2018	as at 31/12/2017
ASSETS		**370,394,324**	**363,973,502**
A. LONG–TERM ASSETS		**225,158,355**	**217,291,879**
I. Intangible assets and other IA	**17.3.2**	**6,214,304**	**6,883,349**
1. Long-term property rights		2,101,759	2,224,876
2. Goodwill		521,448	521,448
3. Long-term deferred development costs		3,456,122	3,975,111
4. Other intangible assets		125,345	143,264
5. Intangible assets being acquired		9,630	18,650
II. Property, plant and equipment	**17.3.3**	**181,588,217**	**173,578,500**
1. Land and buildings		104,880,173	106,550,330
a) Land		34,700,925	36,946,458
b) Buildings		70,179,248	69,603,872
2. Manufacturing plants and equipment		62,089,395	58,253,175
3. Other plant and equipment, small tools and other tangible fixed assets		606,215	529,707
4. Property, plant and equipment being acquired		14,012,434	8,245,288
III. Investment property	**17.3.4**	**14,787,206**	**14,626,679**
IV. Long-term financial investments	**17.3.5**	**18,431,323**	**17,228,595**
1. Long-term financial investments, except loans		18,388,341	17,152,378
a) Shares and stakes in associated companies		18,211,958	16,970,615
b) Other shares and stakes		133,450	138,830
c) Other long-term financial investments		42,933	42,933
2. Long-term loans		42,982	76,217
a) Long-term loans to others		42,982	76,217
V. Long-term trade receivables	**17.3.8**	**111,166**	**183,393**
1. Long-term trade receivables from buyers		0	10,132
2. Long-term trade receivables from others		111,166	173,261
VI. Deferred tax assets	**17.3.15**	**4,026,139**	**4,791,363**
B. SHORT–TERM ASSETS		**145,235,969**	**146,681,623**
I. Assets (disposal groups) held for sale	**17.3.6**	**120,000**	**9,600,643**
II. Inventories	**17.3.7**	**82,898,312**	**74,515,732**
1. Material		29,717,467	25,905,611
2. Work in progress		27,856,663	24,612,525
3. Products		17,679,960	15,668,839
4. Merchandise		7,644,222	8,328,757
III. Short-term financial investments	**17.3.9**	**2,066,854**	**1,924,993**
1. Short-term financial investments, except loans		0	0
a) Other shares and stakes		0	0
b) Other short-term financial investments		0	0
2. Short-term loans		2,066,854	1,924,993
a) Other short-term loans		2,066,854	1,924,993
IV. Short-term trade receivables	**17.3.8**	**48,137,419**	**46,310,526**
1. Short-term trade receivables from buyers		34,358,721	32,548,662
2. Short-term trade receivables from others		13,778,698	13,761,864
V. Monetary assets	**17.3.10**	**12,013,384**	**14,329,729**

Consolidated Balance Sheet as at 31/12/2018 (continuation)

(in EUR) Item	Clarification	as at 31/12/2018	as at 31/12/2017
LIABILITIES TO ASSET SOURCES		**370,394,324**	**363,973,502**
A. EQUITY	**17.3.11**	**166,446,283**	**158,646,507**
A1. EQUITY ATTRIBUTABLE TO THE OWNERS OF THE PARENT COMPANY		**153,847,376**	**146,490,871**
I. Called-up capital		**23,688,983**	**23,688,983**
1. Share capital		23,688,983	23,688,983
2. Uncalled capital (deduction item)		0	0
II. Capital reserves		**40,155,331**	**41,686,964**
III. Reserves created from profit		**40,675,373**	**40,603,303**
1. Legal reserves		2,027,126	2,023,943
2. Reserves for treasury shares and own stakes		120,190	120,190
3. Treasury shares and own stakes (deduction item)		(120,190)	(120,190)
4. Statutory reserves		2,363,564	1,641,102
5. Other reserves created from profit		36,284,683	36,938,258
IV. Reserves from valuation at fair value		**26,425,001**	**28,214,466**
V. Net profit brought forward		**15,000,669**	**11,287,678**
VI. Net loss brought forward		**0**	**0**
VII. Net profit for the financial year		**10,268,662**	**3,237,746**
VIII. Net loss for the financial year		**0**	**0**
IX. Consolidation adjustment of the capital		**(2,366,643)**	**(2,228,269)**
A2. CAPITAL ATTRIBUTABLE TO THE NON-CONTROLLING INTEREST		**12,598,907**	**12,155,636**
B. PROVISIONS IN DEFERRED REVENUE	**17.3.12**	**9,252,183**	**9,003,136**
1. Provisions for pensions and similar liabilities		6,131,689	5,872,492
2. Other provisions		2,820,608	2,829,461
3. Deferred revenue		299,886	301,183
C. LONG-TERM LIABILITIES		**103,710,887**	**112,044,232**
I. Long-term financial liabilities	**17.3.13**	**101,122,812**	**109,190,279**
1. Long-term financial liabilities to banks		100,734,931	109,041,591
2. Long-term financial liabilities arising from bonds		0	0
3. Other long-term financial liabilities		387,881	148,688
II. Long-term operating liabilities	**17.3.14**	**0**	**41,405**
1. Long-term operating liabilities to suppliers		0	0
2. Long-term liabilities for bills of exchange		0	0
3. Long-term operating liabilities from advances		0	0
4. Other long-term operating liabilities		0	41,405
III. Deferred tax liabilities	**17.3.15**	**2,588,075**	**2,812,548**
D. SHORT-TERM LIABILITIES		**90,984,971**	**84,279,627**
I. Liabilities included in disposal groups	**17.3.6**	**0**	**4,281,087**
II. Short-term financial liabilities	**17.3.16**	**23,638,702**	**20,311,195**
1. Short-term financial liabilities to banks		23,535,215	19,961,218
2. Short-term financial liabilities arising from bonds		0	0
3. Other short-term financial liabilities		103,487	349,977
III. Short-term operating liabilities	**17.3.17**	**67,346,269**	**59,687,345**
1. Short-term operating liabilities to suppliers		38,521,351	35,429,517
2. Short-term bills payable		7,469,650	6,019,779
3. Short-term operating liabilities from advances		7,011,700	4,520,223
4. Other short-term operating liabilities		14,343,568	13,717,826

Notes on the financial statements form an integral part of the financial statements.

16.2 Consolidated Income Statement for the Period from 01/01/2018 to 31/12/2018

(in EUR) Item	Clarification	2018	2017
A. Net sales revenue	**17.4.2**	**246,453,153**	**239,019,600**
1. Net sales revenue on the domestic market		38,123,145	39,475,923
a) Net sales revenue of products and services		*28,778,783*	*31,391,616*
b) Net sales revenue of goods and materials		*9,344,362*	*8,084,307*
2. Net sales revenue on foreign markets		208,330,008	199,543,677
a) Net sales revenue of products and services		*184,154,914*	*176,283,697*
b) Net sales revenue of goods and materials		*24,175,094*	*23,259,980*
B. Change in the value of the inventories of finished products and work-in-progress		**5,660,560**	**819,891**
C. Capitalised own products and services	**17.4.3**	**2,349,852**	**3,465,748**
D. Other operating revenues	**17.4.4**	**2,982,335**	**2,318,954**
I. GROSS OPERATING PROFIT		**257,445,900**	**245,624,193**
E. Costs of goods, materials and services	**17.4.5**	**154,451,070**	**142,056,024**
1. Purchase value of sold goods and materials		10,398,761	10,255,207
2. Costs of materials used		110,701,859	98,761,239
a) Costs of material		*86,079,438*	*76,229,333*
b) Costs of energy		*11,674,409*	*11,719,166*
c) Other costs of material		*12,948,012*	*10,812,740*
3. Costs of services		33,350,450	33,039,578
a) Transport services		*6,091,322*	*6,081,622*
b) Costs of maintenance		*2,590,971*	*2,201,586*
c) Rents		*1,614,449*	*1,350,104*
d) Other costs of services		*23,053,708*	*23,406,266*
F. Labour costs	**17.4.5**	**70,590,800**	**69,045,323**
1. Costs of wages and salaries		52,737,496	51,593,392
2. Costs of pension insurance		811,881	887,138
3. Costs of other social insurance		9,002,577	8,366,137
4. Other labour costs		8,038,846	8,198,656
G. Write-offs	**17.4.5**	**15,196,757**	**24,601,331**
1. Amortisation and depreciation		13,585,402	13,516,546
2. Operating expenses from the revaluation of intangible fixed assets and property, plant and equipment		881,389	10,513,964
3. Operating expenses from the revaluation of current assets		729,966	570,821
H. Other operating expenses	**17.4.5**	**2,216,298**	**1,883,130**
1. Provisions		93,152	16,511
2. Other costs		2,123,146	1,866,619
OPERATING EXPENSES		**242,454,925**	**237,585,808**
II. OPERATING PROFIT OR LOSS		**14,990,975**	**8,038,385**
I. Financial revenue	**17.4.6**	**4,433,141**	**5,141,559**
1. Financial revenue from shares		3,789,195	4,050,534
a) Financial revenue from participating interest in associated companies		*3,785,563*	*4,049,799*
b) Financial revenue from participating interest in other companies		*3,293*	*370*
c) Financial revenue from other investments		*339*	*365*
2. Financial revenue from loans granted		79,074	215,642
3. Financial revenue from trade receivables		564,872	875,383
I. Financial expenses	**17.4.6**	**4,647,761**	**5,504,080**
1. Financial expenses due to impairment and financial investment write-offs		1,538	151,333
2. Financial expenses for financial liabilities		3,788,862	4,052,933
a) Financial expenses from bank loans		*3,667,075*	*3,818,683*
b) Financial expenses from issued bonds		*0*	*0*
c) Financial expenses for other financial liabilities		*121,787*	*234,250*
3. Financial expenses for operating liabilities		857,361	1,299,814
a) Financial expenses from trade payables and bills payable		*215,214*	*228,206*
b) Financial expenses from other operating liabilities		*642,147*	*1,071,608*
III. PROFIT OR LOSS		**14,776,355**	**7,675,864**
Profit tax	**17.5**	**1,708,209**	**2,125,339**
Deferred tax	**17.5**	**912,850**	**(145,018)**
NET PROFIT OR LOSS FOR THE ACCOUNTING PERIOD		**12,155,296**	**5,695,543**
- Attributable TO THE OWNERS OF THE PARENT COMPANY		10,268,662	3,237,746
- Attributable to NON-CONTROLLING INTERESTS		1,886,634	2,457,797

Consolidated Income Statement for the Period from 01/01/2018 to 31/12/2018 (continuation)

(in EUR) Item	2018	2017
The share of owners of the controlling interest in net profit (loss)	10,268,662	3,237,746
Share of owners of the non-controlling interest in net income (loss)	1,886,634	2,457,797

Net earnings (loss) per share of owners of the controlling interest	3.62	1.14
Net earnings (loss) per share of owners of the non-controlling interests	0.66	0.87

Net earnings (loss) per share from continued operation	4.42	1.91
Net earnings (loss) per share from discontinued operation	(0.13)	0.09

Notes on the financial statements form an integral part of the financial statements.

16.3 Consolidated Statement of Other Comprehensive Income

(in EUR)	Item	2018	2017
1.	**Net profit/loss for the business year after tax**	**12,155,296**	**5,695,543**
2.	**Other comprehensive income for the reporting period, after tax**	**(2,143,801)**	**722,236**
3.	**Items which will later not be reclassified as profit and loss**	**(2,143,801)**	**722,236**
3.1	Net profit/loss recognized in the revaluation surplus in respect of property, plant and equipment	(2,123,535)	767,316
3.2	Net profit/loss recognized in the revaluation surplus in respect of intangible fixed assets	0	0
3.3	Actuarial net profit/loss for pension programmes and changes of deferred taxes, recognized in retained profit/loss	279,754	745,632
3.4	Profit and loss arising from the translation of the financial statements of foreign companies	(300,020)	(790,712)
4.	**Total comprehensive income for the financial year after tax**	**10,011,495**	**6,417,779**
	Total comprehensive income for the reporting period attributable to the owners of the parent company	8,340,823	4,549,914
	Total comprehensive income for the reporting period attributable to the non-controlling interests	1,670,672	1,867,865

Notes on the financial statements form an integral part of the financial statements.

The changes in the total comprehensive income are presented in item 16.5. Consolidated statement of Changes in Equity.

16.4 Consolidated Cash Flow Statement

(in EUR) Item	Clarification	2018	2017
A. Cash flows from operating activities			
a) Net profit or loss			
Profit or loss before tax		14,776,355	7,675,864
Income tax and other taxes which are not included in the operating expenses	17.5	(2,621,059)	(1,980,321)
		12,155,296	**5,695,543**
b) Adjustments for			
Amortization and depreciation (+)	17.3.2, 17.3.3	13,585,402	13,516,546
Operating revenues from revaluation associated with investment and financing items (-)		(1,175,537)	(561,441)
Operating expenses from revaluation associated with investment and financing items (+)	17.4.5	881,389	10,513,964
Formation of value adjustments for receivables	17.3.8	188,638	565,692
Formulation of value adjustments for inventories	17.3.7	541,328	5,129
Establishment and reversal of long-term provisions	17.3.12	249,047	(762,051)
Financial revenue excluding financial revenue from trade receivables (-)	17.4.6	(3,868,269)	(4,266,176)
Financial expenses excluding financial expenses from operating liabilities (+)	17.4.6	3,790,400	4,204,266
		14,192,398	**23,215,929**
c) Changes in net current assets (and accruals and deferrals, provisions and deferred tax assets, and tax liability) of operating items of the balance sheet			
Opening less closing trade receivables	17.3.8	(1,943,304)	(7,482,043)
Opening less closing deferred tax assets	17.3.15	765,224	(2,571,852)
Opening – less closing assets (disposal groups) held for sale	17.3.6	9,480,643	(9,480,643)
Initial – less final supply	17.3.7	(8,923,908)	(3,384,860)
Final – less initial liabilities included in disposal groups	17.3.6	(4,281,087)	4,281,087
Final – less initial business debts	17.3.14,17.3.17	7,617,519	1,896,576
Final – less initial deferred tax liabilities	17.3.15	(224,473)	2,766,235
		2,490,614	**(13,975,500)**
č) Net cash from/used in operating activities (a + b + c)		**28,838,308**	**14,935,972**
B. Investing activity cash flows			
a) Income from investing activities			
Receipts from interest and profit participations related to investing activities		3,868,269	4,266,176
Cash inflows from the disposal of intangible assets		8,888	40,970
Cash inflows from the disposal of property, plant and equipment		1,578,364	8,967,001
Proceeds from disposal of long-term financial investments		638,956	271,388
Cash inflows from the disposal of short-term financial investments		207,708	1,517,887
		6,318,113	**15,063,422**
b) Disbursements from investing activities			
Disbursements from the acquisition of intangible assets	17.3.2	(606,314)	(3,364,733)
Expenditures for the acquisition of tangible fixed assets	17.3.3	(24,524,873)	(17,600,718)
Expenditures for the acquisition of investment property		(3,434)	(404,569)
Expenditures for the acquisition of long-term financial investments	17.3.5	(2,776,389)	(3,839,057)
Expenditures for the purchase of short-term financial investments		(349,569)	(525,311)
		(28,260,579)	**(25,734,388)**
c) Investing activities receipt excess or investing activities expenditure excess (a + b)		**(21,942,466)**	**(10,670,966)**
C. Financing cash flows			
a) Income from financing activities			
Receipts from paid-in capital	17.3.11	0	0
Income from the increase in long-term financial liabilities	17.3.13	757,714	1,074,434
Income from an increase in short-term financial liabilities	17.3.16	7,963,182	11,698,048
		8,720,896	**12,772,482**
b) Financing expenditures			
Disbursements from paid interest pertaining to financing	17.4.6	(3,788,862)	(4,052,933)
Expenditures for the payment of long-term financial liabilities	17.3.13	(880,539)	(2,284,297)
Expenditures for the payment of short-term financial liabilities	17.3.16	(12,580,317)	(8,766,910)
Expenditures for the payment of dividends and other shares in profit	17.3.11	(683,365)	(21,130)
		(17,933,083)	**(15,125,270)**
c) Financing receipt excess or financing expenditure excess (a + b)		**(9,212,187)**	**(2,352,788)**
D. Closing stock of financial means		**12,013,384**	**14,329,729**
x) Net cash for the period (sum of items Ac, Bc and Cc)		**(2,316,345)**	**1,912,218**
y) Opening balance of monetary assets		**14,329,729**	**12,417,511**

Notes on the financial statements form an integral part of the financial statements.

16.5 Statement of Changes in Equity

CHANGES IN EQUITY FOR THE PERIOD FROM 31 DECEMBER 2017 TO 31 DECEMBER 2018

	J. Called-up capital	II. Capital reserves	III. Reserves created from profit					IV. Reserves from valuation at fair value	V. Net profit or loss brought forward	VI. Net operating profit or loss of for the financial year	VII. Consolidation adjustment of the capital	EQUITY ATTRIBUTABLE TO THE OWNERS OF THE PARENT COMPANY	Capital attributable to the non-controlling interest	Total capital
(in EUR)	Share capital		Legal reserves	Reserves for treasury shares	Treasury shares	Statutory reserves	Other reserves from profit		Brought forward net profit/ loss	Net profit/ loss of financial year				
A.1. Balance as at the end of the previous reporting period	**23,688,983**	**41,686,964**	**2,023,943**	**120,190**	**(120,190)**	**1,641,102**	**36,938,258**	**28,214,466**	**11,287,678**	**3,237,746**	**(2,228,269)**	**146,490,871**	**12,155,636**	**158,646,507**
A.2. Opening balance of the reporting period	**23,688,983**	**41,686,964**	**2,023,943**	**120,190**	**(120,190)**	**1,641,102**	**36,938,258**	**28,214,466**	**11,287,678**	**3,237,746**	**(2,228,269)**	**146,490,871**	**12,155,636**	**158,646,507**
B.1. Changes in equity capital - transactions with owners	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**(984,318)**	**0**	**0**	**(984,318)**	**(1,227,401)**	**(2,211,719)**
Dividend distribution	0	0	0	0	0	0	0	0	0	0	0	0	(683,365)	(683,365)
Other changes in equity	0	0	0	0	0	0	0	0	(984,318)	0	0	(984,318)	(544,036)	(1,528,354)
B.2. Total comprehensive income for the reporting period	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**(1,789,465)**	**0**	**10,268,662**	**(138,374)**	**8,340,823**	**1,670,672**	**10,011,495**
Input of operating profit/loss for the reporting period	0	0	0	0	0	0	0	0	0	10,268,662	0	10,268,662	1,886,634	12,155,296
Entry of actuarial profit from severance pay	0	0	0	0	0	0	0	(125,115)	0	0	0	(125,115)	0	(125,115)
Change of the surplus from the revaluation of tangible fixed assets	0	0	0	0	0	0	0	(2,069,219)	0	0	0	(2,069,219)	(54,316)	(2,123,535)
Other ingredients of comprehensive income for the reporting period	0	0	0	0	0	0	0	404,869	0	0	0	404,869	0	404,869
Profit and loss arising from the translation of the financial statements of foreign companies	0	0	0	0	0	0	0	0	0	0	(138,374)	(138,374)	(161,646)	(300,020)
B.3. Changes in equity	**0**	**(1,531,633)**	**3,183**	**0**	**0**	**722,462**	**(653,575)**	**0**	**4,697,309**	**(3,237,746)**	**0**	**0**	**0**	**0**
Allocation of the remaining net profit in the comparative reporting period to other components of equity	0	0	0	0	0	0	0	0	3,237,746	(3,237,746)	0	0	0	0
Other changes in capital	0	(1,531,633)	3,183	0	0	722,462	(653,575)	0	1,459,563	0	0	0	0	0
C. Closing balance of the reporting period	**23,688,983**	**40,155,331**	**2,027,126**	**120,190**	**(120,190)**	**2,363,564**	**36,284,683**	**26,425,001**	**15,000,669**	**10,268,662**	**(2,366,643)**	**153,847,376**	**12,598,907**	**166,446,283**

CHANGES IN EQUITY FOR THE PERIOD FROM 31 DECEMBER 2016 TO 31 DECEMBER 2017

	J. Called-up capital	II. Capital reserves	III. Reserves created from profit					IV. Reserves from valuation at fair value	V. Net profit or loss brought forward	VI. Net operating profit or loss of for the financial year	VII. Consolidation adjustment of the capital	EQUITY ATTRIBUTABLE TO THE OWNERS OF THE PARENT COMPANY	Capital attributable to the non-controlling interest	Total capital
(in EUR)	Share capital		Legal reserves	Reserves for treasury shares	Treasury shares	Statutory reserves	Other reserves from profit		Brought forward net profit/ loss	Net profit/ loss of financial year				
A.1. Balance as at the end of the previous reporting period	**23,688,983**	**41,686,964**	**2,015,958**	**120,190**	**(120,190)**	**757,947**	**37,315,765**	**26,715,673**	**4,294,426**	**7,495,550**	**(2,027,488)**	**141,943,778**	**10,610,147**	**152,553,925**
A.2. Opening balance of the reporting period	**23,688,983**	**41,686,964**	**2,015,958**	**120,190**	**(120,190)**	**757,947**	**37,315,765**	**26,715,673**	**4,294,426**	**7,495,550**	**(2,027,488)**	**141,943,778**	**10,610,147**	**152,553,925**
B.1. Changes in equity capital - transactions with owners	**0**	**0**	**1,395**	**0**	**0**	**0**	**188**	**2,437**	**(6,841)**	**0**	**0**	**(2,821)**	**(322,376)**	**(325,197)**
Dividend distribution	0	0	0	0	0	0	0	0	0	0	0	0	(21,130)	(21,130)
Other changes in equity	0	0	1,395	0	0	0	188	2,437	(6,841)	0	0	(2,821)	(301,246)	(304,067)
B.2. Total comprehensive income for the reporting period	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**1,512,949**	**0**	**3,237,746**	**(200,781)**	**4,549,914**	**1,867,865**	**6,417,779**
Input of operating profit/loss for the reporting period	0	0	0	0	0	0	0	0	0	3,237,746	0	3,237,746	2,457,797	5,695,543
Entry of actuarial profit from severance pay	0	0	0	0	0	0	0	689,808	0	0	0	689,808	0	689,808
Change of the surplus from the revaluation of tangible fixed assets	0	0	0	0	0	0	0	767,316	0	0	0	767,316	0	767,316
Other ingredients of comprehensive income for the reporting period	0	0	0	0	0	0	0	55,825	0	0	0	55,825	(1)	55,824
Profit and loss arising from the translation of the financial statements of foreign companies	0	0	0	0	0	0	0	0	0	0	(200,781)	(200,781)	(589,931)	(790,712)
B.3. Changes in equity	**0**	**0**	**6,590**	**0**	**0**	**883,155**	**(377,695)**	**(16,593)**	**7,000,093**	**(7,495,550)**	**0**	**0**	**0**	**0**
Allocation of the remaining net profit in the comparative reporting period to other components of equity	0	0	0	0	0	0	0	0	7,495,550	(7,495,550)	0	0	0	0
Other changes in capital	0	0	6,590	0	0	883,155	(377,695)	(16,593)	(495,457)	0	0	0	0	0
C. Closing balance of the reporting period	**23,688,983**	**41,686,964**	**2,023,943**	**120,190**	**(120,190)**	**1,641,102**	**36,938,258**	**28,214,466**	**11,287,678**	**3,237,746**	**(2,228,269)**	**146,490,871**	**12,155,636**	**158,646,507**

Notes on the financial statements form an integral part of the financial statements.

17 Notes on the financial statements

The controlling company of the UNIOR group is UNIOR Kovaška industrija d.d., with its registered office at Kovaška 10, Zreče, Slovenia.

The consolidated financial statements of the Unior Group for the year ended on 31/12/2018 are presented below.

17.1 Statement of compliance

The consolidated financial statements have been prepared in accordance with the Companies Act and International Financial Reporting Standards (IFRS) adopted by the International Accounting Standards Board (IASB) and the interpretations adopted by the International Financial Reporting Standards Interpretations Committee (IFRSIC) and as adopted by the European Union.

As regards the process of standard confirmation by the European Union, there were no differences as at the balance sheet date between the accounting policies used by Unior d.d., and the International Financial Reporting Standards (IFRS) adopted by the European Union.

These required financial statements have been compiled to comply with the legal requirements. According to the law, the Company is obliged to have these financial statements audited by an independent auditor. The audit is limited to the required financial statements for general purposes, so that the legal requirement of auditing the required financial statements is met. The audit covers the required financial statements as a whole and gives no assurance as to individual line items, accounts or transactions. The audited financial statements are not intended to be used by any party for deciding on ownership, financing or any specific transactions referring to the Company. As a result, the users of the required financial statements may not rely solely on the financial statements and are obliged to conduct other appropriate procedures before adopting decisions.

The management of UNIOR d.d. approved the consolidated financial statements of the UNIOR Group on 25/03/2019.

17.2 Basis for the preparation of the financial statements

All financial statements and notes on the financial statements are prepared and presented in euros (EUR) without cents and are rounded to the nearest whole number.

17.2.1 Fair value

The assets and liabilities shown, with the exception of available-for-sale financial assets are valued at cost or amortised cost, for which we estimate are the same as the fair values of these assets or liabilities.

The book value of assets and liabilities is equal to their fair value. According to the fair values hierarchy, we classify them in the following levels:

- Level 1: assets valued using the exchange rate on the last day of the accounting period
- Level 3: assets which cannot be obtained from market data; this category consists of land and investment property at an estimated value, and buildings and equipment at the current book value. Long-term financial investments are presented at cost, less impairment, while trade receivables, short-term financial investments and liabilities are presented at their amortised cost.

Classification of assets and liabilities in relation to their fair value as at 31 December 2(

(in EUR)	Level 1	Level 3	Total
Property, plant and equipment		**34,700,925**	**34,700,925**
- Land		*34,700,925*	*34,700,925*
Investment property		**14,787,206**	**14,787,206**
Long-term financial investments	**3,900**	**18,427,423**	**18,431,323**
- Quoted shares	*3,900*		*3,900*
- Unquoted shares		*18,384,441*	*18,384,441*
- Long-term financial investments - long-term loans		*42,982*	*42,982*
Long-term trade receivables		**111,166**	**111,166**
Short-term financial investments		**2,066,854**	**2,066,854**
Short-term trade receivables		**48,137,419**	**48,137,419**
Long-term financial liabilities		**101,122,812**	**101,122,812**
Long-term operating liabilities		**0**	**0**
Short-term financial liabilities		**23,638,702**	**23,638,702**
Short-term operating liabilities		**67,346,269**	**67,346,269**

Classification of assets and liabilities in relation to their fair value as at 31 December 2(

(in EUR)	Level 1	Level 3	Total
Property, plant and equipment		**36,946,458**	**36,946,458**
- Land		*36,946,458*	*36,946,458*
Investment property		**14,626,679**	**14,626,679**
Long-term financial investments	**660**	**17,227,935**	**17,228,595**
- Quoted shares	*660*		*660*
- Unquoted shares		*17,151,718*	*17,151,718*
- Long-term financial investments - long-term loans		*76,217*	*76,217*
Long-term trade receivables		**183,393**	**183,393**
Short-term financial investments		**1,924,993**	**1,924,993**
Short-term trade receivables		**46,310,526**	**46,310,526**
Long-term financial liabilities		**109,190,279**	**109,190,279**
Long-term operating liabilities		**41,405**	**41,405**
Short-term financial liabilities		**20,311,195**	**20,311,195**
Short-term operating liabilities		**59,687,345**	**59,687,345**

We show land and investment property at their estimated value, long-term financial investments at cost less impairment, and trade receivables, short-term financial investments and liabilities at their amortised cost.

The methodology used for the estimated values is disclosed for individual categories in Chapter 17.3 of the Annual Report 2018.

17.2.2 Accounting policies used

The accounting policies used are the same ones that the Company used in previous years.

The consolidated financial statements include UNIOR d.d. and its subsidiaries, the Group's shares in associates and interests in joint ventures (hereinafter referred to as the UNIOR Group). Investments in subsidiaries are eliminated in the consolidated accounts of the UNIOR Group. A more detailed overview of the composition of the UNIOR Group is presented in Chapter 15 of the UNIOR Group in the accounting section of the Annual Report 2018.

All accounting policies applied are the same for the entire UNIOR Group, and are listed in Chapter 12.2.2 of the Annual Report 2018.

17.3 Notes on the Balance Sheet

17.3.1 Balance Sheet by Division

Item (in EUR)	Tourism act. 31/12/2018	Metal act. 31/12/2018	TOTAL 31/12/2018	Tourism act. 31/12/2017	Metal act. 31/12/2017	TOTAL 31/12/2017
ASSETS	**70,001,578**	**300,392,746**	**370,394,324**	**78,628,810**	**285,344,692**	**363,973,502**
A. LONG–TERM ASSETS	**67,551,341**	**157,607,014**	**225,158,355**	**67,880,649**	**149,411,230**	**217,291,879**
I. Intangible assets and other IA	**1,367,214**	**4,847,090**	**6,214,304**	**1,413,823**	**5,469,526**	**6,883,349**
1. Long-term property rights	1,367,214	734,545	2,101,759	1,413,823	811,053	2,224,876
2. Goodwill	0	521,448	521,448	0	521,448	521,448
3. Long-term deferred development costs	0	3,456,122	3,456,122	0	3,975,111	3,975,111
4. Other intangible assets	0	125,345	125,345	0	143,264	143,264
5. Intangible assets being acquired	0	9,630	9,630	0	18,650	18,650
II. Property, plant and equipment	**65,711,255**	**115,876,962**	**181,588,217**	**66,041,023**	**107,537,477**	**173,578,500**
1. Land and buildings	57,281,408	47,598,765	104,880,173	60,555,024	45,995,306	106,550,330
2. Manufacturing plants and equipment	4,518,574	57,570,821	62,089,395	4,402,956	53,850,219	58,253,175
3. Other plant and equipment, small tools and other tangible fixed assets	8,073	598,142	606,215	8,073	521,634	529,707
4. Property, plant and equipment being acquired	3,903,201	10,109,233	14,012,434	1,074,970	7,170,318	8,245,288
III. Investment property	**421,050**	**14,366,156**	**14,787,206**	**355,168**	**14,271,511**	**14,626,679**
IV. Long-term financial investments	**12,519**	**18,418,804**	**18,431,323**	**12,519**	**17,216,076**	**17,228,595**
1. Long-term financial investments, except loans	12,519	18,375,822	18,388,341	12,519	17,139,859	17,152,378
2. Long-term loans	0	42,982	42,982	0	76,217	76,217
V. Long-term trade receivables	**39,303**	**71,863**	**111,166**	**58,116**	**125,277**	**183,393**
1. Long-term trade receivables from buyers	0	0	0	0	10,132	10,132
2. Long-term trade receivables from others	39,303	71,863	111,166	58,116	115,145	173,261
VI. Deferred tax assets	**0**	**4,026,139**	**4,026,139**	**0**	**4,791,363**	**4,791,363**
B. SHORT–TERM ASSETS	**2,450,237**	**142,785,732**	**145,235,969**	**10,748,161**	**135,933,462**	**146,681,623**
I. Assets (disposal groups) held for sale	**0**	**120,000**	**120,000**	**7,800,643**	**1,800,000**	**9,600,643**
II. Inventories	**347,485**	**82,550,827**	**82,898,312**	**390,934**	**74,124,798**	**74,515,732**
1. Material	338,686	29,378,781	29,717,467	381,771	25,523,840	25,905,611
2. Work in progress	0	27,856,663	27,856,663	0	24,612,525	24,612,525
3. Products	0	17,679,960	17,679,960	1,140	15,667,699	15,668,839
4. Merchandise	8,800	7,635,422	7,644,222	8,023	8,320,734	8,328,757
III. Short-term financial investments	**0**	**2,066,854**	**2,066,854**	**0**	**1,924,993**	**1,924,993**
1. Short-term financial investments, except loans	0	0	0	0	0	0
2. Short-term loans	0	2,066,854	2,066,854	0	1,924,993	1,924,993
IV. Short-term trade receivables	**1,428,877**	**46,708,542**	**48,137,419**	**1,807,443**	**44,503,083**	**46,310,526**
1. Short-term trade receivables from buyers	919,212	33,439,509	34,358,721	1,462,937	31,085,725	32,548,662
2. Short-term trade receivables from others	509,664	13,269,034	13,778,698	344,506	13,417,358	13,761,864
V. Monetary assets	**673,875**	**11,339,509**	**12,013,384**	**749,141**	**13,580,588**	**14,329,729**

Balance Sheet by Division (continuation)

	Item (in EUR)	Tourism act. 31/12/2018	Metal act. 31/12/2018	TOTAL 31/12/2018	Tourism act. 31/12/2017	Metal act. 31/12/2017	TOTAL 31/12/2017
	LIABILITIES TO ASSET SOURCES	**70,001,578**	**300,392,746**	**370,394,324**	**78,628,810**	**285,344,692**	**363,973,502**
A.	**EQUITY**	**34,853,086**	**131,593,197**	**166,446,283**	**37,516,524**	**121,129,983**	**158,646,507**
A1.	**EQUITY ATTRIBUTABLE TO THE OWNERS OF THE PARENT COMPANY**	**34,853,086**	**118,994,290**	**153,847,376**	**37,339,385**	**109,151,486**	**146,490,871**
I.	**Called-up capital**	**6,483,792**	**17,205,191**	**23,688,983**	**6,483,792**	**17,205,191**	**23,688,983**
	1. Share capital	6,483,792	17,205,191	23,688,983	6,483,792	17,205,191	23,688,983
	2. Uncalled capital (deduction item)	0	0	0	0	0	0
II.	**Capital reserves**	**11,409,929**	**28,745,402**	**40,155,331**	**11,409,929**	**30,277,035**	**41,686,964**
III.	**Reserves created from profit**	**15,911,428**	**24,763,945**	**40,675,373**	**15,911,428**	**24,691,875**	**40,603,303**
	1. Legal reserves	534,164	1,492,962	2,027,126	534,164	1,489,779	2,023,943
	2. Reserves for treasury shares and own stakes	0	120,190	120,190	0	120,190	120,190
	3. Treasury shares and own stakes (deduction item)	0	(120,190)	(120,190)	0	(120,190)	(120,190)
	4. Statutory reserves	0	2,363,564	2,363,564	0	1,641,102	1,641,102
	5. Other reserves created from profit	15,377,264	20,907,419	36,284,683	15,377,264	21,560,994	36,938,258
IV.	**Reserves from valuation at fair value**	**13,609,277**	**12,815,724**	**26,425,001**	**15,341,539**	**12,872,927**	**28,214,466**
V.	**Net profit brought forward**	**0**	**26,807,973**	**15,000,669**	**0**	**22,573,486**	**11,287,678**
VI.	**Net loss brought forward**	**11,807,304**	**0**	**0**	**11,285,808**	**0**	**0**
VII.	**Net profit for the financial year**	**0**	**11,022,698**	**10,268,662**	**0**	**3,759,241**	**3,237,746**
VIII.	**Net loss for the financial year**	**754,036**	**0**	**0**	**521,495**	**0**	**0**
IX.	**Consolidation adjustment of the capital**	**0**	**(2,366,643)**	**(2,366,643)**	**0**	**(2,228,269)**	**(2,228,269)**
A2.	**CAPITAL ATTRIBUTABLE TO THE NON-CONTROLLING INTEREST**	**0**	**12,598,907**	**12,598,907**	**177,139**	**11,978,497**	**12,155,636**
B.	**PROVISIONS IN DEFERRED REVENUE**	**2,877,417**	**6,374,766**	**9,252,183**	**2,979,605**	**6,023,531**	**9,003,136**
	1. Provisions for pensions and similar liabilities	649,590	5,482,099	6,131,689	645,892	5,226,600	5,872,492
	2. Other provisions	2,203,704	616,904	2,820,608	2,333,713	495,748	2,829,461
	3. Deferred revenue	24,122	275,764	299,886	0	301,183	301,183
C.	**LONG-TERM LIABILITIES**	**23,056,025**	**80,654,862**	**103,710,887**	**27,247,724**	**84,796,508**	**112,044,232**
I.	**Long-term financial liabilities**	**13,563,147**	**87,559,665**	**101,122,812**	**17,491,692**	**91,698,587**	**109,190,279**
	1. Long-term financial liabilities to banks	13,563,147	87,171,784	100,734,931	17,491,692	91,549,899	109,041,591
	2. Long-term financial liabilities arising from bonds	0	0	0	0	0	0
	3. Other long-term financial liabilities	0	387,881	387,881	0	148,688	148,688
II.	**Long-term operating liabilities**	**7,098,550**	**(7,098,550)**	**0**	**7,139,955**	**(7,098,550)**	**41,405**
	1. Long-term operating liabilities to suppliers	0	0	0	0	0	0
	2. Long-term liabilities for bills of exchange	0	0	0	0	0	0
	3. Long-term operating liabilities from advances	0	0	0	0	0	0
	4. Other long-term operating liabilities	7,098,550	(7,098,550)	0	7,139,955	(7,098,550)	41,405
III.	**Deferred tax liabilities**	**2,394,328**	**193,747**	**2,588,075**	**2,616,077**	**196,471**	**2,812,548**
D.	**SHORT-TERM LIABILITIES**	**9,215,051**	**81,769,920**	**90,984,971**	**10,884,957**	**73,394,670**	**84,279,627**
I.	**Liabilities included in disposal groups**	**0**	**0**	**0**	**4,281,087**	**0**	**4,281,087**
II.	**Short-term financial liabilities**	**1,986,805**	**21,651,897**	**23,638,702**	**1,541,713**	**18,769,482**	**20,311,195**
	1. Short-term financial liabilities to banks	1,972,939	21,562,276	23,535,215	1,513,326	18,447,892	19,961,218
	2. Short-term financial liabilities arising from bonds	0	0	0	0	0	0
	3. Other short-term financial liabilities	13,866	89,621	103,487	28,387	321,590	349,977
III.	**Short-term operating liabilities**	**7,228,246**	**60,118,023**	**67,346,269**	**5,062,157**	**54,625,188**	**59,687,345**
	1. Short-term operating liabilities to suppliers	4,726,695	33,794,656	38,521,351	2,717,066	32,712,451	35,429,517
	2. Short-term bills payable	0	7,469,650	7,469,650	0	6,019,779	6,019,779
	3. Short-term operating liabilities from advances	1,147,368	5,864,332	7,011,700	1,006,965	3,513,258	4,520,223
	4. Other short-term operating liabilities	1,354,183	12,989,385	14,343,568	1,338,126	12,379,700	13,717,826

Additional information regarding the geographical area for the Group

	Sales revenues		Total assets		Net investments	
(in EUR)	2018	2017	2018	2017	2018	2017
Slovenia	174,993,116	172,987,345	296,504,440	306,430,427	18,216,126	15,348,523
European Union	13,093,553	13,171,851	16,112,094	12,236,611	974,442	645,902
Rest of Europe	11,320,505	11,448,145	17,056,371	10,089,645	1,990,014	1,025,799
Other markets	47,045,979	41,412,259	40,721,419	35,216,819	3,954,039	4,349,799
Total	**246,453,153**	**239,019,600**	**370,394,324**	**363,973,502**	**25,134,621**	**21,370,022**

17.3.2 Intangible assets

UNIOR GROUP (in EUR)	Goodwill	Deferred expenses development	Investments in rights to of ind. property	Other intangible assets	IFA in acquisition	Total
Purchase value						
Balance as at 31 December 2017	602,236	13,797,721	5,142,953	143,264	18,650	19,704,824
Direct increases - investments	0	584,510	8,473	6,951	6,380	606,314
Transfer from investments in progress	0	6,300	0	0	(6,300)	0
Decreases during the year	0	0	(150,545)	(24,870)	(9,100)	(184,515)
Other changes (movements, currency exchange rates)	0	(12,753)	(4,083)	0	0	(16,836)
Balance as at 31 December 2018	602,236	14,375,778	4,996,798	125,345	9,630	20,109,787
Value adjustment						
Balance as at 31 December 2017	80,788	9,822,610	2,918,077	0	0	12,821,475
Amortization and depreciation in the year	0	1,133,696	128,877	0	0	1,262,573
Decreases during the year	0	(25,082)	(150,545)	0	0	(175,627)
Other changes (movements, currency exchange rates)	0	(11,568)	(1,370)	0	0	(12,938)
Balance as at 31 December 2018	80,788	10,919,656	2,895,039	0	0	13,895,483
Current value as at 31 December 2018	**521,448**	**3,456,122**	**2,101,759**	**125,345**	**9,630**	**6,214,304**
Current value as at 31 December 2017	521,448	3,975,111	2,224,876	143,264	18,650	6,883,349

UNIOR GROUP (in EUR)	Goodwill	Deferred expenses development	Investments in rights to of ind. property	Other intangible assets	IFA in acquisition	Total
Purchase value						
Balance as at 31 December 2016	602,236	10,922,945	5,023,677	165,153	86,032	16,800,043
Direct increases - investments	0	2,947,888	403,311	7,234	6,300	3,364,733
Transfer from investments in progress	0	0	73,682	0	(73,682)	0
Decreases during the year	0	0	(356,242)	(29,123)	0	(385,365)
Other changes (movements, currency exchange rates)	0	(73,112)	(1,475)	0	0	(74,587)
Balance as at 31 December 2017	602,236	13,797,721	5,142,953	143,264	18,650	19,704,824
Value adjustment						
Balance as at 31 December 2016	80,788	8,844,869	3,124,945	0	0	12,050,602
Amortization and depreciation in the year	0	1,038,353	139,785	0	0	1,178,138
Decreases during the year	0	0	(344,395)	0	0	(344,395)
Other changes (movements, currency exchange rates)	0	(60,612)	(2,258)	0	0	(62,870)
Balance as at 31 December 2017	80,788	9,822,610	2,918,077	0	0	12,821,475
Current value as at 31 December 2017	**521,448**	**3,975,111**	**2,224,876**	**143,264**	**18,650**	**6,883,349**
Current value as at 31 December 2016	521,448	2,078,076	1,898,732	165,153	86,032	4,749,441

The group received 6,951 emission coupons from the Ministry of the Environment and Spatial Planning, the Environmental Agency of the Republic of Slovenia for 2018. These coupons are recorded in the books of account at the value of 1 euro. In 2018, the Company settled its liabilities for 2018 in the amount of 7,363 coupons. On 31/12/2018 the state of the emission coupons amounted to 14,917.

The decrease in intangible assets in the amount of EUR 0.7 million represents the depreciation of long-term deferred development costs in the Special Machines Programme and in the foundry of Ningbo Unior Forging in China. Among other intangible fixed assets in the amount of EUR 125,345, emission coupons and long-term deferred costs and accrued revenues are disclosed.

The Group has no intangible fixed assets pledged as collateral for its debts.

17.3.3 Property, plant and equipment

UNIOR GROUP (in EUR)	Land	Buildings	Production equipment and machinery	Other equipment and small tools	Fixed assets under acquisition	Total
Purchase value						
Balance as at 31 December 2017	36,946,458	138,543,145	186,131,676	3,281,991	8,245,288	373,148,558
Direct increases - investments	131,001	818,566	3,357,617	231,733	19,985,956	24,524,873
Transfer from investments in progress	0	3,590,501	10,539,591	11,800	(14,141,892)	0
Decreases during the year	(722,999)	(1,586,944)	(6,378,188)	(359,170)	(75,359)	(9,122,660)
Revaluation due to strengthening / impairment	(1,661,046)	0	0	0	0	(1,661,046)
Transfer between groups	0	0	0	0	0	0
Other changes (changes in exchange rates)	7,511	(21,838)	(128,089)	(41,222)	(1,559)	(185,197)
Balance as at 31 December 2018	34,700,925	141,343,430	193,522,607	3,125,132	14,012,434	386,704,528
Value adjustment						
Balance as at 31 December 2017	0	68,939,273	127,878,501	2,752,284	0	199,570,058
Amortization and depreciation in the year	0	3,061,914	9,130,825	130,090	0	12,322,829
Decreases during the year	0	(829,079)	(5,505,567)	(328,261)	0	(6,662,907)
Transfer between groups	0	0	0	0	0	0
Other changes (changes in exchange rates)	0	(7,926)	(70,547)	(35,196)	0	(113,669)
Balance as at 31 December 2018	0	71,164,182	131,433,212	2,518,917	0	205,116,311
Current value as at 31 December 2018	**34,700,925**	**70,179,248**	**62,089,395**	**606,215**	**14,012,434**	**181,588,217**
Current value as at 31 December 2017	36,946,458	69,603,872	58,253,175	529,707	8,245,288	173,578,500

UNIOR GROUP (in EUR)	Land	Buildings	Production equipment and machinery	Other equipment and small tools	Fixed assets under acquisition	Total
Purchase value						
Balance as at 31 December 2016	38,384,929	163,046,088	178,842,174	13,153,104	8,753,322	402,179,617
Direct increases - investments	265,640	25,739	3,499,310	1,248,316	12,561,713	17,600,718
Transfer from investments in progress	0	5,148,767	7,680,529	0	(12,829,296)	0
Decreases during the year	(738,245)	(519,815)	(3,227,371)	(595,596)	(25,845)	(5,106,872)
Reduction - transfer to assets held for sale	(453,470)	(11,856,618)	0	(4,336,842)	(78,803)	(16,725,733)
Revaluation due to transfer to assets held for sale	(639,706)	(16,725,994)	0	(6,117,933)	(111,166)	(23,594,799)
Transfer between groups	0	0	0	0	0	0
Other changes (changes in exchange rates)	127,310	(575,022)	(662,966)	(69,058)	(24,637)	(1,204,373)
Balance as at 31 December 2017	36,946,458	138,543,145	186,131,676	3,281,991	8,245,288	373,148,558
Value adjustment						
Balance as at 31 December 2016	0	84,250,228	123,028,848	7,943,822	0	215,222,898
Amortization and depreciation in the year	0	3,570,768	8,102,066	665,574	0	12,338,408
Decreases during the year	0	(119,285)	(2,947,526)	(448,122)	0	(3,514,933)
Reduction - transfer to assets held for sale	0	(7,130,277)	0	(2,221,996)	0	(9,352,273)
Revaluation due to transfer to assets held for sale	0	(10,058,595)	0	(3,134,543)	0	(13,193,138)
Other changes (changes in exchange rates)	0	(1,573,566)	(304,887)	(52,451)	0	(1,930,904)
Balance as at 31 December 2017	0	68,939,273	127,878,501	2,752,284	0	199,570,058
Current value as at 31 December 2017	**36,946,458**	**69,603,872**	**58,253,175**	**529,707**	**8,245,288**	**173,578,500**
Current value as at 31 December 2016	38,384,929	78,795,860	55,813,326	5,209,282	8,753,322	186,956,719

In 2018, the UNIOR Group totalled EUR 25,134,621 of new investment in fixed assets of which EUR 606,314 in intangible fixed assets, EUR 24,524,873 in tangible fixed assets and EUR 3,434 in investment property. Investments in metal activities amounted to EUR 20,220,671, while investments in tourism activities amounted to EUR 4,913,950.

Among property, plant and equipment, the company has, on 31/12/2018, disclosed assets that were gained by financial lease in the cost of EUR 1,591,442 (EUR 1,841,360 in 2017) and the present value of EUR 782,507 (EUR 1,017,166 in 2017).

As security for liabilities, the Group has pledged fixed assets in the estimated value of EUR 150,068,895, which represents the majority of the company's assets.
Due to changes the land is revalued on the basis of a valuation report prepared by chartered property surveyor to fair value in 2019 according to the balance as at 31/12/2018. The method used by the surveyor was the market sales method, which indicates the value with the comparison of the valuated property with equal or similar properties for which the information on price was available. On the basis of the sales prices achieved and the adjustments, an indicative price, which a

comparable property would achieve on the market, was taken into account. Public utility charges were added to the land valuation, namely as a right attributed to the construction land where the facilities with issued building permits are located.

The value of revalued land at cost is EUR 8,524,816.

17.3.4 Investment property

(in EUR)	31/12/2018	31/12/2017
Land	7,800,552	7,650,607
Buildings	6,986,654	6,976,072
Total	**14,787,206**	**14,626,679**

Changes in investment properties

(in EUR)	2018	2017
Opening balance as at 1 January	**14,626,679**	**14,222,552**
Acquisitions	3,434	404,569
Revaluation	149,945	(34,178)
Disposals	(15,928)	0
Other changes (movements, currency exchange rates)	23,076	33,736
Closing balance as at 31 December	**14,787,206**	**14,626,679**

Investment property comprises land and buildings intended for resale or letting out for rental income, namely in Maribor, Zreče, on Rogla and in Kragujevac in Serbia. Investment property is stated at fair value. In 2019, fair value was determined based on an appraisal by a chartered property surveyor according to the balance as at 31/12/2018. For land intended for sale and disclosed among investment properties, the surveyor used the market sales method, which indicates the value with the comparison of the valuated property with equal or similar properties for which the information on price is available. On the basis of the sales prices achieved and the adjustments, an indicative price, which a comparable property would achieve on the market, was taken into account. Public utility charges were added to the land valuation, namely as a right attributed to the construction land where the facilities with issued building permits are located.

The method of assessing the value of the investment property for the location of the production halls in Maribor is the market sales method for determining the value of the land. In the appraisal report, the chartered surveyor considered the value obtained by the income capitalisation approach, which represents a market valuation. The income capitalisation approach is based on the capitalisation of the expected stable profit that will be generated by the holder of the property rights through the use of the property. The basis for assessing the stable profit are the rents which are charged by the owner to tenants in accordance with the intended purpose of the property. The capitalisation rate was established on the basis of the build-up approach and amounts to 7.5 per cent for the production and storage facilities and 8.5 per cent for offices.

The cost of rent in 2018 amounted to EUR 1,614,449, while in 2017 it amounted to EUR 1,350,104. The increase in the cost is due to the fact that in December 2017 UNIOR d.d. started the rental and washing service of work clothes for all employees and in the last quarter of 2018 rented server and computer facilities.

The minimum sum of rents from operating leases – receivables

(in EUR)	2018	2017
Up to 1 year	1,259,942	1,299,834
From 2 to 5 years	5,039,768	5,199,336
More than 5 years	6,299,709	6,499,170
Total	**12,599,419**	**12,998,341**

The minimum sum of rents from operating leases – liabilities

(in EUR)	2018	2017
Up to 1 year	1,614,449	1,411,106
From 2 to 5 years	6,457,796	5,644,424
More than 5 years	8,072,245	7,055,530
Total	**16,144,490**	**14,111,060**

Future rents relate to the lease for the production halls in Maribor and Kragujevac, rent for the production line for powder painting and rental costs for renting classrooms, apartments and parking spaces.

The Group pays rental fees for commercial storage facilities of hand tool distributors abroad, for hire of production facilities in China, for renting business warehouses for the needs of the Special Machines Programme, for renting Koča na Pesku and the parking lot at the Obdelava odkovkov plant in Slovenske Konjice and for renting work clothes for all employees in the parent company.

17.3.5 Long-term financial investments

Investments in associated companies, in cosodidation according to the equity method

(in EUR)	Share	31/12/2018	31/12/2017
In the country:			
ŠTORE STEEL d.o.o., Štore	29.253	14,407,640	12,877,642
RHYDCON d.o.o. Šmarje pri Jelšah	33.500	0	596,178
RC SIMIT d.o.o., Kidričevo	20.000	185,530	179,773
		14,593,170	13,653,593
Abroad:			
UNIOR TEPID S.R.L. Brasov, Romania	49.000	2,696,045	2,511,183
UNIOR SINGAPORE Pte. Ltd. Singapore	40.000	(26,085)	(14,053)
UNIOR TEHNA d.o.o. Sarajevo, BiH	25.000	356,250	291,078
UNIOR TEOS ALATI d.o.o., Belgrade, Serbia	20.000	592,578	528,814
		3,618,788	3,317,022
Total associated companies		**18,211,958**	**16,970,615**
Financial assets measured at fair value through profit or loss			
Investments in shares and stakes in other companies and banks:			
BANKS		750	750
INSURANCE COMPANIES		0	0
OTHER COMPANIES		175,633	181,013
		176,383	181,763
Long-term financial investments in liabilities			
Long-term loans to others		66,206	107,546
Short-term part of investments in liabilities		(23,224)	(31,329)
		42,982	76,217
Total long-term financial investments excluding treasury		**18,431,323**	**17,228,595**

Investments in associates are accounted for in the consolidated financial statements using the equity method. The profits and losses of the associated companies disclosed in the consolidated balance sheet either increase or decrease the value of long-term financial investments, while they increase financial income or expenses in the consolidated income statement.

In 2018 the impact of the valuation of associates under the equity method resulted in a positive effect of EUR 1,838,444, while in 2017 it had a positive impact of EUR 3,495,664.

Long-term loans are entirely repayable. Receipts accruing from interest in 2018 amounted to EUR 79,074 and EUR 215,642 in 2017.

Changes in long-term investments in shares and stakes

(in EUR)	2018	2017
Investments in shares and stakes as at 1 January	17,228,595	13,660,926
Increases:		
Acquisition of shares and stakes	0	252,050
Increase of investments in liabilities	0	16,654
Dividends or profit shares from associates	1,838,444	3,495,664
Other increases - revaluation	3,240	74,689
Decreases:		
Sale of shares and stakes	(596,179)	(26,636)
Repayments of long-term loans granted	(10,039)	(53,674)
Losses of associated companies	0	0
Transfer to short-term investments	(23,224)	(31,329)
Other decreases - impairment	(9,514)	(159,749)
Balance as at 31 December	**18,431,323**	**17,228,595**

Changes in long-term investments in shares and stakes in associated companies:

(in EUR)	2018	2017
Book value as at 1 January	**16,970,615**	**13,363,862**
Acquisition of shares and stakes	0	251,250
Profits (losses) according to the equity method	3,270,205	3,337,367
Payout of the profit arising from equity interest	(1,294,220)	(516,327)
Foreign currency translation differences	(29)	(26,679)
Sale of shares and stakes	(596,179)	0
Impairments of investments	0	(177,969)
Other changes	(138,434)	739,110
Book value as at 31 December	**18,211,958**	**16,970,615**

Equity and profit or loss of associates

Company name	Country of the company	Percentage of participation in capital	Size in capital in EUR	Operating profit or loss for the period in EUR	Audited financial statements
Associated companies:					
ŠTORE STEEL d.o.o.	Slovenia	29.253	60,780,033	8,649,020	YES
RC SIMIT d.o.o.	Slovenia	20.000	927,652	(28,339)	NO
UNIOR TEPID S.R.L.	Romania	49.000	5,502,133	1,088,277	YES
UNIOR SINGAPORE Pte. Ltd.	Singapore	40.000	(65,213)	(30,080)	YES
UNIOR TEHNA d.o.o.	Bosnia and Herzegovina	25.000	1,425,001	490,631	NO
UNIOR TEOS ALATI d.o.o.	Serbia	20.000	3,031,755	509,398	NO

In 2018 a 33.5 per cent stake in Rhydcon d.o.o. was sold, which is no longer part of the UNIOR Group.

17.3.6 Assets (disposal groups) for sale and liabilities, included in the disposal groups

Assets (disposal groups) held for sale	**120,000**	**9,600,643**

(in EUR)	31/12/2018	31/12/2017
Assets (disposal groups) held for sale	120,000	9,600,643
A. LONG–TERM ASSETS	**120,000**	**7,873,612**
I. Intangible assets and other IA	0	11,848
1. Long-term property rights	0	11,848
II. Property, plant and equipment	0	7,373,460
1. Land and buildings	0	5,179,812
a) Land	0	453,470
b) Buildings	0	4,726,341
2. Manufacturing plants and equipment	0	0
3. Other plant and equipment, small tools and other tangible fixed assets	0	2,114,846
4. Property, plant and equipment being acquired	0	78,803
III. Investment property	120,000	120,000
IV. Long-term financial investments	0	3,066
V. Long-term trade receivables	0	0
VI. Deferred tax assets	0	365,238
B. SHORT–TERM ASSETS	**0**	**1,727,031**
I. Assets (disposal groups) held for sale	0	0
II. Inventories	0	112,352
III. Short-term financial investments	0	0
IV. Short-term trade receivables	0	643,596
V. Monetary assets	0	971,083
Total assets (disposal groups) held for sale	**120,000**	**9,600,643**

Liabilities included in disposal groups

(in EUR)	31/12/2018	31/12/2017
Liabilities included in disposal groups	0	4,281,087
A. EQUITY	**0**	**0**
B. PROVISIONS AND LONG-TERM ACCRUED COSTS AND DEFERRED REVENUE	**0**	**583,831**
C. LONG-TERM LIABILITIES	**0**	**1,289,511**
I. Long-term financial liabilities	0	885,784
II. Long-term operating liabilities	0	238,085
III. Deferred tax liabilities	0	165,642
D. SHORT-TERM LIABILITIES	**0**	**2,407,745**
I. Liabilities included in disposal groups	0	0
II. Short-term financial liabilities	0	389,992
III. Short-term operating liabilities	0	2,017,753
Total liabilities included in disposal groups	**0**	**4,281,087**

At the end of 2017, due to the initiated sales process for the sale of a 98.55 per cent stake in RTC Krvavec, the assets of this company were transferred to assets (disposal groups) for sale at fair value, and liabilities of this company to liabilities included in disposal groups at book value. Because of successful completion of the sales process of RTC Krvavec these assets and liabilities decreased in 2018.

Assets (disposal groups) held for sale comprise bungalows on Mount Rogla.

17.3.7 Inventories

(in EUR)	31/12/2018	31/12/2017
Material	30,315,267	26,422,253
Work in progress	27,856,663	24,612,525
Products	19,081,590	16,707,397
Merchandise	7,849,604	8,437,041
Value adjustment	(2,204,812)	(1,663,484)
Total	**82,898,312**	**74,515,732**

Balance of value adjustment of inventories

(in EUR)	31/12/2018	31/12/2017
- material	597,800	516,642
- finished products	1,401,630	1,038,558
- merchandise	205,382	108,284
Total	**2,204,812**	**1,663,484**

Change in value adjustment of inventories

(in EUR)	2018	2017
Balance of inventory value adjustment as at 1 January	**1,663,484**	**1,658,355**
- material	81,158	(198,743)
- finished products	363,072	263,347
- merchandise	97,098	(59,475)
Balance as at 31 December	**2,204,812**	**1,663,484**

Inventories increased by EUR 8.4 million in the current financial year. The inventory of materials has increased mainly due to the higher input prices of steel. The inventory of unfinished production is higher mainly in the Special Machines Programme due to the completion of projects that are to be or will be made in early 2019.

The book value of inventories is equal to net realisable value and each year, using the methodology written in the accounting policies, we create a value adjustment for inventories that did not have movements in certain periods.

Inventories in the amount of EUR 20 million are pledged for the benefit of the banks for the purposes of insurance of financial liabilities. Inventories in the table above are shown in gross amounts, as value adjustments of the inventories and inventory adjustments arising from determined changes during stocktaking are stated separately. The inventories stated in the balance sheet are shown in their net amounts.

17.3.8 Trade receivables

(in EUR)	31/12/2018	31/12/2017
Long-term trade receivables		
Long-term trade receivables from associates	0	0
Long-term trade receivables from other buyers	554,058	626,285
Short-term part of long-term trade receivables	0	0
Value adjustment of long-term trade receivables	(442,892)	(442,892)
Total long-term trade receivables	**111,166**	**183,393**
Short-term trade receivables		
Short-term trade receivables from associates	1,900,336	1,497,148
Short-term trade receivables from buyers - at home	4,285,960	4,005,630
Short-term trade receivables from buyers - abroad	28,874,636	28,101,456
Short-term trade receivables deriving from interests	0	1,793
Receivables for VAT	1,023,890	1,771,359
Advances	2,109,538	1,871,947
Other short-term trade receivables	10,645,270	10,116,765
Short-term part of long-term trade receivables	0	0
Value adjustments of short-term trade receivables	(702,211)	(1,055,572)
Total short-term trade receivables	**48,137,419**	**46,310,526**

The increase in short-term trade receivables was due to higher sales volumes compared to the previous year. Lower purchases at the end of 2018 have lower VAT receivables. The increase in other trade receivables is mainly due to the larger bill receivables in China. In addition, other short-term receivables include receivables in the amount of EUR 0.8 million arising from the sold trade receivables deriving from non-recourse factoring business receivables, receivables deriving from refunds, also deferred are costs and accrued revenues in the amount of EUR 487,723, of which the short-term deferred costs amounted to EUR 58,411, unsettled revenues amounted to EUR 377,971 VAT from received advances amounted to EUR 51,341. Receivables in the table are entirely repayable. The Group recognises individual receivables separately for each receivable, i.e the probability of a cash flow for the repayment of an individual receivable is assessed. This is verified with the verification of the credit rating of the buyer and taking into consideration the likelihood of repayment. Since all receivables are of a short-term nature, the Group does not discount the consideration of receivables.

In 2018 the Group formed the following adjustments to the value of trade receivables:

Changes in value adjustments of trade receivables

(in EUR)	2018	2017
Balance as at 1 January	**1,055,572**	**1,339,066**
Collected receivables previously written-off	(57,043)	(75,160)
Final write-off of receivables	(484,956)	(774,026)
Formation of value adjustment in the year:	188,638	565,692
Balance as at 31 December	**702,211**	**1,055,572**

Since 01/10/2014 onwards, the Group has secured all the trade receivables of the parent company due from associated companies. For short-term trade receivables in the amount of up to EUR 19.6 million, we have concluded a non-recourse factoring contract.

The maturity of the Group's receivables as at 31 December 2018

(in EUR)	31/12/2018	31/12/2017
Outstanding receivables	37,862,219	35,850,964
Receivables overdue up to 90 days	6,324,740	6,299,230
Receivables overdue from 91 to 180 days	1,827,550	1,922,746
Receivables overdue from 181 to 365 days	1,479,143	1,529,697
Receivables overdue by more than 365 days	643,767	707,889
Total	**48,137,419**	**46,310,526**

17.3.9 Short-term financial investments

(in EUR)	31/12/2018	31/12/2017
Loans granted	0	0
Short-term financial investments in deposits	2,043,630	1,893,664
Short-term part of long-term investments in liabilities	23,224	31,329
Value adjustment of short-term financial investments in liabilities	0	0
Total	**2,066,854**	**1,924,993**

Short-term financial investments of the group are not pledged. For all short-term loans is valued, that are entirely repayable. Short-term financial investments are presented at their amortised cost.

Changes in short-term financial investments

(in EUR)	2018	2017
Balance as at 1 January	**1,924,993**	**2,917,569**
Increases:		
Increase in short-term loans granted to associated companies	0	12,419
Increase in short-term loans granted to others	0	0
Increase of investments in deposits	326,345	481,563
Return of the short-term part of long-term financial investments	23,224	31,329
Decreases:		
Decrease in short-term loans granted to associated companies	0	(935,465)
Decrease in short-term loans to others	(31,329)	(56,033)
Decrease in financial investments in deposits	(176,379)	(526,389)
Balance as at 31 December	**2,066,854**	**1,924,993**

17.3.10 Monetary assets

(in EUR)	31/12/2018	31/12/2017
Cash in hand and cheques received	32,345	27,676
Monetary assets in the bank	11,981,040	14,302,053
Total	**12,013,384**	**14,329,729**

17.3.11 Equity

The equity of the UNIOR Group comprises called-up capital, capital reserves, revenue reserves, reserves from revaluation at fair value, net profit brought forward and net profit for the business year.

The parent company's share capital as at 31 December 2018 was registered in the amount of EUR 23,688,983 as disclosed in the balance sheet. It is divided into 2,838,414 par-value shares.

Revenue reserves in the amount of EUR 40,675,373 are intentionally retained revenues from previous years, mainly for the settlement of potential future losses.

Reserves from revaluation at fair value in the amount of EUR 26,425,001 represent reserves from the revaluation of land at fair value and losses on the actuarial calculations of severance pay upon retirement.

Reserves from valuation at fair value

(in EUR)	**31/12/2018**	**31/12/2017**
Land	31,635,686	33,704,905
Severance	(614,983)	(614,983)
Actuarial gains	567,132	692,247
Impairment of surpluses value	(5,162,834)	(5,567,703)
Total	**26,425,001**	**28,214,466**

Changes in reserves from valuation at fair value

(in EUR)	**2018**	**2017**
Balance as at 1 January	**28,214,466**	**26,715,673**
Decreases:		
- Land	(2,069,219)	(13,668)
- Severance	0	0
- Actuarial gains	(125,115)	0
- Impairment of surpluses value	0	0
Increases:		
- Land	0	764,391
- Severance	0	0
- Actuarial gains	0	692,247
- Impairment of surpluses value	404,869	55,823
Balance as at 31 December	**26,425,001**	**28,214,466**

The net profit brought forward totals EUR 15,000,669 and represents the undistributed profit from previous years.

The net profit of the UNIOR Group in 2018 amounts to EUR 12,155,269 and was EUR 5,360,271 higher than the profit of the parent company. Differences are arising from the operating results of the subsidiaries in the amount of EUR 2,595,866, the operating results of the associated companies in the amount of EUR 1,838,444, exclusions and adjustments at consolidation in the amount of EUR -960,672, and the profit attributable to the minority owners in the amount of EUR 1,886,634.

Changes in equity attributable to the owners of the parent company in the current year represent:

- Net profit of the business year attributable to the owners of the parent company represents a profit in the amount of EUR 10,268,662,
- Reduction of provisions for fair value measurements in the amount of EUR 1,664,350 and a decrease in actuarial profit for the calculation of the provision for severance pay of EUR 125,115,
- The transferred net profit increased by EUR 3,237,746 for the transferred profit from 2017 and EUR 475,245 due to the transfer from other equity items.
- The equity adjustment from foreign currency translation decreased by EUR 138,374, because the currency rate of the euro currency has risen in comparison with exchange rate of currencies in some countries where the UNIOR Group has its subsidiaries.

Movements in equity attributed to the non-controlling interest in the current year are as follows:

- The net profit of the business year attributable to the owners of the non-controlling interest represents a profit in the amount of EUR 1,886,634,
- The dividend payout to the owners of the non-controlling interest reduced the equity by EUR 683,365,
- Other changes in equity in the amount of EUR 544,036 represent, in particular, a decrease in the non-controlling interest due to the sell-off of RTC Krvavec and the purchase of the entire ownership stake in Unidal (from 01/03/2018 Unior Vinkovci).
- The equity adjustment from foreign currency translation decreased by EUR 161,646, because the currency rate of the euro currency has risen in comparison with exchange rate of currencies in some countries where the UNIOR Group has its subsidiaries.

17.3.12 Long-Term Provisions and Deferred Income

(in EUR)	Provisions for severance pay and jubilee awards	Provisions for annuities	Provisions for environmental rehabilitation	Grants received for fixed assets	Provisions from long-term deferred revenue	Total
Balance as at 31 December 2017	**5,872,492**	**245,726**	**0**	**2,583,735**	**301,183**	**9,003,136**
Established provisions	789,747	79,410	0	82,555	51,535	1,003,247
Drawn provisions	(117,921)	(17,190)	0	(122,964)	(27,414)	(285,489)
Reversal of provisions	(412,628)	0	0	(30,665)	(25,418)	(468,711)
Balance as at 31 December 2018	**6,131,690**	**307,946**	**0**	**2,512,661**	**299,886**	**9,252,183**

(in EUR)	Provisions for severance pay and jubilee awards	Provisions for annuities	Provisions for environmental rehabilitation	Grants received for fixed assets	Provisions from long-term deferred revenue	Total
Balance as at 31 December 2016	**5,720,367**	**250,670**	**0**	**3,124,045**	**670,105**	**9,765,187**
Established provisions	1,262,395	11,852	0	11,752	500	1,286,499
Drawn provisions	(156,492)	(16,795)	0	(97,833)	(27,448)	(298,568)
Reversal of provisions	(953,778)	0	0	(454,229)	(341,974)	(1,749,981)
Balance as at 31 December 2017	**5,872,492**	**245,726**	**0**	**2,583,735**	**301,183**	**9,003,136**

Provisions for jubilee awards and severance pay are formed in the amount of the estimated future payouts for jubilee awards and severance pay discounted at the balance sheet date. The main parameters taken into account in the calculation are the retirement age of 60 years for women and 62 for men, the required length of service for 40 years, the discount rate of 1.2 per cent and annual wage growth of 2.2 per cent. Provisions are being reversed due to different assumptions in the calculation of provisions and for all employees for which the provisions have been formed in the past and are now no longer employed at Unior.

Provisions for annuities are formed for those employees who were injured at work in the company and have permanent consequences.

The long-term provisions also show the funds received from the Ministry of Economy for co-financing development projects and the Ministry of the Environment and Spatial Planning for received emission coupons. The long-term provisions also show the funds received from the Ministry of the Economy for co-financing investments in the reconstruction and development of tourist facilities in Zreče and Rogla, for the restoration of the spa after fire, co-financing the construction of the Atrij Hotel in Zreče and boiler rooms for district heating on wood biomass on Rogla. The provisions are drawn in accordance with the depreciation of the co-financed fixed assets. The balance of the provision as at 31/12/2018 amounts to EUR 2,512,661.

The value of the provision arising from the rents paid by Telekom d.d. amounts to EUR 22,252, while the value of the provision arising from other long-term deferred revenues amounts to EUR 277,634.

In relation to government grants, there are no unfulfilled conditions or contingent liabilities.

17.3.13 Long-term financial liabilities

Changes in long-term financial liabilities

(in EUR)	Principal of the debt 1 January 2018	New loans in the year	Repayments in the year	Principal of the debt 31 December 2018	Part that falls due in 2019	Long-term part
Bank or creditor						
Domestic banks	107,888,956	0	(629,853)	107,259,103	(7,117,789)	100,141,314
Foreign banks	738,659	0	(24,791)	713,868	(502,984)	210,884
Other creditors	136,877	303,620	0	440,497	(57,711)	382,786
Financial lease	425,787	454,094	(225,895)	653,986	(266,158)	387,828
Total loans obtained	**109,190,279**	**757,714**	**(880,539)**	**109,067,454**	**(7,944,642)**	**101,122,812**

(in EUR)	Principal of the debt 1 January 2017	New loans in the year	Repayments in the year	Principal of the debt 31 December 2017	Part that falls due in 2018	Long-term part
Bank or creditor						
Domestic banks	115,491,371	33,842	(1,386,467)	114,138,746	(6,249,790)	107,888,956
Foreign banks	1,593,851	167,977	(520,489)	1,241,339	(502,680)	738,659
Other creditors	195,931	0	(13,855)	182,076	(45,199)	136,877
Financial lease	189,142	872,615	(363,486)	698,271	(272,484)	425,787
Total loans obtained	**117,470,295**	**1,074,434**	**(2,284,297)**	**116,260,432**	**(7,070,153)**	**109,190,279**

The interest rates on long-term loans range from the six-month Euribor + 0.5 per cent to the six-month Euribor +3.9 per cent, the three-month Euribor +0.5 per cent to the three-month Euribor + 2.3 per cent, and the real interest rate of 1.5 to 3.65 per cent. The Group has raised long-term loans with a reference interest rate for a three-month and six-month Euribor. The parent company UNIOR d.d. concluded an interest rate swap for a period of five years for long-term loans in the amount of EUR 47.5 million and thereby secured the company against any adverse effects of the movement of the variable Euribor interest rate.

Maturity of long-term financial liabilities by year

(in EUR)	2018	2017
Maturity from 1 to 2 years	17,529,627	7,899,254
Maturity from 2 to 3 years	12,727,650	17,936,326
Maturity from 3 to 4 years	12,869,500	12,613,222
Maturity from 4 to 5 years	57,920,783	12,723,889
Maturity of more than 5 years	75,252	58,017,588
Total	**101,122,812**	**109,190,279**

Long-term and short-term liabilities from financing are mortgages on property, movables, investments and inventories at fair value of EUR 150,395,915, as well as given bills. These amounts comprise the values of the secured loan agreements.

17.3.14 Long-term operating liabilities

(in EUR)	31/12/2018	31/12/2017
Long-term operating liabilities	20,638	87,816
Short-term part of the long-term operating liabilities	(20,638)	(46,411)
Total	**0**	**41,405**

Long-term operating liabilities comprise a gained commodity credit in the segment of telecommunications which is being repaid in accordance with the amortisation schedule.

17.3.15 Deferred Tax Assets and Liabilities

(in EUR)	31/12/2018	31/12/2017
Long-term deferred tax asset	6,794,644	7,742,989
Long-term deferred tax liability	(5,356,580)	(5,764,174)
Net long-term deferred tax asset	**4,026,139**	**4,791,363**
Net long-term deferred tax liability	**2,588,075**	**2,812,548**

Changes in deferred tax assets	2018	2017
Balance of the deferred tax asset as at 1 January	**7,742,989**	**8,008,679**
Increases:	485,290	1,107,106
Decreases:	(1,433,635)	(1,372,796)
Balance of the deferred tax asset as at 31 December	**6,794,644**	**7,742,989**
- Offset with deferred tax liabilities	2,768,505	2,951,626
Net deferred tax assets as at 31 December	**4,026,139**	**4,791,363**

Changes in deferred tax liabilities	2018	2017
Balance of the deferred tax liability as at 1 January	**5,764,174**	**5,835,481**
Increases:	1,464	574,692
Decreases:	(409,058)	(645,999)
Balance of the deferred tax liability as at 31 December	**5,356,580**	**5,764,174**
- Offset with deferred tax assets	2,768,505	2,951,626
Net deferred tax liability as at 31 December	**2,588,075**	**2,812,548**

Deferred taxes are disclosed according to the balance sheet liability method, whereby the temporary difference between the carrying amount of the assets and the liabilities is taken into account for financial reporting and tax reporting purposes. The deferred tax is disclosed in the amount that will have to be paid according to expectations upon the reversal of the temporary differences pursuant to the laws that have been enacted or substantially enacted at the reporting date.

When performing the consolidation, temporary differences can appear in the tax burden that arise from the differences between the official financial statements of a subsidiary and its financial statements adjusted to the financial reporting regulations applying to the parent company.

Deferred tax assets arise from the calculated provisions for jubilee awards and severance pay, the impairment of trade receivables, the impairment of investments, tax relief for investments into research and development and the disclosed tax loss. The tax rates used for all items are in accordance with the tax legislation in the individual countries in which the Group companies operate, and are between 10 and 33 per cent.

Long-term deferred tax liabilities relate to the recalculation of property - land to a fair value that is disclosed in the surplus from revaluation. The tax rates used for all items are in accordance with the tax legislation in the individual countries in which the Group companies operate, and are between 10 and 33 per cent.

17.3.16 Short-term financial liabilities

(in EUR)	Balance of debt 1 January 2018 with the short-term part of long-term liability	New loans in the year	Repayments in the year 2018	Transfer of the short-term part of part of long-term liabilities	Balance of debt 31/12/2018
Bank or creditor					
Domestic banks	15,499,136	7,906,860	(11,758,910)	7,117,789	18,764,875
Foreign banks	4,462,082	56,156	(503,173)	502,984	4,518,049
Other creditors	77,493	166	(45,750)	57,711	89,620
Financial lease	272,484	0	(272,484)	266,158	266,158
Total loans obtained	**20,311,195**	**7,963,182**	**(12,580,317)**	**7,944,642**	**23,638,702**

(in EUR)	Balance of debt 1 January 2017 with the short-term part of long-term liability	New loans in the year	Repayments in the year 2017	Transfer of the short-term part of part of long-term liabilities	Balance of debt 31/12/2017
Bank or creditor					
Domestic banks	8,226,820	8,900,000	(7,877,474)	6,249,790	15,499,136
Foreign banks	1,591,397	2,797,885	(429,880)	502,680	4,462,082
Other creditors	324,829	163	(292,698)	45,199	77,493
Financial lease	166,858	0	(166,858)	272,484	272,484
Total loans obtained	**10,309,904**	**11,698,048**	**(8,766,910)**	**7,070,153**	**20,311,195**

Among short-term financial liabilities the Group shows short-term loans from banks and foreign development funds, a short-term loan for project financing granted by a commercial bank and a short-term part of the loan from the company Petrol d.d.

The interest rate for hired short-term loans is from 2.0 to 5.24 per cent fixed and 6-month Euribor from 0.5 to +2.5 per cent.

Long-term and short-term liabilities from financing are mortgages on property, movables, investments and inventories of EUR 150,395,915 at fair value, as well as given bills. These amounts comprise the values of the secured loan agreements.

17.3.17 Short-term operating liabilities

(in EUR)	31/12/2018	31/12/2017
Short-term operating liabilities to associated companies		
Slovenia	5,792,923	7,048,215
Abroad	204,387	21,730
Short-term operating liabilities to other suppliers:		
Slovenia	21,157,457	17,804,574
Abroad	11,345,946	10,508,587
Short-term operating liabilities to the state	696,519	699,976
Short-term operating liabilities to employees	5,114,049	5,014,564
Short-term operating liabilities for advances	7,011,700	4,520,223
Short-term operating liabilities for interest	27,363	45,403
Short-term bills payable	7,469,650	6,019,779
Other short-term liabilities	8,505,637	7,957,883
Short-term part of the long-term operating liabilities	20,638	46,411
Total	**67,346,269**	**59,687,345**

The short-term liability to the state item only indicates liabilities to Slovenia, whereas liabilities of foreign companies to the states in which they operate are disclosed under other short-term liabilities.

Other short-term liabilities include:

- deferred revenues in the amount of EUR 822,598, including deferred income from the sale of ski passes in the amount of EUR 353,211;
- accrued charges in the amount of EUR 2,214,205, which include accrued sales commissions in the amount of EUR 744,768, an obligation for unused vacation for 2018 in the amount of EUR 1,208,981 and other accrued costs in the amount of EUR 260,456;
- VAT from advances granted in the amount of EUR 87,760.

17.3.18 Contingent liabilities

(in EUR)	31/12/2018	31/12/2017
Guarantees granted	1,750,595	2,523,151
Total	**1,750,595**	**2,523,151**

Contingent liabilities include guarantees and guarantees for loans from banks, while the decrease in comparison with 2017 is due to the sell-off of RTC Krvavec.

17.4 Notes on the Income Statement

Income statement from discontinued operations

(in EUR)	Item	2018	2017
A.	Net sales revenue	808,698	6,210,450
B.	Change in inventories of products and work in progress	0	0
C.	Capitalised own products and services	0	0
D.	Other operating revenues (with operating revenues from revaluation)	7,442	108,930
	GROSS OPERATING PROFIT	**816,140**	**6,319,380**
E.	Costs of goods, materials and services	845,458	3,131,423
F.	Labour costs	306,089	1,528,861
G.	Write-offs	44,932	1,059,966
H.	Other operating expenses	0	73,690
	OPERATING PROFIT OR LOSS	**-380,339**	**525,439**
I.	Financial revenue	0	334
I.	Financial expenses	680	227,362
	PROFIT OR LOSS	**-381,020**	**298,412**
K.	Profit tax	0	0
L.	Deferred tax	0	29,022
	NET PROFIT OR LOSS FOR THE ACCOUNTING PERIOD	**-381,020**	**269,390**
	- Attributable TO THE OWNERS OF THE PARENT COMPANY	-190,510	354,505
	- Attributable to NON-CONTROLLING INTERESTS	-190,510	-85,115

The income statement from discontinued operations in 2018 represents the operations of the company Unior International Ltd. until the liquidation day, while in 2017, besides the aforementioned company, the operations of RTC Krvavec d.d. in Slovenia, Unior Hellas S.A. in Greece and Unior USA Co. in the United States, since the business of these companies in 2017 was still included in the consolidated financial statements. The same applies to the cash flow statement from discontinued operations.

Cash Flow from Discontinued Operations

(in EUR)	Item	2018	2017
A.	Net operating cash flow	(241,259)	1,011,430
B.	Net operating from investments	289,730	201,207
C.	Net operating from financing	(27,339)	(940,009)
=	**Total net cash flow**	**21,131**	**272,627**

17.4.1 Consolidated Income Statement by Division

(in EUR) Item	Tourism act. 2018	Metal act. 2018	Total 2018	Tourism act. 2017	Metal act. 2017	Total 2017
A. Net sales revenue	**19,756,391**	**226,696,762**	**246,453,153**	**23,373,375**	**215,646,225**	**239,019,600**
1. Net sales revenue on the domestic market	19,756,391	18,366,754	38,123,145	23,370,402	16,105,521	39,475,923
2. Net sales revenue on foreign markets	0	208,330,008	208,330,008	2,973	199,540,704	199,543,677
B. Changes in the value of the inventories of finished products and work-in-progress	**(1,140)**	**5,661,700**	**5,660,560**	**(639)**	**820,530**	**819,891**
C. Capitalised own products and services	**0**	**2,349,852**	**2,349,852**	**0**	**3,465,748**	**3,465,748**
D. Other operating revenues	**413,529**	**2,568,806**	**2,982,335**	**378,427**	**1,940,527**	**2,318,954**
I. GROSS OPERATING PROFIT	**20,168,780**	**237,277,120**	**257,445,900**	**23,751,163**	**221,873,030**	**245,624,193**
E. Costs of goods, materials and services	**9,399,929**	**145,051,141**	**154,451,070**	**11,002,794**	**131,053,230**	**142,056,024**
1. Purchase value of sold goods and materials	10,374	10,388,387	10,398,761	22,471	10,232,736	10,255,207
2. Costs of materials used	4,287,014	106,414,845	110,701,859	5,048,912	93,712,327	98,761,239
3. Costs of services	5,102,540	28,247,910	33,350,450	5,931,411	27,108,167	33,039,578
F. Labour costs	**7,950,716**	**62,640,084**	**70,590,800**	**8,612,718**	**60,432,605**	**69,045,323**
1. Costs of wages and salaries	5,753,934	46,983,562	52,737,496	6,252,173	45,341,219	51,593,392
2. Costs of pension insurance	60,137	751,744	811,881	63,079	824,059	887,138
3. Costs of other social insurance	924,822	8,077,755	9,002,577	1,017,944	7,348,193	8,366,137
4. Other labour costs	1,211,823	6,827,023	8,038,846	1,279,522	6,919,134	8,198,656
G. Write-offs	**2,644,714**	**12,552,043**	**15,196,757**	**3,394,204**	**21,207,127**	**24,601,331**
1. Amortisation and depreciation	2,391,590	11,193,812	13,585,402	3,348,797	10,167,749	13,516,546
2. Operating expenses from the revaluation of intangible fixed assets and property, plant and equipment	206,862	674,527	881,389	9,120	10,504,844	10,513,964
3. Operating expenses from the revaluation of current assets	46,262	683,704	729,966	36,287	534,534	570,821
H. Other operating expenses	**368,608**	**1,847,690**	**2,216,298**	**496,985**	**1,386,145**	**1,883,130**
1. Provisions	0	93,152	93,152	3,544	12,967	16,511
2. Other costs	368,608	1,754,538	2,123,146	493,441	1,373,178	1,866,619
II. OPERATING PROFIT OR LOSS	**(195,187)**	**15,186,162**	**14,990,975**	**244,462**	**7,793,923**	**8,038,385**
I. Financial revenue	**3,547**	**4,429,594**	**4,433,141**	**597**	**5,140,962**	**5,141,559**
1. Financial revenue from shares	0	3,789,195	3,789,195	290	4,050,244	4,050,534
2. Financial revenue from loans granted	1,109	77,965	79,074	4	215,638	215,642
3. Financial revenue from trade receivables	2,438	562,435	564,872	303	875,080	875,383
I. Financial expenses	**377,812**	**4,269,949**	**4,647,761**	**666,266**	**4,837,814**	**5,504,080**
1. Financial expenses due to impairment and financial investment write-offs	0	1,538	1,538	0	151,333	151,333
2. Financial expenses for financial liabilities	356,506	3,432,356	3,788,862	591,461	3,461,472	4,052,933
3. Financial expenses for operating liabilities	21,306	836,055	857,361	74,805	1,225,009	1,299,814
III. PROFIT OR LOSS	**(569,452)**	**15,345,807**	**14,776,355**	**(421,207)**	**8,097,071**	**7,675,864**
Profit tax	**0**	**1,708,209**	**1,708,209**	**0**	**2,125,339**	**2,125,339**
Deferred tax	**184,584**	**728,266**	**912,850**	**93,443**	**(238,461)**	**(145,018)**
NET PROFIT OR LOSS FOR THE ACCOUNTING PERIOD	**(754,036)**	**12,909,332**	**12,155,296**	**(514,650)**	**6,210,193**	**5,695,543**
- Attributable TO THE OWNERS OF THE PARENT COMPANY	(754,036)	11,022,698	10,268,662	(521,495)	3,759,241	3,237,746
- Attributable to NON-CONTROLLING INTERESTS	0	1,886,634	1,886,634	6,845	2,450,952	2,457,797

Net sales revenue increased by EUR 7,433,553 in total, whereby it increased by EUR 11,050,537 in metal activities, while in tourist activities it decreased by EUR 3,616,984 due to the sale of RTC Krvavec, which is no longer included in the operations of the UNIOR Group in 2018. For this reason, the operating profit (EBIT) and net profit for tourism activities are also lower in 2018.

17.4.2 Net sales revenue

(in EUR)	2018	2017
Slovenia	**38,123,145**	**39,475,923**
- associated companies	258,116	82,717
- other buyers	37,865,029	39,393,206
Abroad	**208,330,008**	**199,543,677**
- associated companies	5,683,405	4,890,497
- other buyers	202,646,603	194,653,180
Total	**246,453,153**	**239,019,600**

17.4.3 Capitalised own products and services

Capitalised own products and own services are products made by the Company itself or the services provided by the Company for its own needs that are included in either property, plant and equipment or intangible long-term fixed assets. Their value does not exceed the costs of their production or services rendered.

(in EUR)	2018	2017
Capitalised own products and services	2,349,852	3,465,748
Total	**2,349,852**	**3,465,748**

Among the capitalised own products and services the value of capital costs of development in the Special Machines Programme in the amount of EUR1.2 million is shown, as well as own maintenance investments for the needs of other programmes in the amount of EUR 1.1 million, which includes the general renovation of machines in the foundry and the renovation of CNC machines.

17.4.4 Other operating revenues

(in EUR)	2018	2017
Rewards for exceeding the quota of disabled employees	162,333	171,696
Paid receivables that were already included in the value adjustment	57,043	75,160
Damages received	392,271	306,478
Reversal of long-term provisions	740,510	567,361
Profit from the sale of fixed assets	574,802	118,561
Revaluation of investment property to fair value	149,945	0
Subsidies, grants and similar revenues	582,446	342,406
Emission coupon sales	7,234	7,523
Other	315,751	729,769
Total	**2,982,335**	**2,318,954**

17.4.5 Costs and expenses

2018 (in EUR)	Prod. expenses	Costs of sales	Costs of general activities	Total
Cost of goods sold / production costs	2,845,720	5,407,234	2,145,807	10,398,761
Cost of materials	98,845,694	5,318,979	6,537,186	110,701,859
Costs of services	19,580,709	6,746,716	7,023,025	33,350,450
Cost of wages and salaries	*41,885,208*	*4,371,472*	*6,480,816*	*52,737,496*
Cost of social insurance	*7,043,383*	*863,011*	*1,096,183*	*9,002,577*
Cost of pension insurance	*689,814*	*37,560*	*84,507*	*811,881*
Other labour costs	*6,894,332*	*281,918*	*862,596*	*8,038,846*
Total labour costs	56,512,737	5,553,961	8,524,102	70,590,800
Amortisation and depreciation	11,522,597	504,187	1,558,618	13,585,402
Operating expenses from the revaluation of current assets	424,577	217,101	88,288	729,966
Operating expenses from the revaluation of intangible assets and property, plant and equipment	844,533	9,624	27,232	881,389
Other costs	1,097,041	338,399	780,858	2,216,298
Total costs	**191,673,608**	**24,096,201**	**26,685,116**	**242,454,925**

2017 (in EUR)	Prod. expenses	Costs of sales	Costs of general activities	Total
Cost of goods sold / production costs	3,786,584	4,527,001	1,941,622	10,255,207
Cost of materials	87,743,596	5,126,333	5,891,310	98,761,239
Costs of services	19,746,248	6,381,705	6,911,625	33,039,578
Cost of wages and salaries	*40,684,735*	*4,242,083*	*6,666,574*	*51,593,392*
Cost of social insurance	*6,447,611*	*828,954*	*1,089,572*	*8,366,137*
Cost of pension insurance	*743,056*	*47,209*	*96,873*	*887,138*
Other labour costs	*7,036,791*	*286,550*	*875,315*	*8,198,656*
Total labour costs	54,912,193	5,404,796	8,728,334	69,045,323
Amortisation and depreciation	11,530,551	503,241	1,482,754	13,516,546
Operating expenses from the revaluation of current assets	381,748	88,173	100,900	570,821
Operating expenses from the revaluation of intangible assets and property, plant and equipment	60,246	6,227	10,447,491	10,513,964
Other costs	951,407	356,659	575,064	1,883,130
Total costs	**179,112,573**	**22,394,135**	**36,079,100**	**237,585,808**

Other labour costs comprise the costs of holiday allowance, meal allowance, travel allowance, jubilee awards and severance pay above the created provision and certain other payments to employees.

Among the cost of services, the Unior Group shows EUR 49,602 of cost for hiring workers through recruitment agencies, which represents 6 employees compared to the hours worked.

The purchasing of material in associated companies is presented in the chapter 17.6.2 of the Annual Report 2018.

As part of its other costs, the Group discloses:

(in EUR)	2018	2017
- Provisions	93,152	16,511
- Charge for the use of building land	278,550	298,388
- Environmental protection expenditures	152,575	218,466
- Bonuses to pupils and students undergoing practical training	736,868	662,131
- Scholarships to pupils and students	82,769	52,841
- Damages paid to employees	83,297	94,447
- Financial aid - grants	267,317	133,156
- Impairment of investment property	0	0
- Other operating expenses	521,770	407,190
Total	**2,216,298**	**1,883,130**

The costs of auditing the annual reports of the companies in the UNIOR Group amount to EUR 69,462. The contractual amounts of non-audit services provided by the Deloitte Group in the UNIOR Group in the 2018 financial year amounted to EUR 3,300 and include the verification of the correctness of the calculation of financial commitments for the needs of banks, the verification of criteria for allocating revenue for the public service and the review of the report on relations with related companies.

17.4.6 Financial revenue and financial expenses

Financial revenue

(in EUR)	2018	2017
Financial revenue from shares		
Financial revenue from participating interests in associated companies	3,785,563	4,049,799
Financial revenue from participating interest in other companies	3,293	370
Financial revenue from other investments	339	365
Total	3,789,195	4,050,534
Financial revenue from loans granted		
Financial revenue from loans granted to others	79,074	215,642
Total	79,074	215,642
Financial revenue from trade receivables		
Financial revenue from trade receivables due from others	564,872	875,383
Total	564,872	875,383
Total financial revenue	**4,433,141**	**5,141,559**

Financial revenue from participating interests in associated companies comprises a positive effect from the business results of associated companies in the amount of EUR 1,838,444. They also include the payment of profits in the companies Štore Steel d.o.o., Unior Teos d.o.o., Unior Tepid s.r.l. and Unior Tehna d.o.o. and profit from the sale of the investment Rhydcon d.o.o.

Financial expenses

(in EUR)	2018	2017
Financial expenses due to impairment and financial investment write-offs	1,538	151,333
Financial expenses for financial liabilities		
Financial expenses from loans received from banks	3,667,075	3,818,683
Financial expenses for other financial liabilities	121,787	234,250
Total	3,788,862	4,052,933
Financial expenses for operating liabilities		
Financial expenses from trade payables and bills payable	215,214	228,206
Financial expenses from other operating liabilities	642,147	1,071,608
Total	857,361	1,299,814
Total financial expenses	**4,647,761**	**5,504,080**

17.5 Corporate Income Tax Account and Deferred Taxes

Profit tax is accounted according to the legislation applicable in the countries in which the Group has its subsidiaries.

(in EUR)	2018	2017
Profit tax	1,708,209	2,125,339
Deferred taxes	912,850	(145,018)
Total	**2,621,059**	**1,980,321**

Reconciliation of the taxable and accounting profit multiplied by the tax rate in Slovenia:

(in EUR)	2018	2017
Net profit or loss for the period before taxes	14,776,355	7,675,864
Profit tax in Slovenia 19%	2,807,507	1,458,414
Non-taxable income	1,216,579	123,824
Expenses not recognised for tax purposes	4,587,716	3,996,117
Value adjustment of receivables	133,420	200,559
Formation of reservations	(1,165,021)	(1,115,773)
Tax relief for investments in research and development	(31,154)	(554,553)
Tax relief for investments	(526,241)	579,824
Other reliefs and adjustments of expenses recognized for tax purposes	4,210,055	2,870,265
Tax gain	6,378,396	485,179
Profit tax	2,621,059	1,980,321
Effective tax rate in %	17.7	25.8

Deferred taxes

The profit ascertained according to the tax legislation differs from the profit ascertained pursuant to the accounting principles and the IFRS. The deferral of taxes is accounted only for temporary differences in the tax burden between the business accounts and financial statements, i.e. for those that are reconciled in the defined period.

A deferred tax asset is calculated using the temporary difference in the long-term provisions for severance pay and jubilee awards, the impairment of trade receivables, unused tax relief and tax losses, as well as from temporary differences in the tax burden that arise from differences between the official financial statements of a subsidiary and its financial statements.

The impact on net profit from deferred taxes amounts to EUR 912,850 which reduces the net profit for the current year.

17.6 Related-Party Transactions

17.6.1 Sales to associated companies

Sale to related parties

(in EUR)	2018	2017
Associated companies:		
In the country:	**258,116**	**82,717**
ŠTORE STEEL d.o.o., Štore	208,200	26,280
RHYDCON d.o.o. Šmarje pri Jelšah	35,436	30,276
RC SIMIT d.o.o., Kidričevo	14,480	26,162
Abroad:	**5,683,405**	**4,890,497**
UNIOR TEPID S.R.L. Brasov	3,810,164	3,052,241
UNIOR SINGAPORE Pte. Ltd. Singapore	118,729	203,612
UNIOR TEHNA d.o.o. Sarajevo	494,417	471,875
UNIOR TEOS ALATI d.o.o. Beograd	1,260,095	1,162,770
Total associated companies	**5,941,521**	**4,973,214**

17.6.2 Purchases from associated companies

Purchases from related parties

(in EUR)	2018	2017
Associated companies:		
In the country:	**22,412,286**	**20,334,019**
ŠTORE STEEL d.o.o., Štore	22,365,286	20,334,019
RC SIMIT d.o.o., Kidričevo	47,000	0
Abroad:	**367,058**	**160,942**
UNIOR TEPID S.R.L. Brasov	163,688	8,533
UNIOR SINGAPORE Pte. Ltd. Singapore	4,983	4,621
UNIOR TEHNA d.o.o. Sarajevo	0	2,141
UNIOR TEOS ALATI d.o.o. Beograd	198,387	145,647
Total associated companies	**22,779,344**	**20,494,961**

17.6.3 Trade receivables from associated companies

(in EUR)	31/12/2018	31/12/2017
Associated companies:		
In the country:	**49,260**	**88,320**
ŠTORE STEEL d.o.o., Štore	49,260	79,232
RHYDCON d.o.o. Šmarje pri Jelšah	0	6,160
RC SIMIT d.o.o., Kidričevo	0	2,928
Abroad:	**1,851,076**	**1,408,828**
UNIOR TEPID S.R.L. Brasov	1,664,694	1,219,701
UNIOR SINGAPORE Pte. Ltd. Singapore	4,595	0
UNIOR TEHNA d.o.o. Sarajevo	153,858	199,332
UNIOR TEOS ALATI d.o.o. Beograd	27,929	(10,205)
Total associated companies	**1,900,336**	**1,497,148**

17.6.4 Operating liabilities to associated companies

(in EUR)	31/12/2018	31/12/2017
Associated companies:		
In the country:	**5,792,923**	**7,048,215**
ŠTORE STEEL d.o.o., Štore	5,291,047	6,545,839
RC SIMIT d.o.o., Kidričevo	501,876	502,376
Abroad:	**204,387**	**21,730**
UNIOR TEPID S.R.L. Brasov	146,910	3,194
UNIOR SINGAPORE Pte. Ltd. Singapore	170	0
UNIOR TEOS ALATI d.o.o. Beograd	57,307	18,536
Total associated companies	**5,997,310**	**7,069,945**

17.6.5 Receivables and liabilities from loans and interest arising from associated companies

Receivables from loans and interest from associated companies

The UNIOR Group does not have receivables from loans and interest to associated companies.

Liabilities arising from loans and interest from associated companies

(in EUR)	31/12/2018	31/12/2017
In the country:	**8,404**	**8,238**
RC SIMIT d.o.o., Kidričevo	8,404	8,238
Total	**8,404**	**8,238**

17.7 Risk Management

Unior has developed a risk management and implemented it in business processes in accordance with the guidelines and requirements of the quality management system. The Risk Management Committee and risk managers regularly monitor risk exposure, plan and implement measures to mitigate the risks, and plan and monitor the performance of potential for improvements, which further contribute to the risk management. We have established a risk register with descriptions and characteristics for each of the identified risks. The approach to risk management differs for different risks, although the purpose of the measures is to reduce each of them to the lowest possible level in accordance with the available resources.

All risks are described in detail in Chapter 9.8 of the Annual Report 2018. For the UNIOR Group financial risks with sensitivity analysis are presented below.

FINANCIAL RISKS

Risk area	Risk description	Management method	Exposure
Credit risk	The risk of customers not paying their liabilities and occurrence of financial losses arising from non-compliance with the obligations (payments) by the customer as the other party	Planning the cash flow, the timely collection of outstanding receivables, accounts receivable insurance, factoring, cost and current assets management and monitoring indicators.	Low
Interest rate changes	Risk of financial loss due to unfavourable interest rate movements	Management of the financing business principles, considering the golden balance rule: long-term investments are financed through long-term resources, daily monitoring, diversification of external financing sources, monitoring changes in the external environment, interest rate swap, diversification of the maturity of liabilities and cost management.	Low
Liquidity risk	Possibility of lack of liquid assets for servicing business and financial liabilities and their settlement within the agreed deadlines	Regular needs planning for liquid assets, liquidity reserve created, unused revolving loan, cost management.	Low

CREDIT RISK

Credit risks are managed through regular monitoring of the business operations and financial position of all existing and new business partners, with limiting exposure to individual business partners and with an active process of collecting receivables. The ever-changing macroeconomic environment influences our customers as it can cause changes in their credit rating and solvency. Therefore, despite the company’s receivables management, late payments from our customers or even their inability to pay are possible. By regular monitoring of outstanding and overdue accounts receivable, the age structure of receivables and the trends of average payment deadlines, the company's credit exposure is kept within acceptable limits. All accounts receivable, with the exception of associated companies, are secured with the insurance company from 01/10/2014. Credit risks are closely monitored in all areas of the business.

RISK OF CHANGES IN INTEREST RATES

A change in the interest rate can significantly reduce the economic benefits of the company, which is why we constantly monitor the movement of the reference interest rates on the market. The risk is assessed as low, a stable low level of reference interest rates has been constantly present in recent years. With the consortium of banks, the company reached an agreement that the interest margins are to be formed according to the margin scale and with regard to the performance of the UNIOR Group by 2023, which represents a beneficial effect on the performance of the company in the future periods. In December 2017, we protected our credit exposure of EUR 47.5 million, which represents a part of the loan B, due in 2023, for a period of five years with the interest rate swap. This lowered the risk of rising interest rates. The risk of rising interest rates is shown in the table below.

A Sensitivity Analysis of Financial Liabilities with Respect to Changes in the Variable Interest Rates

in (EUR)	Amount of the liability as at 31 December 2018	Amount interest rates	Hypothetical rise in interest rates by 15%	by 50%	by 100%
Interest rate type					
3-month EURIBOR	103,584,017	-0.3090	48,011	160,038	320,075
6-month EURIBOR	17,535,458	-0.2370	6,234	20,780	41,559
Total effect	**121,119,475**		**54,245**	**180,818**	**361,634**

Balance of the liabilities tied to an individual variable interest rate in 2017

in (EUR)	Amount of the liability as at 31 December 2017	Amount interest rates	Hypothetical rise in interest rates by 15%	by 50%	by 100%
Interest rate type					
3-month EURIBOR	106,692,228	-0.3290	52,653	175,509	351,017
6-month EURIBOR	19,402,816	-0.2710	7,887	26,291	52,582
Total effect	**126,095,044**		**60,540**	**201,800**	**403,599**

The total financial liabilities on 31/12/2018 amounted to EUR 124,761,514, while the difference in the amount of EUR 3,642,039 to the present situation for the sensitivity of the interest rate represents financial liabilities with a fixed interest rate.

17.8 Receipts of the Management Board and Supervisory Board

The members of the Management Board and the Supervisory Board are the same with the UNIOR Group as the parent company UNIOR d.d. Receipts are disclosed in Chapter 9.5 of the Annual Report 2018.

17.9 Events after the balance sheet

After the balance-sheet date there were no significant events, which would have a significant impact on the operations of the UNIOR Group.

18 Statement on the Management Board's Responsibility

The Management Board is responsible for the preparation of the Annual Report so that it presents a true and fair view of the Group's assets and its operating results for 2018.

The Management confirms that the appropriate Accounting Policies have been consistently employed and that the accounting appraisals have been prepared with care and due diligence. The Management Board further confirms that the financial statements, together with the notes, have been compiled on the basis of the assumptions of a going concern of the associated companies group as well as in accordance with the applicable legislation in force and the International Financial Reporting Standards.

The Management Board is also responsible for the adequacy of the accounting practices, the adoption of suitable measures for safeguarding assets and for the prevention and detection of fraud and other irregularities or illegal acts.

At any time within a period of five years following the lapse of the year in which the tax must be assessed, the tax authorities may audit the operations of Group companies, which may consequently result in additional tax liabilities, default interest and penalties arising from the corporate income tax or other taxes and levies. The Company's Management Board is not aware of any circumstances that might cause any major liability thereunder.

Zreče, 25 March 2019

President of the Management Board,
Darko Hrastnik, BSMet. (Metallurgical Engineering)

Member of the Management Board,
Branko Bračko, BSME. (Mechanical Engineering)

19 Independent Auditor's Report

Deloitte.

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INDEPENDENT AUDITOR'S REPORT
For shareholders of the UNIOR d.d.

Opinion

We have audited the consolidated financial statements of the UNIOR d.d. company (hereinafter the "Company"), composed of its consolidated balance sheet of 31 December 2018, the consolidated profit and loss statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended and explanatory notes to the consolidated financial statements, including a summary of essential accounting policies.

We believe that the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2018, its consolidated profit and loss statement and consolidated cash flows for the year then ended in accordance with the international financial reporting standards, as adopted by the European Union (hereinafter the "IFRS").

Basis for Opinion

The audit was carried out pursuant to the International Auditing Standards (IAS) and Regulation (EU) No. 537/2014 of European Parliament and the Council of 16 April 2014 on specific requirements regarding statutory audits of public-interest entities (the Regulation). Our responsibilities based on these standards are described in this report in the paragraph *Auditor's responsibility for auditing the consolidated financial statements*. In accordance with the Code of Ethics for Professional Accountants, issued by the International Ethics Standards Board for Accountants (Code IESBA), and ethical requirements, which relate to the auditing of financial statements in Slovenia, we confirm our independence from the Group and our compliance with all other ethical obligations in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Key Audit Matters

Key audit matters are those that are, in our expert valuation, the most essential for our professional in terms of our auditing of consolidated financial statements for the financial year, which ended on 31 December 2018. These matters were processed in the context of our audit of the consolidated financial statements as a whole and in forming our opinions about them and we do not give separate opinions on these matters.

Key Audit Matter	Audit procedures in key audit matter discourse
Measuring fair value: the use of the revaluation model in land accounting	
The book value of the land on 31/12/2018 in the amount of EUR 34,701 thousand. After the initial recognition, the land is measured according to the revaluation model. The Group evaluates the fair value of land at the end of every reporting period. Revaluation is performed when the fair value significantly deviates from the recorded book value. When changes in fair value of land are insignificant, the revaluation is performed every four years. Due to the importance of assessment in determining fair value of land and important value in financial statements, the evaluation of land is considered as a key audit matter.	Our audit procedures included an evaluation of the suitability of the management's judgement for measuring fair value of land, since we: • checked the suitability and implementation of accounting guidelines, • assessed the suitability of assumptions used in evaluation of fair value and suitability of methods and assumptions used in evaluation by external experts, • assessed the competence, capability and impartiality of the independent value assessor who was engaged by the management. Disclosures which relate to land are presented in the note 17.3.3.

Other information

The Management Board is responsible for other information. Other information comprises information in the annual report, with the exception of financial statements and the auditor's report on the latter.

Our opinion on the consolidated financial statements does not apply to other information and we do not express any kind of assurance regarding them.

Our responsibility with regard to the conducted audit of the consolidated financial statements is to read other information and estimate whether it is significantly non-compliant with the consolidated financial statements, regulatory requirements or our knowledge, obtained during the audit of the company, or whether it indicates being significantly incorrect in any other way. If we conclude, on the basis of the work performed, that there is significant misstatement of other information, we must report such circumstances. With regard to the stated and on the basis of the described procedures we report that:

- other information in all relevant respects is in line with the audited consolidated financial statements,
- other information is prepared in accordance with the applicable laws and regulations, and
- on the basis of knowledge and understanding of the Group and its environment, which we acquired during the audit, we have not established any relevant misstatements in connection with other information.

Responsibilities of the Management Board, Supervisory Board and the Audit Committee for consolidated financial statements

The Management Board is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with the IFRS standards and for such internal control, in accordance with the decision of the Management Board, to enable the preparation of the consolidated financial statements, which contain no significant misstatements due to fraud or error.

When preparing the consolidated financial statements of the Group, the Management Board's responsibility is to estimate the ability of the Group to continue as a going concern, to disclose matters related to the going concern and to use the assumption of the going concern as a basis for accounting, unless the Management Board intends to liquidate the Group or suspend business operations or does not have any other realistic possibility than to perform one or the other.

The Supervisory Board and the Audit Committee are responsible for the supervision of the preparation of the financial statements and to confirm the audited annual report.

The auditor's responsibility for auditing the consolidated financial statements

Our objectives are to obtain reasonable assurance that the consolidated financial statements as a whole do not contain any material misstatements due to fraud or error and to compile the auditor's report which includes our opinion. Reasonable assurance is a high level of assurance, but not a guarantee, that the audit, conducted in accordance with the rules of auditing, always find a relevant misstatement, if it exists. Misstatements may arise from fraud or error and are considered as material if it is reasonable to expect that they would individually or jointly affect the economic decisions of the users adopted on the basis of these consolidated financial statements.

During the conduct of the audit in accordance with the rules of auditing, we exercise professional judgement and maintain a professional distrust. We also:

- Identify and assess the risks of material misstatements in the consolidated financial statements, whether due to fraud or error, form and perform audit procedures in response to the assessed risks and obtain sufficient and suitable audit evidence, which provide the basis for our opinion. The risk of not detecting a misstatement arising from fraud is greater than the one connected to an error, as fraud may include secret agreements, falsification, deliberate omissions, misleading disclosures or the avoidance of internal controls.

- We gain an understanding of internal controls which are important for the audit, namely with the aim of creating audit procedures suitable for the circumstances, but not with a view to express an opinion on the effectiveness of the Group's internal controls.
- Estimate the suitability of the applied accounting policies and the acceptability of the accounting estimates and related disclosures of the management.
- On the basis of the acquired audit evidence of the existence of significant uncertainty regarding the events or circumstances, which raise doubts about the capacity of the organisation to continue as a going concern, we adopt a decision on the suitability of the management's use of the going concern assumption as a basis for the accounting. If we adopt a decision on the existence of significant uncertainties, we are obliged to report on the relevant noted disclosures in the consolidated financial statements in the auditor's report, or, if such disclosures are inadequate, adjust our opinion. An auditor's decisions are based on the audit evidence obtained up to the date of the issuance of the auditor's report. However, later events or circumstances may cause the suspension of the organisation as a going concern.
- Evaluate the general presentation, structure and content of the consolidated financial statements, including the disclosures, and estimate whether the consolidated financial statements represent the respective business transactions and events in such a manner that a fair presentation is achieved.
- Obtain sufficient and appropriate audit evidence with regard to the financial information and business activities of the Group companies in order to be able to express an opinion on the consolidated financial statements. We are responsible for the management, monitoring and implementation of the audit of the Group. The audit opinion is solely our responsibility.

We inform the Supervisory Board and the Audit Committee, among other things, about the planned scope and timeframe of the audit and about significant audit findings, including significant deficiencies of internal controls, which we have detected during our audit.

We also presented our statement to the Supervisory Board and the Audit Committee that we comply with all ethical requirements with regard to the independence and informed them of all relationships and other requirements, which could be justifiably believed to affect our independence, and inform them about the related measures.

Among all the matters which we presented to the Supervisory Board and the Audit Committee, we defined the most important ones in auditing the consolidated financial statements of the current period as the key audit matters. These matters are described in the Auditor's report, unless the legal or regulatory provisions prohibit the public disclosure of such matters.

Report on other legal and regulatory requirements

<u>Naming the auditor and the duration of the transaction</u>
Deloitte revizija d.o.o. was named as the legal auditor of the company at the shareholder's meeting on 6 June 2018. Our performance of the trade lasts fully and without interruptions for 7 years.

<u>Certificate of the Audit Committee</u>
We confirm that our audit opinion on financial statements in this report complies with the additional report to the Audit Committee on 25 March 2019, in accordance with Article 11 of the Regulation (EU) no. 537/2014 of the European Parliament and the Council.

<u>Performing non-auditing services</u>
We declare that we have not performed any illegal non-auditing services from Article 5(1) of the Regulation (EU) no. 537/2014 of the European Parliament and the Council. Besides the required audit, we did not perform any other services which are not revealed in the consolidated annual report for the audited company or its subsidiaries.

On behalf of the auditing company Deloitte revizija d.o.o., the person responsible for the audit is Barbara Žibret Kralj.

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

Barbara Žibret Kralj
Authorised auditor

Ljubljana, 25 March 2019