EU MANUFACTURER SINCE 1919

UNIOR®

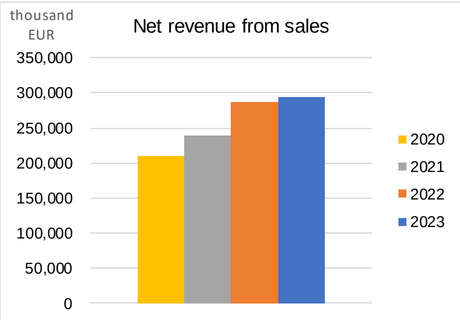
ANNUAL REPORT

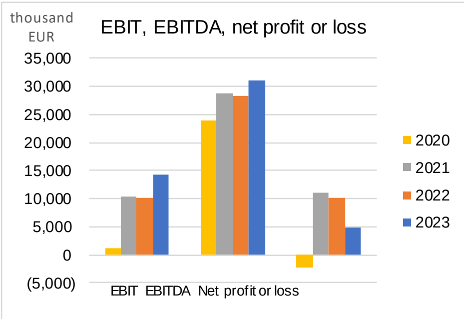
2023

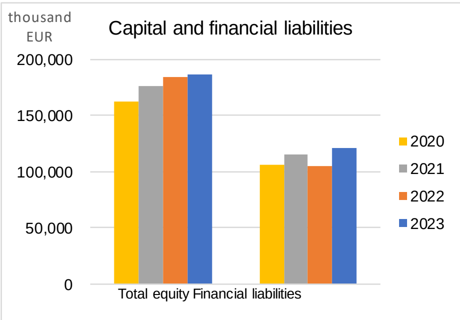
Key performance data of the UNIOR Group

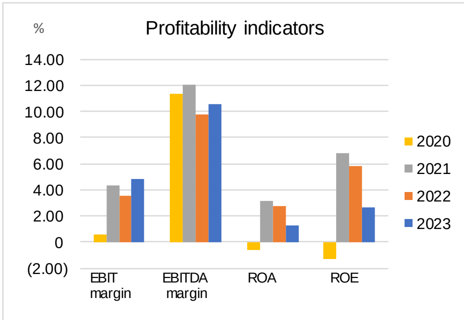
	2023	2022	2021	2020
Profit or loss (in thousand EUR)				
Net revenue from sales	294,237	287,653	239,699	210,240
EBIT *	14,179	10,120	10,486	1,128
EBITDA *	31,071	28,267	28,792	23,931
Net profit or loss	4,937	10,232	11,091	(2,196)
Financial position (in thousand EUR)				
Total assets	390,808	381,111	365,577	341,402
Total equity	186,473	184,645	176,323	162,852
Financial liabilities	121,611	104,467	114,817	106,428
Operating liabilities	62,442	77,484	63,550	61,301
Profitability indicators (in %)				
EBIT margin *	4.82	3.52	4.37	0.54
EBITDA margin *	10.56	9.83	12.01	11.38
ROA – return on assets*	1.28	2.74	3.14	(0.61)
ROE – return on equity*	2.70	5.83	6.76	(1.30)
Financial health indicators				
Equity/total assets (in %)	47.71	48.45	48.23	47.70
Net financial liabilities/EBITDA *	3.17	2.89	3.49	3.66
Productivity indicator (in EUR)				
Gross added value per employee*	41,081	39,139	36,178	32,197
Employees				
Employees – end of year	2,812	2,801	2,772	2,808

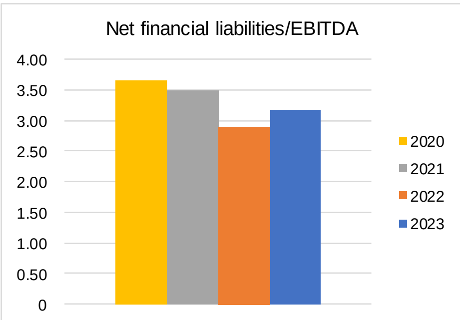
* The indicators are defined as alternative benchmarks. Their definitions are provided in Section 8.14 of the 2023 Annual Report.

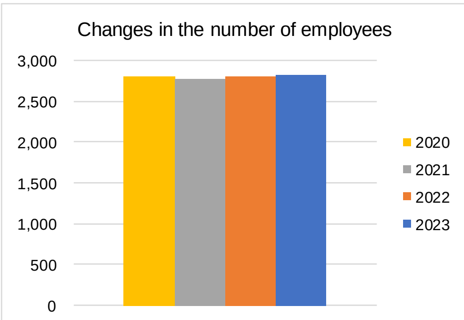








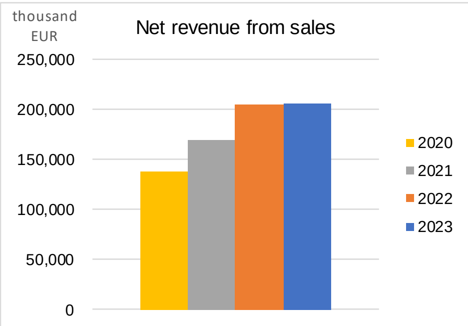


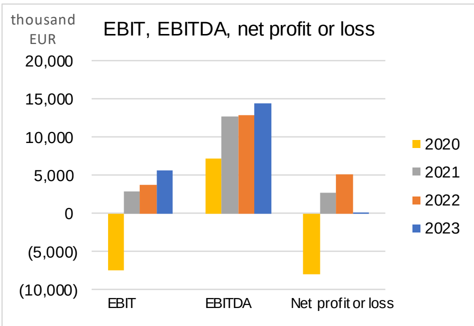


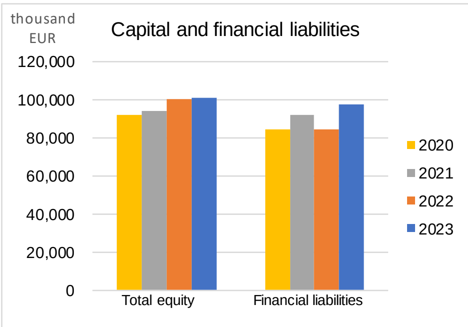
Key performance data of UNIOR d.d.

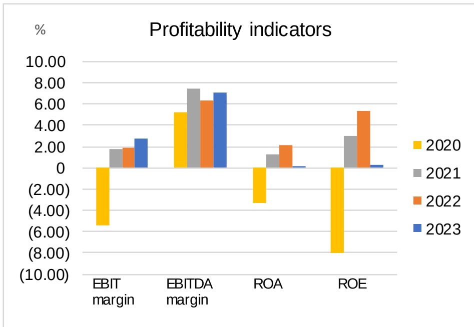
	2023	2022	2021	2020
Profit or loss (in thousand EUR)				
Net revenue from sales	205,898	204,557	168,975	138,055
EBIT *	5,646	3,731	2,943	(7,403)
EBITDA *	14,435	12,915	12,663	7,148
Net profit or loss	227	5,075	2,746	(7,959)
Financial position (in thousand EUR)				
Total assets	244,887	241,025	236,189	221,730
Total equity	100,957	100,332	94,185	91,939
Financial liabilities	97,163	84,155	91,839	84,522
Operating liabilities	40,920	50,557	44,941	40,047
Profitability indicators (in %)				
EBIT margin *	2.74	1.82	1.74	(5.36)
EBITDA margin *	7.01	6.31	7.49	5.18
ROA – return on assets*	0.09	2.13	1.20	(3.36)
ROE – return on equity*	0.23	5.36	2.99	(7.97)
Financial health indicators				
Equity/total assets (in %)	41.23	41.63	39.88	41.46
Net financial liabilities/EBITDA *	6.47	6.26	7.10	11.41
Productivity indicator (in EUR)				
Gross added value per employee*	43,621	42,237	37,720	32,195
Employees				
Employees – end of year	1,614	1,634	1,624	1,666

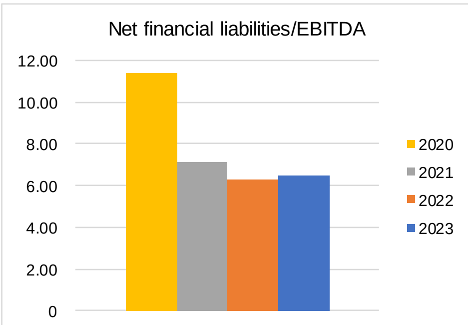
* The indicators are defined as alternative benchmarks. Their definitions are provided in Section 8.14 of the 2023 Annual Report.

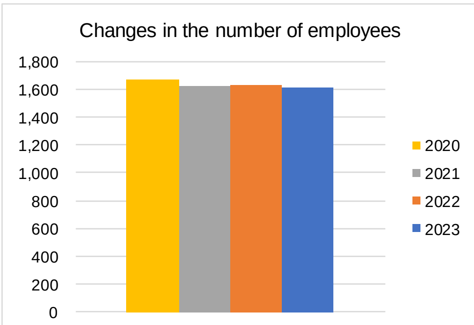












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1 LETTER FROM THE PRESIDENT OF THE MANAGEMENT BOARD

Dear shareholders, business partners and colleagues,

UNIOR Group and UNIOR d.d. enter 2023 with optimism and a strong order book. The changed market conditions have brought unforeseen challenges to our activities throughout the year, which we have tried to overcome as far as possible, or to proactively mitigate their negative impact. The effect of prolonged high inflation, coupled with high interest rates, has reduced the purchasing power of end-buyers in our important markets. The recovery in global economic activity moderated over the year, but the euro area economy weakened, especially in the second half of 2023, as it was constrained by tighter financing conditions, weakening confidence and a loss of competitiveness. The restrictive policies of the central banks have been felt by businesses mainly through sharply increased funding costs.

In the UNIOR Group and UNIOR d.d., the impact of the macroeconomic environment was felt to a greater extent indirectly, through the volatility of orders in some activities, while the direct impact was mainly seen in the marked increase in financing costs. In 2023, EURIBOR benchmark interest rates reached their highest levels in 15 years, increasing the cost of funding from banks in the UNIOR Group by a factor of 2.4 compared to the previous year, with the largest increase in the parent company. In the second quarter of 2023, we entered into a seven-year refinancing to repay the loans under the old refinancing agreement, obtain the additional liquidity needed to optimise our working capital requirements and secure the financing of the necessary investments to renew and expand our production capacity in future periods.

At the end of May 2023, UNIOR d.d. announced its decision to launch a divestment sale procedure for activities not directly related to the core activities of the parent company, including tourism, machine tools and steelmaking. The expected purchase price is intended to reduce UNIOR d.d.'s indebtedness and increase its ability to finance development projects and business opportunities. A number of preparatory activities have been carried out in 2023 and we expect that these activities can be successfully implemented in 2024.

In the context of prolonged inflationary pressures, which showed signs of a gradual but slow easing towards the end of 2023, particular attention was paid to activities to control operating costs, which resulted in a partial stabilisation of input material prices. Increases in the cost of services, and in particular labour costs, have been a particular challenge. Towards the end of the year, buyers' expectations for price cuts this year were increasingly reflected. We recognise the importance of our employees, strive to increase their satisfaction and, to the best of our ability, support the fair rewarding of employees for their contribution to the achievement of the company's and the Group's objectives. The multi-faceted nature of the challenge is also reflected in the increasing complexity of recruiting the right people, especially in the forging metal production and tourism sectors. On the last day of 2023, the UNIOR Group employed 2,812 employees, 11 more than the previous year, while the parent company employed 1,614 employees in 2023, 20 fewer than in the previous year, most of whom were reassigned to the subsidiary employing people with disabilities established at the end of 2022.

Our largest forgings business has seen a largely stable order book over the past year, despite the challenges in the European automotive industry, which in 2023 successfully resolved complications related to a multi-year series of disruptions in supply chains. We are proud to have succeeded in establishing the conditions for the start of series production of aluminium forgings in 2023, for which we have received the first batch orders and where we are winning new products for series production. Value added was generated in the business through investments in automation and robotics and an increase in the share of forgings finishing, which we see as having significant potential for further growth in the coming years.

In addition to the negative multiplier effects of the macroeconomic environment, the hand tool manufacturing business faced a significant drop in orders from the bicycle segment, as the entire global bicycle industry was affected by the decline in demand. In the hand tools business, by adjusting production volumes, redeploying employees to other positions within the parent company, appropriate pricing and optimising inventories, we tried to minimise the negative impact on the result, which would have been even lower without the proactive measures taken.

In the mechanical engineering business, we successfully introduced the modularly designed "Uniflex" machine to the market in 2023, expanding our offering beyond the so-called dedicated turnkey machines, and the new concept of the "Aluflex" aluminium profile machine, offering modular flexibility to our customers in the automotive industry, with which we expect to win new customers. We continued to optimise our business and managed to exceed our sales targets, but with increased costs, especially financing, we did not achieve the desired profitability. The activity remains strongly linked to customer investment cycles.

Tourism outperformed the previous year's sales for the second year in a row, while presenting a favourable result at the end of the year. In 2023, a wide range of investments were carried out, dominated by the construction and opening of the “Mašinžaga Park” project, where we transformed the Rogla Ski Centre into a year-round tourist destination with an investment of EUR 12.5 million.

The performance of the machine tools business was mainly driven by growth in sales to foreign markets.

Despite many challenges in the economic environment, UNIOR Group achieved a 2.3% growth in sales in 2023 compared to the previous year. The UNIOR Group's turnover amounted to 294.2 million euro, with a net profit of 4.9 million euro, which represents a decrease of 5.3 million euro compared to the same period of the previous year, when we recorded a net profit of 10.2 million euro, due to higher financing costs and lower results of affiliates in 2023. The operating result (EBIT)[1] in 2023 reached EUR 14.2 million, which means 40.1% higher than in 2022. The EBITDA[2] in 2023 reached EUR 31.1 million, an increase of 9.9% compared to the previous year.

The performance of the parent company UNIOR d.d. in 2023, with a turnover of EUR 205.9 million, represents a year-on-year increase in revenue of EUR 1.3 million. With higher financing and labour costs, UNIOR d.d.'s net result in 2023 was a profit of EUR 0.2 million. EBIT[1] in 2023 was EUR 5.6 million, 51.3% higher than in 2022. The company's EBITDA[2] also increased by 11.8%, reaching EUR 14.4 million at the end of 2023, an increase of EUR 1.5 million compared to the same period last year.

In 2023, UNIOR Group and the Parent Company have strengthened awareness of the need for efficient systems that follow sustainable development guidelines and contribute to the green transition. We continued our sustainable development activities at UNIOR d.d., which include the environment, employees and governance, and prepared guidelines for the company's decarbonisation. We want to transfer these good practices to other companies in the Group in the upcoming years.

Fortunately, the storms and the associated extensive flooding in Slovenia, which caused significant material damage in early August 2023, did not have a direct impact on the business of the Company and the UNIOR Group, nor did our direct suppliers suffer any significant damage. As a socially responsible company, we responded to the disaster in the first days after the storm, both people and businesses, and came to the aid of some of the hard-hit companies during the recovery with equipment, our hand tools, expert teams and other forms of assistance.

Darko Hrastnik
President of the Management Board

[1] EBIT is an indicator defined as an alternative performance measure, definitions are defined in section 8.14. of the 2023 Annual Report
[2] EBITDA is an indicator defined as an alternative performance measure, the definitions of which are set out in section 8.14. of the 2023 Annual Report

2 REPORT BY THE SUPERVISORY BOARD

OPERATIONS OF THE SUPERVISORY BOARD

In 2023, the Supervisory Board supervised the operations of the UNIOR Group and UNIOR d.d. within the limits of its powers as laid down by the law, the Articles of Association and the Rules of Procedure of the Supervisory Board. It performed its duties by providing for a transparent relationship between the Supervisory Board and other stakeholders and ensuring immediate public releases of reports on the sessions carried out thereby.

Following the resignation or dismissal of three members of the Supervisory Board, the General Meeting of the Company appointed three new members of the Supervisory Board of UNIOR d.d.

In 2023, the Supervisory Board held nine ordinary meetings, three extraordinary meetings and three correspondence meetings. The Supervisory Board was promptly apprised of all important events and activities in the Company and of decisions made by the Management Board of the Company.

The Management Board reported to the Supervisory Board via reports on the operations of both UNIOR d.d. and the UNIOR Group, enabling the Supervisory Board to duly exercise its supervisory role. Reports of the Management Board were usually compiled by area and separately by programme and included a synopsis of all business impacts. The reports allowed the Management Board to indicate all the most important categories affecting the operation of the Group and the joint-stock company. All items contained in financial statements and indicators of the reported period were compared to values of the previous period and planned values for the current period. The Management Board kept Members of the Supervisory Board also informed via e-mails.

Both during and in-between its regular sessions, the Supervisory Board took note of the current performance and performance estimates for the following short-term periods. Close attention was paid to the volume of orders, risk-reduction, environmental or sustainable-development, and cost-management measures and current liquidity management.

During all its regular sessions, the Supervisory Board took note of the reports of the Audit Committee.

At its first extraordinary meeting in January 2023, the Supervisory Board considered and took note of the extraordinary audit report of the Internal Audit Service on the chromium vapour release incident of 26/10/2022, it got informed about the possibilities and conditions of State aid to UNIOR d.d. due to the high energy prices, and the conditions of the syndicated long-term loan for UNIOR d.d., for which it gave its consent to the Management Board of UNIOR d.d. to enter into the agreement. At an extraordinary meeting, the Supervisory Board dismissed Ms. Andrea Potočnik and appointed Mr. Tomaž Subotič as a member and deputy chairman of the Audit Committee of the Supervisory Board and as a member of the Human Resources Committee for the term of office from 13/01/2023 to 12/12/2025.

In February 2023, at its first regular meeting, the Supervisory Board considered the Business Plan for 2023 and took note of the proceedings of the Extraordinary General Meeting of UNIOR d.d. held on 08/12/2022. It discussed the results of the evaluation of the effectiveness of the Supervisory Board of UNIOR d.d. and adopted the evaluation report and the improvement action plan for 2023. It discussed and adopted the Supervisory Board's Annual Work Plan for 2023.

At its first correspondence meeting in February 2023, the Supervisory Board considered and gave its consent to the UNIOR d.d. Business Plan for 2023.

At its second extraordinary meeting in March 2023, the Supervisory Board considered and took note of the extraordinary audit report of the Jožef Stefan Institute on the chromium vapour release incident of 26/10/2022, took note of the new terms of the syndicated long-term credit facility for UNIOR d.d. and Unitur d.o.o., and gave its consent to the Management Board of UNIOR d.d. to conclude the agreement. The Supervisory Board discussed and adopted the amended Rules of Procedure of the Human Resources Committee of the Supervisory Board of UNIOR d.d.

At its second correspondence meeting in April 2023, the Supervisory Board considered and approved the revised Financial Publications Calendar of UNIOR d.d. for 2023.

In April 2023, at its second regular meeting, the Supervisory Board took note of the Quarterly Report of the Internal Audit of UNIOR d.d., the Annual Internal Audit Report 2022 of the Internal Audit of UNIOR d.d. and the Risk Report 2022 of UNIOR d.d. It considered the Audited Annual Report of UNIOR Group and UNIOR d.d. for the financial year 2022. It took note of the decision of the Management Board of the company on the distributable profit of the 2022 financial year. It also deliberated on the proposition of the Management Board of the company that the distributable profit should remain undistributed. The Supervisory Board has decided that the variable remuneration for the Executive Board for 2021, calculated on the basis of the Act of 29/11/2018 establishing the criteria for the payment of the variable remuneration of the Executive Board, shall not be paid. The Supervisory Board considered the proposal of the Human Resources Committee on the payment of the variable remuneration of the Management Board for 2022, and concluded that the Management Board is entitled to a variable remuneration for 2022, with the actual payment being deferred until 31/01/2024 due to the financial assistance received under the Act Governing Aid to Businesses to Mitigate Impact of Energy Crisis. It also discussed the potential violation of trading in UNIOR d.d. shares by Mr. Subotič, a member of the Supervisory Board of UNIOR d.d., and took note of the proposed response to the Association of Small Shareholders of Slovenia regarding the call for the resignation of member of the Supervisory Board of UNIOR d.d. Ms. Potočnik.

At its third regular meeting in May 2023, the Supervisory Board considered the Unaudited Interim Report for the period January-March 2023 for the UNIOR Group and UNIOR d.d. The Supervisory Board considered and approved the Remuneration Policy for the members of the Management Board and the Supervisory Board of UNIOR d.d., and took note of the report of the Works Council of UNIOR d.d. for the year 2022 regarding the progress of the Works Council's work on the implementation of the employer's participation obligations. It noted, discussed and approved the amended dividend policy of UNIOR d.d. It discussed the conduct of Mr Subotic, a member of the Supervisory Board, who traded UNIOR d.d. shares directly and indirectly through a related party during the prohibited period, and it took the decision to o propose a vote on dismissal of Mr. Subotič as the Supervisory Board Member of UNIOR d.d. The Supervisory Board approved the agenda of the 27th Ordinary General Meeting of UNIOR d.d. and the proposed resolutions on individual items. The Supervisory Board took note of, considered, and gave its consent to the decision of the Management Board of UNIOR d.d. whereby UNIOR d.d., as the sole shareholder of Unitur d.o.o., makes a subsequent contribution to Unitur d.o.o. in the form of a non-monetary contribution – transfer of receivables.

In July 2023, at its fourth ordinary meeting, the Supervisory Board appointed Mr. Robert Vuga as Chairman of the Supervisory Board for the term of office from 20/07/2023 to 05/07/2027 and as Deputy Chairman of the Supervisory Board for the term of office from 20/07/2023 to 05/07/2027 appointed Ms. Katja Potočar. At this meeting, the Supervisory Board established the Audit Committee of the Supervisory Board, appointing Mr. Tomaž Subotič as Chairman, and as Members Mr. Marijan Penšek and Ms. Saša Koren. The Supervisory Board also established the Supervisory Board's Human Resources Committee, appointing as Chairwoman Ms. Katja Potočar, and as Members Mr. Tomaž Subotič, Mr. Robert Vuga, and Mr. Milan Potočnik. The Supervisory Board took note of the Rules of Procedure of the Supervisory Board, the Rules of Procedure of the Audit Committee and the Rules of Procedure of the Human Resources Committee.

In August 2023, at its third extraordinary meeting, the Supervisory Board took note of the presentation of the external candidate for the independent member of the Audit Committee of the Supervisory Board of UNIOR d.d. and, on the proposal of the Audit Committee, unanimously dismissed the external member of the Audit Committee, Ms. Blanka Vezjak, on 07/08/2023. The Supervisory Board appointed Prof. Dr. Simon Čadež as an external member of the Audit Committee of the Supervisory Board for the period from 08/08/2023 to 04/07/2027.

The Supervisory Board held its fifth regular meeting in August 2023, where it considered and approved the revised Annual Work Plan of UNIOR d.d. Internal Audit for 2023. It took note of the report on the proceedings of the 27th General Meeting of UNIOR d.d. The Supervisory Board considered the Unaudited Interim Report for the period January-June 2023 for the UNIOR Group and UNIOR d.d.

The Supervisory Board held its sixth regular meeting in November 2023. It considered and gave its consent to the Annual Work Plan of the Internal Audit of UNIOR d.d. for 2024. The Supervisory Board considered the Unaudited Interim Report for the period January-September 2023 for the UNIOR Group and UNIOR d.d. and took note of the UNIOR d.d. Business Plan Guidelines for 2024. The Supervisory Board took note of the intention of the Chairman of the Management Board, Mr. Hrastnik, not to stand for re-election as Chairman of the Management Board of UNIOR d.d. The Supervisory Board instructed the Human Resources Committee to prepare a proposal for a procedure for the selection of the Chairman of the Management Board of UNIOR d.d. The Supervisory Board unanimously approved the financial calendar of publications of UNIOR d.d. for 2024, discussed and adopted the Annual Work Plan of the Supervisory Board with the planned content for 2024, and discussed and adopted the procedure for the evaluation of the effectiveness of the work performed by the Supervisory Board in the course of the Supervisory Board's work for 2023. The Management Board informed the Supervisory Board of the progress of the sale of the stake in Štore Steel d.o.o.

In December 2023, at its seventh ordinary meeting, the Supervisory Board, on a proposal from the Human Resources Committee, considered and approved the proposal for the terms of appointment of the Chairman of the Management Board of UNIOR d.d. and the proposal for a Management Competency Model. On the proposal of the Human Resources Committee, the Supervisory Board discussed and approved the procedure for the selection of the Chairman of the Management Board of UNIOR d.d. The Supervisory Board also familiarised itself with the content of the agreement on the joint participation – consortium in the sale of business shares in Štore Steel d.o.o.

At its third correspondence meeting in December 2023, the Supervisory Board considered the agreement on joint participation – consortium in the sale of shares in Štore Steel d.o.o. and gave its consent to the Management Board of UNIOR d.d. to sign the agreement.

At its eighth regular meeting in December 2023, the Supervisory Board took note of the irrevocable resignation of Mr. Robert Vuga from the position of Chairman and Member of the Supervisory Board in view of his possible candidacy for the new position of Chairman of the Management Board of UNIOR d.d. It discussed the Remuneration Policy for the Management Board and the Supervisory Board of UNIOR d.d., and agreed to consider the Remuneration Policy of the Management Board and Supervisory Board of UNIOR d.d. at one of the next Supervisory Board meetings, in accordance with the recommendations of the Slovenian Sovereign Holding, and to submit it to the General Meeting of the Company for approval. The Supervisory Board also took note of the report of the Human Resources Committee on the proposal for the appointment of Mr. Robert Vuga as Chairman of the Management Board of UNIOR d.d., as well as his cover letter and curriculum vitae. It considered and approved the employment contract with the manager and unanimously appointed Mr. Robert Vuga as Chairman of the Management Board of UNIOR d.d. with effect from 01/06/2024 for a term of office of five years.

At its ninth ordinary meeting in December 2023, the Supervisory Board elected the Chairman and Deputy Chairman of the Supervisory Board of UNIOR d.d. and a member of the Supervisory Board's Human Resources Committee. For the period from 21/12/2023 to 04/07/2027, the Supervisory Board of UNIOR d.d. appointed Ms. Katja Potočar as Chairperson, and Mr. Marijan Penšek as Deputy Chairperson of the Supervisory Board of UNIOR d.d. It appointed Mr. Marijan Penšek as a member of the Supervisory Board's Human Resources Committee.

The Supervisory Board considers itself to have acted independently of the Management Board in 2023 and the work performed by its members not to have given rise to any conflict of interest.

Most of the Supervisory Board members attended the meetings, except in the case of excused absences. The President and Member of the Management Board were invited to sessions of the Supervisory Board as needed. Materials the Members were presented with during sessions provided them with high-quality information allowing them to supervise operations and make informed decisions.

OPERATIONS OF THE SUPERVISORY BOARD COMMITTEES

AUDIT COMMITTEE

The Audit Committee held seven regular meetings and one correspondence meeting in 2023.

The work performed by the Audit Committee supported the Supervisory Board in supervising accounting reporting, internal audits, risk management, and in collaborating with external and internal auditors. It regularly reported on its work to the Supervisory Board.

In July, the Supervisory Board appointed two new members to the Audit Committee, following the resignation or dismissal of two Audit Committee members. The Audit Committee has prepared a proposal to the Supervisory Board to appoint Mr. Simon Čadež as an external member of the Audit Committee.

Thus, the Audit Committee of UNIOR d.d. closely followed the progress of the audit carried out by the external auditor MAZARS d.o.o. in 2023. It interviewed the auditor before the start of the audit, after the pre-audit and at the end of the audit and was informed at all stages about the audit procedures. It deliberated on the drafts and final reports of the external auditor, reports to the Audit Committee on the 2023 audit in compliance with Article 11 of the Regulation (EU), letter to the Management Board including findings. Based on the External Audit Quality Monitoring Guidelines, it assessed the work of the external auditor MAZARS d.o.o. for the financial year 2022.

The Audit Committee has reviewed the 2022 Annual Report by first discussing and taking note of the Unaudited Annual Report for the UNIOR Group and UNIOR d.d. for the financial year 2022. At the end of the audit, it considered the audited annual report.

The Audit Committee of the SB of UNIOR d.d. took note of the draft decision of the Management Board establishing the 2022 distributable profit of UNIOR d.d. of the proposed use thereof.

At the beginning of the year, it took note of the annual report of the Internal Audit Service for 2022 and, at the end of the year, of the planned internal audits for 2024, also contributing its own input information to the work plan.

This way, the Audit Committee contributed to comprehensive financial reporting.

In addition to the above, the Audit Committee:

- regularly took note of and deliberated on interim performance reports for the UNIOR Group and UNIOR d.d.,
- took note of risk management reports and the risk register,
- took note of activities intended to identify and combat internal fraud,
- informed about the costs of property valuations and the procedure for selecting a valuer,
- took note of the table of electricity and natural gas suppliers and the share of energy products in the calculation of the own price,
- took note of sponsorships and donations,
- took note of the self-checking system and of the optimisation of the financial reporting and consolidation processes in UNIOR d.d.,
- took note of the list of Top 100 Slovenian suppliers of UNIOR d.d. that provide the company with more than 50 per cent of their annual turnover (materials or services),
- took note of the report on environmentally sustainable business operations subject to the Taxonomy Regulation,

- familiarised itself with the company's property insurance arrangements, claims and insurance risk management,
- took note of interest rate movements, hedging and risk management,
- familiarised itself about the impact of investments made by current and former companies,
- took note on the structure and turnover of stocks.

The Audit Committee also focused on assessing the impact of market conditions, changed economic conditions on business performance and realisation, and reviewing liquidity activities and measures.

HR COMMITTEE

In 2023, five regular sessions of the HR Committee were convened.

The work of the Human Resources Commission has been in support of the Supervisory Board, in particular in decisions concerning personnel issues. It regularly reported on its work to the Supervisory Board.

Following the dismissal of two members of the Human Resources Committee, the Supervisory Board appointed two new members in July, plus a fourth member of the Human Resources Committee.

In April, the Supervisory Board's Human Resources Committee proposed to the Supervisory Board, on the basis of the Act establishing the criteria for the payment of variable remuneration to the Executive Board, that no variable remuneration be paid to the Executive Board for 2021. It also proposed that the Supervisory Board adopt a resolution on the eligibility of the members of the Management Board to the variable remuneration of the Management Board for 2022, with the actual payment being postponed until 31/01/2024 due to the financial assistance received under Act Governing Aid to Businesses to Mitigate Impact of Energy Crisis, on the condition that the payment of the variable remuneration of the Management Board for 2022 would not breach any new legal restrictions due to the use of any State aid and/or that UNIOR d.d. has completed the repayment of the loan from 2020 with the guarantee of the Republic of Slovenia.

In November, the Human Resources Committee familiarised itself with the employment contracts of the Chairman and the members of the Management Board, the Rules on the organisation and job classification and the Rules of Procedure of the Management Board of UNIOR d.d. In view of the expiry of the term of office of the Chairman of the Management Board, the Human Resources Committee discussed and prepared for the Supervisory Board a proposal on the conditions for the appointment of the Chairman of the Management Board and a competency model for the management, and proposed to the Supervisory Board to use a direct search with a personal call for applications for the appointment of the Chairman of the Management Board.

In December, the Human Resources Committee conducted the nomination procedure for the appointment of the Chairman of the Management Board and adopted a decision to propose to the Supervisory Board Mr. Robert Vuga as a candidate for appointment as Chairman of the Management Board for the next term of office. This month, the Human Resources Committee also took note of Mr. Vuga's cover letter and CV. On the basis of the documentation received and reviewed, the Board examined the fulfilment of the conditions and competences and concluded that Mr. Vuga meets the conditions for the appointment of the new Chairman of the Management Board of UNIOR d.d. It also reviewed and coordinated the content of the employment contract with the manager.

2023 ANNUAL REPORT REVIEW

OPINION ON THE CORPORATE GOVERNANCE DECLARATION

The Supervisory Board reviewed and became acquainted with the Corporate Governance Declaration of the UNIOR Group and UNIOR d.d. and the Statement on Non-Financial Operations of the UNIOR Group and UNIOR d.d., published in Sections 7.6 and 7.7 of the 2023 Annual Report. The Supervisory Board agrees therewith and hereby approves them.

ANNUAL REPORT

In 2023, the Audit Committee monitored the financial reporting proceedings and made its proposals to ensure its comprehensiveness, monitored the independence of the auditor of consolidated financial statements and the financial statements of the parent company (hereinafter referred to as the "Auditor"), worked closely with the Auditor in identifying the most significant audit areas and ensured mutual communication on main audit-related matters. It reviewed the non-audited and audited UNIOR Group and UNIOR d.d. 2023 Annual Report and the report of the Ljubljana-based auditing company MAZARS d.o.o. It reported to the Supervisory Board on its role in the evaluation of the annual report compilation and compulsory audit monitoring process in addition to clarifying that the compulsory audit had made a significant contribution to the comprehensiveness of the financial statements.

The Supervisory Board reviewed the drawn up annual report and proposed use of distributable profits, both presented thereto by the Management Board. Following a review of the annual report and consolidated annual report, auditor and Audit Committee reports, the Supervisory Board hereby finds that the financial statements of the UNIOR Group and UNIOR d.d. give a true and fair view of the financial position on 31/12/2023, their profit/loss, other comprehensive income and cash flows for the then finished year in compliance with international financial reporting standards as adopted by the EU. Members of the Supervisory and Management Boards ensure that the UNIOR Group and UNIOR d.d. 2023 Annual Report and its constituent elements, including the Corporate Governance Declaration and Statement on Non-Financial Operations have been compiled and published in compliance with the Companies Act and the International Financial reporting Standards. The Supervisory Board does not have any objections to the UNIOR Group and UNIOR d.d. 2023 Annual Report and hereby confirms it.

DISTRIBUTABLE PROFITS OF THE PARENT COMPANY

The Supervisory Board took note of the decision of the Management Board of the parent company UNIOR d.d., subject to the audited Income Statement, the net income of the year amounts to EUR 226,995. The net income shall be included in distributable profits in full, less non-current deferred development costs amounting to EUR 4,536,296.

The established distributable profits of the 2023 financial year subject to the audited annual financial statements of the parent company for 2023 amount to EUR 12,525,158. The Management Board proposes that distributable profits remain undistributed.

The Supervisory Board proposes that the General Meeting of Shareholders grant a discharge to the Management Board and the Supervisory Board for 2023 operations.

In forming the draft resolution on the allocation of profits of the parent company for the current year of 2023, 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 Supervisory Board agrees with the proposal of the Management Board that the distributable profits of the parent company of the 2023 financial year remain undistributed.

Katja Potočar
President of the Supervisory Board of UNIOR d.d.

3 PRESENTATION OF THE UNIOR GROUP AND UNIOR D.D.

HISTORY

Back in the 18th century, the first iron workshops (iron foundries) developed at the foothills of Pohorje, primarily operating as forges manufacturing agricultural and craft tools. In 1919, the limited-liability Styrian Iron Industrial Company producing forged hand tools used in agriculture, forestry and by various craftsmen was founded. Before WWII, this forge plant (abbreviated name: Styria Zreče) already employed 250 people. In 1944, the factory which also continued production during the war, employing 450 people, burned down completely.

The plant partly restored after WWII was renamed Zreče Forged Tool Factory (TKO). In 1950, the plant became publicly owned. The basic reconstruction of the company whose main focus was manufacturing hand tools was related to the new technology of American-style drop-forging. Its new capacities (a tool workshop and a hand tool machining plant) served as the basis for the development of two production programmes: Hand Tools and Drop-Forged Forgings, increasingly used in the automotive industry.

In the nineteen-seventies, the plant with new visions was also given a new name: UNIOR Kovaška industrija Zreče. The new name is a coinage from the Slovenian phrase UNIverzalno ORodje (universal tools) for which it was already well-known at the time. UNIOR began to establish itself as an important partner of the automotive industry, turning into one of the biggest European producers of light forgings and connecting rods for internal combustion engines.

In the mid-nineteen-seventies, UNIOR started to construct a spa and ski resort on the mountain of Rogla on the nearby Pohorje and the Terme Zreče spa in Zreče itself, leading to the development of the Tourism Programme. The growing machining needs of the company led to the creation of the Special Machines Programme in 1978 which started developing and constructing special-purpose metalworking machines.

Following the independence of Slovenia, UNIOR also faced great difficulties; however, it successfully compensated for the loss of the former Yugoslav market with new export markets. UNIOR started to expand the exports of its hand tools by establishing an extensive global distribution network, with the most important role being played by its distribution, marketing and sales companies.

In 1997, the company was converted into a joint-stock company called UNIOR Kovaška industrija Zreče d.d., abbreviated as UNIOR d.d. The first financial statements of the UNIOR Group were drawn up for that year as well.
By founding Ningbo UNIOR Forging Co. Ltd. in 2005 in Yuyao, China, with a 50-per cent ownership share of UNIOR d.d., engaged in forging, UNIOR became a global supplier of the automotive industry.

In 2017, the Tourism Programme was carved out, leading to the entry of a new company, UNITUR d.o.o., 100 per cent owned by UNIOR d.d., into the Companies Register.

The UNIOR joint-stock company is one of the largest and most important Slovenian companies in terms of exports boasting a tradition of professionalism and innovation. The company is committed to business excellence as pursued 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 spreading the name of Slovenia throughout the world.

3.1 Presentation of the UNIOR group

As at 31/12/2023, the UNIOR Group consists of the following companies:

PARENT COMPANY

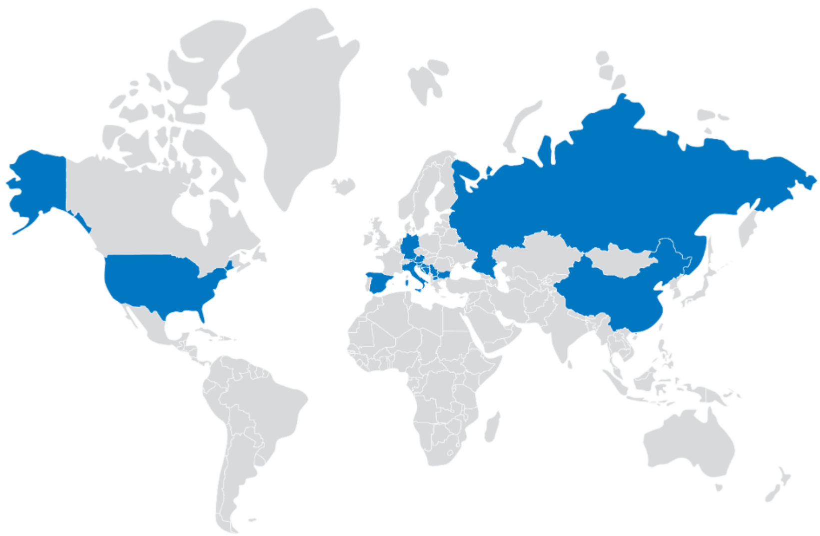
The parent company of the UNIOR Group is UNIOR Kovaška industrija d.d.
Company address: Kovaška cesta 10, 3214 Zreče, Slovenia
Telephone: +386 3 757 81 00
Website: www.unior.si
E-mail: unior@unior.com
Registration number: 5042437000
Tax number: 72461721

SUBSIDIARIES

Company name and activity	Headquarters	Share in per cent
UNITUR d.o.o. Tourism and other commercial activities	Zreče, Slovenia	100.00
UNIOR IN d.o.o. Processing of forged and sintered products	Zreče, Slovenia	100.00
SPITT d.o.o. Energy – steam and air conditioning supply	Zreče, Slovenia	100.00
UNIOR PRODUKTIONS UND HANDELS GmbH Sales of hand tools	Ferlach, Austria	99.55
UNIOR DEUTSCHLAND GmbH Sale and servicing of machinery	Leonberg, Germany	100.00
UNIOR ITALIA S.R.L. Sales of hand tools	Limbiate, Italy	100.00
UNIOR ESPANA S.L. Sales of hand tools	Uharte – Arakil, Spain	95.00
UNIOR MAKEDONIJA d.o.o. Sales of hand tools	Skopje, North Macedonia	97.36
UNIOR PROFESSIONAL TOOLS Ltd. Sales of hand tools	Saint Petersburg, Russia	70.30
UNIOR BULGARIA Ltd. Sales of hand tools	Sofia, Bulgaria	77.31
UNIOR COMPONENTS d.o.o. Production of machine tools	Kragujevac, Serbia	100.00
NINGBO UNIOR FORGING Co. Ltd. The production of forgings	Xindongwu, Yuyao, China	50.00
UNIOR VINKOVCI d.o.o. The production of forgings	Vinkovci, Croatia	100.00
UNIOR – NORTH AMERICA Inc. Sales, procurement, and servicing activities	Novi (Michigan), USA	100.00

ASSOCIATES

Company name and activity	Headquarters	Share in per cent
ŠTORE STEEL d.o.o. The production of steel	Štore, Slovenia	29.25
UNIOR TEHNA, d.o.o. Sales of hand tools	Sarajevo, Bosnia and Herzegovina	25.00
UNIOR TEOS ALATI d.o.o. Sales of hand tools	Belgrade, Serbia	20.00



For more information on Group companies, please refer to Section 9.6.1 of the 2023 Annual Report.

PRESENTATION OF ACTIVITIES OF THE UNIOR GROUP

UNIOR d.d. is the parent company in the UNIOR Group whose activities are carried out as part of three production programmes: Forge, Hand Tools, and Special Machines, all presented in further detail in Sections 3.3 and 3.4 of the 2023 Annual Report.

As at 31/12/2023, the UNIOR Group consists of not only its parent company but also 14 subsidiaries generating revenue on the global level by engaging in five activities, the production of forgings, hand tools, special machines, machine tools, and tourism. The UNIOR Group also includes three associates.

As at 31/12/2023, forgings are produced and sold by not only the Forge Programme of the parent company but also by three subsidiaries: the Croatia-based UNIOR VINKOVCI d.o.o., the China-based NINGBO UNIOR FORGING Co. Ltd., and the Slovenia-based UNIOR IN d.o.o. UNIOR VINKOVCI d.o.o. and NINGBO UNIOR FORGING Co. Ltd. are engaged in the production of steel forgings for the automotive and power industry. UNIOR IN d.o.o. is a sheltered workshops that performs simple production, processing, control tasks and renders other forged and sintered product services. One of our crucial suppliers of steel used to produce forgings is our associate Štore Steel d.o.o.

In terms of development, our Forge activity is focused on the production of complex forgings with high safety requirements used as car components where the majority of our revenue is generated. The production forming part of the Forge activity is focused on producing forgings as parts of steering mechanisms of cars used in all drive assemblies of cars, including electric, and on producing forgings used for connecting rods used in internal combustion engines and hybrid vehicles. At Group level, we proactively monitor trends in vehicle electrification and the forecasts of the automotive industry associations; more on this in section 8.1. As part of the adopted Medium-term business plan for the 2022–2026 period, it is taken into account that the sales volume of connecting rods is to fall in the future. As such, the sales volume of parts of steering mechanisms and other forgings and the market share therein will be increased. Keeping up with current trends has been demonstrated by the Group with a successful investment of the parent company in 2022 in the aluminium forging production line seeking to follow the desire of our development-oriented customers to reduce the weight of the vehicle and the resulting fall in CO_2 emissions. In 2023, the company was able to establish the conditions for the start of series production of aluminium forgings, for which we also received the first orders for larger batches, where we won new products for series production.

The Hand Tools Programme of the parent company UNIOR d.d. develops, produces and markets high-quality hand tools and cold-forged products for general applications and specific niche markets. As at 31/12/2023, the Hand Tools activity consists not only of the Hand Tools Programme of the parent company but also of six subsidiaries: The Austria-based UNIOR PRODUKTIONS UND HANDELS GmbH, the Italy-based UNIOR ITALIA S.R.L., the Spain-based UNIOR ESPANA S.L., the Republic of North Macedonia-based UNIOR MAKEDONIJA d.o.o., the Russia-based UNIOR PROFESSIONAL TOOLS Ltd., the Bulgaria-based UNIOR BULGARIA Ltd. In addition, two associates are in charge of sales on the markets of Serbia and Bosnia and Herzegovina: the Serbia-based UNIOR TEOS ALATI d.o.o. and the Bosnia and Herzegovina-based UNIOR TEHNA, d.o.o. The subsidiaries and associates of the hand tools business are responsible for the distribution and sale of the parent Company's hand tools, while development and production are limited to the parent Company.

Boasting a variety of more than 3,300 manufactured products, UNIOR Hand Tools are ranked among the top five most important European producers of hand tools. The activity emphasises the development, production, and marketing of hand tools. The activity is focused primarily on market niches of producing special-purpose hand tools whereby the use of less polluting materials leads to the development of smart hand tools containing electric, mechatronic, and electronic components. As part thereof, the Hand Tools activity also develops and markets e-bicycle, e-car, solar power plant and wind farm construction and repair solutions.

Special Machines are focused on the development of technological solutions and the production of special-purpose machines or their components. In addition to the Special Machines Programme of the parent company, this activity also includes the German-based subsidiary UNIOR DEUTSCHLAND GmbH and the US-based subsidiary UNIOR – NORTH AMERICA Inc. which are both in charge of local sales and after-sales services. The Special Machines activity is focused on producing a wide palette of metalworking special-purpose machines and rendering after-sales services whose purpose is to ensure a long-term presence on our key markets (European Union, North America, and China) and to produce and maintain state-of-the-art technological machines for the automotive industry.

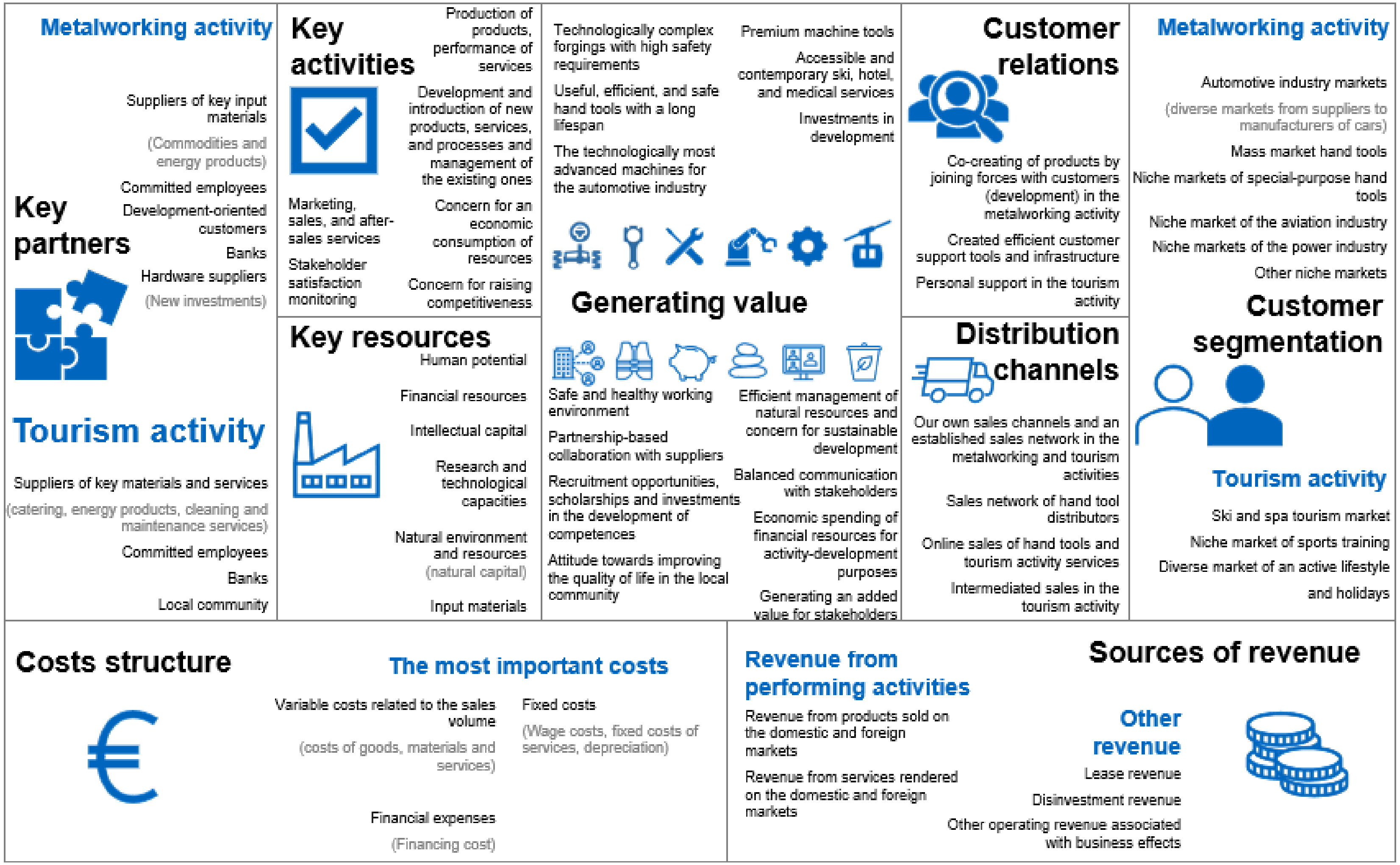
In contrast to after-sales activities, which also include regular repairs or restorations of machines, the special-purpose machine construction activity is bound by cyclical investment inquiry trends, the development of new drive assembly technologies, such as electro-mobility, hydrogen cells, and hybrid drives. The activity has thus focused on niche segments, such as the production and restoration of special-purpose machines used to machine car engine components. It has successfully positioned itself in the segment of producing machines used to machine parts of bodywork and battery pack casings for electro-mobility purposes whose market share has been increasing and which can potentially allow for the long-term development of the activity. In 2023, the company successfully launched the modularly designed "Uniflex" machine, which expands our range of dedicated turnkey machines, and the new concept of the "Aluflex" aluminium profile machine, which offers modular flexibility to our customers in the automotive industry.

The production of machine tools activity is represented by the Serbia-based UNIOR COMPONENTS d.o.o. which is one of the most recognisable brands engaged in the production of tools used for in the deburring technology and the thermo-chemical treatment of metals. Its offer is rounded off by being a reliable partner for the entire welding and machining of welded metal construction process.

UNITUR d.o.o., a subsidiary of the UNIOR Group with its registered office in Slovenia, operates the Terme Zreče health resort and the Rogla ski centre on Pohorje. This activity generates revenue from winter tourism, hotel management, catering, healthcare, wellness, and, during recent years, also from adventure-related offers. With an intensive investment cycle in 2023, the vision of restructuring the Rogla Ski Centre into a year-round mountain tourist centre for active recreation and outdoor activities is gradually being realised. This direction aims to identify the positive impact on both the deseasoning of revenues in the activity and on the occupancy of accommodation facilities and the sale of other services throughout the year.

Other activities which generate a small portion of the revenue by the UNIOR Group include joint services and the Maintenance department within the parent company and the subsidiary SPITT d.o.o. generating revenue from rendering biomass-powered distant heating services for the accommodation facilities of UNITOR d.o.o. on Rogla.

BUSINESS MODEL OF THE UNIOR GROUP IN 2023



Descriptions of the most important markets and customers of the UNIOR Group and UNIOR d.d. are provided in section 3.4, and additional disclosures related to sales by markets and regions in which the Group companies operate are described in section 8.2 of the 2023 Annual Report.

The macroeconomic and geopolitical situation and expected industry trends are described in Section 8.1 of the 2023 Annual Report, where a brief description of the business environment is given. In the event of a more pronounced tightening of the economic or geopolitical environment, the changed operating conditions could to some extent affect individual segments of the Group's business model, but it should be stressed that in a significantly changed environment, the impact would also be passed on to the wider economy as a whole.

As mentioned in Chapter 4 of the Annual Report 2023 on the main events of the past year, in May 2023 we informed the public about the launch of the sale procedures of UNIOR d.d.'s investments, including the tourism business and the machine tools business. The successful completion of the divestments in the coming periods will change the Group's business model, which, if the above-mentioned activities were excluded, would focus on the metalworking and related activities emanating from the parent company.

LOOKING AT THE FUTURE

The strategic guidelines of the UNIOR Group in the upcoming period are laid down by the 2024 Business Plan of the UNIOR Group as the basic corporate document and by the Medium-term business plant for the period between 2022–2026 drawn up by the UNIOR Group as a blueprint for key strategic guidelines of the Group with which the Group seeks to meet the expectations of its stakeholders in terms of the growth of economic and social capital of the UNIOR Group. The key strategic orientations for achieving the objectives of each of the Parent Company's production programmes are presented in Section 3.3 and the plans for 2024 are presented in Section 8.13 of the 2023 Annual Report.

CORPORATE GOVERNANCE IN THE UNIOR GROUP

The UNIOR Group consists of 14 subsidiaries and three associates. Our subsidiaries and associates operate in 13 countries all over the world.

On an individual basis, the management and supervisory boards of subsidiaries of the UNIOR Group act in line with the same values and corporate governance policies as the parent company, unless provided otherwise by statutory and supervisory requirements or proportionality provisions. Wherefore, the management and supervisory boards of subsidiaries of the UNIOR Group check for any adjustments to local legislations and any other required adjustments subject to their responsibilities for the governance of their respective company as related to implementing Group policies. In compliance with the defined procedures in Group policies, they lay down their adjustments and make sure that the subsidiary shall not infringe on legal or regulatory provisions or prudential rules by applying them.

The governance of the UNIOR Group is presented in further detail in Section 7.6 (Corporate Governance Declaration of the UNIOR Group and UNIOR d.d.)

3.2 Presentation of UNIOR d.d.

The joint-stock company UNIOR d.d. is the parent company of the UNIOR Group. It is organised in three production programmes (key processes) and departments (support processes). Within these programmes, activities are combined in key implementation and support processes, whereas, within the departments, in supply processes, intended for UNIOR d.d. and also to the UNIOR Group in part.

The production programs in UNIOR d.d. are:

- Forge
- Hand Tools
- Special Machines

MISSION OF THE PARENT COMPANY UNIOR d.d.

To be a global development partner in the production of forged products, hand tools and technological metal processing solutions.

Our mission is pursued on the basis of our values, core skills, and competitive advantages.

Our values are:

- responsibility,
- innovation,
- enterprise, and
- diligence.

Our core competences and competitive edges are:

- extensive technical and technological knowledge,
- flexibility,
- focusing on new challenges,
- recognising business opportunities,
- developing and producing state-of-the-art technological products,
- being a strategic global manufacturer and provider.

VISION OF THE PARENT COMPANY UNIOR d.d.

To be a forward-looking international company in the metalworking industry. To build an environment-friendly and sustainability-oriented company. To belong, in some areas of operation, among the leading companies in the world according to our market share. To develop, manufacture, and market products and technical solutions using our own innovation processes. To generate a gross added value per employee[3] amounting to more than EUR 50 thousand by 2026.

[3] Gross value added per employee is an indicator defined as an alternative performance measure, the definitions of which are set out in section 8.14. of the 2023 Annual Report

3.3 Programmes of UNIOR d.d.

3.3.1 Forge Programme

MISSION OF THE FORGE PROGRAMME

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

VISION OF THE FORGE PROGRAMME

To be a global, modern and successful development-oriented programme which has established an excellent reputation with the group of the most successful automotive producers and their system suppliers. To be the first or second largest producers of steering mechanisms forgings in our industry in Europe. To increase the share of machined and aluminium forgings in sales. To contribute to reducing the carbon footprint of the entire company by increasing the share of aluminium forgings. To generate a gross added value per employee[4] amounting to more than EUR 50 thousand.

KEY STRATEGIC GUIDELINES FOR MEETING THE OBJECTIVES OF THE FORGE PROGRAMME:

- successful negotiations to secure existing market shares in Zreče,
- reduce or control the costs of the work in the programme,
- automation of forging and final control and processing and provision of HR are pre-conditions for implementing the sales plan and shift to 4.0 Industry,
- mass production of aluminium forgings,
- specialisation in the Forgings Processing Plant,
- digitalisation of production and business processes,
- to review and make a decision on producing forgings in Mexico.

The Forge Programme is the oldest programme on the basis of which today's UNIOR has developed. In 2023, its revenue from sales accounted for more than 70 per cent of all company revenue. UNIOR, d.d. constitutes one of the largest local producers of forgings in the European supply chain whose quality and flexibility have successfully withstood aggressive Asian competitors for several years.

Its main production groups are parts of steering mechanisms and forgings for drive trains in passenger cars and forged connecting rods for engines.

We exclusively supply manufacturers from the automotive industry (more than 95 per cent of our products are sold thereto) with sophisticated forgings complying with the highest safety requirements. In light of our specialised know-how, machinery and needs of the market, we have specialised in the production of mass quantities of forgings who have two things in common: narrow tolerances and axial asymmetry. A smaller portion of production are hand tool forgings supplied in-house for the Hand Tools Programme.

On the market, the Forgings Programme operates as a development-oriented supplier which develops and optimises forgings in collaboration with customers allowing to simplify processing and boast the

[4] Gross value added per employee is an indicator defined as an alternative performance measure, the definitions of which are set out in section 8.14. of the 2023 Annual Report

best characteristics of use. We are a Direct OEM[5] and TIER 1 and TIER 2 supplier[6]. As a supplier to the automotive industry, UNIOR d.d. is committed to complying with current quality standards. For this purpose, we have obtained the ISO IATF 16949 standard and our buyers also regularly monitor and control the quality of our products, timeliness of deliveries, and other competitive capacities.

Our subsidiaries UNIOR Vinkovci d.o.o in Croatia and Ningbo UNIOR Forging Co. Ltd. in China are also extremely important. They have allowed us to join the ranks of global forgings producers and to, as such, keep up with the trend of global projects in our industry which will shape our future to an increasing extent.
On the European market, we plan to preserve our market shares and the primary position as a producer of parts of steering mechanisms of passenger cars; whereas, in terms of connecting rods for engines, follow development trends, adapt our capacity and get out in front of the remaining European competition in this segment. In 2024, we will begin mass producing parts of steering mechanisms – aluminium forgings – which will help us preserve the position of the leading producer of this product segment. This will allow us to keep up with the widespread trend of automotive producers to reduce the weight of vehicles and, as a result, of CO_2 emissions.

Our planned sales volume will also be generated by increasing the share of machined forgings where we have been penetrating the market as a provider of these services with an increasing success. During recent years, great efforts have been made to obtain such projects but our price competitiveness has proved challenging to demonstrate. A rise in investments, improved cost control and simultaneous development of technologies have allowed us to become an interesting provider with machined forgings as demonstrated by the 2024 sales objective in this segment.

In the last decade, our programme has been diligently focusing its investments on toolmaking technologies and modernisation of its production facilities, all the while upgrading its range of products by developing the forgings machining department. We have been comprehensively managing the development and the technology of production of all production tools, whereas the diverse machinery in the forge enables us to produce competitive products in small and large batches. In addition to hammer or press forging, our customers can also avail of heat treatment, finishing, and testing as well as machining of forgings.

In terms of modern techniques and available technologies, we have been managing the required resources allowing us to ensure stable processes and high-quality products for even the most demanding customers in the automotive industry. In addition, the strategic liaison with the nearby steelworks and mechanical engineering provides us with potential and a competitive edge that similar forges do not possess as a rule. The dispersion of locations serving as the basis for specialisation has proven beneficial in terms of cost effectiveness, by ensuring a global presence via our Chinese forge, we have also created the required pre-condition to obtain large global projects.

A global visibility has opened opportunities and chances of growth and development of our brand also on markets, such as Mexico, USA and Latin America. Large automotive conglomerates have been communicating their expectations and inviting us to more actively enter said markets.

[5] (Original equipment manufacturer)
[6] TIER 1 – Tier 1 suppliers, TIER 2 – Tier 2 suppliers (suppliers to Tier 1)

3.3.2 Hand Tools Programme

MISSION OF THE HAND TOOLS PROGRAMME

To develop, produce and market premium hand tools and cold-forged products for specific market niches and general areas of use. To be a reliable partner for everyone looking for useful, efficient, and safe tools with a long lifespan.

VISION OF THE HAND TOOLS PROGRAMME

In 2026, UNIOR will become the leading world manufacturer of special-purpose tools in terms of sales revenue as well as retain its position as one of the five largest manufacturers of general tools in the world. By then, it will have generated more than EUR 50 thousand gross added value per employee[7].

KEY STRATEGIC GUIDELINES FOR MEETING THE OBJECTIVES OF THE HAND TOOLS PROGRAMME:

- accelerated development of aluminium cold forging,
- digitalisation of production and business processes,
- passing on higher purchase prices to the downstream market,
- increasing productivity and reducing losses in the hand tool manufacturing process to rationalise operating costs,
- sales promotion in existing and new market segments,
- improving product quality through the use of new materials and technologies,
- quicker adaptation, reacting to changing market conditions in all production and business processes.

Boasting a variety of more than 3,300 different manufactured products, UNIOR Hand Tools are ranked among the top five most important European producers of hand tools.

In the field of cold forging, we specialise in the production of shafts, stators and rotors for use in hydraulic motors for heavy machinery. The advantage of cold forging is that the material is transformed at room temperature, within tight tolerances and without waste, helping to reduce the carbon footprint. There are no interrupted material silos in the manufactured pieces, making the products stronger and more resistant to wear. We are using cold forging technology to develop aluminium bicycle components such as cranksets, rear hubs with ratchet and brake adapters for bicycle manufacturers, where we see growth potential in the coming years.

To be a reliable partner for everyone looking for useful, efficient, and safe hand tools with a long lifespan. This is proven by many certificates demonstrating that UNIOR Hand Tools comply with rigorous quality standards and satisfy the requirements of the VDE, IEC 6090, conform to the CE marking and many others. We have also been awarded the European EQTM quality certificate.

In the area of the renewal of the standard, general assortment, we are gradually eliminating the less sold and less profitable items. A key expected consequence of the changes in the product mix is a reduction in the number of changeovers and dead time in production, which translates into higher productivity. We remain a producer with a high share of our own products, above 75%.

[7] Gross value added per employee is an indicator defined as an alternative performance measure, the definitions of which are set out in section 8.14. of the 2023 Annual Report

The development of the general product range will continue towards higher value-added products (pliers, puller) and specialist product groups for high voltage work, metal packaging and tools for bicycle repair and maintenance. By following market trends in product development, we expect to become the second largest manufacturer of pliers in Europe. At the same time, we plan to expand into industrial platforms and new market segments in existing markets.

The programme has largely digitised the production and sales process. Real-time production monitoring gives us better control over production processes and allows us to adapt quickly to changes in the market. Digital sales channels, including online retail, are expanding the reach of our products in new markets. In addition, digitising the sales process improves the ordering process and communication with customers. At the same time, we constantly follow digital marketing trends to stay connected with professional hand tool users.

We rationalise operating costs and implement measures in all processes that result in productivity gains. The multi-year business optimisation project focuses on cost-effective measures in the short term, which are sustainable and ensure the long-term stability of the programme.

The Hand Tools Programme is a major European manufacturer of general and specialised hand tools and cold forged products, trusted by the transport industry, the energy sector, the construction sector, the pharmaceutical and chemical industries and other industries that recognise us as a long-term development partner.

3.3.3 Special Machines Program

MISSION OF THE SPECIAL MACHINES PROGRAMME

To develop technology solutions and manufacture specific machines for known customers. That our products are innovative, technologically advanced and provide a higher rate of competitiveness to our customers.

VISION OF THE SPECIAL MACHINES PROGRAMME

Our vision is to become one of the Top 10 mechanical engineering departments engaged in the production of special purpose metal-cutting machines in the EU. To achieve a long-standing presence on our key markets (EU, North America and China) and produce the technologically most complex machines for the automotive industry. We will exceed EUR 50 thousand gross value added per employee [8].

KEY STRATEGIC GUIDELINES FOR MEETING THE OBJECTIVES OF THE SPECIAL MACHINES PROGRAMME:

- review of potential development guidelines and activities of the programme;

[8] Gross value added per employee is an indicator defined as an alternative performance measure, the definitions of which are set out in section 8.14. of the 2023 Annual Report

- operations subject to the selected strategy contained in the "Special Machines Programme Development Opportunity Assessment" study by introducing diligent control of the planned targets;
- positive operations of the programme;
- a stable sales volume without major order oscillations;
- uniform global distribution of sales among three main sales regions (EU, USA, China, in a ratio of 50:35:15);
- increase in sale to TIER 1 customers;
- outsourcing of less advanced processes, keeping and strengthening advanced processes inside the company;
- development of universal machine and new component solutions;
- strengthening the collaboration with the Maintenance, Hand Tools and Forge Programmes.

The Special Machines Programme is engaged in the development and construction of special CNC machine tools used for large-scale processing of blanks made from steel, aluminium and other alloys. The majority of machine tools are prototypes and require the integration of state-of-the-art findings of metal-cutting technology. Despite specific needs of customers, machines are built from standardised modules. Arising from the needs for the machining of specific workpieces, the programme has designed a set of basic machine tool models which can be modified and adapted to the requirements and internal regulations of the customer.

Our products are a result of our own development and technological solutions developed through long-standing tradition. They are marketed directly with automotive industry users, primarily with car makers and to a smaller extent with TIER 1 suppliers. At the beginning of our operations, the programme was focused solely on EU Member States, primarily on German car makers; however, during the last decade, our sales activities have extended also to the global market, resulting primarily from the relocation of European technology to other continents (North America, China). The same partnership built on the EU market was also expected by customers elsewhere in the world where their production facilities are located, even though this presents an additional challenge given the relative small size of our programme.

On the market, the programme utilises the tradition of UNIOR as a whole, its branching and global presence in the metal-working industry. Our business model boasts the following features:

- corporate/economic confidence of buyers in our solutions and products;
- proficiency of our staff;
- tradition and multi-annual presence in the most demanding segment of capital goods;
- a wide range of reference products; and
- quality products at competitive prices.

Key features of our range:

- expert support during the product development phase;
- responsiveness and continuous presence with our buyers;
- adaptability to the buyer's requests;
- product/machine flexibility;
- energy-efficient machines;
- high-quality collection and fast start-up;
- high-quality and fast servicing activities in the immediate vicinity;
- good value for money subject to our capacities;
- reliable and stable operation of machines.

Special machines are very complex in the face of individual enquiries, unique machinery and technical solutions. Today, the programme is renowned on the market for its great flexibility, rapid responsiveness, professionalism and substantial technological skills of its human resources. It has focused on niche segments, such as the constituent parts of car engines, machining of body parts of vehicles, battery housings and have learnt the deep-drilling technology as a specific machining technology.

There are trends towards increasing the flexibility, expanding the usefulness, reduce delivery times and providing high-quality servicing services in the immediate vicinity of customers in the special-purpose machine industry.

In view of intense investments in development and learning of new technologies, the market has recognised us as a development-oriented supplier. Close collaboration, trust and lengthy experience in machining important constituent parts of the engine, such as the crank and cam shaft and various elements of peripherals ensure a continuity of orders, contemporary guidelines on new machine requirements, such as electromobility, require new adaptations and a mindset shift for tomorrow.

In addition to fully satisfy the needs, requests and expectations of our customers, creativity is being introduced in our programme, developing satisfied, creative, contemporary thinking and progress-oriented co-workers.

In order to comply with quality requirements and expectations and perform well in a period of fast technological innovations and ruthless competition, we have decided to harmonise our quality management system with the globally used ISO 9001 and VDA 6.4 quality management standards. We also aim to be an environment-friendly-oriented company. For this reason, we have undertaken to comply with the requirements of the ISO 14001 standard. That established the basis for satisfied customers and all of us.

During the ensuing period, prime consideration will be given to existing EU-based customers, primarily to German automotive industry customers, which we have been serving as a long-term and established supplier. The programme will focus on ensuring a straight-line uniform scale of operations; in favourable economic conditions, also on utilising opportunities to increase the scale of operations with our existing capacities.

In terms of technology, we remain position as a development-oriented supplier in the automotive industry for specific machining of work pieces in the engine – crank shafts and deep-drilling. This segment continues to be heavily investment-focused on the truck manufacturing industry. During the last few years, we have also successfully positioned ourselves on the e-mobility market as we are the first supplier of equipment to the VW Group used to machine battery casings.

As far as the construction and configuration of machines is concerned, the programme will simplify the complexity of technological solutions and place more emphasis on the standardisation of elements and procurement components. The integration of the supply chain is of material importance for managing the changing conditions of current operations.

3.4 The most important markets and customers of the UNIOR group and UNIOR d.d.

Its forgings and machines make the UNIOR Group an important supplier of the automotive industry. For this reason, the developments in the industry are of key importance for its performance. Our main customers are almost all major vehicle producers: Volkswagen, Audi, Škoda, BMW, Daimler, Renault, Dacia, the JLR (Jaguar Land Rover) Group, in addition to their system suppliers: ZF Friedrichshafen, Robert Bosch, JTEKT, SEAC, SOMIC. Our most important market is the European Union, where Unior exports more than 90 per cent of all metal-working products or where, in addition to the turnover in Slovenia, almost 92 per cent of all revenue are generated. In recent years, the turnover generated in South America has been on the rise. In 2021, mass deliveries of forgings for the North American market were launched in addition to the sales of machines.

Hand tools are sold under the UNIOR brand in 120 countries, with the European Union being the most important market. Slovenia remains the largest market for general hand tool sales, with a 75% market share in the professional use of hand tools. In the specialist product groups, Germany, France, Spain and Italy are the largest markets. UNIOR Hand Tools with their added value and quality primarily remain intended for professional users. Industrial companies purchase general-use hand tools (SKF, Bombadier, Ford, Alstom, and craftsmen engaged in repairing and maintaining the power distribution network, power components, water supply systems). Corporations operating globally (Trek, Specialized, Giant, KTM, Honda) primarily purchase special product groups. In collaboration with them, new product groups shifting towards an increasingly sustainable orientation are developed.

The main direct customers of the Special Machines Programme are traditionally German car manufacturers, primarily by Mercedes, followed by the VW Group and BMW. We are also strongly present in the truck manufacturer industry (e.g. Scania, MAN, Deutz, etc.). The main market for our special machines is Europe, primarily Germany. In addition, our machines are also sold and installed anywhere in the world where cars are mass produced. Europe is followed by North America. The programme is also present with German manufacturers in China.

In tourism, the domestic market accounts for the majority of revenues, but sales and marketing activities have also been focused on nearby European markets. Of the 188.9 thousand overnight stays in 2023, 68.4 thousand overnight stays were made by foreign guests, representing a share of 36.2%. Most overnight stays were made by guests from the former Yugoslavia, followed by guests from EU Member States. Domestic guests stayed 120.5 thousand nights, accounting for 63.8% of total nights stayed.

The activity of manufacturing machine tools is export-oriented, with export markets accounting for more than 80% of sales generated in more than 30 countries worldwide in 2023. The European Union is the most important market with 65%, followed by countries with a stronger automotive and aerospace presence. 16 per cent of sales is generated in other countries in the world and 19 per cent of sales is generated on the local market, in Serbia.

3.4.1 Forge Programme

Similarly, to other programmes, EU is the most important market of both the Forge Programme and the Zreče forge where more than 96 per cent of revenue from sales are generated – of which just under one percent in Slovenia. Most products (95 per cent) are directly intended for the automotive industry (our customers are VW, Audi, Renault, Dacia, BMW, Škoda, Porsche, JLR) and their suppliers (ZF Friedrichshafen, THK, JTEKT, SEAC, SOMIC, Robert Bosch).

We are the world's leading producer of steering mechanisms for passenger cars. Competitors from Asia (primarily from China and India, in addition to emerging competitors from Indonesia and Vietnam) are increasingly present on our most important steering mechanism part markets. Chinese competitors in particular have made a great step towards reaching Europe within the last three years. Primarily a high growth in prices of materials, energy and the resulting high inflation rate and labour cost growth prevent us from being truly competitive on the global market. Our key advantages in our battle therewith lie in, in our opinion, our cooperation with customers in development projects, high levels of productivity, technological advantages, and flexibility.

During the last decade, our sales position has been also consolidated and boosted in the field of connecting rods for passenger cars, even though the car industry has been shifting towards electric drives. We have been fighting to preserve our market shares, prevailing over our competitors also in this area. We are also present in hybrid vehicles which are a combination of a traditional internal combustion and electric engine. Europe-based competitors continue to be our biggest competitors in the segment, primarily OSO Precision and STP from Germany.

A much stronger competition is faced in the sales of sintered products than in the forge and forgings machining programme. Major global producers dominate the supply chain, make huge investments in development and automation of production, making it more difficult to operate for smaller, flexible, and specialised producers such as ourselves which leads to us losing the price war and market share. Either way, we continue to stay on the market also with sintered products, although the general growth trend is negative.

3.4.2 Hand Tools Programme

In the Hand Tools Programme, 89% of our sales revenue is generated in foreign markets. Customers of hand tools are professional users, industry (SKF, Bombadier, Trek, KTM), craftsmen and authorised repairers. We sell in 120 markets, to more than 400 customers who trust the UNIOR brand.

In order to satisfy even the most demanding user and to meet the needs and wishes of our customers, we have recently focused on niche markets or specialised tools with higher added value and have accelerated the development of cold-forged products. Sales of specialised product groups account for almost 40% of hand tool sales, wile a decade ago it was still 10%. The own sales network has been properly rehabilitated and reduced, so that sales through capital-related companies represent only 18% of total hand tool sales.

Development and marketing are focused primarily on specialised tools, intended for the automotive and cycling industry, but also on various measuring tools, VDE-certified tools, and workshop equipment. We can also boast of achieving tangible results and attainments as far as our e-bicycle solutions, the construction and repair of power plants using renewable energy (solar and wind power plants) are concerned. The development is aimed at improving the pinching ability of the slicing pliers by using new C75 materials. We are expanding the metal packaging segment for workplace equipment that provides a safe and orderly working environment in accordance with the 6S method.

We are entering new markets and industry platforms, and accelerating sales to existing customers. We are focusing on market segmentation, strengthening digital channels and continuously improving and digitising the sales process, which gives customers access to information 24/7 and has a positive impact on customer loyalty. We target marketing campaigns and tailor products to specific customer groups in the market segment.

We are working hard to maintain our position among the top five European hand tool manufacturers, while facing increasing pressure to remain price competitive with German manufacturers. On the other hand, we are the world's largest supplier of tools for bicycle repair shops in terms of depth and breadth of product range, with the largest market share in Europe in this segment.

In response to changing market conditions and the growing economic crisis, we are reorganising our programme. This is to ensure long-term business stability and effective risk management. Our aim is to adapt to the dynamic environment, to improve our cost-efficiency, to maintain our competitive position in the market and to expand beyond hand tools.

3.4.3 Special Machines Program

We are present on the market with a wide range of special-purpose machines boasting increasing levels of flexibility in compliance with the requirements and expectations of our customers. The recent period has been characterised by mobility changes and a transition towards alternative drive trains. As a result, customers are willing to invest only in diverse-applicability equipment, even though it may not be effective for the desired purpose in every single case. New materials (lightweight aluminium alloys, magnesium) changing machine concepts have been increasingly present for energy reduction consumption purposes. On the other hand, trends indicating the transition to environmentally less harmful processing techniques have also been identified. In order to increase their profits and to reduce their risks, OEM customers have been increasingly opting for contract-based services and shifting towards the phase of monitoring, developing new products, completing products and marketing.

The expectations of our customers continue to be increasingly demanding – to purchase the most reliable and flexible capital goods by spending minimum investment funds. Many customers are still unwilling to accept state-of-the-art achievements or, in view of low labour costs in non-European countries, chose simpler and more quickly delivered equipment.

Given the wide range of metalworking machine tools, the Machine Engineering Programme has focused on two market segments willing to invest in niches. For us, these are:

- the automotive industry – as the driving force behind new investments and integration of technologies;
- the supplier "TIER 1" industry – on which the automotive industry has also been focusing in order to maintain and monitor a wider range of suppliers serving to reduce its own risks.

Development guidelines of our main customers are accepted in view of ensuring a larger scale of operations. Until now, Europe has been the main initiator of integrating new technologies with a greater emphasis on the suppliers of components to TIER 1 suppliers. New technical and technological solutions have complemented the customer support provided in North America and, starting with next year, also in China, where the highest growth is expected in the future.

On the market, we mainly encounter renowned competitors involved in making special machines in Germany and Austria, whose tradition and maximum support of the best development institutes grants them a technological advantage, allowing for this support and impeccable communication in their mother tongue to constitute a strategic advantage.

The construction of special-purpose machines is subject to cyclic oscillations of investment demand, development of drive train technologies, electromobility, hydrogen cells and hybrid vehicle drive trains. To keep up with trends, we need to become engaged in the development of future technologies and machining methods for the constituent parts of the drive train.

By closely monitoring the needs of our customers, the programme focuses on time on the development of even more adaptable products, cheaper and more accessible configurations, shorter delivery times and assurance of quality servicing activities that provide our customers with the guarantee of faultless operation of our products – machines and machine tools.

4 RELEVANT EVENTS IN 2023 IN THE UNIOR GROUP AND UNIOR d.d.

FINDINGS RELATED TO THE EXTRAORDINARY EVENT IN UNIOR d.d.

Pertaining to the extraordinary event in the processing facility, when steam was released from the galvanising bath into its surroundings on 26/10/2022, the Supervisory Board of UNIOR d.d. took note on 23/03/2023 of the report on the extraordinary audit of the event by the Jožef Stefan Institute, establishing that the event luckily had not had any repercussions on the health of company employees or the health of people outside the facility. The event also had not had any unacceptable impacts on the ground both in and outside the facility. On 24/03/2023, UNIOR d.d. received a Proceeding Termination Decision of the Inspectorate of the RS for the Environment and Energy in the matter “Air emissions following release from the Z54 galvanising line – extraordinary inspection.” The inspection established that the registrant (UNIOR d.d.) carries out its activity in compliance with legislation in force. It was established that the registrant had not breached the Environmental Protection Act (ZVO-2) or any regulations issued subject thereto.

ENERGY AID FOR THE ECONOMY

In accordance with the Act Governing Aid to Businesses to Mitigate Impact of Energy Crisis, the parent company of the UNIOR Group received in the financial year 2023, EUR 601 thousand of non-repayable state aid on the basis of an application submitted at the end of March 2023, which was prorated into monthly payments in 2023 in accordance with the provisions of the law. The Act also stipulates that any eligible company which has availed itself of the aid to the economy shall notify the competent authority within two months of any disbursement of dividends that has been carried out within the respective company from the entry of the Act into force in 2023 or for 2023. In that event, the received aid shall be reimbursed within 30 days following the service of the respective decision issued by the competent authority in addition to statutory interest.

CONCLUSION OF A NEW SYNDICATED LOAN AGREEMENT

On 25/04/2023, UNIOR d.d. and UNITUR d.o.o. concluded new syndicated loan agreements for a period of seven years with a syndicate of four commercial banks. This established a long-term stable balance between non-current and current financial liabilities which was destroyed as at the balance on 31/12/2022 and also on 31/03/2023 on account of the fact that the financial liabilities of the Company and the Group refinanced in 2016 became repayable on 30/06/2023 and the Group as well as the Company posted most of its financial liabilities as current. The actual repayments of the UNIOR Group's long-term financial liabilities in the financial year 2023 amounted to EUR 10,236,747 and not to EUR 66,570,347 as reported in the consolidated statement of financial position and the notes to the statement in the Annual Report 2023 in the comparative figures for 2022. The actual repayments of UNIOR d.d.'s long-term financial liabilities in the financial year 2023 amounted to EUR 7,636,096 and not to EUR 55,737,337 as shown in the separate statement of financial position and notes to the statement in the Annual Report 2023 in the comparative figures for 2022. The syndicated loan agreements also provided the Group and the Company with the additional liquidity needed to optimise working capital requirements and to secure the financing of investments needed in future periods to renew and increase production capacity. Subject thereon, the Company and the Group provided for the basic pre-conditions for growth and development in compliance with the targets set.

GOVERNANCE POLICY

On 03/05/2023, the Company publicly published on SEOnet and on its website the revised Corporate Governance Policy of UNIOR d.d., which was adopted by the Management Board and the Supervisory Board of the Company. The revised Corporate Governance Policy of UNIOR d.d. has been updated to indicate compliance with the corporate governance codes of reference and the sustainability performance of the company.

DIVIDEND POLICY

On 31/05/2023, the Company publicly published on SEOnet and on its website the amended Dividend Policy of UNIOR d.d., adopted by the Management Board and the Supervisory Board of the Company. The amended Dividend Policy of UNIOR d.d. is aligned with the commitments in the syndicated loan agreement concluded by the Company with the syndicate of four commercial banks on 25/04/2023, and it also includes deferral conditions related to the receipt of state aid.

DIVESTITURE OF UNIOR d.d.'S INVESTMENTS

On 31/05/2023, the Company publicly announced on SEOnet and on its website that it had started the process of selecting financial advisors for the sale of UNIOR d.d.'s investment, namely 100% of the ownership interest in UNITUR d.o.o., Zreče, Slovenia; 100% of the ownership interest in UNIOR Components d.o.o., Kragujevac, Serbia; and 29.253% of the ownership interest in Štore Steel d.o.o., Štore, Slovenia. The launch of the sale process is in line with the adopted and approved Business Plan of UNIOR d.d., which has been approved by the Management Board and the Supervisory Board of the company. The activities of the companies for which the decision to initiate the sale procedure has been taken, are not directly linked to the core activities of UNIOR d.d.

CONVENING NOTICE OF THE GENERAL MEETING OF SHAREHOLDERS

On 02/06/2023, the Company published the convocation of the 27th General Meeting of Shareholders on the Ajpes website, on SEOnet and on the Company's website. On 12 and 13/06/2023 and 03/07/2023, it published in the same way the extension of the agenda and the counter-motions to the proposed decisions received.

RESIGNATION OF A MEMBER OF THE SUPERVISORY BOARD

On 06/06/2023, the Company publicly announced on SEOnet and on the Company's website that the Company had received a letter of resignation from Supervisory Board member Ms. Simona Razvornik Škofič, by means of which Ms. Simona Razvornik Škofič resigns from the Supervisory Board of UNIOR d.d. for personal reasons.

RECEIPT OF THE CONSTITUTIONAL COURT'S DECISION

On 13/06/2023, UNIOR d.d. received the Constitutional Court's decision in Case Up-121/20 (Rhydcon case), by which the Constitutional Court decided that the Constitutional Appeal against the Supreme Court's Judgment No. III Ips 4/2019 of 19/11/2019 should not be admitted for consideration.

MANAGEMENT COMMENT ON THE EXTENSION OF THE AGENDA FOR THE 27th ASSEMBLY MEETING

On 27/06/2023, the Management Board of UNIOR d.d., in response to the shareholders' proposal to extend the agenda of the 27th Annual General Meeting of the Company, which was also extended with the item "Special audit in the case of Rhydcon d.o.o. – Appointment of a special auditor and proxy of UNIOR d.d.", in which the petitioners state that UNIOR d.d. has paid approximately EUR 4 million to Rhydcon d.o.o. as a result of lost lawsuits and related unfavourable out-of-court settlements in order to clarify the legal situation related to this case, published the legal opinion of the law firm Rojs, Peljhan, Prelesnik & partnerji o.p., d.o.o., which concludes that there is no liability for damages on the part of the management and supervisory bodies, and a calculation of the financial impact of the case, which shows that the Company has not suffered any financial loss, taking into account and respecting the findings of the judgments.

GENERAL MEETING OF SHAREHOLDERS

On 05/07/2023, the 27th General Meeting of Shareholders of UNIOR d.d. was held. At the meeting, the shareholders:

- took note of the 2022 financial year annual report and the written report of the Supervisory Board on the evaluation results of the 2022 financial year annual report;
- was acquainted with the Report on the remuneration of members of the Management and Supervisory Boards of UNIOR d.d. in the 2022 financial year and confirmed it;
- deliberated on the appropriation of the distributable profits of the 2022 financial year amounting to EUR 14,246,268.92 and decided it remain undistributed;
- granted discharge to the Management and Supervisory Boards for the 2022 financial year;
- reject the recall of Dr. Tomaž Subotič as a member of the Supervisory Board;
- rejected the special audit in the case of Rhydcon d.o.o. – appointment of the special auditor and proxy for the shareholders of UNIOR d.d;
- took note of the resignation of Member of the Supervisory Board Ms. Simone Razvornik Škofič;
- recalled the Member of the Supervisory Board Ms. Andreja Potočnik and Member of the Supervisory Board Mr. Franc Dover;
- appointed new members of the Supervisory Board, namely Mr. Robert Vuga, Ms. Katja Potočar, and Mr. Marijan Penšek.

REPORT ON THE REMUNERATION OF MEMBERS OF THE MANAGEMENT AND SUPERVISORY BOARDS OF UNIOR d.d.

On 05/07/2023, the Company publicly published on SEOnet and on the Company's website the document Remuneration Report of the members of the Management Board and Supervisory Board of UNIOR d.d. for the financial year 2022 together with the Independent Auditor's Report on the agreed procedures for the verification of the Remuneration Report of UNIOR d.d. for the financial year 2022, prepared by the audit company Mazars, družba za revizijo d.o.o. The document was approved by the shareholders at the 27th General Meeting of UNIOR d.d. on 05/07/2023.

SUBSEQUENT PAYMENT INTO THE SUBSIDIARY COMPANY'S CAPITAL OF UNITUR d.o.o.

On the basis of the consent of the Supervisory Board of UNIOR d.d., the Management Board of UNITUR d.o.o. adopted a resolution of the Management Board and a resolution of the sole shareholder on the basis of the Deed of Incorporation of UNITUR d.o.o. on the subsequent contribution to the subsidiary in the non-cash form of EUR 7,098,550.43.

PUBLICATION OF THE SUPREME COURT RULING

In response to questions raised by UNIOR d.d. shareholders at the 27th General Meeting of UNIOR d.d. held on 05/07/2023, the Company has made public on SEOnet and on its website the Supreme Court's judgment no. III Ops 48/2019 of 19/11/2019.

NEW COMPOSITION OF THE SUPERVISORY BOARD

On 20/07/2023, the Supervisory Board of UNIOR d.d., at its 4th Ordinary Session, appointed Mr. Robert Vuga as Chairman of the Supervisory Board and Ms. Katja Potočar as the Deputy Chairman, for a term of office from 20/07/2023 to 05/07/2027. The Supervisory Board established an Audit Committee of the Supervisory Board, consisting of Mr. Tomaž Subotič as Chairman of the Committee, and Mr. Marijan Penšek and Ms. Saša Koren as members of the Committee. It also appointed a Human Resources Committee, composed of Ms. Katja Potočar as Chairperson of the Commission and Mr. Tomaž Subotič, Mr. Robert Vuga and Mr. Milan Potočnik as members of the Committee.

NATURAL DISASTERS IN SLOVENIA

UNIOR d.d. and the UNIOR Group did not suffer any significant damage in the storms that hit Slovenia in early August. Our employees also do not come from the areas where the worst flooding occurred, so we were able to run our business smoothly. Our direct suppliers also did not suffer any major damage, so the storms and floods did not have a direct impact on the operations of the Company and the UNIOR Group. As a socially responsible company, we responded to the disaster in the first days after the storm, helping both people and businesses. We donated money and drinking water to several municipalities in the Savinja and Mežica Valleys and beyond. We have also helped some of the hard-hit companies during the recovery with equipment, our hand tools and expert teams.

NEW INDEPENDENT EXTERNAL MEMBER OF THE AUDIT COMMITTEE

The Supervisory Board on 07/08/2023 unanimously dismissed the independent external member of the Audit Committee of the Supervisory Board of UNIOR d.d., mag. Blanka Vezjak, and unanimously appointed Prof. Dr. Simon Čadež as the new independent external member of the Audit Committee of the Supervisory Board of UNIOR d.d. for the term of office from 08/08/2023 to 04/07/2027.

FINANCING THE TECHNOLOGY AND DEVELOPMENT PROJECT WITH A LOAN FROM SID BANKA d.d.

On 06/09/2023, UNIOR d.d. signed an agreement with SID – Slovenska izvozna in razvojna banka, d.d., Ljubljana, whereby SID banka, d.d. granted UNIOR d.d. a 12-year loan worth EUR 10 million to finance the technological development project "Introduction of new technologies, digitalisation, automation, modernisation, and ergonomic layout of production processes and the development of sustainable and smart products with an emphasis on energy efficiency and reduced carbon footprint". The loan was granted under SID Banka's "Third Development Incentive Programme for Financing Technological Development Projects". Due to the favourable financing conditions, the loan is eligible for State aid under the Special Conditions for Financing Technological Development Projects (notification No. BE01-5665493-2014) and the amount of State aid is EUR 1,880,791.85. Investments in technology development projects are included in the approved UNIOR Medium-Term Business Plan 2022-2026, as well as in the UNIOR Business Plan 2023. The additional borrowings under the Facility Agreement are in line with the syndicated loan agreement entered into by the Company with a consortium of banks in April 2023. It is also included in the business forecasts underlying the refinancing of existing debt, and additional debt is also included in the business forecasts in UNIOR's 2023 Business Plan. The credit facility will enable UNIOR d.d. to progress and invest in line with its business plans. As at 31/12/2023, the credit facility was fully drawn down.

UNIOR d.d.'S PROCEDURE FOR SALE OF THE COMPANY'S FINANCIAL INVESTMENTS

The international consultancy KPMG Poslovno svetovanje d.o.o. was selected as financial advisor for the sale of UNITUR d.o.o. and UNIOR Components d.o.o. NLB d.d. has been selected as the financial advisor for the sale of the stake in Štore Steel d.o.o. The sale procedures for UNITUR d.o.o. and UNIOR Components d.o.o. are already underway and are expected to be completed in the second half of 2024. In the process of selling the stake in Štore Steel d.o.o., activities are underway to form a broader consortium of sellers. The timetable for the sale process of the stake in Štore Steel d.o.o. will be prepared once the consortium has been formed. With the expected purchase price, UNIOR Group aims to reduce its debt and increase its ability to finance development projects and business opportunities.

KEY INFORMATION ON THE PERFORMANCE OF SUBSIDIARIES

On 11/10/2023, UNIOR d.d. published key performance data for its subsidiaries UNITUR d.o.o. and UNIOR Components d.o.o., both 100% property of UNIOR d.d., for the purposes of the sales process and disclosure to potential buyers. Key operating data for the first half of 2023 and an estimate of the operating results for the financial year 2023 for UNITUR d.o.o. were published, as well as key operating data for the first half of 2023 for UNIOR Components d.o.o.

PUBLICATION OF THE UNAUDITED ASSESSMENT OF THE UNIOR GROUP

At the end of October, UNIOR d.d. prepared an unaudited assessment of the UNIOR Group's performance in 2023 and publicly disclosed the UNIOR Group's condensed financial statements and key performance indicators.

TERM OF OFFICE OF THE CHAIRMAN OF THE MANAGEMENT BOARD

On 24/11/2023, the Chairman of the Management Board, Mr. Hrastnik Darko, informed the Supervisory Board of UNIOR d.d. that he does not intend to stand for re-election to the position of Chairman of the Management Board after the expiry of his term of office on 31/05/2024.

RESIGNATION OF THE CHAIRMAN OF THE SUPERVISORY BOARD

On 12/12/2023, the Chairman of the Supervisory Board of UNIOR d.d., Mr. Robert Vuga, resigned from his position as Chairman and Member of the Supervisory Board of UNIOR d.d. by means of an irrevocable letter of resignation.

APPOINTMENT OF A NEW CHAIRMAN OF THE MANAGEMENT BOARD

The Supervisory Board of UNIOR d.d. unanimously appointed Mr. Robert Vuga as the new Chairman of the Management Board of UNIOR d.d. at its ordinary meeting on 12/12/2023 for a term of office of 5 years, commencing on 01/06/2024.

APPOINTMENT OF A NEW CHAIRPERSON OF THE SUPERVISORY BOARD

The Supervisory Board of UNIOR d.d., at its regular meeting on 21/12/2023, appointed Ms. Katja Potočar, as the Supervisory Board Chairperson, and Mr. Marijan Penšek as Deputy Chairman of the Supervisory Board of UNIOR d.d. for the term of office from 21/12/2023 to 04/07/2027. The Supervisory Board appointed Mr. Marijan Penšek as a member of the Human Resources Committee of the Supervisory Board of UNIOR d.d.

5 SHARES OF THE PARENT COMPANY

Upon entering the UNIOR joint-stock company in the Register of Companies on 15/04/1997, 2,138,200 shares were issued, each having a par value of EUR 8.35. Since then, the company has carried out two capital increases. The first one on 1/12/1999, when 200,214 shares were issued, and the second on 1/2/2010, when 500,000 new shares were issued. As at 31/12/2023, UNIOR d.d. has a total of 2,838,414 shares, kept since 2006 in the form of no-par value shares. Issued in non-materialised form and, since 21/01/2000, entered in the Central Registry of the Ljubljana-based Central Securities Clearing Corporation (KDD).

All issued shares of the UNIOR d.d. joint-stock company are of one class, resulting in the same rights and obligations of shareholders. No restrictions to voting rights for shares apply. No share transfer restrictions apply. All shares are freely transferable. The company has not created an employee share scheme.

The company is not aware of:
- any agreements between shareholders which may result in restrictions on the transfer of securities or voting rights;
- any significant agreements to which the company is a party and which take effect, alter or terminate upon a change of control of the company following a takeover bid as laid down by the law regulating takeovers and the effects of such agreements;

There are no agreements between the company and its board members or employees providing for compensation if they resign or are made redundant without valid reason or if their employment ceases because of a takeover bid as laid down by the law regulating takeovers.

Relevant information on shares

	2023	2022	2021	2020
Total number of shares	2,838,414	2,838,414	2,838,414	2,838,414
Number of own shares	73,114	73,114	73,114	73,114
Number of shareholders	742	765	897	850
Dividends per share (in EUR) *	0.00	0.00	0.00	0.00
Value of own shares in the balance sheet (in thousand EUR)	2,688	2,688	2,688	2,016

* the indicator is defined as an alternative benchmark, the definition is provided in section 8.14 of the 2023 Annual Report

TREASURY SHARES

The UNIOR Group has a total of 73,114 treasury shares, out of which 3,330 shares of 0.12 per cent of the total shareholding are owned by UNIOR Deutschland GmbH, Leonberg and the Zreče-based SPITT, d.o.o. UNIOR d.d. owns 69,784 treasury shares or 2.46 per cent of the total shareholding. No treasury shares were acquired or disposed of in 2023. Neither the company nor any third party on behalf of the company pledged any treasury shares in 2023. UNIOR d.d. obtained treasury shares in 2019 subject to a judgement having the force of res judicata.

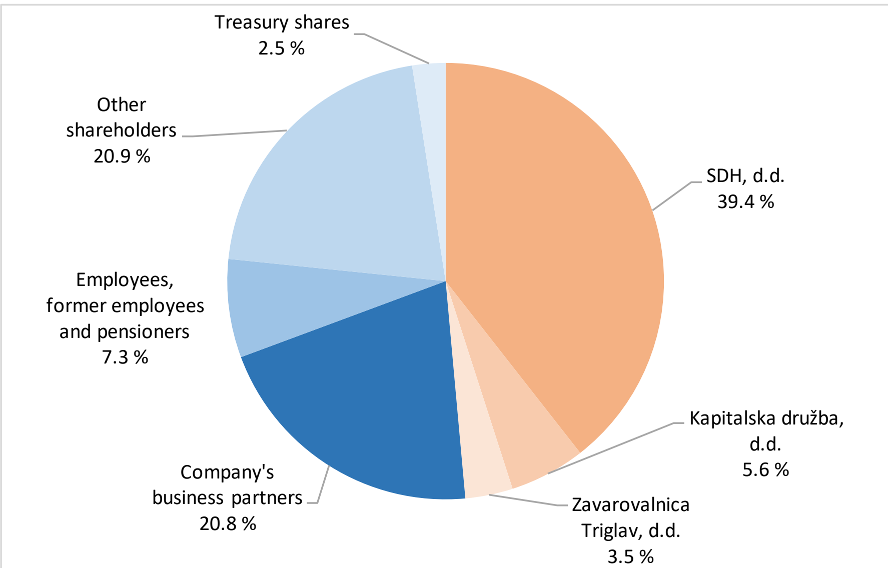
Ten largest shareholders as at 31/12/2023

Shareholder	Number of shares	Shareholding
SDH, d.d.	1,119,079	39.43 %
ŠTORE STEEL d.o.o.	346,182	12.20 %
KAPITALSKA DRUŽBA, d.d.	157,572	5.55 %
NLB Funds – Slovenia Mixed	132,321	4.66 %
ZAVAROVALNICA TRIGLAV, d.d.	100,000	3.52 %
Subotič Tomaž, Prague	81,702	2.88 %
UNIOR d.d.	69,784	2.46 %
TRS d.o.o., Medvode	53,412	1.88 %
RHYDCON d.o.o.	49,544	1.75 %
ŽELEZAR ŠTORE D.P. d.d.	43,627	1.54 %
Top ten shareholders in total	**2,153,223**	**75.86 %**
Other shareholders	685,191	24.14 %
TOTAL	**2,838,414**	**100.00 %**

Kapitalska družba d.d. has been entered as a shareholder in the central share register as a holder of voting rights owning 157,572 shares of the company and as a holder of non-voting shares owning 1,632 shares which were transferred thereto in 2022 from the terminated registry accounts with Klirinška depotna družba d.o.o. in compliance with the Book-Entry Securities Act (ZNVP-1).

Ownership structure as at 31/12/2023

Shareholder	Number of shares	Shareholding
SDH, d.d.	1,119,079	39.43 %
Kapitalska družba, d.d.	159,204	5.61 %
Zavarovalnica Triglav, d.d.	100,000	3.52 %
Company's business partners	589,731	20.78 %
Employees, former employees and pensione	206,862	7.29 %
Other shareholders	593,754	20.92 %
Treasury shares	69,784	2.46 %
TOTAL	**2,838,414**	**100.00 %**



ADMISSION OF SHARES TO QUOTATION ON THE STOCK EXCHANGE

The 14th regular General Meeting of the Company adopted the decision on 21/07/2010 adopted the decision to admit the shares of UNIOR d.d. to quotation on the organised Ljubljana Stock Exchange. On 13/07/2011, the company received the decision of the Securities Market Agency, file number 40200-10/2011-6. The shares prospectus was made public on 16/08/2011, our shares were admitted to quotation on the Ljubljana Stock Exchange on 18/08/2011. The first trading day was 22/8/2011. Our shares are listed in the Standard Quotation of the stock market.

COMMUNICATIONS TO SHAREHOLDERS

After its shares were admitted to quotation on the Ljubljana Stock Exchange, the Company has been following the practice of communicating with shareholders and new interested investors in compliance 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

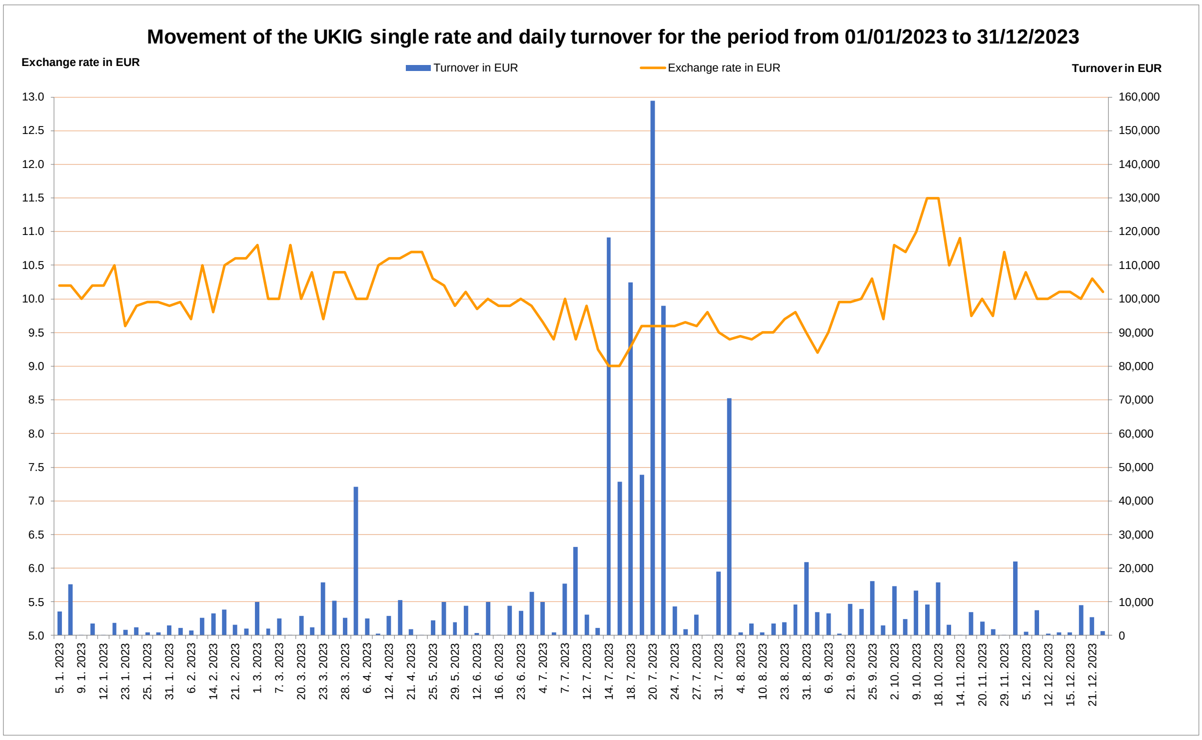
	2023	2022	2021	2020
Profit per share (in EUR) *	0.08	1.84	0.99	(2.88)
Carrying amount of the share (EUR) *	36.51	36.28	34.06	33.25
Sales per share (EUR) *	74.46	73.97	61.11	49.92
Cash flow per share (EUR) *	5.17	4.56	4.18	0.35
Dividend payout percentage *	0 %	0 %	0 %	0 %

* The indicators are defined as alternative benchmarks. Their definitions are provided in Section 8.14 of the 2023 Annual Report.

Performance indicators per share are calculated by dividing the accounting period categories by the weighted average number of ordinary shares whereby ordinary shares owned by the Company or the Group shall be excluded.

TRADING OF UKIG SHARES

On 28/12/2023 (closing share price), the market price of one UKIG share was EUR 10.10. Between 01/01/2023 and 31/12/2023, the trading turnover amounted to EUR 1,218,057.65. The book value of the share on 31/12/2023 was EUR 36.51. On 31/12/2023, the P/B (price-to-book) ratio per share was 0.28.



TRADING IN SHARES OF THE MANAGEMENT BOARD AND SUPERVISORY BOARD

In UNIOR d.d., the Management and Supervisory Boards hold a 2.94 per cent participating share, out of which 0.06 per cent by the Management Board and 2.88 per cent by the Members of the Supervisory Board. Other Company employees own a total of 1.82 per cent shares. In the period January to December 2023, the number of shares and the share ownership held by the members of the Supervisory Board decreased by 98 shares or 0.003% of the ownership, while the number of shares and the share ownership held by the Executive Board remained unchanged.

Trading in shares of the Management Board and Supervisory Board

	Ownership		
	31/12/2023	31/12/2022	Net purchases in the year
Darko Hrastnik	1,505	1,505	0
Branko Bračko	250	250	0
Management in total	**1,755**	**1,755**	**0**
Franc Dover, M. Sc. (member until 05/07/2023)	0	0	0
Simona Razvornik Škofič (member until 05/07/2023)	0	0	0
Andreja Potočnik (member until 05/07/2023)	0	0	0
dr. Tomaž Subotič	81,702	81,800	(98)
Robert Vuga (Member from 06/07/2023 to 12/12/2023)	0	0	0
Katja Potočar (Member since 06/07/2023)	0	0	0
Marijan Penšek M. Sc. (Member since 06/07/2023)	0	0	0
Saša Koren	0	0	0
Milan Potočnik	0	0	0
Supervisory board in total	**81,702**	**81,800**	**(98)**
Total number of shares issued	**2,838,414**	**2,838,414**	

As a publicly traded company, we have compiled a list of persons with access to insider information. In compliance with the law and the Rules of the Ljubljana Stock Exchange, the above are restricted from trading prior to public bid periods.

6 SUSTAINABLE DEVELOPMENT

UNIOR d.d. is gradually preparing to report in accordance with the Corporate Sustainability Reporting Directive (CSRD), which introduces the European Sustainability Reporting Standards (ESRS). We will disclose the ESRS definitions in 2025.

In the 2023 Business Report, we include the areas of Environment, Society and Governance (ESG). We have included elements of TCFD (Task Force on Climate-related Financial Disclosures) reporting in our 2023 reporting, which identifies strategic objectives and key actions that fall under the environment. We also included the first steps of evaluating the importance matrix from the point of view of UNIOR d.d. and its important stakeholders.

The Medium-term plan also defines the strategic guidelines of following European carbon neutrality trends, complying with environmental requirements, and of providing for the sustainable development of UNIOR d.d.

All the key services of the sectors were involved in the preparation of the Sustainability Report. Our reporting is guided by transparency, clarity and reliability of data. We disclose the data for UNIOR d.d., for the UNIOR Group we will disclose the data gradually. We disclose our decarbonisation activities and targets at UNIOR d.d. level.

Trust of all important stakeholders is built through our knowledge, professional and ethical approach and premium quality on all levels of our operations.

UNIOR d.d. acknowledges its role as a strategic development and welfare partner in the local environment and also as a part of global society. Through our vision, mission and conduct, UNIOR wishes to contribute to the welfare of the local environment or the sustainable development of the Republic of Slovenia, as laid down in the 2030 Slovenia Development Strategy, climate goals of the European Union until 2050 and the achievement of sustainability objectives of the UN until 2030, in a long-term strategic way.

6.1 General information

The sustainable development of UNIOR d.d. is based on five pillars that contribute to the achievement of sustainability objectives of the UN until 2030.

Competitiveness which generates added value for all

- Provision of competitive products and services through state-of-the-art technologies and materials

As a long-standing producer of special machines, primarily for OEM and TIER 1 manufacturers in the automotive industry, UNIOR Special Machines quickly and successfully adapts to new challenges and needs of the fast-developing e-mobility market. We are adding a new family of machines to our range of machines to enable companies to allow a low-carbon production. The recyclability of our forgings and hand tools is an added value.

- Generation of favourable indirect effects on the economy

UNIOR d.d. procures 70% of its input materials from local suppliers in Slovenia and returns EUR 71 million of the value of its orders back to the local economy.

- Provision of safe and high-quality jobs

As at 31/12/2023, UNIOR d.d. preserved 1,614 jobs, 1.2 per cent more employees than the year before. More than 93 per cent of our employees have an employment agreement of indefinite duration. The gross value per employee increased from EUR 42,237 to EUR 44,665.

Contributing to sustainability objectives of the UN until 2030

An active, healthy, safe and responsible company

- A healthy and active lifestyle of employees and the wider community

In 2023, after a short break, the Health Group was re-launched and plays a key role in the implementation of the Workplace Health Promotion Programme. A Health Promoter has also been appointed by a Board decision. In order to ensure the health of our employees, throughout the year, body composition analyses, blood pressure and blood sugar measurements and counselling sessions were carried out at various locations in cooperation with the Health Promotion Centres. Employees and their family members could take part in traditional sporting events organised by the employer (giant slalom at Rogla, Unior's run, hike to Rogla, etc.). In November, a traditional Slovenian breakfast was prepared for employees. Workers were given discounts on purchases at sports shops. Employees were regularly informed about the need to take care of both physical and mental health (psychological first aid, addiction, mental health, breast cancer, etc.) through internal media.

Regular staff training on safe working practices was carried out. Events for the wider community (recreation, competitions, BBQs) were also organised.

We are a proud holder of the Family Friendly Company certificate.

- Contribution to a more inclusive labour market, provision of equal opportunities and high-quality jobs

We provide for equal career development opportunities of our employees and for equivalent adjusted jobs to disabled persons working for the UNIOR Group.

- Ensuring the safety of all actors in the value chain (suppliers, employees, customers)

In 2023, we had 43 occupational injuries, two fewer than in 2022 and which means a decrease of 4.4%.

- Operations in compliance with the law and high ethical standards

We operate in compliance with the law and high ethical standards and also encourage our employees towards ethical conduct. In 2023, no fines were received.

Contributing to sustainability objectives of the UN until 2030

Learning for life and lifelong learning

- Employee education and training

UNIOR d.d. provided 9.11 hours of training or EUR 48.22 per employee. UNIOR d.d. also co-financed part-time studies of its employees in the amount of EUR 19,668.

- Connecting education institutions and the economy

Our trainings are carried out using more than 90 external contractors.
In collaboration with the Zreče Secondary Vocational and Technical School we train young people to become qualified for the following professions: machine operator, metalworker – toolworker and machine installation installer. This is how we seek to reduce the level of shortage of these professions. UNIOR d.d. has been collaborating with the Zreče Secondary Vocational and Technical School since 1978. Unior's School Workshop is thus one of the organisational units of the General Matter Department of the UNIOR d.d. joint-stock company.

- Provision of study placements

UNIOR d.d. has made the mandatory traineeship available in 2023 in cooperation with five secondary schools, four colleges and four faculties. We offered internships to 43 pupils and 12 students. To the thirty-five active scholarship recipients were provided with EUR 105,238 in company scholarships.

- Transfer of development and research findings to the economic environment

UNIOR d.d. also collaborates as a partner with the Jožef Stefan Institute. The Company is also one of the co-founders of the Jožef Stefan Institute Post-Graduate School. UNIOR d.d. also successfully participates in the Green Mobility project for the provision of a strategic development plan for the automotive industry until 2030.

- Promotion of lifelong learning

Contributing to sustainability objectives of the UN until 2030

A healthy natural environment, low-carbon future

- Gradual replacement of fossil fuels with renewable energy
- Sustainable management of natural resources
- Participation in the development of the local community

Sustainability-oriented investments replace fossil fuels with RES; by installing solar power plants (647 kW), by producing four cogeneration mechanical installations (cogeneration or combined heat and power CHP – is the process of simultaneously converting the fuel energy into heat and power) and by increasing the exploitation of waste heat (1,200 MWh per year).

Resources are managed sustainably by recycling 97 per cent of waste. In 2023, the consumption of potable water fell by 6.5 per cent compared to the year before.

Contributing to sustainability objectives of the UN until 2030

High degree of cooperation

- Transparent and efficient operations
- More stakeholder dialogue and participation
- Socially responsible projects and partnerships

Transparent and efficient operations are guaranteed using an integrated governance system. Dialogue and collaboration with key stakeholders are promoted and supported by the following communications channels: digital (multi-media communications displays, intranet, online portals, e-mails), personal and others (the 'We are blacksmiths' internal newspaper, various internal publications). Unior is strongly embedded in the local environment, bound by the tradition and experience of our ancestors and connected with a wide range of stakeholders.

Our company, UNIOR d.d., is actively involved in the development of the local environment. This year, EUR 252,425.79 was spent on sponsorships and donations. Of this total, EUR 59,914.34 was contributed to help with flood recovery, supporting businesses, schools and fire brigades with the necessary hand tools.

Contributing to sustainability objectives of the UN until 2030

SUSTAINABLE DEVELOPMENT REPORTING

UNIOR d.d. reports on its sustainable development in its annual reports.

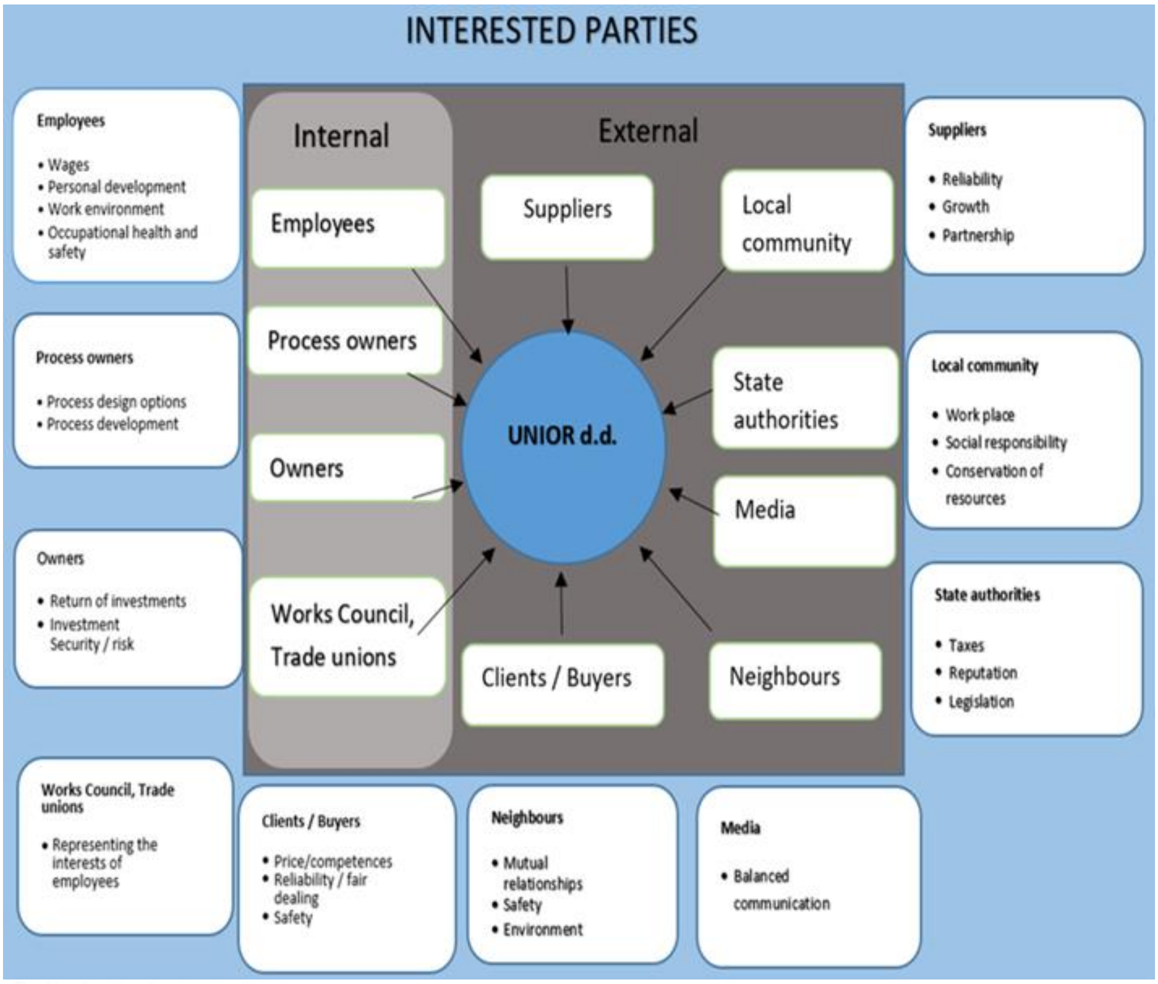
Subject to the matrix of our key stakeholders, sustainability areas are defined in the following sections. The sustainability report was compiled by all areas and activities of UNIOR d.d., including the senior management.

Reasonable efforts were made to ensure a proper balance, comparability, accuracy, clarity and reliability of data.

6.1.1 Shareholding matrix

As a complex company operating on the global market, UNIOR d.d. has a diversified stakeholder matrix. All groups of stakeholders or interested parties and their interests have been carefully examined and transparent and responsible relationships established therewith for responsible management purposes. The Management Board and Board of Directors guarantee that current and future needs and expectations of shareholders are regularly identified, coordinated and met to the best of our abilities. The stakeholders and their interests are shown in the diagram.

OUR STAKEHOLDERS AND THEIR INTERESTS



Among all stakeholders, the following were identified as the most important based on the adopted materiality assessment methodology:

- employees;
- investors and shareholders;
- buyers;
- suppliers;
- the local community;
- the financial public.

6.1.2 Risks of transition

UNIOR d.d. has taken a holistic approach to climate change management, where we have identified both physical risks and opportunities as important and will integrate them holistically into our business model in the future. We have followed the TCFD in this respect.

RECOGNISED CHALLENGES AND OPPORTUNITIES OF THE GREEN TRANSITION

The UNIOR Group diligently monitors the challenges and opportunities of the Green Transition. Key highlights for our five main activities and other activities are listed in the table below.

Activity	Challenges of the Green Transition	Green transition opportunities	Readiness in 2023
The activity of production and sale of forgings (consists of): **UNIOR d.d., Forge Programme, Slovenia** **UNIOR Vinkovci d.o.o., Croatia** **Ningbo UNIOR Forging Company Ltd., China** **UNIOR IN d.o.o., Slovenia**	The EU is aiming for a low-carbon society and thus the phasing out of vehicles with a classic, fossil-powered engine. Considering the fact that around 40 percent of our products are related to internal combustion engines, this policy guides our development. The challenges are moderate and manageable in terms of time, as this covers the entire automotive industry, which, given its size, is fairly slow and inflexible. The market also needs its time to adapt to new trends. The Forge program in Slovenia with production in Vinkovci, Croatia and in Ningbo, China is actively involved in the green transition in the field of development of the automotive industry and the expectations of our customers, both OEMs and TIER 1, 2 system suppliers.	In our forging and machining processes, steel is the basic raw material, while aluminium will also be in the future. Both metals are recycled. In the period up to 2035, the production of forgings will take place within established frameworks with a more intensive scope of development of products that are not related to the internal combustion engine. We will focus on forgings from the group of steering mechanisms, which in terms of quantity already represent the largest part of production today.	The transition to carbon neutrality started a few years ago and we are undoubtedly already taking an active part in this process. Production adapts quickly and continuously to new requirements in the form of changing equipment, technology and the required knowledge. The technology of manufacturing forgings is fairly universal and differs only in individual production steps, which are always subject to the development of tools and the corresponding production technological process. We manage all of this by using appropriate software, accumulated knowledge and a toolbox that is also suitable for a radical change in the assortment in the long term. Practically all of our strategic suppliers are from the EU, so they are subject to the same standards and legislation as we are.
Special Machines activity (consists of): **UNIOR d.d., Special Machines programme, Slovenia** **UNIOR Deutschland GmbH, Germany** **UNIOR – North America Inc., USA**	We make products – machines or technologies – that are part of the green transition and are key to the production of electric cars. The challenge of supplying steel, aluminium and energy is small, as we have widely dispersed suppliers, so dependence on a single supplier is low.	In accordance with the development of technology, we consider changes in materials (e.g. MineralGus – material consisting of natural minerals (calcium carbonate and aluminium trihydrates) connected with a low percentage of polyester resin or cement).	Our production program is already focused on low-carbon technologies.

Activity	Challenges of the Green Transition	Green transition opportunities	Readiness in 2023
Hand tools activity (consists of): **UNIOR d.d., Hand tools programme, Slovenia** **UNIOR Produktions- und Handels G.m.b.H., Austria** **UNIOR Macedonia, d.o.o., North Macedonia** **UNIOR Italia S.R.L., Italy** **UNIOR Espana, S.L., Spain** **UNIOR Professional Tools Ltd., Russia** **UNIOR Bulgaria, Ltd., Bulgaria**	The programme specialises in production of high-quality hand tools for the repair and maintenance of machines, e-cars, e-bikes, e-motors and other mechanical devices. As far as technological challenges are concerned, we recognize the transition from the use of hexavalent chromium to trivalent chromium in the galvanization process. Trivalent chromium is a safer alternative to hexavalent chromium, as it poses a lower risk to human health and the environment. To achieve this, the existing galvanic line needs to be reconstructed. The current carrying amount of the galvanic line is EUR 9,700, whereby the value in the case of reconstruction of the galvanic line would be decreased. Changing the surface protection does not pose a major challenge, as today we already use more environmentally and health-friendly surface protections for more than 35 percent of hand tools, which enable us to meet the announced legal requirements and thus the possibility of entering the market niches that require the use of more sustainable solutions.	The hand tools programme also focuses on the green transition in terms of the use of basic and auxiliary materials. The basic material used to make hand tools is chrome vanadium steel, which is fully recyclable and can be returned to the production process. Hand tools have a long life and can be recycled after use. In the future, the development of auxiliary materials will focus on the use of phthalate-free composite materials and the use of biodegradable ties for attaching the products to recycled packaging. These materials are currently being tested for durability and resistance to UV radiation.	To maintain dedicated electric car manufacturing machines and the infrastructure for their operation, we have already developed and produce a number of tools dedicated to these specific tasks. We develop and produce hand tools for maintenance of renewable energy power plants and power distribution grids.
Tourism activity (consists of): **UNITUR d.o.o., Slovenia**	We carefully monitor the physical climate challenges for our activities. The influence of climatic conditions on the tourist offer of Rogla cannot be generalized for the time being, i.e. individual winters with higher temperatures and less snowfall are not constant. They appear every few years. The last three winters, for example, were favourable in terms of weather and rich in natural snowfall.	Under the umbrella brand Slovenia Green, the so-called Green scheme of Slovenian tourism has been established in Slovenian tourism, of which the company UNITUR d.o.o. is also a member, encouraging sustainable operations, uniting sustainable efforts and stimulating green stories of Slovenian tourism. Rogla enjoys a favourable microclimate, with climatic conditions typical for an altitude of 1,800 metres – for example, in the summer months, the temperature is in average 10 degrees lower than in the valley and towns. We use alternative energy sources (solar energy with photovoltaic panels on the southeast facade of the Atrij Hotel in Terme Zreče, wood biomass heating in most of Unitur's accommodation facilities in Rogla). Based on the guidelines for the establishment of responsible tourism, we at Unitur aim to provide a greater share of locally produced food and nutritional products, thereby shortening the supply chains and reducing the carbon footprint.	The sustainability of the local environment in which we operate is demonstrated by the Slovenia Green Destination Gold label, which the destination Rogla – Pohorje has proudly obtained, so the EU Marjetica eco-labels for the Hotel Natura **** in Rogla and the Hotel Atrij **** Superior in Terme Zreče have been awarded, which is an important contribution to the local, regional and national green policy framework. Both of Unitur's environmentally sustainable and sustainability-oriented hotels have also obtained the Slovenia Green Accommodation label, which is the only quality label of its kind for tourist accommodation facilities. We are strengthening our marketing activities to maintain and increase the number of Slovenian guests (the share of Slovenian guests in 2022 was 70 percent). We are strengthening our marketing activities in areas up to 500 kilometres away from Unitur's centres.

Activity	Challenges of the Green Transition	Green transition opportunities	Readiness in 2023
Production of machine tools (consists of): **UNIOR COMPONENTS d.o.o., Serbia**	The EU is aiming for a low-carbon society and thus the phasing out of vehicles with a classic, fossil-powered engine, and changes are also expected in the aviation industry. Long-term trend analysis shows that there is a moderate risk of a decline in the automotive and aerospace markets with a decrease in the use of chamfering tools in these industries. The challenges are moderate and manageable in terms of time, as this covers the entire automotive and aviation industries, which, given their size, are fairly slow and inflexible	In our production processes, we will focus on diversification of production programs and new solutions that will use technologies with which we will continue to supply our customers who want to adapt their production activities to the green transition.	The transition to carbon neutrality started a few years ago and we are undoubtedly already taking an active part in this process, including by investing in renewable energy sources, which have already covered 16% of our own consumption in 2023, and are expected to cover 30–40% of our own consumption in 2023. The production lines are modernized and, to the greatest extent possible, they adapt to new customer requirements with new technology and therefore the necessary expertise. The focus remains on diversifying the product range.
Other activities (consists of): **SPITT d.o.o., Slovenia** **UNIOR d.d., the Shared Services and Maintenance sectors, Slovenia**	Among other activities, the activity of district heating using renewable energy sources (biomass) is important. This is one of the key pillars of the green transition and is carried out by the subsidiary company SPITT d.o.o. Within the Shared Services sectors, the Energy sector is responsible for energy supply and optimisation of the energy solutions of the Parent Company and the tourism activities. Other sectors perform service activities and provide support to other activities in the green transition.	At the subsidiary company SPITT d.o.o., a favourable influence was recognized during the energy crisis, when the negative sides of energy dependence became apparent. Wood biomass is a renewable resource that can also be obtained locally, so the risk from this point of view is minimal. In the Energy sector, activities are carried out to find effective energy solutions in the sense of decarbonisation of society and controlling the consumption of energy products.	We recognise the importance of renewable energy sources, and we will strive to increase their share by actively investing in capacity expansion and energy efficiency. In 2023, investments were made in additional expansion of district heating capacity to wood biomass and the use of waste heat for heating buildings, as well as carbon footprint measurements.

6.1.3 We encourage innovative and developmental solutions

The R&D activities of UNIOR d.d. are focused primarily on projects containing new materials for its products, on the production of environment-friendly and digitalisation-supported products and technologies.

Our systematic invention- and innovation-oriented activities with its many improvements leads to savings in various areas of operation. UNIOR d.d. systematically raises awareness of its employees and provides them with support through useful suggestions and technical improvements.

UNIOR d.d. is also engaged in sustainability-development-oriented cooperation with companies engaged in R&D projects.

IMPORTANT R&D PROJECTS

In terms of our sustainable orientation, UNIOR d.d. continued with R&D projects that guide us towards reducing the consumption of material resources and energy and sustainability-oriented products in the long term in 2023. We are following the needs of the automotive industry, which is moving towards electrification of vehicles and the use of lighter components. Development projects of the forgings production are thus focused on machining and forming of aluminium parts, of special machines in the development and production of machines used to machine aluminium components, and, of hand tools, in the development of hand tools focused on sustainable transport, such as cycling. Part of our activities is devoted to the development and introduction of methods to improve process efficiency, in particular lean production activities, digitisation, robotisation and modernisation of production equipment. By improving the efficiency of the processes, we impact the improvement of safety, resource (materials, energy) consumption reduction and significantly improve the ergonomics of our work by expanding robotisation and automation to ergonomically demanding jobs.

Our most important R&D projects include the following:

- Forge – R&D of the aluminium pressing and rolling process and the construction of capacities and the provisions of all remaining conditions for the mass forging of aluminium forgings.
- Forge – development of process efficiency monitoring procedures by introducing MES (Manufacturing Execution System) to the steel and aluminium forging processes.
- Forge – development of forging, visual inspection, and machining automation processes.
- Hand tools – Developing innovative dedicated hand tools (bicycle, motorbike, car) by introducing ICT solutions and optimising the use of raw materials and energy.
- Hand Tools – Development of the 3-valent chrome coating for tools.
- Hand tools – Developing processes to monitor process efficiency by introducing digital MES tools and lean production methods.
- Special Machines – Further development of the UNIFLEX 400 series machining centre with solutions for higher productivity (four-spindle variant), lower energy consumption, I.4.0, lower carbon footprint and circular economy guidelines.
- Special Machines – Development of the ALUFLEX family of machines for machining large aluminium extrusion weldments (structural parts, battery cases) and large aluminium castings.
- Special Machines – Development of a concept design for the UNIFLEX 500 machining centre.

THE ‘GREMO’ PROJECT

UNIOR d.d. participates in the Green Mobility (GREMO) project of the ACS Automotive Cluster, where we are part of the strategic plan for the development of the automotive industry until 2030. The GREMO project brings together initiatives of similar Slovenian corporation already active on the global market where our competitors have already been able to design similar initiatives to support the digitalised and green transition of companies offering mobility electrification products by joining forces with their respective governments (such as Germany, France, Italy, etc.). The purpose of the project is to establish an efficient ecosystem of partners whose state-of-the-art knowledge and technological equipment will act as competent partners to global vehicle manufacturers.

6.1.4 Ongoing partnerships with customers and suppliers

UNIOR develops and strengthens permanent partnerships with customers, based on mutual and equal relationships. We are aware that permanent value is created only through development-oriented cooperation. Our customers are pursuing a reduction of the carbon footprint of their own activity and the activity of their suppliers alike. An important role of our competitiveness on the global market is thus played by our efforts to pursue low-carbon operations, develop new models and solutions which reduce the effect on the environment and facilitate “green operations”. This is the way of being able to ensure long-term conduct in conformity with the requirements of ISO 14001 and 50001 and directives, such as the Directive on end-of-life vehicles, and regulations, such as the Regulation concerning the Registration, Evaluation, Authorisation and Restriction of Chemicals (REACH) to our customers. Green energy has been gaining ground among market requirements.

The market has been splitting into smaller market segment. For this reason, the importance of market orientation to every single customer has been reinforced. All programmes of the UNIOR d.d. are in continuous dialogue via all available communication channels (telephone calls, e-mails, website, trade fairs, portals, visits to customers, social media, journals). Each customer is their own individual entity and the communication method is tailored to their type.

UNIOR seeks to take the utmost care of its customers. For this reason, it provides them with support or assistance in the procurement cycle and with all the required information and knowledge at its disposal. Familiarity with the needs and experience of our customers allows us to improve the functionalities of our products and the quality of services on offer. Customers are regarded as so-generators of ideas and, as such, are engaged in the development process and the process of generating added value of products and services.

CRM (Customer Relationship Management) or a system enabling employees in various processes of the company to become acquainted with the factors motivating customers to stay local to the UNIOR brand is being introduced.

PARTNERSHIPS WITH CUSTOMERS AND SUPPLIERS

The Forge Programme labels products in compliance with standards and special requests of customers coordinated during the development phase of any given product. As a result, traceability of each such forging is facilitated through the production processes, from the input raw material to the end product. Our products include a forged internal mark identifying the batch; in some cases (at the specific request of the customer), the DMC (Data Matrix Code) is engraved on each product.

Cases and packaging units are also labelled in compliance with special requests of our customers. Most customers request a VDA label in conformity with the VDA 4902 standard requirements. In addition, the ASN code to facilitate the transfer of data between the supplier and customer containing specific data of the product and pack is added.

In the Hand Tools Programme, the safety of the user is at the forefront of our product design, which is why UNIOR products are designed to reduce the physical effort required to perform the work and to adapt perfectly to the object of work.

Tool labels serve as the most reliable source of transfer of information to the customer. For this reason, an increasing number of pieces of information is placed on products and packaging on an annual basis. Globally-recognised pictograms are used for safety advice. Tools that can be risky to use for customers are equipped with labels on proper use, the use of protective equipment during tool handling and maximum force/power that they are allowed to achieve.

Important tools are equipped with the year and week of production communicating the age of the tool to the customer and, to UNIOR, a more efficient analysis of the underlying cause in the event of a claim.

Products are equipped with an ID number facilitating traceability from the input raw material through the entire production process to the end product. Customers are awarded a lifetime warranty on material defects. Tools used for working on high-voltage system are properly isolated and tested subject to VDE regulations and are safe in conformity with the globally recognised European EN 60900:2004 standard. The standards are stamped on the tool itself. Pneumatic tools, the electric bicycle stand, and other tools are equipped with the CE designation.

The Special Machines Programme seeks to provide the best turnkey solutions to optimise the requirements of our customers including ensuring safety of operators during works. Additional safety is ensured by complying with regulations and requirements of the customer and machine building standards and guidelines in countries where deliveries are made to. Special attention is paid to access to moving parts which require a safety concept of the machine that shall be approved by the customer. A CE designation warranting that the machine conforms to all safety requirements is issued for each machine.
Our products are primarily equipped with safety labels tailored to the specifications of our customers and intended to ensure the safety of machine operators.

MANAGING THE SUPPLIER CHAIN

UNIOR d.d. also passes on its introduced governance systems to its suppliers. In this case, the standards are ISO 9001, IATF 16949, ISO 14001, ISO 45001. Approximately 70 per cent of its procurement volume is procured from local or Slovenian suppliers.

We have started to test ESG content with our major suppliers, for which we have developed an ESG questionnaire. We are also developing a procurement portal to retrieve relevant supply chain documentation.

CLAIMS

Our customers' highest satisfaction is our priority, which is why we manage complaints carefully in all our programmes.

In the Forge Programme, they are handled in compliance with the high expectations of demanding customers of the automotive industry and the requirements of the IATF16949:2016 standard. On claim handling portals, customers mostly use the 8D method including additional detailed analyses of each report section. During the last four years, the claim trend has been on the decline which has also resulted from investments in technological equipment, automation of forging lines, improved final control work conditions and modernisation of the tool shop.

In the Hand Tools Programme, claims are handled systematically through our servicing customer support department. An internal communication channel is a web "claim" application that provides for a single database, allowing for a fast shift from sales to quality-related activities. The incidence of claims thus remains at an extremely low level.

In the Special Machines Programme, claims are handled depending on the cause of the defect and subject to the warranty status of the machines. The servicing department establishes whether the claim is justified and determines if it will be handled by the central repair workshop of the Special Machines Programme in UNIOR d.d., Zreče, or if the claim will be taken over by a local repair workshop close to the customer. A response time and scope of claims has been pre-determined for each project. The repair workshop shall respond no later than within 24 hours following the reported claim.

6.1.5 Management systems

UNIOR d.d. has introduced and certified management systems compliant with international standards, namely for quality (ISO 9001 – quality management systems – general, IATF 16949 – quality management systems in the automotive industry – mass production, VDA 6.4 – quality management systems in the automotive industry – means of production), environmental management (ISO 14001), occupational health and safety subject to the ISO 45001 requirements and an energy management system (ISO 50001). The safe exchange of data certificate (TISAX) was also obtained. Operating in accordance with international management system standards is one of our commitments, which is why we continuously follow and introduce new developments and periodically verify and recertify them (in 2023, the company has completed recertification audits of ISO 9001, ISO 45001, ISO 50001, IATF 16949 and TISAX), and we also obtain new certificates as necessary. Operations in compliance with international management standards is the foundation of long-term sustainable operations of the company.

Management systems have been implemented at six locations of UNIOR in Slovenia: Zreče Upper Zone, Zreče Lower Zone, and at locations outside Zreče in Slovenske Konjice, Vitanje, Lenart, and Stari trg ob Kolpi.

6.2 Environmental aspect

In the environmental aspects, we present the guidelines of the decarbonisation strategy, energy use, environmental impacts and provide information on managing climate impacts.

6.2.1 Guidelines for UNIOR d.d.'s decarbonisation strategy

In 2023, we have set ourselves the guidelines for a decarbonisation strategy based on the following assumptions:

- reduce GHG emissions in ranges 1–3,
- the goal is carbon neutrality by 2040,
- emission reductions must be achieved without the use of a carbon offsetting mechanism,
- using electricity from renewable energy sources.

UNIOR d.d.'s targets for reducing GHG emissions are summarised in the table below:

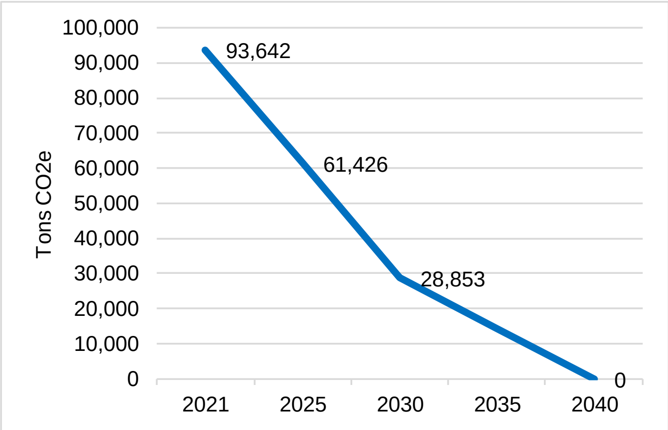
Year	2025	2030	2040
Aim	-25 percent *	-50 percent *	Carbon neutrality **

* Based on the base year of 2021

** Without use of carbon offsetting

The decarbonisation strategy includes short-, medium- and long-term decarbonisation targets (2025, 2030 and 2040), as shown graphically in the figure below. The vertical axis shows the carbon footprint in tonnes of CO_2e and the horizontal axis shows the years from 2021, when the carbon footprint was calculated, to 2040, when UNIOR d.d. aims to become carbon neutral.

UNIOR d.d.'s targets for reducing GHG emissions are summarised in the chart below:



6.2.2 Use of energy

In light of climate challenges and energy efficiencies, UNIOR d.d. advocates for the following energy consumption principles:

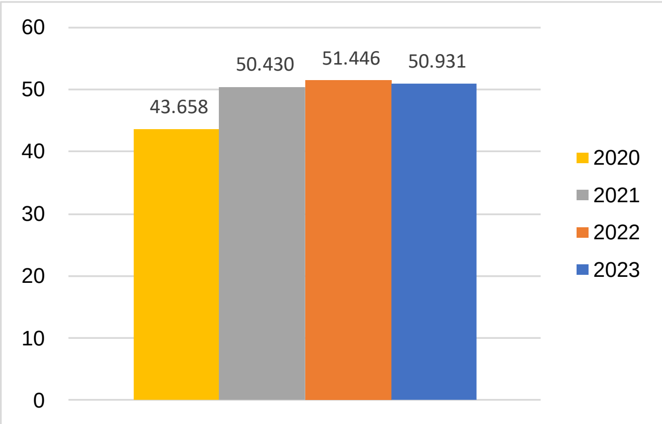
- the use and maintenance of technological equipment to ensure the most energy-efficient day-to-day running of services and processes;
- for raising awareness among employees, business partners and clients on the importance of efficient energy consumption;
- for monitoring and complying with statutory and other energy efficiency and consumption commitments;
- Procuring energy products, services and equipment and constructing and restoring infrastructure by observing economics and the state of the art.
- for prudently setting and carrying out target checking of meeting energy objectives and targets and energy efficiency parameters;
- for providing information and the required resources for meeting the set energy objectives;
- for performing activities towards establishing a low-carbon society.

At the end of 2023, the SIQ (Slovenian Institute for Quality and Metrology) recertified the ISO 50001:2018 system for UNIOR d.d. Good work on efficient energy use, in particular the work of the wider energy group consisting of members from all programmes and major departments to improve energy consumption control, was re-affirmed. By operating in compliance with the requirements of the ISO 50001:2018 standard, UNIOR has demonstrated a systematic approach to continuously introducing energy management improvements.

For many years, UNIOR has been managing advanced projects providing several positive values to both the company and its environment, as effective harnessing of waste thermal energy reduces the carbon footprint of the company.

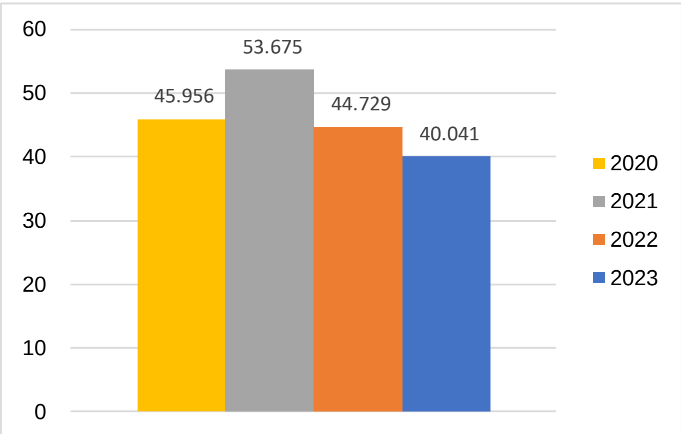
Awareness is raised among our employees regarding the need to conserve energy – closing water and air valves, switching off lights during breaks, etc. Energy consumption is monitored and action is taken when it exceeds the set targets. Meters on all major energy consumers measuring the energy consumed and the quantities consumed have been installed. Since these data are continuously monitored, Unior is able to detect underutilisation of a machine or a need of major repair. UNIOR provides for innovative, technologically advanced and reliable energy service solutions which improve its energy efficiency and environmental footprint. Excess heat from annealing furnaces and compressors is exploited to heat its premises in winter and to heat swimming pool and sanitary water at the UNITUR Zreče tourist complex in summer. The existing system of targeted monitoring of energy consumption has been upgraded with the new energy management information system allowing for better control of energy consumption.

Electricity received from the distribution grid (in GWh)



In 2023, we have reduced electricity consumption by 0.52%, despite a 3.65% increase in production. The decrease is due to cost-saving measures (organisational and investment). Specific electricity consumption has improved by 4.51% to 1.174kWh/kg of input material in 2023.

Consumption of natural gas (in GWh)



Natural gas consumption fell again in 2023 due to the shutdown of all cogeneration plants in January due to extremely high natural gas prices and austerity measures.

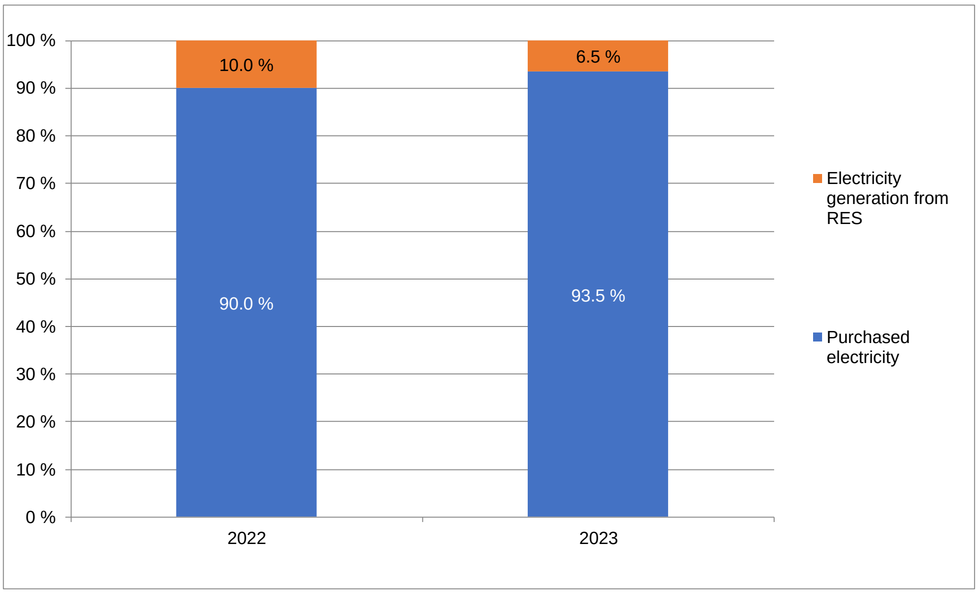
6.2.3 In-house green energy generation volume

The company has three more CHP plants installed for the simultaneous production of heat and electricity, while CHP 2 has been put on hold due to the pending declaration.

We also have two solar power plants to increase our energy independence and produce green energy. At the end of 2023, we additionally built three more solar power plants with a total installed capacity of 1.8MW.

The total installed electric power of all installations amounts to 3,260kW.

Share of electricity generated from RES in the total consumption of electricity

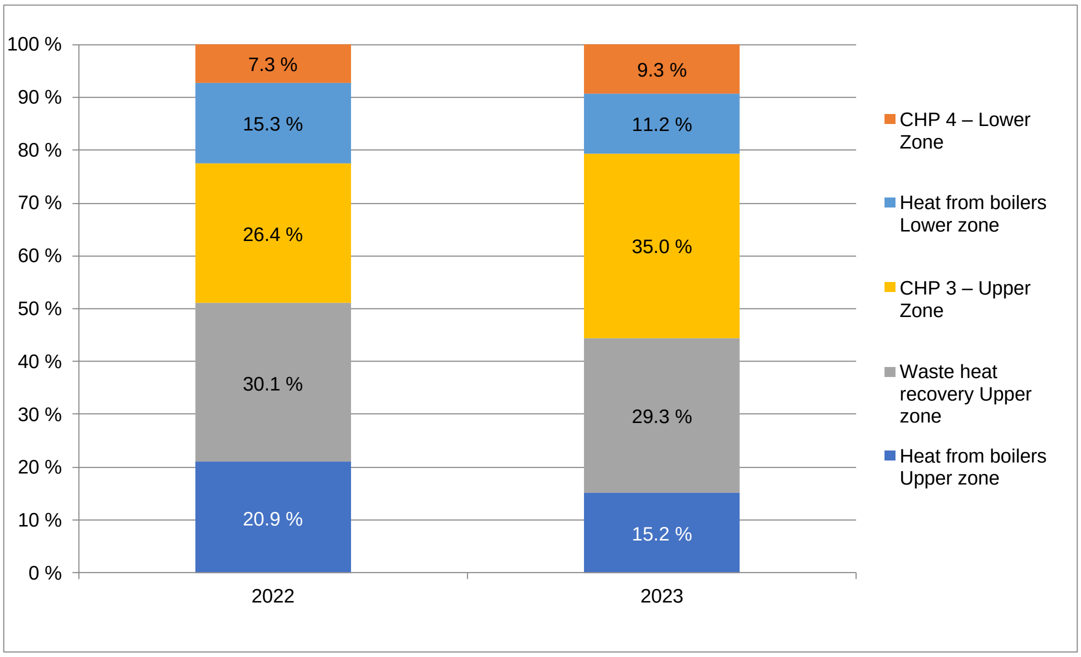


The share of our own electricity generation from renewable energy sources and efficiency-improved generation in our total electricity consumption is reduced from 10% in 2022 to 6.5% in 2023 due to the shutdown of all CHP plants in January 2023.

THERMAL ENERGY GENERATION

By harnessing waste thermal energy from compressors and flue gases on annealing furnaces, UNIOR successfully covers 30 per cent of its required heat. The remaining heat is generated through the consumption of co-generated heat and power (CHP) and electricity (34 per cent) and from natural gas-powered boilers. The need for heat generation by natural gas boilers in 2023 is 5.7% lower than in 2022.

Thermal energy generation structure by resource

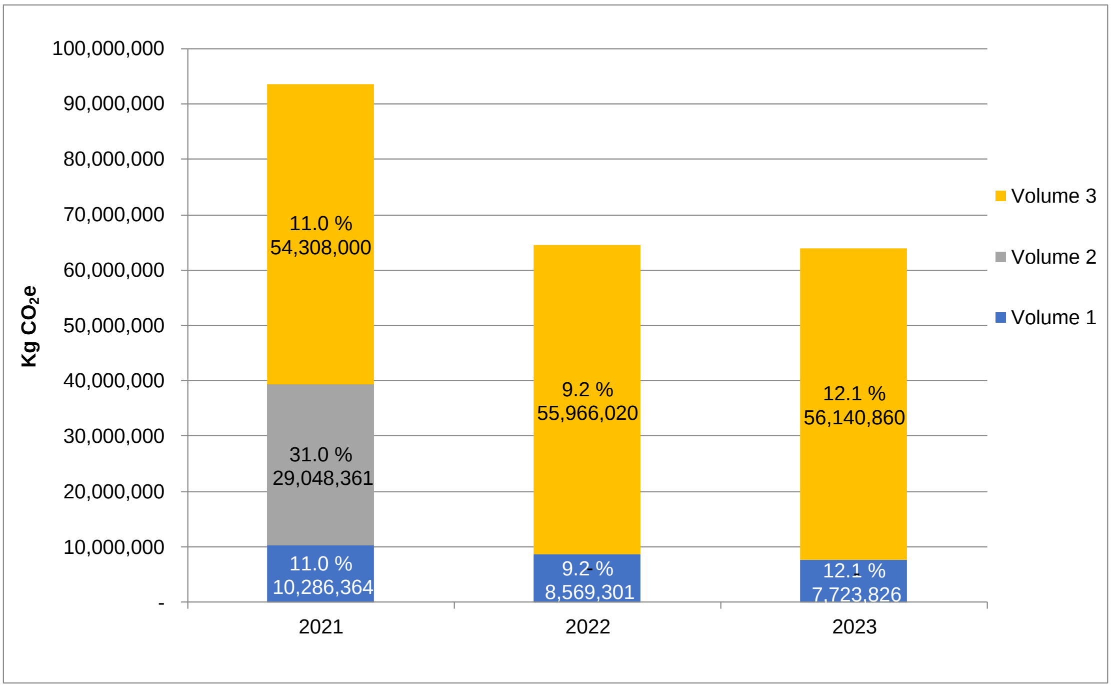


6.2.4 Greenhouse gas emissions

In compliance with our sustainable development and carbon neutrality transition efforts, we have been going to great lengths to reduce greenhouse gas emissions. In 2021, the monitoring of total carbon footprint emissions was introduced as part of upgrading the energy control IT system, namely, during Phase one, only emissions directly caused by our company – Scope 1 and Scope 2.

In 2023, we also started the calculation of the carbon footprint – Scope 3, which was calculated using the GHG Protocol methodology. The calculation and verification for 2021 was carried out by Bureau Veritas d.o.o., and for 2022 and 2023 we carried out the calculation ourselves following an identical procedure, taking into account all the GHG Protocol categories that we can influence, but excluding the following categories: processing of products sold to customers, use of products, end-of-life treatment, leased assets, franchises.

For the Scope 2 calculation, we have taken into account an electricity emission factor for 2022 and 2023 of 0kg CO_2e because we buy green electricity with certificates of origin.



6.2.5 Managing climate impacts

UNIOR d.d. has taken a holistic approach to climate change management, identifying both physical risks and opportunities as important and working to integrate them holistically into our business model in the future.

We are in the process of preparing a 2030 Climate Change Management Strategy document, which will set out the directions and targets for climate change prevention, mitigation and adaptation on the path to carbon neutrality in 2040, incorporating the decarbonisation targets set out in section 6.2.1 of the 2023 Annual Report.

6.2.6 The impact of climate change

UNIOR d.d. is aware of both the impact of climate change on its operations and the impacts of UNIOR d.d. on the environment and climate change. Our key environmental aspects are presented in Section 6.2 of the 2023 Annual Report. Section 6.2.1 contains a presentation of our energy management for a low-carbon society.

Both sections contain a presentation of the results and measures UNIOR d.d. is currently taking to achieve its objective of alleviating and adapting to environment and climate change. Some environmental and climate risks are managed in the existing risk management system (for further details, please refer to Section 7.8 of the 2023 Annual Report).

The UNIOR Group and UNIOR d.d. drew up an initial preliminary assessment of climate change on its financial statements, as disclosed in Sections 9.13 and 10.14 of the 2023 Annual Report.

We have identified challenges that will be further investigated and, where appropriate, identified as a risk (section 6.1.2 of the 2023 Annual Report). Accordingly, and in compliance with statutory requirements, we shall amend our risk management system and, as part of the project, draw up key sustainable development documents in addition to providing for additional (separate) environmental parameters, specifying objectives and monitoring our progress in achieving them.

In compliance with statutory requirements, the ‘Taxonomy’ Regulation, GHG Protocol and achievement of environmental objectives, non-financial shall be connected to financial reporting.

6.2.7 Environmental impacts

In this section, we show the key environmental impacts of our activities. These are: water, air emissions, chemicals, noise and biodiversity, and the circular economy.

6.2.7.1 WATER CONSUMPTION

We know that water consumption is essential for life. Water is a basic natural resource that supports a variety of ecosystems, enables plants to grow, provides drinking water for people and animals, and supports many economic activities. It is important to manage water resources responsibly and sustainably to ensure their preservation for future generations. This includes water conservation, pollution prevention and the preservation of natural habitats that provide clean and healthy water.

The company monitors its consumption of drinking water and process water, and takes appropriate action in case of deviations. All six sites use drinking water from the public water supply network. At the UNIOR Upper Zone and Kovačnica Vitanje sites, we also have our own intake for process cooling water.

Water consumption (in m^3/year)

	2023	2022	2021	2020
Potable water	60,614	64,035	71,818	54,782
Own catchment	452,260	469,787	477,614	494,832

In 2023, we have reduced our drinking water consumption by 5%, while we have reduced the amount of water we use from our own wells by 4%.

6.2.7.2 Waste water

Non-potable and cooling waste water are produced at Zreče Upper Zone and are drained to the Dravinja River Watercourse; urban waste water, on the other hand, is drained via the sewage system to the Zreče Urban Waste Water Treatment Plant before entering the watercourse. At other locations of UNIOR d.d., primarily urban and rain waste water are produced.

Waste water volume (in m^3/year)

	2023	2022	2021	2020
Urban waste water	60,614	64,035	71,818	54,782
Industrial waste water	5,200	5,604	6,501	6,700
Waste water from cooling systems	296,755	323,848	330,699	348,100

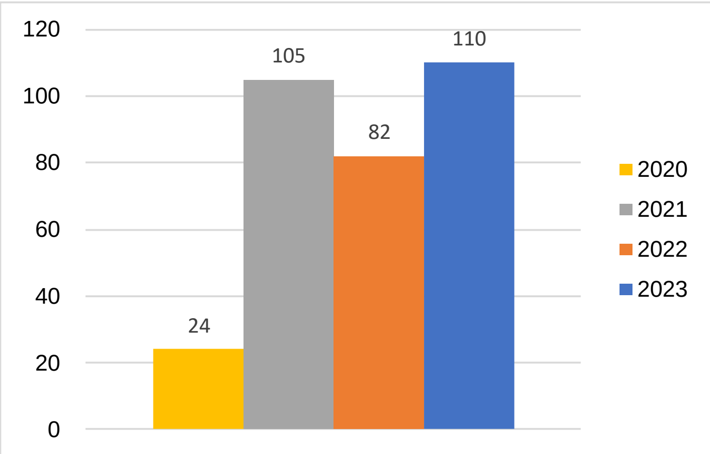
In 2023, the consumption of urban waste water was decreased by 5 per cent, of industrial waste water by 7 per cent and of waste water from cooling systems by 8 per cent.

6.2.7.3 Wastewater load

A unit load (U Load) is a unit of wastewater pollution calculated by an authorised wastewater operational monitoring contractor on the basis of measurements carried out in accordance with the requirements of an environmental permit. The unit of the waste water load is the basis for calculating the environmental charge.

In 2023, the total wastewater unit loads (WU) increase by 34% compared to 2022 due to the increase in wastewater volumes and the reduction in the treatment effect of the Zreče Municipal Wastewater Treatment Plant. The load units are calculated only at the Upper and Lower Zones of Zreče.

Wastewater load units (WU)



6.2.7.4 Air emissions

In 2023, 12 legally required measurements of emissions to air at the following locations were performed: Zreče Processing Facility, Lenart Hand Tools Plant, Stari trg Hand Tools Plant, and Slov. Konjice Forgings Machining Plant. It was determined that none of the measurements of emission concentrations of the prescribed parameters at all locations exceeded permissive air emission limit values.

6.2.7.5 Noise

UNIOR is aware of being engaged in the "noisiest" activities, primarily forging. For this reason, it has actively focused on reducing environmental noise during recent years. It has commissioned projects on how to reduce environmental noise and, during recent years, all investments have also taken into account this aspect. No noise measurements were carried out in 2023.

6.2.7.6 Chemicals

To prevent environmental emergencies, we provide regular training in fire safety, safe handling of chemicals and emergency response. Emergency (fire, chemical spills) drills are performed periodically at all locations.

As the use of chromium trioxide, which is used to chrome-plating products, is currently only allowed until 21/09/2024, the Hand Tools Programme has been actively looking for alternatives to hexavalent chromium chrome-plating over the past few years. We are pleased to have found a suitable alternative in the field of testing new technologies that allow adequate corrosion protection without the use of hexavalent chromium and to have signed a contract for investment in the reconstruction of the galvanising plant at the end of 2023, where we will replace the use of hexavalent chromium with trivalent chromium. The new, reconstructed plant, which will be designed in accordance with the “Best Available Techniques (BAT)”, will be operational in the fourth quarter of 2024.

6.2.7.7 Environmental complaints

In 2023, the Environmental Inspectorate received an anonymous complaint about environmental noise caused by Unior at the location of Kovaška cesta 10, Zreče. Following a complaint, the inspector carried out an inspection and found that operational noise monitoring had been carried out and that the legal limit values had not been exceeded. The next environmental noise assessment will be carried out in 2024.

6.2.8 Conservation of biodiversity

UNIOR d.d. production locations are not located in any Natura 2000 protected areas. Our activity does not imperil any plant and animal species.

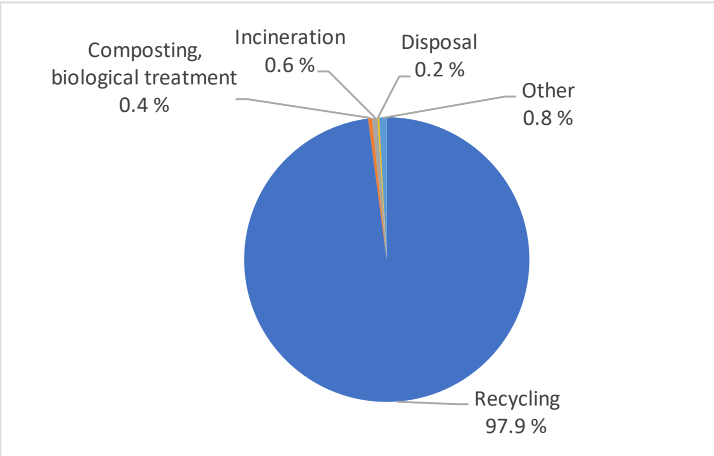
6.2.9 Circular economy

WASTE

In compliance with the circular economy model, UNIOR manages waste considered raw materials. The waste management hierarchy has been gaining considerable ground in the company: reduction and separation at the origin, recovery, recycling, composting, heat recovery before disposal.

In 2023, we recycled 98% of all waste, which is 1% more than in 2022. The following waste was recycled to the greatest extent: turnings, shavings and other metal waste generated during forging and metalworking.

Waste structure by waste management method in 2023



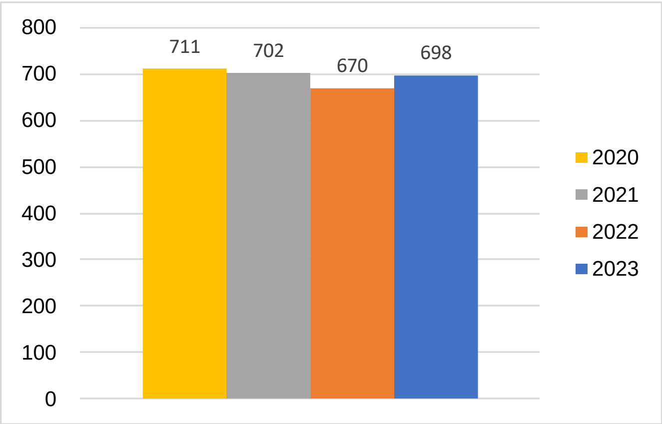
Waste quantity by waste management method in 2023 (tonnes)

	2023	2022	2021	2020
Recycling	21,711	21,031	20,966	18,411
Composting, biological treatment	97	87	52	41
Incineration	141	174	135	105
Disposal	39	51	58	41
Other	188	185	242	141
Total	**22,176**	**21,528**	**21,454**	**18,739**

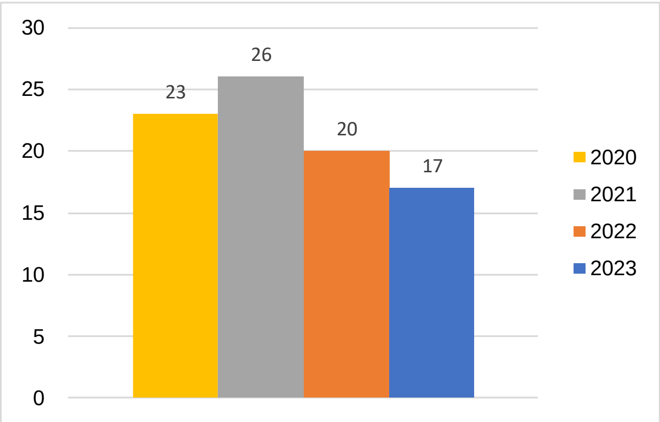
The increase in the amount of recycled waste at the expense of landfilled waste is also attributed to the fact that we have found a buyer for the sandblasting waste dust, which recycles the latter, whereas until now we have disposed of this waste.

Compared to 2022, the total volume of waste was 4 per cent higher in 2023. Secondary waste accounts for the majority of the total volume of waste, i.e. waste metals generated during forging and other metalworking procedures. The total amount of waste per tonne of products produced increases in 2023 due to an increase in secondary waste.

Volume of generated waste per tonne of produced products (in kg/t)

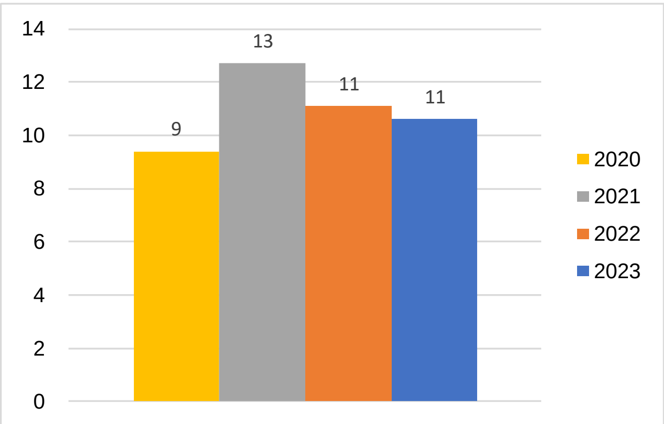


Volume of non-hazardous waste per tonne of produced products (in kg/t)



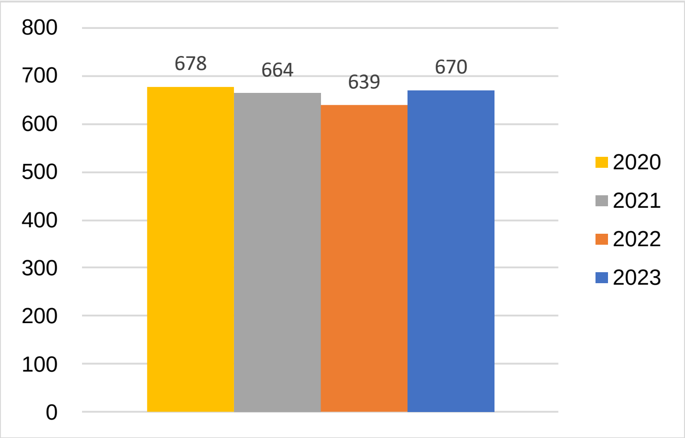
The volume of non-hazardous waste per tonne of generated products fell by 14 per cent in 2023 compared to 2022. Non-hazardous waste did not include metal or secondary waste which is shown in the diagram below.

Volume of hazardous waste generated per tonne of produced products (in kg/t)



The total volume of hazardous waste in 2023 fell by 4 per cent compared to 2022.

Volume of secondary waste per tonne of produced products (in kg/t)



The volume of secondary waste rose by 5 per cent in 2023 compared to 2022. Secondary waste includes metal waste sold to waste collectors or recoverees who recover or recycle the waste received, allowing for its reuse. The increase in secondary waste is due to aluminium scrap from the introduction of new aluminium forging technology.

6.3 Social aspect

It gives us great pride that our knowledge, hard-work, ambitions and creativity via our diverse programmes have led to the creation of many jobs, strongly contributed to a greater visibility and popularity of our region and to a major development and progress of the entire region during the last century.

UNIOR d.d. provides its employees with a high-quality environment and contributes to the development of the wider local environment, as ensured by investing in the knowledge of existing and future employees, in a health and safe lifestyle and in socially responsible projects.

6.3.1 Care for employees

6.3.1.1 Employment at UNIOR d.d.

Concern for employees has been firmly integrated in all business planning of UNIOR d.d. As the largest employer in the region and one of the largest in the country, and as an economic entity that makes a significant contribution to and shapes local life, we recognise that investing in our people is not only a responsibility to our colleagues, but also a responsibility to the wider environment.

Employees are seen as key stakeholders in the success of an organisation. From this awareness, we build processes to influence the well-being of our employees, their development and build good relationships.

Employee details

Employee details	2023	2022	2021	2020
Total number of employees	1,614	1,634	1,624	1,666
– Forge Programme	*901*	*897*	*892*	*906*
– Hand Tools Programme	*314*	*348*	*334*	*348*
– Special Machines Programme	*158*	*153*	*157*	*165*
– Joint services	*152*	*146*	*147*	*151*
– Maintenance	*89*	*90*	*94*	*96*
Departures	129	133	196	165
New employees	109	143	154	34
Average length of service of employees	18.7	18.3	18.5	18.4
Average age	43.9	43.5	43.3	43.4
Average number of employees in terms of hours worked	1,556	1,544	1,592	1,675
Average absence from work (in hours)	168	186.7	153.9	136.9
Average salary (in EUR)	2,226	1,999	1,838	1,706

At the end of 2023, UNIOR d.d. had 1,614 employees, 20 or 1.2% fewer than the previous year. The number of employees has increased compared to 2022 in the Forge Programme, in the Special Machines Programme and in Shared Services, while the number of employees has decreased in the Hand Tools and Maintenance Programmes. We recorded 129 staff departures, of which the largest number were terminations of employment contracts at the request of the employee, departures by mutual agreement and expiry of fixed-term contracts. Due to the labour market situation, we recruited fewer new staff in 2023 than in the previous year. The total number of new recruits was 109, with the largest number in the Forge and Special Machines Programmes.

The average age of employees somewhat increased in 2023 to 43.9 years. In terms of the nature of their work, male employees dominate the workforce, accounting for 68.8% of the total workforce in the previous year. UNIOR d.d. has a high proportion of permanent employees, ensuring a high level of job security. At the end of 2023, 93.3% of all employees had a permanent contract, of whom 70.1% were men and 29.9% women. The share of temporary workers was 6.7%, of whom 50.9% were men and 49.1% women.

The average monthly gross salary per employee in 2023 amounted to EUR 2,226, rising by 11.4 per cent compared to 2022. It increased its real value by 3.7%, against an average annual consumer price increase of 7.4%. In 2023, the net salary reached EUR 1,449 and increased by 10.6 per cent or, in real terms, by 3 per cent, compared to the previous year.

EDUCATIONAL STRUCTURE

Economic and technological development and working process needs promote the recruitment of a larger share of new employees with a higher level of qualifications than before. At the end of 2023, the share of employees with at least a tertiary education was 20.9% of all employees. Such employees will further contribute to seeking new and sustainable solutions ensuring further economic stability of the company.

Qualification structure

	Qualification rate	31/12/2023	31/12/2022	31/12/2021	31/12/2020
1	Unskilled	240	256	263	275
3	Semi-skilled	116	120	126	130
4	Skilled	503	515	524	540
5	Secondary vocational education	417	416	391	390
6/1	Higher SI	119	120	113	112
6/2	Higher PE – bachelor, spec. by higher PE, 1st Bologna cycle	125	115	121	130
7	University PE – bachelor, spec. by uni. PE, master's degree	82	79	73	76
8/1	Master of Science, post-univ.	11	12	12	12
8/2	PhD	1	1	1	1
TOTAL		**1,614**	**1,634**	**1,624**	**1,666**

6.3.1.2 Employment in the UNIOR group

As of 31/12/2023, the UNIOR Group had 2,812 employees, an increase of 0.4% or 11 employees compared to the end of the previous year, but the increase was not present in all activities. The increased volume of business, which had a positive impact on the number of jobs, was more pronounced in the forgings business and tourism, while in the hand tools business, we reduced the number of employees in certain processes due to reduced business volumes, rationalisation and optimisation in some workplaces.

Compared to the end of the previous year, the number of employees in the forgings industry increased by 28, in the engineering industry by six and in the tourism industry by ten. In machine tool manufacturing, the number of employees is up by one, while in hand tool manufacturing, with lower sales and production volumes, the number of employees is down by 39 in 2023. In the parent company, the number of employees in Shared Services and Maintenance increased by a total of five. The number of employees was primarily downsized on account of regular dismissal the employer, the expiration of fixed-term employment agreements, retirement and resignations by employees. In 2023, the average number of employees in terms of hours worked amounted to 2,699 or 32 employees or 1.2 per cent less compared to 2022.

The average monthly gross salary per employee in the UNIOR Group in 2023 amounted to EUR 1,914, rising by 9.7 per cent compared to 2022.

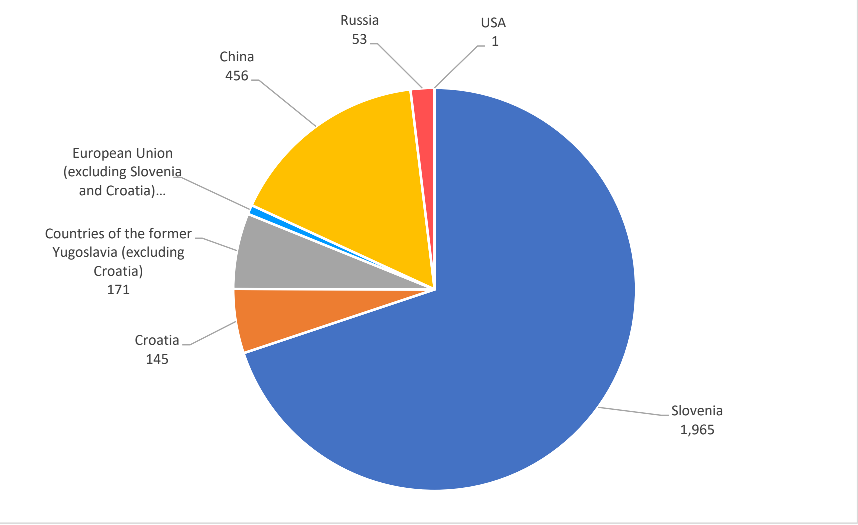
Employee details

Employees in the UNIOR Group by activity	2023	2022	2021	2020
Total number of employees	2,812	2,801	2,772	2,808
– Forgings production activity	*1,527*	*1,499*	*1,470*	*1,503*
– Hand Tools production activity	*389*	*428*	*415*	*441*
– Special Machines activity	*164*	*158*	*162*	*170*
– Tourism activity	*326*	*316*	*325*	*287*
– Production of machine tools activity	*165*	*164*	*159*	*160*
– Joint services departments in the parent	*152*	*146*	*147*	*151*
– Maintenance department in the parent	*89*	*90*	*94*	*96*
Average number of employees in terms of hours worked	2,699	2,667	2,700	2,832
Average gross salary (in EUR)	1,914	1,744	1,611	1,490

GROUP EMPLOYEES BY REGION

In the regions where UNIOR Group companies are headquartered, the number of employees increased by 10 in Slovenia and by 11 in China compared to the end of the previous year. The number of employees decreased in Croatia by 7 persons and in Russia by 3 persons, while the number of employees in the European Union, the former Yugoslav countries excluding Croatia and the USA remained unchanged.

Number of employees as at 31 December	2023	2022	2021	2020
Slovenia	1,965	1,955	1,949	1,953
Croatia	145	152	153	155
Countries of the former Yugoslavia (excluding Croatia)	171	171	165	167
European Union (excluding Slovenia and Croatia)	21	21	24	33
China	456	445	425	442
Russia	53	56	55	57
USA	1	1	1	1
Total UNIOR Group	**2,812**	**2,801**	**2,772**	**2,808**



EDUCATIONAL STRUCTURE

UNIOR Group is also recruiting an increasing proportion of employees with higher education qualifications. At the end of 2023, the share of employees with at least a higher education qualification was 20.8% of the total workforce, up 0.5 percentage points on the previous year.

Qualification structure

	Qualification rate	31/12/2023	31/12/2022
1	Unskilled	296	307
3	Semi-skilled	137	140
4	Skilled	991	1007
5	Secondary vocational education	803	778
6/1	Higher SI	245	244
6/2	Higher PE – bachelor, spec. by higher PE, 1st Bologna cycle	196	184
7	University PE – bachelor, spec. by uni. PE, master	130	126
8/1	Master of Science, post-univ.	13	14
8/2	PhD	1	1
TOTAL		**2,812**	**2,801**

6.3.1.3 Staff development

The development of employees is one of the key processes used to implement UNIOR's commitment to sustainability. Skills and competences of our employees are increased through trainings in both areas of expertise and soft skills. We promote lifelong learning, with an emphasis on the transfer of knowledge and experience. We organise external and internal training, co-finance part-time study for employees, and offer internships and staff scholarships for students in relevant fields of study.

Our education policy delivers our strategy and ensures the professionalism of our people and the sustainability of our business. We have integrated sustainable development and social responsibility into our business schools, which also encourage managers to continuously improve their knowledge and develop their management skills.

In 2023, we continued with training in sustainable business, climate risk management and the circular economy, innovation, automation and digitalisation towards smart factories, development of lean manufacturing concepts, quality management standards, project management, information security, safe handling of hazardous chemicals, environmental protection, occupational health and safety, soft skills. These contribute to the health and safety of employees, a safe working environment, the protection of the environment, the personal and professional development of employees, and the development of new ideas and products. We recognise the importance of intergenerational cooperation and knowledge transfer for older employees, and we are committed to training and developing mentors.

The need to improve business processes means that the knowledge acquired must be continuously upgraded. Today, modern information and communication technology allows us to do this through e-learning. So in 2023, we organised a remote development conference and hackathon. Refresher e-learning sessions on integrity and the risk of fraud in society were also provided. The advantage of such training is better time availability, as employees can attend e-learning when it suits them, there is less loss of working time, access is easier, faster and cheaper (less printing of materials, no transport costs and no accommodation costs), but the opportunity to network among colleagues during the training is lost.

We also provide co-financing for colleagues to attend on-the-job training. They can use the new knowledge and practical experience they gain to help improve work processes and business results in the long term. This ensures professional and personal development and career progression.

Our scholarship programme has been supporting cooperation with promising HR for more than four decades. Scholarships are long-term planning for future employees and are an excellent opportunity for career development. At UNIOR d.d., we connect with potential employees as early as during their education and create a pool of young talent through scholarships. Scholarship holders are included in the work process and UNIOR d.d. during their educational process. Our scholarships are aimed at obtaining and training competent human resources in the areas required. We find it important to build and preserve connections with local high schools where the majority of our scholarship recipients are educated. At the end of 2023, UNIOR d.d. had 35 active scholarship recipients being educated in programmes who significantly contributed to digitalisation and technological progress of our company. Scholarships are awarded mainly to individuals in the fields of mechanical engineering, electrical engineering, mechatronics, metallurgy and computer science. The company believes to establish a high-quality relationship with scholarship holders during their studies, facilitating a successful cooperation in the future.

TRAINING AND EDUCATION

Training and Education	2023	2022	2021	2020
Hours of training (in hours)	14,799	13,118	10,315	8,875
Training costs (in EUR)	78,360	98,711	63,317	53,626
Costs of company scholarships (in EUR)	105,238	94,181	88,405	114,117
Costs of part-time studies (in EUR)	19,668	14,318	2,856	6,854
Total (in EUR)	**203,266**	**207,210**	**154,578**	**174,597**

In 2023, a total of 14,799 teaching hours were delivered, an increase of 12.8% on the previous year. In 2023, we have budgeted 20.6% less for training than in the previous year, at EUR 78,360 (all costs related to internal and external training, excluding staff absence related costs). This is mainly due to the fact that we have used free training and in-house training. In 2023, we have allocated more funds for scholarships and work-study than in the previous year, EUR 105,238 for staff scholarships and EUR 19,668 for work-study. The total amount spent on professional training and education was EUR 203,266, a decrease of 1.9% compared to a year earlier.

We have defined a succession policy and, within this, identified key staff and potential successors who could fill key positions in the future.

In order to identify, develop and retain employees, we started interviewing prospective employees in 2023. Prospective employees will be involved in the preparation of development plans.

New recruits are interviewed about three months after they start work to check their satisfaction. We also interview colleagues who leave their employer at their own request and wish to be interviewed.

EDUCATING AND TRAINING OUR FUTURE HR IN COOPERATION WITH THE SLOVENSKE KONJICE-ZREČE SCHOOL CENTRE

In collaboration with the Zreče Secondary Vocational and Technical School we train young people to become qualified for the following professions: machine operator, metalworker – toolworker and machine installation installer. This is how we seek to reduce the level of shortage of these professions. UNIOR d.d. has been collaborating with the Zreče Secondary Vocational and Technical School since 1978. Thus, the Unior School Workshop is one of the organisational units of the General Affairs Division of UNIOR, where potential recruits are taught by the company's own staff. The company spends up to half a million euros a year of its own funds to keep the School Workshop running smoothly.

6.3.1.4 Safety and health (health promotion)

We know that investing in the health and safety of our employees is an investment. We pay special attention to safety in the workplace and continuously improve it through our Occupational Safety and Health Promotion Programme.

In 2023, most prevention activities were focused on activities contained in the Occupational Health Promotion Programme. The objectives and activities were aimed at reducing accidents at work, controlling the use of hearing protection, improving working conditions, reducing sickness absence and promoting healthy lifestyles through activities.

SICK LEAVE

Total sickness absence in 2023 amounted to 7.9%, 1 percentage point lower than in 2022, when it was 8.9%. The total incidence of sick leave debited to the employer in 2023 amounted to 3.8 or 0.4 per cent more than in 2022 when it had amounted to 3.4 per cent. Reimbursed sickness absence is 1.4 percentage points lower than in 2022, at 4.1%, compared to 5.5% in 2022.

Sick leave	2023	2022	2021	2020
Sick leave (in per cent)	7.9	8.9	7.2	6.2

OCCUPATIONAL INJURIES

In 2023, we had 43 occupational injuries, 2 fewer than in 2022. In 2023, 1172 working days were lost, representing 27.3 working days per injury, and in 2022, 971 working days were lost, representing 21.6 working days per injury.

Occupational injuries	2023	2022	2021	2020
Number of injuries	43	45	52	37

Occupational health and safety measures have also been primarily focused on prevention:

- training workers on safe work at the workplace and their associated obligations,
- revising the statement on responsibility including a risk assessment,
- training of executive and senior staff on occupational health and safety and fire protection,
- occupational health and safety powers and responsibilities,
- injury publications in the internal media,
- preventative medical examinations of employees,
- systemic monitoring of sick leave,
- inspections of working and safety equipment and remedy of any deficiencies,
- systematic handling of injuries and prompt remedy of deficiencies,
- control of occupational safety (use of personal protective equipment, levels of tidiness at the workplace, and orderliness of installations) and fire safety,
- a health promotion campaign,
- an audit subject to the ISO 45001 system,
- providing joint health and safety measures at a common worksite (outsourcing).

MATERNITY AND PATERNITY LEAVE

Data on maternity or paternity leave taken by our employees are a reflection of the age and gender structure of our employees. Maternity leave absence is 0.8% in 2023 and 0.7% in 2022. We recorded an absence rate of 0.1% for paternity leave in 2023 and 0.2% in 2022.

HEALTH PROMOTION

We build on our commitment to employee health with a programme of health promotion activities that address healthy lifestyles, mental health, musculoskeletal disorders, injuries outside work and at work, while also taking into account the needs and expectations of our employees.

6.3.1.5 Organisational culture

Employee well-being and their perception of our organisational culture is key to our successful (co-)performance, which is why we have again conducted an organisational climate measurement in April and May 2023. The results are used as a basis for corporate and departmental improvement measures.

In 2023, annual interviews were held for staff at grade 5 or above. The annual interviews aim to encourage employees and managers to engage in a dialogue with each other, especially about how they feel at work and their future plans for the job.

In 2023, we continued to implement the measures we have designed under the full Family Friendly Business certification. We implement measures that employees can use to improve their well-being and/or to facilitate work-life balance. The certificate defines measures for additional adapted working time and for adapting working conditions. One of the measures is to provide aid to children of deceased parents who worked at UNIOR d.d. At the end of the year, there was an event for children – UNIOR’s children received a gift from Santa. We held UNIOR's Family Day in Rogla, which is well attended and very meaningful for our employees. In addition to the employees and their families, all former employees who have co-created the story of UNIOR d.d. and then retired are invited to the event, so we can speak of a very responsive event in terms of numbers. Long-term absentees can request the forwarding of the e-bulletin and the “Kovači smo” (“We are blacksmiths”) newspaper. There is a process in place where all internal candidates for advertised job openings are invited for an interview and given feedback. Every year, we get discounts for all our employees, for example in shops or for services.

6.3.1.6 Communication

UNIOR d.d. is dedicated to strengthening corporate communication within the company, which was clearly visible in 2023 through a number of activities focused on promoting positive dialogue and sustainability awareness. In order to support the day-to-day running of the business and to ensure the well-being of employees, internal communication has been strongly promoted, using various tools such as an internal newspaper, weekly newsletters, regular announcements on notice boards and the intranet, and the organisation of various events.

With the aim of promoting sustainable dialogue, in 2023 we carried out activities to raise awareness of the importance of employee health and to promote the values of UNIOR d.d. Special actions in March and October, as well as the organisation of the Development Conference and Hackathon, further emphasised the value of creativity and innovation. The two events focused on sustainability, which has become a key part of UNIOR d.d.'s operations.

6.3.1.7 Sponsorship and donations

UNIOR d.d., a company with a centuries-old tradition, is closely connected to its environment and a wide range of stakeholders, and is continuously responding to the needs of the environment.

We are committed to raising awareness, offering moral support and funding to various organisations and associations. We support both current and one-off events through sponsorships and donations, and are committed to supporting young people and helping the socially disadvantaged. On an annual basis, numerous cultural, sports and humanitarian projects are supported.

SOCIALLY RESPONSIBLE PROJECTS:

THE “TO BE GOOD AT THE GOOD YOU DO” PROJECT
From October 2023 to November 2023, we ran the project “Good in Good”. In cooperation with the Secondary Vocational and Technical School Zreče, we interactively introduced students to UNIOR d.d., the professions in demand, the competences that are developing and in demand, and the competences that UNIOR d.d. needs for successful development and operation.

PROMOTING A RUNNING CULTURE IN UNIOR d.d. AND WIDER
With its presence and support, UNIOR d.d. promotes running culture in collaboration with the Slovenske Konjice Athletic School at the traditional UNIOR run on Rogla and the Slovenske Konjice Marathon (5km, 10km, and 21km). 100 runners from all over Slovenia took part in UNIOR's run in Rogla, including UNIOR staff.

THE KNOWLEDGE COMPETITION
“The knowledge competition” is a project that UNIOR Hand Tools aims at promoting and educating high school on hand tool solutions and work, in addition to ensure an even closer collaboration between UNIOR and educational institutions. Through the project, we take participating final-year secondary school students through a three-stage competition and reward them for their knowledge and participation with exciting prizes, new practical-theoretical knowledge and an unforgettable fun experience.

THE 2023 YOUNG MECHANIC
UNIOR traditionally participates in the “Young Mechanic of Slovenia” project. In collaboration with the Tranzit magazine, high school students are encouraged to undergo education and training in this professional area. The “Transit” magazine runs a competition where the best young mechanic wins after a theoretical and practical test, and we present our products to all the contestants, showing them different solutions to do the job safer, faster and more efficiently.

6.4 Management aspect

6.4.1 Corporate culture

At UNIOR d.d., we are aware that responsibility is not limited to the legal and economic aspects of our business. Our aim is to integrate ethically responsible behaviour into our daily activities. Our conduct takes into consideration business ethics and builds an organisational culture promoting legal, transparent and ethical conduct of all employees. The company has adopted several internal rules in this area, and we promote responsible behaviour among our employees through various activities.

The Code of Ethics of UNIOR d.d. is the overarching document in this area, as a record of the principles and rules of ethical conduct, good business practice and standards of behaviour. It was adopted by the Board of Directors in 2016 and last updated on 02/02/2023. It was presented to all staff and was also given to them in writing. It is published on the company's website (https://www.unior.si/uploads/unior%20eticni%20kodeks%20feb%202023.pdf).

The Code of Ethics of the UNIOR Group adopted by all Group companies has also been adopted. The Code of Ethics of UNIOR d.d. contains fundamental standards of ethical conduct in the Company along with the commitment of our employees to ensure excellence, responsibility and transparency. All employees are committed to abiding by the Code.

6.4.2 Corporate integrity and compliance

Corporate integrity is built on business compliance, ethics and effective risk management. In addition to the Code of Ethics of UNIOR d.d., a number of internal regulations complement the corporate integrity area. As of 15/05/2023, UNIOR d.d. has adopted a Corporate Integrity Policy, which defines the company's main commitments to transparency and corporate integrity and to zero tolerance of illegal and unethical conduct by employees and management and supervisory bodies.

More on the risk management system, the Corporate Integrity and Fraud Officer, the Compliance Officer, whistleblower protection, etc. is covered in chapter 7.4 of the 2023 Annual Report.

7 CORPORATE GOVERNANCE

UNIOR d.d. employs a two-tier governance system. The tasks of the Management Board and the Supervisory Board are separated in compliance with the law and the Articles of Association in a way that the Management Board is in charge of managing the operations of the Company and the Supervisory Board is responsible for supervising them. The Company also has an Executive Board composed of the executive directors of individual programmes, the executive directors of sectors, the internal audit manager and the President and Member of the Management Board. The main task of the members of the College is, within the limits of their powers, to manage the areas for which they are responsible.

As a non-publicly traded company, maximum transparency of operations and the provision of honest and correct information to our shareholders and other stakeholders on the developments at the Company was ensured in the past. With the listing of our shares on the stock exchange in 2011, we have started to introduce even stricter corporate governance standards in the company, thereby adapting our business to the legal regulations, stock exchange rules and high standards prevailing in the environment. Therefore, we now operate as a publicly traded company.

As early as in the admission of shares to quotation on the stock exchange preparation process, a person in charge of relations with investors at the Company was appointed. Investors and other interested parties are kept informed of all major developments in the Company through the SEOnet stock exchange system and the Company's website. By doing this, we have increased the transparency of our operations and provided investors with access to information allowing them to make quality and informed investment decisions.

7.1 Management Board of the parent company

The company has a two-member Management Board. Its President is Darko Hrastnik, appointed on 29/11/2018, when he was awarded a new five-year term by the Supervisory Board for the period from 1/6/2019 and 31/5/2024. This is his third term as President, he had previously served as Member of the Management Board twice. Mr. Branko Bračko was appointed as a member of the Management Board on 30/05/2017, when the Supervisory Board of the Company appointed him as a member of the Management Board of UNIOR d.d. for the term of office from 15/11/2017 to 14/11/2022. On 26/05/2022, the Supervisory Board granted him a new five-year mandate for the period from 15/11/2022 to 14/11/2027. He is currently serving his third term. On 12/12/2023, the Supervisory Board of UNIOR d.d. appointed Mr. Robert Vuga as the new Chairman of the Management Board for the term of office from 01/06/2024 to 31/05/2029.

INFORMATION ON THE PROFESSIONAL AND MANAGEMENT EXPERIENCE OF THE MEMBERS OF THE MANAGEMENT BOARD

Darko Hrastnik, President of the Management Board
Educational attainment: B.Sc. in Metallurgical Engineering and Materials

Professional and managerial 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 Program

	2004–2007	Director of the Hand Tools Program
	2002–2003	Member of the Management Board
	2000–2002	Executive Director of the Forge Program
1999–2008	Technical College in Celje, associate lecturer for the Business Administration and Management course	
1996–2000	MPP Livarna, d.o.o., Maribor, CEO	
1994–1996	TAM Metalurgija, d.o.o., CMO	
1994–1994	Livarna Ferralit, d.o.o., Žalec, CPO	
1989–1993	Livarna, d.o.o., Štore	
	1992–1993	CTO
	1989–1992	R&D department

Branko Bračko, Member of the Management Board
Educational attainment: B.Sc. in Mechanical Engineering

Professional and managerial experience:

2012–	Unior d.d., Member of the Management Board
2009–2012	UNIOR Formingtools d.o.o. Kragujevac (Serbia), CEO
2009–2012	Unior d.d., Deputy Executive Director of the Special Machines Programme
2008–2009	Weba Maribor d.o.o., proxy
2002–2007	Unior d.d., Deputy Director of the Special Machines Programme
2001–2002	MPP Tehnološka oprema d.o.o. Maribor, deputy CEO
1994–2001	UNIOR d.d., Special Machines Programme, CTO, Head of Machining, Head of Assembly, Head of Production
1992–1994	Carrera Optyl d.o.o. Ormož, deputy CPO

7.2 College of the parent company

The Board of Directors consists of Members of the Management Board, chief officers of various programmes and departments and the Head of the Internal Audit Department. The main task of the members of the College is to manage each programme or service independently. The Board of Directors works closely with the Management Board, exercises its strategic and operational powers and also serves as a consulting body for the Management Board.

The College of the Management Board consists of:

- Darko Hrastnik, B.Sc. Met., President of the Management Board,
- Branko Bračko, B.Sc. ME., Member of the Management Board,
- Robert Ribič, B.Sc. ME., Head of the Forge Programme,
- Danilo Lorger, B.Sc. in Chemical Technology, Head of the Hand Tools Programme,
- Boštjan Leskovar, M.Sc., Head of the Special Machines Programme,
- Uroš Stropnik, MSc., Head of the General Affairs department,
- Bogdan Polanec, Bogdan Polanec MSc., CFO,
- Boštjan Slapnik, Boštjan Slapnik MSc., CPO,
- Zlatko Zobovič, B.Sc. Ec., CCO,
- Rok Planinšec, MSc., CIO,
- Marjan Adamič, MSc., Head of the Maintenance department,
- Dani Kukovič, B.Sc. EE., Chief Energy Officer,
- Patricija Sedmak, B.Sc. Ec., Head of the Internal Audit department.

7.3 Supervisory Board of the parent company

The Supervisory Board of the Company acts within the scope of its powers as set out in Article 281 of the Companies Act. Its role in the two-tier governance system is to monitor the transactions of the Management Board and thus protect the interests of Company stakeholders.

The Supervisory Board of UNIOR d.d. is composed of six members, four of whom are representatives of capital and two of whom are representatives of employees. The Supervisory Board's committees are also composed of external expert members appointed by the Supervisory Board. In the financial year 2023, the Supervisory Board of UNIOR d.d. was composed as follows:

The representatives of capital within the Supervisory Board are:
- Mr. Franc Dover, MA, term of office from 13/12/2021 to 05/07/2023, Chairman of the Supervisory Board;
- Ms. Simona Razvornik Škofič, BA in Economics, term of office from 13/12/2021 to 05/07/2023, Deputy Chairperson of the Supervisory Board;
- Ms. Andreja Potočnik, MA in Mgmt, term of office from 13/12/2021 to 05/07/2023, Member of the Supervisory Board;
- Mr. Tomaž Subotič, PhD, term of office from 08/12/2022 to 07/12/2026, Member of the Supervisory Board;
- Mr. Robert Vuga, BA in Economics, term of office from 06/07/2023 to 12/12/2023, Chairman of the Supervisory Board;
- Ms. Katja Potočar, BA in Law, term of office from 06/07/2023 to 05/07/2027, Deputy Chairperson of the Supervisory Board until 21/12/2023 and Chairperson of the Supervisory Board from 21/12/2023;
- Mr. Marijan Penšek, MA, term of office from 06/07/2023 to 05/07/2027, member of the Supervisory Board until 21/12/2023 and Deputy Chairman of the Supervisory Board from 21/12/2023.

The representatives of employees are:
- Ms. Saša Koren, BA in Economics, term of office from 13/12/2021 to 12/12/2025, Member of the Supervisory Board;
- Mr. Milan Potočnik, term of office from 01/11/2022 to 22/07/2025, member of the Supervisory Board.

The Supervisory Board has two committees, the Audit Committee and the Human Resources Committee.

The Audit Committee operates in the following composition:
- Ms. Simona Razvornik Škofič, BA in Economics, Chairperson until 05/07/2023;
- Andreja Potočnik, M.A. Manag., Deputy President until 12/01/2023;
- Tomaž Subotič, Deputy President from 13/01/2023 to 19/07/2023 and President from 20/07/2023;
- Mr. Marijan Penšek, MA, Deputy Chairman from 20/07/2023;
- Ms. Saša Koren, BA in Economics, Member;
- Ms. Blanka Vezjak, MA, external member of the Audit Committee until 07/08/2023;
- Prof. Simon Čadež, PhD, external member of the Audit Committee from 08/08/2023 (term of office until 04/07/2027).

The HR Committee operates in the following composition:
- Ms. Andreja Potočnik, MA in Mgmt, Chairperson until 05/07/2023;

- Mr. Franc Dover, MA, Deputy until 05/07/2023;
- Mr. Tomaž Subotič, PhD, member from 12/01/2023;
- Ms. Katja Potočar, BA in Law, Chairperson from 06/07/2023;
- Robert Vuga, BA in Economics, Deputy President from 06/07/2023 to 07/12/2023;
- Mr. Marijan Penšek, MA, Deputy Chairman from 21/12/2023;
- Mr. Milan Potočnik, Member.

7.4 General Meeting of the parent company

The General Meeting of Shareholders is the supreme body of the company where the will of shareholders of the company is directly exercised and where key decisions are made. Each share of the company carries the right to one vote; however, no voting right are carried by treasury shares. The Company has not issued any preference shares or shares carrying limited voting rights.

As a rule, the General Meeting of Shareholders is convened once a year, in June or July, by the Management Board of the company who notifies the shareholders thereof on the website of the Agency of the Republic of Slovenia for Public Legal Records (AJPES), SEOnet and the website of the company – no later than thirty days prior to the General Meeting. The General Meeting may be attended by and their voting rights exercised by all shareholders entered in the central share register of the company on the cut-off date published in the convening notice, their representatives and attorneys-in-fact. The entire material for the General Meeting is 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 all the information the shareholders require to make informed decisions on various items on the agenda by taking into consideration statutory and any other restrictions on their disclosure.

In 2023, the convening of the General Meeting of Shareholders was published on 02/06/2022 on the AJPES website, on SEOnet and on the Company's website. The 27th General Meeting of Shareholders of UNIOR d.d. was held on 07/07/2023, and the shareholders:

- took note of the Annual Report for the financial year 2022 and the Supervisory Board's written report on the approval of the Annual Report for the financial year 2022;
- was acquainted with the Report on the remuneration of members of the Management and Supervisory Boards of UNIOR d.d. in the 2022 financial year and confirmed it;
- deliberated on the appropriation of the distributable profits of the 2022 financial year amounting to EUR 14,246,268.92 and decided it remain undistributed;
- granted discharge to the Management and Supervisory Boards for the 2022 financial year;
- reject the recall of Dr. Tomaž Subotič as a member of the Supervisory Board;
- rejected the special audit in the case of Rhydcon d.o.o. – appointment of the special auditor and proxy for the shareholders of UNIOR d.d;
- took note of the resignation of Member of the Supervisory Board Ms. Simone Razvornik Škofič;
- recalled the Member of the Supervisory Board Ms. Andreja Potočnik and Member of the Supervisory Board Mr. Franc Dover;
- appointed new members of the Supervisory Board, namely Mr. Robert Vuga, Ms. Katja Potočar, and Mr. Marijan Penšek.

A notice of the resolutions of the General Meeting was published on 05/07/2023 on SEOnet and on the Company's website.

In 2024, the Ordinary General Assembly is scheduled to meet on 10/07/2024. The convening notice of the General Meeting of Shareholders, including the proposed content of the resolutions, the place and time of the meeting and the conditions for participation and voting, will be published on the AJPES website, SEOnet and on the Company's website on or before 05/06/2024.

7.5 Remuneration policy for members of management and supervisory bodies of the UNIOR Group

Remuneration Policy of the Management Board and Supervisory Board of UNIOR d.d. (hereinafter: The Remuneration Policy) was approved at the 26th Ordinary General Meeting of UNIOR d.d. on 06/07/2022 and, immediately after the General Meeting, was publicly published on the Company's website and on the Ljubljana Stock Exchange's SEOnet, where it will be publicly available for at least as long as it is applicable, or for at least ten years. The payments to the Management Board and the Supervisory Board are detailed in sections 9.12 and 10.12 of the 2023 Annual Report.

MANAGEMENT BORD

The Remuneration Policy stipulates that the remuneration of Members of the Management Board consists of the basic fixed gross wage (hereinafter referred to as "basic salary") and the variable performance payment (hereinafter referred to as "variable remuneration"). The basic salary of the Members of the Management Board already includes all allowances and benefits that company employees are entitled to subject to the Employment Relationships Act and collective agreements applicable for the company. In certain cases, members of the Management Board are also entitled to a severance payment and certain other benefits or rights as defined in the Remuneration Policy.

The base salary of the members of the Management Board is determined according to the complexity of the tasks and responsibilities of the management of the company and is determined for the company taking into account the complexity criteria, which are subdivided into criteria defining the size of the company and criteria reflecting the complexity of the company's business. Based on the classification of the company into a group according to specific complexity criteria (factors), the members of the Management Board may be paid a basic gross monthly salary of up to EUR 18,000.00.

The variable remuneration is the part of the entire remuneration laid down in the employment agreement concluded with a Member of the Management Board subject to the performance of the company. For a member of the Management Board, the performance of the Management Board is assessed annually on the basis of a proposal from the Human Resources Committee and a special resolution adopted by the Supervisory Board at the time of the adoption of the audited annual report and, consequently, the appropriate amount of variable remuneration is determined for the performance of the previous year, up to a maximum of 60 per cent of the annual gross basic salary for that financial year. The variable remuneration shall be laid down subject to pre-determined criteria adopted by the Supervisory Board in the form of a separate act.

The Supervisory Board of UNIOR d.d., at its VII-8th meeting held on 02/12/2022, adopted the Act establishing the criteria for the payment of the variable remuneration of the Management Board, applicable as of 06/07/2022.

The criteria for the variable remuneration shall be divided into financial and non-financial.

The financial criteria for the payment of the variable remuneration to the Management Board are:

a) Short-term:
   1. EBITDA of the UNIOR Group
   2. The net operating result of UNIOR d.d.

b) Long-term, laid down for Members of the Management Board for a period of three financial years:

1. Gross value added per employee in UNIOR d.d.
2. Return on equity (ROE) of UNIOR d.d.

The non-financial criteria for the payment of the variable remuneration to the Management Board are:

a) Short-term:
   1. Collaboration with the trade unions and the works council
   2. Collaboration with the local community
   3. Integration of sustainable development

b) Long-term, laid down for Members of the Management Board for a period of three financial years:
   1. CO_2 footprint for a period of three years
   2. The completion or course of strategic projects the respective Member of the Management Board is in charge of.

The basis for the calculation for the respective financial year shall be the achievement of the aforementioned criteria compared to the preceding financial year and the basic salary of Members of the Management Board.

In accordance with the Remuneration Policy and the employment contract concluded with the Supervisory Board, both members of the Management Board will receive a fixed remuneration for their work in 2023. In the 2023 financial year, no variable remuneration was paid out thereto. In addition, they did not receive any optional bonuses as these are not foreseen in their employment agreement.

At the 27th regular General Meeting of Shareholders of UNIOR d.d., held on 05/07/2023, there was, pursuant to the provision of Article 294a of ZGD-1, a consultation vote on the Management and Supervisory Board Remuneration Report for UNIOR d.d. in the 2022 financial year (hereinafter referred to as “Remuneration Report”). Report on remuneration). The Remuneration Report was noted and approved by the General Meeting. The Remuneration Report was made public immediately after the General Meeting on the company's website and on the Ljubljana Stock Exchange's SEOnet, where it will be publicly available for at least ten years.

SUPERVISORY BOARD

Members of the Supervisory Board receive an attendance fee and a remuneration for the performance of their duties, and members of the Supervisory Board committees receive an additional attendance fee for their work on the committees and an additional remuneration for the performance of their duties. In addition, they also receive daily and transport allowances. Meeting allowances are paid out to Members of the Supervisory Board and its committee until these reach 50 per cent of the basic remuneration for the performance of their function; similarly, extra remuneration for the performance of their function is paid out until this reaches 50 per cent of the basic remuneration for the performance of their function.

No other remuneration is received by the Members of the Supervisory Board.

On 06/02/2024, the Supervisory Board of UNIOR d.d. approved an updated Remuneration Policy for the Management Board and Supervisory Board of UNIOR d.d., in line with the current recommendations and expectations of Slovenian Sovereign Holding d.d. The Policy is expected to be discussed at the Annual General Meeting.

7.6 Governance Statement of UNIOR Group and UNIOR d.d.

The Management and Supervisory Boards of Unior Kovaška industrija d.d. hereby declare that, in the 2023 financial year, the company was governed in compliance 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 Governance Statement is an integral part of the Annual Report 2023 of UNIOR Group and UNIOR d.d. and is also available on the company's website www.unior.si for at least five years from the date of its publication.

The Group's and the Company's corporate governance system provides direction and control over the Company and its subsidiaries. It lays down the distribution of the rights and responsibilities between management bodies; sets out corporate decision-making rules and procedures in place at the Company; provides a framework for setting, meeting and monitoring the implementation of business objectives and enforces values, principles and standards of fair and responsible decision-making and conduct in all aspects of our operations.

The management and governance system serves as a means of implementing long-term strategic objectives of the company and Group and the way in which both the Management and Supervisory Boards of UNIOR d.d. exercise their responsibility vis-à-vis shareholders and other stakeholders of the company and Group. UNIOR d.d. and its subsidiary pursue the vision and objectives of introducing modern management and governance principles and complying with the most advanced local and foreign practices to the greatest extent possible.

REFERENCE TO GOVERNANCE CODES IN FORCE

The Management and Supervisory Board of UNIOR Kovaška industrija d.d. Hereby declare that the Company complies with the provisions of:

- The Management Code for Publicly Traded Companies of 09/12/2021 which came into force on 01/01/2022, published on the web page of the Ljubljana Stock Exchange (Ljubljanska borza, d.d.) https://ljse.si/UserDocsImages/datoteke/Pravila,%20Navodila,%20Priro%C4%8Dniki/Slovenski%20kodeks%20upravljanja%20javnih%20delniskih%20druzb.pdf?vel=795421 and
- June 2022, published on the website of Slovenski državni holding d.d. https://sdh.si/Data/Documents/pravni-akti/Kodeks%20upravljanja%20dru%C5%BEb%20s%20kapitalsko%20nalo%C5%BEbo%20dr%C5%BEave_junij_2022.pdf,

with certain derogations as clarified herein.

The Declaration of Compliance with the aforementioned codes forms an integral part of the 2023 Annual Report and can also be accessed via the www.unior.si website for a minimum period of five years following its publication.

This Declaration applies to the 2023 financial year, i.e., from 01/01/2023 and 31/12/2023. No changes were introduced to the company's governance between the end of the financial year and the publication hereof.

DEROGATIONS FROM THE PROVISIONS OF THE GOVERNANCE CODES

Clarifications to derogations from individual provisions **of the Slovenian Code of Governance of Public Joint-Stock Companies** are provided by the Management and Supervisory Boards of the company below:

- Provision 1: the company shall operate in compliance with the basic objective, i.e. long-term and sustainable maximisation of the value of the company and other objectives, such as long-term creation of value for its shareholders and observation of social and environmental aspects for the purpose of ensuring sustainable development of the company even though the above is not provided for in the Articles of Association thereof.
- Provision 4: on 22/04/2021, the Supervisory Board of the Company adopted the Diversity Policy of the Management and Supervisory Board of UNIOR d.d. published by the Company on its website https://www.unior.si/uploads/dokumenti/Politika%20raznolikosti%20uprave%20in%20nadzornega%20sveta%20dru%C5%BEbe%20UNIOR%20d.%20d.%20(VI-21.%20seja%20NS,%2022.4.2021).pdf. The adopted Policy does not define specific diversity objectives and criteria, nor does the Company have specific objectives defined in its internal documents. In addition, such concrete targets are not laid down in the internal acts of the Company. In spite of that, the company pursues the target of the maximum diverse composition of management and supervisory boards in relation to aspects such as nationality, gender, age, religious affiliation, other personal attributes and professional diversity; In line with the descriptive objectives set out in the Policy, the Policy primarily affects the procedures for the selection of the members of the Management Board and the Supervisory Board, as well as other procedures within the Company. More information on the adopted Policy is provided below in the Governance Statement.
- Provision 7: UNIOR d.d. emphasises sustainable operations; although UNIOR d.d. does not have a Sustainable Operations Policy, the company takes into account environmental, social and governance considerations in its operations. The area of sustainable business is in the process of being implemented in business processes, and activities in this area are presented in more detail in Chapter 6 of the Annual Report 2023.
- Provision 10.5: in the event of being notified by an institution or individual that they wish to collect powers of attorney for the General Meeting in an organised manner, the company shall ensure a public announcement on organised collection of powers of attorney for the General Meeting, the list of attorneys-in-fact and their contact information, collection deadlines and a power of attorney form; however, it shall not publish the costs incurred to the company in relation to the organised collection of powers of attorney as no direct costs are incurred to the company in the event of the collection of powers of attorney by third institutions or individuals.
- Provision 16.4: since the process of evaluating the work of the Supervisory Board was carried out in accordance with the methodology and the Manual for Evaluating the Effectiveness of the Supervisory Board (Association of Supervisors of Slovenia), which provided critical evaluations of the Supervisory Board that formed the basis for the improvement action plan, no external audit of the Supervisory Board's evaluation was carried out.
- Provision 26: In transactions with related parties, the Company does not keep a list of related persons and parties and has not foreseen any internal procedures pertaining to transactions with related parties, clarifying that the Company or the Company's subsidiaries did not conclude any transactions with the two Members of the Management Board or their family members in 2023 which would have required the consent of the Supervisory Board. In addition, not a single transaction was carried out with related parties in 2023 which did not form part of regular operations, wasn't carried out under normal market conditions or which would have required the consent of the Supervisory Board.
- Provision 31.3: the company shall not provide for public announcements of its communications in the foreign language used in international financial fora as a rule, but shall only provide for

public announcements in Slovenian due to being listed in the Standard Quotation of the Ljubljana Stock Exchange;

Clarifications to derogations from individual provisions **of the Corporate Governance Code for Companies with State Capital Investments** are provided by the Management and Supervisory Boards of the company below:

- Provision 3.1: the company shall operate in compliance with the basic objective, i.e. long-term and sustainable maximisation of the value of the company, and other objectives, such as the observation of social and environmental aspects for the purpose of ensuring sustainable development of the company even though the above is not provided for in the Articles of Association thereof;
- Provision 3.6: on 22/04/2021, the Supervisory Board of the Company adopted the Diversity Policy of the Management and Supervisory Board of UNIOR d.d. published by the Company on its website https://www.unior.si/uploads/dokumenti/Politika%20raznolikosti%20uprave%20in%20nadzornega%20sveta%20dru%C5%BEbe%20UNIOR%20d.%20d.%20(VI-21.%20seja%20NS,%2022.4.2021).pdf. The adopted Policy does not define specific diversity objectives and criteria, nor does the Company have specific objectives defined in its internal documents. In addition, such concrete targets are not laid down in the internal acts of the Company. In spite of that, the company pursues the target of the maximum diverse composition of management and supervisory boards in relation to aspects such as nationality, gender, age, religious affiliation, other personal attributes and professional diversity; In line with the descriptive objectives set out in the Policy, the Policy primarily affects the procedures for the selection of the members of the Management Board and the Supervisory Board, as well as other procedures within the Company. More information on the adopted Policy is provided below in the Governance Statement.
- Provision 6.5.1: the Supervisory Board prepares a competency profile for a member of the Supervisory Board only at the time of the recruitment of candidates for the Supervisory Board; there is no competency profile that is made public on the company's website.
- Provision 6.10.6: Members of the Supervisory Board were provided with the perquisite in the form of an individual liability insurance of members of management and supervisory bodies for the insurance of the mandatory deductible arising from the corporate liability insurance of executives concluded by the Company in compliance with Provision 6.10.11 of the Corporate Governance Code for Companies with State Capital Investments;
- Provision 8.1: UNIOR d.d. emphasises sustainable business and therefore takes into account environmental, social and governance aspects in its business operations. The area of sustainable business is in the process of being implemented in business processes, and activities in this area are presented in more detail in Chapter 6 of the Annual Report 2023. UNIOR d.d. is gradually preparing for reporting under the Corporate Sustainability Reporting Directive, or CSRD, which introduces European sustainability reporting standards.
- Provision 8.3: The Company fully complies with the provision and discloses the remuneration and rights of each of its management and supervisory bodies in accordance with Annex 4 of the Code for the parent company, but does not disclose information for group companies.

INFORMATION UNDER THE PROVISIONS OF ARTICLE 70(5)(3) to (7) ZGD-1

Subject to Paragraph 5 of Article 70 of the Companies Act (ZGD-1) laying down the minimum content of the Corporate Governance Declaration, hereby provides the following explanatory notes:

1. **Description of the main features of its internal control and risk management systems in the company as related to the financial reporting process.**

UNIOR d.d., manages risks and implements internal control procedures on all levels. The purpose of internal controls is to safeguard precision, reliability and transparency of all processes and management of financial reporting risks. The internal control system simultaneously sets up mechanisms which prevent the irrational use of assets and cost ineffectiveness.

The internal control system comprises procedures which ensure that:

- business events are recorded accurately and fairly based on credible bookkeeping records which guarantee that the company disposes of its assets in a fair manner;
- business events are recorded and financial statements drawn up in compliance with legislation in force;
- the unauthorised acquisition, use and disposal of the Company's assets that could have a material effect on the financial statements are prevented or detected on a timely basis.

Inner controls in the company are conducted by all employees of the company, but primarily by the Finance and Accounting and Controlling Departments, which are in charge of managing books of account and drawing up financial statements in compliance with accounting, tax and other relevant regulations in force. Licensed external auditors inspect the performance of IT internal controls for internal audit needs. The company has also organised two staff departments: the Internal Audit and Inner Fraud Control Management System Departments which are also in charge of inspecting the performance of the internal control system. The described internal control and risk management structure is also used in subsidiaries in the UNIOR Group.

2. **Significant direct and indirect ownership of securities of the company in the sense of acquiring a qualifying holding as laid down by the law governing takeovers.**
   Data on acquiring a qualifying holding as laid down by the Takeovers Act shall be promptly published in the electronic notification system of the Ljubljana Stock Exchange and communicated to the Securities Market Agency. As at 31/12/2023, a qualifying holding of UNIOR d.d. as laid down by the Takeovers Act is held by SDH, d.d., the holder of 1,119,079 or 39.4 per cent of its shares;

3. **Explanatory notes on each holder of securities with special control rights.**
   None of the shareholders of UNIOR d.d. has any special control rights by virtue of their ownership of the Company's shares.

4. **Explanatory notes on all voting rights restrictions.**
   No voting rights restrictions have been imposed on the shareholders of UNIOR d.d.

5. **Rules of the company on appointing and replacing Members of the Management and Supervisory Boards and amending the Articles of Association of the company.**
   The Company's Rules do not specifically govern the appointment and replacement of members of the management or supervisory bodies or amendments to the Articles of Association. Law in force shall be comprehensively applied.

6. **Powers of members of the management, in particular powers to issue or acquire treasury shares.**
   UNIOR d.d. and the members of the Management Board did not have the power to issue or purchase their own shares in 2023, nor did the members of the Management Board have the power to exercise voting rights by the holders of UNIOR d.d. shares.

7. **Performance of the General Meeting of the company and its key powers**
The General Meeting of Shareholders met once in 2023. The powers of the General Meeting and the rights of the shareholders are set out in the Companies Act ZGD-1 and are exercised in the manner provided for in the Articles of Association of the Company, the Rules of Procedure of the General Meeting and the Chairperson of the General Meeting. The voting procedures at UNIOR General Meetings are clarified in detail in Section 7.4 of the 2023 Annual Report.

8. **Data on the composition and operation of the Management and Supervisory Boards and their respective committees.**
A comprehensive presentation of the Management and Supervisory Boards and their respective committees can be found in Sections 7.1, 7.2, and 7.3 of the 2023 Annual Report.

9. **Description of the diversity policy implemented with regard to representation in the Management and Supervisory Boards of the company.**
On 22/04/2021, the Supervisory Board of UNIOR d.d. adopted the Diversity Policy for the Management Board and Supervisory Board of UNIOR d.d. (hereinafter: Diversity Policy), which defines the purpose and objectives of the Diversity Policy, its custodians, the aspects to be taken into account in the composition of the Management Board and the Supervisory Board in the context of the Diversity Policy, the monitoring of the implementation of the Diversity Policy and the communication of its adoption to stakeholders. It is also published on the Company's website (https://www.unior.si/uploads/dokumenti/Politika%20raznolikosti%20uprave%20in%20nadzornega%20sveta%20dru%C5%BEbe%20UNIOR%20d.%20d.%20(VI-21.%20seja%20NS,%2022.4.2021).pdf).

Its main purpose is to promote diversity and to achieve the targeted diversity of the Management Board and Supervisory Board in terms of gender, age, education and experience. UNIOR d.d. also uses it in a meaningful way in recruitment at lower management levels. The primary objective of the adopted policy is to promote a diverse composition of the Management and Supervisory Boards aimed at maximising their efficiency and providing for a set of expert know-how that allows for a successful long-term performance of the company.

The trustees of the Diversity Policy are the Management Board, the Supervisory Board, any committees involved in the procedures for selecting members of the management and supervisory bodies (in particular the Human Resources and Appointments Committees), the Works Council and the General Affairs Department of UNIOR d.d., which endeavours to take the policy into account when recruiting for managerial and executive positions. The Trustees shall endeavour to take the diversity aspects set out below into account in their decisions and in the preparation of their staffing proposals.

The aspects to be taken into account in the composition of the Management Board and the Supervisory Board in the context of the Diversity Policy are:

- professional diversity to ensure complementarity of skills,
- gender balance and taking into account adequate representation of the under-represented gender in the selection of candidates,
- an appropriate balance between the proportions of younger and older members,
- ensuring that not all members of the Management Board and Supervisory Board are replaced at the same time, to ensure continuity between the two bodies.

The Supervisory Board may set additional criteria and diversity targets when making proposals for members of the management and supervisory bodies.

Although the Diversity Policy does not set out specific diversity objectives and criteria, the Company provides equal opportunities to its employees regardless of gender, race, age, health, religious or political beliefs, trade union membership, marital status, sexual orientation or other personal circumstances. In line with the above descriptive objectives, the Diversity Policy primarily affects the selection processes for the members of the Management Board and the Supervisory Board, as well as other processes within the Company. The diversity policy is thus applied in particular when appointing members of the Management Board and the Corporate College, selecting and proposing candidates for the Supervisory Board to the General Meeting of Shareholders of the company, appointing Supervisory Board Committees and when the Supervisory Board conducts its own performance evaluation.

The number of women on the Supervisory Board was 50% in the first half of 2023 and 40% as at 31/12/2023. In December 2023, for the first time, a woman was appointed as Chairperson of the Supervisory Board. The Supervisory Board of UNIOR d.d. is composed of two employee representatives, one female and one male in 2023. We also have representatives of both genders on the Audit and Human Resources Committees of the Supervisory Board.

UNIOR d.d. monitors legislation in this area consistently and will implement it in a timely manner in the context of its operations. The company will define specific diversity targets and benchmarks in an updated policy to be adopted in 2024.

However, there is a greater gender gap in the company's two-member board, with no female board members.

The diversity of skills and the age composition of the Management Board and Supervisory Board are presented below.

COMPOSITION OF THE MANAGEMENT AND SUPERVISORY BOARDS AND THEIR REMUNERATION

The composition of the Management Board and the organisation of the Management Board of the Company are presented in Chapter 7.1 of the 2023 Annual Report, all in compliance with Annex C to the Management Code for Publicly Traded Companies and Annex 3 to the Corporate Governance Code for Companies with State Capital Investments, as illustrated in the table below.

Name and surname	Position	Management area of work	First appointment to this position	End of position/term	Gender	Nationality	Year of birth	Education	Professional profile	Membership in supervisory bodies of companies unrelated to the company
Darko Hrastnik	President of the Management Board	finance, human resources, sales, production	17. 8. 2012	31. 5. 2024	men	Slovenian	1964	B.Sc. Met.	management	-
Branko Bračko	Member of the Management Board	purchasing, sales, production	15. 11. 2012	14. 11. 2027	men	Slovenian	1967	B.Sc. ME.	management	member of the Supervisory Board of Stanovanjsko podjetje Konjice, d.o.o. member of the Supervisory Board of the ACS Slovenian Automotive Cluster member of the Supervisory Board of Zavarovalnica Triglav, d.d. (until 06/06/2023)

The Supervisory Board, its composition, members and committees are presented in chapter 7.3 of the Annual Report 2023, and the composition in accordance with Annex C of the Slovenian Corporate Governance Code for Public Joint Stock Companies and Annex 3 of the Corporate Governance Code for State Invested Companies is presented in the following table.

Name and surname	Position	First appointment to this position	End of position/term	Representative of capital/employees	Attendance at SB meetings	Gender	Nationality	Year of birth	Education	Professional profile	Independence under Article 23 of the Code	Existence of a conflict of interest	Membership in supervisory bodies of other companies	Membership in committees	President/member	Attendance at committee meetings
Franc Dover, M. Sc.	President of the SB	13. 12. 2021	5. 7. 2023	representative of capital	8/8	men	Slovenian	1965	master of Engineering	management	DA	NO	-	HR committee	deputy President	1/1
Simona Razvornik Škofič	Deputy President of the SB	13. 12. 2017	5. 7. 2023	representative of capital	7/8	female	Slovenian	1971	university graduate in economics	finance	DA	NO	external member of the audit committee of SB LL Grosist d.o.o.	Audit committee	president	4/4
Andreja Potočnik	member of the SB	13. 12. 2021	5. 7. 2023	representative of capital	3/8	female	Slovenian	1982	master of Management	management	DA	NO	-	HR committee audit committee	president deputy president	1/1 0/0
dr. Tomaž Subotič	Member of the SB	8. 12. 2022	7. 12. 2026	representative of capital	10/12	men	Slovenian	1959	PhD in organisational sciences and master of economic sciences	management and finance	DA	NO	president of the supervisory board Železar Štore DP d.d. president of the institutional council of Celje General Hospital (from Sep 2023) president of the institutional council of the Ljubljana University Psychiatric Clinic (from Nov 2023)	audit committee HR committee	president member	8/8 3/3
Robert Vuga	President of the SB	6. 7. 2023	12. 12. 2023	representative of capital	4/4	men	Slovenian	1969	graduate economist	management	DA	NO	chairman of the supervisory board of Mariborska livarna Maribor d.d. (until July 2023)	HR committee	member	2/2
Katja Potočar	president of the SB	6. 7. 2023	5. 7. 2027	representative of capital	4/4	female	Slovenian	1975	university graduate in law	lawyer	DA	NO	-	HR committee	president	2/2
mag. Marijan Penšek	deputy president of the SB	6. 7. 2023	5. 7. 2027	representative of capital	4/4	men	Slovenian	1959	master of Engineering	mechanical engineering	DA	NO	member of the Supervisory Board, Member of the Audit Committee and Member of the Investment Committee GEN energija d.o.o.	audit committee HR committee	deputy president deputy president	4/4 0/0
Saša Koren	member of the SB	13. 12. 2017	12. 12. 2025	representative of employees	11/12	female	Slovenian	1986	graduate economist	finance	DA	NO	-	Audit committee	member	8/8
Milan Potočnik	Member of the SB	1. 11. 2022	22. 7. 2025	representative of employees	12/12	men	Slovenian	1976	auto-mechanic	professional associate	DA	NO	-	HR committee	member	4/4

Name and surname	Committee	Attendance at committee meetings	Gender	Nationality	Education	Year of birth	Professional profile	Membership in supervisory bodies of companies unrelated to the company
mag. Blanka Vezjak	Audit committee	5/5	female	Slovenian	master of Economic Sciences	*	audit	external member of the audit committee of the Governing Board of the University of Ljubljana external member of the audit committee of SB of Mariborsko vodovod d.o.o. (until January 2023)
prof. Dr. Simon Čadež	Audit committee	3/3	men	Slovenian	PhD in Business and Organisational Sciences	1974	accounting and audit	external member of the audit committee of SB of Istrabenz turizem d.d. external member of the audit committee of SB of Marjetica Koper d.o.o. external member of the audit committee of SB of Elektro Gorenjska d.d.

* The Audit Committee member did not give her consent to the publication of her year of birth.

In compliance with Annex 4 to the Corporate Governance Code for Companies with State Capital Investments, remuneration of the Management Board and Members of the Supervisory Board is illustrated below. For a more detailed presentation, refer to Section 7.5 of the 2023 Annual Report.

Remuneration To The Management Board

Year 2023 (in EUR)	Position	Fixed renumeration	Variable remuneration			Deferred renumeration	Termination benefits	Bonus payments		Return of benefits	Total gross	Total net	Reimbursement of expenses
			quantitative benchmarks	qualitative benchmarks	Total			insurance	vehicle				
Darko Hrastnik	President of the Management Board	217,610	0		0	0	0	6,821	6,369	0	**230,800**	**94,115**	**657**
Branko Bračko	Member of the Management Board	199,601	0		0	0	0	5,889	6,452	0	**211,942**	**90,429**	**2,857**

Year 2022 (in EUR)	Position	Fixed renumeration	Variable remuneration			Deferred renumeration	Termination benefits	Bonus payments		Return of benefits	Total gross	Total net	Reimbursement of expenses
			quantitative benchmarks	qualitative benchmarks	Total			insurance	vehicle				
Darko Hrastnik	President of the Management Board	189,189	0	0	0	0	0	5,734	8,147	0	**203,070**	**85,347**	**534**
Branko Bračko	Member of the Management Board	175,884	0	0	0	0	0	5,638	7,979	0	**189,501**	**82,830**	**2,431**

In the event of resignation, Members of the Management Board shall not be entitled to termination benefits, whereas, in the event of dismissal or termination of the employment agreement by the company without just cause, they shall be entitled thereto.

Remuneration to the Supervisory Board

Year 2023 (in EUR)	Position	Payment for fulfilling the position				Attendance fees for SB and the committees	Total gross	Total net	Travel expenses
		basic payment for fulfilling the position	additional payment for fulfilling the position	additional payment for special tasks	Total				
Franc Dover	President of the SB	9,777	1,629	0	11,406	2,503	**13,909**	**9,981**	280
Simona Razvornik Škofič	Deputy President of the SB	7,169	2,444	0	9,613	3,558	**13,171**	**9,444**	1,049
Andreja Potočnik	member of the SB	6,268	2,351	0	8,619	1,391	**10,010**	**7,144**	383
Tomaž Subotič	Member of the SB	10,070	6,294	0	16,364	11,991	**28,355**	**20,487**	7,908
Robert Vuga	President of the SB	6,680	1,113	0	7,793	1,408	**9,201**	**6,692**	0
Katja Potočar	president of the SB	4,899	1,670	0	6,569	1,663	**8,232**	**5,987**	279
Marijan Penšek	deputy president of the SB	4,453	1,113	0	5,566	2,047	**7,613**	**5,537**	259
Saša Koren	member of the SB	10,971	2,743	0	13,714	4,410	**18,124**	**13,046**	0
Milan Potočnik	Member of the SB	10,971	2,743	0	13,714	3,656	**17,370**	**12,497**	0
Blanka Vezjak	External member of the SB	0	1,880	0	1,880	1,103	**2,983**	**2,169**	106
Simon Čadež	external member of an SB committee	0	863	0	863	1,008	**1,871**	**1,360**	442

Year 2022 (in EUR)	Position	Payment for fulfilling the position				Attendance fees for SB and the committees	Total gross	Total net	Travel expenses
		basic payment for fulfilling the position	additional payment for fulfilling the position	additional payment for special tasks	Total				
Branko Pavlin	President of the SB	531	88	0	619	0	**619**	**450**	0
Simona Razvornik Škofič	Deputy President of the SB	12,068	4,114	0	16,182	5,025	**21,207**	**15,289**	1,169
Jože Golobič	Member of the SB	354	133	0	487	0	**487**	**354**	0
Rajko Stankovič	Member of the SB	354	88	0	442	0	**442**	**322**	0
Saša Koren	Member of the SB	10,971	2,743	0	13,714	3,957	**17,671**	**12,716**	0
Boris Brdnik	Member of the SB	10,057	2,514	0	12,571	2,650	**15,221**	**10,934**	0
Franc Dover	President of the SB	15,926	2,654	0	18,580	3,424	**22,004**	**15,868**	297
Andreja Potočnik	Deputy President of the SB	10,388	6,064	0	16,452	5,824	**22,276**	**16,066**	1,712
Boštjan Napast	Member of the SB	10,617	0	0	10,617	1,644	**12,261**	**8,782**	0
Milan Potočnik	Member of the SB	914	229	0	1,143	503	**1,646**	**1,197**	0
Blanka Vezjak	External member of the SB	0	2,425	0	2,425	1,845	**4,270**	**3,106**	274

In compliance with Indent 3 of Paragraph (3) of Article 69 of the Companies Act (ZGD-1), UNIOR hereinafter discloses the remuneration received by Members of the Management Board, other company employees employed under an individual contract of employment for which the tariff part of the collective agreement does not apply and Members of the Supervisory Board.

The company has not granted any advance payments, loans or sureties for their liabilities to Members of the Management Board, other company employees employed under an individual contract of employment for which the tariff part of the collective agreement does not apply and Members of the Supervisory Board.

Year 2023	Gross values						Net values					
(in EUR)	Current employee benefits	Post-employment benefits	Other non-current benefits	Termination benefits	Share-based payments	Total gross	Current employee benefits	Post-employment benefits	Other non-current benefits	Termination benefits	Share-based payments	Total net
The company management board	442,742	0	0	0	0	442,742	184,544	0	0	0	0	184,544
Supervisory Board of the company	130,839	0	0	0	0	130,839	94,344	0	0	0	0	94,344
Employees based on an individual contract	5,658,670	0	0	0	0	5,658,670	3,147,943	0	0	0	0	3,147,943

Year 2022	Gross values						Net values					
(in EUR)	Current employee benefits	Post-employment benefits	Other non-current benefits	Termination benefits	Share-based payments	Total gross	Current employee benefits	Post-employment benefits	Other non-current benefits	Termination benefits	Share-based payments	Total net
The company management board	392,572	0	0	0	0	392,572	168,177	0	0	0	0	168,177
Supervisory Board of the company	118,104	0	0	0	0	118,104	85,084	0	0	0	0	85,084
Employees based on an individual contract	4,389,017	0	0	0	0	4,389,017	2,492,765	0	0	0	0	2,492,765

In Zreče, on 25/04/2024

Branko Bračko
Member of the Management Board

Darko Hrastnik
President of the Management Board

7.7 Statement on non-financial operations of the UNIOR Group and UNIOR d.d.

In compliance with the provisions of paragraph twelve of Articles 56 and 70.c of ZGD-1, UNIOR d.d. hereby issues the following Statement on Non-Financial Operations of UNIOR d.d. and the UNIOR Group.

The Statement on Non-Financial Operations forms an integral part of the 2023 Annual Report and can also be accessed via the www.unior.si website for a minimum period of five years following its publication.

7.7.1 Description of the business model

UNIOR d.d. is the parent company of the dynamic UNIOR Group, which, together with its subsidiaries and associates, operates in 13 countries around the world and sells its products and services on every continent. The Business Model of the UNIOR Group consisting of companies with varied activities is presented in Section 3.1 of the 2023 Annual Report, whereas the Business Model of UNIOR d.d. in Section 3.2. of the 2023 Annual Report and Section 7.6 – Corporate Governance Declaration of the UNIOR Group and UNIOR d.d.

The Corporate Governance Policy is set out in the Corporate Governance Policy of UNIOR d.d., which defines the main factors for the functioning of the Company and the Group and is publicly available on the Company's website (https://www.unior.si/uploads/dokumenti/243_Politika%20upravljanja%20dru%C5%BEbe%20UNIOR%20d.%20d.pdf), and constitutes a commitment for the Supervisory Board, the Management Board and the management, executives and employees for current and future operations. The company has also adopted UNIOR Group Governance Rules intended to unify the rules of operation of UNIOR Group companies in as many areas of operation as possible.

7.7.2 Environmental, social and human resources affairs

The fundamental principle for achieving UNIOR d.d.'s objectives is to continue on the path to sustainable excellence, which is why we have established and integrated quality management, environmental management, occupational health and safety, energy management and social responsibility systems.

7.7.2.1 Environment

ENVIRONMENTAL POLICY

Our core principles are responsibility for environmental protection, prevention of negative impacts on the environment, compliance with legal requirements and continuous improvement in environmental protection. We have an ISO 14001-compliant environmental management system integrated into our quality management system, occupational health and safety, energy management and social responsibility. In line with our environmental policy, we ensure effective control, minimise adverse environmental impacts, rationalise resource use, preserve biodiversity, promote sustainable production and consumption, and replace substances that have a harmful impact on human health and the environment. We are also aware of the importance of sustainable development and the related transition to low-carbon society. A waste management hierarchy is being implemented and the principles of a circular economy introduced.

The fundamental principles of UNIOR d.d.'s subsidiaries are responsibility for environmental protection, prevention of negative impacts on the environment and continuous improvement in the field of environmental protection. Subsidiaries comply with and act in accordance with (national) environmental legislation, have an environmental management system in place or certified in accordance with ISO 14001, promote sustainable production and consumption and the substitution of substances that have a harmful effect on human health and the environment, periodically assess environmental aspects and set programmes and targets for the coming years, and carry out environmental training for their employees.

ENERGY POLICY

UNIOR d.d. is one of the biggest consumers of energy in Slovenia. The Company is known in Slovenia for promoting energy efficiency and exploitation of RES. The active implementation of the company's energy efficiency policy is reflected in the continuous implementation of energy efficiency measures, thereby reducing energy costs. The Company has adopted Energy Management Rules laying down its energy policy. Through our policy, we are committed to ensuring that the company's processes follow the guidelines of the most modern energy management system approaches, in line with our capabilities and needs. By continuously improving our energy efficiency and energy management system, we are not only reducing environmental emissions, we are also lowering our operating costs.

In terms of energy, our subsidiaries strive primarily for the following:

- to introduce an energy information control system to monitor the consumption, costs of energy products dependent on production levels, comparable to the system used by the parent company;
- to take into account efficient energy consumption guidelines, statutory and other regulations in force;
- to establish an energy product procurement system (to reduce the risk of sudden price changes);
- to rationalise the consumption of energy products, introduce the best energy product-consuming technologies available;
- to make their operations more environment friendly;
- to raise awareness of employees on the rational consumption of energy;
- to observe energy policy guidelines of the parent company as laid down in the Energy Policy Rules as amended from time to time.

DUE DILIGENCE

Subject to the Decree on activities and installations causing large-scale environmental pollution, at our premises at Kovaška cesta 10 in Zreče, the company has been committed to complying with the IED (Industrial Emissions Directive) and has been in the possession of an integrated environmental permit since 2009.

In line with our management systems, we conduct a management review of our environmental management system by preparing an annual performance report covering the following topics: status of actions from previous management reviews, achievement of environmental objectives, impact of environmental management, assessment of compliance with legal and other requirements, results of audits, stakeholder information. The environment management system operation report is deliberated on during the management review whereby measures including any opportunities for continuous improvements, the attainment of environmental targets, required changes and other findings aimed at improving the environment management system are entered into the minutes.

At the end of 2020, we achieved our first ISO 50001 Energy Management System certification and our first recertification in 2023, ensuring continuous improvements in energy efficiency and reducing our environmental impact. We have an energy policy in place with concrete targets to optimise energy use, leading to savings. Energy efficiency is included in the equipment, raw material, and service planning and procurement decision-making processes within the Company. The certificate is used as a basis for an independent external organisation to verify the compliance and effectiveness of the management system with the requirements of the standard. The certificate does not only impact the awareness of our employees that our Company has been determinedly seeking to reduce its energy consumption which will lead to new approaches, oriented towards saving energy, but also demonstrates our commitment to sustainable development.

MAIN RISKS AND THEIR MANAGEMENT

The risks related to environmental protection have been grouped under environmental and climate risks, which are divided into risks where the UNIOR Group/UNIOR d.d. has an impact on the environment, and risks where the environment has an impact on the UNIOR Group/UNIOR d.d. For more information on environmental and climate and energy risks, see section 7.8 of the Annual Report 2023.

We are aware of the risks in the Group's business and we pay particular attention to all risks in the Group. A Risk Management Committee has been established, and individual risk managers have been appointed in compliance with the established risk register.

KEY NON-FINANCIAL PERFORMANCE INDICATORS

Through careful environmental analysis, we have identified the key environmental aspects of our activities. These include: waste water, waste, air emissions, soil pollution, chemicals and noise. Based on identified environmental aspects, legal and other requirements, we carry out appropriate monitoring, proactively communicate environmental information to employees and interested stakeholders, especially neighbours, and set programmes and targets for the coming years.

Environmental aspects are measured and managed through indicators, such as regular monitoring of wastewater, air emissions, noise sources and waste generation.

By means of an energy control information system, the Company timely, in real time, monitors the consumption of key energy products by major consumer, sets target values of specific uses of energy products per product unit and monitors derogations from the set targets.

For more information on environmental matters, see section 6.2 of the 2023 Annual Report.

7.7.3 Social and human resources

POLICY

At UNIOR d.d., we have closely integrated employee care into all our business planning. As the largest employer in the region and one of the largest in the country, and as an economic entity that makes a significant contribution to and shapes local life, we are aware that investing in our employees not only demonstrates our responsibility towards our colleagues, but also our responsibility towards the wider environment, as demonstrated, among other things, by our full certification as a Family Friendly Company.

We put the importance of our people at the centre of our work, in particular their development. They can use their new knowledge and their work to contribute to the quality of the work process and to successful business results in the long term. This ensures professional, work-related and personal development, as well as the possibility of promotion.

The Company carries out annual performance review during which employees and their supervisors are encouraged to establish a mutual dialogue on the well-being at the workplace, the achieved objectives and set objectives for the future, required training, improvement proposals for the workplace, In order to identify potential successors which could take over key positions in the future, a succession policy for key talent has been laid down as part of the employee development process.

Scholarships awarded to high school and university students facilitate long-term planning of the recruitment of future employees and serve as an excellent opportunity for the personal and professional growth of individuals. Through scholarships, we connect with potential employees during their education and create a pool of young talent. The aim of our scholarships is to recruit and train competent staff in the necessary fields. It is important for us to build and maintain links with local secondary schools, as most of our scholarship holders are educated there.

In the event of a longer sick leave, our employees may also request solidarity aid. The employer also provides collective accident insurance for 24 hours a day for all workers who want it. In addition, our employees can also join a supplementary pension scheme, whereby the employer pays their supplementary pension scheme premiums on their behalf.

The fundamental documents in the field of occupational safety and health are the Occupational Health and Safety Promotion Programme and the Quality, Environmental Management, Occupational Health and Safety and Energy Management Policy of UNIOR d.d. With the ISO 45001 system and the commitments made in the policy and the activities included in the programme, the employer is maintaining the trend of a decrease in the number of occupational accidents in 2023 as well. We follow legal requirements in the areas of training, inspection of work equipment and microclimate requirements, and we carry out audits of risk assessments, preventive medical examinations and health promotion. We raise awareness on and improve control of hazards and risks at the workplace. We improve awareness and control of workplace hazards and risks.

Through the UNIOR Sports Association, we encourage our employees to lead a healthy and active lifestyle and provide them with access to a rented sports hall, season ski passes to Rogla for employees, their children and partners, benefits when using the services of our subsidiary UNITUR d.o.o. (wellness, healthcare) and a special December offer for employees when purchasing gift vouchers for UNITUR d.o.o.'s catering, healthcare and other services. Employees can take advantage of discounted rates for holiday facilities in Rogla, Portorož and Biograd na Moru in neighbouring Croatia.

Persons with disabilities are also employed. As a result, special attention is paid to ergonomic adjustments of the workplace, to obtaining funding from the Pension and Disability Insurance Institute of Slovenia (ZPIZ) for adjusting work areas and equipment for persons with disabilities and to finding appropriate jobs for persons with disabilities and limitations. UNIOR d.d. exceeds the quota of employed persons with disabilities. In 2022, the subsidiary UNIOR IN d.o.o. acquired the status of an enterprise employing people with disabilities, employing 26 persons at the end of 2023. We regularly collaborate with vocational rehabilitation providers and train unemployed persons with disabilities, allowing them to obtain practical work experiences and knowledge do increase their employability.

The following activities are promoted to obtain and develop talent in the UNIOR Group:

- promotion of the Group with the aim of recruiting and retaining key and promising talent;
- integrating employees within the Group and transferring good practices and establishing guidelines on HR processes, including:
  a) annual interviews with a view to introducing goal-based management;
  b) staff development and the promotion of lifelong learning with an emphasis on the transfer of know-how;
  c) development of leadership skills;
  d) monitoring and changing the organisational culture and climate in the Group;
  e) incentive-based motivation and reward system.

There is an awareness in all subsidiaries that a friendlier and safer working environment can significantly reduce the number and consequences of accidents at work and sickness absence. Continuous improvement of safety aspects and improvement of occupational health and safety shall be important for the development of subsidiaries. Important areas from the point of view of occupational health and safety are: occupational accidents, promotion of health at the workplace, sick leave, all important findings arising from the risk assessment and ergonomics of the workplace, technological operating aspects of individual processes and others.

DUE DILIGENCE

Acknowledging social dialogue and in compliance with the law in force, regulations governing the rights, obligations and responsibilities of employees are always adopted in cooperation with both the Works Council and three representative trade unions.

The Works Council has set up permanent committees: Committee for regulating the position of special groups of employees (persons with disabilities, women, young workers, etc.), Committee for occupational health and work conditions, Committee for monitoring the implementation of the law and collective agreements and Committee for information. These committees deliberate on various issues falling within their competence.

Workers' participation in the management of the company's bodies is implemented through two worker representatives on the company's Supervisory Board. Our employees are members of representative trade unions in the Company and at least one more trade union. Employees in our subsidiaries are also members in other trade unions. A company-level collective agreement with its corresponding annexes has been adopted.

In the area of occupational safety and health, we monitor the number of occupational accidents and the level of sickness absence (see section 6.3 of the 2023 Annual Report for more information). We are ISO 45001 certified, which helps to improve safety culture and consequently reduce accidents and downtime.

MAIN RISKS AND THEIR MANAGEMENT

Risks related to human resources are mainly in the area of staff shortages and the associated unwanted turnover, as well as the increasing age structure of the workforce.

The situation on the labour market has been impacting staff turnaround and constitutes a risk on account of a shortage of talent additionally exacerbated by new HR needs caused by a favourable order intake. The biggest shortage is still in the area of technical staff, in particular to fill staffing needs in the forge, tool room, forgings processing and maintenance. Our operating growth and market conditions have been exceeding our ability to recruit appropriate labour from Slovenia. As a result, we continued to recruit foreigners in 2023 as well.

To mitigate the risk, a number of activities have also been introduced to promote deficit occupations (using various channels to promote and advertise vacancies at home and in the former Yugoslav countries (especially Serbia, Bosnia and Herzegovina, North Macedonia), promoting scholarships and monitoring scholarship holders, working with schools and promoting the implementation of compulsory internships for school pupils and students, involvement of recruitment agencies, participation in career/job fairs) and retention activities (monitoring and interviewing new recruits, development talks with scholarship holders, exit interviews and detection of possible departures, measuring organisational climate and HR development activities and introducing improvements in working conditions).

Due to the situation on the labour market, there has also been increasing pressure on salaries resulting in higher labour costs. Only through additional incentives and improvements in working conditions, we will be able to recruit and retain the appropriate staff.

Occupational health and safety risks are related primarily to managing sick leave rates and injuries, disabilities and compensation for occupational injuries. Measures of the employer in this regard are focused on prevention.

KEY NON-FINANCIAL PERFORMANCE INDICATORS

We ensure regular and good communication with all employees, as well as training and education for all staff.

Demographic indicators are important for understanding our employees and our work processes: the number of employees, their structure (employment by programme, gender, age, educational structure, region of employment, etc.), trends (arrivals, departures, etc.) and average gross salary.

Through various HR tools (annual interviews, development interviews, potential assessment, mentoring system, business schools, measuring organisational climate), we ensure the quality development of our employees and the retention and transfer of knowledge within the company. A succession policy has been laid down for key talent.

The development of employees is one of the key processes used to implement UNIOR's commitment to sustainability. Skills and competences of our employees are increased primarily through trainings in both areas of expertise and soft skills. External and internal training courses are organised and co-financing of part-time studies is facilitated. Company scholarships for school pupils and students are also available. Indicators related to investments in employee development are relevant: number of training hours, funds spent on training and education (co-financing of part-time studies and scholarships), the education structure.

Economic and technological development and working process needs promote the recruitment of new talent with a higher level of qualifications than before.

As part of the full Family Friendly Company certificate and within the realm of the laid down measures, employees are provided with the ability to more easily reconcile their working lives with family responsibilities.

The occupational accident number has been falling throughout the years, resulting also in lower numbers of lost days caused by sick leave resulting from occupational injuries. The payment of compensation for occupational accidents has been monitored. Sick leave rates are managed and measures adopted to reduce them to the established rate on the activity level. We receive grants from the Pension and Disability Insurance Institute of Slovenia for the adaptation of working spaces and working equipment.

Sections 9.8.5 and 10.8.3 of the 2023 Annual Report list the main categories of costs, including staff remuneration. Added value per employee of the company and Group has been disclosed in Section 8.5 of the 2023 Annual Report, while Section 8.6 contains a disclosure of key performance indicators.

For more information on social and human resources matters, see section 6.3 of the 2023 Annual Report.

7.7.4 Respect for human rights

POLICY

At UNIOR d.d., we treat every individual with respect and we observe human rights, which we have committed to in our Code of Ethics, which entered into force on 01/07/2016. The 2020 UNIOR Group Code of Ethics also includes commitments in the areas of compliance and integrity to operate transparently and to prevent illegal and unethical conduct at Group level. We act in accordance with the Constitution, the law, generally applicable standards and principles, and the rules of international human rights law.

In March 2023, the company adopted the UNIOR d.d. Quality, Environmental Management, Occupational Health and Safety, Energy Management and Corporate Social Responsibility Policy, where "Respect for Human Rights" is added as a special section. We respect human rights throughout the business process and avoid and prevent potential negative impacts on them. We are committed to respecting the human rights of our business partners and suppliers. We are committed to the joint tackling and collaboration with key stakeholders, desiring to promote progress in the respect of human rights in operations.

At UNIOR d.d., we respect and uphold human rights at all levels of our operations. Children under the age of 15 are prohibited from working. Workers under the age of 18 enjoy special protection in the employment relationship. Any form of forced or compulsory labour, participation in trafficking in human beings, and slavery are prohibited. These rights are already enshrined in the legislation of the Republic of Slovenia and are explicitly embedded in the Quality, Environmental, Occupational Health and Safety, Energy Management and Social Responsibility Policy of UNIOR d.d. We do not tolerate child labour for persons under 15 years of age, any form of modern slavery or other forms of forced or compulsory labour, or trafficking in human beings in the business operations of any of our business partners, including our suppliers.

We employ foreigners, older workers, people with disabilities, pregnant women, parents, and we treat everyone with respect and equality. We ensure that people with disabilities and people without disabilities are protected in employment, training or retraining in accordance with the law.

Direct and indirect discrimination based on personal circumstances is prohibited. We implement the principle of equal treatment and equal opportunities for women and men. The Company has a Diversity Policy for the Management Board and Supervisory Board of UNIOR d.d., which aims to promote diversity and to achieve the target diversity of the Management Board and Supervisory Board in terms of gender, age, education and experience. The provisions also apply mutatis mutandis to recruitment at lower management levels.

Sexual and other harassment and ill-treatment in the workplace is prohibited. UNIOR d.d. has a Policy on the Prohibition and Prevention of Sexual and Other Harassment or Abuse in the Workplace. The Company advocates for a zero tolerance policy regarding any kind of threats to our employees resulting from their performance of their tasks and duties, for the purpose of which the Work Instruction DNv 0105060-3 (Instruction on Protecting Employees in the Event of Threats) has been adopted. Authorised personnel for receiving reports were appointed by decision of the Management Board who receives reports of alleged sexual or other abuse and mobbing at the workplace in each plant of the company. A total of 14 authorised personnel were appointed. A mobbing training is organised for them on a multiannual basis. Employees who behave indecently at work, use force or serious threats against colleagues, cause disputes between colleagues and the company's customers or with them, or violate the Code of Ethics, shall be dealt with in accordance with the provisions of the UNIOR Code of Conduct on Breach of Contractual and Other Obligations arising from the Employment Relationship.

According to the UNIOR Group Corporate Governance Manual, taking care of employees is an important part of the Group's social responsibility. To this end, the Group promotes activities such as compliance with (national) labour legislation. The Group does not tolerate discrimination on the grounds of race or ethnic origin, national or social origin, gender, skin colour, medical condition, disability, religion, belief, age, sexual orientation, or any harassment and/or abusive treatment of an individual in the workplace.

DUE DILIGENCE

Three representative trade unions and a 14-member Works Council are active in UNIOR d.d. There are also two representatives of employees in the Supervisory Board of the Company. Under the legislation, these bodies give their opinions and the employer is obliged to inform and consult them on certain matters and to send them proposals for decisions to be taken jointly. The first concern of social partners is the respect for employee, thus also human, rights. A continuous dialogue takes place in the Company in relation thereto.

MAIN RISKS AND THEIR MANAGEMENT

We do not perceive any major risks in the area of human rights. Through regular training of professional staff and workers and regular social dialogue with trade unions and the Works Council, we can reduce risks.

KEY NON-FINANCIAL PERFORMANCE INDICATORS

UNIOR d.d. was issued one warning for an infringement of labour law by the Decision on an offence of the Inspectorate of the Republic of Slovenia, and one lawsuit was filed against the company, alleging breach of the rights arising from the employment relationship.

7.7.5 Fight against corruption and bribery

The fight against corruption and bribery is one of the key areas of corporate integrity, and it is important to take into account the contents of Section 6.4 of the Annual Report in this respect.

POLICY

In relation to anti-corruption and bribery, UNIOR d.d. has already adopted several measures to prevent or reduce any negative effects on its operations. Our conduct takes into consideration business ethics and builds an organisational culture promoting legal, transparent and ethical conduct of all employees. We have rules in place to prevent acts of corruption and bribery, which are set out in the UNIOR Corporate Integrity Policy, the Fraud Prevention and Detection Policy, the Business Gifts Policy and the Conflict of Interest Management Policy.

DUE DILIGENCE

UNIOR d.d. has a corporate integrity risk management system in place, which includes, inter alia, continuous monitoring and control of the following areas. On 01/03/2023, the Board of Directors of the Company appointed a Corporate Integrity and Fraud Officer, who is independent and reports directly to the Board of Directors. They report on their activities to the Management Board and, on an annual basis, to the Audit Committee. The person empowered also provides staff with professional integrity assistance. The Board of Directors of the Company has also appointed a Compliance Officer as of 01/12/2023 to establish and implement a compliance programme for the Company.

UNIOR d.d. develops and implements an Integrity Plan as an internal control tool to identify and limit the risk of corruption, conflicts of interest, disclosure of inside information and other illegal and unethical practices.

The areas covered by the Integrity Plan for the previous period are:
- reporting unethical or illegal practices or influences,
- systemic integrity risks,
- protection of applicants,
- prohibition on accepting and giving gifts,
- undue influence and lobbying,
- mandatory disclosure of conflicts of interest and restrictions on dealing with related parties,
- non-compliance with the competition clause,
- data protection and insider information,
- unauthorised use of company assets and managing the risk of fraud,
- conduct of procurement procedures inconsistent with the principles of transparency, equity and economy,
- recruitment to management positions based on third-party influence,
- monitoring new suppliers and the Ministry's announcements on money laundering and terrorist financing; and
- sponsorships and donations.

The Integrity Plan is updated annually, and the assessment of each risk is based on the magnitude of the potential harm and the likelihood of its occurrence.

Depending on the magnitude of the risk and the internal controls in place, additional improvement measures are envisaged where necessary.

UNIOR Group is also committed to fighting corruption and bribery because we believe in honesty, integrity and transparency in our business. Group companies follow ethical principles and legal regulations and promote responsible behaviour in the daily work of their employees. Through clearly defined guidelines and principles in the UNIOR Group Code of Ethics, we ensure that our expectations of integrity are effectively translated into practice and action by all parts of the Group.

MAIN RISKS AND THEIR MANAGEMENT

Corruption and bribery risks may arise on all levels of our operations. Some safeguard mechanisms reducing these risks have been integrated into the management system, such as the publication of the Code of Ethics, regular communication of the Code within the Company, the Integrity Plan, the anti-corruption clause in our agreements with business partners, admissibility assessments of business partners, etc.

Corporate integrity and fraud training, internal publications and open dialogue among employees increase understanding and knowledge of how to act impartially, honestly, trustworthily and with high moral principles. This reduces the possibility of bad behaviour and increases the perception that a breach can be reported to the relevant authorities and that the identity of the whistleblower is protected.

UNIOR d.d. pays special attention to the protection of bona fide whistleblowers, and as of 17/05/2023, UNIOR d.d.'s Whistleblower Protection Policy came into force. UNIOR d.d. has designated a Corporate Integrity and Fraud Officer as the confidential person responsible for handling the whistleblower reports received, who is obliged to protect the identity of the bona fide whistleblower and to treat the whistleblower's information confidentially. In the event of unauthorised retaliation against a whistleblower, the employees who carry out the unauthorised retaliation may be subject to appropriate proceedings under applicable labour law. A report may be made orally to the Corporate Integrity and Fraud Officer or anonymously on 080 10 90, via the form published on the Company's intranet and website, by email to prijava.povejmo@unior.com or by post in a sealed envelope marked “DO NOT OPEN”, “CONFIDENTIAL” or “TO THE ADDRESSEE”, addressed to UNIOR d.d., Notification of breaches of duty – Trustee, Kovaška cesta 10, 3214 Zreče. Each application received is recorded in the register of applications.

KEY NON-FINANCIAL PERFORMANCE INDICATORS

The Company has several whistleblowing lines for integrity breaches and fraud. A report may be made directly to the Corporate Integrity and Fraud Officer or by email to prijava.povejmo@unior.com and etika@unior.com or by calling the free anonymous telephone number 080 10 90. The Corporate Integrity and Fraud Officer handles all reports, including anonymous ones. One application was received in 2023.

7.7.6 Reports on environmentally sustainable economic activities and investments of UNIOR Group and UNIOR d.d. in 2023

For UNIOR Group and UNIOR, d.d., we disclose information on how and to what extent our activities are linked to economic activities that are considered environmentally sustainable in accordance with Articles 3 and 9. Taxonomy Regulation (Regulation (EU) 2020/852 of the European Parliament and of the Council of 18 June 2020 establishing a framework to promote sustainable investments and amending Regulation (EU) 2019/2088).

Disclosure of information refers to Commission Delegated Regulation (EU) 2021/2139 of 4 June 2021 supplementing Regulation (EU) 2020/852 of the European Parliament and of the Council by laying down technical screening criteria for determining the conditions under which an economic activity shall be considered to contribute significantly to mitigating or adapting to climate change and for determining whether that economic activity does not significantly impair any of the other environmental objectives.

Commission Delegated Regulation (EU) 2022/1214 of 9 March 2022 was adopted amending Delegated Regulation (EU) 2021/2139 as regards economic activities in certain energy sectors and Delegated Regulation (EU) 2021/2178 as regards specific public disclosures for those economic activities. It discusses natural gas and nuclear energy from the viewpoint of the first two environmental objectives – climate change mitigation and adaptation.

Annex I to the delegated act on disclosures clarifies that undertakings should apply the same accounting principles for the calculation of their taxonomy-aligned revenue as are applied in the preparation of their consolidated annual accounts. This ensures comparability with the income reported in the consolidated financial statements of the company. Therefore, when preparing the consolidated statement of non-financial performance in accordance with the consolidation accounting principles, intercompany transactions and own-account income are excluded.

The indicators have been calculated subject to the definitions in Annex 1 (KPIs of non-financial undertakings) to the Commission Delegated Regulation (EU) 2021/2178 of 6 July 2021 supplementing Regulation (EU) 2020/852 of the European Parliament and of the Council by specifying the content and presentation of information to be disclosed by undertakings subject to Articles 19a or 29a of Directive 2013/34/EU concerning environmentally sustainable economic activities, and specifying the methodology to comply with that disclosure obligation.

7.7.6.1 UNIOR Group

SHARE OF REVENUE FROM PRODUCTS OR SERVICES RELATED TO TAXONOMY-ELIGIBLE ECONOMIC ACTIVITIES

Share of revenue from products or services related to taxonomy-eligible economic activities – 2023 disclosure for the UNIOR Group

				Criteria for substantial contribution						Criteria for non-material harm										
Economic activities (1)	Codes (2) NACE	Absolute revenue (3)	Revenue share (4)	Mitigating climate change (5)	Adapting to climate change (6)	Water and marine resources (7)	Circular economy (8)	Pollution (9)	Biodiversity and ecosystems (10)	Criteria for substantial contribution (11)	Adapting to climate change (12)	Water and marine resources (13)	Circular economy (14)	Pollution (15)	Biodiversity and ecosystems (16)	Minimum Protective Measures (17)	Taxonomy-adjusted revenue share 2023 (18)	Taxonomy-adjusted revenue share 2022 (19)	Category (enabling activity) (20)	Category (Transitional activity) (21)
		EUR	%	%	%	%	%	%	%	YES/ NO	YES/ NO	YES/ NO	YES/ NO	YES/ NO	YES/ NO	YES/ NO	%	%	O	P
A. ACTIVITIES ACCEPTABLE FOR THE TAXONOMY																				
A.1 Environmentally sustainable activities (aligned with the taxonomy)																				
Collection and transport of source-separated fractions of non-hazardous waste	E38.11	12,280,791	4.17	100	0	0	0	0	0	/	NO	NR	YES	NR	NR	YES	99.89	*/	/	/
Heat/cooling production from bioenergy	D35.30	11,392	0.004	100	0	0	0	0	0	/	NO	YES	NR	YES	YES	YES	0.09	*/	/	/
Energy production using photovoltaic technology	D35.11	2,691	0.001	100	0	0	0	0	0	/	NO	NR	YES	NR	YES	YES	0.02	43	/	/
Revenue from environmentally sustainable activities (aligned with the taxonomy) (A.1)		12,294,874	4.18																	
A.2 Activities that are acceptable to the taxonomy, but are not taxonomically sustainable (activities not consistent with the taxonomy)																				
Revenue from activities that are acceptable to the taxonomy, but not taxonomically sustainable (activities not aligned with the taxonomy) (A.2)		0	0.00																	
Total (A.1 + A.2) A		12,294,874	4.18																	
B. ACTIVITIES UNACCEPTABLE TO THE TAXONOMY																				
Income from activities unacceptable for taxonomy (B)		281,941,778	95.82																	
Total (A + B)		294,236,652	100.00																	

*Comments: */ We did not identify the activity in the previous year.*
NR – not relevant

The UNIOR Group's revenues in 2023 amounted to 294,236,652 euros, of which revenues from products or services related to economic activities aligned with the taxonomy amounted to 12,294,874 euros, representing 4.18 percent. The composition of the UNIOR Group's turnover by activity is explained in section 8.2.1 of the 2023 Annual Report, the accounting section discloses the Group's turnover in section 9.8, and the UNIOR Group's environmental/environmental impacts are further explained in section 9.13. We did not identify revenues from activities that are acceptable to the taxonomy, but not aligned with it. Revenue from activities unacceptable for taxonomy amounted to EUR 281,941,778 in 2023, representing 95.82% of total revenue.

The activities aligned with the taxonomy are three: collection and transport of fractions of non-hazardous waste separated at source – NACE E38.11 (this activity is carried out by UNIOR d.d., UNIOR Vinkovci d.o.o. and NINGBO UNIOR FORGING Co. Ltd.), the production of heat/cooling from bioenergy – NACE D35.30 (carried out by SPITT d.o.o.), and the production of energy using photovoltaic technology – NACE D35.11 (UNITUR d.o.o.). All three activities, taxonomically aligned, make a substantial contribution to the objective of climate change mitigation.

The major share of the revenues from activities aligned with the taxonomy is accounted for by the activity of collection and transport of source-separated fractions of non-hazardous waste, which accounts for 99.89%. This waste includes metal waste (mainly steel waste and to a lesser extent aluminium waste), which we sell to companies that collect or process this waste. They are recovered or recycled, so they are reused. The largest part of the waste that is recycled is metal chips, shavings and other metal waste from forging and metalworking processes in our production. In the previous financial year, we did not identify this activity as taxonomically acceptable from a climate change mitigation perspective (we had intended to report on it in the context of the circular economy) and therefore did not report on it.

For this activity, we have reviewed the criteria for non-material harm, namely the relevant criteria for two objectives: climate change adaptation and circular economy. The UNIOR Group also carries out certain activities in the companies UNIOR Vinkovci d.o.o. and NINGBO UNIOR FORGING Co. Ltd. in China, not only at its home site in Zreče. Due to the lack of data for these two companies, we cannot provide a documented guarantee that the non-significant harm criteria for the climate change adaptation objective are met. However, for the circular economy target, we meet the criteria of no significant harm.

Revenues from bio-energy heat/cooling production and photovoltaic power generation represent a minimal share of revenues, but are nevertheless reported for transparency. For these two activities, we also state that, as a precautionary measure, we cannot provide a documented guarantee that the criteria of non-significant harm for the climate change adaptation objective will be met. We comply with the minimum protection measures for all activities that are taxonomically consistent.

The indicators have been calculated subject to the definitions in Annex 1 (KPIs of non-financial undertakings) to the Commission Delegated Regulation (EU) 2021/2178 of 6 July 2021 supplementing Regulation (EU) 2020/852 of the European Parliament and of the Council by specifying the content and presentation of information to be disclosed by undertakings subject to Articles 19a or 29a of Directive 2013/34/EU concerning environmentally sustainable economic activities, and specifying the methodology to comply with that disclosure obligation.

The KPI related to turnover (turnover KPI) was calculated as the part of the net turnover derived from products or services, including intangibles, associated with Taxonomy-aligned economic activities (numerator), divided by the net turnover (denominator). The turnover shall cover the revenue recognised pursuant to International Accounting Standard (IAS) 1, paragraph 82(a), as adopted by Commission Regulation (EC) No. 1126/2008 (1).

SHARE OF INVESTMENTS IN FIXED ASSETS – PRODUCTS OR SERVICES RELATED TO TAXONOMY-ELIGIBLE ECONOMIC ACTIVITIES

Share of investments in fixed assets – products or services related to taxonomy-eligible economic activities – 2023 disclosure for the UNIOR Group

				Criteria for substantial contribution						Criteria for non-material harm										
Economic activities (1)	Codes (2) NACE	Absolute revenue (3)	Revenue share (4)	Mitigating climate change (5)	Adapting to climate change (6)	Water and marine resources (7)	Circular economy (8)	Pollution (9)	Biodiversity and ecosystems (10)	Criteria for substantial contribution (11)	Adapting to climate change (12)	Water and marine resources (13)	Circular economy (14)	Pollution (15)	Biodiversity and ecosystems (16)	Minimum Protective Measures (17)	Taxonomy-adjusted revenue share 2023 (18)	Taxonomy-adjusted revenue share 2022 (19)	Category (enabling activity) (20)	Category (Transitional activity) (21)
		EUR	%	%	%	%	%	%	%	YES/ NO	YES/ NO	YES/ NO	YES/ NO	YES/ NO	YES/ NO	YES/ NO	%	%	O	P
A. ACTIVITIES ACCEPTABLE FOR THE TAXONOMY																				
A.1 Environmentally sustainable activities (aligned with the taxonomy)																				
District heating/cooling distribution	D35.30	4,100	0.01	100	0	0	0	0	0	/	NO	YES	NR	YES	YES	YES	1.2	43.8	/	/
Installation, maintenance and repair of energy efficient equipment	F43	144,635	0.50	100	0	0	0	0	0	/	NO	NR	NR	YES	NR	YES	43.5	*/	/	/
Energy production using photovoltaic technology	D35.11	120,105	0.42	100	0	0	0	0	0	/	NO	NR	YES	NR	YES	YES	36.1	53.8	/	/
Installation, maintenance and repair of charging stations for electric vehicles in buildings (and in parking spaces connected to buildings)	C27.1	55,388	0.19	100	0	0	0	0	0	/	NO	NR	NR	NR	NR	YES	16.7	0.1	O	/
Installation, maintenance and repair of instruments and devices for measuring, regulating and monitoring the energy performance of buildings	F43	8,128	0.03	100	0	0	0	0	0	/	NO	NR	NR	NR	NR	YES	2.4	*/	O	/
Investments in fixed assets in environmentally sustainable activities (aligned with the taxonomy) (A.1)		332,356	1.15																	
A.2 Activities that are acceptable to the taxonomy, but are not taxonomically sustainable (activities not consistent with the taxonomy)																				
Fixed asset investments in activities that are acceptable for the taxonomy, but not taxonomically sustainable (activities not aligned with the taxonomy) (A.2)		0	0																	
Total (A.1 + A.2) A		332,356	1.15																	
B. ACTIVITIES UNACCEPTABLE TO THE TAXONOMY																				
Fixed asset investment from activities unacceptable for taxonomy (B)		28,505,212	98.85																	
Total (A + B)		28,837,568	100.00																	

*Comments: */ We did not identify the activity in the previous year.*
NR – not relevant

The total investment of the UNIOR Group in fixed assets in 2023 amounted to EUR 28,837,568. Taxonomy-adjusted fixed asset investments amounted to EUR 332,356, representing 1.15% of total fixed asset investments. Fixed asset investments not eligible for taxonomy amounted to EUR 28,505,212, representing 98.85% of total fixed asset investments. The UNIOR Group's investments are explained in chapter 8.8.1 of the 2023 Annual Report, while in the accounting part the investments are further disclosed in the individual subsections of chapter 9.7.

The activities to which the taxonomy-aligned fixed capital investment belongs are five: distribution of district heating/cooling – NACE D35.30, in which UNIOR, d.d. invested, installation, maintenance, and repair of energy-efficient equipment – NACE F43, in which UNIOR d.d. and UNITUR d.o.o. invested, production of energy using photovoltaic technology – NACE D35.11, in which UNIOR COMPONENTS d.o.o. invested, and the installation, maintenance and repair of charging stations for electric vehicles in buildings (and in parking spaces associated with buildings) – NACE C27.1, the installation, maintenance and repair of instruments and devices for measuring, regulating and controlling the energy performance of buildings – NACE F43, in which UNITUR d.o.o. invested. The latter two activities have the status of enabling activities.

All fixed asset investments that are aligned with the taxonomy contribute to climate change mitigation. We have also reviewed the relevant criteria for non-material harm. We meet all the criteria for all these activities, with the exception of climate change adaptation. For the latter, we declare non-compliance as a precautionary measure, as we cannot yet provide a documented guarantee that the material non-detriment criteria have been met for all companies in the group that have made taxonomically aligned investments in fixed assets. We comply with the minimum protection measures for all activities that are taxonomically consistent.

To calculate the fixed asset investment ratios, we have used the investments set out in the following standards:

- acquisitions of property, plant and equipment (IAS 16);
- acquisitions of intangible assets (IAS 38);
- acquisitions of investment property (IAS 40);
- the acquisition of rights to use leased assets (IFRS 16).

The sum of the above acquisitions is the denominator for the calculation of the shares.

SHARE OF INVESTMENTS IN CURRENT ASSETS – PRODUCTS OR SERVICES RELATED TO TAXONOMY-ELIGIBLE ECONOMIC ACTIVITIES

Share of investments in current assets – products or services related to taxonomy-eligible economic activities – 2023 disclosure for the UNIOR Group

				Criteria for substantial contribution						Criteria for non-material harm										
Economic activities (1)	Codes (2) NACE	Absolute revenue (3)	Revenue share (4)	Mitigating climate change (5)	Adapting to climate change (6)	Water and marine resources (7)	Circular economy (8)	Pollution (9)	Biodiversity and ecosystems (10)	Criteria for substantial contribution (11)	Adapting to climate change (12)	Water and marine resources (13)	Circular economy (14)	Pollution (15)	Biodiversity and ecosystems (16)	Minimum Protective Measures (17)	Taxonomy-adjusted revenue share 2023 (18)	Taxonomy-adjusted revenue share 2022 (19)	Category (enabling activity) (20)	Category (Transitional activity) (21)
		EUR	%	%	%	%	%	%	%	YES/ NO	YES/ NO	YES/ NO	YES/ NO	YES/ NO	YES/ NO	YES/ NO	%	%	O	P
A. ACTIVITIES ACCEPTABLE FOR THE TAXONOMY																				
A.1 Environmentally sustainable activities (aligned with the taxonomy)																				
District heating/cooling distribution	D35.30	24,084	0.16	100	0	0	0	0	0	/	NO	YES	NR	YES	YES	YES	100	*/	/	/
Fixed capital investment in environmentally sustainable activities (aligned with the taxonomy) (A.1)		24,084	0.16																	
A.2 Activities that are acceptable to the taxonomy, but are not taxonomically sustainable (activities not consistent with the taxonomy)																				
Fixed capital investment in activities that are acceptable for the taxonomy, but not taxonomically sustainable (activities not aligned with the taxonomy) (A.2)		0	0																	
Total (A.1 + A.2) A		24,084	0.16																	
B. ACTIVITIES UNACCEPTABLE TO THE TAXONOMY																				
Working capital investment from activities unacceptable for taxonomy (B)		14,784,373	99.84																	
Total (A + B)		14,808,457	100.00																	

*Comments: */ We did not identify the activity in the previous year.*
NR – not relevant

In 2023, the UNIOR Group invested EUR 14,808,457 in working capital, of which EUR 24,084, or 0.16%, were taxonomy compliant. 99.84%, or EUR 14,784,373, of working capital investments were unacceptable for taxonomy. The taxonomically compatible investments in fixed assets were made by SPITT d.o.o. in the activity of production of heat/cooling from bioenergy – NACE D35.30, which contributes to climate change mitigation. The UNIOR Group's investment in working capital represents, in the accounting part, a component of the cost of services and labour disclosed in section 9.8.4 of the 2023 Annual Report, which comprises the direct non-funded costs associated with the daily servicing of property, plant and equipment by an entity or a third party.

This investment meets the criteria for non-significant harm, with the exception of the criterion for the climate change adaptation objective, where we have taken the position of not meeting the criterion as a precautionary measure because the evidence is not yet documented. We comply with minimum protective measures.

The share of investments in current assets is calculated as meter divided by the denominator.

The **denominator** includes direct non-capitalised costs related to the daily servicing of tangible fixed assets by the Company or a third party which activities required for the provision of a continuous and effective operation of such assets are outsourced to.

The **meter** equals the part of investments in current assets, included in the denominator, which is one of the following:

a) related to assets or processes related to Taxonomy-eligible economic activities, including training and other HR adjustment needs and direct non-capitalised costs (R&D);
b) part of a plan for investments in fixed assets for the expansion of Taxonomy-eligible economic activities or for facilitating their qualification into Taxonomy-eligible or Taxonomy-aligned economic activities within a pre-determined timeframe;
c) related to the purchase of output from economic activities aligned with the taxonomy and individual measures that make the targeted activities low carbon or lead to reductions in greenhouse gas emissions, and individual measures for the renovation of buildings listed in delegated acts adopted pursuant to Article 10(3), 11(3), 12(2), 13(2), 14(2) or 15(2) of Regulation (EU) 2020/852, provided that such measures are put in place and put into effect within 18 months.

7.7.6.2 UNIOR d.d.

SHARE OF REVENUE FROM PRODUCTS OR SERVICES RELATED TO TAXONOMY-ELIGIBLE ECONOMIC ACTIVITIES

Share of revenue from products or services related to taxonomy-eligible economic activities – 2023 disclosure for UNIOR, d.d.

				Criteria for substantial contribution						Criteria for non-material harm										
Economic activities (1)	Codes (2) NACE	Absolute revenue (3)	Revenue share (4)	Mitigating climate change (5)	Adapting to climate change (6)	Water and marine resources (7)	Circular economy (8)	Pollution (9)	Biodiversity and ecosystems (10)	Criteria for substantial contribution (11)	Adapting to climate change (12)	Water and marine resources (13)	Circular economy (14)	Pollution (15)	Biodiversity and ecosystems (16)	Minimum Protective Measures (17)	Taxonomy-adjusted revenue share 2023 (18)	Taxonomy-adjusted revenue share 2022 (19)	Category (enabling activity) (20)	Category (Transitional activity) (21)
		EUR	%	%	%	%	%	%	%	YES/ NO	YES/ NO	YES/ NO	YES/ NO	YES/ NO	YES/ NO	YES/ NO	%	%	O	P
A. ACTIVITIES ACCEPTABLE FOR THE TAXONOMY																				
A.1 Environmentally sustainable activities (aligned with the taxonomy)																				
Collection and transport of source-separated fractions of non-hazardous waste	E38.11	7,422,970	3.61	100	0	0	0	0	0	/	YES	NR	YES	NR	NR	YES	100	*/	/	/
Revenue from environmentally sustainable activities (aligned with the taxonomy) (A.1)		7,422,970	3.61																	
A.2 Activities that are acceptable to the taxonomy, but are not taxonomically sustainable (activities not consistent with the taxonomy)																				
Revenue from activities that are acceptable to the taxonomy, but not taxonomically sustainable (activities not aligned with the taxonomy) (A.2)		0	0.00																	
Total (A.1 + A.2) A		7,422,970	3.61																	
B. ACTIVITIES UNACCEPTABLE TO THE TAXONOMY																				
Income from activities unacceptable for taxonomy (B)		198,474,883	96.39																	
Total (A + B)		205,897,853	100.00																	

*Comments: */ We did not identify the activity in the previous year.*
NR – not relevant

UNIOR d.d.'s revenues in 2023 amounted to EUR 205,897,853, of which revenues from products or services related to economic activities aligned with the taxonomy amounted to EUR 7,422,970, representing 3.61%. EUR 198,474,883 in revenue from sales was generated from Taxonomy-non-eligible economic activities (96.39% per cent). The composition of UNIOR d.d.'s sales revenues by programme and market is explained in section 8.2.2 of the 2023 Annual Report, the accounting section discloses the Company's sales revenues in section 10.8, and the revenues related to UNIOR d.d.'s environmental/climate impacts are further explained in section 10.14.

The only income of the activity aligned with the taxonomy is the activity of collection and transport of fractions of non-hazardous waste separated at source – NACE E38.11. The activity contributes significantly to climate change mitigation. Non-hazardous waste includes metal waste (mainly steel waste and to a lesser extent aluminium waste), which we sell to companies that collect or process this waste. They are recovered or recycled so they are reused. The largest part of the waste that is recycled is metal chips, shavings and other metal waste from forging and metalworking processes in our production. In the previous financial year, we did not identify this activity as taxonomically acceptable from a climate change mitigation perspective (we intended to report it in the context of the circular economy) and therefore did not report it. For this activity, we meet the criteria for non-significant harm, and we also meet the minimum protective measures.

SHARE OF INVESTMENTS IN FIXED ASSETS – PRODUCTS OR SERVICES RELATED TO TAXONOMY-ELIGIBLE ECONOMIC ACTIVITIES

Share of investments in fixed assets – products or services related to taxonomy-eligible economic activities – 2023 disclosure for UNIOR d.d.

				Criteria for substantial contribution						Criteria for non-material harm										
Economic activities (1)	Codes (2) NACE	Absolute revenue (3)	Revenue share (4)	Mitigating climate change (5)	Adapting to climate change (6)	Water and marine resources (7)	Circular economy (8)	Pollution (9)	Biodiversity and ecosystems (10)	Criteria for substantial contribution (11)	Adapting to climate change (12)	Water and marine resources (13)	Circular economy (14)	Pollution (15)	Biodiversity and ecosystems (16)	Minimum Protective Measures (17)	Taxonomy-adjusted revenue share 2023 (18)	Taxonomy-adjusted revenue share 2022 (19)	Category (enabling activity) (20)	Category (Transitional activity) (21)
		EUR	%	%	%	%	%	%	%	YES/ NO	YES/ NO	YES/ NO	YES/ NO	YES/ NO	YES/ NO	YES/ NO	%	%	O	P
A. ACTIVITIES ACCEPTABLE FOR THE TAXONOMY																				
A.1 Environmentally sustainable activities (aligned with the taxonomy)																				
District heating/cooling distribution	D35.30	4,100	0.04	100	0	0	0	0	0	/	YES	YES	NR	YES	YES	YES	3	100	/	/
Installation, maintenance and repair of energy efficient equipment	F43	134,238	1.31	100	0	0	0	0	0	/	YES	NR	NR	YES	NR	YES	97	*/	/	/
Investments in fixed assets in environmentally sustainable activities (aligned with the taxonomy) (A.1)		138,338	1.35																	
A.2 Activities that are acceptable to the taxonomy, but are not taxonomically sustainable (activities not consistent with the taxonomy)																				
Fixed asset investments in activities that are acceptable for the taxonomy, but not taxonomically sustainable (activities not aligned with the taxonomy) (A.2)		0	0																	
Total (A.1 + A.2) A		138,338	1.35																	
B. ACTIVITIES UNACCEPTABLE TO THE TAXONOMY																				
Fixed asset investment from activities unacceptable for taxonomy (B)		10,075,025	98.65																	
Total (A + B)		10,213,363	100.00																	

*Comments: */ We did not identify the activity in the previous year.*
NR – not relevant

UNIOR d.d.'s total investment in fixed assets in 2023 amounted to EUR 10,213,363. UNIOR d.d.'s investments are explained in chapter 8.8.2 of the 2023 Annual Report, while in the accounting part, the investments are further disclosed in the individual sub-chapters of chapter 10.7. Taxonomy-adjusted fixed asset investments amounted to EUR 138,338, representing 1.35% of total fixed asset investments in 2023. Fixed asset investments unacceptable for taxonomy amounted to EUR 10,075,025, representing 98.65% of total fixed asset investments.

The activities to which the taxonomy-aligned fixed capital formation falls are two: distribution of district heating/cooling – NACE D35.30 and installation, maintenance and repair of energy-efficient equipment – NACE F43. All fixed asset investments that are aligned with the taxonomy contribute to climate change mitigation. We meet the relevant criteria for non-significant harm and the minimum protective measures.

SHARE OF INVESTMENTS IN CURRENT ASSETS – PRODUCTS OR SERVICES RELATED TO TAXONOMY-ELIGIBLE ECONOMIC ACTIVITIES

Share of investments in working assets – products or services related to taxonomy-eligible economic activities – 2023 disclosure for UNIOR d.d.

				Criteria for substantial contribution						Criteria for non-material harm										
Economic activities (1)	Codes (2) NACE	Absolute revenue (3)	Revenue share (4)	Mitigating climate change (5)	Adapting to climate change (6)	Water and marine resources (7)	Circular economy (8)	Pollution (9)	Biodiversity and ecosystems (10)	Criteria for substantial contribution (11)	Adapting to climate change (12)	Water and marine resources (13)	Circular economy (14)	Pollution (15)	Biodiversity and ecosystems (16)	Minimum Protective Measures (17)	Taxonomy-adjusted revenue share 2023 (18)	Taxonomy-adjusted revenue share 2022 (19)	Category (enabling activity) (20)	Category (Transitional activity) (21)
		EUR	%	%	%	%	%	%	%	YES/ NO	YES/ NO	YES/ NO	YES/ NO	YES/ NO	YES/ NO	YES/ NO	%	%	O	P
A. ACTIVITIES ACCEPTABLE FOR THE TAXONOMY																				
A.1 Environmentally sustainable activities (aligned with the taxonomy)																				
Investments in working capital with environmentally sustainable activities (aligned with taxonomy) (A.1)		0	0																	
A.2 Activities that are acceptable to the taxonomy, but are not taxonomically sustainable (activities not consistent with the taxonomy)																				
Fixed capital investment in activities that are acceptable for the taxonomy, but not taxonomically sustainable (activities not aligned with the taxonomy) (A.2)		0	0																	
Total (A.1 + A.2) A		0	0																	
B. ACTIVITIES UNACCEPTABLE TO THE TAXONOMY																				
Investments in working capital from activities unacceptable for taxonomy (B)		11,102,032	100																	
Total (A + B)		11,102,032	100																	

*Comments: */ We did not identify the activity in the previous year.*
NR – not relevant

UNIOR d.d. invested EUR 11,102,032 in working capital in 2023, all of which were unacceptable for taxonomy.

7.7.6.3 About disclosures

The disclosures provided have been prepared on the basis of a careful consideration of the taxonomy documents referred to above, additional official interpretations by the Commission, ESMA's recommendations, our current understanding and available data. In calculating the KPIs, we have avoided duplication of economic activities that make a significant contribution to several environmental objectives and have attributed performance to only one objective.

We have taken note of the new taxonomy criteria and related disclosures published by the European Commission in the Official Journal of the EU on 21/11/2023, which include updates to the mandatory reporting basis, set out the technical criteria of the procedures and related reporting obligations for activities pursuing the remaining four environmental objectives: sustainable use and protection of water and marine resources, transition to a circular economy, prevention and control of pollution, and protection and restoration of biodiversity and ecosystems. We have reviewed Commission Delegated Regulation (EU) 2023/2485 of 27 June 2023 and Commission Delegated Regulation (EU) 2023/2486 of 27/06/2023. Some of our important activities have been identified as taxonomically acceptable in the new documents, and we expect some of our key performance indicators to increase already next year.

In Zreče, on 25/04/2024

Branko Bračko Member of the Management Board	Darko Hrastnik President of the Management Board

7.8 Risks

7.8.1 Risks in the UNIOR Group

Material risks in the UNIOR d.d. parent company, which also represent risks for the UNIOR Group, are described in Section 7.8.2 of the 2023 Annual Report. Specific risks for the UNIOR Group are shown separately below.

ENERGY PRODUCTS AND IMPACT OF THE WAR IN UKRAINE

A massive rise in prices of all energy products (primarily electricity and natural gas), significantly impacting the operations of energy-intense production companies, was identified on a global level in 2022. The onset of the war in Ukraine brought about additional increases in energy product prices, additionally increasing the cost risk which was mitigated by acquiring most of the electricity required at lower prices before their increases. We have largely been able to pass on the higher energy prices to selling prices in the first half of 2023.

In the second part of 2023, energy prices have fallen slightly further and have partially stabilised, but are still at twice the "normal price" level compared to the pre-covid and pre-civil war period in Ukraine. We continue to buy electricity (30%) a month in advance, which is proving to be a good cost measure.

CHANGED MARKET CONDITIONS

The changed market conditions caused by the Russian-Ukrainian conflict and the war in Israel are having a noticeable impact on the performance of the entire UNIOR Group. The key risks it faces are related to several aspects:
Rise in prices of raw materials and intermediate products: The risk of rising raw material prices, with a simultaneous shortage of raw materials and lengthening delivery times, is having a negative impact on production costs.
Reduction in revenue due to European directives: Compliance with European directives restricting business with Russia and Belarus leads to a reduction in sales revenue.
Demand volatility: Unstable market conditions lead to uncertainty, which affects purchasing behaviour and is reflected in lower customer demand in the European market.
Transport challenges: Longer transport times and higher shipping costs can have a negative impact on the procurement and delivery of products.

In response to these risks, the UNIOR Group is implementing activities aimed at maintaining stability and competitiveness:
Supply chain optimisation: Using IT, we have optimised commodity flows, inventories and transport routes, helping to streamline the supply chain. We are exploring alternative sources of raw materials and suppliers to reduce our dependence on individual markets.
Negotiating with buyers: Intensive negotiations with buyers were held with a view to passing on the increased input prices to the market in order to maintain the profitability of sales.
Customising marketing content: Offering packages or bundling of products to ensure practicality and safety.
A sustainable approach: In the context of a changing environment, we are looking for new niche markets and areas related to sustainable development.

UNIOR Group actively follows changes in the market, adapts its business strategies and seeks innovative solutions to maintain stability and sustainable growth in a dynamic business environment.

- Forgings Programme, which operates in the automotive mass production segment, manages risks by monitoring orders received on a monthly basis, monitoring the acquisition and development of new projects and having a global view of the market situation in this market segment. The global nature and dispersion of customers are both key in this regard. Additional influences on our risk assessment are: the war in Ukraine, the conflict in Israel, the energy crisis in the EU, and the fragmentation or divergence in the pace of uptake of new vehicles in terms of development trajectories (EU/rest of the world) in the field of e-mobility.
- The specialised sales network for hand tools overcomes the dynamic challenges of the market environment with a proactive approach. A key challenge is the decline in demand in a particular niche market – the bicycle industry, where wholesalers are facing large stocks of bicycle components while the industry is acting with restraint and limiting purchases. To mitigate this risk, we have focused on the global marketing of new products designed to ensure user safety, while adapting our marketing strategies to the needs of our customers beyond the hand tools segment. In addition, we are actively addressing the risk of ensuring adequate human capital and succession in equity-linked companies. In response, we are pursuing proactive approaches, including finding qualified staff, including through "headhunting", and promoting knowledge transfer between employees.
- The tourism sector is exposed to the risk of a deficit of occupations in the catering and cable car sectors and the provision of the conditions of the Labour Relations Act, resulting in a shortage of adequate professional staff to carry out the operational processes. We manage this risk by intensively searching for competent colleagues in Slovenia and abroad. We transfer staff between the two tourist centres during the low season, and keep dedicated new staff employed beyond the end of the season.

  The obsolescence of cable car, swimming pool and some hotel and hospitality facilities poses a risk linked to lower growth in revenues, demand and average prices collected. We manage risk by developing products with higher added value, authenticity and tailored to key audiences. The opportunity is to seek co-financing for the renovation from European and other financial sources.

  The negative impact of weather, or uncharacteristic weather during certain seasons, has an adverse effect on business. The risk is being managed through the development of less weather-dependent products, partnerships, the renewal of the technical snowmaking system and the creation of a year-round adventure offer in the context of the "Mašinžaga Park" project.

  An outbreak of any infectious disease and the consequent restriction of public life may threaten the viability of an activity. In the event of an outbreak, the risk would be managed by drawing on past experience and by strictly following all the recommendations of the National Institute of Public Health and other relevant institutions, both for staff and for guests and visitors. We also encourage employees to take care of their health by getting vaccinated (for example against seasonal flu, etc.).

ENVIRONMENTAL AND CLIMATE RISKS IN THE UNIOR GROUP

We have not yet considered the potential additional risks associated with climate change (transition risks and physical risks) in a holistic manner, but we have identified challenges that will be further investigated and, where appropriate, identified as risks (see section 6.1.2 of the 2023 Annual Report).

FINANCIAL RISKS

Financial risks of the UNIOR Group have been disclosed in Section 9.11 of the 2023 Annual Report.

7.8.2 Risks at UNIOR d.d.

UNIOR d.d. has developed and established a system for identifying and managing risks that can affect the performance of the company. Risks have been divided into several groups, namely: strategic, operating, financial and operational. They have been divided into four levels (low, moderate, high, critical). Each risk has been evaluated subject to an estimated effect and likelihood of occurrence.

Risk Management Committees and Risk Managers regularly monitor our exposure to risks, plan and implement risk mitigation measures, plan and monitor improvement measures which further contribute to a successful management thereof. The company has established a register of risks containing descriptions and properties of individual identified risks. The risk management approach varies by risk. The purpose of relevant measures is to minimise each risk subject to resources at our disposal.

The Management Board of UNIOR d.d. regularly monitors various risks and reports thereon to the Supervisory Board on a periodic basis.

The year 2023 was still marked by the Ukrainian crisis and the end of the year by the situation in the Middle East and its impact on the company's business. However, while there is a moderation in the energy, materials and services markets compared to last year, prices are still higher than they were in the pre-crisis period. The order situation at UNIOR d.d. has also stabilised in 2023, but there is a sense of uncertainty. Our response has been to put in place a number of measures to mitigate the situation. The automotive industry is seeing a shift towards sustainability, with customers expanding their supply chain practices through various questionnaires and declarations.

The most important risks in 2023 are summarised below.

<u>**STRATEGIC RISKS**</u>

THE IMPACT OF THE WAR IN UKRAINE

On account of the war situation in Ukraine and the resulting changed conditions in this part of Europe, there has been a risk of change – reduced order intake, higher energy, raw material, and transport prices, complicated logistics, and payment services. The uncertainty about the possible reduction in orders and the duration of the war could have a significant impact on our business.

The situation in the crisis area has been monitored regularly. While gas and electricity prices have fallen, their movements are unpredictable, although they were more stable in 2023 than they were at the end of the previous year. We are making up for lost sales in Russia, Ukraine and Belarus with customers in other markets. We ship products to Russia, Ukraine, Belarus after receiving an advance payment, and all potential future shipments are carefully considered from all security and receivables escalation perspectives. Production is adjusted subject to the order intake in the automotive industry segment. Circumstances permitting, inventories of key raw materials are increased. Dependence on pure natural gas (NG) can be replaced by liquefied petroleum gas (LPG) or extra light fuel oil. We monitor measures to reduce energy costs in the EU and Slovenia and look for the optimal moment to buy electricity.

UNFORESEEN INCREASES IN ENERGY PRICES

For various reasons, we could be left without enough energy (electricity, natural gas or LPG). Without energy, we cannot guarantee sufficient quantities of products or project delivery, which has a key impact on meeting expected deliveries to the customer.

The war in Ukraine has also had an impact on the energy market in 2023. In the energy sector, stock market prices have been declining in 2023 and the daily and monthly oscillations have also moderated somewhat, but prices are still around 60% higher than in the pre-crisis period. The price of energy also has a strong impact on the area of material cost increases. Customers' failure to recognise higher energy prices may lead the company into an uncompetitive situation.

While we have created the conditions for an eventual switch from natural gas to other forms of energy (LPG, fuel oil, electricity), the current situation remains in favour of natural gas.

We continue to monitor measures to reduce energy costs in the EU and Slovenia, as well as to monitor stock market price movements and segment our energy purchases over longer periods of time.

RISK OF INCREASED NOISE LEVELS IN THE ENVIRONMENT

In 2020, UNIOR d.d. applied or technically, spatially and economically justified environment noise level reduction measures as foreseen in our noise reduction projects. Based on the carried-out measures, an amended environmental permit was received in 2021 and the risk assessment reduced. We pay attention to and integrate environmental noise considerations in all our investments. The risk has increased in 2022 due to the Constitutional Court's decision that the Regulation on the limit values for noise indicators is unconstitutional, as a change to the Regulation could affect our environmental permit. In 2023, the situation remains unchanged.

Solutions are sought in active cooperation with local residents and the local community. Any complaints of the local population are handled with due care.

OPERATING RISKS

UNIOR'S OUTSTANDING AMOUNTS

Over the last 10 years, UNIOR d.d. has deleveraged significantly, but not enough. The company's outstanding amounts in terms of NFD/EBTDA[9] are at level 6, which is still significantly over-leveraged according to stakeholder expectations (banks, shareholders, customers, suppliers). High levels of indebtedness threaten the security of the business and its survival, hinder the company's growth and development potential, reduce the company's reputation, pose additional risks to the viability of the company in the event of major crises, prevent further borrowing, lead to high financing costs and cause poor cash flow.

In May 2023, a refinancing with additional revolving facility was concluded to provide more security in the event of fluctuations in sales and production, and in September, a loan was obtained from SID Bank for investments in the development of the Forge and Hand Tools Programmes. We have started sales procedures for the sale of non-core activities (UNITUR d.o.o., UNIOR Components d.o.o., sale of the stake in Štore Steel d.o.o.), which are planned to be completed in 2024 and, if successfully completed,

[9] NFD/EBITDA is an indicator defined as an alternative benchmark, definitions are defined in chapter 8.14. of the 2023 Annual Report

will significantly reduce the Company's indebtedness. We are exploring additional or alternative sources of financing (refinancing on more favourable terms, bonds, debentures, recapitalisation) and implementing measures to improve our business performance in order to increase EBITDA[10] and thus reduce our gearing ratio.

CHANGE IN MARKET CONDITIONS

These risks are linked to geopolitical and other developments in individual markets or countries, which in turn affect economic conditions (e.g. a rapid decline or increase in orders) and require the business to adapt quickly to the new market situation by adjusting inventories, staff, investments and costs.

The war in Ukraine has escalated the situation. An economic crisis has been projected, accompanied by inflationary pressures and other market-impacting circumstances.

The market has become more volatile, with demand and more pressure on the yield of the projects offered – and consequently more pressure on prices. Each company activity has also been facing its own (also specific) risks related to changes to market conditions which have been managed in various ways:

- Forge programme production: In light of our considerable dependence on the internal combustion engine-powered car market, particular attention is paid to its development and the potentially large-scale use of electric cars which could affect the demand for forgings produced for vehicles containing internal combustion engines. If demand for fully electric cars increases significantly at the expense of the decline in sales of internal combustion engine cars, the demand for some of the forgings we produce is at risk. Even though related market conditions remain rather unclear, there is a pronounced electrification trend. Also in 2023, the market has seen an increase in sales of electric vehicles, including all hybrid vehicles, which are also equipped with a conventional engine and consequently need connecting rods. There has also been a trend towards a change in the structure of new projects acquired from customers. These have been shifting outside the internal combustion engine segment and towards hybrid vehicle related projects. Additional long-term structural changes in our production are also expected. At the same time, existing projects – orders of products related to cars with internal combustion engines – are yet to be phased out. No lower order intake in this product segment has been observed. Manufacturers supplying internal combustion engines are no longer investing in these engines, while there is a shortage of capacity – manufacturers for conventional engine products. At UNIOR, we are still one of the suppliers of connecting rods and other automotive parts outside the internal combustion engine segment. The forecasts show that the situation for UNIOR in 2024 will not change significantly in this respect, and the focus will be mainly on developments in commodity, energy and labour market prices. Risks are mitigated by diversifying the product range, seeking additional opportunities outside the automotive segment, increasing batch production of aluminium forgings, increasing sales of machined forgings and joint product development with customers.
- The Hand Tools production, which has an extensive sales and distribution network for the sale of hand tools, is coping with the new challenges by entering new markets, taking action in existing markets, and taking measures to manage inventories, receivables and headcount. Last year saw a decline in demand in the cycling segment.
- Mechanical engineering as a supplier of high-performance capital goods for the automotive industry has been continuously monitoring developments on the market and closely collaborating with its distributors to maximise obtained enquiries and be as responsive thereto as possible. It aims to optimise capacity utilisation by ordering and coordinating the dynamics of

[10] EBITDA is an indicator defined as an alternative performance measure, the definitions of which are set out in section 8.14. of the 2023 Annual Report

scheduling to ensure that projects are as evenly spread as possible in terms of timing and occupancy across the delivery processes.

We believe that the key competitive advantages of UNIOR's processes and products in the changed circumstances are still competent employees, innovation, appropriate price, quality, flexibility. Attention is paid to existing customers and markets with whom long-term development partnerships are built.

STAFF SHORTAGES

Risks related to human resources are mainly in the area of staff shortages and the associated unwanted turnover, as well as the increasing age structure of the workforce.

The situation on the labour market has been impacting staff turnaround and constitutes a risk on account of a shortage of talent additionally exacerbated by new HR needs caused by a favourable order intake. The biggest shortage is still in the area of technical staff, in particular to fill staffing needs in the forge, tool room, forgings processing and maintenance. Our operating growth and market conditions have been exceeding our ability to recruit appropriate labour from Slovenia. As a result, we continued to recruit foreigners in 2023 as well.

To mitigate the risk, a number of activities have also been introduced to promote deficit occupations (using various channels to promote and advertise vacancies at home and in the former Yugoslav countries (especially Serbia, Bosnia and Herzegovina, North Macedonia), promoting scholarships and monitoring scholarship holders, working with schools and promoting the implementation of compulsory internships for school pupils and students, involvement of recruitment agencies, participation in career/job fairs) and retention activities (monitoring and interviewing new recruits, development talks with scholarship holders, exit interviews and detection of possible departures, measuring organisational climate and HR development activities and introducing improvements in working conditions).

The labour market situation has also increased pressure on wages, with a consequent increase in labour costs. Only through additional incentives and improvements in working conditions, we will be able to recruit and retain the appropriate staff.

SUPPLY CHAIN ISSUE RISK

UNIOR d.d. is involved in supply chains in various ways – on the one hand, as a supplier of semi-finished products and special machines for car manufacturers and of finished hand tool products, while, on the other, as a buyer of basic materials, approved materials, energy products, and services. In the event of disruptions on the input (procurement) or output (sales) side, there is a risk of challenging operations of the company. Issues experienced by our customers such as car manufacturers with other suppliers (the supply of chips, cable sets, etc.) can also have an indirect impact on the operations of UNIOR d.d. There is a risk of a decline in sales of electric vehicles produced in Europe, which could again shake up upstream markets.

Overall, we see an improvement in the procurement situation in 2023. Suppliers are being more proactive, in some cases shortening delivery times. After several consecutive years of price increases, prices started to stabilise in the second half of 2023. We are achieving price reductions in certain areas. Access to key materials and services has also improved significantly.

We estimate that the risks of stronger price increases, but not the supply of key materials and services, have been substantially reduced. We will continue to monitor the situation and introduce additional risk mitigation measures where necessary.

CORPORATE COMMUNICATION DEFICIT

Corporate communication is a way of managing communication at all levels, with all key stakeholders. Uncontrolled corporate communication occurs when information is presented incompletely and without a communication plan, or when all key audiences are ignored. This includes commercially sensitive information.

Following the extraordinary event of the release of chromium vapours, which took place in October last year, we recorded the need to strengthen and centralize corporate communication, which enables a coordinated response and consistent communication with key stakeholders in critical situations, namely we additionally reviewed and updated the communication procedures with key stakeholders. An appropriate response and proactive communication channels in critical situations were laid down. We will be able to use the lessons learned from this first such extraordinary event in the future, if necessary. Employees in charge of management tasks and responsible persons engaged in the corporate communication process are undergoing communication training.

GOVERNANCE OF GROUP COMPANIES

Successful group governance is an opportunity for growth and development, but failure to do so can also be a risk. The coronavirus epidemic is making travel virtually impossible. The uncertainty of a re-emergence of the epidemic has been reduced. The impact of the war in Ukraine is still present and to a lesser extent affects the difficult corporate governance of the Group companies, as overall economic operating conditions vary across countries, including within the EU.

Faced with these developments, UNIOR d.d. has been implementing measures to improve the financial stability and liquidity, to optimise the ownership structure of Group companies, monitoring global developments and opportunities to receive state aid in Group company countries; when required, conducting internal audits and further optimising the portfolio of Group companies.

FINANCIAL RISKS

The financial risks of UNIOR d.d. have been disclosed in Section 10.11 of the 2023 Annual Report.

OPERATIONAL RISKS

THE RISK OF NON-COMPETITIVENESS DUE TO HIGH PRODUCTION COSTS

It means that if our competitiveness declines, we will not be able to attract new projects with a positive financial result.

The competitiveness of EU and domestic production continues to be at a disadvantage compared to Asian suppliers. We are seeing a worsening trend in the acquisition of new projects at the expense of their "flight" to China, India. All of this is due to the higher labour, material and energy costs that have characterised the EU over the last year and a half.

The mitigating measures are aimed at introducing measures to improve productivity and quality, reduce costs, improve technological processes and make new investments.

CONTINUOUS OPERATION OF IT

We see business continuity as a business challenge, as today's business is almost entirely dependent on the performance of IT solutions, so we consider business continuity and the resulting digital resilience from a broader business perspective, not just a narrow IT perspective. Business continuity is a significant risk because it can affect the company's business (unavailability, disruption, threats and damages) or it is an important part of operational risk. This risk is subject to regular monitoring and quarterly assessments due to its importance. We run and test IT solution failure scenarios to see how well prepared we are or where improvements are needed.

From the perspective of ensuring the smooth functioning of systems, 2023 was a challenging year for two reasons: changes in work processes brought about by digitisation and increased information security risks. The consequences of Russia's aggression against Ukraine are still being felt, with related security incidents that pose risks to the use of IT. An additional challenge is posed by the changes introduced by international IT companies, which have changed the way they work in delivering their services. As mentioned above, our digitisation projects have increased our dependence on reliable IT solutions. In particular, the digitisation of production processes to save time and increase productivity has made employees dependent on the stable functioning of IT solutions. Outdated systems and applications that cannot be adequately protected against increasingly sophisticated threats continue to pose challenges and risks. We have reduced the number of such solutions in the company (and will continue to do so), but the risk remains.

In 2023, we continued with technology upgrades, we got a faster connection to our secondary site where we copy all daily backups, and in case of an outage at this secondary site, we can keep our IT solutions running. This means that in the event of a major IT outage in our data centre, we can access two key services: an IT solution for the company's key business processes and resources, and email. This is subject to the network connections remaining active.

We are aware that the tasks and challenges ahead of us are increasingly complex, requiring additional training, more financial resources and changing or adapting our business processes to operate in a flexible, reliable and secure digital age.

INFORMATION AND CYBER SECURITY

Information security is the process of implementing securely and persistently to protect information and information solutions from unauthorised intrusion, use, disclosure, compromise, modification or distribution. It includes ongoing training, assessment, safeguarding, monitoring and detection, incident response and repair, documentation and review. Reduces unlawful access, use, disclosure, separation, modification or destruction of information. All this with the aim of preserving the confidentiality, integrity and availability of information, whatever its form: electronic, printed or otherwise. The set of mitigating measures includes a systemic approach with the implementation of an information security management system according to ISO 27001 and TISAX standards: an appropriate security policy, organisation of information security, human resources management, supply chain management, physical and environmental security, communications management, access control, the introduction of a regular system of upgrades, the development and maintenance of software solutions, security incident management, business continuity management and compliance with legislation.

As new solutions are introduced, we realise that threats come with progress and digitalisation. Cyber attacks are a major risk that can cause serious problems for our company. Adequate protection is necessary, but not all protection is sufficient. Above all, it is important to entrust it to in-house and external experts with the relevant knowledge and experience.

We are seeing attacks that are increasingly sophisticated and, in most cases, supported by the use of artificial intelligence (AI). Looking at the types of incidents, we saw the highest number of incidents in the area of fraud and phishing attacks. In the vast majority of cases, these attacks are already detected by security systems (threat-removal equipment, including anti-virus, anti-spyware and other software, a "SPAM" filter for spam and a firewall).

Technical measures alone are not sufficient to improve IT security and are not a prerequisite for a secure business, which is why in 2023 we have devoted a lot of time and activity to penetration testing, external and internal audits, and ISO 27001 and TISAX compliance checks. Our security measures also include training and awareness-raising for employees on IT security threats. This time, we have also included production staff in the training, not just overhead staff.

We have introduced protection against malicious and unsafe SaaS applications and have started to protect and segregate the network in the production environment. At server and network level, we are introducing the Zero Trust model, which is just one step in the virtualised network deployment. In addition, we have taken steps to manage and monitor the use of Privileged Access Management (PAM) to ensure transparency in the operation of our solutions.

In the ITS Sector, we try to respond to challenges by improving our processes and adapting them to best practices in the industry, introducing additional safeguards, training and updating hardware and software. We have seen a rapid increase in the number of IT incidents over the last three years. Detected incidents are handled and recorded on a daily basis. As a result, we have recorded more than 200 incidents that we have dealt with. Of these, the majority, 92%, were fraud and malicious code events, 5% were security events, 2% were logical security events and 1% were physical security events. In 2023, we did not have any security incidents that brought the company into disrepute, had financial or legal implications, or compromised the company's productivity.

When a large number of incidents of the same type occur, all employees are notified – for example, several employees receive an e-mail that is a scam. Certain incidents are handled systemically – for example, a mail message with malicious code is deleted from employees' inboxes by the software solution. We bring certain incidents to the attention of management, particularly when there are serious hacking attempts, a disproportionate number of firewall incidents, or when there has actually been a successful fraud within the company.

AVAILABILITY OF PRODUCTION CAPACITY

Reduced capacity availability can occur for a number of reasons, such as machine breakdowns, overloads, which reduce production on individual production lines, and there are no alternative lines for certain lines. In the event of such a line outage, there may be major problems in delivering to customers. Another reason may be the inflexibility of production lines due to technological constraints, which may prevent all orders from being fulfilled. This may also be due to a lag in investment in new equipment to meet production needs.

Risk mitigation measures focus on monitoring key processes and machines for significant impact on programme execution in the event of downtime, including planning a preventive maintenance plan, monitoring and regularly troubleshooting individual machines, finding alternative production options, calculating spare capacity, multiple production sites and reduced outsourcing potential.

ENVIRONMENTAL AND CLIMATE RISKS

Environmental and climate risks are divided into risks whereby UNIOR d.d. impacts the environment and into risks whereby the environment impacts UNIOR d.d.

Risks whereby UNIOR d.d. Impacts the environment encompass the fire risk arising in the event of a fire and its accompanying impacts; the risk of incipient fires due to our work process, an impurity, or technical defect. High levels of noise pollution – non-compliance with environmental legislation or the prescribed limit values can be exceeded. Discharges to air, water, soil – due to emergency conditions, carelessness, inadequate maintenance, untreated wastewater can run off into watercourses, sewers or soil; or excessive air pollution can occur. Not properly separated, disposed of or recorded waste – on account of inadequate separation of waste, disposal of waste to unauthorised collectors or recording of waste, the company can incur high costs resulting from inspection decisions, re-separation of waste or withdrawal of the environmental permit.

The main mitigation measures are related to procedures and activities introduced through the ISO 14001 environmental management system which also include the installation of fire-fighting equipment, fire-protection plans, waste water and air emission management, waste management, regular monitorings, employee training, internal and external audits, environmental management programme and others.

The risks where the environment has an impact on UNIOR d.d. are the interruption of the possibility to use cooling water from the Dravinja River at the Zreče site due to a prolonged dry period, when the flow of the Dravinja River may be reduced below the minimum permitted flow according to the water permit for the abstraction of process water. Extreme weather conditions can also cause machines to fail, with temperatures above 35 °C in summer causing overheating and induction furnace failures due to excessive cooling water temperatures. The immediate vicinity of the Dravinja River can also pose a risk to the forge in the event of heavy downpour – torrential waters/floods.

This risk is mitigated by measures aimed at creating a semi-closed process water system whereby approximately 30 per cent of fresh water is added and a fully closed cooling water system whereby only water resulting from vapour losses in the cooling towers would be added. The possibility of storm water flooding is prevented by regular inspections and any necessary cleaning of the storm water sewers, the riverbed and the embankment of the Dravinja through UNIOR d.d.

COMPLIANCE RISK

RISK OF COMPLIANCE WITH LEGISLATIVE AND TAXATION CHANGES

There is a legislative risk when the company fails to comply with statutory requirements. The risk of compliance with legislative provisions, taxes and contributions presents a risk for legal or regulatory penalties, significant financial loss or loss of credibility that can be incurred by the Company as a result of non-compliance with laws, regulations, rules, related organisational standards and codes of conduct applicable to the Company and its activities. The impact of minimum wage legislation in Slovenia has been considerable and may intensify in the coming years, with adverse effects on competitiveness. However, in some areas, legislation has been increasingly tailored to company needs.

In particular, EU and Slovenian labour legislation will need to be monitored in the coming period. Given the most likely lengthy war in Ukraine, the risk of tax legislation amendments has been increasing. Aid sent to Ukraine and EU measured imposed on Russia will most likely be reflected in higher economic burdens in the upcoming years. Increased tax and billing burdens are foreseen for the new way of accounting for electricity. We do not have much influence in this area. In addition, an intense adoption of sustainable development legislation is expected in the future. It has been noticed that sustainable development rules and regulations have been amended and complemented quickly, rendering the integration of all aspects of sustainable development even more difficult. This can also increase the risk of meeting the expectations of all stakeholders. We need to keep a close eye on the proposed changes to the legislation and prepare accordingly for the predicted increases in burdens.

8 BUSINESS REPORT

8.1 Situation in the economy and the automotive industry

8.1.1 Situation in the economy

Many analysts' forecasts for 2023 predicted minimal economic growth in some of the world's major economies, in some cases even linking them to recession, as central banks fought aggressive monetary policy against high inflation that refused to move within target ranges.

Economic growth in the euro area slowed down considerably in 2023. After relatively high growth in the post-epidemic period, activity growth in the euro area slowed down at the end of 2022 and stagnated in 2023. Gross Domestic Product (GDP) growth for the whole of 2023 in the European Union and the euro area is 0.4%, according to Eurostat's first estimate. The slowdown in growth was driven by a contraction in household purchasing power amid high inflation, tighter financing conditions due to a sharp tightening of monetary policy, a partial withdrawal of fiscal support and a slowdown in external demand. In Slovenia, economic growth moderates to 1.6% in 2023, compared to 2.5% in 2022. Due to the floods in August 2023, many companies in Slovenia have stopped production and some are still not operating at normal levels.

The situation in the export-led part of the domestic economy was tense, but started to improve towards the end of the year. Export developments throughout the year were mainly influenced by a significant slowdown in demand growth from our main trading partners and a deterioration in the competitiveness of Slovenian exporters due to increased cost pressures. Manufacturing, especially energy-intensive industries, have been more affected by high energy prices and cooling export markets. Many companies entered the year with leased electricity at high prices, affecting the competitiveness of the economy. Labour costs per unit of output for the economy as a whole have been rising more markedly since the pandemic, and are around their highest levels ever.

	GDP annual growth		Unemployment	
(in %)	2022	2023	Dec. 2022	Dec. 2023
European Union	3.4	0.4	6.1	6.0
Eurozone	3.4	0.4	6.7	6.5
Germany	1.8	–0.3	3.0	3.1
France	2.5	0.7	7.1	7.6
Slovenia	2.5	1.6	3.5	3.4

Source – Eurostat database as at 19/03/2024:

Real GDP grow th rate – volume (online data code: TEC00115)

Unemployment by sex and age – monthly data (online data code: UNE_RT_M)

In 2023, employment growth continued its trend at a moderate pace as economic activity cooled. This was reflected in a smaller decline in the unemployment rate compared to the previous year, which stood at 3.4% at the end of the year in Slovenia and 6% at the EU level. Slovenia's recent labour shortage is reflected in the large contribution of foreign employment to overall growth. Nominal wage growth has strengthened markedly in the face of labour shortages, the tendency of employees to seek real income growth and the increase in the minimum wage in 2023.

Inflation in Slovenia gradually moderated to 4.2% per annum in 2023, with price growth still relatively broad-based and only energy prices falling. Since the beginning of the year, when the inflation rate was around 10%, it has fallen until December of the same year, but at 3.8% it was still about 1 percentage point above the euro area average as measured by the harmonised index of consumer prices. In 2023, average annual inflation in Slovenia was 7.4%, compared with 8.8% the year before. The moderation in commodity market prices and the easing of economic activity amid tighter borrowing conditions have played an important role in pushing inflation lower.

The favourable trend of moderating inflation, while remaining above the targets of the major central banks, has led to a strong strengthening of market participants' expectations of the pace of key interest rate cuts. With inflationary pressures easing, the European Central Bank has stopped raising its key interest rates for the tenth consecutive increase since September 2023, but they remain at historically high levels. With inflation continuing to moderate and uncertainty about the global economic picture, market participants expect decisions on a gradual reduction of key interest rates by the major central banks in 2024.

Sentiment indicators for the euro area suggest that the momentum of economic activity remained weak in the fourth quarter of 2023, and the outlook for future economic growth remains weak. The main risks are geopolitical tensions in the Middle East and the war in Ukraine, which, if they escalate, could lead to volatility in commodity and energy markets and disruptions in supply chains. Other risks include tighter financial conditions, a slowdown in the Chinese economy towards the end of the year and weather-related disasters.

(Sources: Statistical Office of the Republic of Slovenia; Eurostat; Newspaper Finance; Bank of Slovenia: Macroeconomic Trends Survey, January 2024; Institute of Macroeconomic Analysis and Development: Economic Mirror 1/2024, January 2023; Institute of Macroeconomic Analysis and Development: Spring Economic Outlook 2024, February 2024; ECB.)

8.1.2 Automotive industry

The situation in the automotive industry has a direct impact on the business of the UNIOR Group and UNIOR d.d. in the forgings business and, with a lag of several months, also on the engineering business, while other activities in the Group are affected to a lesser or only indirect extent.

2023 was a year of recovery for the automotive market, with manufacturers making up for some of the lost sales in the year of the pandemic and the subsequent production shutdowns linked to semiconductor shortages. The trend of investing in transforming car manufacturers' technologies and encouraging the use of new powertrains has continued. There have also been changes in vehicle usage patterns, which together are driving a wave of further innovation and bringing new challenges.

The rise of non-traditional ownership models, such as subscription services and shared mobility, underlines the industry's shift away from conventional car ownership. Market participants and analysts are watching closely how car manufacturers will balance the high costs of developing state-of-the-art electric vehicles with the need to maintain competitive prices and attractive subscription packages.

Increasing competition from the Far East also remains an important challenge for the European automotive industry. Over the last few years, Chinese car manufacturers have made significant progress in offering affordable vehicles, especially electric vehicles, on a large scale and have made breakthroughs in major European markets. The affordability of Chinese EV manufacturers therefore currently represents a significant competitive challenge for established Western car manufacturers.

Production of motor vehicles in the world

in millions of vehicles	2020	2021	2022	2023	Growth 23/22
EUROPE	**16.7**	**16.1**	**16.0**	**18.1**	**13.0 %**
EU27 + United Kingdom	13.6	12.9	13.6	15.3	12.8 %
EU14 + United Kingdom	10.0	9.4	9.9	11.2	12.8 %
Germany	3.5	3.1	3.5	4.1	18.1 %
Spain	2.3	2.1	2.2	2.5	10.4 %
France	1.3	1.4	1.4	1.5	8.8 %
United Kingdom	1.0	0.9	0.9	1.0	17.0 %
Rest of Europe	3.1	3.2	2.4	2.8	14.6 %
AMERICA	**15.7**	**16.2**	**17.8**	**19.1**	**7.8 %**
USA	8.8	9.2	10.1	10.6	5.6 %
Mexico	3.2	3.2	3.5	4.0	14.0 %
Brazil	2.0	2.2	2.4	2.3	–1.9 %
ASIA AND OCEANIA	**44.3**	**46.8**	**50.0**	**55.1**	**10.2 %**
China	25.2	26.1	27.0	30.2	11.6 %
Japan	8.1	7.8	7.8	9.0	14.8 %
India	3.4	4.4	5.5	5.9	7.2 %
South Korea	3.5	3.5	3.8	4.2	13.0 %
AFRICA	**0.8**	**0.9**	**1.0**	**1.2**	**14.5 %**
TOTAL	**77.4**	**80.0**	**84.8**	**93.5**	**10.3 %**

Source: OICA – International Organisation of Motor Vehicle Manufacturers
(Production figures include trucks and buses apart from passenger cars)

Nearly 93.5 million motor vehicles were produced worldwide in 2023, up 10.3% year-on-year, according to data published by the International Organisation of Motor Vehicle Manufacturers – OICA, which includes trucks and buses as well as cars. The year-on-year increase was driven by positive production trends experienced in all regions monitored, with growth in the Asia & Oceania region, at 55.1 million units produced, also outpacing the pre-epidemic production levels by 11.7%, with 49.3 million units produced in 2019.

Motor vehicle production in Europe, our most important market, is set to grow strongly year-on-year to almost 18.1 million units in 2023, an improvement of 13% year-on-year. This increase is mainly attributable to a weaker comparative baseline in 2022, with production still lagging behind the pre-epidemic level of 21.3 million units produced in 2019. The production area within the European Union, including the UK, with 15.3 million units, is set to increase production levels by 12.8% in 2023, where, despite a perceived growth trend and a reduction in pressures in supply chains, it is still not operating at pre-epidemic levels. The slower recovery of production volumes in the European region in 2023, alongside the increasing cost of vehicle financing, is also influenced by reduced customer demand due to inflationary upward price pressures and increasingly affordable vehicles from Asian countries. The share of motor vehicle production in Europe as a share of world production in 2023 was 19.4%, an improvement of 0.5 percentage points compared to the previous year, but still below the 2019 level of 23.2%.

The American manufacture of motor vehicles increased by 7.8 per cent in 2023 compared to the preceding year and amounted to 19.1 million units in total. This growth was mainly driven by demand for new vehicles in the US, Canada and Mexico, the largest markets in the region, which led to a 9.3% increase in production to 16.2 million units, still 0.7 million units below pre-crisis 2019 levels.

The lifting of restrictions in the context of China's zero tolerance policy on coronavirus boosted demand in early 2023, allowing a rapid recovery of vehicle production in China. As a result, China's motor vehicle production in 2023 increased by 11.6% year-on-year, with 30.2 million vehicles produced, representing 32.2% of global production and maintaining China as the world's largest vehicle producer.

Sales of passenger cars in the EU

Passenger car sales in the EU as a whole in 2023, published by the European automotive industry trade association ACEA in the form of new registrations, are up 13.9% on the previous year to reach 10.5 million passenger cars. For the first time since 2019, sales figures have again surpassed the 10 million mark, although they are still 21% down compared to 2018, when new car sales in the current EU Member States reached 12.8 million vehicles.

The growth in car sales in 2023 is encouraging for the industry, even if it comes from a lower base in absolute terms than in the years mentioned. On a slightly less encouraging note, new car sales in the European Union contracted by 3.3% in December 2023 compared to December 2022, the first decline after 16 consecutive months of growth. ACEA attributed the December decline mainly to the high sales base of December 2022.

The number of electric cars in the EU is also set to increase in 2023, as many countries have actively promoted subsidies or other tax breaks for the purchase of a new passenger car to both individuals and businesses, but these have mainly been for the purchase of electric cars only. According to ACEA, in 2023, as many as 20 EU Member States will offer incentives for the purchase of electric cars. Seven countries did not offer incentives for purchase, but most of them recognised tax breaks or other exemptions to encourage sales of such vehicles.

In 2023, the share of new battery electric vehicles sold in the European Union increased from 12.1% in 2022 to 14.6%, and the trend is forecast to continue to increase, but at an uncertain rate of further growth, according to some analysts. In the year under review, the share of plug-in hybrids fell from 9.4% to 7.7%, but the share of conventional hybrids gained more, rising from 22.7% to 25.8%. This is positive for us, as these two groups of cars, in addition to those with internal combustion engines, belong to the group of cars with connecting rods in the powertrain, which, among other products, are also produced by the UNIOR Group in the forgings business. The share of alternative fuel vehicles (gas, hydrogen and others) remains at 3%, while the share of petrol cars drops from 36.4% to 35.3% in 2023, but the absolute value of sales of such vehicles is up by 10.6% or 356 thousand vehicles compared to the previous period. The share of diesel cars fell from 16.4% to 13.6%.

The sum of petrol, diesel, gas and hybrid car sales shows that the share of new cars sold in 2023 with internal combustion engines containing connecting rods has decreased from 87.9% to 85.4% compared to the comparative period. At UNIOR Group, we closely follow the development trends in the field of connecting rods and actively adapt our capacities. With the additional capacity available, we aim to defend market shares and maintain the existing competitive position of the European market in passenger car steering components, which are the same for all types of vehicle drivetrains.

8.1.3 Impact of geopolitical tensions on the performance of UNIOR Group and UNIOR d.d.

WAR IN UKRAINE

At UNIOR Group, we monitor developments related to the war in Ukraine and regularly update our risk management strategy based on observations and market feedback, taking additional proactive steps to mitigate risks where necessary. In the area of cyber security, the Group does not perceive any increased risk in 2023 and IT support and business processes continue to run smoothly. We are aware that there is a real risk where the impact of the continuation or further escalation of the war in Ukraine could lead to a reduction in orders and consequently sales volumes in all UNIOR Group activities.

The UNIOR Group has a trading company in Russia for the sale of hand tools, to which the parent company UNIOR d.d. sold products for EUR 898 thousand in 2023, representing 2.4% of hand tool sales and 0.4% of the parent company's total sales in the period under review. While the sales of the trading company in Russia are lower in 2023 than in the comparable period last year, a similar trend of slightly lower sales of hand tools compared to the previous year can be observed in the parent company. All shipments of hand tools to Russia are also examined with a view to compliance with international sanctions.

The war in Ukraine in 2023 did not have a significant direct impact on the performance of the tourism business of the UNIOR Group, which increased its sales in the period under review compared to the comparable period last year. A similar trend was observed in the production of machine tools.

THE SITUATION IN THE MIDDLE EAST

The UNIOR Group is also attentive to developments related to the escalation of the situation in the Middle East, where we do not foresee any direct or indirect impact on the Group's operations in 2023. In Israel, where the situation is most acute, the UNIOR Group has not generated a significant share of sales revenues in 2023, and exposure is currently low on the upstream side. In 2023, the majority of the Group's revenues in the country were generated by the hand tools business, which amounted to EUR 97 thousand, representing only 0.3% of hand tools sales and only 0.05% of the parent company's total sales. In the Group's other businesses, sales to the country in 2023 were either non-existent or represented less than 0.1% of the company's total sales.

At the end of 2023, the situation in the Red Sea has also intensified, with military attacks blocking one of the key shipping routes for the global economy and the EU through the Suez Canal, affecting delivery times, transport costs and supply chains in some industries. In the UNIOR Group, there was no direct impact of the changed circumstances on the year-end performance. In the future, an indirect impact could be perceived to a lesser extent in the form of an increase in the cost of fares and longer delivery times for some of the components procured by the hand tools business, but this has not been detected so far.

In the event of an unforeseen and significant escalation of conflicts in the wider region, the general volatility could, in the event of a more widespread deterioration in the global macroeconomic situation, have an indirect impact on the reduction of orders and, consequently, sales volumes in all UNIOR Group activities, but in this case, the impact would also be felt by other industries and the wider economy.

8.2 Sales

8.2.1 Sales of the UNIOR Group

The UNIOR Group's sales revenue in 2023 amounted to EUR 294.2 million, up by 2.3% or EUR 6.6 million compared to the previous year, with the forgings business increasing sales by EUR 11.7 million, the tourism business by EUR 3.4 million and the machine tools business by EUR 457 thousand. At the same time, revenues in the hand tools, machinery and other manufacturing business were EUR 8.9 million lower year-on-year.

The forgings business, an important supplier to the automotive industry, even managed to increase its physical production volumes in 2023 through resilience and ingenuity, despite a weak start, reflecting the generally difficult conditions in the automotive industry, and thus to achieve good sales results. In the face of known and new challenges in the market, the year was spent in a series of negotiations with both our suppliers and our customers, with whom we regularly coordinated an appropriate pricing policy. Thanks to strategically correct market decisions, the UNIOR Group's sales in the forgings business in 2023 were 6.4% above the previous year's level, with sales of EUR 194.8 million.

In the hand tools business, after a very successful 2022, we entered 2023 with the fulfilment of some of the orders received in the previous year which were not executed at full production capacity. The unforeseen economic challenges in 2023 have had an impact on the difficult operating conditions in the market for the sale of hand tools and, in particular, on the change in ordering habits of our customers, who have been reluctant to increase or maintain their normal levels of hand tool stocks due to the volatility of market conditions and increased liquidity concerns. In 2023, we see a decrease in sales of hand tools in the cycling sector, especially in the US market. The bicycle industry has slowed down the opening of new workshops due to a lack of adequate labour for bicycle repair and maintenance. The hand tools business thus achieved sales of EUR 43.6 million in 2023, down 15.5% compared to the previous year.

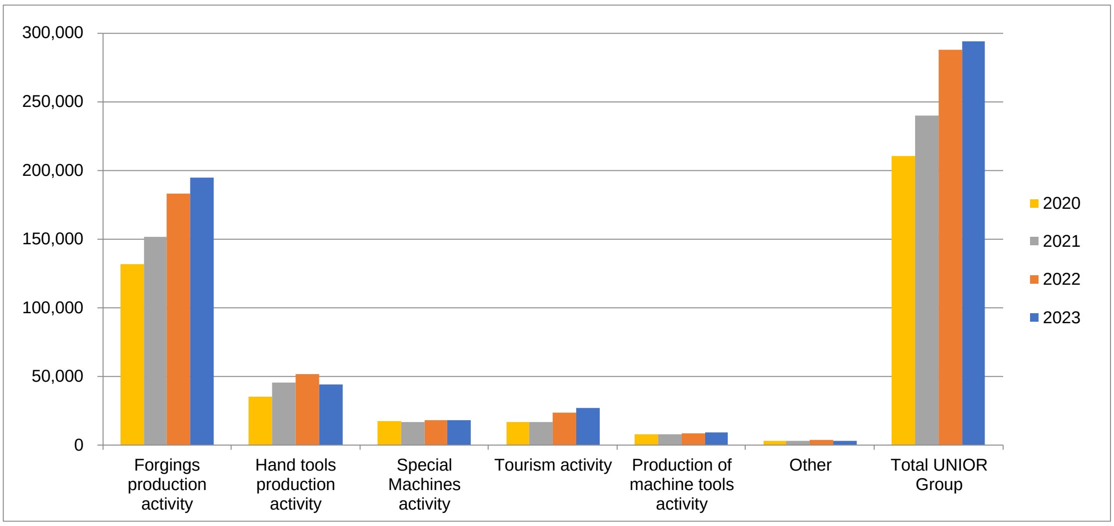
In the engineering sector, sales in 2023 were down by EUR 146 thousand or 0.8% year-on-year. The business environment in which the activity operates is linked to investment cycles, mainly in the automotive industry. With the multifaceted challenges facing the automotive industry in 2023, investment has become more constrained or conservative, or has shifted more markedly into the future. The vast majority of the new machine sales were in the field of electro-mobility, or dedicated machines for the machining of electric car parts, while we did not have any significant new projects in the field of dedicated machines for internal combustion engine vehicles, reflecting the uncertainty of our customers regarding the development of this field in 2023.

The positive sales growth was reflected in the Group's tourism business, which recorded an increase of 14.5% in 2023, with revenues of EUR 26.5 million, representing an increase of EUR 3.4 million, and a historical high in sales. The business recorded a successful winter season at the beginning of the year, which also had a positive impact on the number of overnight stays in the hotel business, while sales volumes also increased in the areas of medical rehabilitation and athletes' preparation training, among others.

Sales of EUR 8.9 million were achieved in the machine tools business, up 5.4% on the previous year and the highest ever. The higher sales are due to increased demand for the product range from our European customers operating in the automotive or aerospace industries.

Revenue from sales of the UNIOR Group by activity

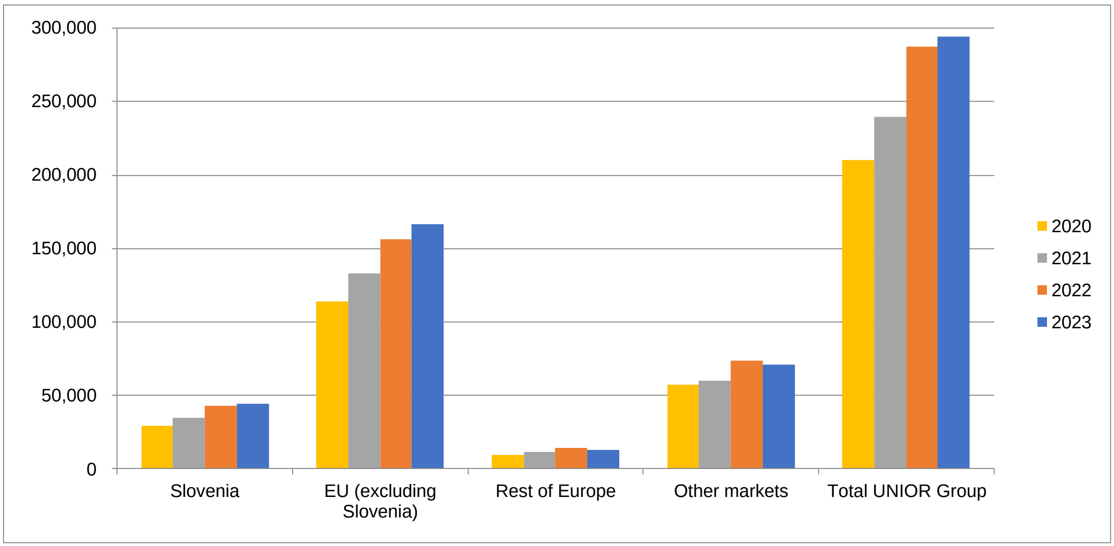
(in thousand EUR)	2023	2022	2021	2020
Forgings production activity	194,837	183,181	151,694	131,310
Hand tools production activity	43,630	51,657	45,006	34,734
Special Machines activity	17,850	17,996	16,154	17,045
Tourism activity	26,501	23,139	16,346	16,212
Production of machine tools activity	8,869	8,412	7,773	7,840
Other	2,550	3,268	2,726	3,099
Total UNIOR Group	**294,237**	**287,653**	**239,699**	**210,240**



The most important market for the UNIOR Group's business is the European Union, which generated sales of EUR 166.3 million in 2023, an increase of 6.2% compared to the previous year, and accounted for 56.5% of sales, an increase of 2.1 percentage points. In Slovenia, sales reached EUR 44.4 million, up 3.4%, also due to higher revenues in tourism. Together with Slovenia, the European Union market accounts for 71.6% of UNIOR Group's sales, up from 69.4% last year. Sales in other markets in Europe, which account for 4.4% of the total, decreased by 9.9% to EUR 12.8 million. Sales in other markets outside Europe decreased by 4.4% year-on-year to EUR 70.7 million, representing 24% of UNIOR Group sales in 2023.

Revenue from sales of the UNIOR Group by market

(in thousand EUR)	2023	2022	2021	2020
Slovenia	44,436	42,982	34,546	29,407
EU (excluding Slovenia)	166,273	156,509	133,004	113,878
Rest of Europe	12,831	14,246	11,859	9,552
Other markets	70,697	73,916	60,290	57,403
Total UNIOR Group	**294,237**	**287,653**	**239,699**	**210,240**

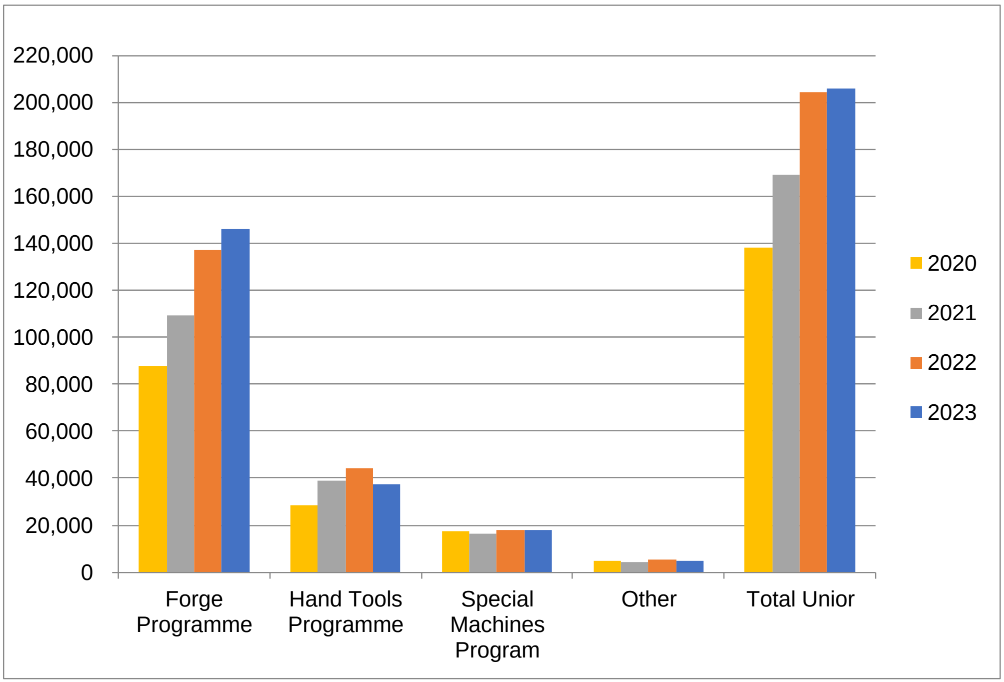


8.2.2 Sales of UNIOR d.d.

In 2023, revenue from sales generated by UNIOR d.d. amounted to EUR 205.9 million or 0.7 per cent or EUR 1.3 million more than the year before. Sales in the Forge programme exceeded the previous year's sales by 6.5% or EUR 8.9 million, reaching an all-time high. The Hand Tools Programme fell short of the 2022 sales revenue, which was record and exceptional in all segments, most notably in the Hand Tools Specialist Programmes, by EUR 6.8 million, a drop of 15.5%. The Special Machines programme, with turnover of EUR 17.9 million, also underperformed the previous year by 0.8%, or EUR 0.1 million, and thus achieved comparable turnover over the last four years.

Revenue from sales by programme

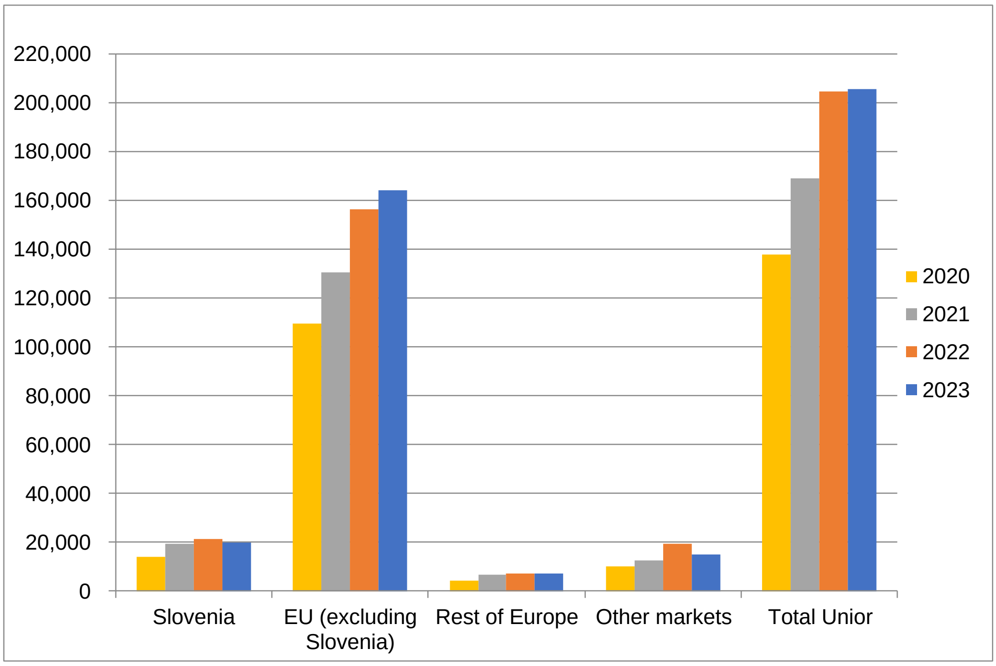
(in thousand EUR)	2023	2022	2021	2020
Forge Programme	145,977	137,110	109,208	87,821
Hand Tools Programme	37,354	44,204	39,102	28,244
Special Machines Program	17,945	18,095	16,431	17,441
Other	4,623	5,148	4,234	4,548
Total Unior	**205,898**	**204,557**	**168,975**	**138,055**



Sales revenue is higher in the European Union markets, excluding Slovenia, by 5%, while sales revenue in the rest of Europe, other markets and Slovenia is lower than in the comparable period of the previous year 2022. Together with the markets in Slovenia, the European markets account for 92.8% of total sales and are the most important for UNIOR d.d.'s business. The structural share of these markets in 2022 was 90.5%. In 2023, UNIOR d.d. achieved a historic high in annual sales revenue on account of its largest programme, Forge.

Revenue from sales by market

(in thousand EUR)	2023	2022	2021	2020
Slovenia	19,707	21,477	19,431	14,211
EU (excluding Slovenia)	164,249	156,412	130,366	109,550
Rest of Europe	7,062	7,298	6,695	4,345
Other markets	14,880	19,370	12,482	9,949
Total Unior	**205,898**	**204,557**	**168,975**	**138,055**


220,000
200,000
180,000
160,000
140,000
120,000
100,000
80,000
60,000
40,000
20,000
0
Slovenia
EU (excluding Slovenia)
Rest of Europe
Other markets
Total Unior
2020
2021
2022
2023

8.3 Production and services

8.3.1 UNIOR Group production and services

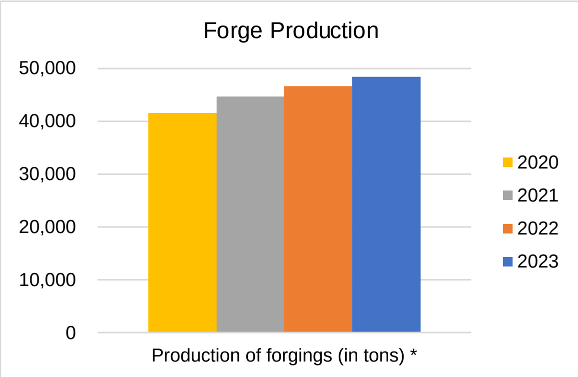
The UNIOR Group produces forgings at forges shops in Zreče and Vitanje in Slovenia, Vinkovci in Croatia and Yuyao in China, and the forgings are processed in Slovenske Konjice in Slovenia and Yuyao in China. Hand tools are produced at four locations in Slovenia, namely in Zreče, Vitanje, Lenart and Stari trg ob Kolpi. Foreign Group companies are only in charge of their sales. Special Machines takes place in Zreče, Slovenia, whereas machine tools are produced in Kragujevac, Serbia. The Group's tourism activities are carried out only in Slovenia and include the Terme Zreče health resort in Zreče and the Rogla ski resort.

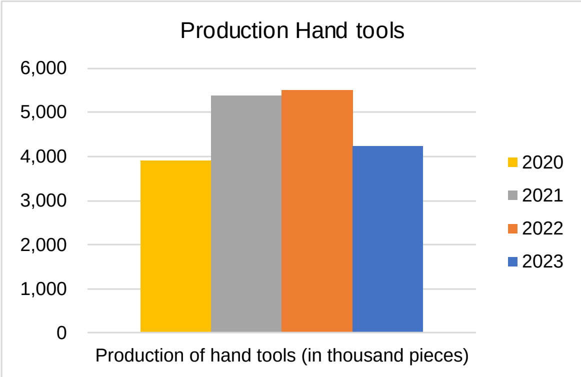
The higher sales volumes in 2023 had an impact on the UNIOR Group's production of forgings, which was higher compared to 2022. The UNIOR Group produced 48,421 tonnes of forgings, an increase of 3.8% or 1,771 tonnes compared to the previous year, while production measured in pieces amounted to 84.2 million pieces, an increase of 1.6 million pieces compared to the previous year and an increase of 1.9%. The production of sintered products, which involves a large number of very small pieces, is excluded from the forging production volumes shown, as these represent 12.7% of the pieces produced and only 1% by weight of the products produced in the forging products business. As the quantities of sintered products are in decline despite the increase in weight, adding these quantities to the forgings produced would distort the actual picture of the increase in the number of forgings produced. The Hand Tools Programme, despite lower sales, produced 4.2 million pieces of hand tools or 23.2 per cent more than in the year before, whereas production in terms of product weight amounted to 2,750 tons, which is 23.4 per cent less than in 2022. The decline in turnover in this business was lower than the decline in production, thanks to an appropriate pricing policy and optimisation of finished goods inventories. The number of completed hours in 2023 in the Special Machines Programme and the machine tool production (where production is measured thereby) fell by 0.4 per cent compared to the year before. The continuation of the positive trend in 2023 is reflected in the tourism activity of the UNIOR Group, which, with 188.9 thousand guest nights, achieved a growth of 2.6% compared to 2022.

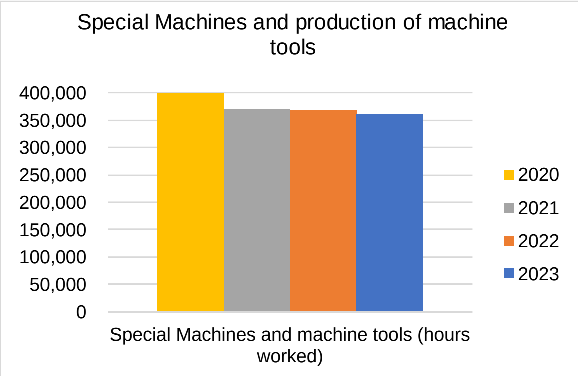
Production and services in the UNIOR Group by activity

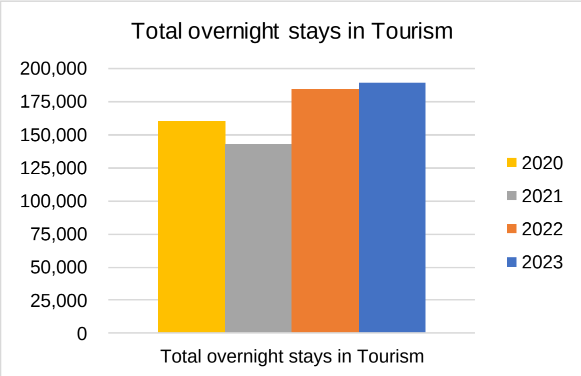
	2023	2022	2021	2020
Production of forgings (in tons) *	48,421	46,650	44,737	41,520
Production of forgings (in thousand pieces) *	84,225	82,622	78,692	75,152
Production of hand tools (tons)	2,750	3,588	3,460	2,262
Production of hand tools (in thousand pieces)	4,224	5,499	5,395	3,904
Special Machines and machine tools (hours worked)	361,472	368,641	370,889	400,893
Total overnight stays in Tourism	188,890	184,125	143,113	159,554

* Production of forgings is shown excluding sintered products









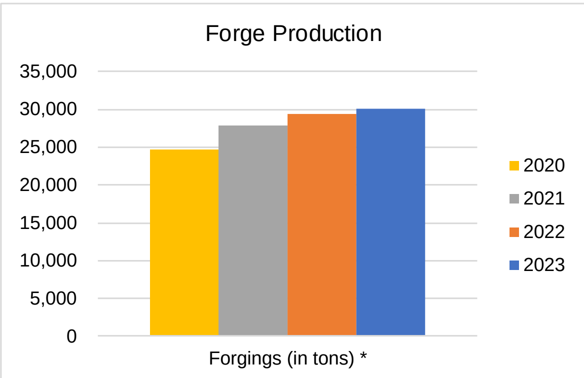
8.3.2 Production and services of UNIOR d.d.

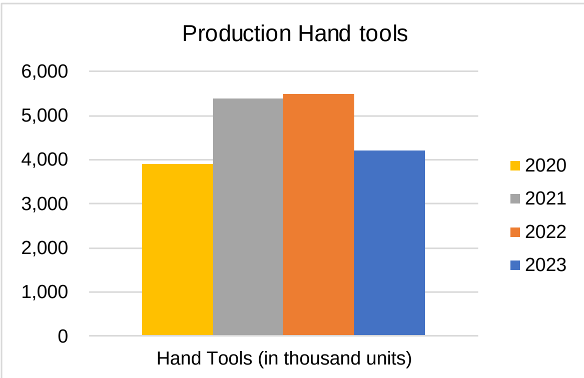
The higher sales achieved in 2023 in the Forge Programme also show an increase in production volumes in tonnes by 2.3% and in pieces by 0.7% compared to the same period last year. Again, for similar reasons to the UNIOR Group, the production of sintered products is excluded, representing 19.6% of the pieces produced and only 1.7% of the weight of the products produced in the Forge Programme. The higher sales growth than production growth in this programme is also mainly due to the appropriate pricing of products. The Hand Tools Programme produced 23.7% fewer products in tonnes and 23.2% fewer in pieces compared to the comparable period of the previous year, but still achieved a lower drop in turnover than the fall in production, thanks to an appropriate pricing policy and optimisation of finished goods inventories. In the Special Machines programme, where production is measured in terms of hours worked, the number of hours worked in 2023 is 2.8% lower than in the previous year due to a slightly lower volume of new orders.

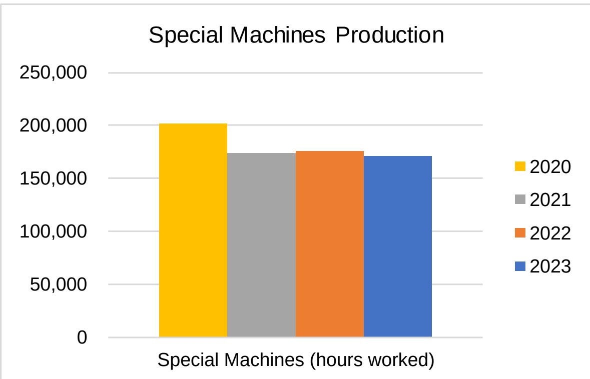
Production and services by programme

	2023	2022	2021	2020
Forgings (in tons) *	30,052	29,389	27,889	24,699
Forgings (in thousand pieces) *	54,328	53,947	51,800	46,567
Hand Tools (in tons)	2,750	3,588	3,460	2,262
Hand Tools (in thousand units)	4,224	5,499	5,395	3,904
Special Machines (hours worked)	170,326	175,250	174,190	201,430

* Production of forgings is shown excluding sintered products







8.4 Procurement

8.4.1 UNIOR Group Procurement

In 2023, procurement flows in the Group moved as expected. As the impact of the expansion on the world economy increased, a fairly normal situation in the upstream markets began to emerge. The growth in production and consumption has increased the pressure on suppliers, who have responded to the situation by extending delivery times and increasing prices. This trend continued until the beginning of the fourth quarter, when certain segments and markets experienced a reduction in the consumption of certain raw materials, which eased the pressure to extend delivery times and increase prices.

The past year has been marked mainly by fluctuations in electricity and natural gas prices, but despite the uncertainty and volatility of energy prices, the overall trend in electricity and gas prices has been negative. As a result, in the last quarter we started to put pressure on the prices of our inputs and services. Thus price reductions were recorded in certain purchasing categories.

8.4.2 Procurement at UNIOR d.d.

STEEL

Steel deliveries in 2023 were smooth. We have had some problems with steel deliveries from France because they have been late. Annual quantities and annual basic prices have been agreed. Annual basic prices have increased, and we have also paid an energy surcharge, which has been charged differently by suppliers. For some, there was an agreement not to charge the energy allowance, for others it was charged monthly (even in minus) and for some it was part of the basic price. The average price of an energy supplement has followed a downward trend. The prices of steel scrap and alloying additives have varied from month to month, first with an upward trend and then a downward trend. Changes in the basic steel prices, additives (steel scrap, alloying additives) and the energy surcharge have had an impact on the change in the cost of steel procurement. The average price was lower than in the same period last year due to lower energy and other supplements. In 2023, we procured 54,275 tonnes of steel, an increase of 3.8% compared to 2022.

STEEL POWDER

In total, 469 tonnes of powder were procured in 2023, 12% less than last year, at a slightly higher price than in 2022. The trend of decreasing dust consumption continues in 2024.

ALUMINIUM

Due to the increase in aluminium orders, we have opened a new purchasing category in 2023. We have procured 115 tonnes of aluminium and 25.6 tonnes in 2022. The price consists of the value on the stock exchange (London Metal Exchange) and the processing price. The stock market price was lower than in 2022, and we also agreed on a lower processing price.

SHEET METAL

Sheet metal procurement has been fairly stable over the past year compared to 2022, when we faced a rise in material prices and limited supply capacity. We have managed to secure sufficient material for production. In the meantime, 2022 prices increased heavily and peaked in the summer months when the price of cold-rolled sheet fluctuated in the EUR 1,800/tonne range. After the market stabilised, we had expected a significant price drop in the last quarter, which has indeed happened. Prices reached a stable and reasonable level (EUR 1,000/tonne of cold-rolled sheet metal) again in November. Sheet metal needs are significantly reduced in 2023 due to lower sales orders. Over the same period, we bought 40% less sheet metal this year than in 2022. This was partly due to higher stocks from the previous year. However, sheet metal prices have decreased on average compared to 2022.

SANDING MATERIALS

The delivery times for abrasive materials have been shortened in 2023, so we have not seen any major supply problems. Our consumption of abrasives in 2023 was 3% lower than in 2022, mainly due to lower orders from hand tool customers. Prices of abrasives followed the forecasts and increased on average. The majority of the price impact is accounted for by sanding powder. We have managed to keep the basic price of blasting powder at the same level.

CUTTING TOOLS

The consumption of cutting tools in 2023 remained roughly at the same level in quantity compared to the previous year 2022. Consignment agreements have been concluded with most suppliers for our cutting tools, allowing for continuous supply of these materials and an optimum cost burden. In the area of prices, we have seen an increase in this purchasing category in 2023.

CONSUMABLES

Consumables consumption in 2023 was on average 50% lower in volume terms compared to 2022, but higher in value terms. The most challenging area has been the normalisation of prices, which had risen enormously in previous periods due to increases in energy and other commodities, but started to fall last year, with prices not quite following this trend.

CHEMICAL PRODUCTS

Compared to 2022, the procurement of chemical products in 2023 also proved challenging in many ways. The situation a year ago has also calmed down considerably in terms of price stability and supply. Similarly to the other categories, we faced the problem of price normalisation, which did not follow the downward trend of all energy products from other materials for the production of chemicals. In terms of volume and value, we spent 13% less than in the previous year, with prices marginally higher.

OSP (manufacturing services)

In 2023, we have strengthened our active cooperation with the Forge Programme and the Forgings Processing Plant, Sinter and Aluminium divisions in the area of outsourced OSP services. In particular, we have focused on actively negotiating reductions in the prices of external services, which have been rising over the past two years (2021 and 2022), mainly due to increases in the cost of electricity, energy and inflation. Prices on the OSP have increased in 2023 compared to 2022. Due to the fall in energy and electricity prices, we have managed to align prices with most external service providers. OSP is dominated by outsourced services such as mechanical processing, electroplating and heat treatment, which will further increase in the coming year according to the Forge Programme forecasts, resulting in additional demand for outsourced services, in particular the apparent increase in volumes at the Aluminij Vitanje plant for aluminium forgings is forecasted.

8.5 Business performance

8.5.1 UNIOR Group's performance

UNIOR Group's profitability was under significant pressure in 2023, with higher financing costs of EUR 4 million and higher labour costs of EUR 3.7 million, compared to the previous year. The UNIOR Group generated a net profit of EUR 4.9 million in 2023, a decrease of 51.8% or EUR 5.3 million compared to 2022.

The operating result (EBIT)[11] of the UNIOR Group reached EUR 14.2 million in 2023, an increase of EUR 4.1 million, or 40.1%, compared to the previous year. Earnings before interest, taxes, depreciation and amortisation (EBITDA)[12] reached EUR 31.1 million, an increase of EUR 2.8 million or 9.9% compared to 2022.

Sales and profitability of the UNIOR Group

(in thousand EUR)	2023	2022	2021	2020
Revenue from sales	294,237	287,653	239,699	210,240
Operating costs	(282,012)	(288,715)	(241,345)	(219,043)
EBIT *	14,179	10,120	10,486	1,128
EBITDA *	31,071	28,267	28,792	23,931
Earnings before interest and taxes	5,074	10,619	11,260	(3,077)
Net profit or loss	4,937	10,232	11,091	(2,196)

* The indicators are defined as alternative benchmarks. Their definitions are provided in Section 8.14 of the 2023 Annual Report.

In 2023, a year that was made difficult for the fourth year in a row by extraordinary global events, UNIOR Group fulfilled its obligations to its employees, business partners and banks in a responsible manner. The Group has met all its commitments to the banks, as defined in the loan agreements, without deviation in 2023.

OPERATING EXPENSES STRUCTURE OF THE UNIOR GROUP

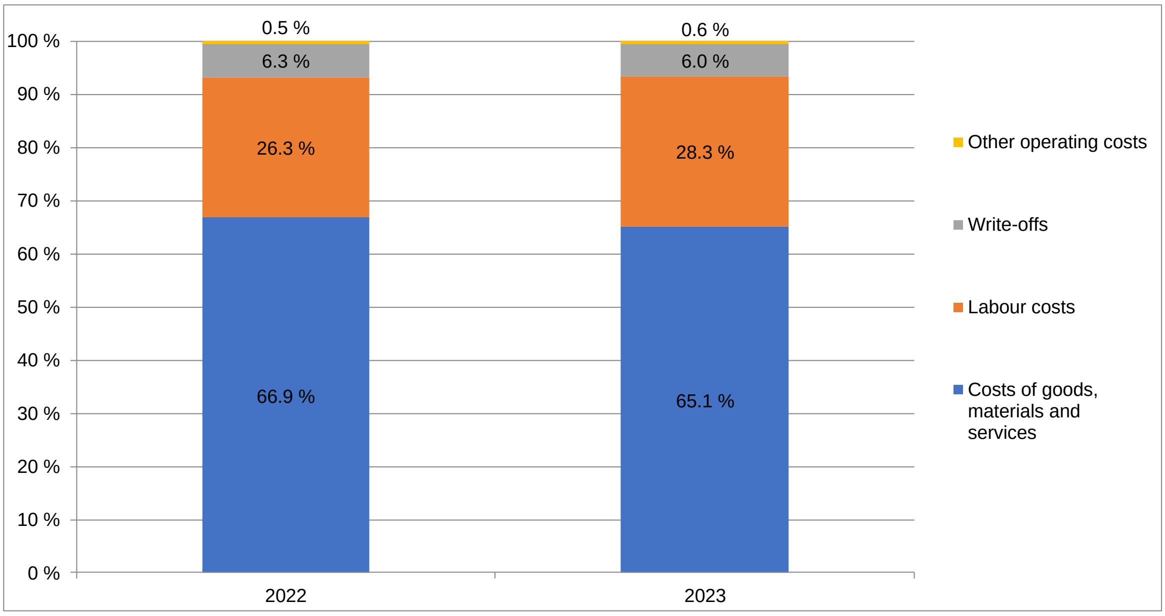
Operating expenses in the UNIOR Group decreased by 2.3% in 2023. The impact on the decrease in operating expenses was unevenly distributed throughout the financial year, with a more marked moderation in prices in the second half of the year. The cost of goods, materials and services is expected to decrease by 4.9% in 2023 compared to 2022. Labour costs increased by 4.8% compared to 2022, partly due to statutory minimum wage increases in some countries where UNIOR Group companies operate, but mainly due to the annual adjustment of salaries or promotions in order to attract and retain high-quality and appropriately qualified staff. Write-offs which include depreciation and operating expenses from evaluation fell by 6.9 per cent in 2023. Other operating expenses, which represent the smallest structural share, increased by 22.3% compared to 2022 and amounted to EUR 1.6 million.

[11] EBIT is an indicator defined as an alternative performance measure, definitions are defined in section 8.14. of the 2023 Annual Report

[12] EBITDA is an indicator defined as an alternative performance measure, the definitions of which are set out in section 8.14. of the 2023 Annual Report

Operating expenses structure in the UNIOR Group

(in thousand EUR)	2023	2022
Costs of goods, materials and services	(183,700)	(193,131)
Labour costs	(79,807)	(76,116)
Write-offs	(16,892)	(18,147)
Other operating costs	(1,614)	(1,320)
Total operating expenses	**(282,012)**	**(288,715)**



Compared to the previous year, the structure of expenses was changed due to the above; namely, costs of goods, materials and service fell by 1.8 per cent, whereas labour costs rose by 2 per cent. Write-downs are down by 0.3 percentage points and other operating expenses are up by 0.1 percentage points.

PRODUCTIVITY OF THE UNIOR GROUP

(in EUR)	2023	2022	2021	2020
Gross output per employee*	109,741	112,049	93,271	77,744
Gross added value per employee*	41,081	39,139	36,178	32,197

* The indicators are defined as alternative benchmarks. Their definitions are provided in Section 8.14 of the 2023 Annual Report.

UNIOR Group's productivity, measured by gross return per employee[13], decreased by 2.1% compared to 2022, amounting to 110 thousand euros per employee. The second productivity indicator, gross value added per employee[14], is 5% higher than in the previous year at 41.1 thousand euros per employee.

[13] Gross return per employee is an indicator defined as an alternative performance measure, the definitions of which are defined in section 8.14. of the 2023 Annual Report
[14] Gross value added per employee is an indicator defined as an alternative performance measure, the definitions of which are set out in section 8.14. of the 2023 Annual Report

8.5.2 Performance of UNIOR d.d.

In 2023, UNIOR d.d. recorded a net profit of EUR 0.2 million, a decrease of EUR 4.9 million compared to the same and successful previous year, mainly due to EUR 3.8 million higher financing costs in 2023 and the inclusion of the positive effect of a one-off event of EUR 1.7 million arising from the sale of the investment in the associate UNIOR Tepid in 2022. In the comparative year 2022, we recorded a net profit of EUR 5.1 million.

Sales in terms of turnover are 0.7% higher in 2023 compared to 2022, improving due to a good order book in the Forge Programme and weakening due to a drop in demand in the Hand Tools Programme.

The operating result (EBIT) of[15] in 2023 amounts to EUR 5.6 million and is EUR 1.9 million higher than in the previous year 2022, representing an increase of 51.3%. Gross operating profit fell by 2.9% or EUR 6.2 million in 2023. Operating expenses for the period January to December 2023 are down by 3.8% or EUR 8.1 million and lag behind the comparable period of the previous year by more than the gross margin. Despite the tough economic situation and high prices for energy, materials and services, the operating result is better than in the previous year.

Similarly to EBIT, the EBITDA,[16] which amounted to EUR 14.4 million in the current year, is up by EUR 1.5 million or 11.8% compared to the previous year.

Sales volume and profitability of UNIOR d.d.

(in thousand EUR)	2023	2022	2021	2020
Revenue from sales	205,898	204,557	168,975	138,055
Operating costs	(201,999)	(210,084)	(172,135)	(152,768)
EBIT *	5,646	3,731	2,943	(7,403)
EBITDA *	14,435	12,915	12,663	7,148
Earnings before interest and taxes	(306)	4,867	2,129	(10,302)
Net profit or loss	227	5,075	2,746	(7,959)

* The indicators are defined as alternative benchmarks. Their definitions are provided in Section 8.14 of the 2023 Annual Report.

In a year marked by an extremely difficult economic situation (political and economic), the Company's most important objective remained to safeguard its cash flow and ensure its continued solvency, with a focus on meeting its obligations to employees, business partners and banks. The Company met all its commitments to the banks, as defined in the loan agreements, without deviation, even in 2023, which was far from normal in terms of the situation.

OPERATING EXPENSES STRUCTURE

Operating expenditure is 3.8% lower in the current year than last year. The cost of goods, materials and services is down 6% compared to the previous year. Labour costs are 2.2% higher than in 2022, due to a 12% increase in the minimum wage to EUR 1,203.36 as of 01/01/2023, and a general increase of 6.5% in the wages of employees on the basis of a collective agreement as of 01/02/2023. A large number of workers have also been promoted individually, especially in deficit jobs. Write-downs, which include

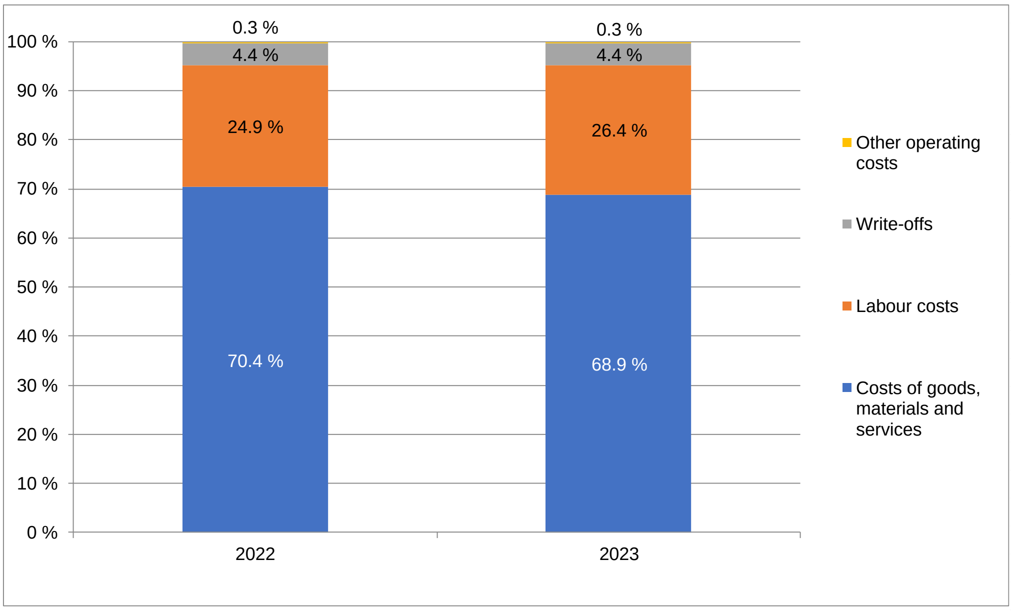
[15] EBIT is an indicator defined as an alternative performance measure, definitions are defined in section 8.14. of the 2023 Annual Report

[16] EBITDA is an indicator defined as an alternative performance measure, the definitions of which are set out in section 8.14. of the 2023 Annual Report

depreciation, amortisation and revaluation expenses, are 4.3% lower than in the previous year. Other operating expenses are down by 3.4%, but represent the smallest structural share.

Structure of UNIOR d.d.'s operating expenses

(in thousand EUR)	2023	2022
Costs of goods, materials and services	(139,088)	(147,896)
Labour costs	(53,439)	(52,299)
Write-offs	(8,789)	(9,184)
Other operating costs	(682)	(706)
Total operating expenses	**(201,999)**	**(210,084)**



The structure of expenditure by type has changed compared to the previous year, with the cost of goods, materials and services losing 1.5 percentage points and the cost of labour gaining 1.5 percentage points. The structural share of write-downs and the structural share of other operating expenses remained unchanged.

PRODUCTIVITY

(in EUR)	2023	2022	2021	2020
Gross output per employee*	133,448	138,482	109,974	86,785
Gross added value per employee*	43,621	42,237	37,720	32,195

* The indicators are defined as alternative benchmarks. Their definitions are provided in Section 8.14 of the 2023 Annual Report.

Productivity in the company is measured by gross return per employee[17], which is 3.6% lower compared to 2022. The second indicator, gross value added per employee[18], is 3.3% higher than in the previous year.

[17] Gross return per employee is an indicator defined as an alternative performance measure, the definitions of which are defined in section 8.14. of the 2023 Annual Report
[18] Gross value added per employee is an indicator defined as an alternative performance measure, the definitions of which are set out in section 8.14. of the 2023 Annual Report

8.6 Performance indicators for UNIOR Group and UNIOR d.d.

	UNIOR Group 2023	UNIOR Group 2022	UNIOR d.d. 2023	UNIOR d.d. 2022
Equity financing rate*	0.477	0.484	0.412	0.416
Long-term financing rate*	0.798	0.571	0.788	0.484
Operating fixed assets rate*	0.539	0.477	0.442	0.378
Long-term assets rate*	0.594	0.536	0.571	0.511
Equity to operating fixed assets*	0.886	1.015	0.933	1.101
Indirect coverage ratio of short-term liabilities – quick ratio *	0.291	0.139	0.074	0.026
Quick coverage ratio of short-term liabilities – accelerated ratio *	0.929	0.449	0.638	0.255
Short-term coverage ratio of short-term liabilities – current ratio *	1.920	1.040	1.882	0.894
Operating efficiency ratio*	1.050	1.035	1.028	1.018
Net return on equity*	0.027	0.058	0.002	0.054
Dividend to share capital*	0.000	0.000	0,000	0,000

* The indicators are defined as alternative benchmarks. Their definitions are provided in Section 8.14 of the 2023 Annual Report.

8.7 Financial situation

8.7.1 Financial position of the UNIOR Group

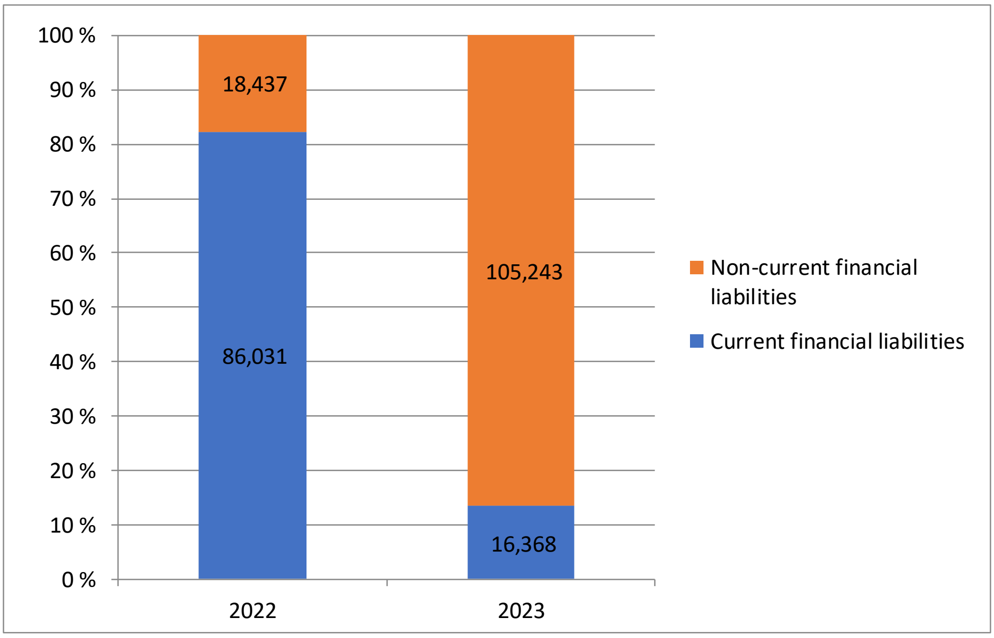
The total assets of the UNIOR Group amounted to EUR 390.8 million at the end of 2023, an increase of EUR 9.7 million, or 2.5%, over the calendar year 2023. Non-current assets amounted to EUR 239.5 million or EUR 28.5 million more than at the end of the preceding year. Intangible assets increased by EUR 2.6 million due to investments in long-term deferred costs for the development of new machinery and a new Aluminium Transformation Production Programme. Property, plant and equipment increased by EUR 26 million, of which EUR 14.8 million was due to the reallocation of forging tools from inventories to equipment, while the remaining EUR 11.2 million increase was due to new investments in excess of depreciation. Investment property increased by only EUR 2 thousand and long-term investments decreased by EUR 757 thousand, mainly due to the valuation of associates using the equity method. Deferred tax assets increased by EUR 612 thousand to EUR 7.5 million and non-current trade receivables increased by EUR 9 thousand.

Current assets at the end of 2023 amounted to EUR 151.3 million, a decrease of EUR 18.8 million or 11% compared to the end of the previous year. Inventories are EUR 18.6 million lower than a year ago, mainly due to the transfer of forging tools worth EUR 14.8 million between equipment, while other types of inventories also decreased. Short-term investments increased by EUR 12 thousand, while short-term trade receivables decreased by EUR 466 thousand, mainly due to a lower balance of short-term trade receivables from customers. The cash balance at the end of 2023 is EUR 277 thousand higher than at the beginning of the year, at almost EUR 23 million.

The UNIOR Group's capital at 31/12/2023 amounted to EUR 186.5 million and increased by EUR 1.8 million in 2023 as a result of the profit for the financial year 2023 of EUR 4.9 million, an increase in the fair value reserve of EUR 0.5 million and decreases due to the payment of dividends to the non-controlling interest owners of EUR 0.7 million, a decrease in the translation adjustment of capital of EUR 2.3 million, and other changes in capital of EUR 0.6 million. The capital-to-funds ratio as of 31/12/2023 is therefore 47.7%, a decrease of 0.7 percentage points compared to the end of 2022.

Long-term and short-term financial liabilities in total amount to EUR 121.6 million, with a total increase of EUR 17.1 million in 2023 due to the drawdown of an additional loan on the basis of the signing of new syndicated loan agreements in the parent company together with the tourism business, a new loan for the construction of the “Mašinžaga Park” project at Rogla, the drawdown of a long-term loan approved in 2021 for the establishment of a new Aluminium Transformation Production Programme and a development loan approved in 2023 for development-oriented investments in the forgings and hand tools activities. The signing of the new syndicated contracts has restored the normal balance between long-term and short-term financial liabilities, so that 86.5% of UNIOR Group's financial liabilities are long-term, while short-term liabilities are mainly revolving credit facilities drawn down and the short-term portion of long-term loans maturing in the following year. Given the interest rate, 93.2 per cent of all financial liabilities of the Group are linked to a variable interest rate.

Maturity dates of financial liabilities of the UNIOR Group



The UNIOR Group's trade payables decreased by EUR 15 million, or 19.4%, to EUR 62.5 million in 2023. Current trade payables are EUR 9.8 million lower than at the end of the previous year, mainly due to additional liquidity provided under new syndicated credit agreements. Current notes payable are lower by EUR 5.2 million and advances received by EUR 0.8 million, while accrued charges and deferred income are higher by EUR 0.8 million.

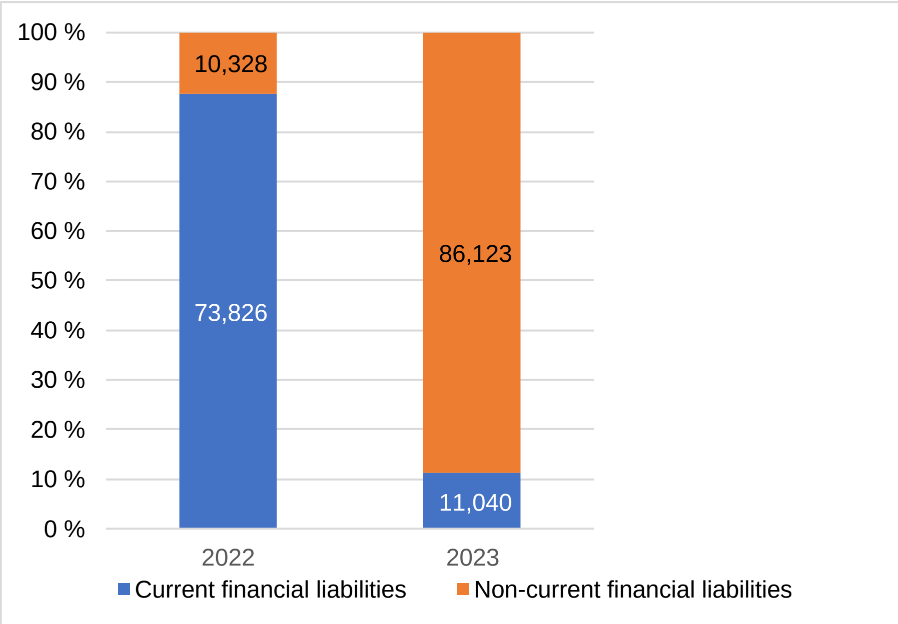
8.7.2 Financial position of UNIOR d.d.

The Company's total assets increased by 1.6% or EUR 3.9 million in 2023. Non-current assets increased by EUR 17.3 million and current assets decreased by EUR 13.4 million. The non-current assets, property, plant and equipment increased by EUR 14.3 million due to the reallocation of forging tools worth EUR 14.8 million from inventories to equipment, net of this effect, property, plant and equipment was lower due to depreciation charges, while new investments were lower than depreciation charges. Intangible assets increased due to investments in long-term deferred costs for the development of new machinery and a new Aluminium Transformation Production Programme. Long-term investments increased compared to the year-end position due to the subsequent contribution to the capital of the subsidiary UNITUR d.o.o. in non-cash form through the conversion of long-term trade receivables, which decreased compared to the previous year-end position. Current assets are lower for inventories due to the transfer of forging tools worth EUR 14.8 million to equipment, while receivables and short-term investments are higher. There is also a higher cash balance at the end of 2023.

The Company's capital increased by EUR 0.6 million in 2023, due to the profit for the period and the change in the fair value reserve arising from the actuarial gain in the calculation of the provision for employees in accordance with International Accounting Standards 19. The capital-to-funds ratio at 31/12/2023 is therefore 41.2%, a decrease of 0.4 percentage points compared to the end of 2022.
Financial liabilities increased by EUR 13 million in 2023, due to the drawdown of an additional loan under a new syndicated loan agreement, the drawdown of a long-term loan approved in 2021 for the establishment of a new Aluminium Transformation Production Programme and a development loan approved in 2023 for development-oriented investments in the Forge and Hand Tools Programmes.

Under the new syndicated loan agreement, in addition to refinancing existing liabilities maturing in 2023, the creditor banks provided additional liquidity of EUR 6 million to cover permanent working capital needs, which resulted in a reduction in trade payables to suppliers. The signing of the new contract has restored the normal balance between long-term and short-term financial liabilities. Long-term financial liabilities represent 88.6% of total financial liabilities, while at the end of 2022, only 12.3% of total financial liabilities were long-term. Given the interest rate, 98.9 per cent of all financial liabilities of the Company are linked to a variable interest rate.

Maturity of financial commitments



Trade payables decreased by EUR 9.6 million, or 18.9%, to EUR 41 million. Short-term trade payables to unrelated suppliers are EUR 8.9 million or 23.9% lower than at end-2022 – the most significant improvement in trade payables is the improvement in the ageing structure, with 15.9 percentage points or EUR 9.7 million less payables outstanding than at end-2022, made possible by the additional liquidity provided under the new syndicated credit agreement.

8.8 Investments

8.8.1 UNIOR Group investments

In 2023, the UNIOR Group invested EUR 28.8 million in new fixed assets, an increase of EUR 12.4 million compared to the previous year. Investments in property, plant and equipment amounted to EUR 25.1 million and in intangible fixed assets to EUR 3.7 million. In 2023, investments of EUR 14.5 million were made in the metal sector and EUR 14.3 million in the tourism sector. The total value of investments was higher compared to 2022, mainly due to increased investments in tourism, where the EUR 12.5 million investment in the "Mašinžaga Park" project transformed the Rogla Ski Centre into a year-round tourist destination. The Slovenian Ministry of Economy, Tourism and Sport has approved a grant of EUR 8 millionfor this project.

The UNIOR Group invested EUR 5.4 million in buildings in 2023, of which EUR 3.5 million in the tourism business for the "Mašinžaga Park" project, and the remaining EUR 1.9 million in the metal business for regular or capital maintenance of buildings, renovation of premises and resilience building.

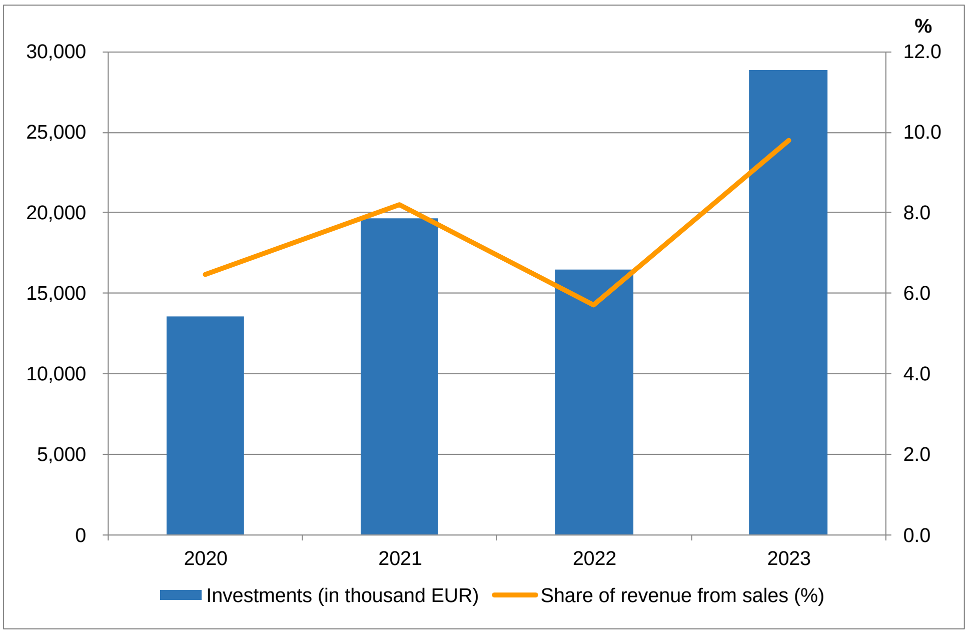
In 2023, EUR 19.7 million of investment in new equipment was made. The largest package of investments in equipment, worth EUR 9 million, is the tourism business' investment in the "Mašinžaga Park", followed in the metal business by a package of investments in machining centres and related special-purpose equipment worth EUR 4.1 million and a package of general renovations and upgrades of existing equipment worth EUR 1.9 million. In the metals business, EUR 2.2 million was spent on automation and digitisation, including investments in cyber security, EUR 0.3 million on investments in the construction of a solar power plant in Serbia and in energy efficiency at Group companies, while the remaining EUR 0.8 million was spent on investments in replacing worn and obsolete equipment and other smaller investments. In the tourism sector, apart from the "Mašinžaga Park", the other major investments in equipment were the modernisation of the ski lift infrastructure, the upgrade of the artificial snowmaking system, a new tamping machine and the energy renovation of accommodation and catering facilities, totalling EUR 1.4 million.

More information on the UNIOR Group's investments in intangible and tangible fixed assets is disclosed in sections 9.7.2 and 9.7.3 of the 2023 Annual Report.

Fixed asset investments and their share in the UNIOR Group's turnover

	2023	2022	2021	2020
Investments (in thousand EUR)	28,838	16,460	19,645	13,593
Share of revenue from sales (%) *	9.80	5.72	8.20	6.47

* the indicator is defined as an alternative benchmark, the definition is provided in section 8.14 of the 2023 Annual Report



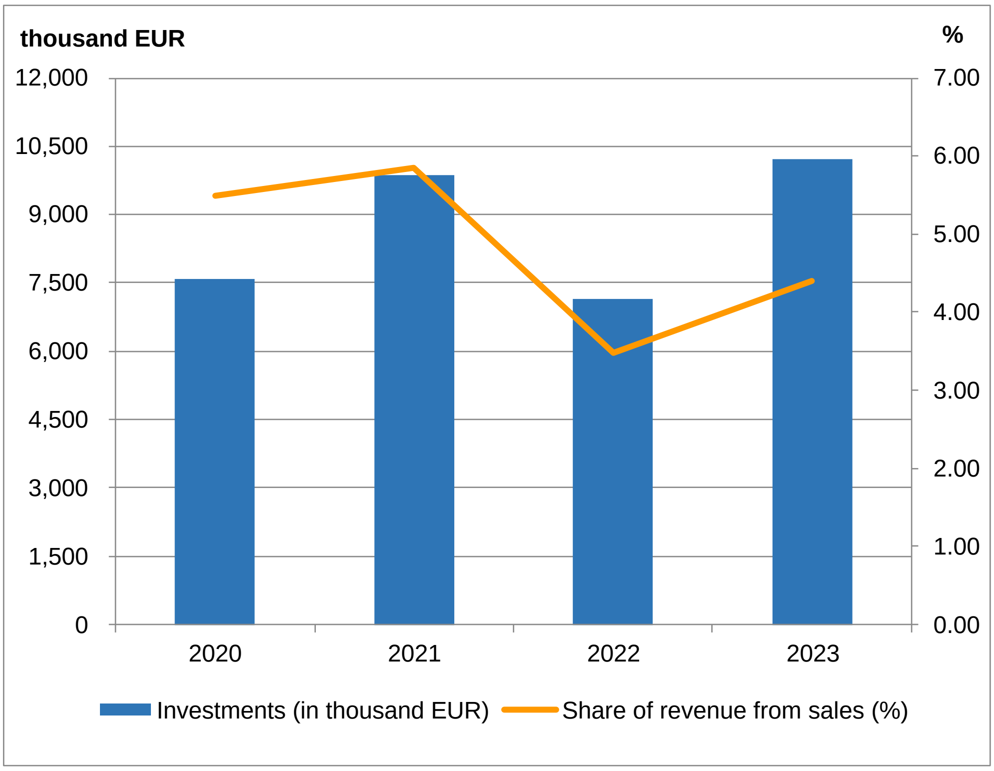
8.8.2 Investments by UNIOR d.d.

In 2023, UNIOR invested EUR 10.2 million in new fixed assets. The total value of investments is 42.8% or EUR 3.1 million higher compared to 2022. Almost half of the investments were made in the Forge Programme, with EUR 4.1 million of the total investment of EUR 5.5 million going towards the acquisition of new production equipment. The largest investments in the Forge Programme were: two new machining centres for the mechanical processing of forgings at the Forgings Processing Plant in Slovenske Konjice, worth EUR 1.1 million; EUR 0.6 million for the equipment of the aluminium pressing plant; EUR 0.5 million for the completion of the new forgings pressing line; and EUR 1.9 million for the automation, robotisation and modernisation of the existing equipment. The Forge Programme also included EUR 1.1 million of investments in the form of long-term deferred costs for the development of a new Aluminium Transformation Production Programme. The major investment in the Hand Tools Programme is the rehabilitation of the roof at the Lenart plant, amounting to EUR 0.1 million, while the difference of EUR 0.2 million to the total investment in the Hand Tools Programme is the investment in the modernisation of existing equipment. Investments in the Special Machines programme amounted to EUR 2 million, of which EUR 1.6 million in capitalised own products – long-term deferred costs for the development of new projects. Other investments at company level included the purchase of licences and computer equipment to ensure information security for EUR 1.6 million, the renovation of part of the staff changing rooms for EUR 0.4 million, and the renovation of building facilities and kitchen equipment for EUR 0.4 million.

Fixed asset investments and their share in the Company's turnover

	2023	2022	2021	2020
Investments (in thousand EUR)	10,213	7,153	9,873	7,578
Share of revenue from sales (%) *	4.40	3.47	5.84	5.49

* the indicator is defined as an alternative benchmark, the definition is provided in section 8.14 of the 2023 Annual Report



We have earmarked EUR 9.7 million for capital expenditure in 2023, an increase of EUR 1.7 million compared to the previous year. This amount includes EUR 1.2 million of investment payments made in 2022 to suppliers in 2023.

8.9 Internal audit in the parent Company

Internal Audit is a department organised within the parent company UNIOR d.d., which is directly subordinate to the Management Board and functionally subordinate to the Audit Committee of the Supervisory Board and to the Supervisory Board. Internal audit reviews are performed at the level of UNIOR d.d. and the UNIOR Group in accordance with the International Standards for the Professional Practice of Internal Auditing and the adopted Internal Audit Charter.

The Internal Audit Department carries out its mission within the context of approved annual work plans. In 2023, we carried out seven internal audits. The audits carried out verified the achievement of the audit objectives for each of the audited areas. Recommendations and options for improvement of the audited areas were proposed. Their implementation was also verified on a regular basis.

Internal Audit reported on each review to the audited entity, the management of the audited entity and the Management Board of the Company, and periodically we reported on the findings of individual reviews, risks and the implementation of internal audit recommendations to the Management Board, the Audit Committee of the Supervisory Board and to the Supervisory Board.

8.10 Foreign subsidiaries of the parent Company

The parent company, UNIOR d.d., does not have any foreign branches or operating units abroad.

8.11 Events after the reporting period in the UNIOR group and UNIOR d.d.

8.11.1 Accruals after the reporting period

Important accruals are indicated in Sections 9.14 and 10.15 of the 2023 Annual Report.

8.11.2 Other events after the reporting period

There were no other significant events after the reporting period.

8.12 Provision of a public utility service

Provision of the thermal energy supply public utility in the Zreče Centre Development

A Delegation Agreement was concluded on 01/03/2007 with the Municipality of Zreče for a period of 20 years. Pursuant to the above, UNIOR d.d., with the consent of the Municipality of Zreče, assumed a concession activity subject to a Management and Implementation Agreement. In accordance with the Concession Agreement for the provision of the public utility service of heat energy supply in the area of Zreče, UNIOR d.d. has also undertaken to operate and maintain the heat energy distribution network.

Income statement for the provision of the thermal energy generation and supply public utility

(in EUR)	2023	2022
Revenue from supplying natural gas and electricity	1,141,389	1,135,516
Total revenue	**1,141,389**	**1,135,516**
Costs of materials and services	(749,269)	(800,989)
Depreciation	(81,765)	(81,765)
Labour costs	(175,892)	(177,689)
Other operating expenses	(34,317)	(34,176)
Financial expenses from financial liabilities	(36,380)	(21,278)
Total operating costs	**(1,077,623)**	**(1,115,897)**
PROFIT OR LOSS	**63,766**	**19,619**

In order to ensure separate accounting monitoring of the activities, the revenues of the public utility are monitored at the profit and loss points organised for this purpose in accordance with the Concession Agreement for the provision of the public utility service and the supply of heat energy in the ZN centre Zreče area. Revenue is represented by the thermal energy billed to customers.

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

Criteria for the separation of public service expenditure in accordance with the Act on the Transparency of Financial Relations and the Separate Recording of Different Activities (ZPFOLERD 1)

UNIOR d.d. shall provide for the thermal energy supply public utility in the Zreče Centre Development.

In order to ensure separate reporting and accounting of the provision of the thermal energy supply public utility in compliance with the Public Service Delegation Agreement, separate cost centres shall be organised in UNIOR d.d. as follows:

- cost centre 52100 – CHP 1 (Cogeneration of heat and power);
- cost centre 52500 – Dobrava Boiler Room (thermal energy).

Direct costs of the provided public utility shall be recorded subject to their natural types and depending on the element of the business process they shall be incurred by: costs of operational tools or depreciation, labour costs, costs of services, costs of work items or costs of materials.

Post-generation distribution of thermal energy and electricity

Fixed eligible costs excluding energy product costs (costs of materials and services, labour costs, maintenance costs, depreciation, other write-offs and other operating expenses) incurred at the 52500 cost centre (CC) Dobrava Boiler Room shall be incurred solely from the generation and sales of thermal energy.

On cost centre 52100, the CHP 1 cogeneration, fixed costs are calculated based on the share of electricity and heat produced.

The calculation is based on the technical specification of the manufacturer of the generating installation and is in the ratio for CHP 1: CC 52100 (electricity 391kW – 43.5 per cent), (thermal energy 508kW – 56.5 per cent).

Variable costs (energy) on cost centre 52100, the CHP 1 cogeneration, shall be determined in the ratio of actual electricity produced to heat produced.

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

Indirect costs of the public utility shall constitute general costs of Joint Services of the company. The benchmark is the share of the costs of each activity in the total costs of the Company. The division key was changed in the 2023 financial year for better presentation purposes, and in the 2022 financial year, the share of each activity's revenue in the Company's total revenue was used as the benchmark.

The objective justification of the criteria was verified by the audit company Mazars, družba za revizijo, d.o.o., in 2023.

8.13 Objectives for 2024

The business plan for 2024 has been drawn up on the basis of data collected in December 2023 and January 2024. It is set in a period of economic and general uncertainty, which is why we have paid particular attention to the topical issues of managing high costs and proactively monitoring geopolitical challenges. The 2024 Business Plan focuses on the execution of planned and ongoing projects and the implementation of the types of changes that underpin productivity growth, cost optimisation and the consideration of sustainable solutions. An important guiding principle in the development of the plan is the vision, which forecasts an increase in value added per employee, which we see as a response to the increasing uncompetitiveness of European producers compared to their competitors in the Far East.

From the perspective of sustainable development of UNIOR d.d. and the UNIOR Group, which includes environmental, social and governance issues, we will focus on recognising the importance of sustainable and energy-efficient processes, which, in addition to meeting environmental requirements, will also help us to follow the European trends towards carbon neutrality and to continue with our planned decarbonisation and sustainable development activities.

8.13.1 UNIOR Group objectives for 2024

The UNIOR Group is projecting net sales of EUR 308.1 million in 2024, an increase of 4.7% compared to the previous year and 7.1% more than in 2022. Almost all but a few of the Group's companies will increase their sales in 2024, in an attempt to neutralise the increase in costs, especially financing and labour. As a result, the UNIOR Group's earnings before interest, taxes, depreciation and amortisation (EBITDA) is projected to increase by 13.7%, or EUR 4.3 million, to EUR 35.3 million in 2024. The operating result (EBIT), which will increase by EUR 2.9 million, will be 20.6% higher at EUR 17.1 million. We plan to achieve a net profit of EUR 8.1 million for the UNIOR Group in 2024, an increase of EUR 3.2 million compared to 2023. The UNIOR Group's financial liabilities will decrease by EUR 9 million in 2024 due to regular principal repayments on existing loans.

Planned sales and profitability of the UNIOR Group

(in thousand EUR)	2024 (plan)	2023 (realisation)
Revenue from sales	308,086	294,237
EBIT *	17,101	14,179
EBITDA *	35,328	31,071
Net profit or loss	8,113	4,937

* The indicators are defined as alternative benchmarks. Their definitions are provided in Section 8.14 of the 2023 Annual Report.

8.13.2 UNIOR d.d.'s objectives for 2024

In 2024, UNIOR d.d. is projecting net sales of EUR 215.9 million, an increase of EUR 10 million or 4.9% compared to 2023. With the current economic outlook published and a rather dynamic environment, we remain optimistic and focused on the way forward. There is a risk of reduced order intakes for all production programmes in view of direct and indirect effects of geo-political instability and any other unforeseen economic oscillations or even shocks.

Planned sales volume and profitability of UNIOR d.d.

(in thousand EUR)	2024 (plan)	2023 (realisation)
Revenue from sales	215,929	205,898
EBIT *	8,057	5,646
EBITDA *	17,439	14,435
Net profit or loss	3,415	227

* The indicators are defined as alternative benchmarks. Their definitions are provided in Section 8.14 of the 2023 Annual Report.

If the objectives are successfully achieved, we expect UNIOR d.d. to generate a profit of EUR 3.4 million in 2024, which will be EUR 3.2 million higher than the profit achieved in 2023. Despite higher revenue from sales, the profit is lower than the average profit prior to the 2020 pandemic year, especially in view of increased financing costs caused by growing reference interest rates and banking margins. Earnings before interest, taxes, depreciation and amortisation (EBITDA) will increase by 20.8% or EUR 3 million to EUR 17.4 million in 2024. EBIT will increase by 42.7% or EUR 2.4 million to EUR 8.1 million.

UNIOR d.d. will make new investments of EUR 15.2 million in 2024. We will focus on investments in robotics and process automation that will help increase productivity, improve the utilisation of existing production capacity, ensure higher product quality, improve working conditions, replace obsolete equipment and contribute to sustainable development. The new investments will increase production capacity in aluminium forming, forgings processing, cold forging and hand tool production in the bicycle segment. These are areas where there is a shortage of production capacity, and areas where sales of higher value-added products will grow in line with market opportunities.

8.14 Alternative benchmarks

The UNIOR Group and UNIOR d.d. Present their operating results using alternative benchmarks or performance measures (APMs) as laid down by the European Securities and Markets Authority (ESMA).

Value items are rounded up to EUR thousands, except where it is explicitly stated that the benchmark is in EUR.

Overall shares are shown in percentage, as a rule, rounded up to one decimal place or as a ratio between two categories. Alternative benchmarks or performance measures (APMs) are disclosed among key operating highlights and Section 6.7 of the 2023 Annual Report. A list of alternative benchmarks is shown below.

Alternative performance benchmarks	Calculation methodology	Selection of benchmark
EBIT (operating result)	operating revenue – operating expenses	A key indicator of the company's business performance and an indicator of the profitability that the company achieves in performing its core activity
EBITDA	operating profit or loss – write-offs	An indicator of the business performance of the company in its core activity and a good approximation of cash flow from operations
EBIT margin in %	operating profit or loss/net revenues from sales × 100	A benchmark for business performance and profitability
EBITDA margin in %	EBITDA/net revenues from sales × 100	A benchmark for business performance and profitability
ROA – return on assets	net profit or loss/average assets (calculated as the average of the opening and closing balances in the financial year) × 100	An indicator of a company's efficiency in managing the assets it has available to generate profits
ROE – return on equity	net profit or loss/average capital (calculated as the average of the opening and closing capital balances, excluding the current year's net profit or loss in the financial year) x 100	An indicator of the company's efficiency in generating profit with the resources provided by the owners or shareholders
Net financial liabilities/EBITDA	(financial liabilities – cash and cash equivalents)/EBITDA	An indicator that shows in how many years the financial debt could be repaid from existing liquid assets and generated cash flow from operations, assuming the same volume of operations and profitability
Gross added value per employee	(gross operating profit – costs of goods, materials and services – other operating expenses)/number of employees in terms of hours worked	A basic economic indicator and a fundamental measure of economic activity and success. It represents the newly created value of the company over a period of time per individual employee
Dividends per share	amount of profit distribution/number of shares entitled to dividend	Measure of the profit attributable to each share
Earnings per share	the amount of net profit achieved/weighted average number of ordinary shares whereby ordinary shares owned by the Company or the Group shall be excluded	Measure of the value of net profit or loss attributable to a voting share
Carrying amount of the share	capital/weighted average number of ordinary shares whereby ordinary shares owned by the Company or the Group shall be excluded	Measure of the value of the capital attributable to a voting share
Sales per share	net revenues from sales/weighted average number of ordinary shares whereby ordinary shares owned by the Company or the Group shall be excluded	Measure of net income generated during the period for each voting share
Cash flow per share	(operating result – depreciation)/weighted average number of ordinary shares, excluding ordinary shares held by the company or the group, as appropriate	A measure showing the free cash flow over time for each voting share
Dividend payout percentage	dividend per share/earnings per share × 100	Measure of the proportion of profits to be distributed to shareholders
Gross output per employee	gross operating profit/number of employees in terms of hours worked	A benchmarks for generated revenue increased by capitalized own products, other business revenue and change in the value of product inventories and work in progress in a time period per employee
Equity financing rate	capital/liabilities to sources of assets	Indicator of financing of assets with owner's capital
Non-current financing rate	(capital + non-current debts + non-current provisions)/(liabilities to sources of assets)	Financing status indicator
Operating fixed assets rate	fixed assets at carrying amount/assets	Investment indicator
Non-current assets rate	(fixed assets at carrying amount + investment property + non-current financial investments + non-current operating receivables)/assets	Investment indicator
Equity to operating fixed assets	capital/fixed assets at carrying amount	Horizontal financial structure indicator
Indirect current liabilities coverage ratio – acid test ratio	cash and cash equivalents/current liabilities	Horizontal financial structure indicator
Progressive current liabilities coverage ratio– quick ratio	(liquid assets + current receivables)/current liabilities	Horizontal financial structure indicator
Current liabilities coverage ratio – current ratio	current assets/current liabilities	Horizontal financial structure indicator
Operating efficiency ratio	operating revenue/operating expenses	An economic indicator that shows the performance of operations without taking into account the effects of financing and extraordinary effects
Net return on equity	net profit for the financial year/average capital excluding net profit or loss for the year under review	Profitability indicator showing the extent of capital fertilization (owner capital)
Dividend to share capital	sum of dividends for the financial year/average share capital of the parent company	Performance indicator
Share of investments in sales revenue	the company's investments in fixed assets/net revenues from sales x 100	A benchmark for the share of investments in fixed assets, expressed as a percentage of the achieved net sales revenue

9 AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE UNIOR GROUP

9.1 Audited consolidated statement of financial position of the UNIOR Group as of 31/12/2023

(in EUR)	Item	Note	31/12/2023	31/12/2022
	ASSETS		**390,808,248**	**381,111,416**
A.	**NON-CURRENT ASSETS**		**239,485,546**	**211,026,390**
I.	**Intangible assets and other IA**	**9.7.2**	**9,045,623**	**6,470,030**
1.	Non-current property rights		3,370,583	2,985,354
2.	Goodwill		521,448	521,448
3.	Non-current deferred development costs		1,809,278	2,588,191
4.	Other intangible assets		488,816	47,133
5.	Intangible assets being acquired		2,855,498	327,904
II.	**Property, plant and equipment**	**9.7.3**	**201,501,008**	**175,483,918**
1.	Land and buildings		104,222,322	99,673,732
	a) Land		*30,703,321*	*30,477,507*
	b) Buildings		*73,519,001*	*69,196,225*
2.	Plant and machinery		85,897,190	62,694,557
3.	Other equipment and machinery, small tools and other property, plant and machinery		592,401	650,189
4.	Leased property, plant and equipment		4,390,073	3,635,894
5.	Property, plant and equipment being acquired		6,399,022	8,829,546
III.	**Investment property**	**9.7.4**	**1,957,613**	**1,955,427**
IV.	**Non-current investments**	**9.7.5**	**19,493,948**	**20,250,939**
1.	Non-current investments, excluding loans		19,486,850	20,242,033
	a) Shares and participating interests in associates		*19,462,779*	*20,179,654*
	b) Other non-current investments		*24,071*	*62,379*
2.	Non-current loans		7,098	8,906
V.	**Non-current operating receivables**	**9.7.8**	**30,503**	**21,356**
1.	Non-current operating receivables		0	0
2.	Non-current operating receivables from others		30,503	21,356
VI.	**Deferred tax assets**	**9.7.15**	**7,456,851**	**6,844,720**
B.	**CURRENT ASSETS**		**151,322,702**	**170,085,026**
I.	**Assets (groups for disposal) held for sale**	**9.7.6**	**120,000**	**120,000**
II.	**Inventories**	**9.7.7**	**77,878,111**	**96,464,234**
1.	Materials		22,755,131	35,351,508
2.	Work in progress		26,966,333	29,790,945
3.	Products		21,361,772	23,939,959
4.	Merchandise		6,794,875	7,381,822
III.	**Current investments**	**9.7.9**	**73,012**	**60,535**
1.	Current investments, excluding loans		0	0
2.	Current loans		73,012	60,535
IV.	**Current operating receivables**	**9.7.8**	**50,280,259**	**50,746,399**
1.	Current trade receivables		31,081,445	32,763,469
2.	Current operating receivables due from others		18,912,300	17,917,205
3.	Short-term income tax receivables		286,514	65,725
V.	**Cash and cash equivalents**	**9.7.10**	**22,971,320**	**22,693,858**

Audited consolidated financial position statement of the UNIOR Group as at 31/12/2023 (cont.)

(in EUR) Item		Note	31/12/2023	31/12/2022
	LIABILITIES		**390,808,248**	**381,111,416**
A.	**CAPITAL**	**9.7.11**	**186,472,504**	**184,645,182**
A1.	**CAPITAL ATTRIBUTABLE TO OWNERS OF THE PARENT COMPANY**		**168,708,672**	**167,003,008**
I.	**Called-up capital**		**23,688,983**	**23,688,983**
1.	Share capital		23,688,983	23,688,983
2.	Uncalled-up capital (deduction item)		0	0
II.	**Capital reserves**		**41,686,964**	**41,686,964**
III.	**Reserves from profit**		**35,838,083**	**35,838,083**
1.	Legal reserves		1,951,606	1,951,606
2.	Reserves for treasury shares and own participating interests		2,721,454	2,721,454
3.	Treasury shares and own participating interests (deduction item)		(2,721,454)	(2,721,454)
4.	Statutory reserves		0	0
5.	Other reserves from profit		33,886,477	33,886,477
IV.	**Fair value reserves**		**20,843,004**	**20,313,057**
V.	**Net profit brought forward**		**46,537,112**	**38,306,075**
VI.	**Net loss brought forward**		**0**	**0**
VII.	**Net profit of the financial year**		**2,802,248**	**8,441,971**
VIII.	**Net loss of the financial year**		**0**	**0**
IX.	**Translation adjustment of capital**		**(2,687,722)**	**(1,272,125)**
A2.	**CAPITAL ATTRIBUTABLE TO NON-CONTROLLING INTEREST**		**17,763,832**	**17,642,174**
B.	**PROVISIONS AND DEFERRED REVENUE**	**9.7.12**	**18,496,397**	**12,612,939**
1.	Provisions for pensions and similar liabilities		7,896,887	7,388,634
2.	Other provisions		10,099,391	4,666,300
3.	Deferred revenue		500,119	558,005
C.	**NON-CURRENT LIABILITIES**		**107,029,265**	**20,338,398**
I.	**Non-current financial liabilities**	**9.7.13**	**105,242,788**	**18,436,598**
1.	Non-current financial liabilities to banks		100,726,625	14,891,774
2.	Non-current financial liabilities arising from leases		3,408,266	2,773,976
3.	Other non-current financial liabilities		1,107,897	770,848
II.	**Non-current operating liabilities**	**9.7.14**	**0**	**0**
1.	Non-current trade payables		0	0
2.	Non-current bills of exchange payable		0	0
3.	Non-current operating liabilities from advance payments		0	0
4.	Other non-current operating liabilities		0	0
III.	**Deferred tax liabilities**	**9.7.15**	**1,786,477**	**1,901,800**
D.	**CURRENT LIABILITIES**		**78,810,082**	**163,514,897**
I.	**Liabilities included in groups for disposal**		**0**	**0**
II.	**Current financial liabilities**	**9.7.16**	**16,368,231**	**86,030,691**
1.	Current financial liabilities to banks		14,802,992	84,650,536
2.	Current financial liabilities arising from leases		1,001,177	868,797
3.	Other current financial liabilities		564,062	511,358
III.	**Current operating liabilities**	**9.7.17**	**62,441,851**	**77,484,206**
1.	Current operating liabilities to suppliers		36,761,468	46,569,505
2.	Current bills of exchange payable		4,588,340	9,801,933
3.	Current operating liabilities from advance payments		3,078,258	3,913,384
4.	Current liabilities for income tax		386,943	322,689
5.	Other current operating liabilities		11,036,995	11,111,205
6.	Short-term accrued expenses and deferred income		6,589,847	5,765,490

Notes to the consolidated financial statements form an integral part of the financial statements.

9.2 Audited consolidated income statement of the UNIOR Group for the period from 01/01/2023 to 31/12/2023

(in EUR)	Item	Notes	January-December 2023	January-December 2022
A.	**Net revenue from sales**	**9.8.2**	**294,236,652**	**287,652,871**
1.	Net revenue from sales on the domestic market		44,435,934	42,981,885
	a) Net revenue from sales of products and services		*34,634,090*	*31,073,975*
	b) Net revenue from sales of merchandise and materials		*9,801,844*	*11,907,910*
2.	Net revenue from sales on foreign markets		249,800,718	244,670,986
	a) Net revenue from sales of products and services		*228,026,070*	*219,301,905*
	b) Net revenue from sales of merchandise and materials		*21,774,648*	*25,369,081*
B.	**Change in value of product inventories and work-in-progress**		**(1,621,770)**	**6,026,777**
C.	**Other operating revenue**	**9.8.3**	**3,576,075**	**5,155,347**
I.	**GROSS OPERATING PROFIT**		**296,190,957**	**298,834,995**
D.	**Costs of goods, materials and services**	**9.8.4**	**(183,699,501)**	**(193,131,469)**
1.	Cost of merchandise and materials sold		(9,348,683)	(11,120,004)
2.	Costs of materials used		(136,915,635)	(143,898,570)
	a) Costs of materials		*(102,043,748)*	*(109,775,187)*
	b) Costs of energy		*(17,645,720)*	*(16,962,196)*
	c) Other costs of materials		*(17,226,167)*	*(17,161,187)*
3.	Costs of services		(37,435,183)	(38,112,895)
	a) Transportation services		*(7,350,340)*	*(8,081,084)*
	b) Maintenance costs		*(3,560,495)*	*(3,199,377)*
	c) Lease payments		*(1,793,643)*	*(1,456,931)*
	č) Other costs of services		*(24,730,705)*	*(25,375,503)*
E.	**Labour costs**	**9.8.4**	**(79,806,702)**	**(76,116,456)**
1.	Costs of salaries		(60,690,792)	(56,808,860)
2.	Costs of pension insurances		(860,853)	(818,834)
3.	Costs of other social insurances		(10,033,931)	(9,300,805)
4.	Other labour costs		(8,221,126)	(9,187,957)
F.	**Write-offs**	**9.8.4**	**(16,891,962)**	**(18,147,005)**
1.	Depreciation		(16,579,294)	(17,422,540)
2.	Operating expenses from the revaluation of intangible fixed assets and property, plant and equipment		(116,160)	(390,329)
3.	Operating expenses from the revaluation of operating current assets		(196,508)	(334,136)
G.	**Other operating expenses**	**9.8.4**	**(1,613,886)**	**(1,319,785)**
1.	Provisions		5,557	(97,169)
2.	Other costs		(1,619,443)	(1,222,616)
II.	**OPERATING PROFIT OR LOSS**		**14,178,906**	**10,120,280**
H.	**Financial revenue**	**9.8.5**	**433,996**	**6,065,913**
1.	Financial revenue from participating interests		44,831	4,768,375
	a) Financial revenue from participating interests in associates		*44,776*	*4,766,725*
	b) Financial revenue from participating interests in other companies		*55*	*386*
	c) Financial revenue from other investments		*0*	*1,264*
2.	Financial revenue from loans given		123,650	127,206
3.	Financial revenue from operating receivables		265,515	1,170,332
I.	**Financial expenses**	**9.8.5**	**(9,538,778)**	**(5,566,774)**
1.	Financial expenses from the impairment and write-offs of investments		(755,150)	(1,144,845)
2.	Financial expenses from financial liabilities		(7,582,040)	(3,194,137)
	a) Financial expenses from loans received from banks		*(7,507,501)*	*(3,078,167)*
	b) Financial expenses from bonds issued		*0*	*0*
	c) Financial expenses from other financial liabilities		*(74,539)*	*(115,970)*
3.	Financial expenses from operating liabilities		(1,201,588)	(1,227,792)
	a) Financial expenses from trade payables and bills of exchange payable		*(480,330)*	*(260,031)*
	b) Financial expenses from other operating liabilities		*(721,258)*	*(967,761)*
III.	**PROFIT OR LOSS**		**5,074,124**	**10,619,419**
	Corporate income tax	**9.9**	**(966,045)**	**(968,888)**
	Deferred tax	**9.9**	**828,487**	**581,931**
	NET PROFIT OR LOSS OF THE ACCOUNTING PERIOD		**4,936,566**	**10,232,462**
	– attributable TO EQUITY HOLDERS OF THE PARENT		2,802,248	8,441,971
	– Attributable to NON-CONTROLLING INTERESTS		2,134,318	1,790,491

	RESULT OF CONTINUED BUSINESS	**9.8**	**4,936,566**	**10,228,734**
	RESULT OF DISCONTINUED BUSINESS	**9.8**	**0**	**3,728**

Consolidated income statement of the UNIOR Group for the period between 01/01/2023 and 31/12/2023 (cont.)

(in EUR) Item	January-December 2023	January-December 2022
Share of holders of controlling interest in net profit (loss)	2,802,248	8,441,971
Share of holders of non-controlling interest in net profit (loss)	2,134,318	1,790,491

Net earnings (loss) per share of holders of controlling interest	1.01	3.05
Net earnings (loss) per share of holders of non-controlling interest	0.77	0.65

Net earnings (loss) per share from continuing operations	1.79	3.70
Net earnings (loss) per share from discontinued operations	0.00	0.00

Net earnings or loss per share are calculated by dividing the accounting period net loss or profit which belongs to the shareholders by the weighted average number of ordinary shares whereby ordinary shares owned by the Group shall be excluded.

Notes to the consolidated financial statements form an integral part of the financial statements.

9.3 Audited consolidated statement of other comprehensive income of the UNIOR Group for the period from 01/01/2023 to 31/12/2023

(in EUR)	Item	January-December 2023	January-December 2022
1.	**Net profit/loss of the financial year after tax**	**4,936,566**	**10,232,462**
2.	**Other comprehensive income of the accounting period, after tax**	**(1,804,261)**	**(912,339)**
2.1	**Items which will not be subsequently reclassified as profit or loss**	**529,947**	**(208,704)**
	Net profit/loss recognised in the due fair value reserves in respect of tangible fixed assets	103,265	(1,063,418)
	Net profit/loss recognised in the due fair value reserves in respect of intangible fixed assets	0	0
	Actuarial net profit/loss for retirement benefit plans and changes to deferred taxes recognised in retained profit/loss	426,682	854,714
2.2	**Items which will be subsequently reclassified to profit or loss**	**(2,334,208)**	**(703,635)**
	Gains and losses arising from translation of financial statements of entities located abroad	(2,334,208)	(703,635)
3.	**Total comprehensive income of the financial year after tax**	**3,132,305**	**9,320,123**
	Total comprehensive income of the accounting period, attributable to equity holders of the parent	1,916,598	8,335,188
	Total comprehensive income of the accounting period, attributable to non-controlling interests	1,215,707	984,935

(in EUR) Item	January-December 2023	January-December 2022
Total comprehensive income of the financial year after tax per share	1.13	3.37
Total comprehensive income of the financial year from continuing operations	3,132,305	9,316,395
Total comprehensive income of the financial year from discontinued operations	0	3,728

Total comprehensive income of the financial year after tax per share is calculated by dividing the accounting period total comprehensive income which belongs to the shareholders by the weighted average number of ordinary shares whereby ordinary shares owned by the Group shall be excluded.

Notes to the consolidated financial statements form an integral part of the financial statements.

Changes in total comprehensive income are presented in Section 9.5 (Consolidated statement of Changes in Equity of the UNIOR Group) of the 2023 Annual Report.

9.4 Audited consolidated cash flow statement of the Unior Group for the period between 01/01/2023 and 31/12/2023

	(in EUR) Item	Note	January-December 2023	January-December 2022
A.	***Cash flows from operating activities***			
a)	**Net profit or loss**		**4,936,566**	**10,232,462**
	Profit or loss before tax		5,074,124	10,619,419
	Income tax and other taxes not included in operating expenses	9.9	(137,558)	(386,957)
b)	**Adjustments for**		**25,159,196**	**21,582,159**
	Depreciation (+)	9.7.2, 9.7.3	16,579,294	17,422,540
	Operating revenue from revaluation associated with investment and financing items (-)	9.8.3	(160,450)	(252,402)
	Operating expenses from revaluation associated with investment and financing items (+)	9.8.4	116,160	390,329
	Allowances set up for receivables	9.7.8	120,272	236,916
	Allowances set up for inventories	9.7.7	76,236	97,220
	Formation and reversal of non-current provisions	9.7.12	258,975	846,497
	Financial revenue excluding financial revenue from operating receivables (-)	9.8.5	(168,481)	(1,497,923)
	Financial expenses excluding financial expenses from operating liabilities (+)	9.8.5	8,337,190	4,338,982
c)	**Changes in net current assets (and accruals and deferrals, provisions and deferred tax assets and liabilities) of operating items of the balance sheet**		**(6,947,386)**	**6,570,619**
	Opening less closing operating receivables	9.7.8	336,721	228,069
	Opening less closing deferred tax assets	9.7.15	(612,131)	(351,002)
	Opening less closing assets (groups for disposal) held for sale	9.7.6	0	0
	Opening less closing inventories	9.7.7	2,861,219	(10,020,764)
	Closing less opening liabilities included in groups for disposal	9.7.6	0	0
	Closing less opening operating liabilities	9.7.14, 9.7.17	(15,042,355)	13,933,998
	Closing less opening non-current provisions	9.7.12	5,624,483	2,375,516
	Closing less opening deferred tax liabilities	9.7.15	(115,323)	404,802
č)	**Net cash from operating activities (a + b + c)**		**23,148,376**	**38,385,240**
B.	***Cash flows from investing activities***			
a)	**Cash proceeds from investing activities**		**493,900**	**7,548,869**
	Cash proceeds from interest and profit participations relating to investing activities	9.8.5	168,481	1,497,923
	Cash proceeds from disposal of intangible assets	9.7.2	173,185	14,815
	Cash proceeds from disposal of property, plant and equipment	9.7.3	150,392	260,812
	Cash proceeds from disposal of investment property	9.7.4	0	0
	Cash proceeds from disposal of non-current financial investments	9.7.5	1,842	2,528,821
	Cash proceeds from disposal of current financial investments	9.7.9	0	3,246,498
b)	**Cash repayments from investing activities**		**(29,648,623)**	**(19,804,516)**
	Cash repayments to acquire intangible assets	9.7.2	(4,357,618)	(792,806)
	Cash repayments to acquire tangible fixed assets	9.7.3	(25,191,880)	(15,558,742)
	Cash repayments to acquire investment property	9.7.4	(86,646)	0
	Cash repayments to acquire non-current investments	9.7.5	(2)	(3,397,668)
	Cash repayments to acquire current investments	9.7.9	(12,477)	(55,300)
c)	**Net cash from investing activities (a + b)**		**(29,154,723)**	**(12,255,647)**
C.	***Cash flows from financing activities***			
a)	**Cash proceeds from financing activities**		**47,139,640**	**39,301,186**
	Cash proceeds from paid-in capital	9.7.11	0	0
	Cash proceeds from increase in non-current financial liabilities	9.7.13	30,546,854	4,226,232
	Cash proceeds from disposal of current financial investments	9.7.16	16,592,786	35,074,954
b)	**Cash repayments from financing activities**		**(40,011,211)**	**(53,592,004)**
	Interest paid on financing activities	9.8.5	(7,582,040)	(3,194,137)
	Cash repayments to acquire treasury shares	9.7.11	0	0
	Cash repayments of non-current financial liabilities	9.7.13	(2,422,149)	(65,774)
	Cash repayments of current financial liabilities	9.7.16	(29,306,466)	(49,584,628)
	Dividends and other profit shares paid	9.7.11	(700,556)	(747,465)
c)	**Net cash from financing activities (a + b)**		**7,128,429**	**(14,290,818)**
D.	***Closing balance of cash***	**9.7.10**	**22,971,320**	**22,693,858**
	Net cash flow for the period (sum of items Ač, Bc and Cc)		1,122,082	11,838,775
	Effects of changes in exchange rates on cash and cash equivalents		(844,620)	(201,653)
	Opening balance of cash		22,693,858	11,056,736

Notes to the consolidated financial statements form an integral part of the financial statements.

9.5 Audited consolidated statement of changes in the equity of the UNIOR Group

Changes in equity for the period between 31/12/2022 and 31/12/2023

(in EUR)	I. Called-up capital	II. Capital reserves	III. Reserves from profit					IV. Reserves from revaluation at fair value	V. Net profit or loss carried forward	VI. Net profit or loss for the financial year	VII. Translation adjustment of capital	Total equity attributable to equity holders of the parent company	Capital attributable to non-controlling interest	Total capital
	Fixed capital		Statutory reserves	Reserves for treasury shares	Treasury shares (Deduction item)	Statutory reserves	Other reserves from profit							
A.1. Balance at the end of the previous financial year	**23,688,983**	**41,686,964**	**1,951,606**	**2,721,454**	**(2,721,454)**	**0**	**33,886,477**	**20,313,057**	**38,306,075**	**8,441,971**	**(1,272,125)**	**167,003,008**	**17,642,174**	**184,645,182**
A.2. Opening balance of the reporting period	**23,688,983**	**41,686,964**	**1,951,606**	**2,721,454**	**(2,721,454)**	**0**	**33,886,477**	**20,313,057**	**38,306,075**	**8,441,971**	**(1,272,125)**	**167,003,008**	**17,642,174**	**184,645,182**
B.1. Changes in equity – transactions with owners	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**(210,934)**	**0**	**0**	**(210,934)**	**(1,094,049)**	**(1,304,983)**
Acquired treasury shares and shareholdings	0	0	0	0	0	0	0	0	0	0	0	0		0
Disbursement of dividends	0	0	0	0	0	0	0	0	0	0	0	0	(700,556)	(700,556)
Other changes in equity	0	0	0	0	0	0	0	0	(210,934)	0	0	(210,934)	(393,493)	(604,427)
B.2. Total comprehensive income of the reporting period	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**529,947**	**0**	**2,802,248**	**(1,415,597)**	**1,916,598**	**1,215,707**	**3,132,305**
Entry of operating profit/loss of the financial year	0	0	0	0	0	0	0	0	0	2,802,248	0	2,802,248	2,134,318	4,936,566
Entry of actuarial profit from termination benefit provisions	0	0	0	0	0	0	0	426,682	0	0	0	426,682	0	426,682
Changes in reserves from valuation at fair value	0	0	0	0	0	0	0	103,265	0	0	0	103,265	0	103,265
Other items of comprehensive income of the financial year	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Gains and losses arising from translation of financial statements of entities located abroad	0	0	0	0	0	0	0	0	0	0	(1,415,597)	(1,415,597)	(918,611)	(2,334,208)
B.3. Changes in equity	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**8,441,971**	**(8,441,971)**	**0**	**0**	**0**	**0**
Reallocation of the remaining part of the net profit from the comparative financial year to other equity items	0	0	0	0	0	0	0	0	8,441,971	(8,441,971)	0	0	0	0
Reserves for treasury shares and own participating interests	0	0		0	0	0	0	0	0	0	0	0	0	0
Other changes in capital	0	0	0	0	0	0	0	0	0	0	0	0	0	0
C. Closing balance of the financial year	**23,688,983**	**41,686,964**	**1,951,606**	**2,721,454**	**(2,721,454)**	**0**	**33,886,477**	**20,843,004**	**46,537,112**	**2,802,248**	**(2,687,722)**	**168,708,672**	**17,763,832**	**186,472,504**

Changes in equity for the period between 31/12/2021 and 31/12/2022

(in EUR)	I. Called-up capital	II. Capital reserves	III. Reserves from profit					IV. Reserves from revaluation at fair value	V. Net profit or loss carried forward	VI. Net profit or loss for the financial year	VII. Translation adjustment of capital	Total equity attributable to equity holders of the parent company	Capital attributable to non-controlling interest	Total capital
	Fixed capital		Statutory reserves	Reserves for treasury shares	Treasury shares (Deduction item)	Statutory reserves	Other reserves from profit							
A.1. Balance at the end of the previous financial year	**23,688,983**	**40,220,660**	**2,010,200**	**2,723,119**	**(2,723,119)**	**0**	**38,458,245**	**20,521,761**	**25,745,126**	**8,973,951**	**(898,922)**	**158,720,004**	**17,602,700**	**176,322,704**
A.2. Opening balance of the reporting period	**23,688,983**	**40,220,660**	**2,010,200**	**2,723,119**	**(2,723,119)**	**0**	**38,458,245**	**20,521,761**	**25,745,126**	**8,973,951**	**(898,922)**	**158,720,004**	**17,602,700**	**176,322,704**
B.1. Changes in equity – transactions with owners	**0**	**0**	**0**	**0**	**0**	**0**	**129,708**	**0**	**(181,892)**	**0**	**0**	**(52,184)**	**(945,461)**	**(997,645)**
Acquired treasury shares and shareholdings	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Disbursement of dividends	0	0	0	0	0	0	0	0	0	0	0	0	(747,465)	(747,465)
Other changes in equity	0	0	0	0	0	0	129,708	0	(181,892)	0	0	(52,184)	(197,996)	(250,180)
B.2. Total comprehensive income of the reporting period	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**(208,704)**	**475,124**	**8,441,971**	**(373,203)**	**8,335,188**	**984,935**	**9,320,123**
Entry of operating profit/loss of the financial year	0	0	0	0	0	0	0	0	0	8,441,971	0	8,441,971	1,790,491	10,232,462
Entry of actuarial profit from termination benefit provisions	0	0	0	0	0	0	0	854,714	0	0	0	854,714	0	854,714
Changes in reserves from valuation at fair value	0	0	0	0	0	0	0	(1,063,418)	0	0	0	(1,063,418)	0	(1,063,418)
Other items of comprehensive income of the financial year	0	0	0	0	0	0	0	0	475,124	0	0	475,124	(475,124)	0
Gains and losses arising from translation of financial statements of entities located abroad	0	0	0	0	0	0	0	0	0	0	(373,203)	(373,203)	(330,432)	(703,635)
B.3. Changes in equity	**0**	**1,466,304**	**(58,594)**	**(1,665)**	**1,665**	**0**	**(4,701,476)**	**0**	**12,267,717**	**(8,973,951)**	**0**	**0**	**0**	**0**
Reallocation of the remaining part of the net profit from the comparative financial year to other equity items	0	0	0	0	0	0	0	0	8,973,951	(8,973,951)	0	0	0	0
Reserves for treasury shares and own participating interests	0	0		(1,665)	1,665	0	0	0	0	0	0	0	0	0
Other changes in capital	0	1,466,304	(58,594)	0	0	0	(4,701,476)	0	3,293,766	0	0	0	0	0
C. Closing balance of the financial year	**23,688,983**	**41,686,964**	**1,951,606**	**2,721,454**	**(2,721,454)**	**0**	**33,886,477**	**20,313,057**	**38,306,075**	**8,441,971**	**(1,272,125)**	**167,003,008**	**17,642,174**	**184,645,182**

Notes to the consolidated financial statements form an integral part of the financial statements.

9.6 Notes to the audited consolidated financial statements of the UNIOR Group

BASES FOR CONSOLIDATION

The parent company of the UNIOR Group is UNIOR Kovaška industrija d.d., with its registered office at: Kovaška cesta 10, Zreče, Slovenia, which drew up not only separate but also consolidated financial statements.

The consolidated financial statements of the UNIOR Group include UNIOR d.d. and all its subsidiaries, participating interests of the Group in associates and participating interests in joint ventures.

The consolidated financial statements of the UNIOR Group were compiled for the year ending on 31/12/2023. The financial year of the Group is the same as the calendar year. A more detailed overview of the composition of the UNIOR Group is presented in Section 9.6.1 of the 2023 Annual Report.

Explanatory information is included in the report so as to clarify those accruals and transactions relevant to the understanding of changes to the financial position and operating result of the UNIOR Group during the 2023 financial year.

The financial statements of Group companies for consolidation purposes were drawn up for the same reporting period as the financial statements of the parent company and by using the same accounting policies. If the accounting policies of a subsidiary differ from the accounting policies used by the Group, the accounting policies of the subsidiary shall be adjusted accordingly before drawing up consolidated financial statements to ensure reconciliation with the accounting policies of the Group.

The consolidated financial statements of the UNIOR Group include all subsidiaries in which the UNIOR parent company holds a minimum 50 per cent shareholding providing it with, directly or indirectly, more than a half of voting rights and the ability to decide on the financial and business policies of the companies on account of obtaining benefits arising from their operation. All UNIOR Group subsidiaries are fully consolidated under the full consolidation method starting on the date when control is obtained and excluded from the consolidation on the date when control is lost. The Group does not use any exemption related to excluding any company from full consolidation.

The assessment of control is carried out upon the acquisition of the respective investment and during the financial statement drawing up process. When control is lost, the Group de-recognises the assets and liabilities of the subsidiary. Any surplus or deficit arising at the loss of control is recognised in the operating profit or loss. If any (non-controlling) interest in the former subsidiary is retained, it shall be measured at fair value on the date of loss of control. Subsequently, that interest shall be accounted for as an investment in an associate (calculated under the equity method) or as a financial asset available for sell, subject to the degree of control.

Investments of UNIOR d.d. in subsidiaries are eliminated in the consolidated accounts of the UNIOR Group. The company recognises any difference between the amount non-controlling interests are adjusted to and the fair value of considerations paid and apportions it to the owners of the parent company. The difference between the cost and carrying amount of the non-controlling interest shall be accounted for in equity under capital reserves.

The capital of owners of non-controlling interest shall be shown in the financial position statement in a separate item, separately from the capital of owners of the parent company. Changes to the equity interest of the parent company in a subsidiary which do not lead to a loss of control shall be accounted for as transactions with owners without recognising goodwill. Changes to non-controlling interest shall be based on the proportionate share of net assets of the subsidiary. All excess over the carrying amount of assets shall be recognised in equity.

Profit and loss generated by subsidiaries shall be included in the income statement of the Group. Amounts referring to transactions within the Group (receivables and liabilities, revenue and expenses between consolidated companies) shall be excluded. Unrealised gains and losses arising from transactions within the Group and recognised in assets shall also be excluded if their amount is significant. Unrealised losses shall be excluded the same way as gains, if there is proof of impairment.

Associates are companies in which the Group exercises significant influence but does not control their financial and business policies. As at 31/12/2023, these companies are the following: Štore Steel d.o.o. in Slovenia and Unior Tehna d.o.o. and UNIOR Teos Alati d.o.o. abroad, in which the parent company UNIOR d.d. holds a minimum 20 and maximum less than 50 per cent shareholding.

Joint ventures are companies whose economic operations are under the joint control of the Group and which have been founded subject to a contractual agreement pursuant to which unanimous financial and business decisions are required. As at 31/12/2023, the UNIOR Group does not have any joint ventures.

At initial recognition, investments in associates and joint ventures shall be measured at cost and subsequently accounted for under the equity method. Consolidated financial statements of the Group encompass the share of the profit and loss of the Group in associates and joint ventures, calculated under the equity method following the reconciliation of accounting policies from the date the significant influence begins to the date it ends. If the share of loss of the Group in associates and joint ventures is higher than her interest, the carrying amount of the interest shall be decreased to zero and it shall no longer be recognised in subsequent losses.

The bases for drawing up the consolidated financial statements of the UNIOR Group are disclosed in detail in Section 9.6.3 of the 2023 Annual Report.

CHANGES TO THE ORGANISATIONAL STRUCTURE OF THE UNIOR GROUP 2023 THAT IMPACT THE CONSOLIDATED STATEMENTS OF THE GROUP

There were no changes in the organisational structure of the UNIOR Group in 2023 that would have an impact on the consolidated statements of the Group, nor were there any changes in the ownership share.

9.6.1 Presentation of the companies included in the consolidated financial statements of the UNIOR Group

9.6.1.1 Parent company

UNIOR d.d.
Company Address: Kovaška cesta 10,
3214 ZREČE
Country: Slovenia
Telephone: +386 3 757 81 00
Website: http://www.unior.si
E-mail: unior@unior.com
Activities of the company: forging, pressing, stamping and roll-forming of metal; powder metallurgy
Number of employees: 1614

9.6.1.2 Subsidiaries

UNITUR d.o.o.
Company address: Cesta na Roglo 15,
3214 ZREČE
Country: Slovenia
Telephone: +386 3 757 61 00
Website: http://www.unitur.eu
E-mail: turizem@unitur.eu
Activities of the company: tourism and other business activities
Number of employees: 326

UNIOR IN d.o.o.
Company Address: Kovaška cesta 10,
3214 ZREČE
Country: Slovenia
Telephone: +386 3 757 81 00
E-mail: uniorin@unior.com
Activities of the company: processing of forged and sintered products
Number of employees: 26

SPITT d.o.o.
Company Address: Kovaška cesta 10,
3214 ZREČE
Country: Slovenia
Telephone: +386 3 757 81 00
E-mail: spitt@unior.com
Company activity: Energy – steam and air conditioning supply
Number of employees: 1

UNIOR PRODUKTIONS- und HANDELS- GmbH
Company address: Auengasse 9,
9170 FERLACH
Country: Austria
Telephone: +43 4 227 35 14
Website: http://www.unior.at
E-mail: office@unior.at
Business activity: sale of hand tools
Number of employees: 8

UNIOR DEUTSCHLAND GmbH
Company address: Hertichstrasse 81,
71229 LEONBERG
Country: Germany
Telephone: +49 7 152 381 1975
Website: http://www.unior-deutschland.com
E-mail: unior@unior-deutschland.com
Business activities: sale and servicing of machinery
Number of employees: 5

UNIOR ITALIA S.R.L.
Company address: Via Caserta 8,
20812 LIMBIATE (MB)
Country: Italy
Telephone: +39 02 99 04 3403
E-mail: unioritalia@unioritalia.it
Business activity: sale of hand tools
Number of employees: 1

UNIOR ESPAÑA S.L.
Company address: Polygon Sargaitz 2, Nave A5, 31840 UHARTE – ARAKIL (Navarra)
Country: Spain
Telephone: +34 948 56 71 13
Website: http://www.unior.es
E-mail: unior@unior.es
Business activity: sale of hand tools
Number of employees: 3

UNIOR MAKEDONIJA d.o.o.
Company address: Ulica 6, br. 54, Stajkovci, Gazi Baba, 1000 SKOPJE
Country: North Macedonia
Telephone: +389 2 243 20 57
Website: http://www.uniormakedonija.mk
E-mail: info@uniormakedonija.mk
Business activity: sale of hand tools
Number of employees: 6

UNIOR PROFESSIONAL TOOLS Ltd.
Company address: Blagodatnaya str. 63, bld. 1, D, 196105 SAINT PETERSBURG
Country: Russia
Telephone: +7 812 449 83 50
Website: http://www.unior.ru
E-mail: sales@unior.ru
Business activity: sale of hand tools
Number of employees: 53

UNIOR BULGARIA Ltd.
Company address: r.d. Ilinden, block 71, 1309 SOFIA
Country: Bulgaria
Telephone: +359 2 9559 233
Website: http://www.unior.bg
E-mail: office@unior.bg
Business activity: sale of hand tools
Number of employees: 4

UNIOR COMPONENTS d.o.o.
Company address: Kosovska 4, 34000 KRAGUJEVAC
Country: Serbia
Telephone: +381 34 306 300
Website: http://www.unior-components.com
E-mail: contact@unior-components.com
Activities of the company: production of machine tools
Number of employees: 165

NINGBO UNIOR FORGING Company Ltd.
Company address: Xindongwu, Moushan, YUYAO, ZHEJIANG 315456
Country: China
Telephone: +86 574 6249 6150
Website: http://www.unior.cn
E-mail: info@unior.cn
Activities of the company: production of steel forgings for the automotive industry
Number of employees: 456

UNIOR VINKOVCI d.o.o.
Company address: Ulica Kneza Mislava 27, 32100 VINKOVCI
Country: Croatia
Telephone: +385 32 323 999
E-mail: kovacnica@unior.com
Activities of the company: production of forgings
Number of employees: 145

UNIOR – NORTH AMERICA Inc.
Company address: 28213 Carlton Way Drive, 48377 NOVI (Michigan)
Country: USA
Telephone: +1 248 730 0060
Website: http://www.unior.com
E-mail: bleskovar@unior.com
Activities of the company: sales, procurement and servicing activities in the North American market
Number of employees: 1

9.6.1.3 Associates

ŠTORE STEEL d.o.o.
Company address: Železarska 3,
3220 ŠTORE
Country: Slovenia
Telephone: +386 3 780 51 00
Website: http://www.store-steel.si
E-mail: info@store-steel.si
Activities of the company: production of steel
Number of employees: 492

UNIOR TEOS ALATI d.o.o.
Company address: Subotička 23,
11000 BEOGRAD
Country: Serbia
Telephone: +381 11 744 03 30
Website: http://www.uniorteos.com
E-mail: office@uniorteos.com
Business activity: sale of hand tools
Number of employees: 26

UNIOR TEHNA d.o.o.
Company address: Bačići 58,
71000 SARAJEVO
Country: Bosnia and Herzegovina
Telephone: +387 33 776 376
Website: www.uniortehna.ba
E-mail: info@uniortehna.ba
Business activity: sale of hand tools
Number of employees: 29

9.6.2 Statement of compliance of the UNIOR Group

The consolidated financial statements have been drawn up in line with International Financial Reporting Standards (IFRS) as adopted by the International Accounting Standards Board (IASB) and interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) as adopted by the European Union and in compliance with the provisions of the Companies Act (ZGD-1).

As regards the process of standard confirmation by the European Union, there were no differences as at the financial position statement date between the accounting policies used by the UNIOR Group, and the International Financial Reporting Standards (IFRS) adopted by the European Union. These mandatory financial statements have been compiled to comply with legal requirements.

The Management Board of UNIOR d.d. approved the consolidated financial statements of the UNIOR Group on 25/04/2024.

9.6.3 Measurement bases for the financial statements of the UNIOR Group

The consolidated financial statements were drawn up using the assumption of going concern of Group companies meaning that assets are acquired and sold and that liabilities are settled as part of normal operations.

The consolidated financial statements were drawn up taking into account historical cost, except for land, investment property, financial assets valued at fair value through profit or loss and financial instruments valued at fair value through other comprehensive income in addition to derivatives where the fair value has been taken into account. The methods used to measure fair value are described in Section 9.6.3.1 of the 2023 Annual Report.

9.6.3.1 Hierarchy of fair value levels

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. All assets and liabilities measured or disclosed in the financial statements at fair value are categorised into different levels of the fair value hierarchy in the level of the lowest level input that is significant to the entire measurement.

Assets and liabilities measured or disclosed at fair value are classified into a fair value hierarchy consisting of the following levels:

- Level 1: assets valued using the stock exchange quotation on the last day of the accounting period;
- Level 2: unquoted assets and whose value can be monitored for the entire tenor thereof;
- Level 3: assets whose value cannot be obtained from market data; this category discloses land and investment property measured at fair value and at fair value disclosed plant and equipment valued at cost subject to verification of signs of impairment. This level also includes fair value disclosures of non-current investments valued at cost less impairment and operating liabilities, whereas current investments and liabilities are valued at amortised cost.

Classification of assets and liabilities in relation to their fair value as at 31/12/2023

(in EUR)	Level 1	Level 3	Total
Property, plant and equipment		**30,703,321**	**30,703,321**
– Land		*30,703,321*	*30,703,321*
Investment property		**1,957,613**	**1,957,613**
Non-current investments	**0**	**7,098**	**7,098**
– Quoted shares	*0*		*0*
– Non-current investments – long-term loans		*7,098*	*7,098*
Non-current operating receivables		**30,503**	**30,503**
Current investments		**73,012**	**73,012**
Current operating receivables		**50,280,259**	**50,280,259**
Non-current financial liabilities		**105,242,788**	**105,242,788**
Non-current operating liabilities		**0**	**0**
Current financial liabilities		**16,368,231**	**16,368,231**
Current operating liabilities		**62,441,851**	**62,441,851**

Classification of assets and liabilities in relation to their fair value as at 31/12/2022

(in EUR)	Level 1	Level 3	Total
Property, plant and equipment		**30,494,631**	**30,494,631**
– Land		*30,494,631*	*30,494,631*
Investment property		**1,955,427**	**1,955,427**
Non-current investments	**0**	**8,906**	**8,906**
– Quoted shares	*0*		*0*
– Non-current investments – long-term loans		*8,906*	*8,906*
Non-current operating receivables		**21,356**	**21,356**
Current investments		**60,535**	**60,535**
Current operating receivables		**50,746,399**	**50,746,399**
Non-current financial liabilities		**18,436,598**	**18,436,598**
Non-current operating liabilities		**0**	**0**
Current financial liabilities		**86,030,691**	**86,030,691**
Current operating liabilities		**77,484,206**	**77,484,206**

Land and investment property are valued at fair value established by valuation, non-current investments are disclosed at cost less impairment, whereas operating liabilities, current investments and liabilities at amortised cost.

The methodology used for estimated values is disclosed by category in Section 9.7 of the 2023 Annual Report.

9.6.3.2 Functional and reporting currency

All consolidated financial statements and notes thereto are drawn up and presented in euros (EUR) or the functional currency in Slovenia and the functional currency of the Group without cents and are rounded to the nearest whole number. When using addition, rounding errors may occur.

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 and non-cash and liabilities denominated in foreign currencies as at the financial position statement date are translated into functional currency using the European Bank balances reference exchange rate on the last day of the accounting period. Exchange rate differences are recognised in the profit or loss statement.

FINANCIAL STATEMENTS OF FOREIGN COMPANIES

Financial statements of foreign subsidiaries whose functional currency differs from the reporting currency (euro), the Group shall convert the assets and liabilities into the currency of reporting of the consolidated financial statements using the applicable exchange rate at the reporting date. Revenue and expenses recorded in the income statement and items recorded in other comprehensive income shall be converted using the average exchange rate for the period considered which it estimates to be a sufficiently good approximation of the applicable exchange rate at the transaction date. Capital items shall be converted using the applicable exchange rate at the end of the period during which the change in capital had arisen. Exchange difference arising during the conversion shall be recognised in other comprehensive income (translation adjustment of capital) until the disposal of the subsidiary when the exchange difference shall be transferred to the income statement.

9.6.3.3 Significant estimates and judgements

In accordance with the International Financial Reporting Standards, estimates, judgements and assumptions affecting the application of policies and the disclosed values of assets and liabilities, revenue and expenses are made by the Management Board of the company for financial statement compilation purposes. Estimates are made subject to experience from previous years and expectations in the reporting period. The methods of forming estimates and accompanying assumptions and uncertainties are disclosed in notes to individual items.

Estimates include establishing the useful life and other values of property, plant and equipment and intangible non-current assets, revenue from contracts with customers, value adjustments of inventories and receivables, impairments of investments and goodwill, relevant assumptions for the actuarial calculation of some earnings of employees, assumptions included in the calculation of any provisions set up for actions, the assessed duration of leases and the used interest rate and the assessment of usage options of deferred tax assets. Estimates, assessments, and assumptions are reviewed regularly. As the actual performance may diverge, they are subject to continuous verification and revision. Changes to accounting estimates are recognised in the period for which estimates are changed or for all future periods the change will impact.

Highlights of critical uncertainty assessments and material assessments drawn up by the Group in the accounting policy implementation process and which have the biggest impact on the amounts in the consolidated financial statements are described below.

ASSESSMENT OF THE IMPAIRMENT OF PROPERTY, PLANT AND EQUIPMENT

The existence of any impairment indications for property, plant and property shall be assessed by the Group in compliance with IAS 36. Group companies shall assess at the date of each reporting if there are any such indications (significant technological change, market change, obsolescence or physical state of any tangible asset) that an asset may be impaired. If such an indication is identified, the recoverable amount shall be estimated by the Group. Assets shall be impaired if their carrying amount exceeds their recoverable amount. The recoverable amount is the higher of the two items: fair value less costs to sell and its value in use.

As far as estimates and judgements of land are concerned, land is valued subject to CUT valuation methods.

GOODWILL IMPAIRMENT ASSESSMENT

Every year, the Group shall assess the recoverable amount of goodwill based on its value in use upon drawing up its consolidated financial statements. The determination of the current value of future cash flows shall require an estimate of the expected cash flows of the cash-generating unit to which goodwill is allocated and the determination of the appropriate discount rate and other material items.

ASSESSMENTS OF THE APPROPRIATENESS OF THE USEFUL LIVES OF DEPRECIABLE ASSETS

The useful life of depreciable assets is assessed by the Group by taking into account the expected physical use, technical obsolescence, economic obsolescence and expected statutory as well as other restrictions on their use. In addition, the Group shall review the useful life of material assets – in the event of a change in circumstances or if a change to the useful life and the resulting revaluation of depreciation costs is required. Notes 9.7.2, 9.7.3 and 9.7.4 of the 2023 Annual Report.

INVESTMENTS

The Group has classified investments into investments measured at cost, investments measured at fair value through profit or loss and investments at amortised cost. The Group shall assess investments by assessing impairment indications and for investments, where these exist (the value of the investment exceeds the value of the proportionate holding of capital in the company), carry out a valuation of investments subject to future cash flows or using the income approach through the recoverable amount of value in use or the recoverable amount arising from fair value less costs of sales. Investments in Debt, measured at amortized value, shall be assessed by the Group subject to the rating of the debtors and regularity of repayment subject to depreciation plans. Notes 9.7.5 and 9.7.9 of the 2023 Annual Report.

ASSESSMENT OF IMPAIRMENT OF INVENTORIES

At the end of the year, Group companies verify the inventories without any movements in the current year and impair them to their estimated realisable value. Value adjustments shall be formed by Group companies subject to the age of inventories. Note 9.7.7 to the 2023 Annual Report.

ASSESSMENT OF THE APPROPRIATENESS OF RECOGNISING REVENUE FROM CONTRACTS WITH CUSTOMERS

The Group posts and discloses net revenue in compliance with IFRS 15. Revenue from contracts with customers shall be recognised subject to the provisions of the individual sales contract with the customer, thus the control over goods and services is transferred to the customer in the amount that reflects the compensation that the Group expects to be entitled to.

The Group uses the percentage of completion method as at the financial position statement date to recognise revenue from sales generated by the Special Machines activity; whereas revenue from the sales of products, goods, materials, and services generated by Hand Tools, Forge, Machine Tools, and Tourism Revenue is measured at selling prices stated in invoices and other documents, less discounts and rebates approved either when the sale is made or subsequently, including those granted for early payment. For a more detailed note, please refer to Section 9.6.3.4 of the 2023 Annual Report.

TESTING THE IMPAIRMENT OF INVESTMENTS

Consolidated financial statements shall be drawn up by the Group by setting up value adjustments or impairments of receivables for which it assumes that they won't be recovered in full are reported or not at all. The value adjustment calculation shall be based on the methodology on the probability or assessment of default by the customer.

PROVISIONS

The Management Boards of Group Companies confirm the content and the amount of the provisions formed on the basis of:

- the calculation of provisions for jubilee awards and termination benefits;
- the estimate of the potential expected amount of damages communicated by the legal department of the company or an external attorney subject to existing lawsuits and tort claims.

<u>ASSESSMENT OF PROVISIONS SET UP FOR RETIREMENT ALLOWANCES AND JUBILEE BENEFITS</u>

The current value of retirement allowances and jubilee benefits are recorded as part of obligations to pay out certain post-employment and other benefits. These shall be recognised on the basis of an actuarial calculation. The actuarial calculation is based on the assumptions and estimates in force at the time of the calculation, which may differ from the actual assumptions that will apply at payment due to future changes. This primarily refers to the determination of the discount rate, estimates of employee fluctuations, mortality estimates and estimates of wage growth. Due to the complexity of the actuarial calculation and long-term character of the item, benefit liabilities for certain remuneration are sensitive to changes in those estimates.

The amounts of the provisions formed constitute the best estimate of future expenditure. Note 9.7.12 to the 2023 Annual Report.

ASSESSMENT OF THE SETTING UP ANNUITY PROVISIONS

Provisions are recognised when the Group company has legal or constructive obligations arising from past events, which can be reliably assessed, and when it is likely that an outflow of resources embodying economic benefits will be required to settle the liability.

The Management Board of the company confirms the content and the amount of the provisions formed on the basis of the estimate of the potential expected amount of damages communicated by the legal department of the Group company or an external attorney subject to existing lawsuits and tort claims.

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

Contingent liabilities are not recognised in the consolidated financial statements, as their amount could not be estimated reliably or their actual existence will be confirmed by the occurrence or non-occurrence of events only in the unforeseeable future that the Group has no control over.

Management Boards of Group companies shall regularly check whether an outflow of funds allowing economic benefits is likely to be fulfilled in order to settle a contingent liability. If it becomes likely, a provision shall be set up in the consolidated financial statements.

DEFERRED TAX

Based on the estimate that there will be sufficient profits available in the future, deferred tax assets have been formed by the Group for the following:

- provisions for jubilee awards and termination benefits at retirement;
- impairment of trade receivables,
- impairment of investments,
- relief for investments in research and development,
- relief arising from unused tax loss.

For a more detailed presentation of deferred taxes, please refer to Section 9.7.15 of the 2023 Annual Report.

ASSESSMENT OF THE POSSIBILITY TO USE DEFERRED TAX ASSETS

The Group has adopted and approved a strategic business plan for the following five years which show future taxable profit. For tax planning purposes, the Group has drawn up a plan of utilising tax deductions in the upcoming five-year-period indicating that deferred tax assets shall be utilised, namely the tax deductible for investing in R&D in the upcoming four years, whereas the tax deductible for investments in the upcoming five years. The recorded tax losses shall have an unlimited duration of use.

Deferred tax assets recognised as part of provisions formed for jubilee awards and termination benefits, are decreased by appropriate amounts through the uptake of provisions formed and increased by appropriate amounts with respect to the newly formed provisions.

As the impairment of investments and trade receivables are not recognised as a deductible tax expense when set up, the Group has set up deferred tax assets equivalent to the difference between the tax and book value of trade receivables and investments. Deferred tax assets shall be derecognised by the Group upon the disposal or derecognition of investments, whereas trade receivables upon recovery or definite write-off.

Deferred tax assets for unutilised deductibles for fixed assets shall be recognised in the amount of 40 per cent of the invested amount in equipment and intangible assets for the last five years. These assets shall be derecognised in the period and in the amount when the tax basis shall be reduced in the tax return as a result of utilising tax deductibles.

The tax rates used to calculate deductible temporary differences comply with tax legislation in the individual countries in which Group companies operate, varying between 10.0 and 33.825 per cent. Based on the conditions set out in the IAS 12 and the Business Plan for the coming period, taxable profits will be available to cover the unused tax losses in the coming years.

Disclosed deferred tax liabilities arise from taxable temporary differences from the revaluation of land to a higher value and from the revaluation of termination benefits.

In the consolidated financial position statement, deferred tax assets and liabilities only within individual Group companies shall be off-set, whereas deferred tax assets and liabilities arising in various Group companies shall not be off-set.

As at the reporting date, the disclosed amount of deferred tax assets and deferred tax liabilities is disclosed. Deferred tax assets shall be recognised in the event of a likely net profit available in the future to which the deferred tax assets may be debited in the future. If the Group fails to have sufficient profits at its disposal, the disclosed amount of deferred tax assets is lowered accordingly. The notes are contained in Section 9.7.15 of the 2023 Annual Report.

RISKS

In compliance with IFRS 7, financial risks (credit risk, interest rate risk and liquidity risk) are disclosed and presented in detail in the financial part of the 2023 Annual Report, namely in Section 9.11.

MATERIALITY

The Group shall post, value and disclose items by taking into account the materiality principle. The nature and degree of materiality are defined in compliance with IAS 1 and IAS 8. In consolidated financial statements, items are material if they could, individually or collectively, influence the economic decisions that users make on the basis of the financial statements. Materiality was defined by the Group taking into account qualitative and quantitative factors. All items denoted by Roman numerals in the financial position statement are deemed material and the same applies to items in capital letters in the income statement. Within these items, material are all amounts exceeding 10 per cent of the explanatory category in the financial statements (quantitative criterion) or information that the Management Board deems useful for users of accounting information (qualitative criterion).

Individual categories of prescribed disclosures and all material matters are presented in conformity with International Financial Reporting Standards. Comparative information from the previous period has also been disclosed and the said information included the quantitative and descriptive sections for all material disclosed amounts in the consolidated financial statements. The comparative figures have been adjusted to equate the presentation of the information in the current year.

9.6.3.4 Summary of accounting policies used and disclosures

The Group uses the same accounting policies for all periods presented in the enclosed financial statements. The accounting policies and calculation methods used have remained the same as during the last annual reporting, with the exception of those which have resulted from newly adopted standards and notes.

PROPERTY, PLANT AND EQUIPMENT

Land is valued subject to the revaluation model based on the appraisal of a licensed appraiser in conformity with international valuation standards. Valuation shall be carried out at least every five years. The revaluation surplus is disclosed in the equity category as a fair value reserve and does not directly affect the profit or loss.

Building construction and buildings, plant and equipment are measured using the cost model. An asset is disclosed at cost less the accumulated depreciation adjustment and any accumulated impairment losses. The manner and methods used for the valuation of assets for impairment are described below under the heading Impairment of tangible fixed assets. 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 restoring it to the condition required 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 where it was located. The Group undertakes this obligation either upon acquisition or as a consequence of having used the item during a particular period for purposes other than to produce inventories during that period.

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

BORROWING COSTS

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. Borrowing costs shall be capitalised for qualifying assets. When the asset is transferred, borrowing costs shall no longer be capitalised. Borrowing costs, capitalised during the period, shall not exceed borrowing costs incurred during the same period.

SUBSEQUENT COSTS

The subsequent costs associated with the replacement of an item of property, plant and equipment increase its cost. Other subsequent expenditures associated with an item of property, plant and equipment increase its cost if it is likely that its future economic benefits will exceed the originally estimated one. All other expenditures are recognised as expenses when they arise.

DEPRECIATION

The amount of depreciation in each period is recognised in the profit or loss. The depreciation of an asset begins 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 period and method for a depreciable 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 depreciation period is changed accordingly subject to the remaining expected useful life of the asset. The residual value of an asset is only taken into account for material items by also taking into account the costs of the liquidation of the item of property, plant and equipment. Land and works of art are not depreciated.

Depreciation rates used by the Group have not changed considerably compared to the previous year and amount to:

	Lowest (in %)	Highest (in %)
Property, plant and equipment:		
Property:	0.3	20.0
Masonry buildings	0.3	13.6
Other buildings	1.1	20.0
Equipment:		
Production equipment	0.1	50.0
Computer and electrical equipment	0.6	56.7
Fork lifts and hoists	0.4	22.1
Cars and tractors	0.8	33.3
Cleaning and heating equipment	3.1	33.4
Measuring and control devices	1.5	20.3
Furniture – office and other	1.3	33.6
Other equipment	10.0	50.5

DERECOGNITION

The recognition of the carrying amount of individual items of property, plant and equipment is reversed upon disposal or if no future economic benefits are expected 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.

APPROPRIATENESS OF USEFUL LIVES

The useful life of assets is assessed by the Group by taking into account the expected physical use, technical obsolescence, economic obsolescence and expected statutory as well as other restrictions on their use. In addition, the Group shall review the useful life of material assets – in the event of a change in circumstances or if a change to the useful life and the resulting revaluation of depreciation costs is required.

CAPITALISED OWN PRODUCTS

Capitalised own products and services are products and services generated by the Group and subsequently includes them in tangible fixed assets. The cost of intangible fixed assets completed in the Group includes costs related directly thereto and general costs of production attributable to the particular asset. Capitalised own products also include own produced investments which cause an increase in the cost of an already qualified tangible fixed asset. We do not recognise capitalised own products in revenue, but reduce the basic cost categories relating to the cost of constructing or production such an asset in accordance with the standards.

LEASES

When an agreement is concluded, the Group assesses if it is a lease contract or if the contract contains a lease. The contract shall contain a lease if the right to control the use of an identified asset throughout the period of use is transferred in return for a consideration. The Group company shall determine the lease term as the non-cancellable period of a lease, together with both:

- periods covered by an option to extend the lease if the lessee is reasonably certain to exercise that option; and
- periods covered by an option to terminate the lease if the lessee is reasonably certain not to exercise that option.

RIGHT-OF-USE ASSETS

In compliance with IFRS 16, the Group shows contracts which include lease as a right-of-use asset. The scope of IFRS 16 includes leases of all assets, with some exceptions. The Group has decided to apply exemptions for short-term (up to 1 year) and low-value leases (leased assets of up to EUR 5,000 in value). Asset values are recognised in the current value of unpaid lease payments. Lease rights are also calculated by taking into account any initial direct costs and an estimate of costs incurred in removing or restoring the asset. The incremental borrowing rate is laid down subject to the interest rate used for risk-free government bonds and a credit spread.

Right-of-use assets are measured using the cost model. The initial value of rights-of-use assets over their useful life is decreased by depreciation and loss from impairment and adjusted for any remeasurement of the lease liability. Right-of-use assets shall be depreciated by the Group on a straight-line basis over the shorter of the estimated lease term or useful life of the asset.

LEASE LIABILITIES

At the commencement date of the lease, the Group shall measure the lease liability at the present value of future lease payments to be made in the estimated lease term. Lease payments included in measuring lease liabilities shall include fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate. Lease payments shall also include amounts expected to be payable by the Group under residual value guarantees. Lease liability shall also include the exercise price of a purchase option if the Group is reasonably certain to exercise that option and payments of penalties for terminating the lease, if the lease term reflects the Group exercising an option to terminate the lease. Variable lease payments not included in the measurement of the lease liability in the period in which the event or condition that triggers those payments occurs shall be recognised by the Group after the commencement date of the lease in profit or loss.

If the lease duration was not specified (lease of indefinite duration), the agreement was restricted to the duration of the medium-term business plan of the company (five years) and using a 1.2 per cent discount rate; in the case of new contracts from 2023, a 3.9 discount rate was used.

After the commencement date of the lease term, lease liability is increased by accrued interest and decreased by lease payments. The carrying amount of lease liability shall be re-measured in the event of a change to the lease term, to the lease payments or to the assessment of the purchase option of the leased asset.

Right-of-use assets and lease liabilities are disclosed as separate items in the statement of financial position.

INTANGIBLE ASSETS

Intangible assets are valued using the cost model. They are initially recognised at cost equalling fair value. After the initial recognition, intangible assets are disclosed at cost less the amortisation adjustment and the eventual impairment loss.

CAPITALISED DEVELOPMENT COSTS

Development costs incurred are 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 by the Group, 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 (capitalisation of costs). The Group shall include the following among development costs recognised as an intangible asset: labour costs and costs of external services required for the development of new technological solutions, in the event of the creation of an asset arising from development, material costs related to the creation of the development asset shall also be capitalised as deferred development costs.

GOODWILL

Goodwill shall be recognised at business combinations and the valuation of the acquisition. 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 participating interest issued by the company. After initial recognition, goodwill is measured at cost less accumulated impairment. The impairment is reviewed once a year for each item the goodwill refers to. After the initial recognition, the Group shall review the existence of factors which could negatively impact the future cash flows of the cash-generating unit acquired at the business combination. The reduction of the value of the cash-generating unit shall be recognised in the financial statements as an impairment of goodwill or the cash-generating unit, debited to the current profit or loss.

SUBSEQUENT COSTS

Subsequent costs of items of property, plant and equipment are recognised in the carrying amount of this item, if it is probable that the future economic benefits embodied with this asset will flow to the Group and the cost of the item can be measured reliably. All other costs shall be recognised in the profit or loss as costs for the period.

DEPRECIATION

Depreciation 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 depreciation method over the asset's useful life. The depreciation period and 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 depreciation 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 the asset is expected to be used.

The amount of depreciation in each profit or loss is debited to the profit or loss.

Depreciation rates used by the Group have not changed considerably compared to the previous year and amount to:

	Lowest (in %)	Highest (in %)
Capitalised costs of investments in fixed assets of others	20.0	20.0
Deferred development costs	20.0	22.6
Property rights	3.0	33.4
Other intangible non-current assets	3.0	33.4

APPROPRIATENESS OF USEFUL LIVES
The Group shall assess the useful life of intangible assets with a definite useful life by taking into account the expected utility arising from software procurement contracts or the utility or the likelihood of disposal of projects arising from capitalised non-current deferred development costs. Goodwill has an indefinite useful life. In the event of changes to the circumstances applicable at the assessment of the useful life, the useful life shall be changed and depreciation costs revalued.

DERECOGNITION
An intangible asset shall be derecognised when the asset is disposed of or retired as no economic benefit is expected from its use or disposal.

INVESTMENT PROPERTY

Investment property is held with the aim of generating lease payments or increasing the value of a non-current investment. Initially, investment property shall be measured at cost, consisting of the purchase price and costs attributable directly to the purchase. Investment property is measured subsequently using the fair value method; the fair value is estimated subject to an appraisal of a licensed property appraiser. Valuation shall be carried out at least every five years. Changes in fair value are recognised in the income statement.

DERECOGNITION
Investment property is not depreciated. Investment property shall be derecognised when the investment property is disposed of or retired as no economic benefit is expected from its use or disposal. The difference between the price of disposal and the carrying amount shall be debited to the profit or loss.

INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

At initial recognition, investments in associates and joint ventures shall be measured at cost and subsequently accounted for under the equity method. Consolidated financial statements of the Group encompass the share of the profit and loss of the Group in associates and joint ventures, calculated under the equity method following the reconciliation of accounting policies from the date the significant influence begins to the date it ends. If the share of loss of the Group in associates and joint ventures is higher than her interest, the carrying amount of the interest shall be decreased to zero and it shall no longer be recognised in subsequent losses. The profits and losses of the associates disclosed in the consolidated financial position statement either increase or decrease the value of non-current financial investments, whereas they increase financial revenue or expenses in the consolidated income statement.

FINANCIAL INSTRUMENTS

In compliance with IFRS 9, financial assets shall be classified and measured subject to the business model for managing the assets and the assets' contractual cash flow characteristics (depending on the fact if these are solely payments of principal and interest on the principal amount outstanding). When a financial asset is first recognised, it is classified into one of the following business models:

1. the asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows (measurement at amortised cost),
2. the asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets (measurement at fair value through other comprehensive income),
3. the asset is held within another model (measurement at fair value through profit or loss).

The business model may be changed only in exceptional cases.

MODEL FOR COLLECTING CONTRACTUAL CASH FLOWS – FINANCIAL INSTRUMENTS AT AMORTISED COST

Financial assets held within the business model used to acquire contractual cash flows and provided that the cash flows represent only payments of principal and interest on the principal amount outstanding (loans, receivables and unlisted debt securities) are allocated by the Group to these financial instruments. A financial instrument is recognised at fair value increased by costs directly attributable to the transaction. Profit and loss is recognised in the profit or loss account upon elimination, modification or impairment.

MODEL FOR SELLING AND COLLECTING CONTRACTUAL CASH FLOWS – FINANCIAL INSTRUMENTS MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

This category has been formed for equity securities which could be preserved in our portfolio for a longer period of time upon the decision to recognise them. These equity securities are not held for trading purposes. Upon initial recognition, equity securities are measured at fair value by taking into account transaction costs arising from the acquisition of the financial asset. Gains and losses arising from these financial instruments are never allocated to the statement of profit or loss. Dividends from financial instruments allocated to this category are recognised as financial revenue in the statement of profit or loss.

OTHER MODELS – FINANCIAL INSTRUMENTS MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS

Financial instruments allocated to this category are those intended for trading purposes and those who need to be measured by the Group at their fair value. Gains and losses arising from these financial instruments are allocated to the statement of profit or loss. Dividends from financial instruments allocated to this category are recognised as financial revenue in the statement of profit or loss.

OPERATING RECEIVABLES

Non-current and current trade receivables, receivables due from the state and employees are recorded separately in the ledger. Interest receivable on the above is also recognised in the operating receivables category. Non-current and current operating receivables are disclosed at transaction value. Operating receivables denominated in foreign currencies on the last day of the financial year are translated to the domestic currency according to the reference exchange rate of the European Central Bank. The suitability of the disclosed individual receivable is established at the end of the reporting period based on informed evidence regarding expected repayment cash flows.

The receivables impairment method is described in Section 9.6.3.4 of the 2023 Annual Report, “Impairment of Assets”.

COMMODITY LOANS

The Group extends commodity loans to associates as required for their operations. Commodity loans are recognised among non-current operating receivables. Interest on commodity loans can also be accrued. Value adjustments for commodity loans given are made given any expected losses in respect of the risk that outstanding receivables may not be recovered.

LOANS GIVEN

Upon initial recognition, loans given are recognised at fair value less costs by taking into account the effective yield method. Depending on their maturity date, they are classified as non-current or current assets as at the settlement date. Subject to the rating of the borrower, the credit risk is managed by laying down the maturity of the loan and the repayment method secured by standard collateral. Collateral is liquidated in the event of default of the borrower as per agreement. The loan repayment ability is assessed by using the cash flow availability and the method of assessing the net value of assets the creditor disposes of serving as the basis of repayment of the loans given.

LOANS RECEIVED

Upon initial recognition, loans received are valued at fair value less costs by taking into account the effective yield method. The structure of loans received 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 non-current or current financial liabilities upon recognition. On the last day of the year, all financial liabilities that fall due within the next year are transferred to current 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 (groups for disposal) for sale are non-current assets intended for sale whose value will be recovered through their sale within the next twelve months and not through their use. Non-current assets are reclassified as assets held for sale at a time when their sales are highly probable and IFRS 5 conditions are met, meaning that there are a known buyer and a preliminary contract or contract for their sale has been signed. Assets are reclassified to assets held for sale at the lower of their carrying amount or fair value less costs to sell as previously disclosed among non-current assets irrespective of the expected purchase price for a particular asset. Assets held for sale are not depreciated.

INVENTORIES

Inventories of materials are measured at the lower of cost and net realisable value. The net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and sale. The unit of quantity price of an item held in inventory includes costs incurred when acquiring inventories and bringing them to their present location and condition.

Inventories of work in progress and finished products shall be valued at production costs. The consumption of inventories is disclosed according to the weighted average cost method. At the end of the year, Group companies verify the inventories without any movements in the current year and impair them to their realisable value.

The inventories impairment method is described in Section 9.6.3.4 of the 2023 Annual Report, “Impairment of Assets”.

CASH

Cash includes cash in hand and demand 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 as at the last day of the financial year.

CAPITAL

<u>SHARE CAPITAL</u>
The share capital of the parent company, UNIOR d.d., is divided into 2,838,414 ordinary registered no-par value shares registered in the relevant name and are freely transferable.

DIVIDENDS
Dividends are recognised in the consolidated financial statements of the Group upon adoption of the respective dividend distribution decision by the General Meeting of Shareholders.

REDEMPTION OF TREASURY SHARES
In 2019, the company obtained treasury shares by virtue of a judgement becoming final. These are recognised in the consolidated financial statements as a deduction equity item of the Group. Shares are disclosed using the user-cost method. Reserves for treasury shares in the value of obtained treasury shares are established against other revenue reserves. The number of treasury shares is indicated in Sections 5, 9.7.11, and 10.7.9 of the 2023 Annual Report.

PROVISIONS

Provisions are recognised when the Group has legal or constructive obligations arising from a past event, which can be reliably assessed, and when it is likely that an outflow of resources embodying economic benefits will be required to settle the liability. The required provisions shall be laid down by the Group by using a discount rate which shall be a pre-tax rate of expected future cash flows that reflects current market assessments of the time value of money and the risks specific to the liability.

PROVISIONS FOR JUBILEE BENEFITS AND RETIREMENT ALLOWANCES
In compliance with the company collective agreements for Slovenia-based companies and the statutory regulations of individual countries in which UNIOR Group companies operate, the Group shall account for and pay out jubilee benefits and retirement allowances. These types of earnings are measured using simplified accounting method requiring 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 accrual of earnings in proportion to the work performed. The estimated liability is recognised in the amount of the present value of expected future expenditures. Measurements also include an estimate of the projected increase in salaries and staff turnover.

The calculation serves as the basis for recognising gains or losses in the current year in the income statement. The main parameters taken into account in the calculation are disclosed in further detail in Section 9.7.12 of the 2023 Annual Report.

GOVERNMENT GRANTS

Government grants are recognised at fair value, but not until the respective Group company provides reasonable assurance that conditions related thereto shall be met and the aid is in fact received. Government grants are recognised as income over the periods necessary to match them with the related costs which they are intended to compensate. If a government grant relates to a particular asset, it is recognised as deferred income recognised by the respective Group company in the income statement in the period of the expected useful life of the asset in equal annual instalments.

FINANCIAL LIABILITIES

Financial liabilities are initially recognised at fair value including transaction costs incurred. In subsequent periods, financial liabilities are measured at their amortised cost using the effective interest rate method. Any difference between proceeds (excluding transaction costs) and liabilities is recognised in the income statement throughout the entire period of financial liability.

FINANCIAL DERIVATIVES

Financial derivatives recognised in the consolidate financial position statement shall be measured by the Group at fair value through profit or loss. Gains and losses arising from these financial instruments are allocated to the statement of profit or loss in the current period.

CORPORATE INCOME TAX

Corporate income tax is levied in accordance with the Corporate Income Tax Act and tax law of individual countries where Group companies are located. Corporate income tax is levied on the basis of gross profit plus fiscally unrecognised costs and less legally permitted tax relief. The corporate income tax liability is calculated from the resulting base amount. A tax base is disclosed for 2023, as listed in Section 9.9 of the 2023 Annual Report.

DEFERRED TAX

In order to disclose an appropriate profit or loss in the reporting period, deferred taxes were also levied. These are disclosed as deferred tax assets and deferred tax liabilities. Deferred taxes were levied using the financial position statement liability method. The carrying amounts of assets and liabilities were compared to 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. Taxable temporary differences increased our taxable amounts and deferred tax liabilities, while deductible temporary differences decreased our taxable amounts and increased our deferred tax assets.

REVENUE

<u>REVENUE FROM CONTRACTS WITH CUSTOMERS (PRIMARILY FOR THE SPECIAL MACHINES ACTIVITY)</u>

Operating revenue is recognised when it is reasonable to expect that they will lead to proceeds unless realised upon inception or they can be measured reliably – in that case, a five-step model in conformity with IFRS 15 is applied. The Group shall recognise revenue from services rendered by using the percentage of completion method as at the financial position statement date, meaning that the Group shall recognise revenue by using an output method based on the milestones achieved from sales agreements with customers. This method is used to recognise revenue in the reporting period in which services were rendered. The amounts of each material category of revenue recognised in the period and generated revenue on domestic and foreign markets are disclosed. Revenue on the domestic market is revenue generated in Slovenia and foreign markets include EU Member States and third countries. During the sales process, UNIOR acts as the principal. As a rule, contractual arrangements do not include any material variable arrangements.

<u>REVENUE FROM THE SALES OF PRODUCTS, GOODS, MATERIALS AND SERVICES (PRIMARILY FOR THE FORGINGS, HAND TOOLS, MACHINE TOOLS PRODUCTION ACTIVITIES AND THE TOURISM ACTIVITY)</u>

Revenue shall be recognised when the control over products, goods, materials and rendered services is transferred to the customer in the amount that reflects the compensation that the Group company expects to be entitled to in return. Revenue from contracts with customers at fair value of the received repayment or receivable less discounts granted at the time of or post-sale. In the case of recovery, the Group company shall issue a credit to the customer which shall be recorded as a reduction of trade receivables at the time of recovery, whereby claim procedures shall be, as a rule, resolved at the time of sale.

The sales of products, goods, materials, and services shall be recognised dependent on the provisions of the purchase and sale agreement. As a rule, the control over the goods shall be transferred to the customer as soon as the goods are collected by the customer or the service has been rendered and the recovery of related receivables is reasonably certain.

Items corresponding in materiality from previous periods are also disclosed among revenue from the sale of products, goods, materials and services rendered.

A contract asset is a right to consideration in exchange for goods or services that the entity has transferred to the customers. Contract assets shall also include accrued revenue from the delivery of goods and services to customers. A receivable shall constitute the right of the Group to a consideration that is unconditional, i.e., a payment that matures within a fixed term.

A contract liability shall constitute the liability to transfer products, goods, materials, or services to the customer in exchange for a consideration received by the Group from the customer. Contract liabilities from contracts with customers shall include liabilities for customer advances received. A contract liability shall be recognised as revenue when the Group satisfies its performance obligation subject to the contract.

LEASE REVENUE

Lease revenue includes revenue from leasing the production hall, office space, apartments, classrooms, and parking areas. The Group allocates lease revenue to operating revenue.

OTHER OPERATING REVENUE INCLUDING OPERATING REVENUE FROM REVALUATION

Donations, grants, subsidies, premiums and revenue from 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 interest payable on the loans given, dividend revenue, revenue from the disposal of available-for-sale financial assets and from exchange rate gains. Revenue from interest payable on loans given is initially recognised using the effective interest rate method. Dividend revenue is disclosed in the profit or loss when the right of redemption is exercised.

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

GROSS OPERATING PROFIT

Gross operating profit comprises sales revenues, changes in the value of inventories of finished products and work-in-progress, and other operating revenue.

EXPENSES – COSTS

Costs are recognised as expenses in the period in which they incur. They are classified by nature. They are disclosed and reported by the nature of the type of expense. 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.

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.

PROFIT OR LOSS

Profit or loss consists of the operating profit or loss plus financial revenue and less financial expenses.

IMPAIRMENT OF ASSETS

IMPAIRMENT OF PROPERTY, PLANT AND EQUIPMENT
If there is any indication of potential impairment of an asset, its recoverable amount is estimated subject to IAS 36. If the asset's recoverable amount cannot be estimated, the Group determines the recoverable amount of the cash-generating unit the asset belongs to. Impairment is disclosed in the income statement and, in the event of revaluation of land, the previously built-up capital revaluation surplus is initially decreased. Impairment losses need to be reversed in the event of changes to the estimates 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 revenue. A capital revaluation surplus is built up to reverse the reversal of land impairment. Fair value of land is established by appraisal.

IMPAIRMENT OF INTANGIBLE ASSETS
Intangible assets are verified 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. This decrease is disclosed by the Group as an impairment loss and recorded as an operating expense from revaluation.

IMPAIRMENT OF INVENTORIES
Group companies set up an allowance according to their age, namely:

- for inventories without any movements in the current year, an allowance in the amount of 5 per cent of the inventories cost is set up,
- for inventories without any movement in two years, an additional allowance of 15 per cent of the inventories cost is set up,
- for inventories without any movement in three years, an additional allowance of 10 per cent of the inventories cost is set up,
- for inventories without any movement in four years, an additional allowance of 10 per cent of the inventories cost set up,
- for inventories without any movement in five years or more, an additional allowance of 10 per cent of the inventories cost is set up.

Impairment losses on inventories are recognised in the consolidated income statement. The Group does not impair its inventories of tools required for the manufacture of its products and its inventories in its spare part warehouse as these inventories do not lose their value, despite not showing any movement in a longer period of time.

IMPAIRMENT OF INVESTMENTS
At each reporting date, the Group performs tests the assessment of investment impairment subject to selected criteria defined in the Bookkeeping Rules in order to establish any objective evidence of potential impairment of the investment. If such reasons exist, the amount of impairment loss is calculated.

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

In terms of financial instruments measured at fair value in profit or loss, gains and losses arising from these are allocated to the income statement.

IMPAIRMENT OF OPERATING RECEIVABLES

The impairment of receivables or the formation of value adjustments are reviewed by the Group in compliance with IFRS 9 which lays down a simplified approach for non-financial entities in the sense that they do not have to establish on the date of the first day of reporting whether there has been a significant rise in the credit risk or not. For operating receivables, impairments shall be determined subject to the Expected Credit Loss, ECL, concept for the entire duration of operating receivables (lifetime expected credit loss) for which a provision matrix for expected credit loss is used subject to IFRS 9. The basis for value adjustments of receivables shall be the provision matrix by sales segment based on the customer default assessment subject to historical credit loss experience adjusted for any future factors from the economic environment excluding secured receivables. Expected Credit Loss (ECL) in compliance with IFRS 9 is shown in Section 9.11 of the 2023 Annual Report.

STATEMENT OF OTHER COMPREHENSIVE INCOME

The consolidated statement of other comprehensive income shows net profit or loss and other comprehensive income. This includes items to be transferred in the income statement in the future and items which will not be recognised in the income statement as required or permitted by other IFRS provisions.

CASH FLOW STATEMENT

The Group reports cash flow from operating activities using the indirect method based on consolidated financial position statement items as at 31/12/2023 and 31/12/2022, the 2023 consolidated income statement items and additional data required to adjust inflows and outflows.

STATEMENT OF CHANGES IN EQUITY

The consolidated statement of changes in equity shows the movement of the individual components of equity in the financial year (total revenue and expenses as well as transactions with owners in their capacity as owners), including the allocation of net profit or loss. The consolidated statement of comprehensive income increasing the net profit of the current year by all proceeds directly recognised in equity is included.

DISCONTINUED OPERATIONS

In compliance with IFRS 5, discontinued operations are disclosed in Group financial statements for subsidiaries disposed of from the Group and whose operations in the reporting or preceding financial year are still included in the consolidated income statement, whereas their assets and resources are no longer disclosed in the financial position statement.

9.6.3.5 The use of new and revised IFRS and interpretations of IFRS

Standards and amendments applicable from 01/01/2023

The following new standards, amendments to existing standards and new notes issued by the International Accounting Standards Board (IASB) and adopted by the EU are effective as of 01/01/2023:

- **IFRS 17 – Insurance Contracts:** IFRS 17 introduced an internationally harmonised approach to accounting of insurance contracts. Prior to the adoption of IFRS 17, there was a great deal of diversity in accounting and disclosure of insurance contracts around the world, with IFRS 4 allowing many previous accounting approaches (which were not IFRS compliant) to continue to apply. IFRS 17 will mean significant changes for many insurers, requiring adjustments to existing systems and processes. The new standard takes the view that insurance contracts combine the characteristics of a financial instrument and a service contract, and that many generate cash flows that vary significantly over time.
- **Disclosure of accounting policies (amendment to IAS 1 and IFRS Practice Statement 2):** In February 2021, the IASB issued amendments to IAS 1 that change the disclosure requirements related to accounting policies from “significant accounting policies” to “significant information about accounting policies”. The amendments provide guidance on when information about accounting policies is likely to be considered material. The amendments to IAS 1 are effective for annual reporting periods beginning on or after 1 January 2023, with earlier application permitted. As IFRS Practice Statements are non-mandatory guidance, no mandatory effective date has been set for amendments to IFRS Practice Statement 2.
- **Definition of accounting estimates (amendment to IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors):** In February 2021, the IASB issued amendments to IAS 8 that added a definition of accounting estimates in IAS 8. The amendments also clarified that the effects of a change in inputs or measurement technique are changes in accounting estimates unless they result from the correction of errors from prior periods. The amendments to IAS 8 are effective for annual reporting periods beginning on or after 1 January 2023, with earlier application permitted.
- **Deferred tax relating to receivables and liabilities arising from a single transaction (amendments to IAS 12):** In May 2021, the IASB issued amendments to IAS 12 that clarify whether the initial recognition exemption applies to those transactions that result in the simultaneous recognition of an asset and a liability (e.g. a lease under IFRS 16). The amendments introduce an additional criterion for the exemption from initial recognition under IAS 12.15, under which the exemption does not apply to the initial recognition of an asset or liability that gives rise to the same taxable and deductible temporary differences at the time of the transaction.
- **International tax reform – model rules for Pillar 2 (amendments to IAS 12):** In December 2021, the Organisation for Economic Co-operation and Development (OECD) published Tax challenges arising from the digitalisation of the economy – global model rules against base erosion (Pillar 2): An inclusive framework on BEPS (Pillar 2 model rules). In March 2022, the OECD published commentaries and illustrative examples explaining in more detail how the rules apply and work, and clarifying some of the terminology. Stakeholders raised concerns with the IASB about the potential implications for income tax accounting, in particular the accounting for deferred taxes arising from the Pillar 2 model rules. In response to stakeholder concerns, the IASB issued final amendments to the International Tax Reform – Pillar 2 Model Rules on 23 May 2023. The amendments introduce a temporary exception for entities to recognise and disclose information about deferred tax assets and liabilities associated with the Pillar 2 model rules. The amendments also impose additional disclosure requirements in relation to an entity's exposure to Pillar 2 income taxes.

The standards, amendments and notes effective from 01/01/2023 have not resulted in any material changes to the consolidated financial statements.

Standards and the amendments to existing standards issued by the IASB and adopted by the EU that do not yet apply

At the date of approval of these financial statements, the IASB issued the following standards adopted by the EU, but they do not yet apply:

- **Lease Liability in a Sale and Leaseback (amendment to IFRS 16):** The amendments introduce a requirement that a seller-lessee shall designate "lease payments" or "adjusted lease payments" so that the seller-lessee would not recognise any amount of gain or loss relating to the right-of-use retained by the seller-lessee.

New standards and the amendments to existing standards issued by the IASB and not yet adopted by the EU

New standards and amendments to existing standards issued by the IASB which have not been adopted by the EU as of yet, 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 amendments to existing standards:

- **Classification of liabilities as current or non-current (amendment to IAS 1):** In January 2020, the IASB issued amendments to IAS 1 – Classification of Liabilities as Current or Non-current, which were further partially amended by the amendments to Non-current Liabilities with Covenants issued in October 2022. The amendments require that an entity's right to defer settlement of liability for at least 12 months after the reporting period must be substantive and must exist at the end of the reporting period. The classification of the liability is not affected by the likelihood that the entity will exercise its right to defer settlement for at least 12 months after the reporting period. Due to the COVID-19 pandemic, the Board has deferred the effective date of the amendments by one year to annual reporting periods beginning on or after 1 January 2024.
- **Amendment – long-term contractual obligations (amendment to IAS 1):** Following the issuance of amendments to IAS 1 Classifying Liabilities as Current or Non-current, the IASB further amended IAS 1 in October 2022. If an entity's right to defer is subject to certain conditions being met, such conditions affect whether that right exists at the end of the reporting period if the entity is required to satisfy the condition at or before the end of the reporting period, and not if the entity is required to satisfy conditions after the end of the reporting period. The amendments also clarify the meaning of "settlement" for the purpose of classifying liabilities as current or non-current.
- **Supplier Finance Arrangements (amendment to IAS 7 and IFRS 7):** On 25 May 2023, the IASB issued Supplier Finance Arrangements, which amends IAS 7 Cash Flow Statement and IFRS 7 Financial Instruments: Disclosures (amendments). These amendments were made as a result of a submission received by the IFRS Interpretations Committee relating to the reporting of liabilities and related cash flows arising from supplier financing arrangements and related disclosures. In response to this feedback, the IASB has undertaken a narrow standard-setting exercise, which has led to amendments. The amendments require entities to provide specific disclosures (qualitative and quantitative) related to supplier financing arrangements. The amendments also provide guidance on the characteristics of supplier financing arrangements.
- **Lack of Exchangeability (amendment to IAS 21):** On 15 August 2023, the IASB issued Lack of Exchangeability document, which amends IAS 21 The Effects of Changes in Foreign

Exchange Rates. The amendments were made as a result of a submission received by the IFRS Interpretations Committee on the determination of the exchange rate in the event of a long-term inability to exchange. Prior to the amendments, IAS 21 did not contain explicit requirements for determining the exchange rate when a currency is not convertible into another currency, which led to diversity in practice. The amendments introduce requirements for assessing when a currency is convertible into another currency and when it is not. The amendments require an entity to estimate the spot exchange rate if it determines that a currency is not convertible into another currency. The amendments are effective for annual reporting periods beginning on or after 1 January 2025, with earlier application permitted.

They are yet to be approved for application in the EU. The Group foresees that the introduction of these new standards and amendments to existing standards during the initial period of application will not have a significant impact on the consolidated financial statements of the UNIOR Group.

9.7 Disclosures to the audited consolidated financial position statement of the UNIOR Group

9.7.1 Financial position statement by division

The consolidated financial position statement of the UNIOR Group is divided into two business segments. Given the activity carried out by Group companies, the business segments can be usefully divided into:
- the metalworking activity (hereinafter the "metalworking activity") and
- the tourism activity.

The tourism activity includes UNITUR d.o.o. generating revenue from the tourism activity at the Terme Zreče spa in Zreče and on the Rogla ski resort. The metalworking activity includes all other UNIOR Group companies which generate revenue from the production and sales of forgings, hand tools, special machines, and the production of machine tools.

Consolidated financial position statement by business segment

(in EUR)	Item	Tourism activity 31/12/2023	Metal activity 31/12/2023	TOTAL 31/12/2023	Tourism activity 31/12/2022	Metal activity 31/12/2022	TOTAL 31/12/2022
	ASSETS	**75,267,624**	**315,540,624**	**390,808,248**	**64,112,135**	**316,999,281**	**381,111,416**
A.	**NON-CURRENT ASSETS**	**71,394,309**	**168,091,237**	**239,485,546**	**59,219,594**	**151,806,796**	**211,026,390**
I.	**Intangible assets and other IA**	**1,443,758**	**7,601,865**	**9,045,623**	**1,450,904**	**5,019,126**	**6,470,030**
1.	Non-current property rights	1,357,553	2,013,030	3,370,583	1,214,907	1,770,447	2,985,354
2.	Goodwill	0	521,448	521,448	0	521,448	521,448
3.	Non-current deferred development costs	0	1,809,278	1,809,278	0	2,588,191	2,588,191
4.	Other intangible assets	49,632	439,184	488,816	0	47,133	47,133
5.	Intangible assets being acquired	36,572	2,818,926	2,855,498	235,997	91,907	327,904
II.	**Property, plant and equipment**	**69,508,824**	**131,992,184**	**201,501,008**	**57,318,483**	**118,165,435**	**175,483,918**
1.	Land and buildings	53,979,042	50,243,280	104,222,322	50,727,927	48,945,805	99,673,732
2.	Plant and machinery	13,682,677	72,214,513	85,897,190	4,511,081	58,183,476	62,694,557
3.	Other equipment and machinery, small tools and other property, plant and machinery	14,155	578,246	592,401	11,096	639,093	650,189
4.	Leased property, plant and equipment	151,122	4,238,951	4,390,073	18,369	3,617,525	3,635,894
5.	Property, plant and equipment being acquired	1,681,828	4,717,194	6,399,022	2,050,010	6,779,536	8,829,546
III.	**Investment property**	**416,859**	**1,540,754**	**1,957,613**	**425,338**	**1,530,089**	**1,955,427**
IV.	**Non-current investments**	**12,519**	**19,481,429**	**19,493,948**	**12,519**	**20,238,420**	**20,250,939**
1.	Non-current investments, excluding loans	12,519	19,474,331	19,486,850	12,519	20,229,514	20,242,033
2.	Non-current loans	0	7,098	7,098	0	8,906	8,906
V.	**Non-current operating receivables**	**12,350**	**18,153**	**30,503**	**12,350**	**9,006**	**21,356**
1.	Non-current operating receivables	0	0	0	0	0	0
2.	Non-current operating receivables from others	12,350	18,153	30,503	12,350	9,006	21,356
VI.	**Deferred tax assets**	**0**	**7,456,851**	**7,456,851**	**0**	**6,844,720**	**6,844,720**
B.	**CURRENT ASSETS**	**3,873,315**	**147,449,387**	**151,322,702**	**4,892,542**	**165,192,484**	**170,085,026**
I.	**Assets (groups for disposal) held for sale**	**0**	**120,000**	**120,000**	**0**	**120,000**	**120,000**
II.	**Inventories**	**240,149**	**77,637,962**	**77,878,111**	**259,807**	**96,204,427**	**96,464,234**
1.	Materials	225,285	22,529,846	22,755,131	240,840	35,110,668	35,351,508
2.	Work in progress	0	26,966,333	26,966,333	0	29,790,945	29,790,945
3.	Products	0	21,361,772	21,361,772	0	23,939,959	23,939,959
4.	Merchandise	14,864	6,780,011	6,794,875	18,968	7,362,854	7,381,822
III.	**Current investments**	**0**	**73,012**	**73,012**	**0**	**60,535**	**60,535**
1.	Current investments, excluding loans	0	0	0	0	0	0
2.	Current loans	0	73,012	73,012	0	60,535	60,535
IV.	**Current operating receivables**	**2,433,872**	**47,846,387**	**50,280,259**	**1,302,655**	**49,443,744**	**50,746,399**
1.	Current trade receivables	1,510,746	29,570,699	31,081,445	951,156	31,812,313	32,763,469
2.	Current operating receivables due from others	923,126	17,989,174	18,912,300	335,560	17,581,645	17,917,205
3.	Short-term income tax receivables	0	286,514	286,514	15,939	49,786	65,725
V.	**Cash and cash equivalents**	**1,199,294**	**21,772,026**	**22,971,320**	**3,330,079**	**19,363,779**	**22,693,858**

Consolidated financial position statement by division (cont.)

(in EUR) Item		Tourism activity 31/12/2022	Metal activity 31/12/2022	TOTAL 31/12/2022	Tourism activity 31/12/2021	Metal activity 31/12/2021	TOTAL 31/12/2021
	LIABILITIES	**75,267,624**	**315,540,624**	**390,808,248**	**64,112,135**	**316,999,281**	**381,111,416**
A.	**EQUITY**	**39,166,876**	**147,305,628**	**186,472,504**	**31,144,364**	**153,500,818**	**184,645,182**
A1.	**EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT**	**39,166,876**	**129,541,796**	**168,708,672**	**31,144,364**	**135,858,644**	**167,003,008**
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-up capital (deduction item)	0	0	0	0	0	0
II.	**Capital reserves**	**18,508,479**	**23,178,485**	**41,686,964**	**11,409,929**	**30,277,035**	**41,686,964**
III.	**Reserves from profit**	**15,911,428**	**19,926,655**	**35,838,083**	**15,911,428**	**19,926,655**	**35,838,083**
1.	Legal reserves	534,164	1,417,442	1,951,606	534,164	1,417,442	1,951,606
2.	Reserves for treasury shares and own participating interests	0	2,721,454	2,721,454	0	2,721,454	2,721,454
3.	Treasury shares and own participating interests (deduction item)	0	(2,721,454)	(2,721,454)	0	(2,721,454)	(2,721,454)
4.	Statutory reserves	0	0	0	0	0	0
5.	Other reserves from profit	15,377,264	18,509,213	33,886,477	15,377,264	18,509,213	33,886,477
IV.	**Fair value reserves**	**8,896,316**	**11,946,688**	**20,843,004**	**8,765,523**	**11,547,534**	**20,313,057**
V.	**Net profit brought forward**	**0**	**57,963,421**	**46,537,112**	**0**	**50,240,277**	**38,306,075**
VI.	**Net loss brought forward**	**(11,426,309)**	**0**	**0**	**(11,934,202)**	**0**	**0**
VII.	**Net profit of the financial year**	**793,169**	**2,009,079**	**2,802,248**	**507,893**	**7,934,078**	**8,441,971**
VIII.	**Net loss of the financial year**	**0**	**0**	**0**	**0**	**0**	**0**
IX.	**Translation adjustment of capital**	**0**	**(2,687,722)**	**(2,687,722)**	**0**	**(1,272,125)**	**(1,272,125)**
A2.	**CAPITAL ATTRIBUTABLE TO NON-CONTROLLING INTEREST**	**0**	**17,763,832**	**17,763,832**	**0**	**17,642,174**	**17,642,174**
B.	**PROVISIONS AND DEFERRED REVENUE**	**10,645,610**	**7,850,787**	**18,496,397**	**4,880,764**	**7,732,175**	**12,612,939**
1.	Provisions for pensions and similar liabilities	878,622	7,018,265	7,896,887	621,344	6,767,290	7,388,634
2.	Other provisions	9,766,988	332,403	10,099,391	4,259,420	406,880	4,666,300
3.	Deferred revenue	0	500,119	500,119	0	558,005	558,005
C.	**NON-CURRENT LIABILITIES**	**15,725,059**	**91,304,206**	**107,029,265**	**11,652,707**	**8,685,691**	**20,338,398**
I.	**Non-current financial liabilities**	**14,537,669**	**90,705,119**	**105,242,788**	**3,149,598**	**15,287,000**	**18,436,598**
1.	Non-current financial liabilities to banks	14,427,190	86,299,435	100,726,625	3,149,598	11,742,176	14,891,774
2.	Non-current financial liabilities arising from leases	110,479	3,297,787	3,408,266	0	2,773,976	2,773,976
3.	Other non-current financial liabilities	0	1,107,897	1,107,897	0	770,848	770,848
II.	**Non-current operating liabilities**	**0**	**0**	**0**	**7,098,550**	**(7,098,550)**	**0**
1.	Non-current trade payables	0	0	0	0	0	0
2.	Non-current bills of exchange payable	0	0	0	0	0	0
3.	Non-current operating liabilities from advance payments	0	0	0	0	0	0
4.	Other non-current operating liabilities	0	0	0	7,098,550	(7,098,550)	0
III.	**Deferred tax liabilities**	**1,187,390**	**599,087**	**1,786,477**	**1,404,559**	**497,241**	**1,901,800**
D.	**CURRENT LIABILITIES**	**9,730,079**	**69,080,003**	**78,810,082**	**16,434,301**	**147,080,596**	**163,514,897**
I.	**Liabilities included in groups for disposal**	**0**	**0**	**0**	**0**	**0**	**0**
II.	**Current financial liabilities**	**2,308,421**	**14,059,810**	**16,368,231**	**9,674,241**	**76,356,450**	**86,030,691**
1.	Current financial liabilities to banks	1,707,352	13,095,640	14,802,992	9,588,955	75,061,581	84,650,536
2.	Current financial liabilities arising from leases	37,853	963,324	1,001,177	18,870	849,927	868,797
3.	Other current financial liabilities	563,216	846	564,062	66,416	444,942	511,358
III.	**Current operating liabilities**	**7,421,658**	**55,020,193**	**62,441,851**	**6,760,060**	**70,724,146**	**77,484,206**
1.	Current operating liabilities to suppliers	3,873,467	32,888,001	36,761,468	3,755,556	42,813,949	46,569,505
2.	Current bills of exchange payable	0	4,588,340	4,588,340	0	9,801,933	9,801,933
3.	Current operating liabilities from advance payments	1,574,381	1,503,877	3,078,258	1,232,369	2,681,015	3,913,384
4.	Current liabilities for income tax	25,714	361,229	386,943	0	322,689	322,689
5.	Other current operating liabilities	899,395	10,137,600	11,036,995	866,412	10,244,793	11,111,205
6.	Short-term accrued expenses and deferred income	1,048,701	5,541,146	6,589,847	905,723	4,859,767	5,765,490

Additional information for the UNIOR Group by geographical segment

(in EUR)	Revenue from sales 2023	Revenue from sales 2022	Total assets 2023	Total assets 2022	Net investment 2023	Net investment 2022
Slovenia	216,248,457	208,760,820	303,099,916	288,577,230	24,550,506	10,940,624
European Union	8,551,709	9,346,372	15,650,921	16,312,878	1,006,613	1,015,409
Rest of Europe	13,170,047	14,495,711	18,637,614	18,310,104	1,017,214	1,666,026
Other markets	56,266,439	55,049,968	53,419,797	57,911,204	2,263,235	2,837,708
Total	**294,236,652**	**287,652,871**	**390,808,248**	**381,111,416**	**28,837,568**	**16,459,767**

Additional information by regional section shows consolidated revenue from sales, consolidated assets, and net investments in relation to the geographical area where Group company are based.

9.7.2 Intangible assets

UNIOR GROUP (in EUR)	Goodwill	Deferred cost of development	Investments in rights to ind. property	Other intangible assets	INA in acquisition	Total
Cost						
Balance as at 31 December 2022	602,236	4,656,927	7,344,970	47,133	327,904	12,979,170
Direct increases – investments	0	51,076	953,905	614,868	2,737,769	4,357,618
Transfer from investments in progress	0	0	210,175	0	(210,175)	0
Decreases during the year	0	0	(1,351,413)	(173,185)	0	(1,524,598)
Other changes (fluctuations, currency exchange rates)	0	0	(196,849)	0	0	(196,849)
Balance as at 31 December 2023	602,236	4,708,003	6,960,788	488,816	2,855,498	15,615,341
Value adjustment						
Balance as at 31 December 2022	80,788	2,068,736	4,359,616	0	0	6,509,140
Depreciation in the year	0	829,989	693,203	0	0	1,523,192
Decreases during the year	0	0	(1,351,413)	0	0	(1,351,413)
Other changes (fluctuations, currency exchange rates)	0	0	(111,201)	0	0	(111,201)
Balance as at 31 December 2023	80,788	2,898,725	3,590,205	0	0	6,569,718
Current value as at 31 December 2023	**521,448**	**1,809,278**	**3,370,583**	**488,816**	**2,855,498**	**9,045,623**
Current value as at 31 December 2022	521,448	2,588,191	2,985,354	47,133	327,904	6,470,030

UNIOR GROUP (in EUR)	Goodwill	Deferred cost of development	Investments in rights to ind. property	Other intangible assets	INA in acquisition	Total
Cost						
Balance as at 31 December 2021	602,236	8,752,588	5,502,642	61,947	876,797	15,796,210
Direct increases – investments	0	93,434	371,468	0	327,904	792,806
Transfer from investments in progress	0	839,563	37,234	0	(876,797)	0
Decreases during the year	0	(3,461,607)	(64,314)	(14,814)	0	(3,540,735)
Other changes (fluctuations, currency exchange rates)	0	(1,567,051)	1,497,940	0	0	(69,111)
Balance as at 31 December 2022	602,236	4,656,927	7,344,970	47,133	327,904	12,979,170
Value adjustment						
Balance as at 31 December 2021	80,788	4,805,385	3,102,615	0	0	7,988,788
Depreciation in the year	0	1,323,812	774,737	0	0	2,098,549
Decreases during the year	0	(3,461,607)	(64,314)	0	0	(3,525,921)
Other changes (fluctuations, currency exchange rates)	0	(598,854)	546,578	0	0	(52,276)
Balance as at 31 December 2022	80,788	2,068,736	4,359,616	0	0	6,509,140
Current value as at 31 December 2022	**521,448**	**2,588,191**	**2,985,354**	**47,133**	**327,904**	**6,470,030**
Current value as at 31 December 2021	521,448	3,947,203	2,400,027	61,947	876,797	7,807,422

Goodwill arises from merging Inexa Adria d.o.o. by acquisition with UNIOR d.d. in 2005 and from merging UNIOR Werkzeugmaschinen GmbH by acquisition to UNIOR Deutschland GmbH in 2010. The recoverable amount of goodwill of cash-generating units whose operations did not result in any impairment requirements in 2023 subject to tested indicators is reviewed on an annual basis. The goodwill of the Group was thus not impaired in 2023.

Non-current development costs amounting to EUR 1,809,278 in total refer to deferred development costs in the Special Machines activity. Development costs incurred are recognised as intangible assets if the Group can demonstrate the technical feasibility of completing the project so that it will be available for use or sale; 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 by the Group, the usefulness of the project). The Group shall include the following among development costs recognised as an intangible asset: labour costs and costs of external services required for the development of new technological solutions, in the event of the creation of an asset arising from development, material costs related to the creation of the development asset shall also be capitalised as deferred development costs. At the end of 2023, the Group has intangible assets in the course of acquisition for EUR 2,855,498, including EUR 2,727,019 of long-term deferred development costs in the special machines activity (development of new machinery and technologies) and in the production of forgings (development of aluminium moulding production programme).

At the drawing up of the consolidated financial statements, we carried out an impairment test of material deferred development costs in terms of value. The estimated recoverable amount of deferred development cost exceeds their residual value as at 31/12/2023. As a result, no impairments of deferred development costs were recorded in the consolidated income statement for 2023.

The increase in investments in industrial property rights is represented by the purchase of a land easements in China for EUR 460,495 and the purchase of software licences for EUR 493,410.

Among other intangible fixed assets in the amount of EUR 488,816, long-term deferred costs and accrued revenues are disclosed with the main item being the non-current deferred costs of refinancing with commercial banks, which was completed in 2023 with a maturity of seven years from the date of the contract conclusion.

Goodwill is an intangible asset with an indefinite useful life, whereas all other intangible fixed assets have a definite useful life and are depreciated using a straight-line basis during their useful life. The depreciation of intangible assets is disclosed in the income statement under item *F. Value write-offs 1 Depreciation*.

During the regular annual inventory of intangible fixed assets at the sites of the controlling company as at 31/10/2023 and of other Group companies as at 31/12/2023, no excess or shortage of intangible fixed assets was established.

Financing investment costs for the acquisition of an intangible asset until it reflects the enterprise are included in the cost of intangible assets.

The gross carrying amount of fully depreciated intangible assets which are, as at 31/12/2023, still in use is EUR 1,096,793.

As at 31/12/2023, there are no outstanding obligations for the acquisition of intangible assets.

The Group's intangible assets were not impaired due to environmental assumptions. The Group is also not obliged to hand over emission coupons, so it does not dispose of them and does not disclose them in its records.

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

9.7.3 Property, plant and equipment

UNIOR GROUP (in EUR)	Land	Buildings	Production equipment	Small tools	Fixed assets leased	Fixed assets being acquired	Total
Cost							
Balance as at 31 December 2022	30,477,507	152,758,491	223,839,254	3,020,876	5,840,500	8,829,546	424,766,174
Direct increases – investments	0	473,908	2,072,854	163,069	1,720,123	22,397,239	26,827,193
Transfer from investments in progress	94,070	7,484,574	17,087,017	67,194	0	(24,732,855)	0
Decreases during the year	0	(278,682)	(3,207,619)	(23,561)	(445,421)	(92,904)	(4,048,187)
Revaluation	133,945	0	0	0	0	0	133,945
Transfer to fixed assets	0	0	14,821,350	0	0	0	14,821,350
Other changes (changes in exchange rates)	(2,201)	(56,013)	(1,728,261)	(94,544)	(121,619)	(2,004)	(2,004,642)
Balance as at 31 December 2023	30,703,321	160,382,278	252,884,595	3,133,034	6,993,583	6,399,022	460,495,833
Value adjustment							
Balance as at 31 December 2022	0	83,562,266	161,144,697	2,370,687	2,204,606	0	249,282,256
Depreciation in the year	0	3,537,459	10,322,738	253,529	942,376	0	15,056,102
Decreases during the year	0	(223,857)	(3,141,718)	(20,858)	(439,713)	0	(3,826,146)
Other changes (changes in exchange rates)	0	(12,591)	(1,338,312)	(62,725)	(103,759)	0	(1,517,387)
Balance as at 31 December 2023	0	86,863,277	166,987,405	2,540,633	2,603,510	0	258,994,825
Current value as at 31 December 2023	**30,703,321**	**73,519,001**	**85,897,190**	**592,401**	**4,390,073**	**6,399,022**	**201,501,008**
Current value as at 31 December 2022	30,477,507	69,196,225	62,694,557	650,189	3,635,894	8,829,546	175,483,918

UNIOR GROUP (in EUR)	Land	Buildings	Production equipment	Small tools	Fixed assets leased	Fixed assets being acquired	Total
Cost							
Balance as at 31 December 2021	30,043,724	149,160,246	218,030,771	3,285,547	5,215,859	11,071,830	416,807,977
Direct increases – investments	315,000	756,235	2,086,390	174,703	768,993	12,144,407	16,245,728
Transfer from investments in progress	0	4,068,749	9,716,220	73,421	0	(13,858,390)	0
Decreases during the year	(26,361)	(1,195,107)	(5,404,846)	(521,165)	(202,307)	(525,071)	(7,874,857)
Revaluation	143,766	0	0	0	0	0	143,766
Other changes (changes in exchange rates)	1,378	(31,632)	(589,281)	8,370	57,955	(3,230)	(556,440)
Balance as at 31 December 2022	30,477,507	152,758,491	223,839,254	3,020,876	5,840,500	8,829,546	424,766,174
Value adjustment							
Balance as at 31 December 2021	0	80,441,971	155,711,344	2,666,801	1,426,957	0	240,247,073
Depreciation in the year	0	3,477,090	10,666,796	240,431	939,674	0	15,323,991
Decreases during the year	0	(347,987)	(4,728,705)	(539,469)	(188,298)	0	(5,804,459)
Other changes (changes in exchange rates)	0	(8,808)	(504,738)	2,924	26,273	0	(484,349)
Balance as at 31 December 2022	0	83,562,266	161,144,697	2,370,687	2,204,606	0	249,282,256
Current value as at 31 December 2022	**30,477,507**	**69,196,225**	**62,694,557**	**650,189**	**3,635,894**	**8,829,546**	**175,483,918**
Current value as at 31 December 2021	30,043,724	68,718,275	62,319,427	618,746	3,788,902	11,071,830	176,560,904

The UNIOR Group as at 31/12/2023 discloses assets in fixed assets acquired through financial leasing at a cost of EUR 2,117,657 and at the present value of EUR 1,280,459.

Subject to IFRS 16, the UNIOR Group also posts the right-of-use assets acquired subject to an operating lease amounting to EUR 6,993,583, whereby EUR 1,082,472 for leased equipment, EUR 5,899,693 for leased buildings and EUR 11,416 for leased land. Leased equipment depreciation amounted to EUR 157,724 in 2023, leased buildings to EUR 784,652, and depreciation on leased land amounts to EUR 5,708, as land is not depreciated. Lease interest amounts to EUR 60,108, of which EUR 8,966 for equipment, EUR 50,885 for buildings and EUR 257 for land. Lease obligations amounted to EUR 4,409,443 at the end of the year (EUR 3,653,390 for leased equipment, EUR 746,224 for leased buildings and EUR 9,829 for leased land), out of which the current portion amounted to EUR 1,001,177 (EUR 324,953 for leased equipment, EUR 670,224 for leased buildings and EUR 6,000 for leased land). Short-term lease expenses not recognised as fixed assets due to a shorter lease term and leases of assets whose value does not exceed the threshold of recognising assets as fixed assets are included among leases in Section 9.8.5 of the 2023 Annual Report.

During the regular annual inventory of tangible fixed assets at the sites of the controlling company as at 31/10/2023 and of other Group companies as at 31/12/2023, no excess or shortage of intangible fixed assets was established. However, the inventory committees proposed the exclusion of property, plant and equipment which have been destroyed or damaged to such an extent that repair is not worth it and they can no longer be used in the production process. During the regular annual inventory, the carrying amount of excluded property, plant and equipment in 2023 amounted to EUR 236,986.

Among tangible fixed assets, the UNIOR Group also shows the forging tools with a total value of 14,821,350 euros, which in previous periods was shown as inventories of materials.

The largest investments in tangible fixed assets in the metal industry in 2023 were: six new machining centres for the mechanical processing of forgings worth 1.6 million euros, two of which in the forging processing plant in Slovenske Konjice and four in China, aluminium transformation equipment in the plant in the value of EUR 0.6 million, two induction furnaces for heating steel in the value of EUR 0.6 million, completion of a new line for pressing forgings in the value of 0.5 million, renovation of part of the employees' wardrobes in the value of EUR 0.4 million, two machines for wire erosion worth EUR 0.3 million, renovation of the roof of the Lenart plant worth EUR 0.1 million, solar power plants worth EUR 0.1 million and preparation of suitable areas for their installation worth EUR 0.3 million. We allocated EUR 2.2 million for automation and digitization, which also includes investments in information technology and cyber security. The rest of the investments, amounting to EUR 4.1 million, consisted of investments in renovations and upgrades of existing equipment and other smaller investments.

In the tourism sector, the largest investment in 2023 is the Mašinžaga Park project, worth EUR 12.5 million. EUR 8 million of that amount were grants obtained from the Slovenian Ministry of Economy, Tourism and Sport. In 2023, we also invested in the purchase of an apartment for employees in Zreče, a chiller in the Atrij hotel, the renovation of the massage pool in the Planja hotel in Rogla, the purchase of a ski pass device and the modernisation of electrical equipment in the Jurgovo pumping station.

The Group has pledged as collateral land and buildings at the present value of EUR 92,331,891 and plant, machinery and equipment at their present value of EUR 18,262,193.

In compliance with IFRS 16, the following is disclosed:

- The UNIOR Group does not dispose of any temporarily idle property, plant and equipment as at 31/12/2023;
- The gross carrying amount (cost) of fully depreciated tangible fixed assets (property, plant and equipment) which are, as at 31/12/2023, still in use, is EUR 92,814,606.
- the Group does not dispose of any property, plant and equipment retired from active use which are classified as held for sale in compliance with IFRS 5;
- the fair value of property, plant and equipment, for which the company uses the cost value, does not diverge significantly from the carrying amount of property, plant and equipment;

- commitments of the Group to acquire property, plant and equipment as at 31/12/2023, liabilities of the Company for the acquisition of intangible fixed assets amount to EUR 1,376,822.

The lands in the parent company are revalued to their fair value on the basis of an appraisal report, compiled by an authorised real estate appraiser, entered into the Register of Certified Real Estate Appraisers of the Slovenian Institute of Auditors according to the balance as at 31/12/2021. In order to verify that the valuations are also useful for accounting reporting in 2023, the authorised real estate appraiser estimated subject to an analysis of the real estate market that the values shown in the valuations as at 31/12/2021 are also suitable for use as at 31/12/2023.

In the tourism business, however, due to changes in the valuation, the lands are revalued on the basis of a valuation report by a authorised real estate appraiser to its fair value as at 31/12/2023. Subject to the sales prices achieved and the adjustments, an indicative price, which a comparable property would achieve on the market, was taken into account. Subject to 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 facilities with issued building permits are located.

Financing investment costs for the acquisition of an intangible fixed asset until it reflects the enterprise are included in the cost of property, plant and equipment.

In drawing up the financial statements, the Group reviewed whether there were any indicators that tangible fixed assets should be impaired, but did not identify any, nor did we impair any assets due to environmental assumptions.

The value of revalued land at cost is EUR 8,539,733.

9.7.4 Investment property

Investment property

(in EUR)	31/12/2023	31/12/2022
LAND	1,234,143	1,174,865
Buildings	723,470	780,562
Total	**1,957,613**	**1,955,427**

Changes in investment property

(in EUR)	2023	2022
Opening balance as at 1 January	1,955,427	**1,986,461**
Acquisitions	86,646	0
Disposals	0	0
Fair value changes	(83,662)	(32,070)
Other changes (fluctuations, currency exchange rates)	(798)	1,036
Closing balance as at 31 December	**1,957,613**	**1,955,427**

Investment property comprises land and buildings intended for resale or not used to perform the basic activity of the Group at our premises in Zreče and on Rogla or leased in Kragujevac, Serbia.

Investment property in Serbia was revalued to its fair value on the basis of an appraisal report, compiled by authorised real estate appraisers, according to the balance as at 31/12/2023. Land and buildings disclosed among investment property were valued by two appraisers entered into the Register of Certified Real Estate Appraisers of the Slovenian Institute of Auditors and the Register of Certified Real Estate Appraisers of the Ministry of Justice of the Republic of Serbia using the market sales method indicating the value by comparing the valued property with equal or similar properties whose price was known. Subject to the sales prices achieved and the adjustments, indicative prices, which comparable property would achieve on the market, were taken into account. Public utility charges were added to the land valuation, namely as a right attributed to the construction land where facilities with issued building permits are located. The effect of changes in the fair value of investment property amounting to EUR 83,662 is included in the profit or loss in 2023.

Investment property in the parent company is valued on the basis of an appraisal report compiled by an authorised real estate appraiser, according to the balance as at 31/12/2021. In order to verify that the valuations are also useful for accounting reporting in 2023, the authorised real estate appraiser estimated subject to an analysis of the real estate market that the values shown in the valuations as at 31/12/2021 are also suitable for use as at 31/12/2023.

The Group has pledged Investment property as security for the repayment of debt at a carrying amount of EUR 1,234,143.

9.7.5 Non-current investments

Changes in non-current investments in shares, participating interests and loans

(in EUR)	2023	2022
Balances of investments as at 1 January	**20,250,939**	**20,526,937**
Increases:		
Purchases of stocks and shares	0	0
Attribution of the value of associates using the equity method	0	2,093,376
Other increases – revaluation	2	10
Decreases:		
Sales of stocks and shares	(40)	(3,671,098)
Write-off of associates using the equity method	(716,876)	0
Current portion of non-current investments	(1,802)	(1,806)
Write-offs of investments	(38,275)	(762)
Balance as at 31 December	**19,493,948**	**20,250,939**

A decrease in non-current financial investments amounting to EUR 716,876 stems from the attribution of value change of associates valued in the consolidated financial statements using the equity method, whereas the positive effect with this regard in 2022 had amounted to EUR 2,093,376. The profits and losses of the associates disclosed in the consolidated financial position statement either increase or decrease the value of non-current financial investments, whereas they increase financial revenue or expenses in the consolidated income statement.

For investments, the Group reviewed impairment indicators at the time of financial statements. We wrote off investments in Strojegradnja d.d. Trbovlje and Cimos d.d. Koper totalling EUR 38,275. We have not made any further impairments of non-current investments in 2023.

The Group has pledged non-current investments as security for the repayment of debt at a carrying amount of EUR 18,087,474.

Investments in associates, in consolidation measured using the equity method

(in EUR)	Share in %	31/12/2023	31/12/2022
Domestic:			
ŠTORE STEEL d.o.o. Štore	29.253	18,087,474	18,927,710
		18,087,474	18,927,710
Foreign:			
UNIOR TEHNA d.o.o. Sarajevo, Bosnia and Herzegovina	25.000	545,641	498,463
UNIOR TEOS ALATI d.o.o. Belgrade, Serbia	20.000	829,664	753,481
		1,375,305	1,251,944
Total associates		**19,462,779**	**20,179,654**

As Štore Steel d.o.o. also holds a 9.95% own share, the value of the investment in this associate in the consolidated financial statements of the UNIOR Group is valued at the re-calculated 32.487 per cent share, whereby the revaluation of buildings amounting to EUR 15,382,158 was excluded from the equity of the company on account of reconciling accounting policies.

Equity and profit or loss of related parties

Company name	Country of the company	Percentage of participation in equity	Capital interest in EUR	Profit of loss of the year in EUR
Associates:				
ŠTORE STEEL d.o.o.	Slovenia	29.253	71,058,586	(2,746,501)
UNIOR TEHNA d.o.o.	Bosnia and Herzegovina	25.000	2,182,564	188,713
UNIOR TEOS ALATI d.o.o.	Serbia	20.000	4,148,322	646,391

Detailed information on associates (company name, address, activity and number of employees) is disclosed in Section 9.6.1.3 of the 2023 Annual Report.

Financial assets, measured at fair value through profit or loss

(in EUR)	31/12/2023	31/12/2022
Banks	750	750
Other companies	23,321	61,629
Total	**24,071**	**62,379**

The value of investments in financial assets, measured at fair value through profit or loss at historical cost, amounts to EUR 73,113, whereas the value of the value adjustment of investments in financial assets, measured at fair value through profit or loss, amounts to EUR 49,042.

Non-current investments in debt, measured at amortized value

(in EUR)	31/12/2023	31/12/2022
Long-term loans to others	8,900	10,712
Current portion of investments in liabilities	(1,802)	(1,806)
Total	**7,098**	**8,906**

Non-current investments in liabilities are not secured by a pledged property. Disclosed non-current loans are fully recoverable. The interest rate for non-current investments in financial debt varies between one-month EURIBOR + 3 per cent to 3-month EURIBOR + 3 per cent and the fixed interest rate is 3 per cent.

Receipts accruing from interests in 2023 amounted to EUR 123,650 and EUR 127,206 in 2022.

9.7.6 Assets (groups for disposal) held for sale

(in EUR)	31/12/2023	31/12/2022
Assets (groups for disposal) held for sale	120,000	120,000
Total	**120,000**	**120,000**

Assets (disposal groups) held for sale comprise bungalows on Mount Rogla.

9.7.7 Inventories

(in EUR)	31/12/2023	31/12/2022
Materials	23,693,672	36,222,588
Work in progress	26,973,024	29,793,882
Products	21,586,784	24,077,727
Merchandise	6,890,737	7,456,322
Inventory surpluses	125,618	147,176
Inventory deficits	(284,820)	(181,122)
Value adjustment	(1,106,904)	(1,052,339)
Total	**77,878,111**	**96,464,234**

Change in allowances set up for inventories

(in EUR)	Materials	Finished products	Merchandise	Total
Balance as at 31 December 2022	**821,123**	**147,368**	**83,848**	**1,052,339**
Inventory adjustment	40,996	47,590	12,380	100,966
Elimination of inventory adjustment	(26,997)	0	(19,404)	(46,401)
Balance as at 31 December 2023	**835,122**	**194,958**	**76,824**	**1,106,904**

(in EUR)	Materials	Finished products	Merchandise	Total
Balance as at 31 December 2021	**933,553**	**1,577,378**	**198,044**	**2,708,975**
Inventory adjustment	68,245	10,971	18,004	97,220
Impairment of inventory adjustment	(104,624)	(1,376,489)	(104,871)	(1,585,984)
Elimination of inventory adjustment	(76,051)	(64,492)	(27,329)	(167,872)
Balance as at 31 December 2022	**821,123**	**147,368**	**83,848**	**1,052,339**

Inventories decreased by a total of EUR 18,586,123 in the 2023 financial year, mainly due to the transfer of forging tools worth EUR 14.8 million to tangible fixed assets. In fact, the inventory reduced by EUR 3,764,773 as a result of optimisation and careful planning of the inventory needed. The decrease is present in all types of inventories, despite higher purchase prices for certain categories of materials, larger production and higher production costs.

The carrying amount of inventories equals the net realisable value. A value adjustment is formed for inventories not experiencing any movement in specific periods of time subject to the methodology contained in our accounting policies. The balance of value adjustments of inventories in 2023 amounted to EUR 54,565 more than at the end of 2022. During the inventory of the inventories' status, EUR 125,618 in inventory surplus and EUR 284,820 in inventory deficit were established in total, meaning that the deficit exceeded the surplus by EUR 159,202.

The Group has pledged inventories as security for the repayment of debt at a carrying amount of EUR 20,000,000.

Inventories in the table above are shown in gross amounts as a result of a separate disclosure of value adjustments of inventories and their effects, arising from established changes during stocktaking. Inventories contained in the financial position statement are shown in net amounts. The Group has not identified any environmental indicators that would dictate an impairment of inventories.

9.7.8 Operating receivables

(in EUR)	31/12/2023	31/12/2022
Non-current operating receivables		
Non-current operating receivables from others	30,503	21,356
Total non-current operating receivables	**30,503**	**21,356**
Current operating receivables		
Current operating receivables due from associates	275,845	259,184
Current trade receivables, domestic	4,820,760	3,729,457
Current trade receivables, foreign	26,576,514	29,472,916
Current interest liabilities	0	0
VAT receivables	1,500,744	1,207,050
Income tax receivable	286,514	65,725
Advance payments	5,968,028	2,891,660
Other current operating receivables	11,443,528	13,818,495
Value adjustments of current operating receivables	(591,674)	(698,088)
Total current operating receivables	**50,280,259**	**50,746,399**

Non-current operating receivables of the UNIOR Group rose by EUR 9,147. As all receivables are recoverable, no discount rate is applied by the Group to their recovery.

Other current receivables include disclosed receivables from sold non-recourse factoring operating receivables, receivables from refunds, current deferred costs and accrued revenue. Receivables shown in the table are fully recoverable. Expected Credit Loss (ECL) in compliance with IFRS 9 is shown in Section 9.11 of the 2023 Annual Report. All current trade receivables due from non-affiliated customers are 90 per cent collateralised by the Group.

The Group has pledged receivables as security for the repayment of debt amounting to EUR 4,361,652.

In 2023, the Group formed value adjustments of trade receivables amounting to EUR 120,272, and the balance of the adjustments is EUR 106,414 lower than at the end of 2022 due to the definitive write-off of receivables in the amount of EUR 128,641.

Changes in allowances set up for receivables

(in EUR)	2023	2022
Balance as at 1 January	**698,088**	**555,131**
Collected written-off receivables	(98,045)	(9,788)
Final write-off of receivables	(128,641)	(84,171)
Formation of value adjustment in the year	120,272	236,916
Balance as at 31 December	**591,674**	**698,088**

Maturity of receivables

(in EUR)	31/12/2023	31/12/2022
Receivables not yet due	43,581,080	43,292,427
Receivables overdue up to 90 days	4,263,208	5,366,907
Receivables from 91 to 180 days overdue	1,701,083	1,028,467
Receivables from 181 to 365 days overdue	426,486	782,237
Receivables more than 1 year overdue	308,402	276,361
Total	**50,280,259**	**50,746,399**

9.7.9 Current investments

(in EUR)	31/12/2023	31/12/2022
Loans given		
– to others	71,210	58,729
Current investments in deposits	0	0
Short-term portion of non-current investments in liabilities	1,802	1,806
Total	**73,012**	**60,535**

Current investments have not been pledged as collateral.

The UNIOR Group discloses current investments at amortised cost.

Current loans are not secured but are believed to be fully recoverable. Interest on loans given is being repaid.

Changes in non-current investments

(in EUR)	2023	2022
Balance as at 1 January	**60,535**	**3,251,733**
Increases:		
Increase in short-term loans given to others	10,675	53,494
Increase of investments in deposits	0	0
Transfer of the current portion of non-current investments	1,802	1,806
Decreases:		
Decrease in short-term loans to others	0	(1,611)
Decrease in investments in deposits	0	(3,244,887)
Balance as at 31 December	**73,012**	**60,535**

Current investments increased by EUR 12,477.

9.7.10 Cash and cash equivalents

Bank balances, cheques and cash

(in EUR)	31/12/2023	31/12/2022
Cash in hand and cheques received	32,957	18,954
Cash at bank	22,938,363	22,674,904
Total	**22,971,320**	**22,693,858**

The cash balance as at 31/12/2023 was EUR 277,462 higher than at the end of the preceding year. The cash balance represents the balance of cash at commercial banks and cash in hand.

The Group has no pledged cash.

9.7.11 Capital

The equity of the UNIOR Group comprises called-up capital, capital reserves, revenue reserves, reserves from revaluation at fair value and the net loss or profit brought forward of the financial year and translation adjustment of capital.

As at 31/12/2023, the share capital of the parent company is registered in the amount of EUR 23,688,983 as disclosed in the financial position statement. It is divided into 2,838,414 no-par value shares. The parent company does not hold any authorised capital. No contingent share capital increases were held in the 2023 financial year. The parent company and other Group companies did not issue any dividend bonds and are not a partner in any other company for whose debt they would have unrestricted liability.

Capital reserves amount to EUR 41,686,964 and did not change compared to the previous year. Capital reserves are composed of a paid-in capital surplus from capital increases amounting to EUR 7,944,612; excess of the sales value over the carrying amount of sold treasury shares amounting to EUR 3,977,906 and a general revaluation surplus in equity included into capital reserves upon shifting to International Financial Reporting Standards amounting to EUR 29,764,446.

Revenue reserves amounting to EUR 35,838,083 are intentionally retained revenue from previous years, mainly for the settlement of potential future losses. Their balance did not change compared to the end of 2022. Reserves include reserves for treasury shares held by UNIOR d.d. and treasury shares held by its subsidiaries UNIOR Deutschland GmbH and SPITT d.o.o. amounting to EUR 2,721,454. UNIOR d.d. holds 69,784 treasury shares. The subsidiaries UNIOR Deutschland GmbH and SPITT d.o.o. hold 3,330 shares of the parent company in total.

Reserves from revaluation at fair value amounting to EUR 20,843,004 represent reserves from the revaluation of land at fair value and losses and actuarial gains from actuarial calculations of termination benefits at retirement. In the past year, provisions due to fair value measurements amounted to EUR 20,313,057. The EUR 529,947 increase is composed of a EUR 207,850 increase from the revaluation of land at fair value and a EUR 477,966 increase from the change in actuarial gains from calculated provisions subject to pension schemes and an increase of impairment of surplus value for deferred tax liabilities amounting to EUR 155,869.

Reserves from revaluation at fair value

(in EUR)	31/12/2023	31/12/2022
Land	24,632,674	24,424,824
Impairment of value surpluses	(4,381,189)	(4,225,320)
Termination benefits	(614,983)	(614,983)
Actuarial gains	1,206,502	728,536
Total	**20,843,004**	**20,313,057**

Changes in fair value reserves

(in EUR)	2023	2022
Balance as at 1 January	**20,313,057**	**20,521,761**
Decreases:		
– Land	(2,022)	(1,500,134)
– Formation of deferred tax liabilities	(79,942)	(172,723)
Increases:		
– Land	133,945	453,349
– Actuarial gains	477,966	1,010,804
– Reversal of impairment of value surplus	0	0
Balance as at 31 December	**20,843,004**	**20,313,057**

Net profit brought forward totals EUR 46,537,112 and represents undistributed profit from previous years.

The net operating result of the UNIOR Group in year 2023 amounts to EUR to EUR 4,936,566, whereas, during the preceding year, an operating result amounting to EUR 10,232,462 was reported by the Group. The net profit of the UNIOR Group was EUR 4,709,571 higher than the profit of the parent company. Differences arise from the operating results of subsidiaries, attributable to equity holders of the parent company, amounting to EUR 4,162,743, reductions in value of associates amounting to EUR 716,876, exclusions and adjustments at consolidation amounting to EUR 870,614, and profit attributable to non-controlling interest amounting to EUR 2,134,318.

Net earnings per share in 2023 amounted to EUR 1.79. In the 2022 financial year, they had amounted to EUR 3.70 per share. Net earnings per share are calculated by dividing the accounting period net profit which belongs to the owners by the weighted average number of ordinary shares whereby ordinary shares held by the Group shall be excluded. The weighted average number of potential ordinary shares, taken into account in the calculation of the net earnings per share in the 2023 and 2022 financial years amounted to 2,765,300 shares. The diluted net earnings per share in the 2022 and 2023 financial years was equal to the net earnings per share.

The total comprehensive income of the financial year per share amounted to EUR 1.13 in the 2023 financial year and to EUR 3.37 per share in the 2022 financial year. The total comprehensive income of the financial year per share is calculated by dividing the total comprehensive income of the financial year attributable to owner by the weighted average number of ordinary shares whereby ordinary shares held by the Group shall be excluded. The weighted average number of potential ordinary shares, taken into account in the calculation of the total comprehensive income of the financial year per share in the 2022 and 2023 financial years amounted to 2,765,300 shares. The diluted total comprehensive income of the financial year per share for the 2022 and 2023 financial years was equal to the total comprehensive income of the financial year.

Changes in equity attributable to equity holders of the parent company in the current year represent:

- the entry of a net operating result of 2023 attributable to equity holders of the parent amounting to EUR 2,802,248,
- an increase of reserves from the valuation at fair value resulting from changes in reserves from the revaluation of land at fair value and from the actuarial gains generated during the calculation of termination benefit provisions amounting to EUR 529,947,
- other changes in equity represent an reduction of EUR 210,934,
- equity adjustment from foreign currency translation decreased by EUR 1,415,597 as the exchange rate of the local euro currency rose compared to the exchange rate of currencies in some countries where some subsidiaries of the UNIOR Group are based.
- The other change in equity represents the redistribution among groups of reserves in subsidiaries in compliance with the requirements of local law of countries where our subsidiaries are located.

Movements in equity attributable to non-controlling interest in the current year are as follows:

- The net profit of the financial year attributable to the owners of non-controlling interest accounts for an increase amounting to EUR 2,134,318,
- the disbursement of dividends to owners of non-controlling interest reduced equity by EUR 700,556,
- other changes in non-controlling interest represent a decrease of EUR 393,493;
- equity adjustment from foreign currency translation decreased by EUR 918,611 as the exchange rate of the local euro currency rose compared to the exchange rate of currencies in some countries where some subsidiaries of the UNIOR Group are based.

9.7.12 Current provisions and deferred revenue

(in EUR)	Provisions for retirement allowances and jubilee benefits	Provisions for annuities	Donations received for fixed assets	Deferred revenue	Total
Balance as at 31 December 2022	**7,388,634**	**262,311**	**4,562,624**	**399,370**	**12,612,939**
Formed provisions	1,514,535	5,464	5,624,483	166,796	7,311,278
Utilised provisions	(335,202)	(42,675)	(312,816)	(66,047)	(756,740)
Reversed provisions	(671,080)	0	0	0	(671,080)
Balance as at 31 December 2023	**7,896,887**	**225,100**	**9,874,291**	**500,119**	**18,496,397**

(in EUR)	Provisions for retirement allowances and jubilee benefits	Provisions for annuities	Donations received for fixed assets	Deferred revenue	Total
Balance as at 31 December 2021	**6,700,968**	**277,861**	**2,212,592**	**199,505**	**9,390,926**
Formed provisions	2,148,434	1,366	2,468,137	228,721	4,846,658
Utilised provisions	(239,401)	(16,916)	(118,105)	(28,856)	(403,277)
Reversed provisions	(1,221,367)	0	0	0	(1,221,367)
Balance as at 31 December 2022	**7,388,634**	**262,311**	**4,562,624**	**399,370**	**12,612,939**

Provisions for jubilee and termination retirement allowances are formed in the amount of estimated future payouts of jubilee and termination benefits discount at the financial position statement date. The main parameters taken into account in the calculation are the retirement age of 65 years for both women and men, the required length of service of 40 years, the discount rate of 4 per cent and annual wage growth of 2.5 per cent. Turnaround is taken into account subject to the age group distribution of employees, namely for employees of up to 30 years of age – 6 per cent, for employees between 31 and 40 years of age – 3 per cent, for employees between 41 and 50 years of age – 3 per cent, and for employees, older than 51 years, one per cent. Provisions are reversed due to different assumptions used to calculate provisions and for all employees for whom provisions had been formed in the past but who are no longer employed at Unior.

The analysis of sensitivity of changes to actuarial assumptions to the amount of provisions set up for retirement allowances and jubilee benefits of a significant portion of provisions in the UNIOR Group referring to UNIOR d.d. and UNITUR d.o.o. and which accounts for 80.5 per cent of all provisions set up for retirement allowances and jubilee benefits is shown in the table below.

(in EUR)	Offset from items	Provisions for termination benefits	Provisions for jubilee benefits	Total
Balance as at 31 December 2023		**4,751,858**	**1,602,007**	**6,353,865**
Wage growth in the Company	+0.50%	137,572	0	137,572
	-0.50%	(122,667)	0	(122,667)
Wage growth nationally	+0.50%	177,186	0	177,186
	-0.50%	(158,715)	0	(158,715)
Turnaround	+0.50%	(291,091)	(50,730)	(341,821)
	-0.50%	298,850	54,075	352,925
Retirement age	+1 year	(214,484)	29,869	(184,615)
	-1 year	208,777	(60,856)	147,921
Pensionable service	+1 year	(53,236)	11,355	(41,881)
	-1 year	21,624	(37,245)	(15,621)
Discount rate	+0.50%	(288,089)	(54,729)	(342,818)
	-0.50%	297,906	58,713	356,618

Provisions for annuities are formed for employees sustaining occupational injuries that have resulted in permanent damage thereto.

Non-current provisions for donations received disclose funds received from the Ministry of the Economy for co-financing development projects and investments in the reconstruction and development of tourism facilities in Zreče and on Rogla, for the restoration of the spa after a fire, co-financing the construction of the Atrij Hotel in Zreče and funds received for co-financing investments in the development of entrepreneurship in Serbia granted by the Development Fund of the Republic of Serbia. The received grant from the Ministry of Economic Development and Technology co-financing the Park Mašinžaga operation amounting to EUR 5,624,483 constitutes an increase in 2023. A bank guarantee of EUR 2,030,718 has been given for this project. Provisions are utilised subject to the depreciation of co-financed fixed assets. Their balance as at 31/12/2023 amounts to EUR 9,874,291.

on-current deferred revenue also includes the disclosure of the funds received for co-financing the boiler room connected to a remote heating network (biomass) on Rogla and the Nature Conservation Fund.

There are no unfulfilled conditions or contingent liabilities associated with government grants in relation to their repayment.

9.7.13 Non-current financial liabilities

Changes in non-current financial liabilities

(in EUR)	Principal of debt 01/01/2023	Increase of loan in the year	Decrease of loan in the year	Principal of debt 31/12/2023	The part due in 2024	Non-current part
Bank or creditor						
Loans received from domestic banks	12,577,376	108,917,431	(12,418,996)	109,075,811	(9,530,365)	99,545,446
Loans received from banks abroad	2,314,398	0	(739,493)	1,574,905	(393,726)	1,181,179
Other creditors	406,299	336,657	0	742,956	(164,798)	578,158
Lease liabilities	2,773,976	1,682,576	(49,450)	4,407,102	(998,836)	3,408,266
Financial leases	364,549	737,859	(173,405)	929,003	(399,264)	529,739
Total loans taken out	**18,436,598**	**111,674,523**	**(13,381,344)**	**116,729,777**	**(11,486,989)**	**105,242,788**

(in EUR)	Principal of debt 01/01/2022	Increase of loan in the year	Decrease of loan in the year	Principal of debt 31/12/2022	The part due in 2023	Non-current part
Bank or creditor						
Loans received from domestic banks	75,195,690	2,173,891	(1,659)	77,367,922	(64,790,546)	12,577,376
Loans received from banks abroad	2,060,442	679,514	0	2,739,956	(425,558)	2,314,398
Other creditors	210,783	426,451	0	637,234	(230,935)	406,299
Lease liabilities	2,840,489	804,123	(14,521)	3,630,091	(856,115)	2,773,976
Financial leases	539,083	142,253	(49,594)	631,742	(267,193)	364,549
Total loans taken out	**80,846,487**	**4,226,232**	**(65,774)**	**85,006,945**	**(66,570,347)**	**18,436,598**

Interest rates on long-term loans range from 6-month Euribor + 0.45 per cent to 6-month Euribor + 3.8 per cent and from 3-month Euribor + 0.5 per cent to 3-month Euribor + 2.92 per cent. The UNIOR Group has taken out long-term loans with a 3-month and 6-month EURIBOR benchmark interest rate. As at 31/12/2023, the Company has no concluded derivative contracts.

The new loans in 2023 amounting to EUR 108,917,431 represent the newly granted long-term syndicated loans in UNIOR d.d. and UNITUR d.o.o. amounting to EUR 93,000,000, which fully repay the syndicated loan granted in 2016, the loans guaranteed by the Republic of Slovenia and the short-term revolving loan in 2020. The new borrowing also represents the final drawdown of the loan of SID Banka d.d. granted in 2021 for the purpose of establishing a new aluminium transformation production programme in the amount of EUR 2,917,431, a new loan of SID Banka d.d. in the amount of EUR 10,000,000 for the purpose of financing our technological development projects of the Forge and Hand Tools programmes in the parent company and EUR 3,000,000 for the purpose of financing the investment in the construction of the Mašinžaga Park project in the tourism sector. The newly approved long-term syndicated loans do not have a co-financed interest rate and the loans with SID Banka d.d. include state aid received under the Special Conditions for Financing Technological Development Projects (notification No BE01-5665493-2014). The amount of state aid received by the Group for both loans amounts to EUR 3,459,468. Of the EUR 108,917,431 of new loans in 2023, EUR 79,445,093 do not represent a cash flow as they were offsetting existing loans, while EUR 29,472,338 represent a cash flow.

The new loan from other lenders amounting to EUR 336,657 represents a borrowing from the Development Fund of the Republic of Serbia for the purchase of new equipment.

The increase in lease liabilities of EUR 1,682,576 represents newly concluded long-term commercial lease contracts and the increase in finance lease liabilities of EUR 737,859 represents newly concluded leasing contracts for the purchase of vehicles, forklifts and a tamping machine.

For the existing long-term syndicated loans, which have an outstanding balance of EUR 86,275,862 as at 31/12/2023, the UNIOR Group and UNIOR d.d. and UNITUR d.o.o. are required to comply with agreed performance indicators with commercial banks, namely net financial debt to EBITDA and the percentage of capital to liabilities. Both indicators have been achieved by the Group and the two companies at 31/12/2023 with no slippages and the risk of non-fulfilment of commitments is minimal in view of the planned future performance.

Maturity of non-current financial liabilities by year

(in EUR)	2023	2022
Maturity from 1 to 2 years	10,280,068	6,747,092
Maturity from 2 to 3 years	10,179,480	4,210,336
Maturity from 3 to 4 years	11,124,669	1,158,479
Maturity from 4 to 5 years	11,461,823	1,671,883
Maturity more than 5 years	62,196,748	4,648,808
Total	**105,242,788**	**18,436,598**

Collateral for non-current and current liabilities from financing activities amounting to EUR 111,638,055 consists of mortgages on immoveable and moveable property, non-current investments and inventories at fair value amounting to EUR 111,581,488, as well as bills of exchange given.

9.7.14 Non-current operating liabilities

In its financial position statement, the UNIOR Group does not report any non-current operating liabilities.

9.7.15 Deferred tax assets and liabilities

(in EUR)	31/12/2023	31/12/2022
Deferred non-current tax assets	**10,650,651**	**9,741,408**
– Provisions for jubilee and termination benefits	1,123,765	1,115,483
– Impairment of trade receivables	252,652	186,285
– Impairment of investments	681,260	681,260
– Tax relief for investments	3,001,807	2,997,182
– R&D investments	1,231,062	995,653
– Tax loss	4,360,105	3,765,545
Offset with deferred tax liabilities	(3,193,800)	(2,896,688)
Net deferred non-current tax assets	**7,456,851**	**6,844,720**
Deferred non-current tax liabilities	(4,980,277)	**(4,798,488)**
– Surplus from revaluation of land	(4,653,475)	(4,628,382)
– Surplus from revaluation of termination benefits at retirement	(76,409)	(21,916)
– Other deferred tax liabilities	(250,393)	(148,190)
Offset with deferred tax assets	3,193,800	2,896,688
Deferred net non-current tax liabilities	**(1,786,477)**	**(1,901,800)**

Changes in deferred tax assets	2023	2022
Balance of deferred tax assets as at 1 January	**9,741,408**	**9,110,627**
Increases:	1,101,667	643,158
– Non-current provisions for jubilee and termination benefits	24,441	148,986
– Impairment of trade receivables	67,335	46,509
– Impairment of investments	0	15,200
– Tax relief for investments	179,922	432,463
– R&D investments	235,409	0
– Tax loss	594,560	
Decreases:	(192,424)	(12,377)
– Non-current provisions for jubilee and termination benefits	(16,159)	(9,937)
– Reversal of impairment of trade receivables	(968)	(2,440)
– Reversal of tax relief for investments	(175,297)	0
Balance of deferred tax assets as at 31 December	**10,650,651**	**9,741,408**

Changes in deferred tax liabilities	2023	2022
Balance of deferred tax liabilities as at 1 January	**4,798,488**	**4,113,907**
Increases:	270,288	698,285
Decreases:	(88,499)	(13,704)
Balance of deferred tax liabilities as at 31 December	**4,980,277**	**4,798,488**

Deferred tax is determined using the financial position statement liability method, taking into account temporary differences between the carrying amounts of assets and liabilities used for financial and tax reporting purposes. Deferred tax is recognised in the amount that is expected to be paid when the temporary differences are reversed subject to laws that have been enacted or substantively enacted as 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, tax relief for investments into research and development and the disclosed tax loss. The tax rates used for all items comply with tax legislation in the individual countries in which Group companies operate, varying between 10.0 and 33.825 per cent.

Non-current deferred tax liabilities relate to the recalculation of property – land to a fair value disclosed on the surplus from revaluation. The tax rates used for all items comply with tax legislation in the individual countries in which Group companies operate, varying between 10.0 and 33.825 per cent.

9.7.16 Current financial liabilities

Changes in current financial liabilities

(in EUR)	Debt balance 01/01/2023 with current part of non-current liability	Increase of loan in the year	Decrease of loan in the year	Transfer current of the part of non-current liabilities	Debt balance 31/12/2023
Bank or creditor					
Loans received from domestic banks	82,595,407	15,483,359	(95,788,849)	9,530,365	11,820,282
Loans received from banks abroad	2,055,129	1,109,427	(575,572)	393,726	2,982,710
Other creditors	244,165	0	(244,165)	164,798	164,798
Lease liabilities	868,797	50,129	(916,585)	998,836	1,001,177
Financial leases	267,193	0	(267,193)	399,264	399,264
Total loans taken out	**86,030,691**	**16,642,915**	**(97,792,364)**	**11,486,989**	**16,368,231**

(in EUR)	Debt balance 01/01/2022 with current part of non-current liability	Increase of loan in the year	Decrease of loan in the year	Transfer current of the part of non-current liabilities	Debt balance 31/12/2022
Bank or creditor					
Loans received from domestic banks	28,607,704	35,061,983	(45,864,826)	64,790,546	82,595,407
Loans received from banks abroad	3,501,289	8,033	(1,879,751)	425,558	2,055,129
Other creditors	220,333	0	(207,103)	230,935	244,165
Lease liabilities	980,181	4,938	(972,437)	856,115	868,797
Financial leases	287,074	0	(287,074)	267,193	267,193
Interest rate swaps	373,437	0	(373,437)	0	0
Total loans taken out	**33,970,018**	**35,074,954**	**(49,584,628)**	**66,570,347**	**86,030,691**

Current financial liabilities disclosed by the UNIOR Group include short-term loans with banks and foreign development funds, a revolving loan, a short-term project-financing loan with a commercial bank and the current portion of the of a long-term loan from Petrol d.d. All other financial liabilities are long-term.

The interest rate for taken out short-term loans is 0 to 4 per cent fixed and 6-month EURIBOR + 0.5 per cent to 6-month EURIBOR + 3.65 per cent, 3-month EURIBOR + 2.5 per cent and 3-month EURIBOR + 3.5 per cent.

Newly taken out current loans in the 2023 financial year constituted the utilisation of the approved current revolving loans for the provision of current liquidity.

For the existing short-term revolving credit facility granted by the syndicate of commercial banks in the amount of EUR 15,000,000, which is fully undrawn as at 31/12/2023, the UNIOR Group and UNIOR d.d. are required to comply with performance indicators, namely net financial debt to EBITDA ratio and the percentage of capital in the structure of liabilities. Both indicators have been achieved by the Group and the two Company at 31/12/2023 with no slippages and the risk of non-fulfilment of commitments is minimal in view of the planned future performance.

Collateral for non-current and current liabilities from financing activities amounting to EUR 111,638,055 consists of mortgages on immoveable and moveable property, non-current investments and inventories at fair value amounting to EUR 111,581,488, as well as bills of exchange given.

9.7.17 Current operating liabilities

Current operating liabilities

(in EUR)	31/12/2023	31/12/2022
Current operating liabilities due to associated companies		
Domestic	6,571,180	10,974,306
Foreign	42,634	35,570
Current operating liabilities due to other suppliers		
Domestic	18,078,780	23,635,525
Foreign	12,068,874	11,911,002
Current operating liabilities due to the state	1,946,216	1,145,765
Current operating liabilities to employees	5,647,362	5,369,900
Current operating liabilities from advance payments	3,078,258	3,913,384
Current interest payable	114,516	47,637
Current liabilities for income tax	386,943	322,689
Current bills of exchange payable	4,588,340	9,801,933
Other current liabilities	3,328,901	4,547,903
Short-term accrued expenses and deferred income	6,589,847	5,765,490
Current portion of non-current operating liabilities	0	13,102
Total	**62,441,851**	**77,484,206**

Movement in accrued costs and deferred revenue

(in EUR)	Sales commissions	Accrued costs	Inventory adjustments accrued	Accrued costs for untaken leave	Current deferred revenue	Other	Total
Balance as at 31 December 2022	**439,063**	**2,135,306**	**513,950**	**1,492,869**	**1,147,773**	**36,529**	**5,765,490**
Formation of deferrals	539,974	3,418,937	0	2,041,116	2,911,957	1,060,233	9,972,217
Use and elimination of deferrals	(904,892)	(2,648,968)	(513,950)	(1,448,001)	(2,589,770)	(1,042,279)	(9,147,860)
Balance as at 31 December 2023	**74,145**	**2,905,275**	**0**	**2,085,984**	**1,469,960**	**54,483**	**6,589,847**

(in EUR)	Sales commissions	Accrued costs	Inventory adjustments accrued	Accrued costs for untaken leave	Current deferred revenue	Other	Total
Balance as at 31 December 2021	**448,350**	**806,873**	**768,950**	**1,271,980**	**3,890,445**	**24,123**	**7,210,721**
Formation of deferrals	803,103	2,802,044	0	1,493,016	4,350,493	730,922	10,179,578
Use and elimination of deferrals	(812,390)	(1,473,611)	(255,000)	(1,272,127)	(7,093,165)	(718,516)	(11,624,809)
Balance as at 31 December 2022	**439,063**	**2,135,306**	**513,950**	**1,492,869**	**1,147,773**	**36,529**	**5,765,490**

Accrued costs and deferred income disclosed:

- accrued sales commissions of EUR 74,145
- accrued project costs for the special machines activity of EUR 1,926,505 and for the production of machine tools activity of EUR 40,338, a provision for the cost of reimbursement to the customer for the recognised energy price increase of EUR 200,000, credits issued in 2024

relating to 2023 of EUR 126,445, a liability for the 2023 audit of EUR 45,080 and other current accrued costs of EUR 566,907;
- a liability for unused leave for 2023 of EUR 2,085,984;
- current deferred revenue amounting to EUR 1,469,960, out of which current deferred revenue arising from contracts with customers from IFRS 15 for goods dispatched to buyers at the end of 2023 which had not arrived to their premises during the 2023 financial year amounting to EUR 9,269 and current deferred revenue from projects implemented in the Special Machines activity amounting to EUR 810,626 and current deferred revenue from the pre-sales of ski passes amounting to EUR 626,623 as well as other deferred revenue amounting to EUR 23,442.

The Group has electricity supply contracts for the 2024 and 2025 financial years concluded with electricity suppliers for companies based in Slovenia and Croatia. These companies have already leased 74% of their projected electricity consumption for the 2024 financial year. The contracts agree to supply carbon-free electricity for the 2024 financial year and green electricity for the 2025 financial year. In Serbia and China, the electricity market is regulated at national level, with a single supplier and a regulated electricity price. All electricity supply contracts are settled in commodities.

Maturity of the Group's operating liabilities

(in EUR)	31/12/2023	31/12/2022
Liabilities not yet due	53,288,633	57,322,720
Receivables 90 days overdue	8,403,914	19,407,820
Receivables 91 up to 180 days overdue	502,226	577,433
Receivables 181 up to 360 days overdue	223,931	65,880
Receivables over 360 days overdue	23,147	110,353
Total	**62,441,851**	**77,484,206**

9.7.18 Potential liabilities

Off-balance-sheet records – potential liabilities

(in EUR)	31/12/2023	31/12/2022
Given guarantees and sureties	5,613,562	6,290,807
Legal claims	0	0
Total	**5,613,562**	**6,290,807**

The given guarantees and guarantees for related parties amount to EUR 5,313,562 and EUR 300,000 for the concession for Rogla hotel. The Group has off-balance sheet bank guarantees issued by banks to creditors to secure advances and grants received for EUR 5,117,467.

The UNIOR d.d. parent company issued a letter of support to its subsidiaries UNIOR Vinkovci d.o.o. and UNITUR d.o.o. assuring them that it shall not discontinue the operations of both subsidiaries within the following twelve months and that it shall provide them with financial support if required. No future liabilities are estimated to be incurred as a result thereof.

The UNIOR Group did not receive any significant claims for settlement during the reporting period, but the parent company received two claims, one from a former employee for underpaid wages and one from an employee for material and non-material harm suffered as a result of a work-related accident, totalling EUR 29,686.

9.8 Disclosures to the audited consolidated income statement of the UNIOR Group

INCOME STATEMENT FROM DISCONTINUED OPERATIONS

(in EUR) Item		January-December 2023	January-December 2022
A.	Net revenue from sales	0	0
B.	Change in value of product inventories and work-in-progress	0	0
C.	Other operating revenue	0	11,742
I.	**GROSS OPERATING PROFIT**	**0**	**11,742**
D.	Costs of goods, materials and services	0	(9,128)
E.	Labour costs	0	(13,459)
F.	Write-offs	0	(459)
G.	Other operating expenses	0	(6,499)
II.	**OPERATING PROFIT OR LOSS**	**0**	**(17,803)**
H.	Financial revenue	0	27,647
I.	Financial expenses	0	(5,508)
III.	**PROFIT OR LOSS**	**0**	**4,336**
	Corporate income tax	0	(608)
	Deferred tax	0	0
	NET PROFIT OR LOSS OF THE ACCOUNTING PERIOD	**0**	**3,728**
	– attributable TO EQUITY HOLDERS OF THE PARENT	0	3,728
	– Attributable to NON-CONTROLLING INTERESTS	0	0

The income statement from discontinued operations in the comparative year 2022 represents the operations of the Hungarian company UNIOR Hungaria Kft, liquidated on 2/12/2022 with the operations still included in the consolidated financial statements of the UNIOR Group up to the date of termination. The same applies to the cash flow statement from discontinued operations.

CASH FLOW FROM DISCONTINUED OPERATIONS

(in EUR) Item		January-December 2023	January-December 2022
A.	Net cash flow from operating activities	0	(17,766)
B.	Net cash flow from investing activities	0	11,451
C.	Net cash flow from financing activities	0	5,812
=	**Total net cash flow**	**0**	**(503)**

9.8.1 Consolidated income statement by division

The consolidated financial position statement of the UNIOR Group is divided into two business segments. Given the activity carried out by Group companies, the business segments can be usefully divided into the metalworking activity (hereinafter the 'metalworking activity') and the tourism activity.

The tourism activity includes UNITUR d.o.o. generating revenue from the tourism activity at the Terme Zreče spa in Zreče and on the Rogla ski resort.

The metalworking activity includes all other UNIOR Group companies which generate revenue from the production and sales of forgings, hand tools, special machines, and the production of machine tools.

(in EUR)	Item	Tourism activity 2023	Metal activity 2023	Total 2023	Tourism activity 2022	Metal activity 2022	Total 2022
A.	**Net revenue from sales**	**26,500,545**	**267,736,107**	**294,236,652**	**23,139,037**	**264,513,834**	**287,652,871**
1.	Net revenue from sales on the domestic market	26,500,545	17,935,389	44,435,934	23,139,037	19,842,848	42,981,885
2.	Net revenue from sales on foreign markets	0	249,800,718	249,800,718	0	244,670,986	244,670,986
B.	**Changes in value of product inventories and work-in-progress**	**0**	**(1,621,770)**	**(1,621,770)**	**0**	**6,026,777**	**6,026,777**
C.	**Other operating revenue**	**243,543**	**3,332,532**	**3,576,075**	**382,159**	**4,773,188**	**5,155,347**
I.	**GROSS OPERATING PROFIT**	**26,744,088**	**269,446,869**	**296,190,957**	**23,521,196**	**275,313,799**	**298,834,995**
D.	**Costs of goods, materials and services**	**(12,395,029)**	**(171,304,472)**	**(183,699,501)**	**(11,394,399)**	**(181,737,070)**	**(193,131,469)**
1.	Cost of merchandise and materials sold	(78)	(9,348,605)	(9,348,683)	0	(11,120,004)	(11,120,004)
2.	Costs of materials used	(5,759,114)	(131,156,521)	(136,915,635)	(5,193,086)	(138,705,484)	(143,898,570)
3.	Costs of services	(6,635,837)	(30,799,346)	(37,435,183)	(6,201,313)	(31,911,582)	(38,112,895)
E.	**Labour costs**	**(10,049,622)**	**(69,757,080)**	**(79,806,702)**	**(8,361,027)**	**(67,755,429)**	**(76,116,456)**
1.	Costs of salaries	(7,264,100)	(53,426,692)	(60,690,792)	(6,035,818)	(50,773,042)	(56,808,860)
2.	Costs of pension insurances	(63,168)	(797,685)	(860,853)	(63,094)	(755,740)	(818,834)
3.	Costs of other social insurances	(1,161,508)	(8,872,423)	(10,033,931)	(981,776)	(8,319,029)	(9,300,805)
4.	Other labour costs	(1,560,846)	(6,660,280)	(8,221,126)	(1,280,339)	(7,907,618)	(9,187,957)
F.	**Write-offs**	**(2,537,188)**	**(14,354,774)**	**(16,891,962)**	**(2,625,591)**	**(15,521,414)**	**(18,147,005)**
1.	Depreciation	(2,488,282)	(14,091,012)	(16,579,294)	(2,461,428)	(14,961,112)	(17,422,540)
2.	Operating expenses from the revaluation of intangible fixed assets and property, plant and equipment	(1,736)	(114,424)	(116,160)	(98,840)	(291,489)	(390,329)
3.	Operating expenses from the revaluation of operating current assets	(47,170)	(149,338)	(196,508)	(65,324)	(268,812)	(334,136)
G.	**Other operating expenses**	**(174,068)**	**(1,439,818)**	**(1,613,886)**	**(197,662)**	**(1,122,123)**	**(1,319,785)**
1.	Provisions	27,918	(22,361)	5,557	(24,871)	(72,298)	(97,169)
2.	Other costs	(201,986)	(1,417,457)	(1,619,443)	(172,791)	(1,049,825)	(1,222,616)
II.	**OPERATING PROFIT OR LOSS**	**1,588,181**	**12,590,725**	**14,178,906**	**942,517**	**9,177,764**	**10,120,280**
H.	**Financial revenue**	**33,512**	**400,484**	**433,996**	**31,099**	**6,034,814**	**6,065,913**
1.	Financial revenue from participating interests	0	44,831	44,831	0	4,768,375	4,768,375
2.	Financial revenue from loans given	30,471	93,179	123,650	30,499	96,707	127,206
3.	Financial revenue from operating receivables	3,041	262,474	265,515	600	1,169,732	1,170,332
I.	**Financial expenses**	**(1,010,471)**	**(8,528,307)**	**(9,538,778)**	**(451,019)**	**(5,115,755)**	**(5,566,774)**
1.	Financial expenses from the impairment and write-offs of investments	0	(755,150)	(755,150)	0	(1,144,845)	(1,144,845)
2.	Financial expenses from financial liabilities	(977,817)	(6,604,223)	(7,582,040)	(413,413)	(2,780,724)	(3,194,137)
3.	Financial expenses from operating liabilities	(32,654)	(1,168,934)	(1,201,588)	(37,606)	(1,190,186)	(1,227,792)
III.	**PROFIT OR LOSS**	**611,222**	**4,462,902**	**5,074,124**	**522,596**	**10,096,823**	**10,619,419**
	Corporate income tax	**(65,902)**	**(900,143)**	**(966,045)**	**(43,008)**	**(925,880)**	**(968,888)**
	Deferred tax	**247,849**	**580,638**	**828,487**	**28,304**	**553,627**	**581,931**
	NET PROFIT OR LOSS OF THE ACCOUNTING PERIOD	**793,169**	**4,143,397**	**4,936,566**	**507,893**	**9,724,569**	**10,232,462**
	– Attributable TO EQUITY HOLDERS OF THE PARENT	793,169	2,009,079	2,802,248	507,893	7,934,078	8,441,971
	– Attributable to NON-CONTROLLING INTERESTS	0	2,134,318	2,134,318	0	1,790,491	1,790,491

Net revenue from sales of the UNIOR Group in 2023 rose by EUR 6,583,781 in total compared to 2022, out of which by EUR 3,222,274 in metalworking and EUR 3,361,507 in tourism. Compared to 2022, the tourism activity improved the net operating result by 56.2%, while the metal activity achieved a 51.8% lower net profit in 2023 due to lower income from shares in associated companies and rising financing costs, despite a higher volume of sales and a better operating result profit compared to 2022.

9.8.2 Net revenue from sales from contracts with customers of UNIOR Group by geographical and business segment

Consolidated net revenue from sales of the UNIOR Group by geographical segment

(in EUR)	2023	2022
Slovenia	**44,435,934**	**42,981,885**
– associates	1,076,754	1,312,350
– other customers	43,359,180	41,669,535
Foreign	**249,800,718**	**244,670,986**
– associates	2,152,710	3,494,154
– other customers	247,648,008	241,176,832
Total UNIOR Group	**294,236,652**	**287,652,871**

Consolidated net revenue from sales of the UNIOR Group by business segment

(in EUR)	2023	2022
Forgings production activity	194,836,830	183,180,582
Hand tools production activity	43,630,450	51,657,496
Special Machines activity	17,850,103	17,996,266
Tourism activity	26,500,545	23,139,037
Production of machine tools activity	8,868,744	8,411,591
Other	2,549,980	3,267,899
Total UNIOR Group	**294,236,652**	**287,652,871**

Subject to sales agreements of the Special Machines activity amounting to a total of EUR 4,601,004, which remained unrealised as at 31/12/2023, EUR 1,482,024 will be recognised in revenue in future periods.

9.8.3 Other operating revenue

(in EUR)	2023	2022
Benefits for exceeding the quota of disabled employees	235,564	199,438
Paid receivables already included in the value adjustment	98,045	9,788
Damages received	44,663	67,171
Retained contributions from disabled persons and actuarial gains	745,015	680,051
Wage and contribution subsidies for employees of a sheltered workshop	187,587	9,183
Profit from the sale of fixed assets	150,392	252,402
Revaluation of investment property to fair value	10,058	0
Subsidies, grants and similar revenue	341,413	441,297
Receipt of emission allowances	0	0
Subsidies – reimbursement of quarantine payments (COVID-19)	0	70,700
Subsidies – reimbursement of absence due to a force majeure (COVID-19)	0	18,089
Subsidies – reimbursement of rapid test costs (COVID-19)	0	56,965
Energy aid	709,567	0
Other operating revenue	1,053,771	3,350,263
Total	**3,576,075**	**5,155,347**

Retained contributions from disabled persons and actuarial gains include the reversal of provisions from retained contributions for the employment of disabled persons above the prescribed quota and the reversal of non-current provisions from the actuarial calculation of termination and jubilee benefits.

The subsidies on wages and contributions of employees of a sheltered workshop represent state aid received to subsidise the wages of employees with disabilities and to invest in workplace adaptations for disabled persons in a sheltered workshop of the UNIOR Group.

Profit from the sale of fixed assets represents the positive effect of the sale of non-operational equipment.

The UNIOR Group received EUR 709,567 in energy aid in 2023, of which EUR 601,217 from the Republic of Slovenia and EUR 108,350 from the Republic of Croatia, both in the metalworking sector. In compliance with intervention law adopted to mitigate the repercussions of the COVID-19 disease epidemic, the UNIOR Group received EUR 145,754 in state aid in 2022, namely EUR 128,252 for the metalworking activity and EUR 17,502 for the tourism activity. The state aid received are grants.

Other operating revenue amounting to EUR 1,053,771 among others includes revenue arising from the derecognition of the value adjustment of inventories set up in the previous years amounting to EUR 523,514 and revenue arising from grants received for development projects of EUR 206,584.

9.8.4 Costs and expenses

Year 2023 (in EUR)	Product. cost	Cost of sales	Cost general activities	Total
Cost of merchandise and materials sold	(3,029,119)	(5,019,677)	(1,299,887)	(9,348,683)
Costs of materials	(122,754,495)	(5,999,259)	(8,161,881)	(136,915,635)
Costs of services	(22,645,013)	(6,565,375)	(8,224,795)	(37,435,183)
Costs of salaries	*(47,849,634)*	*(4,704,717)*	*(8,136,441)*	*(60,690,792)*
Costs of social insurances	*(7,914,426)*	*(842,021)*	*(1,277,484)*	*(10,033,931)*
Costs of pension insurances	*(730,235)*	*(37,091)*	*(93,527)*	*(860,853)*
Other labour costs	*(6,984,952)*	*(339,460)*	*(896,714)*	*(8,221,126)*
Total labour costs	(63,479,247)	(5,923,289)	(10,404,166)	(79,806,702)
Depreciation	(13,797,887)	(624,435)	(2,156,972)	(16,579,294)
Operating expenses from the revaluation of current operating assets	(125,548)	(21,278)	(49,682)	(196,508)
Expenses from the revaluation of intangible assets and property, plant and equipment	(38,412)	(37,774)	(39,974)	(116,160)
Other costs	(702,029)	(215,524)	(696,333)	(1,613,886)
Value adjustments due to changes in inventories	(1,621,770)	0	0	(1,621,770)
Total costs	**(228,193,520)**	**(24,406,611)**	**(31,033,690)**	**(283,633,821)**

Year 2022 (in EUR)	Product. cost	Cost of sales	Cost general activities	Total
Cost of merchandise and materials sold	(4,074,541)	(5,247,902)	(1,797,561)	(11,120,004)
Costs of materials	(128,930,495)	(6,436,490)	(8,531,585)	(143,898,570)
Costs of services	(23,310,056)	(6,778,687)	(8,024,152)	(38,112,895)
Costs of salaries	*(45,286,481)*	*(4,459,719)*	*(7,062,660)*	*(56,808,860)*
Costs of social insurances	*(7,354,118)*	*(812,783)*	*(1,133,904)*	*(9,300,805)*
Costs of pension insurances	*(695,340)*	*(37,388)*	*(86,106)*	*(818,834)*
Other labour costs	*(7,837,873)*	*(388,091)*	*(961,993)*	*(9,187,957)*
Total labour costs	(61,173,812)	(5,697,981)	(9,244,663)	(76,116,456)
Depreciation	(14,607,807)	(649,679)	(2,165,054)	(17,422,540)
Operating expenses from the revaluation of current operating assets	(185,985)	(60,791)	(87,360)	(334,136)
Expenses from the revaluation of intangible assets and property, plant and equipment	(332,984)	(17,085)	(40,260)	(390,329)
Other costs	(571,728)	(214,316)	(533,741)	(1,319,785)
Value adjustments due to changes in inventories	6,026,777	0	0	6,026,777
Total costs	**(227,160,631)**	**(25,102,931)**	**(30,424,376)**	**(282,687,938)**

Other labour costs comprise holiday allowance, meal allowance, travel allowance, jubilee and termination benefits above the formed provision and certain other remuneration paid out to employees.

The individual cost groups also show by historic categories costs related to R&D activities, on which the UNIOR Group spent EUR 4,395,352 in the 2023 financial year, representing 1.49% of the net sales revenue generated. In the 2022 financial year, the Group had spent EUR 3,907,754 on R&D activities or 1.36 per cent of generated net revenue from sales.

Under cost of services, the Group records the cost of external production services amounting to EUR 9,627,503, the cost of transport services amounting to EUR 7,350,340, the cost of banking services amounting to EUR 1,041,547, the cost of insurance amounting to EUR 1,625,108, as well as the cost of workers hired through labour brokerage agencies amounting to EUR 39,417 for ten employees.
Procurement of materials in associates is presented in Section 9.10.2 of the 2023 Annual Report.

The most significant items disclosed by the Group under other costs are scholarships paid amounting to EUR 110,484, compensation for the use of construction land amounting to EUR 279,787 and financial aid and donations amounting to EUR 258,004.

In the 2023 financial year, the UNIOR Group reduced its cost of materials by EUR 2,182,724, its cost of services by EUR 596,372 and its labour costs by EUR 2,101,510, due to the capitalisation of its tangible and intangible fixed assets in the current year in the amount of EUR 4,880,606. Capitalised own products and services include the disclosure of our investments by the Maintenance Department and Special Machines activity for the needs of other programmes in the parent company, including a general restoration of machinery in the Forge and of CNC machines, as well as capitalized product and technology development costs in the Special Machines and Forge programmes. Their value does not exceed the costs of their production or services rendered.

Lease payments in 2023 amounted to EUR 1,793,643, whereas in 2022 they amounted to EUR 1,456,931.

The UNIOR Group pays rentals under short-term lease agreements for commercial and storage facilities needed by the Special Machines Programme, for parking facilities at the Forgings Machining Plant in Slovenske Konjice, for employee housing in Germany and for the rental of forklift trucks, computer equipment and protective equipment for employees.

The contractual costs of auditing the annual reports of UNIOR Group companies amount to EUR 75,063. Mazars d.o.o. Ljubljana carried out the audit in UNIOR d.d. and UNITUR d.o.o. in Slovenia and Mazars Cinotti Audit d.o.o. in UNIOR Vinkovci d.o.o. in Croatia. Contractual amounts for the provision of non-audit services by Mazars for the UNIOR Group amounted to EUR 11,825 in the 2023 financial year and include the verification of the accuracy of the calculation of financial commitments for the needs of banks, the verification of the criteria for allocating revenue generated through the provision of a public utility, a review of the report on the remuneration of Members of the Management and Supervisory Boards of UNIOR d.d., a review of the report of transactions with related parties, and a review of the correctness of the electronic format of consolidated financial statements and notes.

9.8.5 Financial revenue and financial expenses

Financial revenue

(in EUR)	2023	2022
Financial revenue from participating interests		
Financial revenue from participating interests in associates	44,776	4,766,725
Financial revenue from participating interests in other companies	55	386
Financial revenue from other investments	0	1,264
Total	44,831	4,768,375
Financial revenue from loans given		
Financial revenue from loans given to others	123,650	127,206
Total	123,650	127,206
Financial revenue from operating receivables		
Financial revenue from operating receivables due from others	265,515	1,170,332
Total	265,515	1,170,332
Total financial revenue	**433,996**	**6,065,913**

Financial revenue from participating interests in associates comprises the payment of profits in UNIOR Teos Alati d.o.o. and is significantly lower than in the comparative year 2022, which included a positive effect from profit or loss of associates amounting to EUR 3,397,658 and the distribution of profits in UNIOR Teos Alati d.o.o. and Štore Steel d.o.o.

Financial expenses

(in EUR)	2023	2022
Financial expenses from the impairment and write-offs of investments	(755,150)	(1,144,845)
		0
Financial expenses from financial liabilities		0
Financial expenses from loans received from banks	(7,507,501)	(3,078,167)
Financial expenses from other financial liabilities	(74,539)	(115,970)
Total	(7,582,040)	(3,194,137)
Financial expenses from operating liabilities		
Financial expenses from trade payables and bills of exchange payable	(480,330)	(260,031)
Financial expenses from other operating liabilities	(721,258)	(967,761)
Total	(1,201,588)	(1,227,792)
Total financial expenses	**(9,538,778)**	**(5,566,774)**

Financial expenses from the impairment and write-offs of financial investments include the negative effect from the profits and losses of associates in the amount of EUR 716,876 and the write-off of long-term financial investments in the companies Strojegradnja d.d. Trbovlje and Cimos d.d. Koper. Financial expenses for interest paid on borrowings from banks amounted to EUR 7,507,501, 144% higher than in the previous year 2022 – the increase is due to the increase in the EURIBOR reference rate, higher interest margins of commercial banks on the approval of new syndicated loans in April 2023, and the higher balance of the Group's financial liabilities in the financial year 2023.

9.9 Corporate income tax account and deferred taxes

Corporate income tax is accounted for subject to legislation in force in countries where UNIOR Group subsidiaries are based.

CORPORATE INCOME TAX

(in EUR)	2023	2022
Corporate income tax	(966,045)	(968,888)
Deferred tax	828,487	581,931
Total	**(137,558)**	**(386,957)**

(in EUR)	2023	2022
Net profit or loss of the financial year before taxes	5,074,124	10,619,419
Non-taxable revenue	688,585	3,338,932
Unrecognised tax expenses	4,103,934	3,633,663
Tax base	8,348,489	10,963,016
Tax base reduction and tax relief	(2,576,560)	(5,517,008)
Tax base	5,771,929	5,446,008
Corporation tax (levied at a rate of 19%)	(1,096,667)	(1,034,742)
Effects of tax differentials of foreign companies	130,622	65,853
Corporate income tax	(966,045)	(968,888)
Value adjustment of receivables	66,367	44,069
Value adjustment of investments	0	15,200
Formation of provisions	8,282	139,049
Tax relief for investments in research and development	235,409	0
Tax relief for investments	4,625	432,463
Tax relief for employing disabled persons	0	0
Tax relief for a voluntary supplementary pension scheme	0	0
Tax loss	594,560	0
Other changes in deferred taxes	(80,756)	(48,850)
Deferred tax	828,487	581,931
Effective tax rate in %	2.7	3.6

The net profit of loss of the financial year before taxes for 2023 amounts to EUR 5,074,124. Tax relief which can be utilised in subsequent periods amounts to a total of EUR 37,848,693, out of which a tax loss of EUR 19,818,658.

DEFERRED TAX

Profits established subject to tax legislation differ from the profits established subject to accounting rules and the IFRS. The deferral of taxes is accounted for only for temporary differences in the tax burden between the business accounts and financial statements, i.e. for those reconciled in the defined period. The tax rates used comply with tax legislation in the individual countries in which Group companies operate, varying between 10.0 and 33.825 per cent.

Deferred tax assets are calculated using the temporary difference in non-current provisions formed for termination and jubilee benefits, 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 adjusted for consolidation purposes. Deferred tax liabilities relate to the recalculation of land to a fair value disclosed on the reserves from revaluation at fair value.

A similar structure of deferred tax assets and liabilities and the movement of deferred tax assets are presented in Section 9.7.15 of the 2023 Annual Report.

The positive effect of deferred taxes on net profits amounts to EUR 828,487, increasing the net profits of the current year

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9.10 Related-party transactions of the UNIOR Group

All related-party transactions were performed under usual market conditions.

9.10.1 Sales to related parties

(in EUR)	2023	2022
Associates		
Domestic:	**1,076,754**	**1,312,350**
ŠTORE STEEL d.o.o. Štore	1,076,754	1,312,350
Foreign:	**2,152,710**	**3,494,154**
UNIOR TEPID S.R.L. Brasov	0	1,476,213
UNIOR TEHNA d.o.o. Sarajevo	449,462	410,511
UNIOR TEOS ALATI d.o.o. Belgrade	1,703,248	1,607,430
Total associates	**3,229,464**	**4,806,504**

Sales to related parties is net revenue from sales generated by Group companies by selling to associates. 2022 sales to the UNIOR Tepid associate is taken into account in the table above only until 15/6/2022 when the shareholding was sold.

9.10.2 Purchases from related parties

(in EUR)	2023	2022
Associates		
Domestic:	**29,588,297**	**34,850,894**
ŠTORE STEEL d.o.o. Štore	29,588,297	34,850,894
Foreign:	**294,938**	**313,558**
UNIOR TEPID S.R.L. Brasov	0	7,754
UNIOR TEHNA d.o.o. Sarajevo	0	0
UNIOR TEOS ALATI d.o.o. Belgrade	294,938	305,804
Total associates	**29,883,235**	**35,164,452**

The purchase from the associate UNIOR Tepid is only included in the above table for 2022 until 15/6/2022, when the sale of the shareholding took place.

9.10.3 Operating receivables due from related parties

(in EUR)	31/12/2023	31/12/2022
Associates		
Domestic:	**160,355**	**173,915**
ŠTORE STEEL d.o.o. Štore	160,355	173,915
Foreign:	**115,490**	**85,269**
UNIOR TEHNA d.o.o. Sarajevo	112,323	85,269
UNIOR TEOS ALATI d.o.o. Belgrade	3,167	0
Total associates	**275,845**	**259,184**

Operating receivables due from related parties are outstanding receivables arising from revenue from sales generated by Group companies by selling to associates.

9.10.4 Operating liabilities due to related parties

(in EUR)	31/12/2023	31/12/2022
Associates		
Domestic:	**6,571,180**	**10,974,306**
ŠTORE STEEL d.o.o. Štore	6,571,180	10,974,306
Foreign:	**42,634**	**35,570**
UNIOR TEHNA d.o.o. Sarajevo	0	0
UNIOR TEOS ALATI d.o.o. Belgrade	42,634	35,570
Total associates	**6,613,814**	**11,009,876**

9.10.5 Receivables and liabilities from loans and interest from associates

As at 31/12/2023, the UNIOR Group does not have any receivables and liabilities from loans and interest due from associates.

9.10.6 Financial revenue and expenditure from related parties

The UNIOR Group had no financial revenue from related parties in 2023.

Financial expenses due to related parties

(in EUR)	2023	2022
Financial expenses from operating liabilities		
Associates in the country:		
ŠTORE STEEL d.o.o. Štore	(100,249)	(122,452)
Total financial charges from operating liabilities	**(100,249)**	**(122,452)**

9.10.7 Transactions with owners and their related parties

The largest individual owner of UNIOR d.d., which is the parent company of the UNIOR Group, is Slovenski državni holding, d.d., which owns a 39.43 per cent shareholding. Kapitalska družba, d.d. owns a 5.55% shareholding and Zavarovalnica Triglav, d.d. owns a 3.52% shareholding in UNIOR d.d. The Republic of Slovenia thus indirectly owns a 48.50% shareholding in UNIOR d.d.

Companies related to owners are companies wherein the Republic of Slovenia and Slovenski državni holding, d.d. directly hold a minimum 20 per cent shareholding. The list of these companies is published on the website of Slovenski državni holding, d.d. (https://www.sdh.si/sl-si/upravljanje-nalozb/seznam-nalozb).

Total value of transactions with owners and their related parties

(in EUR)	2023	2022
Revenue from sales (in the period from 01/01 to 31/12)	1,046,689	1,513,599
Procurement (in the period from 01/01 to 31/12)	9,187,664	10,098,966
Operating receivables (as at 31/12)	327,922	122,057
Operating liabilities (as at 31/12)	1,726,382	2,372,767

All transactions with owners and their related parties were performed in all UNIOR Group companies under usual market conditions.

9.11 Risks in the UNIOR Group

Operating risks of the UNIOR Group have been disclosed in Section 7.8.1 of the 2023 Annual Report. The financial risks of the UNIOR Group are disclosed below.

FINANCIAL RISKS OF THE GROUP

CREDIT RISK

Credit risk refers to a risk that UNIOR Group companies will not be able to recover all their operating receivables and investments owed by its debtors within the agreed time frame. Credit risks are managed through regular monitoring of the business operations and financial position of all existing and new business partners, by limiting exposure to individual business partners and through an active process of collecting receivables. The ever-changing macroeconomic environment can cause changes to the credit rating and solvency of our customers, so despite careful management of receivables, customers are likely to default on payments or even be unable to pay. By regularly monitoring outstanding receivables due from customers, age structure of receivables and average payment deadlines, the UNIOR Group preserves its credit exposure within acceptable limits. Most trade receivables, with the exception of receivables due from associates, have also been secured with an insurance company since 01/10/2014. Credit risks are closely monitored in all areas of the operation. The risk is assessed as moderate.

Analysis of the age of trade receivables as at the reporting date

Year 2023 (in EUR)	Gross value	Average loss amount in %	ECL adjustment	Individual allowance for increased credit risk	Total adjustment	Increased credit risk	Net value
Receivables not yet due	24,410,326	0.11	28,060	0	28,060	no	24,382,266
Receivables overdue up to 90 days	4,297,071	0.79	33,863	0	33,863	no	4,263,208
Receivables from 91 to 180 days overdue	1,749,394	2.76	48,311	0	48,311	no	1,701,083
Receivables from 181 to 360 days overdue	495,852	13.99	69,366	0	69,366	no	426,486
Receivables more than 360 days overdue	720,476	57.19	412,074	0	412,074	no	308,402
Total	**31,673,119**		**591,674**	**0**	**591,674**		**31,081,445**

Year 2022 (in EUR)	Gross value	Average loss amount in %	ECL adjustment	Individual allowance for increased credit risk	Total adjustment	Increased credit risk	Net value
Receivables not yet due	25,337,832	0.11	28,335	0	28,335	no	25,309,497
Receivables overdue up to 90 days	5,399,876	0.61	32,969	0	32,969	no	5,366,907
Receivables from 91 to 180 days overdue	1,074,596	4.29	46,129	0	46,129	no	1,028,467
Receivables from 181 to 360 days overdue	870,153	10.10	87,916	0	87,916	no	782,237
Receivables more than 360 days overdue	779,100	64.53	502,739	0	502,739	no	276,361
Total	**33,461,557**		**698,088**	**0**	**698,088**		**32,763,469**

INTEREST RATE RISK OF THE GROUP

The interest rate risk refers to the risk of financial loss due to unfavourable interest rate movements. As changes in the interest rate can materially reduce the economic benefits of the UNIOR Group, the movement of benchmark interest rates is continuously monitored. We consider the risk to be critical due to the very high level of the reference interest rate set by the European Central Bank. The refinancing of the two existing syndicated loan agreements maturing in 2023 was concluded on 25/04/2023, and we have negotiated with the syndicate of banks that the interest margins on the new syndicated loan agreements will also be based on a margin scale in line with the performance of the UNIOR Group and UNIOR d.d. and UNITUR d.o.o. The Group does not currently have any derivative financial instruments in place to hedge interest rate, mainly due to the abnormally high price of these instruments, but we regularly review and assess the appropriateness of the available methods to hedge the reference interest rates. In the 2023 business plan, the Group included higher financing costs compared to the previous year, but these were exceeded due to more unfavourable movements in the reference interest rates than we had projected. To mitigate the impact of the increase in financing costs, the Group has already started a number of optimisation projects in 2023, namely on inventories and receivables, as well as on the year-on-year adjustment of the pricing policy on both the purchasing and the selling side in all product programmes.

Balance of liabilities linked to an individual variable interest rate in 2023

(in EUR)	Amount of liabilities 31/12/2022	Amount interest rates	Hypothetical rise in interest rates by 15%	by 50%	by 100%
Interest rate type					
3-month EURIBOR	3,292,523	3.9250	19,385	64,616	129,232
6-month EURIBOR	110,022,116	3.8850	641,154	2,137,180	4,274,359
Total effect	**113,314,639**		**660,539**	**2,201,796**	**4,403,591**

Balance of liabilities linked to an individual variable interest rate in 2022

(in EUR)	Amount of liabilities 31/12/2022	Amount interest rates	Hypothetical rise in interest rates by 15%	by 50%	by 100%
Interest rate type					
1-month EURIBOR	3,000,000	1.8980	8,541	28,470	56,940
3-month EURIBOR	71,914,250	2.2020	237,533	791,776	1,583,552
6-month EURIBOR	22,692,290	2.7520	93,674	312,246	624,492
Total effect	**97,606,540**		**339,748**	**1,132,492**	**2,264,984**

As at 31/12/2023, the total financial liabilities of UNIOR d.d. amount to EUR 121,611,019. The difference amounting to EUR 8,296,380 to the disclosed balance regarding the sensitivity of the interest rate represents financial liabilities with a fixed interest rate.

LIQUIDITY RISK OF THE GROUP

The liquidity risk refers to the risk of shortage in liquid assets to repay operating and financial liabilities of the Group companies within the agreed time frame. The liquidity risk includes risks associated with the shortage in financial resources available and, as a result, with the inability of Group companies to settle its liabilities within the agreed time frame. Financial solvency largely depends on effective money, inventories and receivables management on the one hand, and liabilities and investment dynamics on the other. Significant attention is paid to drawing up and monitoring the cash flow plan including the foreseen inflows and required outflows. Successful planning enables us to optimally manage any current surpluses or deficits of liquid assets – current imbalance is regulated by drawing on the approved revolving credit line with commercial banks. The UNIOR d.d. parent company and the UNITUR d.o.o. subsidiary which required more than 93 per cent of all financing required by the UNIOR Group at the end of 2023, concluded, on 25/04/2023, a refinancing agreement for the existing debt repayable in 2023 with the bank syndicate. Due to all the activities undertaken and the new revolving loan, we consider the risk to be moderate despite the uncertain economic and financial environment.

THE RISK OF FAILING TO MEET FINANCIAL COMMITMENTS OF THE GROUP

The risk of failing to meet the financial commitments of the Group is related to UNIOR d.d. and UNITUR d.o.o. potentially having to repay early the non-current loans approved on 25/04/2023 on the basis of the syndicated loan agreements concluded with the commercial bank syndicate. The financial commitments are laid down in the loan agreements. The UNIOR Group shall meet the net financial debt to EBITDA ratio and the percentage of capital in the structure of liabilities set by the banks. Financial commitments are reviewed on an annual basis on the basis of the audited consolidated financial statements of the UNIOR Group subject to approval of the certified auditor auditing the consolidated financial statements of the UNIOR Group. In the previous years and in 2023, our commitments were honoured without exception. The Business Plans of the UNIOR Group also foresee the honouring of financial commitments in the future. The risk is assessed as low.

9.12 Gross remuneration of groups of persons

In compliance with Indent 3 of Paragraph (3) of Article 69 of the Companies Act (ZGD-1) and IAS 12, UNIOR hereinafter discloses the remuneration received by Members of the Management Board, other company employees employed under an individual contract of employment for which the tariff part of the collective agreement does not apply and Members of the Supervisory Board for performing their tasks in the UNIOR Group. No additional remuneration was paid out to Members of the Management and Supervisory Boards of the parent company for performing their tasks in subsidiaries in 2023.

The Group has not granted any advance payments, loans or sureties for their liabilities to Members of the Management Board, other Group employees employed under an individual contract of employment for which the tariff part of the collective agreement does not apply and Members of the Supervisory Board.

Year 2023	Gross values						Net values					
(in EUR)	Current employee benefits	Post-employment benefits	Other non-current benefits	Termination benefits	Share-based payments	**Total gross**	Current employee benefits	Post-employment benefits	Other non-current benefits	Termination benefits	Share-based payments	**Total net**
Management Board of the parent company	442,742	0	0	0	0	442,742	184,544	0	0	0	0	184,544
Supervisory Board of the parent company	130,839	0	0	0	0	130,839	94,344	0	0	0	0	94,344
Employees on individual contracts within a group	8,014,150	0	0	0	0	8,014,150	4,673,442	0	0	0	0	4,673,442

Year 2022	Gross values						Net values					
(in EUR)	Current employee benefits	Post-employment benefits	Other non-current benefits	Termination benefits	Share-based payments	**Total gross**	Current employee benefits	Post-employment benefits	Other non-current benefits	Termination benefits	Share-based payments	**Total net**
Management Board of the parent company	392,571	0	0	0	0	392,571	168,177	0	0	0	0	168,177
Supervisory Board of the parent company	118,104	0	0	0	0	118,104	85,084	0	0	0	0	85,084
Employees on individual contracts within a group	6,820,622	0	0	0	0	6,820,622	4,058,414	0	0	0	0	4,058,414

9.13 Environmental/climate risk assessment and their effect on financial statements of UNIOR Group

Environmental management is increasingly associated in the UNIOR Group not only with environmental/climate impacts but also with financial resources. By ensuring compliance with all statutory and environment-protection objectives, the Group strives in the long run to rationalise the consumption of primary resources, increase the consumption of RES, their re-use from the viewpoint of circular economy and by substituting existing methods, technologies, and materials with a higher impact on the environment with optimal ones whenever feasible and rational. The management of environmental/climate impacts is also understood as an opportunity to generate revenue.

Costs related to environmental/climate impacts in the UNIOR Group in 2023

Type of cost	(in EUR)
Waste management	365,196
Water – consumption	301,648
Water – waste water treatment, operation of our own waste water treatment plant	185,173
Water – connection of the Grafit sewage treatment plant to the sewerage system	16,908
Energy products, emissions	17,170,182
Cost of wood chips for biomass heating	173,890
Depreciation and financing of other environment-friendly investments	209,470
Environment management-related labour costs	787,077
Environment awareness training costs	5,852
Environmental tax, water treatment levy, environmental pollution charges	112,780
Total costs of environment-related external contractors	78,965
TOTAL COSTS	**19,407,141**

The costs related to environmental/climate impacts in the UNIOR Group amounted to EUR 19.4 million in 2023. Energy costs accounted for the largest share, at EUR 17.2 million, while other costs were lower.

UNIOR Group's environmental management work costs amounted to EUR 787 thousand, the cost of wood chips for biomass heating amounted to EUR 174 thousand, and waste management (excluding steel waste) was EUR 365 thousand. We paid EUR 617k for integrated water management – from water use, to connecting the wastewater treatment plant to the network, to wastewater treatment and water reimbursement. In 2023, EUR 79 thousand have been earmarked for external environmental/climate services.

Investments related to environmental/climate impacts in the UNIOR Group in 2023

Type of investment	(in EUR)
Investments in a district heating network to increase the recovery of waste heat	94,037
Investments in biomass district heating	4,468
Investments in solar power plants	120,105
Other environment-impact-reducing investments	208,151
TOTAL COSTS	**426,761**

In 2023, the UNIOR Group invested the following in reducing its environmental/climate impacts: EUR 427 thousand. We have invested EUR 120 thousand in the installation of solar power plants, EUR 94 thousand in increasing the use of waste heat from the district heating network and EUR 4 thousand in the expansion of wood biomass district heating. Other investments of EUR 208 thousand include investments of EUR 74 thousand in the replacement and installation of insulated thermal water pipes to prevent energy losses to the environment. The remainder is a total investment of EUR 134k to install, maintain, and repair energy-efficient equipment. These investments will generate energy savings and resulting lower energy costs in the future. These are also covered in section 7.7.6.1

Revenue related to environmental/climate impacts in the UNIOR Group in 2023

Type of revenue related to environmental/climate impacts	(in EUR)
Sales of waste – secondary raw material	12,323,735
Sales of electricity	458,013
Other environmental management revenue	24,084
TOTAL	**12,805,832**

The recyclability of the used resources has great potentials for realising revenue from secondary raw materials. The UNIOR Group generated revenues of EUR 12.3 million from the sale of steel and aluminium waste in 2023. The latter is also shown in section 7.7.6.1, but only the share generated by the forgings activity, which amounts to EUR 12,280,790. We generated EUR 458 thousand in revenue from the sale of electricity generated by cogeneration plants, which simultaneously produce electricity and use excess heat energy. Other revenue includes income from wood biomass heating in the amount of EUR 24 thousand, which does not include income generated in this respect between related companies (consolidated income).

9.14 Events after the reporting period in the UNIOR Group

SALES OF INVESTMENTS

In 2023, the parent company commenced procedures for the sale of its subsidiaries, namely 100% ownership interest in UNITUR d.o.o., Zreče, Slovenia; 100% ownership interest in UNIOR Components d.o.o., Kragujevac, Serbia; and 29.253% ownership interest in Štore Steel d.o.o., Štore, Slovenia. The sale of the subsidiaries of the parent company UNIOR d.d. is proceeding in accordance with the envisaged timetable set together with the selected financial advisors for the sale of the individual subsidiaries. As of the date of the 2023 Annual Report, the parent company has not yet received binding offers from buyers for the sale of subsidiaries in any sales process, but it is expected that, if appropriate offers are received and terms are agreed with potential buyers, the sales processes will be completed in the second half of 2024.

ACCRUALS AFTER THE REPORTING PERIOD

After the reporting period, there were no significant accruals which would have a material impact on the consolidated financial statements of the UNIOR Group for 2023 or which would have required additional disclosure.

9.15 Statement on the responsibility of members of the Management Board

The Management Board of the parent company shall be responsible for drawing up the UNIOR Group Annual Report and the consolidated financial statements of the Group so that they present a true and fair view of the financial standing and operating results of the UNIOR Group in 2023 to the interested public.

In compliance with Article 134 of the Market in Financial Instruments Act (ZTFI-1), the Management Board of the parent company declares to the best of its knowledge that the Financial Statement of the UNIOR Group has been drawn up in compliance with International Financial Reporting Standards as adopted by the European Union and gives a true and fair view of the financial situation and operating results of the UNIOR Group as a whole and that the Business Report of the UNIOR Group includes a fair review of the developments and operating results and financial position of the UNIOR Group including a description of material types of risks the UNIOR Group as a whole is exposed to.

The Management Board of the parent company hereby adopts and confirms the financial statements including associated policies and notes of the UNIOR Group for the year 2023.

The Management Board of the parent company hereby confirms to have diligently applied the appropriate accounting policies, that accounting estimates have been made subject to the fair value, precautionary and due diligence principles and that the consolidated financial statements of the UNIOR Group give a true and fair view of the financial situation and operating results of the UNIOR Group in 2023.

The Management Board of the parent company is also responsible for adequate accounting, adopting corresponding decisions to safeguard its property and other assets and for the prevention and detection of fraud and other irregularities or illegal acts. It also confirms that the consolidated financial statements including notes are drawn up on the basis of going concern of UNIOR Group companies and in compliance with the legislation in force and International Financial Reporting Standards as adopted by the European Union.

At any time within a period of five years following the lapse of the year in which taxes shall be levied, the tax authorities may audit the operations of the company in the Group which may consequently result in additional tax liabilities, default interest and penalties arising from corporate income tax or other taxes and levies. The Management Board of the parent company is not aware of any circumstances which could give rise to this kind of material liability.

In Zreče, on 25/04/2024

Branko Bračko
Member of the
Management Board

Darko Hrastnik
President of the
Management Board

9.16 Independent auditor's report

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INDEPENDENT AUDITOR'S REPORT

To the shareholders of UNIOR d.d.

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Opinion

We conducted an audit of the consolidated financial statements of UNIOR d.d. and its subsidiaries (hereinafter referred to as “the Group”), which comprise the consolidated statement of financial position as at 31 December 2023, and consolidated income statement and consolidated statement of other comprehensive income, consolidated statement of changes in equity and consolidated cash flow statement for the year then ended, and significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Group as at 31 December 2023 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing and Regulation (EU) No. 537/2014 of the European Parliament and of the Council of 16 April 2014 on specific matters relating to statutory audit of public-interest entities (hereinafter referred to as “the Regulation”). Our responsibilities under these rules are described in this report in the paragraph Auditor's responsibility for the audit of consolidated financial statements. In accordance with International Code of Ethics for Accounting Professionals (including the International Independence Standards) issued by the International Ethics Standards Board for Accounting Professionals (the IESBA Code) and the ethical requirements applicable to auditing of financial statements in Slovenia, we confirm our independence from the Group and that we complied with all other ethical requirements in accordance with these requirements and the IESBA Code.

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

Key audit matters

The key audit matters are those that, in our professional judgement, were the most material in the audit of the consolidated financial statements for the current financial year. These matters have been considered in the context of the audit of the consolidated financial statements as a whole and in forming of our opinion thereon, and we do not express a separate opinion on them.

Net turnover

Key audit matter	*Audit approach in relation to the matter*
Net turnover of the group for the financial year 2023 amounts to EUR 294,237 thousand. As explained in section 9.6.3.4. “Summary of significant accounting policies and disclosures”, the revenue is recognised differently by individual business segments (Forge, Hand Tools, Special Machines), taking into account IFRS 15 (Revenue from contracts with customers) and the five-step model for its recognition. Net turnover is one of the key indicators of the performance of the Group. Due to the importance of the accounting item, the complexity of how it is recognised in relation to the segments of revenue generated under IFRS15 and the risks to its proper recording, we have identified the recognition of net turnover as a key audit matter.	As part of our audit procedures, we assessed the appropriateness of the accounting policies, applied by the group in relation to revenue recognition, and their compliance with International Financial Reporting Standards and performed the following audit procedures, among others: • gained an understanding of the accounting policies relating to the recognition of income of individual business segments in accordance with IFRS 15, • understood and assessed the design and implementation of internal controls related to revenue recognition for each business segment, focusing on key controls; • tested the operating effectiveness of key controls relevant to the revenue recognition of each business segment;

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Share capital: EUR 15,957.45 | Registration number: 3959023300 | Tax code: SI 88105571

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	• performed analytical procedures to test the data against the revenue of all business segments; • performed a test of detail on a selected sample of the revenue of each business segment; • reviewed the completeness and appropriateness of the relevant disclosures in the financial statements relating to net turnover presented by the management in the accounting part of the annual report under item 9.8.2. "Net turnover by segment".

Other information

Other information is a responsibility of the management. Other information comprises the business report, which is an integral part of the annual report of the Group, but excludes the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not refer to other information and we do not express any form of assurance on it.

In connection with the conducted audit of the consolidated financial statements, it is our responsibility to read the other information and, in doing so, to assess whether the other information is materially inconsistent with the consolidated financial statements, legal requirements or our knowledge acquired in the audit or otherwise appears to be materially misstated. If, based on the work performed, we conclude that there is a material misstatement of the other information, we must report such circumstances. In this respect, on the basis of the procedures described above, we report that:

- the other information is consistent, in all material respects, with the audited consolidated financial statements;
- the other information is prepared in accordance with applicable laws and regulations; and
- based on the knowledge and understanding of the Group and its environment, which we acquired during the audit, we did not find any significantly incorrect statements in relation to other information.

Responsibility of the management and those charged with governance for consolidated financial statements

The management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the EU, and for internal control in such way, as required in accordance with the management's decision, to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements of the Group, the management is responsible for assessing the ability of the Group to continue as a going concern, for disclosing matters related to a going concern and for using the presumption of a going concern as a basis of accounting unless the management intends to liquidate the company or to discontinue operations, or has no alternative but to do one or the other.

Those charged with governance are responsible for overseeing the financial reporting process of the Group.

Auditor's responsibility for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Acceptable assurance is a high level of assurance, but it is not a guarantee that an audit carried out in accordance with IAS will always detect a material misstatement, if one exists. Misstatements may arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users made on the basis of those consolidated financial statements.

We use professional judgement and maintain professional discretion when carrying out an audit in accordance with IAS. Also:

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- identify and assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, design and perform audit procedures in response to those risks, and obtain sufficient and appropriate audit evidence to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than the risk resulting from error, as fraud may involve collusion, forgery, deliberate omissions, misrepresentations or avoidance of internal controls;
- obtain an understanding of internal control relevant to the audit in order to devise audit procedures that are appropriate in the circumstances, but not in order to express an opinion on the effectiveness of the internal control of the Group;
- evaluate the appropriateness of the used accounting policies and the reasonableness of accounting estimates and related disclosures made by the management;
- based on the obtained audit evidence about the existence of a material uncertainty about events or circumstances that cast doubt on the ability of the Group to continue as a going concern, we conclude that the management's use of the presumption of a going concern as a basis of accounting is appropriate. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to appropriate disclosures in the consolidated financial statements or, if such disclosures are unsuitable, to adjust the opinion. The auditor's conclusions are based on the audit evidence obtained up to the date of the auditor's report. However, subsequent events or circumstances may result in the Group ceasing to be a going concern;
- we evaluate the overall presentation, structure and content of the consolidated financial statements, including disclosures, and whether the consolidated financial statements present the applicable transactions and events in a manner that provides a fair presentation;
- we obtain sufficient and appropriate audit evidence on the financial information of the companies or business activities in the Group in order to be able to express an opinion on the consolidated financial statements. We are responsible for directing, supervising and performing the Group's audit. The audit opinion is solely our own responsibility.

We discuss with those charged with governance, inter alia, the planned scope and timing of the audit and the significant audit findings, including material weaknesses in internal control, identified during our audit.

We also provide those charged with governance with a statement that we have met appropriate ethical independence requirements and discuss with them any relationships and other requirements that may reasonably be believed to affect our independence and, where applicable, the steps taken to elimination of hazards, or used safeguards.

Out of all matters that we discussed with those charged with governance, we determine the matters that were the most important in the audit of the consolidated financial statements in the current period and are therefore key audit matters. We describe these matters in the auditor's report, unless law or regulation prevents public disclosure of these matters, or when, in extremely rare circumstances, we decide not to convey the matters in the report because we reasonably expect that the adverse consequences of doing so would outweigh the public benefit of conveying them.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Other reporting obligations under Regulation (EU) No 537/2014 of the European Parliament and of the Council

Confirmation to the Audit Committee

We confirm that the auditor's opinion included in this auditor's report is consistent with the additional report to the Audit Committee.

Prohibited services

We confirm that we have not performed services for the Group referred to in the first paragraph of Article 5 of Regulation 537/2014, while the auditing company met the requirements for independence in auditing.

Other services of the auditing company

Besides the audit of the financial statements, the auditing company MAZARS d.o.o. did not provide any

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other services to the Group except those disclosed in the annual report.

Appointment of the auditing company and the responsible certified auditor

The auditing company MAZARS d.o.o. was appointed at the General Meeting of the UNIOR d.d. company on 06/07/2022 and the Chairman of the Supervisory Board signed the contract for the audit of the separate and consolidated financial statements on 29/08/2022. The contract is for a period of 3 years. We carry out statutory audits of the financial statements of the Group on a continuous basis from 29/08/2022.

On behalf of the auditing company MAZARS d.o.o. Jure Marko is responsible for the audit.

The auditor's reporting on compliance of the consolidated financial statements in electronic form with the requirements of Delegated Regulation 2019/815 on a single electronic reporting format

We conducted an engagement to provide reasonable assurance as to whether the audited consolidated financial statements of the Group for the financial year, ending on 31/12/2023, have been prepared in accordance with the requirements of Commission Delegated Regulation (EU) 2019/815 of 17 December 2018 on supplementing of Directive 2004/109/EC of the European Parliament and of the Council with regard to regulatory technical standards for establishing a common electronic reporting format, applicable for the year 2023 (hereinafter referred to as "the Delegated Regulation").

Responsibilities of the management and those charged with governance

The management is responsible for the preparation and fair presentation of the Group's audited consolidated financial statements in electronic format in accordance with the requirements of the Delegated Regulation, and for internal control in such way, as required in accordance with the management's decision, to enable the preparation of audited consolidated financial statements in electronic format that are free from material misstatement, whether due to fraud or error.

Those charged with governance are responsible for overseeing the preparation of the Group's audited consolidated financial statements in electronic format in accordance with the requirements of the Delegated Regulation.

Auditor's responsibility

Our responsibility is to provide reasonable assurance engagement and express a conclusion on whether the audited consolidated financial statements are prepared in accordance with the requirements of the Delegated Regulation. We conducted our reasonable assurance engagement in accordance with International Standard on Assurance Engagements 3000 Revised – Assurance Engagements Other than Audits or Reviews of Historical Financial Information (ISA 3000 Revised), issued by the International Auditing and Assurance Standards Board. This standard requires that we devise and perform the engagement to obtain reasonable assurance to give an opinion.

We acted in accordance with the independence and ethical requirements of EU Regulation no. 537/2014 and the International Code of Ethics for Professional Accountants (including the International Standards on Independence), issued by the International Ethics Standards Board for Accountants. The Code is based on the fundamental principles of integrity, objectivity, professional competence and due diligence, confidentiality and professional conduct. Our company operates in accordance with the International Standard on Quality Management (ISQM)1 – Quality management for the companies that perform audits or reviews of financial statements, or other assurance or related services engagements and, in accordance with it, maintains a comprehensive quality management system, including documented policies and procedures for compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Summary of the conducted work

as part of the conducted work, we performed the following audit procedures:

- we identified and assessed the risks of material non-compliance of the audited consolidated financial statements with the requirements of the Delegated Regulation, whether due to error or fraud;
- we obtained an understanding of internal control relevant to the engagement to provide reasonable assurance in order to devise procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control;
- we assessed whether the received audited consolidated financial statements comply with the requirements of the Delegated Regulation applicable at the reporting date;

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- we obtained reasonable assurance that the audited consolidated financial statements of the issuer are presented in a correct XHTML electronic format;
- we obtained reasonable assurance that the values and disclosures in the audited consolidated financial statements are tagged correctly in XHTML format, using Inline XBRL technology, and that their machine-readability provides complete and true information contained in the audited consolidated financial statements.

We believe that the evidence obtained are a sufficient and appropriate basis for our conclusion.

Conclusion

In our opinion, based on the procedures performed and the evidence obtained, the audited consolidated financial statements of the Group for the financial year, ending on 31/12/2023, comply, in all material respects, with the requirements of the Delegated Regulation.

Ljubljana, 25 April 2024

MAZARS, družba za revizijo, d.o.o.

Jure Marko
certified auditor

10 AUDITED SEPARATE FINANCIAL STATEMENTS OF UNIOR d.d.

10.1 Audited separate financial position statement of UNIOR d.d. as at 31/12/2023

(in EUR)	Item	Note	31/12/2023	31/12/2022
	ASSETS		**244,886,762**	**241,025,132**
A.	**NON-CURRENT ASSETS**		**147,087,553**	**129,790,157**
I.	**Intangible assets and other IA**	**10.7.1**	**5,966,001**	**3,270,996**
1.	Non-current property rights		499,364	139,826
2.	Goodwill		403,940	403,940
3.	Non-current deferred development costs		1,809,277	2,588,190
4.	Other intangible assets		434,494	47,133
5.	Intangible assets being acquired		2,818,926	91,907
II.	**Property, plant and equipment**	**10.7.2**	**102,203,116**	**87,879,579**
1.	Land and buildings		39,705,076	38,675,843
	a) Land		*12,664,858*	*12,570,788*
	b) Buildings		*27,040,218*	*26,105,055*
2.	Plant and machinery		57,156,428	42,026,617
3.	Other equipment and machinery, small tools and other property, plant and machinery		53,024	35,789
4.	Leased property, plant and equipment		734,124	742,896
5.	Property, plant and equipment being acquired		4,554,464	6,398,434
III.	**Investment property**	**10.7.3**	**817,284**	**749,527**
IV.	**Non-current investments**	**10.7.4**	**30,608,953**	**23,953,409**
1.	Non-current investments, excluding loans		29,997,280	22,937,004
	a) Shares and participating interests in Group companies		*28,139,425*	*21,040,875*
	b) Shares and participating interests in associates		*1,847,260*	*1,847,260*
	c) Other non-current investments		*10,595*	*48,869*
2.	Non-current loans		611,673	1,016,405
	a) Non-current loans to Group companies		*608,748*	*1,013,480*
	b) Non-current loans to others		*2,925*	*2,925*
V.	**Non-current operating receivables**	**10.7.6**	**225,524**	**7,222,397**
1.	Non-current operating receivables due from Group companies		208,597	7,214,658
2.	Non-current operating receivables		0	0
3.	Non-current operating receivables from others		16,927	7,739
VI.	**Deferred tax assets**	**10.7.13**	**7,266,675**	**6,714,249**
B.	**CURRENT ASSETS**		**97,799,209**	**111,234,975**
I.	**Assets (groups for disposal) held for sale**		**0**	**0**
II.	**Inventories**	**10.7.5**	**63,516,801**	**78,832,340**
1.	Materials		16,949,309	27,879,333
2.	Work in progress		24,508,913	27,656,306
3.	Products		17,789,133	18,609,870
4.	Merchandise		4,269,446	4,686,831
III.	**Current investments**	**10.7.7**	**1,130,044**	**637,266**
1.	Current investments, excluding loans		0	0
2.	Current loans		1,130,044	637,266
	a) Current loans to Group companies		*1,130,044*	*637,266*
	b) Other current loans		*0*	*0*
IV.	**Current operating receivables**	**10.7.6**	**29,310,702**	**28,513,244**
1.	Current operating receivables due from Group companies		5,803,404	6,059,272
2.	Current trade receivables		13,700,839	17,144,639
3.	Current operating receivables due from others		9,555,570	5,309,333
4.	Short-term income tax receivables		250,889	0
V.	**Cash and cash equivalents**	**10.7.8**	**3,841,662**	**3,252,125**

(in EUR)	Item	Note	31/12/2023	31/12/2022
	LIABILITIES		**244,886,762**	**241,025,132**
A.	**CAPITAL**	**10.7.9**	**100,956,879**	**100,332,136**
I.	**Called-up capital**		**23,688,983**	**23,688,983**
1.	Share capital		23,688,983	23,688,983
2.	Uncalled-up capital (deduction item)		0	0
II.	**Capital reserves**		**30,277,035**	**30,277,035**
III.	**Reserves from profit**		**19,960,288**	**19,960,288**
1.	Legal reserves		1,417,442	1,417,442
2.	Reserves for treasury shares and own participating interests		2,721,454	2,721,454
3.	Treasury shares and own participating interests (deduction item)		(2,687,821)	(2,687,821)
4.	Statutory reserves		0	0
5.	Other reserves from profit		18,509,213	18,509,213
IV.	**Fair value reserves**		**9,969,119**	**9,571,371**
V.	**Net profit brought forward**		**16,834,459**	**11,759,063**
VI.	**Net loss brought forward**		**0**	**0**
VII.	**Net profit of the financial year**		**226,995**	**5,075,396**
VIII.	**Net loss of the financial year**		**0**	**0**
B.	**PROVISIONS AND DEFERRED REVENUE**	**10.7.10**	**5,847,140**	**5,981,235**
1.	Provisions for pensions and similar liabilities		5,475,243	5,560,289
2.	Other provisions		225,100	262,311
3.	Deferred revenue		146,797	158,635
C.	**NON-CURRENT LIABILITIES**		**86,123,296**	**10,328,213**
I.	**Non-current financial liabilities**	**10.7.11**	**86,123,296**	**10,328,213**
1.	Non-current financial liabilities to Group companies		0	0
2.	Non-current financial liabilities to banks		85,403,122	9,495,529
3.	Non-current financial liabilities arising from leases		428,056	485,033
4.	Other non-current financial liabilities		292,118	347,651
II.	**Non-current operating liabilities**	10.7.12	**0**	**0**
1.	Non-current operating liabilities due to Group companies		0	0
2.	Non-current trade payables		0	0
3.	Non-current bills of exchange payable		0	0
4.	Non-current operating liabilities from advance payments		0	0
5.	Other non-current operating liabilities		0	0
III.	**Deferred tax liabilities**	10.7.13	**0**	**0**
Č.	**CURRENT LIABILITIES**		**51,959,447**	**124,383,548**
I.	**Liabilities included in groups for disposal**			
II.	**Current financial liabilities**	10.7.14	**11,039,571**	**73,826,378**
1.	Current financial liabilities to Group companies		207,789	284,181
2.	Current financial liabilities to banks		10,340,559	73,079,773
3.	Current financial liabilities arising from leases		325,334	271,223
4.	Other current financial liabilities		165,889	191,201
III.	**Current operating liabilities**	10.7.15	**40,919,876**	**50,557,170**
1.	Current operating liabilities due to Group companies		496,920	1,472,563
2.	Current operating liabilities to suppliers		28,235,024	37,091,008
3.	Current bills of exchange payable		0	0
4.	Current operating liabilities from advance payments		1,185,429	2,299,162
5.	Current liabilities for income tax		0	154,463
6.	Other current operating liabilities		6,110,720	5,302,850
7.	Short-term accrued expenses and deferred income		4,891,783	4,237,124

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

10.2 Audited separate income statement of UNIOR d.d. for the period between 01/01/2023 and 31/12/2023

(in EUR)	Item	Note	January-December 2023	January-December 2022
A.	**Net revenue from sales**	**10.8.1**	**205,897,853**	**204,557,463**
1.	Net revenue from sales on the domestic market		19,707,154	21,476,994
	a) Net revenue from sales of products and services		*9,802,285*	*9,428,793*
	b) Net revenue from sales of merchandise and materials		*9,904,869*	*12,048,201*
2.	Net revenue from sales on foreign markets		186,190,699	183,080,469
	a) Net revenue from sales of products and services		*170,560,264*	*164,411,124*
	b) Net revenue from sales of merchandise and materials		*15,630,435*	*18,669,345*
B.	**Change in value of product inventories and work-in-progress**		**(595,119)**	**4,697,445**
C.	**Other operating revenue**	**10.8.2**	**2,341,650**	**4,560,655**
I.	**GROSS OPERATING PROFIT**		**207,644,384**	**213,815,563**
D.	**Costs of goods, materials and services**	**10.8.3**	**(139,088,242)**	**(148,112,619)**
1.	Cost of merchandise and materials sold		(14,127,965)	(17,104,479)
2.	Costs of materials used		(101,045,983)	(106,546,497)
	a) Costs of materials		*(74,792,248)*	*(80,244,551)*
	b) Costs of energy		*(10,617,225)*	*(10,646,196)*
	c) Other costs of materials		*(15,636,510)*	*(15,655,750)*
3.	Costs of services		(23,914,294)	(24,461,643)
	a) Transportation services		*(5,110,846)*	*(5,797,692)*
	b) Maintenance costs		*(1,669,756)*	*(1,394,726)*
	c) Lease payments		*(1,514,404)*	*(1,197,151)*
	č) Other costs of services		*(15,619,288)*	*(16,072,074)*
E.	**Labour costs**	**10.8.3**	**(53,439,008)**	**(52,299,054)**
1.	Costs of salaries		(39,952,701)	(37,923,837)
2.	Costs of pension insurances		(490,619)	(478,084)
3.	Costs of other social insurances		(7,099,651)	(6,470,668)
4.	Other labour costs		(5,896,037)	(7,426,465)
F.	**Write-offs**	**10.8.3**	**(8,788,857)**	**(9,183,690)**
1.	Depreciation		(8,664,199)	(8,878,787)
2.	Operating expenses from the revaluation of intangible fixed assets and property, plant and equipment		(38,395)	(196,362)
3.	Operating expenses from the revaluation of operating current assets		(86,263)	(108,541)
G.	**Other operating expenses**	**10.8.3**	**(682,428)**	**(488,937)**
1.	Provisions		11,089	(19,296)
2.	Other costs		(693,517)	(469,641)
II.	**OPERATING PROFIT OR LOSS**		**5,645,849**	**3,731,263**
H.	**Financial revenue**	**10.8.4**	**1,323,927**	**4,935,400**
1.	Financial revenue from participating interests		1,085,107	4,390,612
	a) Financial revenue from participating interests in Group companies		*1,040,276*	*1,286,234*
	b) Financial revenue from participating interests in associates		*44,776*	*3,103,992*
	c) Financial revenue from participating interests in other companies		*55*	*386*
	č) Financial revenue from other investments		*0*	*0*
2.	Financial revenue from loans given		123,428	80,942
	a) Financial revenue from loans given to the Group companies		*97,911*	*41,095*
	b) Financial revenue from loans given to others		*25,517*	*39,847*
3.	Financial revenue from operating receivables		115,392	463,846
	a) Financial revenue from operating receivables due from the Group companies		*43,919*	*45,547*
	b) Financial revenue from operating receivables due from others		*71,473*	*418,299*
I.	**Financial expenses**	**10.8.4**	**(7,275,900)**	**(3,799,698)**
1.	Financial expenses from the impairment and write-offs of investments		(38,274)	(642,101)
2.	Financial expenses from financial liabilities		(6,463,843)	(2,613,844)
	a) Financial expenses from loans received from Group companies		*(35,204)*	*(36,425)*
	b) Financial expenses from loans received from banks		*(6,413,613)*	*(2,565,329)*
	c) Financial expenses from bonds issued		*0*	*0*
	č) Financial expenses from other financial liabilities		*(15,026)*	*(12,090)*
3.	Financial expenses from operating liabilities		(773,783)	(543,753)
	a) Financial expenses from operating liabilities due to the Group companies		*(21,735)*	*0*
	b) Financial expenses from liabilities to suppliers and bills of exchange		*(463,271)*	*(251,139)*
	c) Financial expenses from other operating liabilities		*(288,777)*	*(292,614)*
III.	**PROFIT OR LOSS**		**(306,124)**	**4,866,965**
	Corporate income tax	**10.9**	**(68,570)**	**(348,501)**
	Deferred tax	**10.9**	**601,689**	**556,932**
	NET PROFIT OR LOSS OF THE ACCOUNTING PERIOD		**226,995**	**5,075,396**

(in EUR) Item	Note	January-December 2023	January-December 2022
Net profit or loss of the accounting period per share		0.08	1.84

Net earnings or loss per share are calculated by dividing the accounting period net loss or profit which belongs to the shareholders by the weighted average number of ordinary shares whereby ordinary shares owned by the Company or Group shall be excluded.

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

10.3 Audited separate statement of other comprehensive income of UNIOR d.d. for the period between 01/01/2023 and 31/12/2023

	(in EUR) Item	January-December 2023	January-December 2022
1.	**Net profit/loss of the financial year after tax**	**226,995**	**5,075,396**
2.	**Other comprehensive income of the accounting period, after tax**	**397,748**	**1,072,076**
2.1	**Items which will not be subsequently reclassified as profit or loss**	**397,748**	**1,072,076**
	Net profit/loss recognised in due fair value reserves in relation to tangible fixed assets	(49,263)	367,213
	Net profit/loss recognised in the due fair value reserves in respect of intangible fixed assets	0	0
	Actuarial net profit/loss for retirement benefit plans and changes to deferred taxes recognised in retained profit/loss	447,011	704,863
3.	**Total comprehensive income of the financial year after tax**	**624,743**	**6,147,472**

(in EUR) Item	January-December 2023	January-December 2022
Total comprehensive income of the financial year after tax per share	0.23	2.22

Total comprehensive income of the financial year after tax per share is calculated by dividing the accounting period total comprehensive income which belongs to the shareholders by the weighted average number of ordinary shares whereby ordinary shares owned by the Company or Group shall be excluded.

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

10.4 Audited separate cashflow statement of UNIOR d.d. for the period between 01/01/2023 and 31/12/2023

(in EUR)	Item	Note	January-December 2023	January-December 2022
A.	***Cash flows from operating activities***			
a)	**Net profit or loss**		**226,995**	**5,075,396**
	Profit or loss before tax		(306,124)	4,866,965
	Income tax and other taxes not included in operating expenses	10.9	533,119	208,431
b)	**Adjustments for**		**14,199,404**	**9,320,297**
	Depreciation (+)	10.7.1, 10.7.2	8,664,199	8,878,787
	Operating revenue from revaluation associated with investment and financing items (-)	10.8.2	(111,018)	(109,393)
	Operating expenses from revaluation associated with investment and financing items (+)	10.8.3	38,395	196,362
	Allowances set up for receivables	10.7.6	25,794	31,766
	Allowances set up for inventories	10.7.5	60,469	76,775
	Formation and reversal of non-current provisions	10.7.10	227,983	1,461,609
	Financial revenue excluding financial revenue from operating receivables (-)	10.8.4	(1,208,535)	(4,471,554)
	Financial expenses excluding financial expenses from operating liabilities (+)	10.8.4	6,502,117	3,255,945
c)	**Changes in net current assets (and accruals and deferrals, provisions and deferred tax assets and liabilities) of operating items of the balance sheet**		**(10,680,929)**	**(2,381,296)**
	Opening less closing operating receivables	10.7.6	(924,929)	2,749,346
	Opening less closing deferred tax assets	10.7.13	(601,689)	(556,933)
	Opening less closing assets (groups for disposal) held for sale		0	0
	Opening less closing inventories	10.7.5	433,720	(10,441,096)
	Closing less opening operating liabilities	10.7.15	(9,637,294)	5,615,912
	Closing less opening deferred tax liabilities	10.7.13	49,263	251,475
d)	**Net cash from operating activities (a + b + c)**		**3,745,470**	**12,014,397**
B.	***Cash flows from investing activities***			
a)	**Cash proceeds from investing activities**		**3,869,391**	**8,092,769**
	Cash proceeds from interest and profit participations relating to investing activities	10.8.4	1,208,535	2,736,629
	Cash proceeds from disposal of intangible assets	10.7.1	155,664	0
	Cash proceeds from disposal of property, plant and equipment	10.7.2	146,688	126,310
	Cash proceeds from disposal of investment property	10.7.3	0	0
	Cash proceeds from disposal of non-current financial investments	10.7.4	404,731	2,870,684
	Cash proceeds from disposal of current financial investments	10.7.7	1,953,773	2,359,146
b)	**Cash repayments from investing activities**		**(13,569,757)**	**(8,473,680)**
	Cash repayments to acquire intangible assets	10.7.1	(3,721,932)	(91,907)
	Cash repayments to acquire tangible fixed assets	10.7.2	(7,333,517)	(6,781,068)
	Cash repayments to acquire investment property	10.7.3	(67,757)	0
	Cash repayments to acquire non-current investments	10.7.4	0	(504,076)
	Cash repayments to acquire current investments	10.7.7	(2,446,551)	(1,096,629)
c)	**Net cash from investing activities (a + b)**		**(9,700,366)**	**(380,911)**
C.	***Cash flows from financing activities***			
a)	**Cash proceeds from financing activities**		**43,361,829**	**37,577,473**
	Cash proceeds from paid-in capital		0	0
	Cash proceeds from increase in non-current financial liabilities	10.7.11	25,585,657	2,504,165
	Cash proceeds from disposal of current financial investments	10.7.14	17,776,172	35,073,308
b)	**Cash repayments from financing activities**		**(36,817,396)**	**(47,875,776)**
	Interest paid on financing activities	10.8.4	(6,463,843)	(2,613,844)
	Cash repayments to acquire treasury shares	10.7.9	0	0
	Cash repayments of non-current financial liabilities	10.7.11	(60,617)	(49,561)
	Cash repayments of current financial liabilities	10.7.14	(30,292,936)	(45,212,371)
	Dividends and other profit shares paid		0	0
c)	**Net cash from financing activities (a + b)**		**6,544,433**	**(10,298,303)**
D.	***Closing balance of cash***		**3,841,662**	**3,252,125**
	Net cash flow for the period (sum of items Ad, Bc and Cc)		589,537	1,335,183
	Opening balance of cash		3,252,125	1,916,942

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

10.5 Audited separate statement of changes in equity of UNIOR d.d. for the period between 01/01/2023 and 31/12/2023

Changes in equity for the period between 31/12/2022 and 31/12/2023

(in EUR)	I. Called-up capital	II. Capital reserves	III. Reserves from profit				IV. Reserves from revaluation at fair value	V. Net profit or loss carried forward	VI. Net profit or loss for the financial year	Total
	Fixed capital		Statutory reserves	Reserves for Treasury shares	Treasury shares (ded. item)	Other reserves from 18,509,213				
A.1. Balance at the end of the previous financial year	**23,688,983**	**30,277,035**	**1,417,442**	**2,721,454**	**(2,687,821)**	**18,509,213**	**9,571,371**	**11,759,063**	**5,075,396**	**100,332,136**
A.2. Opening balance of the reporting period	**23,688,983**	**30,277,035**	**1,417,442**	**2,721,454**	**(2,687,821)**	**18,509,213**	**9,571,371**	**11,759,063**	**5,075,396**	**100,332,136**
B.1. Changes in owner capital – transactions with owners	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
B.2. Total comprehensive income of the reporting period	**0**	**0**	**0**	**0**	**0**	**0**	**397,748**	**0**	**226,995**	**624,743**
Entry of operating profit/loss of the financial year	0	0	0	0	0	0	0	0	226,995	226,995
Entry of actuarial profit from termination benefit provisions	0	0	0	0	0	0	447,011	0	0	447,011
Changes in reserves from valuation at fair value	0	0	0	0	0	0	(49,263)	0	0	(49,263)
B.3. Changes in equity	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**5,075,396**	**(5,075,396)**	**0**
Reallocation of the remaining part of the net profit from the comparative financial year to other equity items	0	0	0	0	0	0	0	5,075,396	(5,075,396)	0
Reserves for treasury shares and own participating interests	0	0	0	0	0	0	0	0	0	0
C. Closing balance of the financial year	**23,688,983**	**30,277,035**	**1,417,442**	**2,721,454**	**(2,687,821)**	**18,509,213**	**9,969,119**	**16,834,459**	**226,995**	**100,956,879**

Changes in equity for the period between 31/12/2021 and 31/12/2022

(in EUR)	I. Called-up capital	II. Capital reserves	III. Reserves from profit				IV. Reserves from revaluation at fair value	V. Net profit or loss carried forward	VI. Net profit or loss for the financial year	Total
	Fixed capital		Statutory reserves	Reserves for Treasury shares	Treasury shares (ded. item)	Other reserves from profit				
A.1. Balance at the end of the previous financial year	**23,688,983**	**30,277,035**	**1,417,442**	**2,723,119**	**(2,687,821)**	**18,507,548**	**8,499,295**	**9,013,227**	**2,745,836**	**94,184,664**
A.2. Opening balance of the reporting period	**23,688,983**	**30,277,035**	**1,417,442**	**2,723,119**	**(2,687,821)**	**18,507,548**	**8,499,295**	**9,013,227**	**2,745,836**	**94,184,664**
B.1. Changes in owner capital – transactions with owners	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
B.2. Total comprehensive income of the reporting period	**0**	**0**	**0**	**0**	**0**	**0**	**1,072,076**	**0**	**5,075,396**	**6,147,472**
Entry of operating profit/loss of the financial year	0	0	0	0	0	0	0	0	5,075,396	5,075,396
Entry of actuarial profit from termination benefit provisions	0	0	0	0	0	0	704,863	0	0	704,863
Changes in reserves from valuation at fair value	0	0	0	0	0	0	367,213	0	0	367,213
B.3. Changes in equity	**0**	**0**	**0**	**(1,665)**	**0**	**1,665**	**0**	**2,745,836**	**(2,745,836)**	**0**
Reallocation of the remaining part of the net profit from the comparative financial year to other equity items	0	0	0	0	0	0	0	2,745,836	(2,745,836)	0
Reserves for treasury shares and own participating interests	0	0	0	(1,665)	0	1,665	0	0	0	0
C. Closing balance of the financial year	**23,688,983**	**30,277,035**	**1,417,442**	**2,721,454**	**(2,687,821)**	**18,509,213**	**9,571,371**	**11,759,063**	**5,075,396**	**100,332,136**

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

10.6 Notes to audited separate financial statements of UNIOR d.d.

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

The financial statements were compiled for the year ending on 31/12/2023.

A list of all companies in which UNIOR d.d. holds at least a 20 per cent participating interest as well as all particulars thereof are disclosed in Section 9.6.1 of the 2023 Annual Report.

Explanatory information is included in the report so as to clarify those accruals and transactions relevant to the understanding of changes to the financial position and operating result of UNIOR d.d. during the 2023 financial year.

10.6.1 Statement of compliance

The individual financial statements have been drawn up in line with International Financial Reporting Standards (IFRS) as adopted by the International Accounting Standards Board (IASB) and interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) as adopted by the European Union and in compliance with the provisions of the Companies Act (ZGD-1).

As regards the process of standard confirmation by the European Union, there were no differences as at the financial position statement date between the accounting policies used by UNIOR d.d., and the International Financial Reporting Standards (IFRS) adopted by the European Union. These mandatory financial statements have been compiled to comply with legal requirements.

The financial statements of UNIOR d.d. were confirmed by the Management Board of UNIOR d.d. on 25/04/2024.

10.6.2 Measurement bases for the financial statements

The financial statements were drawn up using the assumption of going concern of the company meaning that assets are acquired and sold and that liabilities are settled as part of normal operations.

The financial statements were drawn up taking into account historical cost, except for land, investment property, financial assets valued at fair value through profit or loss and financial instruments valued at fair value through other comprehensive income in addition to derivatives where the fair value has been taken into account. The methods used to measure fair value are described in Section 10.6.2.1 of the 2023 Annual Report.

10.6.2.1 Hierarchy of fair value levels

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. All assets and liabilities measured or disclosed in the financial statements at fair value are categorised into different levels of the fair value hierarchy in the level of the lowest level input that is significant to the entire measurement:

Assets and liabilities measured or disclosed at fair value are classified into a fair value hierarchy consisting of the following levels:

- Level 1: assets valued using the stock exchange quotation on the last day of the accounting period;
- Level 2: unquoted assets and whose value can be monitored for the entire tenor thereof;
- Level 3: assets whose value cannot be obtained from market data; this category discloses land and investment property measured at fair value and at fair value disclosed plant and equipment valued at cost subject to verification of signs of impairment. This level also includes fair value disclosures of non-current investments valued at cost less impairment and operating liabilities, whereas current investments and liabilities are valued at amortised cost.

Classification of assets and liabilities in relation to their fair value as at 31/12/2023

(in EUR)	Level 1	Level 3	Total
Property, plant and equipment		**12,664,858**	**12,664,858**
– Land		*12,664,858*	*12,664,858*
Investment property		**817,284**	**817,284**
Non-current investments	**0**	**611,673**	**611,673**
– Quoted shares	*0*	*0*	*0*
– Non-current investments – long-term loans		*611,673*	*611,673*
Non-current operating receivables		**225,524**	**225,524**
Current investments		**1,130,044**	**1,130,044**
Current operating receivables		**29,310,702**	**29,310,702**
Non-current financial liabilities		**86,123,296**	**86,123,296**
Non-current operating liabilities		**0**	**0**
Current financial liabilities		**11,039,571**	**11,039,571**
Current operating liabilities		**40,919,876**	**40,919,876**

Classification of assets and liabilities in relation to their fair value as at 31/12/2022

(in EUR)	Level 1	Level 3	Total
Property, plant and equipment		**12,587,912**	**12,587,912**
– Land		*12,587,912*	*12,587,912*
Investment property		**749,527**	**749,527**
Non-current investments	**0**	**1,016,405**	**1,016,405**
– Quoted shares	*0*	*0*	*0*
– Non-current investments – long-term loans		*1,016,405*	*1,016,405*
Non-current operating receivables		**7,222,397**	**7,222,397**
Current investments		**637,266**	**637,266**
Current operating receivables		**28,513,244**	**28,513,244**
Non-current financial liabilities		**10,328,213**	**10,328,213**
Non-current operating liabilities		**0**	**0**
Current financial liabilities		**73,828,378**	**73,828,378**
Current operating liabilities		**50,557,170**	**50,557,170**

Land and investment property are valued at fair value established by valuation, non-current investments are disclosed at cost less impairment, whereas operating liabilities, current investments and liabilities at amortised cost.

The methodology used for estimated values is disclosed by category in Section 10.7 of the 2023 Annual Report.

10.6.2.2 Functional and reporting currency

All financial statements and notes thereto are drawn up and presented in euros (EUR) or the functional currency in Slovenia and the functional currency of the company without cents and are rounded to the nearest whole number. When using addition, rounding errors may occur.

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 and non-cash and liabilities denominated in foreign currencies as at the financial position statement date are translated into functional currency using the European Bank balances reference exchange rate on the last day of the accounting period. Exchange rate differences are recognised in the profit or loss statement.

10.6.2.3 Significant estimates and judgements

In accordance with the International Financial Reporting Standards, estimates, judgements and assumptions affecting the application of policies and the disclosed values of assets and liabilities, revenue and expenses are made by the Management Board of the company for financial statement compilation purposes. Estimates are made subject to experience from previous years and expectations in the reporting period. The methods of forming estimates and accompanying assumptions and uncertainties are disclosed in notes to individual items.

Estimates include establishing the useful life and other values of property, plant and equipment and intangible non-current assets, revenue from contracts with customers, value adjustments of inventories and receivables, impairments of investments and goodwill, relevant assumptions for the actuarial calculation of some earnings of employees, assumptions included in the calculation of any provisions set up for actions, the assessed duration of leases and the used interest rate and the assessment of usage options of deferred tax assets. Estimates, assessments, and assumptions are reviewed regularly. As the actual performance may diverge, they are subject to continuous verification and revision. Changes to accounting estimates are recognised in the period for which estimates are changed or for all future periods the change will impact.

Highlights of critical uncertainty assessments and material assessments drawn up by the company in the accounting policy implementation process and which have the biggest impact on the amounts in the financial statements are described below:

ASSESSMENT OF THE IMPAIRMENT OF PROPERTY, PLANT AND EQUIPMENT

The existence of any impairment indications for property, plant and property shall be assessed by the company in compliance with IAS 36. The company shall assess at the date of each reporting if there are any such indications (significant technological change, market change, obsolescence or physical state of any tangible asset) that an asset may be impaired. If such an indication is identified, the recoverable amount shall be estimated by the company. Assets shall be impaired if their carrying amount exceeds their recoverable amount. The recoverable amount is the higher of the two items: fair value less costs to sell and its value in use.

As far as estimates and judgements of land are concerned, land is valued subject to CUT valuation methods.

GOODWILL IMPAIRMENT ASSESSMENT

Every year, the company shall assess the recoverable amount of goodwill based on its value in use upon drawing up its financial statements. The determination of the current value of future cash flows shall require an estimate of the expected cash flows of the cash-generating unit to which goodwill is allocated and the determination of the appropriate discount rate and other material items.

ASSESSMENTS OF THE APPROPRIATENESS OF THE USEFUL LIVES OF DEPRECIABLE ASSETS

The useful life of depreciable assets is assessed by taking into account the expected physical use, technical obsolescence, economic obsolescence and expected statutory as well as other restrictions on their use. In addition, the Company shall review the useful life of material assets – in the event of a change in circumstances or if a change to the useful life and the resulting revaluation of depreciation costs is required. Notes 10.7.1, 10.7.2 and 10.7.3 of the 2023 Annual Report.

INVESTMENTS

The company has classified investments into investments measured at cost, investments measured at fair value through profit or loss and investments at amortised cost. The company shall assess investments by assessing impairment indications and for investments, where these exist (the value of the investment exceeds the value of the proportionate holding of capital in the company), carry out a valuation of investments subject to future cash flows or using the income approach through the recoverable amount of value in use or the recoverable amount arising from fair value less costs of sales. Investments in debt, measured at amortized value, shall be assessed by the company subject to the rating of the debtors and regularity of repayment subject to depreciation plans. Notes 10.7.4 and 10.7.7 of the 2023 Annual Report.

ASSESSMENT OF IMPAIRMENT OF INVENTORIES

At the end of the year, the company verifies the inventories without any movements in the current year and impairs them to their enforceable value. Value adjustments shall be formed by the company subject to the age of inventories. Note 10.7.5 to the 2023 Annual Report.

ASSESSMENT OF THE APPROPRIATENESS OF RECOGNISING REVENUE FROM CONTRACTS WITH CUSTOMERS

The company posts and discloses net revenue in compliance with IFRS 15. Revenue from contracts with customers shall be recognised subject to the provisions of the individual sales contract with the customer, thus the control over goods and services is transferred to the customer in the amount that reflects the compensation that the company expects to be entitled to.

The Company uses the percentage of completion method as at the financial position statement date to recognise revenue from sales generated by the Special Machines programme; whereas revenue from the sales of products, goods and material is generated by Hand Tools and Forge is measured at selling prices stated in invoices and other documents, less discounts and rebates approved either when the sale is made or subsequently, including those granted for early payment. For a more detailed note, please refer to Section 10.6.2.4 of the 2023 Annual Report.

TESTING THE IMPAIRMENT OF INVESTMENTS

Financial statements shall be drawn up by the company by setting up value adjustments or impairments of receivables for which it assumes that they won't be recovered in full are reported or not at all. The value adjustment calculation shall be based on the methodology on the probability or assessment of default by the customer.

PROVISIONS

The Management Board of the company confirms the content and the amount of the provisions formed on the basis of:

- the calculation of provisions for jubilee awards and termination benefits;
- the estimate of the potential expected amount of damages communicated by the legal department of the company or an external attorney subject to existing lawsuits and tort claims.

ASSESSMENT OF PROVISIONS SET UP FOR RETIREMENT ALLOWANCES AND JUBILEE BENEFITS

The current value of retirement allowances and jubilee benefits are recorded as part of obligations to pay out certain post-employment and other benefits. These shall be recognised on the basis of an actuarial calculation. The actuarial calculation is based on the assumptions and estimates in force at the time of the calculation, which may differ from the actual assumptions that will apply at payment due to future changes. This primarily refers to the determination of the discount rate, estimates of employee fluctuations, mortality estimates and estimates of wage growth. Due to the complexity of the actuarial calculation and long-term character of the item, benefit liabilities for certain remuneration are sensitive to changes in those estimates.

The amounts of the provisions formed constitute the best estimate of future expenditure. Note 10.7.10 to the 2023 Annual Report.

ASSESSMENT OF THE SETTING UP ANNUITY PROVISIONS

A provision is recognised when the Company has legal or constructive obligations arising from past events, which can be reliably assessed, and when it is likely that an outflow of resources embodying economic benefits will be required to settle the liability.

The Management Board confirms the content and the amount of the provisions formed on the basis of the estimate of the potential expected amount of damages communicated by the legal department of the company or an external attorney subject to existing lawsuits and tort claims.

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

Contingent liabilities are not recognised in the financial statements, as their amount could not be estimated reliably or their actual existence will be confirmed by the occurrence or non-occurrence of events only in the unforeseeable future that the company has no control over.

The Management Board of the Company shall regularly check whether an outflow of funds allowing economic benefits is likely to be fulfilled in order to settle a contingent liability. If it becomes likely, a provision shall be set up in the financial statements.

DEFERRED TAX

Based on the estimate that there will be sufficient profits available in the future, deferred tax assets have been formed for the following:

- provisions for jubilee awards and termination benefits at retirement;

- impairment of trade receivables,
- impairment of investments,
- relief for investments in research and development,
- relief arising from unused tax loss.

For a more detailed presentation of deferred taxes, please refer to Section 10.7.13 of the 2023 Annual Report.

ASSESSMENT OF THE POSSIBILITY TO USE DEFERRED TAX ASSETS

The company has adopted and approved a strategic business plan for the following five years which show future taxable profit. For tax planning purposes, the Company has drawn up a plan of utilising tax deductions in the upcoming five-year-period indicating that deferred tax assets shall be utilised, namely the tax deductible for investing in R&D in the upcoming four years, whereas the tax deductible for investments in the upcoming five years. The recorded tax losses shall have an unlimited duration of use.

Deferred tax assets recognised as part of provisions formed for jubilee awards and termination benefits, are decreased by appropriate amounts through the uptake of provisions formed and increased by appropriate amounts with respect to the newly formed provisions.

As the impairment of investments and trade receivables are not recognised as a deductible tax expense when set up, the company has set up deferred tax assets equivalent to the difference between the tax and book value of trade receivables and investments. Deferred tax assets shall be derecognised by the company upon the disposal or derecognition of investments, whereas trade receivables upon recovery or definite write-off.

Deferred tax assets for unutilised deductibles for fixed assets shall be recognised in the amount of 40% of the invested amount in equipment and intangible assets for the last five years. These assets shall be derecognised in the period and in the amount when the tax basis shall be reduced in the tax return as a result of utilising tax deductibles.

The tax rate used to calculate the amount of deductible temporary differences is 19% for liabilities and 22% for receivables. Based on the conditions set out in the IAS 12 and the Business Plan for the coming period, taxable profits will be available to cover the unused tax losses in the coming years.

Disclosed deferred tax liabilities arise from taxable temporary differences from the revaluation of land to a higher value and from the revaluation of termination benefits.

In the financial position statement, the company discloses offset deferred tax assets and liabilities; in more detailed disclosures, these are expressed in gross terms.

As at the reporting date, the disclosed amount of deferred tax assets and deferred tax liabilities is disclosed. Deferred tax assets shall be recognised in the event of a likely net profit available in the future to which the deferred tax assets may be debited in the future. If the company fails to have sufficient profits at its disposal, the disclosed amount of deferred tax assets is lowered accordingly. Note 10.7.13 to the 2023 Annual Report.

RISKS

In compliance with IFRS 7, financial risks (credit risk, interest rate risk and liquidity risk) are disclosed and presented in detail in the financial part of the 2023 Annual Report, namely in Section 10.11.

MATERIALITY

The company shall post, value and disclose items by taking into account the materiality principle. The nature and degree of materiality are defined in compliance with IAS 1 and IAS 8. In financial statements, items are material if they could, individually or collectively, influence the economic decisions that users make on the basis of the financial statements. Materiality was defined by the company taking into account qualitative and quantitative factors. All items denoted by Roman numerals in the financial position statement are deemed material and the same applies to items in capital letters in the income statement. Within these items, material are all amounts exceeding 10 per cent of the explanatory category in the financial statements (quantitative criterion) or information that the Management Board deems useful for users of accounting information (qualitative criterion).

Individual categories of prescribed disclosures and all material matters are presented in conformity with International Financial Reporting Standards. Comparative information from the previous period has also been disclosed and the said information included the quantitative and descriptive sections for all material disclosed amounts in the financial statements. The comparative figures have been adjusted to equate the presentation of the information in the current year.

10.6.2.4 Summary of accounting policies used and disclosures

The company uses the same accounting policies for all periods presented in the enclosed financial statements. The accounting policies and calculation methods used have remained the same as during the last annual reporting, with the exception of those which have resulted from newly adopted standards and notes.

PROPERTY, PLANT AND EQUIPMENT

Land is valued subject to the revaluation model based on the appraisal of a licensed appraiser in conformity with international valuation standards. Valuation shall be carried out at least every five years. The revaluation surplus is disclosed in the equity category as a fair value reserve and does not directly affect the profit or loss.

Building construction and buildings, plant and equipment are measured using the cost model. An asset is disclosed at cost less the accumulated depreciation adjustment and any accumulated impairment losses. The manner and methods used for the valuation of assets for impairment are described below under the heading Impairment of tangible fixed assets. 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 restoring it to the condition required 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 where it was located. The company undertakes this obligation either upon acquisition or as a consequence of having used the item during a particular period for purposes other than to produce inventories during that period.

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

BORROWING COSTS

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. Borrowing costs shall be capitalised for qualifying assets. When the asset is transferred, borrowing costs shall no longer be capitalised. Borrowing costs, capitalised during the period, shall not exceed borrowing costs incurred during the same period.

SUBSEQUENT COSTS

The subsequent costs associated with the replacement of an item of property, plant and equipment increases its cost. Other subsequent expenditures associated with an item of property, plant and equipment increase its cost if it is likely that its future economic benefits will exceed the originally estimated one. All other expenditures are recognised as expenses when they arise.

DEPRECIATION

The amount of depreciation in each period is recognised in the profit or loss. The depreciation of an asset begins 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 period and method for a depreciable 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 depreciation period is changed accordingly subject to the remaining expected useful life of the asset. The residual value of an asset is only taken into account for material items by also taking into account the costs of the liquidation of the item of property, plant and equipment. Land and works of art are not depreciated.

Depreciation rates used by the company have not changed considerably compared to the previous year and amount to:

	Lowest (in %)	Highest (in %)
Property, plant and equipment:		
Property:		
Property	0.6	13.6
Masonry buildings	0.6	13.6
Other buildings	1.5	10.0
Equipment:		
Production equipment	0.4	50.0
Computer and electrical equipment	0.6	56.7
Fork lifts and hoists	0.4	22.1
Cars and tractors	10.0	20.5
Cleaning and heating equipment	3.3	20.6
Measuring and control devices	1.5	20.3
Furniture – office and other	1.3	21.3
Other equipment	33.3	50.5

DERECOGNITION

The recognition of the carrying amount of individual items of property, plant and equipment is reversed upon disposal or if no future economic benefits are expected 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.

APPROPRIATENESS OF USEFUL LIVES

The useful life of assets is assessed by taking into account the expected physical use, technical obsolescence, economic obsolescence and expected statutory as well as other restrictions on their use. In addition, the Company shall review the useful life of material assets – in the event of a change in circumstances or if a change to the useful life and the resulting revaluation of depreciation costs is required.

CAPITALISED OWN PRODUCTS

Capitalised own products and services are products and services generated by the company and subsequently includes them in property, plant and equipment. The cost of intangible fixed assets completed in the company includes costs related directly thereto and general costs of production attributable to the particular asset. Capitalised own products also include own produced investments which cause an increase in the cost of an already qualified tangible fixed asset. We do not recognise capitalised own products in revenue, but reduce the basic cost categories relating to the cost of constructing or production such an asset in accordance with the standards.

LEASES

When an agreement is concluded, the company assesses if it is a lease contract or if the contract contains a lease. The contract shall contain a lease if the right to control the use of an identified asset throughout the period of use is transferred in return for a consideration. The company shall determine the lease term as the non-cancellable period of a lease, together with both:

- periods covered by an option to extend the lease if the lessee is reasonably certain to exercise that option; and
- periods covered by an option to terminate the lease if the lessee is reasonably certain not to exercise that option.

RIGHT-OF-USE ASSETS

In compliance with IFRS 16, the company shows contracts which include lease as a right-of-use asset. The scope of IFRS 16 includes leases of all assets, with some exceptions. The company has decided to apply exemptions for short-term (up to 1 year) and low-value leases (leased assets of up to EUR 5,000 in value). Asset values are recognised in the current value of unpaid lease payments. Lease rights are also calculated by taking into account any initial direct costs and an estimate of costs incurred in removing or restoring the asset. The incremental borrowing rate is laid down subject to the interest rate used for risk-free government bonds and a credit spread.

Right-of-use assets are measured using the cost model. The initial value of rights-of-use assets over their useful life is decreased by depreciation and loss from impairment and adjusted for any remeasurement of the lease liability. Right-of-use assets shall be depreciated by the company on a straight-line basis over the shorter of the estimated lease term or useful life of the asset.

LEASE LIABILITIES

At the commencement date of the lease, the company shall measure the lease liability at the present value of future lease payments to be made in the estimated lease term. Lease payments included in measuring lease liabilities shall include fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate. Lease payments shall also include amounts expected to be payable by the company under residual value guarantees. Lease liability shall also include the exercise price of a purchase option if the company is reasonably certain to exercise that option and payments of penalties for terminating the lease, if the lease term reflects the company exercising an option to terminate the lease. Variable lease payments not included in the measurement of the lease liability in the period in which the event or condition that triggers those payments occurs shall be recognised by the company after the commencement date of the lease in profit or loss.

If the lease duration was not specified (lease of indefinite duration), the agreement was restricted to the duration of the medium-term business plan of the company (five years) and using a 1.2 per cent discount rate; in the case of new contracts from 2023, a 3.9 discount rate was used.

After the commencement date of the lease term, lease liability is increased by accrued interest and decreased by lease payments. The carrying amount of lease liability shall be re-measured in the event of a change to the lease term, to the lease payments or to the assessment of the purchase option of the leased asset.

Right-of-use assets and lease liabilities are disclosed as separate items in the statement of financial position.

INTANGIBLE ASSETS

Intangible assets are valued using the cost model. They are initially recognised at cost equalling fair value. After the initial recognition, intangible assets are disclosed at cost less the amortisation adjustment and the eventual impairment loss.

CAPITALISED DEVELOPMENT COSTS

Development costs incurred are 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 (capitalisation of costs). The company shall include the following among development costs recognised as an intangible asset: labour costs and costs of external services required for the development of new technological solutions, in the event of the creation of an asset arising from development, material costs related to the creation of the development asset shall also be capitalised as deferred development costs.

GOODWILL

Goodwill shall be recognised at business combinations and the valuation of the acquisition. 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 participating interest issued by the company. After initial recognition, goodwill is measured at cost less accumulated impairment. The impairment is reviewed once a year for each item the goodwill refers to. After the initial recognition, the company shall review the existence of factors which could negatively impact the future cash flows of the cash-generating unit acquired at the business combination. The reduction of the value of the cash-generating unit shall be recognised in the financial statements as an impairment of goodwill or the cash-generating unit, debited to the current profit or loss.

SUBSEQUENT COSTS

Subsequent costs of items of property, plant and equipment are recognised in the carrying amount of this item, if it is probable that the future economic benefits embodied with this asset will flow to the company and the cost of the item can be measured reliably. All other costs shall be recognised in the profit or loss as costs for the period.

DEPRECIATION
Depreciation 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 depreciation method over the asset's useful life. The depreciation period and 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 depreciation 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 the asset is expected to be used.

The amount of depreciation in each profit or loss is debited to the profit or loss.

Depreciation rates used by the company have not changed considerably compared to the previous year and amount to:

	Lowest (in %)	Highest (in %)
Capitalised costs of investments in fixed assets of others	20.0	20.0
Deferred development costs	20.0	22.6
Property rights	3.3	33.4
Other intangible non-current assets	3.3	33.4

APPROPRIATENESS OF USEFUL LIVES
The company shall assess the useful life of intangible assets with a definite useful life by taking into account the expected utility arising from software procurement contracts or the utility or the likelihood of disposal of projects arising from capitalised non-current deferred development costs. Goodwill has an indefinite useful life. In the event of changes to the circumstances applicable at the assessment of the useful life, the useful life shall be changed and depreciation costs revalued.

DERECOGNITION
An intangible asset shall be derecognised when the asset is disposed of or retired as no economic benefit is expected from its use or disposal.

INVESTMENT PROPERTY

Investment property is held with the aim of generating lease payments or increasing the value of a non-current investment. Initially, investment property shall be measured at cost, consisting of the purchase price and costs attributable directly to the purchase. Investment property is measured subsequently using the fair value method; the fair value is estimated subject to an appraisal of a licensed property appraiser. Valuation shall be carried out at least every five years. Changes in fair value are recognised in the income statement.

DERECOGNITION
Investment property is not depreciated. Investment property shall be derecognised when the investment property is disposed of or retired as no economic benefit is expected from its use or disposal. The difference between the price of disposal and the carrying amount shall be debited to the profit or loss.

INVESTMENTS IN SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

Investments into subsidiaries, associates and joint ventures are valued at cost. At the end of the year, the Company assesses if there is any objective evidence that an investment is impaired. If there are any indications of an impairment, it carries out a valuation subject to future cash flows. The impairment of investments is recognised in the profit and loss statement.

FINANCIAL INSTRUMENTS

In compliance with IFRS 9, financial assets shall be classified and measured subject to the business model for managing the assets and the assets' contractual cash flow characteristics (depending on the fact if these are solely payments of principal and interest on the principal amount outstanding). When a financial asset is first recognised, it is classified into one of the following business models:

1. the asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows (measurement at amortised cost),
2. the asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets (measurement at fair value through other comprehensive income),
3. the asset is held within another model (measurement at fair value through profit or loss).

The business model may be changed only in exceptional cases.

<u>MODEL FOR COLLECTING CONTRACTUAL CASH FLOWS – FINANCIAL INSTRUMENTS AT AMORTISED COST</u>
Financial assets held within the business model used to acquire contractual cash flows and provided that the cash flows represent only payments of principal and interest on the principal amount outstanding (loans, receivables and unlisted debt securities) are allocated to these financial instruments. A financial instrument is recognised at fair value increased by costs directly attributable to the transaction. Profit and loss is recognised in the profit or loss account upon elimination, modification or impairment.

<u>MODEL FOR SELLING AND COLLECTING CONTRACTUAL CASH FLOWS – FINANCIAL INSTRUMENTS MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME</u>
This category has been formed for equity securities which could be preserved in our portfolio for a longer period of time upon the decision to recognise them. These equity securities are not held for trading purposes. Upon initial recognition, equity securities are measured at fair value by taking into account transaction costs arising from the acquisition of the financial asset. Gains and losses arising from these financial instruments are never allocated to the statement of profit or loss. Dividends from financial instruments allocated to this category are recognised as financial revenue in the statement of profit or loss.

<u>OTHER MODELS – FINANCIAL INSTRUMENTS MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS</u>
Financial instruments allocated to this category are those intended for trading purposes and those who need to be measured by the company at their fair value. Gains and losses arising from these financial instruments are allocated to the statement of profit or loss. Dividends from financial instruments allocated to this category are recognised as financial revenue in the statement of profit or loss.

OPERATING RECEIVABLES

Non-current and current trade receivables, receivables due from the state and employees are recorded separately in the ledger. Interest receivable on the above is also recognised in the operating receivables category. Non-current and current operating receivables are disclosed at transaction value. Operating receivables denominated in foreign currencies on the last day of the financial year are translated to the domestic currency according to the reference exchange rate of the European Central Bank. The suitability of the disclosed individual receivable is established at the end of the reporting period based on informed evidence regarding expected repayment cash flows.

The receivables impairment method is described in Section 10.6.2.3 of the 2023 Annual Report, “Impairment of Assets”.

COMMODITY LOANS

The company extends commodity loans to Group companies and associates as required for their operations. Commodity loans are recognised among non-current operating receivables. Interest on commodity loans can also be accrued. Value adjustments for commodity loans given are made given any expected losses in respect of the risk that outstanding receivables may not be recovered.

LOANS GIVEN

Upon initial recognition, loans given are recognised at fair value less costs by taking into account the effective yield method. Depending on their maturity date, they are classified as non-current or current assets as at the settlement date. Subject to the rating of the borrower, the credit risk is managed by laying down the maturity of the loan and the repayment method secured by standard collateral. Collateral is liquidated in the event of default of the borrower as per agreement. The loan repayment ability is assessed by using the cash flow availability and the method of assessing the net value of assets the creditor disposes of serving as the basis of repayment of the loans given.

LOANS RECEIVED

Upon initial recognition, loans received are valued at fair value less costs by taking into account the effective yield method. The structure of loans received 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 non-current or current financial liabilities upon recognition. On the last day of the year, all financial liabilities that fall due within the next year are transferred to current 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 (groups for disposal) for sale are non-current assets intended for sale whose value will be recovered through their sale within the next twelve months and not through their use. Non-current assets are reclassified as assets held for sale at a time when their sales are highly probable and IFRS 5 conditions are met, meaning that there are a known buyer and a preliminary contract or contract for their sale has been signed. Assets are reclassified to assets held for sale at the lower of their carrying amount or fair value less costs to sell as previously disclosed among non-current assets irrespective of the expected purchase price for a particular asset. Assets held for sale are not depreciated.

INVENTORIES

Inventories of materials are measured at the lower of cost and net realisable value. The net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and sale. The unit of quantity price of an item held in inventory includes costs incurred when acquiring inventories and bringing them to their present location and condition.

Inventories of work in progress and finished products shall be valued at production costs. The consumption of inventories is disclosed according to the weighted average cost method. At the end of the year, the company verifies the inventories without any movements in the current year and impairs them to their realisable value.

The inventories impairment method is described in Section 10.6.2.3 of the 2023 Annual Report, “Impairment of Assets”.

CASH

Cash includes cash in hand and demand 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 as at the last day of the financial year.

CAPITAL

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

DIVIDENDS
Dividends are recognised in the financial statements of the company upon adoption of the respective dividend distribution decision by the General Meeting of Shareholders.

REDEMPTION OF TREASURY SHARES
In 2019, the company obtained treasury shares by virtue of a judgement becoming final. These are recognised in the financial statements as a deduction equity item. Shares are disclosed using the user-cost method. Reserves for treasury shares in the value of obtained treasury shares are established against other revenue reserves. The number of treasury shares is indicated in Sections 5 and 10.7.9 of the 2023 Annual Report.

PROVISIONS

Provisions are recognised when the Company has legal or constructive obligations arising from past events, which can be reliably assessed, and when it is likely that an outflow of resources embodying economic benefits will be required to settle the liability. The required provisions shall be laid down by the company by using a discount rate which shall be a pre-tax rate of expected future cash flows that reflects current market assessments of the time value of money and the risks specific to the liability.

PROVISIONS FOR JUBILEE BENEFITS AND RETIREMENT ALLOWANCES
In accordance with the corporate collective agreement and statutory provisions, the company is required to account for and pay out jubilee and termination benefits at retirement. These types of earnings are measured using simplified accounting method requiring 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 accrual of earnings in proportion to the work performed. The estimated liability is recognised in the amount of the present value of expected future expenditures. Measurements also include an estimate of the projected increase in salaries and staff turnover.

The calculation serves as the basis for recognising gains or losses in the current year in the income statement. The main parameters taken into account in the calculation are disclosed in further detail in Section 10.7.10 of the 2023 Annual Report.

GOVERNMENT GRANTS

Government grants are recognised at fair value, but not until UNIOR d.d. provides reasonable assurance that conditions related thereto shall be met and the aid is in fact received. Government grants are recognised as income over the periods necessary to match them with the related costs which they are intended to compensate. If a government grant relates to a particular asset, it is recognised as deferred income recognised by UNIOR d.d. in the income statement in the period of the expected useful life of the asset in equal annual instalments.

FINANCIAL LIABILITIES

Financial liabilities are initially recognised at fair value including transaction costs incurred. In subsequent periods, financial liabilities are measured at their amortised cost using the effective interest rate method. Any difference between proceeds (excluding transaction costs) and liabilities is recognised in the income statement throughout the entire period of financial liability.

FINANCIAL DERIVATIVES

Financial derivatives recognised in the consolidate financial position statement shall be measured by the company at fair value through profit or loss. Gains and losses arising from these financial instruments are allocated to the statement of profit or loss in the current period.

CORPORATE INCOME TAX

Corporate income tax is levied in accordance with the Corporate Income Tax Act. Corporate income tax is levied on the basis of gross profit plus fiscally unrecognised costs and less legally permitted tax relief. The corporate income tax liability is calculated from the resulting base amount. A tax base is disclosed for 2023, as listed in Section 10.9 of the 2023 Annual Report.

DEFERRED TAX

In order to disclose an appropriate profit or loss in the reporting period, deferred taxes were also levied. These are disclosed as deferred tax assets and deferred tax liabilities. Deferred taxes were levied using the financial position statement liability method. The carrying amounts of assets and liabilities were compared to 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. Taxable temporary differences increased our taxable amounts and deferred tax liabilities, while deductible temporary differences decreased our taxable amounts and increased our deferred tax assets.

REVENUE

<u>REVENUE FROM CONTRACTS WITH BUYERS (primarily for the Special Machines activity)</u>
Operating revenue is recognised when it is reasonable to expect that they will lead to proceeds unless realised upon inception or they can be measured reliably – in that case, a five-step model in conformity with IFRS 15 is applied. The Company shall recognise revenue from services rendered by using the percentage of completion method as at the financial position statement date, meaning that the Group shall recognise revenue by using an output method based on the milestones achieved from sales agreements with customers. This method is used to recognise revenue in the reporting period in which services were rendered. The amounts of each material category of revenue recognised in the period and generated revenue on domestic and foreign markets are disclosed. Revenue on the domestic market is revenue generated in Slovenia and foreign markets include EU Member States and third countries. During the sales process, UNIOR acts as the principal. As a rule, contractual arrangements do not include any material variable arrangements.

<u>REVENUE FROM SALES OF PRODUCTS, GOODS AND MATERIALS (primarily for the Forge and Hand Tools programmes)</u>
Revenue shall be recognised when the control over products, goods, and materials is transferred to the customer in the amount that reflects the compensation that the company expects to be entitled to in

return. Revenue from contracts with customers at fair value of the received repayment or receivable less discounts granted at the time of or post-sale. In the case of recovery, the company shall issue a credit to the customer which shall be recorded as a reduction of trade receivables at the time of recovery, whereby claim procedures shall be, as a rule, resolved at the time of sale.

The sales of products, goods, and materials shall be recognised dependent on the provisions of the purchase and sale agreement. As a rule, the control over the goods shall be transferred to the customer as soon as the goods are collected by the customer and the recovery of related receivables is reasonably certain.

Items corresponding in materiality from previous periods are also disclosed among revenue from the sale of products, goods, materials and services rendered.

A contract asset is a right to consideration in exchange for goods or services that the entity has transferred to the customers. Contract assets shall also include accrued revenue from the delivery of goods and services to customers. A receivable shall constitute the right of the company to a consideration that is unconditional, i.e., a payment that matures within a fixed term.

A contract liability shall constitute the liability to transfer products, goods, materials, or services to the customer in exchange for a consideration received by the company from the customer. Contract liabilities from contracts with customers shall include liabilities for customer advances received. A contract liability shall be recognised as revenue when the company satisfies its performance obligation subject to the contract.

LEASE REVENUE

Lease revenue includes revenue from leasing apartments, classrooms, and parking spaces. The company allocates lease revenue to operating revenue.

OTHER OPERATING REVENUE INCLUDING OPERATING REVENUE FROM REVALUATION

Donations, grants, subsidies, premiums and revenue from 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 interest payable on the loans given, dividend revenue, revenue from the disposal of available-for-sale financial assets and from exchange rate gains. Revenue from interest payable on loans given is initially recognised using the effective interest rate method. Dividend revenue is disclosed in the profit or loss when the right of redemption is exercised.

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

GROSS OPERATING PROFIT

Gross operating profit comprises sales revenues, changes in the value of inventories of finished products and work-in-progress, and other operating revenue.

EXPENSES – COSTS

Costs are recognised as expenses in the period in which they incur. They are classified by nature. They are disclosed by nature 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.

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.

PROFIT OR LOSS

Profit or loss consists of the operating profit or loss plus financial revenue and less financial expenses.

IMPAIRMENT OF ASSETS

IMPAIRMENT OF PROPERTY, PLANT AND EQUIPMENT

If there is any indication of potential impairment of an asset, its recoverable amount is estimated subject to IAS 36. 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 the event of revaluation of land, the previously built-up capital revaluation surplus is initially decreased. Impairment losses need to be reversed in the event of changes to the estimates 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 revenue. A capital revaluation surplus is built up to reverse the reversal of land impairment. Fair value of land is established by appraisal.

IMPAIRMENT OF INTANGIBLE ASSETS

Intangible assets are verified 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. This decrease is disclosed by the company as an impairment loss and recorded as an operating expense from revaluation.

IMPAIRMENT OF INVENTORIES

The company sets up an allowance according to their age, namely:

- for inventories without any movements in the current year, an allowance in the amount of 5 per cent of the inventories cost is set up,
- for inventories without any movement in two years, an additional allowance of 15 per cent of the inventories cost is set up,
- for inventories without any movement in three years, an additional allowance of 10 per cent of the inventories cost is set up,
- for inventories without any movement in four years, an additional allowance of 10 per cent of the inventories cost set up,
- for inventories without any movement in five years or more, an additional allowance of 10 per cent of the inventories cost is set up.

Impairment losses on inventories are recognised in the income statement. The company does not impair its inventories of tools required for the manufacture of its products and its inventories in its spare part warehouse as these inventories do not lose their value, despite not showing any movement in a longer period of time.

IMPAIRMENT OF INVESTMENTS
At each reporting date, the company performs tests the assessment of investment impairment subject to selected criteria defined in the Bookkeeping Rules in order to establish any objective evidence of potential impairment of the investment. If such reasons exist, the amount of impairment loss is calculated.

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

If the Company makes the judgement that an impairment of investments in subsidiaries and associates is required, the amount of the impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows (or using any other method) discounted at the current market rate of return for a similar financial asset. The impairment loss shall be recognised in the profit or loss as a financial expense.

In terms of financial instruments measured at fair value in profit or loss, gains and losses arising from these are allocated to the income statement.

IMPAIRMENT OF OPERATING RECEIVABLES
The impairment of receivables or the formation of value adjustments are reviewed by the Company in compliance with IFRS 9 which lays down a simplified approach for non-financial entities in the sense that they do not have to establish on the date of the first day of reporting whether there has been a significant rise in the credit risk or not. For operating receivables, impairments shall be determined subject to the Expected Credit Loss, ECL, concept for the entire duration of operating receivables (lifetime expected credit loss) for which a provision matrix for expected credit loss is used subject to IFRS 9. The basis for value adjustments of receivables shall be the provision matrix by sales segment based on the customer default assessment subject to historical credit loss experience adjusted for any future factors from the economic environment excluding secured receivables. Expected Credit Loss (ECL) in compliance with IFRS 9 is shown in Section 10.11 of the 2023 Annual Report.

STATEMENT OF OTHER COMPREHENSIVE INCOME

The statement of other comprehensive income shows net profit or loss and other comprehensive income. This includes items to be transferred in the income statement in the future and items which will not be recognised in the income statement as required or permitted by other IFRS provisions.

CASH FLOW STATEMENT

The company reports cash flow from operating activities using the indirect method based on financial position statement items as at 31/12/2023 and 31/12/2022, the 2023 income statement items and additional data required to adjust inflows and outflows.

STATEMENT OF CHANGES IN EQUITY

The statement of changes in equity shows the movement of the individual components of equity in the financial year (total revenue and expenses as well as transactions with owners in their capacity as owners), including the allocation of net profit or loss. The statement of comprehensive income increases the net profit of the current year by all proceeds directly recognised in equity is included.

10.6.2.5 The use of new and revised IFRS and interpretations of IFRS

Standards and amendments applicable from 01/01/2023

The following new standards, amendments to existing standards and new notes issued by the International Accounting Standards Board (IASB) and adopted by the EU are effective as of 01/01/2023:

- **IFRS 17 – Insurance Contracts:** IFRS 17 introduced an internationally harmonised approach to accounting of insurance contracts. Prior to the adoption of IFRS 17, there was a great deal of diversity in accounting and disclosure of insurance contracts around the world, with IFRS 4 allowing many previous accounting approaches (which were not IFRS compliant) to continue to apply. IFRS 17 will mean significant changes for many insurers, requiring adjustments to existing systems and processes. The new standard takes the view that insurance contracts combine the characteristics of a financial instrument and a service contract, and that many generate cash flows that vary significantly over time.
- **Disclosure of accounting policies (amendment to IAS 1 and IFRS Practice Statement 2):** In February 2021, the IASB issued amendments to IAS 1 that change the disclosure requirements related to accounting policies from "significant accounting policies" to "significant information about accounting policies". The amendments provide guidance on when information about accounting policies is likely to be considered material. The amendments to IAS 1 are effective for annual reporting periods beginning on or after 1 January 2023, with earlier application permitted. As IFRS Practice Statements are non-mandatory guidance, no mandatory effective date has been set for amendments to IFRS Practice Statement 2.
- **Definition of accounting estimates (amendment to IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors):** In February 2021, the IASB issued amendments to IAS 8 that added a definition of accounting estimates in IAS 8. The amendments also clarified that the effects of a change in inputs or measurement technique are changes in accounting estimates unless they result from the correction of errors from prior periods. The amendments to IAS 8 are effective for annual reporting periods beginning on or after 1 January 2023, with earlier application permitted.
- **Deferred tax relating to receivables and liabilities arising from a single transaction (amendments to IAS 12):** In May 2021, the IASB issued amendments to IAS 12 that clarify whether the initial recognition exemption applies to those transactions that result in the simultaneous recognition of an asset and a liability (e.g. a lease under IFRS 16).
- **International tax reform – model rules for Pillar 2 (amendments to IAS 12):** In December 2021, the Organisation for Economic Co-operation and Development (OECD) published Tax challenges arising from the digitalisation of the economy – global model rules against base erosion (Pillar 2): An inclusive framework on BEPS (Pillar 2 model rules). In March 2022, the OECD published commentaries and illustrative examples explaining in more detail how the rules apply and work, and clarifying some of the terminology. Stakeholders raised concerns with the IASB about the potential implications for income tax accounting, in particular the accounting for deferred taxes arising from the Pillar 2 model rules. In response to stakeholder concerns, the IASB issued final amendments to the International Tax Reform – Pillar 2 Model Rules on 23 May 2023. The amendments introduce a temporary exception for entities to recognise and disclose information about deferred tax assets and liabilities associated with the Pillar 2 model rules. The amendments also impose additional disclosure requirements in relation to an entity's exposure to Pillar 2 income taxes.

The standards, amendments and notes effective from 01/01/2023 have not resulted in any material changes to the financial statements.

Standards and the amendments to existing standards issued by the IASB and adopted by the EU that do not yet apply

At the date of approval of these financial statements, the IASB issued the following standards adopted by the EU, but they do not yet apply:

- **Lease Liability in a Sale and Leaseback (amendment to IFRS 16):** The amendments introduce a requirement that a seller-lessee shall designate "lease payments" or "adjusted lease payments" so that the seller-lessee would not recognise any amount of gain or loss relating to the right-of-use retained by the seller-lessee.

New standards and the amendments to existing standards issued by the IASB and not yet adopted by the EU

New standards and amendments to existing standards issued by the IASB which have not been adopted by the EU as of yet, 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 amendments to existing standards:

- **Classification of liabilities as current or non-current (amendment to IAS 1):** In January 2020, the IASB issued amendments to IAS 1 – Classification of Liabilities as Current or Non-current, which were further partially amended by the amendments to Non-current Liabilities with Covenants issued in October 2022. The amendments require that an entity's right to defer settlement of liability for at least 12 months after the reporting period must be substantive and must exist at the end of the reporting period. The classification of the liability is not affected by the likelihood that the entity will exercise its right to defer settlement for at least 12 months after the reporting period. Due to the COVID-19 pandemic, the Board has deferred the effective date of the amendments by one year to annual reporting periods beginning on or after 1 January 2024.
- **Amendment – long-term contractual obligations (amendment to IAS 1):** Following the issuance of amendments to IAS 1 Classifying Liabilities as Current or Non-current, the IASB further amended IAS 1 in October 2022. If an entity's right to defer is subject to certain conditions being met, such conditions affect whether that right exists at the end of the reporting period if the entity is required to satisfy the condition at or before the end of the reporting period, and not if the entity is required to satisfy conditions after the end of the reporting period. The amendments also clarify the meaning of "settlement" for the purpose of classifying liabilities as current or non-current.
- **Supplier Finance Arrangements (amendment to IAS 7 and IFRS 7):** On 25 May 2023, the IASB issued Supplier Finance Arrangements, which amends IAS 7 Cash Flow Statement and IFRS 7 Financial Instruments: Disclosures (amendments). These amendments were made as a result of a submission received by the IFRS Interpretations Committee relating to the reporting of liabilities and related cash flows arising from supplier financing arrangements and related disclosures. In response to this feedback, the IASB has undertaken a narrow standard-setting exercise, which has led to amendments. The amendments require entities to provide specific disclosures (qualitative and quantitative) related to supplier financing arrangements. The amendments also provide guidance on the characteristics of supplier financing arrangements.
- **Lack of Exchangeability (amendment to IAS 21):** On 15 August 2023, the IASB issued Lack of Exchangeability document, which amends IAS 21 The Effects of Changes in Foreign Exchange Rates. The amendments were made as a result of a submission received by the IFRS Interpretations Committee on the determination of the exchange rate in the event of a long-term inability to exchange. Prior to the amendments, IAS 21 did not contain explicit requirements for determining the exchange rate when a currency is not convertible into another currency, which

led to diversity in practice. The amendments introduce requirements for assessing when a currency is convertible into another currency and when it is not. The amendments require an entity to estimate the spot exchange rate if it determines that a currency is not convertible into another currency. The amendments are effective for annual reporting periods beginning on or after 1 January 2025, with earlier application permitted.

The Group foresees that the introduction of these new standards and amendments to existing standards during the initial period of application will not have a significant impact on the consolidated financial statements of the company.

10.7 Disclosures to the audited separate financial position statement of UNIOR d.d.

10.7.1 Intangible assets

(in EUR)	Goodwill	Deferred cost of development	Investments in rights to ind. property	Other intangible assets	INA in acqui-sition	Total
Cost						
Balance as at 31 December 2022	484,728	4,656,927	2,036,689	47,133	91,907	7,317,384
Direct increases-investments	0	51,076	400,812	543,025	2,727,019	3,721,932
Transfer from investments in progress	0	0	0	0	0	0
Decreases during the year	0	0	0	(155,664)	0	(155,664)
Balance as at 31 December 2023	484,728	4,708,003	2,437,501	434,494	2,818,926	10,883,652
Value adjustment						
Balance as at 31 December 2022	80,788	2,068,737	1,896,863	0	0	4,046,388
Depreciation in the year	0	829,989	41,274	0	0	871,263
Decreases during the year	0	0	0	0	0	0
Balance as at 31 December 2023	80,788	2,898,726	1,938,137	0	0	4,917,651
Current value as at 31 December 2023	**403,940**	**1,809,277**	**499,364**	**434,494**	**2,818,926**	**5,966,001**
Current value as at 31 December 2022	403,940	2,588,190	139,826	47,133	91,907	3,270,996

(in EUR)	Goodwill	Deferred cost of development	Investments in rights to ind. property	Other intangible assets	INA in acqui-sition	Total
Cost						
Balance as at 31 December 2021	484,728	6,841,449	2,101,003	61,947	839,563	10,328,690
Direct increases-investments	0	93,434	0	0	91,907	185,341
Transfer from investments in progress	0	839,563	0	0	(839,563)	0
Decreases during the year	0	(3,117,519)	(64,314)	(14,814)	0	(3,196,647)
Balance as at 31 December 2022	484,728	4,656,927	2,036,689	47,133	91,907	7,317,384
Value adjustment						
Balance as at 31 December 2021	80,788	3,862,444	1,922,841	0	0	5,866,073
Depreciation in the year	0	1,323,812	38,336	0	0	1,362,148
Decreases during the year	0	(3,117,519)	(64,314)	0	0	(3,181,833)
Balance as at 31 December 2022	80,788	2,068,737	1,896,863	0	0	4,046,388
Current value as at 31 December 2022	**403,940**	**2,588,190**	**139,826**	**47,133**	**91,907**	**3,270,996**
Current value as at 31 December 2021	403,940	2,979,005	178,162	61,947	839,563	4,462,617

Goodwill arises from the merger by acquisition of Inexa Adria d.o.o. The recoverable amount of goodwill of the cash-generating unit whose operations did not result in any impairment requirements in 2023 subject to tested indicators is reviewed on an annual basis. The company's goodwill is therefore not impaired in 2023.

Non-current development costs amounting to EUR 1,809,277 in total refer to deferred development costs in the Special Machines activity. Development costs incurred are recognised as intangible assets if the Company can demonstrate the technical feasibility of completing the project so that it will be available for use or sale; 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 by the Company, the usefulness of the project). The company shall include the following among development costs recognised as an intangible asset: labour costs and costs of external services required for the development of new technological solutions, in the event of the creation of an asset arising from development, material costs related to the creation of the development asset shall also be capitalised as deferred development costs. At the end of the financial year 2023, the company discloses

EUR 2,727,019 of long-term deferred development costs for the Special Machines programme (development of new machinery and technologies) and the Forge programme (development of the aluminium transformation programme) as intangible assets under acquisition, which also represents the amount of the increase in intangible assets in the current year.

At the drawing up of the financial statements, we carried out an impairment test of material deferred development costs in terms of value. The estimated recoverable amount of deferred development cost exceeds their residual value as at 31/12/2023. As a result, no impairments of deferred development costs were recorded in the 2023 income statement.

Among other intangible fixed assets in the amount of EUR 434,494, long-term deferred costs and accrued revenues are disclosed with the main item being the non-current deferred costs of refinancing with commercial banks, which was completed in 2023 with a maturity of seven years from the date of the contract conclusion.

Goodwill is an intangible asset with an indefinite useful life, whereas all other intangible fixed assets have a definite useful life and are depreciated using a straight-line basis during their useful life. The of intangible assets is disclosed in the income statement under item F. Value write-offs 1. Depreciation.

During the regular annual inventory of intangible assets at the sites of UNIOR d.d. as at 31/10/2023, no excess or shortage of intangible assets was established.

Financing investment costs for the acquisition of an intangible asset until it reflects the enterprise are included in the cost of intangible assets.

The gross carrying amount of fully depreciated intangible assets which are, as at 31/12/2023, still in use is EUR 596,371.

As at 31/12/2023, there are no outstanding obligations for the acquisition of intangible assets.

The company's intangible assets were not impaired due to environmental assumptions.

The company is also not obliged to hand over emission coupons, so it does not dispose of them and does not disclose them in its records.

The company has not pledged any intangible fixed assets as collateral for the repayment of its debts.

10.7.2 Property, plant and equipment

(in EUR)	Land	Buildings	Production equipment	Small tools	Fixed assets for rent	Fixed assets being acquired	Total
Cost							
Balance as at 31 December 2022	12,570,788	68,171,567	147,817,647	644,049	1,784,741	6,398,434	237,387,226
Direct increases – investments	0	0	0	0	286,809	7,046,708	7,333,517
Transfer to fixed assets	0	0	14,821,350	0	0	0	14,821,350
Transfer from investments in progress	94,070	2,683,515	6,062,403	50,690	0	(8,890,678)	0
Decreases during the year	0	(13,455)	(2,107,338)	(8,142)	(5,708)	0	(2,134,643)
Revaluation	0	0	0	0	0	0	0
Balance as at 31 December 2023	12,664,858	70,841,627	166,594,062	686,597	2,065,842	4,554,464	257,407,450
Value adjustment							
Balance as at 31 December 2022	0	42,066,512	105,791,030	608,260	1,041,845	0	149,507,647
Depreciation in the year	0	1,748,352	5,723,284	31,427	289,873	0	7,792,936
Decreases during the year	0	(13,455)	(2,076,680)	(6,114)	0	0	(2,096,249)
Balance as at 31 December 2023	0	43,801,409	109,437,634	633,573	1,331,718	0	155,204,334
Current value as at 31 December 2023	**12,664,858**	**27,040,218**	**57,156,428**	**53,024**	**734,124**	**4,554,464**	**102,203,116**
Current value as at 31 December 2022	12,570,788	26,105,055	42,026,617	35,789	742,896	6,398,434	87,879,579

(in EUR)	Land	Buildings	Production equipment	Small tools	Fixed assets for rent	Fixed assets being acquired	Total
Cost							
Balance as at 31 December 2021	12,172,766	65,572,280	144,785,059	614,018	1,688,892	9,367,844	234,200,859
Direct increases – investments	0	0	0	0	109,858	7,436,149	7,546,007
Transfer from investments in progress	0	2,599,287	7,263,372	31,581	0	(9,894,240)	0
Decreases during the year	(1,592)	0	(4,230,784)	(1,550)	(14,009)	(511,319)	(4,759,254)
Revaluation	399,614	0	0	0	0	0	399,614
Balance as at 31 December 2022	12,570,788	68,171,567	147,817,647	644,049	1,784,741	6,398,434	237,387,226
Value adjustment							
Balance as at 31 December 2021	0	40,330,530	103,950,636	592,019	787,838	0	145,661,023
Depreciation in the year	0	1,735,982	5,509,617	17,033	254,007	0	7,516,639
Decreases during the year	0	0	(3,669,223)	(792)	0	0	(3,670,015)
Balance as at 31 December 2022	0	42,066,512	105,791,030	608,260	1,041,845	0	149,507,647
Current value as at 31 December 2022	**12,570,788**	**26,105,055**	**42,026,617**	**35,789**	**742,896**	**6,398,434**	**87,879,579**
Current value as at 31 December 2021	12,172,766	25,241,750	40,834,423	21,999	901,054	9,367,844	88,539,836

Property, plant and equipment include the disclosure of assets acquired through financial leases at a cost of EUR 1,572,691 and at the present value as at 31/12/2023, EUR 915,878.

Subject to IFRS 16, the company also posts the right-of-use assets acquired subject to an operating lease amounting to EUR 2,065,842, whereby EUR 2,013,602 for leased equipment, EUR 40,824 for leased buildings and EUR 11,416 for leased land. Leased equipment depreciation amounted to EUR 281,708 in 2023, leased buildings to EUR 8,165, and depreciation on leased land amounts to EUR 5,708, as land is not depreciated. Lease interest amounts to EUR 15,026, of which EUR 13,311 for equipment, EUR 1,458 for buildings and EUR 257 for land. Lease obligations amounted to EUR 753,390 at the end of the year (EUR 710,279 for leased equipment, EUR 33,282 for leased buildings and EUR 9,829 for leased land), out of which the current portion amounted to EUR 325,334 (EUR 310,334 for leased equipment, EUR 9,000 for leased buildings and EUR 6,000 for leased land). Current lease expenses not recognised as fixed assets due to a shorter lease term and leases of assets whose value does not exceed the threshold of recognising assets as fixed assets are included among leases in Section 10.8.3 of the 2023 Annual Report.

During the regular annual inventory of property, plant and equipment at the sites of UNIOR d.d. as at 31/10/2023 no excess or shortage of property, plant and equipment was established. However, the inventory committees proposed the exclusion of property, plant and equipment which have been worn out or damaged to such an extent that repair is not worth it and they can no longer be used in the production process. During the regular annual inventory, the carrying amount of excluded property, plant and equipment in 2023 amounted to EUR 12,832.

Among tangible fixed assets, the company also shows the forging tools with a total value of 14,821,350 euros, which in previous periods was shown as inventories of materials.

The largest investments in the Forge programme were: two new machining centres for the mechanical processing of forgings at the Forgings Processing Plant in Slovenske Konjice, worth EUR 1.1 million; EUR 0.6 million for the equipment of the aluminium pressing plant; EUR 0.5 million for the completion of the new forgings pressing line; and EUR 1.9 million for the automation, robotisation and modernisation of existing equipment. The major investment in the Hand Tools programme is the rehabilitation of the roof at the Lenart plant, amounting to EUR 0.1 million, while the difference of EUR 0.2 million to the total investment in the Hand Tools programme is the investment in the modernisation of existing equipment. Investments in the Special Machines programme amounted to EUR 2 million, of which EUR 1.6 million in capitalised own products – long-term deferred costs for the development of new projects. Other investments at company level included the purchase of licences and computer equipment to ensure information security for EUR 1.6 million, the renovation of part of the staff changing rooms for EUR 0.4 million, and the renovation of building facilities and kitchen equipment for EUR 0.4 million.

The company has pledged as collateral land and buildings at the present value of EUR 36,050,228 and plant, machinery and tools at their present value of EUR 15,441,356.

In compliance with IFRS 16, the following is disclosed:

- the Company does not dispose of any temporarily idle property, plant and equipment as at 31/12/2023;
- The gross carrying amount (cost) of fully depreciated tangible fixed assets (property, plant and equipment) which are, as at 31/12/2023, still in use, is EUR 67,574,856.
- the Company does not dispose of any property, plant and equipment retired from active use which are classified as held for sale in compliance with IFRS 5;
- the fair value of property, plant and equipment, for which the company uses the cost value, does not diverge significantly from the carrying amount of property, plant and equipment;
- as at 31/12/2023, liabilities of the Company for the acquisition of intangible fixed assets amount to EUR 864,610.

The lands are revalued to their fair value on the basis of an appraisal report, compiled by an authorised real estate appraiser, entered into the Register of Certified Real Estate Appraisers of the Slovenian Institute of Auditors according to the balance as at 31/12/2021. Subject to the sales prices achieved and the adjustments, an indicative price, which a comparable property would achieve on the market, was taken into account. Subject to 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 facilities with issued building permits are located. In order to verify that the valuations are also useful for accounting reporting in 2023, the authorised real estate appraiser estimated subject to an analysis of the real estate market that the values shown in the valuations as at 31/12/2021 are also suitable for use as at 31/12/2023.

Financing investment costs for the acquisition of an intangible fixed asset until it reflects the enterprise are included in the cost of property, plant and equipment.

In drawing up the financial statements, the company reviewed whether there were any indicators that tangible fixed assets should be impaired, but did not identify any, nor did we impair any assets due to environmental assumptions.

The value of revalued land at cost is EUR 3,130,035.

10.7.3 Investment property

Investment property

(in EUR)	31/12/2023	31/12/2022
Land	817,284	749,527
Buildings	0	0
Total	**817,284**	**749,527**

Changes in investment property

(in EUR)	31/12/2023	31/12/2022
Opening balance as at 1 January	**749,527**	**697,716**
Acquisitions	0	0
Disposals	0	0
Fair value changes	67,757	51,811
Closing balance as at 31 December	**817,284**	**749,527**

Investment property includes land intended for resale or not being used to perform the basic activity of the Company at our Zreče premises. Land intended for sale and disclosed among investment property was valued by an appraiser entered into the Register of Certified Real Estate Appraiser of the Slovenian Institute of Auditors using the market sales method indicating the value by comparing the valued property with equal or similar properties whose price was known. Subject to 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 facilities with issued building permits are located. Investment property is valued on the basis of an appraisal report compiled by an authorised real estate appraiser, according to the balance as at 31/12/2021. In order to verify that the valuations are also useful for accounting reporting in 2023, the authorised real estate appraiser estimated subject to an analysis of the real estate market that the values shown in the valuations as at 31/12/2021 are also suitable for use as at 31/12/2023.

The company has pledged Investment property as security for the repayment of debt at a carrying amount of EUR 817,284.

10.7.4 Non-current investments

Changes in non-current investments in shares, participating interests and loans

(in EUR)	2023	2022
Balances of investments as at 1 January	**23,953,409**	**25,227,193**
Increases:		
Purchases of stocks and shares	7,098,550	90,500
Increase in debt investments	0	459,529
Decreases:		
Sales of shares and interests	0	(765,075)
Write-offs of investments	(38,275)	(762)
Repayments of long-term loans given		
Current portion of non-current investments	(404,731)	(415,875)
Impairment of investments	0	(642,101)
Balance as at 31 December	**30,608,953**	**23,953,409**

The increase in long-term investments represents the subsequent capital contribution to the subsidiary UNITUR d.o.o. in non-cash form through the conversion of a long-term trade receivable.

For investments, the company reviewed impairment indicators at the time of financial statements. We wrote off investments in Strojegradnja d.d. Trbovlje and Cimos d.d. Koper totalling EUR 38,275. We have not made any further impairments of non-current investments in 2023.

EUR 404,731 were transferred by the company to the current portion of investments which, however, do not constitute the repayment of principals of non-current investments in 2024.

The Company has pledged non-current investments as security for the repayment of debt at a carrying amount of EUR 14,856,602.

Investments in subsidiaries measured at cost

(in EUR)	Share	31/12/2023	31/12/2022
Domestic:			
UNIOR IN 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	13,582,342	6,483,792
		14,232,710	7,134,160
Foreign:			
UNIOR Produktions- und Handels- GmbH Ferlach	99.545	510,000	510,000
UNIOR DEUTSCHLAND GmbH Leonberg	100.000	1,052,614	1,052,614
UNIOR ITALIA S.R.L. Limbiate	100.000	77,702	77,702
UNIOR ESPANA S.L. Uharte-Arakil	95.000	398,718	398,718
UNIOR MAKEDONIJA d.o.o. Skopje	97.360	0	0
UNIOR PROFESSIONAL TOOLS Ltd St. Petersburg	70.300	262,332	262,332
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. New	100.000	81,480	81,480
UNIOR BULGARIA Ltd Sofia	77.310	2,000	2,000
UNIOR VINKOVCI d.o.o. Vinkovci	100.000	4,630,181	4,630,181
UNIOR HUNGARIA Kft. Nagyrecse	100.000	0	0
		13,906,715	13,906,715
Total subsidiaries		**28,139,425**	**21,040,875**

The value of investments in subsidiaries, measured at historical cost, amounts to EUR 36,047,687, whereas the value of the value adjustment of investments in subsidiaries, measured at fair value, amounts to EUR 7,908,262.

Equity and profit or loss of related parties

Company name	Country of the company	Percentage of participation in equity	Capital interest in EUR	Profit of loss of the year in EUR
Subsidiaries:				
UNITUR d.o.o.	Slovenia	100.000	39,166,876	793,169
UNIOR IN d.o.o.	Slovenia	100.000	425,916	(1,328)
SPITT d.o.o.	Slovenia	100.000	913,282	89,009
UNIOR Produktions- und Handels-GmbH	Austria	99.545	209,609	40,988
UNIOR DEUTSCHLAND GmbH	Germany	100.000	1,223,209	118,261
UNIOR ITALIA S.R.L.	Italy	100.000	135,365	11,392
UNIOR ESPANA S.L.	Spain	95.000	695,537	68,025
UNIOR MAKEDONIJA d.o.o.	North Macedor	97.363	13,704	4,129
UNIOR PROFESSIONAL TOOLS Ltd.	Russia	70.300	1,376,140	183,375
UNIOR BULGARIA Ltd.	Bulgaria	77.310	224,985	62,074
UNIOR COMPONENTS d.o.o.	Serbia	100.000	14,212,886	626,477
UNIOR – NORTH AMERICA Inc.	USA	100.000	271,177	38,551
NINGBO UNIOR FORGING Co. Ltd.	China	50.000	34,535,958	4,124,149
UNIOR VINKOVCI d.o.o.	Croatia	100.000	4,112,812	138,788
Associates:				
ŠTORE STEEL d.o.o.	Slovenia	29.253	71,058,586	(2,746,501)
UNIOR TEHNA d.o.o.	Bosnia and He	25.000	2,182,564	188,713
UNIOR TEOS ALATI d.o.o.	Serbia	20.000	4,148,322	646,391

Detailed information on subsidiaries and associates (company name, address, activity and number of employees) is disclosed in Section 9.6.1 of the 2023 Annual Report.

In 2023, the company made a subsequent contribution to the capital of the UNITUR d.o.o. subsidiary in the amount of EUR 7,098,550 through the conversion of long-term trade receivables. The ownership has not changed and remains at 100%.

Investments in subsidiaries, measured at cost

(in EUR)	Share	31/12/2023	31/12/2022
Domestic:			
ŠTORE STEEL d.o.o. Štore	29.253	1,274,260	1,274,260
		1,274,260	1,274,260
Foreign:			
UNIOR TEOS ALATI d.o.o. Belgrade	20.000	423,000	423,000
UNIOR TEPID S.R.L. Brasov	49.000	0	0
UNIOR TEHNA d.o.o. Sarajevo	25.000	150,000	150,000
		573,000	573,000
Total associates		**1,847,260**	**1,847,260**

The value of investments in associates measured at cost amounts to EUR 1,847,260.

The company assesses impairment signs. Valuations are performed for any investments where they are identified subject to future cash flows which serve as the basis for recording any impairment, or the company obtains valuations from authorized company appraisers.

In 2023, there were no impairment indicators identified for investments and therefore no impairments were made.

Financial assets, measured at fair value through profit or loss

(in EUR)	31/12/2023	31/12/2022
Other investments	10,595	48,869
Total in other companies and banks	**10,595**	**48,869**

The value of investments in financial assets, measured at fair value through profit or loss at historical cost, amounts to EUR 59,637, whereas the value of the value adjustment of investments in financial assets, measured at fair value through profit or loss, amounts to EUR 49,042.

Non-current investments in debt, measured at amortized value

(in EUR)	31/12/2023	31/12/2022
given to subsidiaries:		
Long-term loan given to SPITT d.o.o.	459,201	523,405
Long-term loan given to UNIOR Vinkovci d.o.o.	498,750	783,750
Long-term loan given to UNIOR HUNGARIA Kft.	0	0
Long-term loan given to UNIOR ESPANA S.L.	55,528	122,200
Transfer to current investments	(404,731)	(415,875)
given to others:		
Long-term deposit for excise duties	2,925	2,925
Transfer to current investments	0	0
Total in debt	**611,673**	**1,016,405**

Non-current investments in liabilities are not secured by a pledged property, whereas our non-current loan given to UNIOR Vinkovci d.o.o. is secured by pledged receivables and inventories. Disclosed non-current loans are fully recoverable. The payable interest rate for non-current financial investments in debt varies between 3-month Euribor + 2.5% to 6-month Euribor + 2.3% and the fixed interest rate is 3%.

Receipts accruing from interests in 2023 amounted to EUR 97,911 and EUR 41,095 in 2022.

10.7.5 Inventories

(in EUR)	31/12/2023	31/12/2022
Materials	17,627,889	28,494,064
Work in progress	24,515,603	27,659,242
Products	18,014,145	18,747,639
Merchandise	4,284,729	4,680,384
Inventory surpluses	105,618	139,563
Inventory deficits	(252,996)	(170,834)
Value adjustment	(778,187)	(717,718)
Total	**63,516,801**	**78,832,340**

Change in allowances set up for inventories

(in EUR)	Materials	Finished products	Merchandise	Total
Balance as at 31 December 2022	**567,451**	**147,368**	**2,899**	**717,718**
Inventory adjustment	34,842	47,590	2,767	85,199
Elimination of inventory adjustment	(24,708)	0	(22)	(24,730)
Balance as at 31 December 2023	**577,585**	**194,958**	**5,644**	**778,187**

(in EUR)	Materials	Finished products	Merchandise	Total
Balance as at 31 December 2021	**602,629**	**1,577,378**	**135,075**	**2,315,082**
Inventory adjustment	65,781	10,971	24	76,776
Impairment of inventory adjustment	(28,785)	(1,376,489)	(104,871)	(1,510,145)
Elimination of inventory adjustment	(72,174)	(64,492)	(27,329)	(163,995)
Balance as at 31 December 2022	**567,451**	**147,368**	**2,899**	**717,718**

Inventories decreased by a total of EUR 15,315,539 as at 31/12/2023 due to the transfer of forging tools worth EUR 14,821,350 million to tangible fixed assets. In fact, inventories decreased by EUR 494,189 as a result of optimisation and careful planning of the necessary inventories, despite higher purchase prices for certain categories of materials, larger production and higher production costs.

The carrying amount of inventories equals the net realisable value. A value adjustment is formed for inventories not experiencing any movement in specific periods of time subject to the methodology contained in our accounting policies. The balance of value adjustments of inventories in 2023 amounted to EUR 60,469 more than at the end of 2022. During the inventory of the inventories' status, EUR 105,618 in inventory surplus and EUR 252,996 in inventory deficit were established in total, meaning that the deficit exceeded the surplus by EUR 147,378.

The company has pledged inventories as security for the repayment of debt at a carrying amount of EUR 20,000,000.

Inventories in the table above are shown in gross amounts as a result of a separate disclosure of value adjustments of inventories and their effects, arising from established changes during stocktaking. Inventories contained in the financial position statement are shown in net amounts. The company has not identified any environmental indicators that would dictate an impairment of inventories.

10.7.6 Operating receivables

Operating receivables

(in EUR)	31/12/2023	31/12/2022
Non-current operating receivables		
Non-current operating receivables due from associates	208,597	7,214,658
Non-current operating receivables from others	16,927	7,739
Value adjustment of non-current operating receivables	0	0
Total non-current operating receivables	**225,524**	**7,222,397**
Current operating receivables		
Current operating receivables due from subsidiaries	6,027,747	6,283,615
Current operating receivables due from associates	116,494	90,241
Current business receivables from customers outside the group – domestic	3,611,913	2,758,488
Current business receivables from customers outside the group – abroad	10,053,118	12,575,987
VAT receivables	1,285,391	1,014,433
Income tax receivable	250,889	0
Advance payments	4,582,221	1,805,661
Advance payments from subsidiaries	0	0
Other current operating receivables	3,687,958	4,294,900
Value adjustments	(80,686)	(85,738)
Value adjustments – subsidiaries	(224,343)	(224,343)
Total current operating receivables	**29,310,702**	**28,513,244**

Long-term trade receivables are lower by EUR 6,966,873 at 31/12/2023 due to the conversion of a non-current trade receivable towards UNITUR d.o.o. in the amount of EUR 7,098,550 in respect of UNIOR d.d.'s investment in the Natura Hotel and the Rogla running polygon. The increase in other non-current trade receivables amounts to EUR 131,677, representing an increase in non-current trade receivables towards subsidiaries and others. As all receivables are current, no discount rate is applied to their recovery.

Other current receivables include disclosed receivables from sold non-recourse factoring operating receivables, receivables from the distribution of profits of Ningbo UNIOR Forging Co. Ltd., receivables from refunds, current deferred costs and accrued revenue. Receivables shown in the table are fully recoverable. Expected Credit Loss (ECL) in compliance with IFRS 9 is shown in Section 10.11 of the 2023 Annual Report. All current trade receivables due from non-affiliated customers are 90% collateralised by the Company.

In 2023, the Group formed value adjustments of trade receivables amounting to EUR 25,794, and the balance of the adjustments is EUR 5,051 lower than at the end of 2022 as the recovered written-off receivables exceeded the newly formed value adjustment.

The Company has pledged receivables as security for the repayment of debt amounting to EUR 4,361,652.

Changes in allowances set up for receivables

(in EUR)	2023	2022
Balance as at 1 January	**310,080**	**286,078**
Collected written-off receivables	(30,845)	(5,229)
Final write-off of receivables	0	(2,535)
Formation of value adjustment in the year	25,794	31,766
Balance as at 31 December	**305,029**	**310,080**

Maturity of receivables

Maturity of the Company's receivables	31/12/2023	31/12/2022
Receivables not yet due	23,232,629	21,687,488
Receivables overdue up to 90 days	4,691,284	6,177,758
Receivables from 91 to 180 days overdue	1,319,195	401,571
Receivables from 181 to 360 days overdue	67,594	246,427
Receivables more than 360 days overdue	0	0
Total	**29,310,702**	**28,513,244**

10.7.7 Current investments

(in EUR)	31/12/2023	31/12/2022
Loans given:		
– to subsidiaries	725,313	221,391
– to others	0	0
Transfer of the short-term part of non-current loans given to subsidiaries	404,731	415,875
Short-term portion of non-current investments in liabilities	0	0
Total	**1,130,044**	**637,266**

Current investments have not been pledged as collateral.

The company discloses current investments at amortised cost.

Current loans are not secured but are believed to be fully recoverable. Interest on loans given is being regularly repaid.

Changes in non-current investments

(in EUR)	2023	2022
Balance as at 1 January	**637,266**	**1,899,783**
Increases:		
Increase in current loans to companies in the group	2,041,820	312,482
Increase in short-term loans given to others	0	0
Transfer of the current portion of non-current investments	404,731	415,875
Decreases:		
Decrease of current loans to companies in the group	(1,953,773)	(1,989,263)
Decrease in short-term loans to others	0	(1,611)
Transfer to non-current investments	0	0
Balance as at 31 December	**1,130,044**	**637,266**

The increase in short-term investments is due to the higher balance of the loan granted to the subsidiary UNITUR d.o.o., which is EUR 496,800 higher than the balance at the end of 2022. The year-on-year increases and decreases are mainly represented by the year-on-year increases and decreases in the balance of the loan to the subsidiary UNITUR d.o.o.

10.7.8 Cash and cash equivalents

(in EUR)	31/12/2023	31/12/2022
Cash in hand and cheques received	577	581
Cash at bank	3,841,085	3,251,544
Total	**3,841,662**	**3,252,125**

The cash balance is higher than at the end of the previous year. The cash balance represents the balance of cash at commercial banks and cash in hand.

The company has no pledged cash.

10.7.9 Capital

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

As at 31/12/2023, the share capital of the parent company is registered in the amount of EUR 23,688,983 as disclosed in the financial position statement. It is divided into 2,838,414 no-par value shares. The book value per share is calculated by dividing the total equity of the company by the weighted average number of ordinary shares whereby ordinary shares owned by the Company or the Group shall be exclude, and amounts to EUR 36.51 as at 31/12/2023; an increase of 0.6% compared to the previous year, due to the current year's reported profit and higher fair value reserves. The company does not hold any authorised capital. No contingent share capital increases were held in the 2023 financial year. No dividend stocks were issued. The company is not a member in another company for whose liabilities it would be liable without any restrictions.

Capital reserves amount to EUR 30,277,035 and did not change compared to the previous year. Capital reserves are composed of a paid-in capital surplus from capital increases amounting to EUR 7,944,612; excess of the sales value over the carrying amount of sold treasury shares amounting to EUR 3,977,906 and a general revaluation surplus in equity included into capital reserves upon shifting to International Financial Reporting Standards amounting to EUR 18,354,517.

Revenue reserves amounting to EUR 19,960,288 are intentionally retained revenue from previous years, mainly for the settlement of potential future losses. Their balance did not change compared to the end of 2022. Reserves include reserves for treasury shares held by UNIOR d.d. and treasury shares held by its subsidiaries UNIOR Deutschland GmbH and SPITT d.o.o. amounting to EUR 2,721,454. UNIOR d.d. holds 69,784 treasury shares. The subsidiaries UNIOR Deutschland GmbH and SPITT d.o.o. hold 3,330 shares of the parent company.

Reserves from revaluation at fair value amounting to EUR 9,969,119 represent reserves from the revaluation of land at fair value and losses and actuarial gains from actuarial calculations of termination benefits at retirement. In the past year, provisions due to fair value measurements amounted to EUR 9,571,371. The increase of EUR 397,748 due to the change in the actuarial gain from calculated provisions subject to pension schemes amounts to EUR 447,011 and is reduced by an increase in the impairment of surplus value for deferred tax liabilities amounting to EUR 49,263.

Reserves from revaluation at fair value

(in EUR)	31/12/2023	31/12/2022
Land	11,717,787	11,641,860
Impairment of value surpluses	(2,294,399)	(2,169,210)
Termination benefits	(529,466)	(529,466)
Actuarial gains	1,075,197	628,187
Total	**9,969,119**	**9,571,371**

Changes in fair value reserves

(in EUR)	2023	2022
Balance as at 1 January	**9,571,371**	**8,499,295**
Decreases:		
– Actuarial gains	0	0
– Formation of deferred tax liabilities	(49,263)	(251,475)
Increases:		
– Land	0	453,349
– Actuarial gains	447,011	870,202
– Reversal of impairment of value surplus	0	0
Balance as at 31 December	**9,969,119**	**9,571,371**

The net operating result of the financial year amounts to EUR 226,995, whereas, during the preceding year, a profit amounting to EUR 5,075,396 was reported by the company.

Net earnings per share in 2023 amounted to EUR 0.08. In the 2022 financial year, they had amounted to EUR 1.84 per share. Net earnings per share are calculated by dividing the accounting period net profit which belongs to the owners by the weighted average number of ordinary shares whereby ordinary shares held by the company or the Group shall be excluded. The weighted average number of potential ordinary shares, taken into account in the calculation of the net earnings per share in the 2023 and 2022 financial years amounted to 2,765,300 shares. The diluted net earnings per share in the 2022 and 2023 financial years was equal to the net earnings per share.

The total comprehensive income of the financial year per share amounted to EUR 0.23 in the 2023 financial year and to EUR 2.22 per share in the 2022 financial year. The total comprehensive income of the financial year per share is calculated by dividing the total comprehensive income of the financial year attributable to owner by the weighted average number of ordinary shares whereby ordinary shares held by the Company or Group shall be excluded. The weighted average number of potential ordinary shares, taken into account in the calculation of the total comprehensive income of the financial year per share in the 2022 and 2023 financial years amounted to 2,765,300 shares. The diluted total comprehensive income of the financial year per share for the 2022 and 2023 financial years was equal to the total comprehensive income of the financial year.

Changes in equity in the current year represent:

- an increase of EUR 397,748 in the fair value reserve due to actuarial gains in the calculation of the provision for calculation of termination benefit provisions,
- net profits brought forward – profits increased from the transfer of the unallocated profit for the financial year 2022 amounting to EUR 5,075,396,
- the entry of net profit in 2023 amounts to EUR 226,995.

Balance sheet profits is a category referred to in the Companies Act.

Distributable profit/Distributable loss

(in EUR)	31/12/2023	31/12/2022
a) Profit/loss of the current year	226,995	5,075,396
b) Net profit brought forward	16,834,459	11,759,063
c) Net loss brought forward	0	0
d) Decrease in capital reserves	0	0
e) Decrease in revenue reserves	0	0
f) Increase in revenue reserves	0	0
g) Non-current deferred development costs	(4,536,296)	(2,588,190)
h) Distributable profit	**12,525,158**	**14,246,269**

10.7.10 Current provisions and deferred revenue

(in EUR)	Provisions for retirement allowances and jubilee benefits	Provisions for annuities	Donations received for fixed assets	Total
Balance as at 31 December 2022	**5,560,289**	**262,311**	**158,635**	**5,981,235**
Formed provisions	813,231	5,464	0	818,695
Utilised provisions	(236,306)	(42,675)	(11,838)	(290,819)
Reversed provisions	(661,971)	0	0	(661,971)
Balance as at 31 December 2023	**5,475,243**	**225,100**	**146,797**	**5,847,140**

(in EUR)	Provisions for retirement allowances and jubilee benefits	Provisions for annuities	Donations received for fixed assets	Total
Balance as at 31 December 2021	**4,776,156**	**277,861**	**170,472**	**5,224,489**
Formed provisions	1,984,694	1,366	0	1,986,060
Utilised provisions	(138,357)	(16,916)	(11,837)	(167,110)
Reversed provisions	(1,062,204)	0	0	(1,062,204)
Balance as at 31 December 2022	**5,560,289**	**262,311**	**158,635**	**5,981,235**

Provisions for jubilee and termination retirement allowances are formed in the amount of estimated future payouts of jubilee and termination benefits discount at the financial position statement date. The main parameters taken into account in the calculation are the retirement age of 65 years for both women and men, the required length of service of 40 years, the discount rate of 4 per cent and annual wage growth of 2.5 per cent. Turnaround is taken into account subject to the age group distribution of employees, namely for employees of up to 30 years of age – 6%, for employees between 31 and 40 years of age – 3%, for employees between 41 and 50 years of age – 3%, and for employees, older than 51 years – 1%. Provisions are reversed due to different assumptions used to calculate provisions and for all employees for whom provisions had been formed in the past but who are no longer employed at Unior.

The analysis of sensitivity of changes to actuarial assumptions to the amount of provisions set up for retirement allowances and jubilee benefits is shown in the table below.

(in EUR)	Offset from items	Provisions for termination benefits	Provisions for jubilee benefits	Total
Balance as at 31 December 2023		**4,094,419**	**1,380,824**	**5,475,243**
Wage growth in the Company	+0.50%	126,068	0	126,068
	-0.50%	(101,042)	0	(101,042)
Wage growth nationally	+0.50%	157,651	0	157,651
	-0.50%	(129,612)	0	(129,612)
Turnaround	+0.50%	(244,885)	(44,141)	(289,026)
	-0.50%	264,385	47,058	311,443
Retirement age	+1 year	(174,848)	22,456	(152,392)
	-1 year	181,817	(49,250)	132,567
Pensionable service	+1 year	(38,083)	8,085	(29,998)
	-1 year	23,435	(33,873)	(10,438)
Discount rate	+0.50%	(242,209)	(47,481)	(289,690)
	-0.50%	263,457	50,944	314,401

Provisions for annuities are formed for employees sustaining occupational injuries that have resulted in permanent damage thereto.

Non-current provisions, deferred revenue also includes a disclosure of funds received from the Ministry of Economy for co-financing development projects. Provisions are utilised subject to the depreciation of the co-financed fixed assets. As at 31/12/2023, the balance of provisions amounts to EUR 146,797 and has been falling for several years.

There are no unfulfilled conditions or contingent liabilities associated with government grants in relation to their repayment.

10.7.11 Non-current financial liabilities

Changes in non-current financial liabilities

(in EUR)	Principal of debt 1 January 2023	Increase of loan in the year	Decrease of loan in the year	Principal of debt 31 December 2023	The part due in 2024	Non-current part
Bank or creditor						
Domestic banks	9,495,529	94,917,431	(10,959,195)	93,453,765	(8,050,643)	85,403,122
Lease liabilities	485,033	268,357	0	753,390	(325,334)	428,056
Financial leases	263,651	170,973	(60,617)	374,007	(165,889)	208,118
Other non-current financial liabilities	84,000	0	0	84,000	0	84,000
Total loans taken out	**10,328,213**	**95,356,761**	**(11,019,812)**	**94,665,162**	**(8,541,866)**	**86,123,296**

(in EUR)	Principal of debt 1 January 2022	Increase of loan in the year	Decrease of loan in the year	Principal of debt 31. December 2022	The part due in 2023	Non-current part
Bank or creditor						
Domestic banks	62,598,210	2,173,891	(1,659)	64,770,442	(55,274,913)	9,495,529
Lease liabilities	647,087	124,066	(14,897)	756,256	(271,223)	485,033
Financial leases	365,649	122,208	(33,005)	454,852	(191,201)	263,651
Other non-current financial liabilities	0	84,000	0	84,000	0	84,000
Total loans taken out	**63,610,946**	**2,504,165**	**(49,561)**	**66,065,550**	**(55,737,337)**	**10,328,213**

Interest rates on long-term loans range from 6-month Euribor + 0.45% to 6-month Euribor + 3.8% and from 3-month Euribor + 0.5%. The company has taken out long-term loans with a 3-month and 6-month Euribor benchmark interest rate. As at 31/12/2023, the Company has no concluded derivative contracts.

The new loans in 2023 amounting to EUR 94,917,431 represent the newly granted long-term syndicated loan amounting to EUR 82,000,000, which fully repays the syndicated loan granted in 2016, the loans guaranteed by the Republic of Slovenia and the short-term revolving loan in 2020. The new borrowing also represents the final drawdown of the loan of SID Banka d.d. granted in 2021 for the purpose of establishing a new aluminium transformation production programme in the amount of EUR 2,917,431, and a new loan of SID Banka d.d. in the amount of EUR 10,000,000 for the purpose of financing our technological development projects of the Forge and Hand Tools programmes. The newly approved long-term syndicated loan does not have a co-financed interest rate and the loans with SID Banka d.d. include state aid received under the Special Conditions for Financing Technological Development Projects (notification No BE01-5665493-2014). The amount of state aid received by the company for both loans amounts to EUR 3,459,468. The repayments of EUR 69,771,104 do not represent a cash flow as they were offsetting existing loans, while the repayments of EUR 25,206,327 represent a cash flow.

An increase in liabilities from leases in the amount of EUR 253,331 is are newly concluded contracts on long-term commercial leases, while an increase in liabilities from financial leases in the amount of EUR 170,973 is represented by newly concluded leasing contracts for the purchase of vehicles and forklifts.

For the existing non-current syndicated loan, whose outstanding balance as at 31/12/2023 amounts to 76,724,138, the Company shall meet UNIOR Group and UNIOR d.d. performance indicators with commercial banks, namely two indicators have been laid out – the net financial debt to EBITDA ratio and the percentage of capital in the structure of liabilities. Both indicators have been achieved by the company at 31/12/2023 with no slippages and the risk of non-fulfilment of commitments is minimal in view of the planned future performance.

Maturity of non-current financial liabilities by year

(in EUR)	2023	2022
Maturity from 1 to 2 years	7,473,821	4,593,026
Maturity from 2 to 3 years	7,166,356	2,875,917
Maturity from 3 to 4 years	8,349,808	50,972
Maturity from 4 to 5 years	9,188,747	259,976
Maturity more than 5 years	53,944,564	2,548,322
Total	**86,123,296**	**10,328,213**

Collateral for non-current and current liabilities from financing activities amounting to EUR 93,827,772 consists of mortgages on immoveable and moveable property, non-current investments and inventories at fair value amounting to EUR 91,527,122, as well as bills of exchange given.

10.7.12 Non-current operating liabilities

In its financial position statement, the company does not report any liabilities arising from non-current operating liabilities.

10.7.13 Deferred tax assets and liabilities

(in EUR)	31/12/2023	31/12/2022
Deferred non-current tax assets	**9,561,075**	**8,959,386**
– provisions for jubilee and termination benefits	1,040,296	1,056,455
– impairment of trade receivables;	57,956	58,924
– Impairment of investments	681,260	681,260
– tax relief for investments	2,467,771	2,641,100
– R&D investments	1,231,062	995,653
– tax loss	4,082,730	3,525,994
Deferred non-current tax liabilities	**(2,294,400)**	**(2,245,137)**
– surplus from revaluation of land	(2,226,380)	(2,226,380)
– surplus from revaluation of termination benefits at retirement	(68,020)	(18,757)
Net deferred non-current tax assets	**7,266,675**	**6,714,249**

Changes in deferred tax assets	2023	2022
Balance of deferred tax assets as at 1 January	**8,959,386**	**8,402,453**
Decrease:		
Non-current provisions for jubilee and termination benefits	(16,159)	0
– reversal of impairment of trade receivables;	(968)	0
– impairment of investments,	0	0
– tax relief for investments	(173,329)	0
– R&D investments	0	0
– tax loss	0	0
Increases:		
Non-current provisions for jubilee and termination benefits	0	148,986
– impairment of trade receivables	0	4,569
– impairment of investments	0	15,200
– tax relief for investments	0	388,178
– R&D investments	235,409	0
– tax loss	556,736	0
Balance of deferred tax assets as at 31 December	**9,561,075**	**8,959,386**

Changes in deferred tax liabilities	2023	2022
Balance of deferred tax liabilities as at 1 January	**2,245,137**	**1,993,662**
Decrease	0	0
Increase	49,263	251,475
Balance of deferred tax liabilities as at 31 December	**2,294,400**	**2,245,137**

Deferred tax is determined using the financial position statement liability method, taking into account temporary differences between the carrying amounts of assets and liabilities used for financial and tax reporting purposes. Deferred tax is recognised in the amount that is expected to be paid when the temporary differences are reversed subject to laws that have been enacted or substantively enacted as 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, tax relief for investments, tax relief for investments into research and development and the disclosed tax loss. The tax rate applied to all tax bases for which spending is planned over the next five years is 22%.

Non-current deferred tax liabilities relate to the recalculation of property – land to a fair value disclosed on the surplus from revaluation. The tax rate applied is 19%.

10.7.14 Current financial liabilities

Changes in current financial liabilities

(in EUR)	Debt balance 1 January 2023 with short-term part non-current liabilities	Increase of loan in the year	Decrease of loan in the year	Transfer current long-term works liabilities	Status of debt 31 December 2023
Bank or creditor					
Domestic banks	73,079,773	15,483,359	(86,273,216)	8,050,643	10,340,559
Related persons	284,181	2,259,335	(2,335,727)	0	207,789
Lease liabilities	271,223	33,478	(304,701)	325,334	325,334
Financial leases	191,201	0	(191,201)	165,889	165,889
Interest rate swaps	0	0	0	0	0
Total loans taken out	**73,826,378**	**17,776,172**	**(89,104,845)**	**8,541,866**	**11,039,571**

(in EUR)	Debt balance 1 January 2022 with short-term part non-current liabilities	Increase of loan in the year	Decrease of loan in the year	Transfer current long-term works liabilities	Status of debt 31. December 2022
Bank or creditor					
Domestic banks	27,031,837	35,061,983	(44,288,960)	55,274,913	73,079,773
Related persons	398,732	6,387	(120,938)	0	284,181
Lease liabilities	273,329	4,938	(278,267)	271,223	271,223
Financial leases	207,481	0	(207,481)	191,201	191,201
Interest rate swaps	316,725	0	(316,725)	0	0
Total loans taken out	**28,228,104**	**35,073,308**	**(45,212,371)**	**55,737,337**	**73,826,378**

Current financial liabilities include the disclosure of loans taken out from its affiliates UNIOR Deutschland GmbH and UNIOR IN d.o.o. and a revolving loan and short-term project financing. All other financial liabilities are non-current.

Interest rates on short-term borrowings range from 1.5% to 4.0% fixed, 3-month EURIBOR + 3.5% and 6-month EURIBOR + 3.3%.

Newly taken out current loans in the 2023 financial year constituted the utilisation of the approved current revolving loans for the provision of current liquidity which were repaid in full during the current year.

For the existing short-term revolving credit facility granted by the syndicate of commercial banks in the amount of EUR 15,000,000, which is fully undrawn as at 31/12/2023, the Company is required to comply with performance indicators from the commercial banks related to the performance of the UNIOR Group and UNIOR d.d., namely two indicators – net financial debt to EBITDA ratio and the percentage of capital in the structure of liabilities. Both indicators have been achieved by the company at 31/12/2023 with no slippages and the risk of non-fulfilment of commitments is minimal in view of the planned future performance.

Loan repayments in 2023 amount to EUR 86,273,216, of which EUR 69,771,104 is non-cash flow due to the netting of existing loans and EUR 16,502,112 is cash flow.

Collateral for non-current and current liabilities from financing activities amounting to EUR 93,827,772 consists of mortgages on immoveable and moveable property, non-current investments and inventories at fair value amounting to EUR 91,527,122, as well as bills of exchange given.

10.7.15 Current operating liabilities

Current operating liabilities

(in EUR)	31/12/2023	31/12/2022
Current operating liabilities due to associates		
domestic	100,934	133,423
foreign	395,986	1,339,140
Current operating liabilities due to associated companies		
domestic	5,508,341	8,534,771
foreign	42,545	35,570
Current operating liabilities due to other suppliers		
domestic	15,239,037	20,140,177
foreign	7,445,101	8,380,490
Current operating liabilities due to the state	1,368,099	979,555
Current operating liabilities to employees	3,983,205	3,742,446
Current operating liabilities from advance payments	1,185,429	2,299,162
Current interest payable	83,652	35,707
Current liabilities for income tax	0	154,463
Other current liabilities	675,764	545,142
Short-term accrued expenses and deferred income	4,891,783	4,237,124
Current portion of non-current operating liabilities	0	0
Total	**40,919,876**	**50,557,170**

Movement in accrued costs and deferred revenue

(in EUR)	Sales commissions	Accrued costs	Inventory adjustments accrued	Accrued costs for untaken leave	Current deferred revenue	Other	Total
Balance as at 31 December 2022	**288,160**	**1,651,974**	**513,950**	**1,148,303**	**598,208**	**36,529**	**4,237,124**
Formation of deferrals	539,974	2,127,106	0	1,476,887	2,238,283	1,054,659	7,436,909
Use and elimination of deferrals	(753,989)	(1,311,702)	(513,950)	(1,148,303)	(2,016,596)	(1,037,710)	(6,782,250)
Balance as at 31 December 2023	**74,145**	**2,467,378**	**0**	**1,476,887**	**819,895**	**53,478**	**4,891,783**

(in EUR)	Sales commissions	Accrued costs	Inventory adjustments accrued	Accrued costs for untaken leave	Current deferred revenue	Other	Total
Balance as at 31 December 2021	**448,350**	**130,726**	**768,950**	**935,168**	**3,520,140**	**24,123**	**5,827,457**
Formation of deferrals	652,200	1,546,727	0	1,148,303	3,800,928	630,772	7,778,930
Use and elimination of deferrals	(812,390)	(25,800)	(255,000)	(935,168)	(6,722,860)	(618,045)	(9,369,263)
Balance as at 31 December 2022	**288,160**	**1,651,653**	**513,950**	**1,148,303**	**598,208**	**36,850**	**4,237,124**

Accrued costs and deferred income disclosed:

- accrued sales commissions of EUR 74,145;
- the accrued project costs of the Special Machines programme amounting to EUR 1,926,205, the provision for the cost of reimbursing the customer for the recognised higher energy price amounting to EUR 200,000, the credits issued in 2024 relating to 2023 amounting to EUR 86,502 and the liability for the 2023 audit amounting to EUR 26,250;
- a liability for unused leave for 2023 of EUR 1,476,887;
- current deferred revenue amounting to EUR 9,269 arising from contracts with customers subject to IFRS 15 for goods dispatched to buyers at the end of 2023 which had not arrived to their premises during the 2023 financial year and current deferred revenue from projects implemented in the Special Machines programme amounting to EUR 810,626.

The company has an electricity supply contract with an electricity supplier for the financial years 2024 and 2025. The contract agree to supply carbon-free electricity for the 2024 financial year and green electricity for the 2025 financial year. We already have leased 74% of their projected electricity consumption for the 2024 financial year. The entire electricity supply contract is settled in commodities.

Maturity dates of operating liabilities of the company

(in EUR)	31/12/2023	31/12/2022
Liabilities not yet due	33,756,125	33,673,323
Receivables 90 days overdue	6,456,530	16,557,093
Receivables 91 up to 180 days overdue	475,502	252,134
Receivables 181 up to 360 days overdue	211,123	53,664
Receivables over 360 days overdue	20,596	20,956
Total	**40,919,876**	**50,557,170**

10.7.16 Potential liabilities

Off-balance-sheet records – potential liabilities

(in EUR)	31/12/2023	31/12/2022
Given guarantees and sureties	5,313,562	6,290,807
Legal claims	0	0
Total	**5,313,562**	**6,290,807**

The given guarantees and guarantees for related parties amount to EUR 5,313,562 and were decreased for the amount of EUR 977,245 as result of regular repayments of obligations for which guarantees were given.

The company has off-balance sheet bank guarantees issued by banks to its customers for EUR 2,362,007 to secure advances received for the manufacture of machines ordered under the Special Machines programme.

The UNIOR d.d. company issued a letter of support to its subsidiaries UNIOR Vinkovci d.o.o. and UNITUR d.o.o. assuring them that it shall not discontinue the operations of both subsidiaries within the following twelve months and that it shall provide them with financial support if required. No future liabilities are estimated to be incurred as a result thereof.

The UNIOR company did not receive any significant claims for settlement during the reporting period, but the parent company received two claims, one from a former employee for underpaid wages and one from an employee for material and non-material harm suffered as a result of a work-related accident, totalling EUR 29,686.

10.8 Disclosures to the audited separate income statement of UNIOR d.d.

10.8.1 Revenue from sales from contracts with customers by geographical and business segment

Net revenue from sales by geographical segment

(in EUR)	2023	2022
Slovenia	**19,707,154**	**21,476,994**
– subsidiaries	1,621,763	1,485,542
– associates	5,927	20,139
– other customers	18,079,464	19,971,313
Foreign	**186,190,699**	**183,080,469**
– subsidiaries	14,378,175	17,301,534
– associates	1,988,186	3,302,334
– other customers	169,824,338	162,476,601
Total	**205,897,853**	**204,557,463**

Net revenue from sales by business segment

(in EUR)	2023	2022
Forge	145,976,674	137,110,424
Hand Tools	37,353,546	44,203,861
Special Machines	17,944,700	18,095,184
Joint services	4,234,451	5,065,783
Maintenance	388,482	82,211
Total	**205,897,853**	**204,557,463**

Subject to sales agreements of the Special Machines Programme amounting to a total of EUR 4,601,004, which remained unrealised as at 31/12/2023, EUR 1482024 will be recognised in revenue in future periods.

10.8.2 Other operating revenue

(in EUR)	2023	2022
Benefits for exceeding the quota of disabled employees	194,169	164,186
Paid receivables already included in the value adjustment	34,690	5,229
Damages received	32,633	23,734
Retained contributions from disabled persons and actuarial gains	560,519	497,788
Profit from the sale of fixed assets	111,018	109,393
Subsidies, grants and similar revenue	0	12,008
Receipt of emission allowances	0	0
Subsidies – reimbursement of quarantine payments (COVID-19)	0	62,948
Subsidies – reimbursement of absence due to a force majeure (COVID-19)	0	4,523
Subsidies – Reimbursement for rapid tests (COVID-19)	0	47,900
Energy aid	601,217	0
Other operating revenue	807,404	3,632,946
Total	**2,341,650**	**4,560,655**

Retained contributions from disabled persons and actuarial gains include the reversal of provisions from retained contributions for the employment of disabled persons above the prescribed quota and the reversal of non-current provisions from the actuarial calculation of termination and jubilee benefits.

Profit from the sale of fixed assets represents the positive effect of the sale of non-operational equipment.

The company received EUR 601,217 in energy aid from the Republic of Slovenia in 2023 and a total of EUR 115,371 in state aid from the Republic of Slovenia in 2022, in accordance with the intervention legislation adopted to mitigate the effects of the COVID-19 epidemic. The received state aid are grants.

Other operating revenue amounting to EUR 807,404 includes revenue arising from the derecognition of the value adjustment of inventories set up in the previous years amounting to EUR 513,950 and revenue arising from grants received for development projects of EUR 206,584.

10.8.3 Costs and expenses

Year 2023 (in EUR)	Product. cost	Cost of sales	Cost general activities	Total
Cost of merchandise and materials sold	(7,808,401)	(5,019,677)	(1,299,887)	(14,127,965)
Costs of materials	(98,548,160)	(227,550)	(2,270,273)	(101,045,983)
Costs of services	(17,065,221)	(3,200,368)	(3,648,705)	(23,914,294)
Costs of salaries	(32,423,701)	(2,112,864)	(5,416,136)	(39,952,701)
Costs of social insurances	(5,882,903)	(347,545)	(869,203)	(7,099,651)
Costs of pension insurances	(419,954)	(16,515)	(54,150)	(490,619)
Other labour costs	(5,124,164)	(210,362)	(561,511)	(5,896,037)
Total labour costs	(43,850,722)	(2,687,286)	(6,901,000)	(53,439,008)
Depreciation	(7,489,777)	(192,451)	(981,971)	(8,664,199)
Operating expenses from the revaluation of current operating assets	(72,954)	(4,635)	(8,674)	(86,263)
Expenses from the revaluation of intangible assets and property, plant and equipment	13,296	(27,009)	(24,682)	(38,395)
Other costs	(287,517)	(53,596)	(341,315)	(682,428)
Value adjustments due to changes in inventories	(595,119)	0	0	(595,119)
Total costs	**(175,704,575)**	**(11,412,572)**	**(15,476,507)**	**(202,593,654)**

Year 2022 (in EUR)	Product. cost	Cost of sales	Cost general activities	Total
Cost of merchandise and materials sold	(10,059,016)	(5,247,902)	(1,797,561)	(17,104,479)
Costs of materials	(103,855,403)	(269,195)	(2,421,899)	(106,546,497)
Costs of services	(18,151,253)	(2,978,334)	(3,332,056)	(24,461,643)
Costs of salaries	(31,308,380)	(1,892,696)	(4,722,761)	(37,923,837)
Costs of social insurances	(5,394,003)	(311,087)	(765,578)	(6,470,668)
Costs of pension insurances	(409,827)	(15,598)	(52,659)	(478,084)
Other labour costs	(6,408,177)	(258,672)	(759,616)	(7,426,465)
Total labour costs	(43,520,387)	(2,478,053)	(6,300,614)	(52,299,054)
Depreciation	(7,748,962)	(187,041)	(942,784)	(8,878,787)
Operating expenses from the revaluation of current operating assets	(76,350)	(25,627)	(6,564)	(108,541)
Expenses from the revaluation of intangible assets and property, plant and equipment	(187,926)	(991)	(7,445)	(196,362)
Other costs	(226,986)	(47,405)	(214,546)	(488,937)
Value adjustments due to changes in inventories	4,697,445	0	0	4,697,445
Total costs	**(179,128,838)**	**(11,234,548)**	**(15,023,469)**	**(205,386,855)**

Other labour costs comprise holiday allowance, meal allowance, travel allowance, jubilee and termination benefits above the formed provision and certain other remuneration paid out to employees.

Individual cost groups also show by historic categories costs related to R&D activities, on which the company spent EUR 3,274,246 in the financial year 2023 or 1.59% of generated net revenue from sales. In the 2022 financial year, the Company had spent EUR 2,641,172 on R&D activities or 1.29 per cent of generated net revenue from sales.

Under cost of services, the company records the cost of external production services amounting to EUR 8,203,417, the cost of transport services amounting to EUR 5,110,846, the cost of banking services amounting to EUR 802,678, the cost of insurance amounting to EUR 953,237, as well as the cost of workers hired through labour brokerage agencies amounting to EUR 39,417 for ten employees.

Procurement of materials in associates is presented in Section 10.10.2 of the 2023 Annual Report.

The most significant items disclosed by the company under other costs are scholarships paid amounting to EUR 105,238, compensation for the use of construction land amounting to EUR 165,807 and financial aid and donations amounting to EUR 207,825.

In the 2023 financial year, the company reduced its cost of materials by EUR 2,182,724, its cost of services by EUR 596,372 and its labour costs by EUR 2,101,510, due to the capitalisation of its tangible and intangible fixed assets in the current year in the amount of EUR 4,880,606. Capitalised own products and services include the disclosure of our investments by the Maintenance Department and Special Machines activity for the needs of other programmes, including a general restoration of machinery in the Forge and of CNC machines, as well as capitalized product and technology development costs in the Special Machines and Forge programmes. Their value does not exceed the costs of their production or services rendered.

Lease payments in 2023 amounted to EUR 1,514,404, whereas in 2022 they amounted to EUR 1,197,151.

The company pays rentals under short-term lease agreements for commercial and storage facilities needed by the Special Machines Programme, for parking facilities at the Forgings Machining Plant in Slovenske Konjice and for the rental of forklift trucks, computer equipment and protective equipment for employees.

The contractual amount spent for the audit of the Annual Report of Unior d.d. and the consolidated annual report for the UNIOR Group is EUR 31,500. The audit was performed by Mazars d.o.o. Ljubljana. The contractual provision of non-audit services amounted to EUR 7,875 in the 2023 financial year and include the accuracy verification of the financial commitments' calculation for the needs of banks, the verification of criteria for allocating revenue generated through the provision of a public utility, and the review of a report on the remuneration of Members of the Management and Supervisory Boards of UNIOR d.d., in addition to a review of the correctness of the electronic form of the consolidated financial statements with notes.

10.8.4 Financial revenue and financial expenses

Financial revenue

(in EUR)	2023	2022
Financial revenue from participating interests		
Financial revenue from participating interests in Group companies	1,040,276	1,286,234
Financial revenue from participating interests in associates	44,776	3,103,992
Financial revenue from participating interests in other companies	55	386
Total	1,085,107	4,390,612
Financial revenue from loans given		
Financial revenue from loans given to Group companies	97,911	41,095
Financial revenue from loans given to others	25,517	39,847
Total	123,428	80,942
Financial revenue from operating receivables		
Financial revenue from operating receivables due from Group companies	43,919	45,547
Financial revenue from operating receivables due from others	71,473	418,299
Total	115,392	463,846
Total financial revenue	**1,323,927**	**4,935,400**

Financial revenue from shares in Group companies includes profits in the companies Ningbo Unior Forging Co. Ltd., UNIOR Deutschland GmbH and UNIOR Components d.o.o. Financial revenue from participating interests in associates includes profits in UNIOR Teos Alati d.o.o.

Financial expenses

(in EUR)	2023	2022
Financial expenses from the impairment and write-offs of investments		
Financial expenses from the impairment and write-offs of investments	(38,274)	(642,101)
Total	(38,274)	(642,101)
Financial expenses from financial liabilities		
Financial expenses from loans received from Group companies	(35,204)	(36,425)
Financial expenses from loans received from banks	(6,413,613)	(2,565,329)
Financial expenses from other financial liabilities	(15,026)	(12,090)
Total	(6,463,843)	(2,613,844)
Financial expenses from operating liabilities		
Financial expenses from operating liabilities due to Group companies	(21,735)	0
Financial expenses from trade payables	(463,271)	(251,139)
Financial expenses from other operating liabilities	(288,777)	(292,614)
Total	(773,783)	(543,753)
Total financial expenses	**(7,275,900)**	**(3,799,698)**

Financial expenses from the impairment and write-offs of financial investments include the write-off of long-term financial investments in the companies Strojegradnja d.d. Trbovlje and Cimos d.d. Koper. Financial expenses for interest paid on borrowings from banks amounted to EUR 6,413,613, 150% higher than in the year 2022 – the increase is due to the increase in the EURIBOR reference rate, higher interest margins of commercial banks on the approval of a new syndicated loan in April 2023, and the higher balance of the Company's financial liabilities in the financial year 2023.

10.9 Corporate income tax account and deferred taxes

CORPORATE INCOME TAX

(in EUR)	2023	2022
Corporate income tax	(68,570)	(348,501)
Deferred tax	601,689	556,932
Total	**533,119**	**208,431**

(in EUR)	2023	2022
Net profit or loss of the financial year before taxes	(306,124)	4,866,965
Non-taxable revenue	279,779	2,792,015
Unrecognised tax expenses	1,663,175	2,810,470
Tax base	975,386	4,957,344
Tax base reduction and tax relief	(614,493)	(3,123,127)
– tax relief for investments	(614,493)	(1,932,045)
– relief for employment of the disabled	0	(631,817)
– tax relief for a voluntary supplementary pension scheme	0	(478,083)
– donation relief	0	(81,182)
Tax base	360,893	1,834,217
Corporate income tax in Slovenia 19%	(68,570)	(348,501)
Value adjustment of receivables	(968)	4,569
Value adjustment of investments	0	15,200
Formation of provisions	(16,159)	148,985
Tax relief for investments in research and development	235,409	0
Tax relief for investments	(173,329)	388,178
Tax relief for employing disabled persons	0	0
Tax relief for a voluntary supplementary pension scheme	0	0
Tax loss	556,736	0
Deferred tax	601,689	556,932
Effective tax rate in %	(174.2)	4.3

In 2023, the tax base was disclosed in the amount of EUR 975,386. The tax base is reduced in order to use the tax relief for investments in the amount of EUR 614,493. The tax base amounts to EUR 360,893. In 2023, our tax liability amounts to EUR 68,570. The monthly tax advance payment for 2024 amounts to EUR 6,616. Tax relief which can be utilised in subsequent periods amounts to a total of EUR 34,225,128, out of which a tax loss of EUR 18,557,862.

DEFERRED TAX

Profits established subject to tax legislation differ from the profits established subject to accounting rules and the IFRS. The deferral of taxes is accounted for only for temporary differences in the tax burden between the business accounts and financial statements, i.e. for those reconciled in the defined period.

Deferred tax assets are calculated using the temporary difference in non-current provisions for termination and jubilee benefits, the impairment of trade receivables, unutilised tax relief and tax losses.

A similar structure of deferred tax assets and liabilities and the movement of deferred tax assets are presented in Section 10.7.13 of the 2023 Annual Report.

The positive effect of deferred taxes on net profits amounts to EUR 601,689, increasing the net profits of the current year.

10.10 UNIOR d.d.'s transactions with related parties

All related-party transactions were performed under usual market conditions.

10.10.1 Sales to related parties

(in EUR)	2023	2022
Subsidiaries		
Domestic:	**1,693,742**	**1,554,341**
UNITUR d.o.o. Zreče	1,421,234	1,523,470
UNIOR IN d.o.o. Zreče	247,064	6,355
SPITT d.o.o. Zreče	25,444	24,516
Foreign:	**14,378,555**	**17,326,500**
UNIOR Produktions- und Handels- GmbH Ferlach	2,185,319	2,273,735
UNIOR DEUTSCHLAND GmbH Leonberg	682,282	176,891
UNIOR ITALIA S.R.L. Limbiate	359,723	748,455
UNIOR ESPANA S.L. Uharte-Arakil	3,778	380,637
UNIOR MAKEDONIJA d.o.o. Skopje	173,858	265,252
UNIOR PROFESSIONAL TOOLS Ltd St. Petersburg	897,625	1,154,625
UNIOR BULGARIA Ltd. Sofia	259,306	316,950
UNIOR COMPONENTS d.o.o. Kragujevac	191,398	175,069
UNIOR NORTH AMERICA Inc. New	643,147	1,107,625
NINGBO UNIOR FORGING Co.Ltd. Yuyao	577,553	239,500
UNIOR VINKOVCI d.o.o. Vinkovci	8,404,566	10,487,761
Total subsidiaries	**16,072,297**	**18,880,841**
Associates		
Domestic:	**17,383**	**38,798**
ŠTORE STEEL d.o.o. Štore	17,383	38,798
Foreign:	**1,988,186**	**3,302,334**
UNIOR TEPID S.R.L. Brasov	0	1,476,213
UNIOR TEHNA d.o.o. Sarajevo	449,462	410,511
UNIOR TEOS ALATI d.o.o. Belgrade	1,538,724	1,415,610
Total associates	**2,005,569**	**3,341,132**
Total sales to related parties	**18,077,866**	**22,221,973**

Sales to the UNIOR Tepid associate is taken into account in the table above only until 15/6/2022 when the shareholding was sold. Sales to related parties is net revenue from sales generated by the parent company by selling to subsidiaries and associates.

10.10.2 Purchases from related parties

(in EUR)	2023	2022
Subsidiaries		
Domestic:	**1,065,099**	**315,999**
UNITUR d.o.o. Zreče	149,981	129,242
UNIOR IN d.o.o. Zreče	740,497	18,152
SPITT d.o.o. Zreče	174,621	168,605
Foreign:	**16,254,971**	**17,269,650**
UNIOR Produktions- und Handels- GmbH Ferlach	1,126,103	1,135,515
UNIOR DEUTSCHLAND GmbH Leonberg	1,131,913	1,725,130
UNIOR ITALIA S.R.L. Limbiate	75,312	58,971
UNIOR BULGARIA Ltd. Sofia	483	0
UNIOR COMPONENTS d.o.o. Kragujevac	414,486	298,588
UNIOR NORTH AMERICA Inc. New	255,611	441,795
UNIOR VINKOVCI d.o.o. Vinkovci	13,251,063	13,609,651
Total subsidiaries	**17,320,070**	**17,585,649**
Associates		
Domestic:	**25,786,280**	**27,863,429**
ŠTORE STEEL d.o.o. Štore	25,786,280	27,863,429
Foreign:	**282,547**	**292,532**
UNIOR TEPID S.R.L. Brasov	0	7,754
UNIOR TEOS ALATI d.o.o. Belgrade	282,547	284,778
Total associates	**26,068,827**	**28,155,961**
Total procurement from related parties	**43,388,897**	**45,741,610**

Procurement from the UNIOR Tepid associate is taken into account in the table above only until 15/06/2022 when the shareholding was sold.

10.10.3 Operating receivables due from related parties

(in EUR)	31/12/2023	31/12/2022
Subsidiaries		
Domestic:	**628,499**	**7,325,738**
UNITUR d.o.o. Zreče	628,499	7,314,929
UNIOR IN d.o.o. Zreče	0	7,676
SPITT d.o.o. Zreče	0	3,133
Foreign:	**5,383,502**	**5,948,192**
UNIOR Produktions- und Handels- GmbH Ferlach	77,591	637,255
UNIOR DEUTSCHLAND GmbH Leonberg	0	41,331
UNIOR ITALIA S.R.L. Limbiate	218,095	198,178
UNIOR ESPANA S.L. Uharte-Arakil	0	14,821
UNIOR MAKEDONIJA d.o.o. Skopje	350,731	328,270
UNIOR PROFESSIONAL TOOLS Ltd St. Petersburg	452,389	442,245
UNIOR BULGARIA Ltd. Sofia	204,428	193,803
UNIOR NORTH AMERICA Inc. New	182,618	383,732
NINGBO UNIOR FORGING Co.Ltd. Yuyao	577,553	0
UNIOR VINKOVCI d.o.o. Vinkovci	3,320,097	3,708,557
Total subsidiaries	**6,012,001**	**13,273,930**
Associates		
Domestic:	**1,003**	**4,971**
ŠTORE STEEL d.o.o. Štore	1,003	4,971
Foreign:	**115,490**	**85,269**
UNIOR TEHNA d.o.o. Sarajevo	112,323	85,269
UNIOR TEOS ALATI d.o.o. Belgrade	3,167	0
Total associates	**116,493**	**90,240**
Total operating receivables due from related parties	**6,128,494**	**13,364,170**

Operating receivables due from related parties are outstanding receivables arising from revenue from sales generated by the parent company by selling to subsidiaries and associates.

10.10.4 Operating liabilities due to related parties

(in EUR)	31/12/2023	31/12/2022
Subsidiaries		
Domestic:	**100,934**	**133,423**
UNITUR d.o.o. Zreče	0	9,148
UNIOR IN d.o.o. Zreče	34,694	20,146
SPITT d.o.o. Zreče	66,240	104,129
Foreign:	**395,986**	**1,339,140**
UNIOR Produktions- und Handels- GmbH Ferlach	134,513	238,720
UNIOR DEUTSCHLAND GmbH Leonberg	200,359	488,435
UNIOR ITALIA S.R.L. Limbiate	8,606	9,869
UNIOR COMPONENTS d.o.o. Kragujevac	52,508	111,021
UNIOR NORTH AMERICA Inc. New	0	178,604
UNIOR VINKOVCI d.o.o. Vinkovci	0	312,491
Total subsidiaries	**496,920**	**1,472,563**
Associates		
Domestic:	**5,508,341**	**8,534,771**
ŠTORE STEEL d.o.o. Štore	5,508,341	8,534,771
Foreign:	**42,545**	**35,570**
UNIOR TEOS ALATI d.o.o. Belgrade	42,545	35,570
Total associates	**5,550,886**	**8,570,341**
Operating liabilities due to related parties	**6,047,806**	**10,042,904**

10.10.5 Receivables and liabilities from loans and interest from associates

Receivables from loans and interest due from associates

(in EUR)	31/12/2023	31/12/2022
Subsidiaries		
Domestic:	**1,175,607**	**742,583**
UNITUR d.o.o., Zreče	563,216	66,416
SPITT d.o.o., Zreče	612,391	676,167
Foreign:	**563,185**	**908,163**
UNIOR VINKOVCI d.o.o., Croatia	501,425	785,490
UNIOR ESPANA S.L. Uharte-Arakil	61,760	122,673
Total subsidiaries	**1,738,792**	**1,650,746**

Liabilities from loans and interest due to associates

(in EUR)	31/12/2023	31/12/2022
Subsidiaries		
Domestic:	**57,033**	**62,232**
UNIOR IN d.o.o., Zreče	57,033	62,232
Foreign:	**150,756**	**221,949**
UNIOR DEUTSCHLAND GmbH, Germany	150,756	221,949
Total subsidiaries	**207,789**	**284,181**

10.10.6 Financial revenue and expenditure from related parties

Financial revenue from related parties

(in EUR)	2023	2022
Financial revenue from participating interests		
Subsidiaries	**1,040,276**	**1,286,234**
UNIOR DEUTSCHLAND GmbH Leonberg	73,625	110,438
UNIOR COMPONENTS d.o.o. Kragujevac	206,872	475,083
NINGBO UNIOR FORGING Co.Ltd. Yuyao	759,779	700,713
Associates	**44,776**	**3,103,992**
ŠTORE STEEL d.o.o. Štore	0	1,326,902
UNIOR TEPID S.R.L. Brasov	0	1,734,925
UNIOR TEOS ALATI d.o.o. Belgrade	44,776	42,165
Total financial revenue from shares	**1,085,052**	**4,390,226**
Financial revenue from loans given		
Subsidiaries	**97,911**	**41,095**
UNITUR d.o.o. Zreče	26,149	263
SPITT d.o.o. Zreče	31,017	13,166
UNIOR ITALIA S.R.L. Limbiate	0	132
UNIOR ESPANA S.L. Uharte-Arakil	5,272	5,027
UNIOR VINKOVCI d.o.o. Vinkovci	35,473	22,507
Total financial revenue from loans given	**97,911**	**41,095**
Financial revenue from operating receivables		
Subsidiaries	**43,919**	**45,547**
UNIOR Produktions- und Handels- GmbH Ferlach	1,295	0
UNIOR PROFESSIONAL TOOLS Ltd St. Petersburg	0	3,791
UNIOR VINKOVCI d.o.o. Vinkovci	42,624	41,756
Total financial income from trade receivables	**43,919**	**45,547**

Financial expenses due to related parties

(in EUR)	2023	2022
Financial expenses from financial liabilities		
Subsidiaries	**(35,204)**	**(36,425)**
UNITUR d.o.o. Zreče	(30,471)	(30,039)
UNIOR IN d.o.o. Zreče	(2,302)	(2,803)
UNIOR DEUTSCHLAND GmbH Leonberg	(2,431)	(3,583)
Total financial expenses from financial liabilities	**(35,204)**	**(36,425)**
Financial expenses from operating liabilities		
Subsidiaries	**(21,735)**	**0**
NINGBO UNIOR FORGING Co.Ltd. Yuyao	(21,735)	0
Associates	**(100,249)**	**(122,452)**
ŠTORE STEEL d.o.o. Štore	(100,249)	(122,452)
Total financial charges from operating liabilities	**(121,984)**	**(122,452)**

10.10.7 Transactions with owners and their related parties

The largest individual owner of UNIOR d.d. is Slovenski državni holding, d.d., which owns a 39.43% shareholding. Kapitalska družba, d.d. owns a 5.55% shareholding and Zavarovalnica Triglav, d.d. owns a 3.52% shareholding in UNIOR d.d. The Republic of Slovenia thus indirectly owns a 48.50% shareholding in UNIOR d.d.

Companies related to owners are companies wherein the Republic of Slovenia and Slovenski državni holding, d.d. directly hold a minimum 20% shareholding. The list of these companies is published on the website of Slovenski državni holding, d.d. (https://www.sdh.si/sl-si/upravljanje-nalozb/seznam-nalozb).

Total value of transactions with owners and their related parties

(in EUR)	2023	2022
Revenue from sales (in the period from 01/01 to 31/12)	862,492	1,302,133
Procurement (in the period from 01/01 to 31/12)	8,398,069	9,366,803
Operating receivables (as at 31/12)	303,018	85,836
Operating liabilities (as at 31/12)	1,635,704	2,265,810

All transactions with owners and their related parties were performed under usual market conditions.

10.11 Risks at UNIOR d.d.

Operating risks of UNIOR d.d. are disclosed in Section 7.8.2 of the 2023 Annual Report. Financial risks of UNIOR d.d. are disclosed below.

FINANCIAL RISKS

CREDIT RISK

Credit risk refers to a risk that the company will not be able to recover all its operating receivables and investments owed by its debtors within the agreed time frame. Credit risks are managed through regular monitoring of the business operations and financial position of all existing and new business partners, by limiting exposure to individual business partners and through an active process of collecting receivables. The ever-changing macroeconomic environment can cause changes to the credit rating and solvency of our customers, so despite careful management of receivables, customers are likely to default on payments or even be unable to pay. By regularly monitoring outstanding receivables due from customers, age structure of receivables and average payment deadlines, the company preserves its credit exposure within acceptable limits. All current trade receivables, with the exception of receivables due from associates, have also been secured with an insurance company since 01/10/2014. In accordance with IFRS 9, the company recognises Expected Credit Loss (ECL) on trade receivables. Credit risks are closely monitored in all areas of the operation. The risk is assessed as moderate.

Analysis of the age of trade receivables as at the reporting date

Year 2023 (in EUR)	Gross value	Average loss amount in %	ECL adjustment	Individual allowance for increased credit risk	Total adjustment	Increased credit risk	Net value
Receivables not yet due	13,076,891	0.12	15,715	0	15,715	no	13,061,176
Receivables overdue up to 90 days	4,691,362	0.68	32,098	0	32,098	no	4,659,264
Receivables from 91 to 180 days overdue	1,321,213	1.88	24,775	0	24,775	no	1,296,438
Receivables from 181 to 360 days overdue	69,621	44.88	31,246	0	31,246	no	38,375
Receivables more than 360 days overdue	281,229	71.54	201,195	0	201,195	no	80,034
Total	**19,440,316**		**305,029**	**0**	**305,029**		**19,135,287**

Year 2022 (in EUR)	Gross value	Average loss amount in %	ECL adjustment	Individual allowance for increased credit risk	Total adjustment	Increased credit risk	Net value
Receivables not yet due	14,572,493	0.14	20,912	0	20,912	no	14,551,581
Receivables overdue up to 90 days	6,177,758	0.52	31,826	0	31,826	no	6,145,932
Receivables from 91 to 180 days overdue	401,571	3.81	15,283	0	15,283	no	386,289
Receivables from 181 to 360 days overdue	422,789	8.61	36,381	0	36,381	no	386,407
Receivables more than 360 days overdue	249,827	100.00	249,827	0	249,827	no	0
Total	**21,824,438**		**354,229**	**0**	**354,229**		**21,470,209**

INTEREST RATE RISK

The interest rate risk refers to the risk of financial loss due to unfavourable interest rate movements. As changes in the interest rate can materially reduce the economic benefits of the company, the movement of benchmark interest rates is continuously monitored. We consider the risk to be critical due to the very high level of the reference interest rate set by the European Central Bank. The refinancing of the existing syndicated loan maturing in 2023 was concluded on 25/04/2023, and the company has negotiated with the syndicate of banks that the interest margins on the new syndicated loan agreement will also be based on a margin scale in line with UNIOR d.d.'s operating performance. The company does not currently have any derivative instruments in place to hedge the interest rate, mainly due to the abnormally high cost of these instruments, but the company regularly reviews and assesses the appropriateness of the available methods to hedge the reference interest rates. In the 2023 business plan, the company included higher financing costs compared to the previous year, but these were exceeded due to more unfavourable movements in the reference interest rates than projected. To mitigate the impact of the increase in financing costs, the company has already started several optimisation projects in 2023, namely the optimisation of inventories and receivables in the Hand Tools and Special Machines programmes, as well as the year-on-year adjustment of the pricing policy on both the purchasing and sales sides in all three production programmes.

Balance of liabilities linked to an individual variable interest rate in 2023

(in EUR)	Amount of liabilities 31/12/2023	Interest rate in %	Hypothetical rise in interest rates by 15%	by 50%	by 100%
Interest rate type					
3-month EURIBOR	403,634	3.9250	2,376	7,921	15,843
6-month EURIBOR	95,714,054	3.8850	557,774	1,859,245	3,718,491
Total effect	**96,117,688**		**560,150**	**1,867,167**	**3,734,334**

Balance of liabilities linked to an individual variable interest rate in 2022

(in EUR)	Amount of liabilities 31/12/2022	Interest rate in %	Hypothetical rise in interest rates by 15%	by 50%	by 100%
Interest rate type					
1-month EURIBOR	3,000,000	1.8980	8,541	28,470	56,940
3-month EURIBOR	61,867,512	2.2020	204,348	681,161	1,362,323
6-month EURIBOR	18,162,642	2.7520	74,975	249,918	499,836
Total effect	**83,030,154**		**287,865**	**959,549**	**1,919,099**

As at 31/12/2023, the total financial liabilities of UNIOR d.d. amount to EUR 97,162,867. The difference amounting to EUR 1,045,179 to the disclosed balance regarding the sensitivity of the interest rate represents financial liabilities with a fixed interest rate.

LIQUIDITY RISK

The liquidity risk refers to the risk of shortage in liquid assets to repay operating and financial liabilities of the company within the agreed time frame. The liquidity risk includes risks associated with the shortage in financial resources available and, as a result, with the inability of the company to settle its liabilities within the agreed time frame. Financial solvency largely depends on effective money management, receivables management and liabilities and investment dynamics. The liquidity risk is managed by the company by monitoring and managing the liquidity of assets (receivables and inventories) liabilities and cash flows from operating activities and investments in a centralised manner. Significant attention is paid to drawing up and monitoring the cash flow plan including the foreseen inflows and required outflows. Successful planning enables us to optimally manage any current surpluses or deficits of liquid assets – current imbalance is regulated by drawing on the approved revolving credit line with the commercial banks trade union. On 25/04/2023, the company concluded a refinancing agreement for the existing debt repayable in 2023 with the bank syndicate. At the same time, it obtained an additional liquidity reserve in the form of a new revolving loan. Due to all the activities undertaken and the new revolving loan, we consider the risk to be moderate despite the uncertain economic and financial environment.

THE RISK OF FAILING TO MEET FINANCIAL COMMITMENTS

The risk of non-fulfilment of financial commitments is the risk that the company has to repay early the long-term loan granted on 25/04/2023 under the syndicated loan agreement concluded with the syndicate of commercial banks. The UNIOR Group and the company shall meet the net financial debt to EBITDA ratio and the percentage of capital in the structure of liabilities set by the banks. Financial commitments are reviewed on an annual basis on the basis of the audited consolidated financial statements of the UNIOR Group and UNIOR d.d. and are subject to approval of the certified auditor auditing the consolidated financial statements of the UNIOR Group and UNIOR d.d. In the previous years and in 2023, our commitments were honoured without exception. The Business Plans of the UNIOR Group and UNIOR d.d. also foresee the honouring of financial commitments in the future. The risk is assessed as low.

10.12 Gross remuneration of groups of persons

In compliance with Indent 3 of Paragraph 3 of Article 69 of the Companies Act (ZGD-1) and IAS 12, UNIOR hereinafter discloses the remuneration received by Members of the Management Board, other company employees employed under an individual contract of employment for which the tariff part of the collective agreement does not apply and Members of the Supervisory Board.

The company has not granted any advance payments, loans or sureties for their liabilities to Members of the Management Board, other company employees employed under an individual contract of employment for which the tariff part of the collective agreement does not apply and Members of the Supervisory Board.

Remuneration of the members of the management board

Year 2023 (in EUR)	Position	Fixed renumeration	Variable remuneration			Deferred renumeration	Termination benefits	Bonus payments		Return of benefits	Total gross	Total net	Reimbursement of expenses
			quantitative benchmarks	qualitative benchmarks	Total			insurance	vehicle				
Darko Hrastnik	President of the Management Board	217,610	0		0	0	0	6,821	6,369	0	**230,800**	**94,115**	**657**
Branko Bračko	Member of the Management Board	199,601	0		0	0	0	5,889	6,452	0	**211,942**	**90,429**	**2,857**

Year 2022 (in EUR)	Position	Fixed renumeration	Variable remuneration			Deferred renumeration	Termination benefits	Bonus payments		Return of benefits	Total gross	Total net	Reimbursement of expenses
			quantitative benchmarks	qualitative benchmarks	Total			insurance	vehicle				
Darko Hrastnik	President of the Management Board	189,189	0	0	0	0	0	5,734	8,147	0	**203,070**	**85,347**	**534**
Branko Bračko	Member of the Management Board	175,884	0	0	0	0	0	5,638	7,979	0	**189,501**	**82,830**	**2,431**

Remuneration of the members of the Supervisory Board and the committees of the Supervisory Board

Year 2023 (in EUR)	Position	Payment for fulfilling the position: basic payment for fulfilling the position	additional payment for fulfilling the position	additional payment for special tasks	Total	Attendance fees for SB and the committees	Total gross	Total net	Travel expenses
Franc Dover	President of the SB	9,777	1,629	0	11,406	2,503	**13,909**	**9,981**	280
Simona Razvornik Škofič	Deputy President of the SB	7,169	2,444	0	9,613	3,558	**13,171**	**9,444**	1,049
Andreja Potočnik	member of the SB	6,268	2,351	0	8,619	1,391	**10,010**	**7,144**	383
Tomaž Subotič	Member of the SB	10,070	6,294	0	16,364	11,991	**28,355**	**20,487**	7,908
Robert Vuga	President of the SB	6,680	1,113	0	7,793	1,408	**9,201**	**6,692**	0
Katja Potočar	president of the SB	4,899	1,670	0	6,569	1,663	**8,232**	**5,987**	279
Marijan Penšek	deputy president of the SB	4,453	1,113	0	5,566	2,047	**7,613**	**5,537**	259
Saša Koren	member of the SB	10,971	2,743	0	13,714	4,410	**18,124**	**13,046**	0
Milan Potočnik	Member of the SB	10,971	2,743	0	13,714	3,656	**17,370**	**12,497**	0
Blanka Vezjak	External member of the SB	0	1,880	0	1,880	1,103	**2,983**	**2,169**	106
Simon Čadež	external member of an SB committee	0	863	0	863	1,008	**1,871**	**1,360**	442

Year 2022 (in EUR)	Position	Payment for fulfilling the position: basic payment for fulfilling the position	additional payment for fulfilling the position	additional payment for special tasks	Total	Attendance fees for SB and the committees	Total gross	Total net	Travel expenses
Branko Pavlin	President of the SB	531	88	0	619	0	**619**	**450**	0
Simona Razvornik Škofič	Deputy President of the SB	12,068	4,114	0	16,182	5,025	**21,207**	**15,289**	1,169
Jože Golobič	Member of the SB	354	133	0	487	0	**487**	**354**	0
Rajko Stankovič	Member of the SB	354	88	0	442	0	**442**	**322**	0
Saša Koren	Member of the SB	10,971	2,743	0	13,714	3,957	**17,671**	**12,716**	0
Boris Brdnik	Member of the SB	10,057	2,514	0	12,571	2,650	**15,221**	**10,934**	0
Franc Dover	President of the SB	15,926	2,654	0	18,580	3,424	**22,004**	**15,868**	297
Andreja Potočnik	Deputy President of the SB	10,388	6,064	0	16,452	5,824	**22,276**	**16,066**	1,712
Boštjan Napast	Member of the SB	10,617	0	0	10,617	1,644	**12,261**	**8,782**	0
Milan Potočnik	Member of the SB	914	229	0	1,143	503	**1,646**	**1,197**	0
Blanka Vezjak	External member of the SB	0	2,425	0	2,425	1,845	**4,270**	**3,106**	274

Remuneration of employees employed on the basis of individual contracts of employment

Year 2023 (in EUR)	Gross values						Net values					
	Current employee benefits	Post-employment benefits	Other non-current benefits	Termination benefits	Share-based payments	Total gross	Current employee benefits	Post-employment benefits	Other non-current benefits	Termination benefits	Share-based payments	Total net
Employees based on an individual contract	5,658,670	0	0	0	0	5,658,670	3,147,943	0	0	0	0	3,147,943

Year 2022 (in EUR)	Gross values						Net values					
	Current employee benefits	Post-employment benefits	Other non-current benefits	Termination benefits	Share-based payments	Total gross	Current employee benefits	Post-employment benefits	Other non-current benefits	Termination benefits	Share-based payments	Total net
Employees based on an individual contract	4,389,017	0	0	0	0	4,389,017	2,492,765	0	0	0	0	2,492,765

10.13 Proposed distribution of balance sheet profit of the current year

The Management Board adopted the audited financial statements by its decision of 25/04/2024.

Established distributable profits of the 2023 financial year subject to the audited annual financial statements of the company for 2023 amount to EUR 12,525,158. The Management Board proposes that distributable profits remain undistributed.

Distributable profits of the 2023 financial year consist of net profits amounting to EUR 226,995, profit from previous years brought forward amounting to EUR 16,834,459 and are decreased by non-current deferred development costs amounting to EUR 4,536,296.

10.14 Environmental/climate risk assessment and their effect on financial statements

Environmental management is increasingly associated in UNIOR d.d. not only with environmental/climate impacts but also with financial resources. By ensuring compliance with all statutory and environment-protection objectives, the Group strives in the long run to rationalise the consumption of primary resources, increase the consumption of RES, their re-use from the viewpoint of circular economy and by substituting existing methods, technologies, and materials with a higher impact on the environment with more optimal ones whenever feasible and rational. The management of environmental/climate impacts is also understood as an opportunity to generate revenue.

Costs related to environmental/climate impacts in UNIOR d.d. in 2023

Type of cost	(in EUR)
Waste management	252,353
Water – consumption	161,944
Water – wastewater treatment	103,023
Water – connection of the Grafit sewage treatment plant to the sewerage system	16,908
Energy sources, emissions	10,455,281
Depreciation and financing of other environment-friendly investments	125,020
Environmental management work costs	754,795
Environment awareness training costs	5,788
Environmental tax, water treatment levy	45,565
Costs of environmental external contractors	55,110
TOTAL	**11,975,787**

UNIOR d.d.'s environmental/environmental impact-related costs amount to EUR 12 million in 2023. Energy products account for the majority thereof (EUR 10.5 million). A description of energy use and its composition can be found in sections 6.2.2 to 6.2.4 of the 2023 Annual Report.

Environment management-related labour costs amounted to EUR 755 thousand, whereas EUR 55 thousand were spent on services provided by environment-related external contractors. We paid EUR 327k for integrated water management – from water use, to connecting the wastewater treatment plant to the network, to wastewater treatment and water reimbursement. Waste management also accounted for EUR 252 thousand in important costs. For a more detailed description of our environmental impacts, please refer to section 6.2.7 of the 2023 Annual Report.

Revenue related to environmental/climate impacts in the UNIOR company in 2023

Type of revenue	(in EUR)
Sales of waste – secondary raw material	7,422,970
Cogeneration of heat and electricity from fossil gaseous fuels	458,013
TOTAL	**7,880,983**

The recyclability of the used resources has great potentials for realising revenue from secondary raw materials. UNIOR d.d. generated EUR 7.4 million in revenue in this area in 2023. A description of the revenue in this area is also included in section 7.5 of the 2023 Annual Report. We generated EUR 458,013 thousand in revenue from the sale of electricity generated by cogeneration plants, which simultaneously produce electricity and use excess heat energy.

10.15 Events after the reporting period

SALES OF INVESTMENTS

In 2023, the company commenced procedures for the sale of UNIOR d.d. investments, namely 100% ownership interest in UNITUR d.o.o., Zreče, Slovenia; 100% ownership interest in UNIOR Components d.o.o., Kragujevac, Serbia; and 29.253% ownership interest in Štore Steel d.o.o., Štore, Slovenia. The sale of those investments company UNIOR d.d. is proceeding in accordance with the envisaged timetable set together with the selected financial advisors for the sale of the individual investment. As of the date of the 2023 Annual Report, the company has not yet received binding offers from buyers for the sale of ownership interest in any sales process, but it is expected that, if appropriate offers are received and terms are agreed with potential buyers, the sales processes will be completed in the second half of 2024.

ACCRUALS AFTER THE REPORTING PERIOD

After the reporting period, there were no significant accruals which would have a material impact on the financial statements of UNIOR d.d. for 2023 or which would have required additional disclosure.

10.16 Statement on the responsibility of members of the Management Board

The Management Board of the Company shall be responsible for drawing up the UNIOR d.d. Annual Report and its financial statements so that they present a true and fair view of the financial standing and operating results of UNIOR d.d. in 2023 to the interested public.

In compliance with Article 134 of the Market in Financial Instruments Act (ZTFI-1), the Management Board of the parent company declares to the best of its knowledge that the Financial Statement of UNIOR d.d. has been drawn up in compliance with International Financial Reporting Standards as adopted by the European Union and gives a true and fair view of the financial situation and operating results of UNIOR d.d. as a whole and that the Business Report of UNIOR d.d. includes a fair review of the developments and operating results and financial position of the UNIOR Group including a description of material types of risks UNIOR d.d. as a whole is exposed to.

The Management Board hereby adopts and confirms the financial statements including associated policies and notes of the company for the year 2023.

The Management Board hereby confirms to have diligently applied the appropriate accounting policies, that accounting estimates have been made subject to the fair value, precautionary and due diligence principles and that its financial statements give a true and fair view of the financial situation and operating results of the company in 2023.

The Management Board is also responsible for adequate accounting, adopting corresponding decisions to safeguard its property and other assets and for the prevention and detection of fraud and other irregularities or illegal acts. The Management Board also confirms that the Financial Statements including notes are drawn up on the basis of going concern of the company and in compliance with the legislation in force and International Financial Reporting Standards as adopted by the European Union.

At any time within a period of five years following the lapse of the year in which taxes shall be levied, the tax authorities may audit the operations of the company which may consequently result in additional tax liabilities, default interest and penalties arising from corporate income tax or other taxes and levies. The Management Board of the company is not aware of any circumstances which could give rise to this kind of material liability.

In Zreče, on 25/04/2024

Branko Bračko Member of the Management Board	Darko Hrastnik President of the Management Board

10.17 Independent auditor's report

mazars

INDEPENDENT AUDITOR'S REPORT

To the shareholders of UNIOR d.d.

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have conducted an audit of the financial statements of UNIOR d.d. (hereinafter referred to as “the Company”), which comprise the balance sheet as at 31 December 2023, the income statement and the statement of other comprehensive income, statement of changes in equity and cash flow statement for the year then ended, and important information about accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2023 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing and Regulation (EU) No. 537/2014 of the European Parliament and of the Council of 16 April 2014 on specific matters relating to statutory audit of public-interest entities (the Regulation). Our responsibilities under these rules are described in this report in the paragraph Auditor's responsibility for the audit of the financial statements. In accordance with International Code of Ethics for Accounting Professionals (including the International Independence Standards) issued by the International Ethics Standards Board for Accounting Professionals (the IESBA Code) and the ethical requirements applicable to auditing of financial statements in Slovenia, we certify our independence from the Company and that we have complied with all other ethical requirements in accordance with these requirements and the IESBA Code.

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

Key audit matters

The key audit matters are those that, in our professional judgement, were the most material in the audit of the financial statements for the current financial year. These matters have been considered in the context of the audit of the financial statements taken as a whole and in forming our opinion thereon, and we do not express a separate opinion on them.

Net turnover

Key audit matter	*Audit approach in relation to the matter*
Net turnover for the financial year 2023 amounts to EUR 205,898 thousand. As explained in section 10.6.2.4. “Summary of significant accounting policies and disclosures”, revenue is recognised differently by business segment (Forge, Hand Tools, Special Machines), taking into account IFRS 15 (Revenue from contracts with customers) and the five-step model for its recognition. Net turnover is one of the key indicators of the performance of the company. Due to the importance of the accounting item, the complexity of how it is recognised in relation to the segments of revenue generated under IFRS15 and the risks to its proper recording, we have identified the recognition of net turnover as a key audit matter.	As part of our audit procedures, we assessed the appropriateness of the accounting policies applied by the Company in relation to revenue recognition and their compliance with International Financial Reporting Standards and performed the following audit procedures, among others: • gained an understanding of the accounting policies relating to the recognition of income of individual business segments in accordance with IFRS 15, • understood and assessed the design and implementation of internal controls related to revenue recognition for each business segment, focusing on key controls; • tested the operating effectiveness of key controls relevant to the revenue recognition of each business segment;

	• performed analytical procedures to test the data against the revenue of all business segments; • performed a test of detail on a selected sample of the revenue of each business segment; • reviewed the completeness and adequacy of the relevant disclosures in the financial statements relating to net turnover presented by management in the accounting part of the annual report under item 10.8.1. "Net turnover by segment".

Other information

Other information is a responsibility of the management. Other information comprises the business report, which is an integral part of the Company's annual report, but excludes the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not refer to other information and we do not express any form of assurance on it.

In connection with the conducted audit of the financial statements, it is our responsibility to read the other information and, in doing so, to assess whether the other information is materially inconsistent with the financial statements, legal requirements or our knowledge acquired in the audit or otherwise appears to be materially misstated. If, based on the work performed, we conclude that there is a material misstatement of the other information, we must report such circumstances. In this respect, on the basis of the procedures described above, we report that:

- the other information is consistent, in all material respects, with the audited financial statements;
- the other information is prepared in accordance with applicable laws and regulations; and
- based on the knowledge and understanding of the Company and its environment, which we acquired during the audit, we did not find any significantly incorrect statements in relation to other information.

Responsibility of the management and those charged with governance for financial statements

The management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards as adopted by the EU and for such internal control as the management determines is necessary to enable preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the Company's financial statements, the management is responsible for assessing the Company's ability to continue as a going concern, for disclosing matters related to a going concern and for using the presumption of a going concern as a basis of accounting unless the management intends to liquidate the Company or to discontinue operations, or has no alternative but to do one or the other.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's responsibility for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements taken as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Acceptable assurance is a high level of assurance, but it is not a guarantee that an audit carried out in accordance with IAS will always detect a material misstatement, if one exists. Misstatements may arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users made on the basis of those financial statements.

We use professional judgement and maintain professional discretion when carrying out an audit in accordance with IAS. Also:

- identify and assess the risks of material misstatement of the financial statements, whether due to error or fraud, design and perform audit procedures in response to those risks, and obtain sufficient and appropriate audit evidence to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than the risk resulting from error, as fraud may involve collusion, forgery, deliberate omissions, misrepresentations or avoidance of internal controls;

- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not in order to express an opinion on the effectiveness of the internal control of the Company;
- evaluate the appropriateness of the used accounting policies and the reasonableness of accounting estimates and related disclosures made by the management;
- based on the obtained audit evidence about the existence of a material uncertainty about events or circumstances that cast doubt on the Company's ability to continue as a going concern, we conclude that the management's use of the presumption of a going concern as a basis of accounting is appropriate. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to appropriate disclosures in the financial statements or, if such disclosures are unsuitable, to adjust the opinion. The auditor's conclusions are based on the audit evidence obtained up to the date of the auditor's report. However, subsequent events or circumstances may result in the Company ceasing to be a going concern;
- we evaluate the overall presentation, structure and content of the financial statements, including disclosures, and whether the financial statements present the underlying transactions and events in a manner that achieves fair presentation.

We discuss with those charged with governance, inter alia, the planned scope and timing of the audit and the significant audit findings, including material weaknesses in internal control, identified during our audit.

We also provide those charged with governance with a statement that we have met appropriate ethical independence requirements and discuss with them any relationships and other requirements that may reasonably be believed to affect our independence and, where applicable, the steps taken to elimination of hazards, or used safeguards.

Out of all the matters that we discussed with those charged with governance, we determine those matters that were the most important in the audit of the financial statements in the current period and are therefore key audit matters. We describe these matters in the auditor's report, unless law or regulation prevents public disclosure of these matters, or when, in extremely rare circumstances, we decide not to convey the matters in the report because we reasonably expect that the adverse consequences of doing so would outweigh the public benefit of conveying them.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Other *reporting obligations under Regulation (EU) No. 537/2014 of the European Parliament and of the Council*

Certification to the Audit Committee

We confirm that the auditor's opinion included in this auditor's report is consistent with the additional report to the Audit Committee.

Prohibited services

We confirm that we have not performed services for the Company referred to in the first paragraph of Article 5 of Regulation 537/2014 and the auditing company met the requirements for independence in auditing.

Other services of the auditing company

Besides the audit of the financial statements, the auditing company MAZARS d.o.o. did not provide any other services for the Company and its subsidiaries except those disclosed in the annual report.

Appointment of the auditing company and the responsible certified auditor

The audit company MAZARS d.o.o. was appointed at the General Meeting of the Company on 06/07/2022 and the Chairman of the Supervisory Board signed the contract for the audit of the separate and consolidated financial statements on 29/08/2022. The contract is for a period of 3 years. We carry out statutory audits of the Company's financial statements on a continuous basis from 29/08/2022.

On behalf of the auditing company MAZARS d.o.o. Jure Marko is responsible for the audit.

The auditor's reporting on compliance of electronic financial statements with the requirements of Delegated Regulation 2019/815 on a single electronic reporting format

We have conducted an engagement to provide reasonable assurance as to whether the Company's audited financial statements for the financial year ended 31/12/2023 have been prepared in accordance with the requirements of Commission Delegated Regulation (EU) 2019/815 of 17 December 2018 supplementing Directive 2004/109/EC of the European Parliament and of the Council with regard to regulatory technical standards for establishing a common electronic reporting format applicable for 2023 (the “Delegated Regulation”).

Responsibilities of the management and those charged with governance

The management is responsible for the preparation and correct presentation of the audited financial statements of the Company in electronic form in accordance with the requirements of the Delegated Regulation, as well as for such internal control as required in accordance with the decision of the management to enable the preparation of audited financial statements in electronic form in a manner that they do not contain a material misstatement due to fraud or error.

Those charged with governance are responsible for supervising the preparation of audited financial statements of the Company in electronic form in accordance with the requirements of the Delegated Regulation.

Auditor's responsibility

Our responsibility is to perform the acceptable assurance engagement and express a conclusion on whether the audited financial statements are prepared in accordance with the requirements of the Delegated Regulation. We have conducted our acceptable assurance engagement in accordance with International Standard on Assurance Engagements 3000 revised
- Assurance engagements except audits or investigations of historical accounting information (MSZ 3000 revised), issued by the International Auditing and Assurance Standards Board. This standard requires that we design and perform the engagement to obtain reasonable assurance to give an opinion.

We acted in accordance with the independence and ethical requirements of EU Regulation no. 537/2014 and the International Code of Ethics for Professional Accountants (including the International Standards of Independence), issued by the International Ethics Standards Board for Accountants. The code is based on the fundamental principles of integrity, objectivity, professional competence and due diligence, confidentiality and professional behavior. Our company operates in accordance with the International Standard on Quality Management (ISQM)1
- Quality management in companies that perform audits and investigations of financial statements and other assurance engagements and related services, and accordingly maintains a comprehensive quality management system, including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Summary of the conducted work

As a part of the conducted work, we performed the following audit procedures:

- we have identified and assessed the risks of material noncompliance of the audited financial statements with the requirements of the Delegated Regulation due to error or fraud;
- we have obtained an understanding of internal control that is relevant to the reasonable assurance engagement in order to design procedures that are appropriate in the circumstances, but not to express an opinion on the effectiveness of internal control;
- we have assessed whether the received audited financial statements meet the requirements of the Delegated Regulation valid on the reporting date;
- we have obtained reasonable assurance that the audited financial statements of the issuer are presented in the correct electronic XHTML format.

We believe that the evidence obtained are a sufficient and appropriate basis for our conclusion.

Conclusion

In our opinion, based on the procedures performed and the evidence obtained, the audited financial statements of the Company for the year ended 31/12/2023 comply in all material respects with the requirements of the Delegated Regulation.

Ljubljana, 25 April 2024

MAZARS, družba za revizijo, d.o.o.

Jure Marko
certified auditor

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Share capital: EUR 15,957.45 | Registration number: 3959023300 | Tax code: SI 88105571