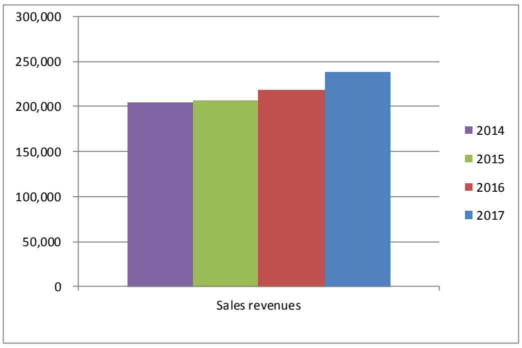
ANNUAL REPORT
2017

EVROPSKI PROIZVAJALEC OD LETA 1919

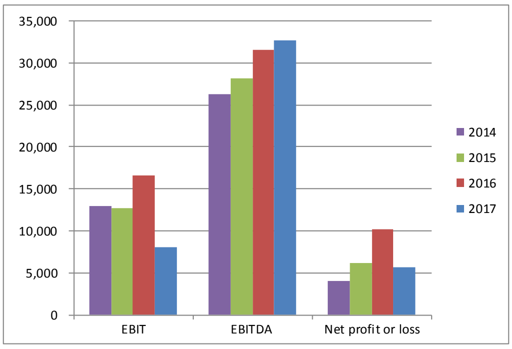
Key performance data of Unior Group

(in thousands of EUR)	2017	2016	2015	2014
Profit or loss				
Sales revenues	239,020	219,112	207,411	205,253
EBIT	8,038	16,588	12,702	12,909
EBITDA	32,640	31,582	28,124	26,342
Net profit or loss	5,696	10,192	6,187	4,053
Financial position				
Total assets	363,974	347,978	339,547	353,280
Total equity	158,647	152,554	144,631	140,361
Financial liabilities	129,501	127,780	131,812	152,809
Operating liabilities	59,729	57,832	53,582	52,035
Return indicators				
EBIT margin (in %)	3.36	7.57	6.12	6.29
EBITDA margin (in %)	13.66	14.41	13.56	12.83
ROA – return on assets (in %)	1.60	2.96	1.79	1.14
ROE – return on equity (in %)	3.73	7.10	4.44	2.97
Financial health indicators				
Equity/Total assets (in %)	43.59	43.84	42.60	39.73
Net financial liabilities/EBITDA	3.47	3.65	4.43	5.58
Employees				
Unior + subsidiaries – year end	3,212	3,077	2,994	2,952
Unior + subsidiaries + associates	3,861	3,715	3,746	3,751

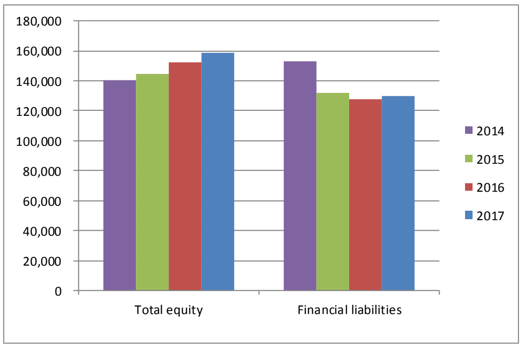
Sales revenues (in thousands of EUR)



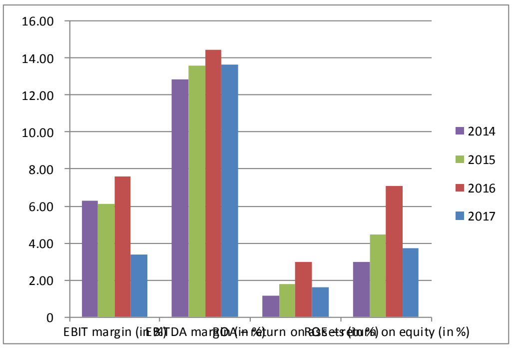
EBIT, EBITDA an net operating profit or loss (in thousands of EUR)



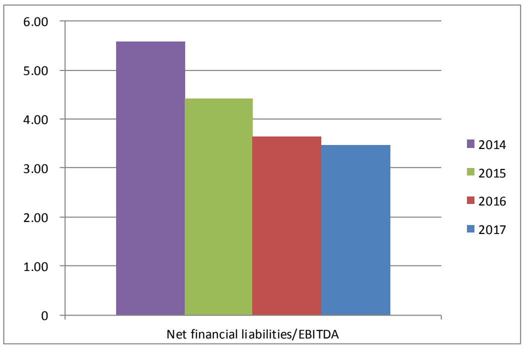
Equity and financial liabilities (in thousands EUR)



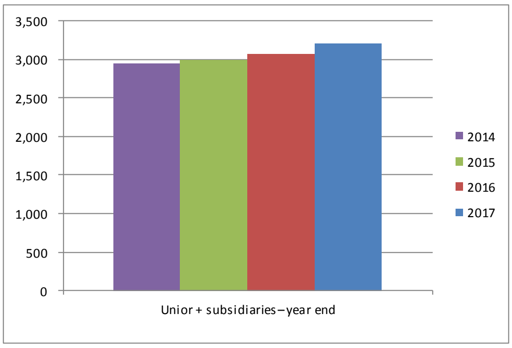
Return indicators of Unior Group



EBITDA compared to the net financial debt of the Unior Group



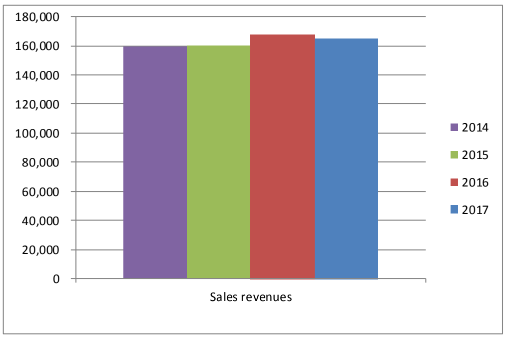
Changes in the number of employees in the Unior Group



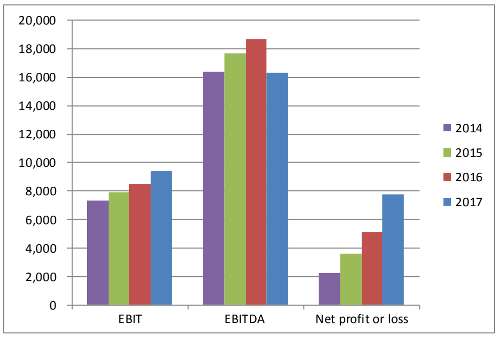
Key performance data of Unior

(in thousands of EUR)	2017	2016	2015	2014
Profit or loss				
Sales revenues	165,273	167,942	159,819	159,457
EBIT	9,414	8,507	7,902	7,318
EBITDA	16,278	18,691	17,647	16,409
Net profit or loss	7,747	5,089	3,612	2,221
Financial position				
Total assets	245,247	285,799	278,718	291,604
Total equity	89,063	112,425	108,204	105,793
Financial liabilities	109,737	122,248	122,681	140,136
Operating liabilities	41,925	43,754	40,761	39,711
Return indicators				
EBIT margin (in %)	5.70	5.07	4.94	4.59
EBITDA margin (in %)	9.85	11.13	11.04	10.29
ROA – return on assets (in %)	2.92	1.80	1.27	0.76
ROE – return on equity (in %)	8.00	4.72	3.43	2.15
Financial health indicators				
Equity/Total assets (in %)	36.32	39.34	38.82	36.28
Net financial liabilities/EBITDA	6.35	6.18	6.81	8.46
Employees				
Employees – year end	1,793	2,128	2,103	2,105

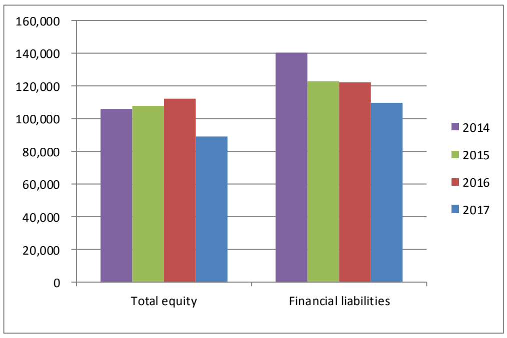
Sales revenues (in thousands of EUR)



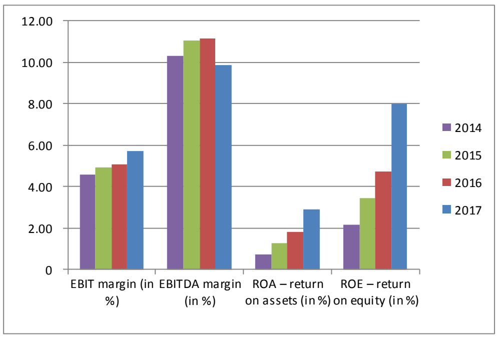
EBIT, EBITDA an net operating profit or loss (in thousands of EUR)



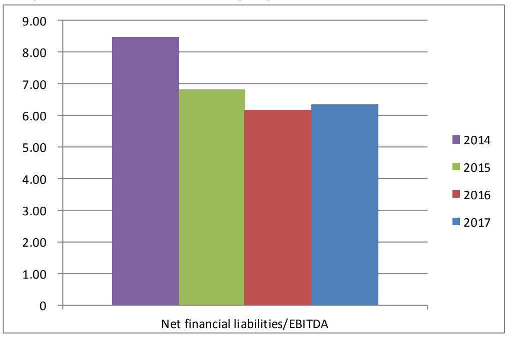
Equity and financial liabilities (in thousands EUR)



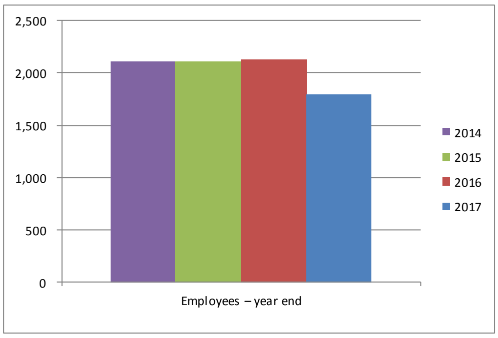
Return indicators of Unior company



Comparison of EBITDA and company's financial debt



Changes in the number of employees



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BUSINESS REPORT

1 Letter of the Chairman of the Management Board

Dear shareholders, business partners and colleagues,

The economic environment in 2017 was extremely positive and encouraging, the most favourable after 2008 actually, on the markets and in the industries that are crucial to UNIOR d.d. Unior exports more than 95% of its products to approximately 100 different countries, by far the largest share to Western European countries and for the automotive industry. The 2017 fiscal year was not only marked by activities defined by a large demand for our products and thus the growth of sales as well as production. It was also very dynamic in many other aspects.

In August, the Extraordinary General Meeting of Unior's shareholders, with more than 99 per cent of the shareholders' votes present, confirmed a hive-off of tourism activity to Unitur d.o.o. Unitur was thus entered into the court register on 07/11/2017, and from the point of view of the accounting results, Unitur is deemed to be hived-off as of 01/01/2017. For the year 2016, financial balance statements of UNIOR d.d. included four programmes: the Forge programme, the Hand Tools programme, the Machine Equipment programme and the Tourism programme, while the accounting data of UNIOR d.d. for the 2017 business year includes the operations of the Forged parts programme, the Hand Tools programme and the Special Machines programme, which changed its name from the Machine Equipment to Special Machines during the year because of the visibility related to the mission of the programme. All the comments in the letter of the Chairman of the Management Board thus refer to the comparison of the operation of all three metal programmes in 2017 against 2016 in the plan (without the Tourism program or Unitur).

In 2017, we achieved over EUR 165.3 million of external sales or 9.9 per cent more than in 2016, and 5.2 per cent more than planned. We achieved EUR 35,295 of gross value added per employee, which is 3.3 per cent more than in 2016, and 1.8 per cent more than planned. In 2017, EBIT (operating results) amounted to EUR 9.4 million, which was 0.9 per cent less than in 2016, and 4.1 per cent more than planned. The achieved profit of UNIOR d.d., excluding deferred taxes, in the amount of EUR 7.6 million is better than the amount achieved in 2016 by EUR 0.8 million, or by 11.5 per cent exceeding the plan by 11.4 per cent.

The refinancing of existing loans, successfully concluded in December 2016, was one of the most important projects in 2016. We repaid old loans using new long-term loans, reduced the number of bank creditors, simplified the procedures for obtaining bank approvals, achieved cost-friendly financing conditions and gained the possibility of further growth of the company. The reduction in interest rates is the reason why financial expenses from financial liabilities decreased by EUR 1.6 million in 2017 compared to 2016, representing a decrease of 34.7 per cent.

The business operations of UNIOR d.d. can be generally be considered successful in 2017, as we improved some of the key performance indicators and mainly exceeded the planned ones. We are less satisfied that with external sales growth of 9.9 per cent and 6.9 per cent growth of the gross profit compared to 2016, we did not increase EBIT and EBITDA. The main reasons are the following: the rise in steel prices in 2017 was only partially transferred to sales prices (the delay in the implementation of the change in purchasing prices for customers); in 2016, we recorded a one-off sale of real estate, which generated EUR 0.7 million of profit, which affected EBIT and EBITDA; the Forged parts programme was carried out in three, in some cases in four shifts, which resulted in higher labour and maintenance costs; average wages were growing faster than planned mainly due to the shortage of certain staff in the labour market.

The Forged parts programme has, as in recent years, achieved a record sales value in its history. In 2017, the programme improved its sales results mainly in the field of the sale of hot-forged forgings, especially in the forging of parts for steering mechanisms and connecting rods, where we rank among the most important manufacturers in the world. The extremely well situation in orders is the consequence of the market conjuncture and new projects acquired in the past years. We were manufacturing on the boundary of machinery, space and human resources capacities several times, as growth exceeded our expectations.

In 2017, the Hand Tool programme continued to gain new customers, new markets, and consolidating and reorganizing of the existing sales network. The programme continues to successfully implement the strategy of growth of specialized tools, both with the development of new products and the growth of sales, while on the other hand dedicates a lot of energy to improve cost efficiency. This programme also recorded sales growth, which was higher than planned.

In 2017, the Special Machines programme (formerly Machine Equipment) recorded growth in sales, which was EUR 2.1 million higher than in 2016 and somewhat lower than planned. The sales and thus the dynamics of production in 2017 were extremely uneven throughout the year, which caused additional costs.

At the end of 2017, we had 1793 employees (excluding Unitur), which is 32 less than planned and 17 more than in 2016. Similarly to most Slovene companies, Unior too is facing a lack of employees; not only in the case of deficient human resources, as was the case in previous years, but increasingly in other areas, too. Given the increase in sales, we replaced the shortage of employees with the growth of productivity and overtime work, and on the other hand, we devoted a lot of energy in new and additional activities to find new employees, so we nevertheless managed to employ 169 new colleagues.

In 2016, for the first time after three 'dry' years – due to commitments from the MRA and because the cash flow didn't allow it – we invested a little more. In 2016, we had EUR 9.2 million of investments (excluding tourism activities). The main investments were in the much needed production capacities of the Forged parts programme and the Special Machines Programme. In 2017, we invested EUR 13.9 million, mainly in the Forged parts programme, and we invested from our own cash flow. Considering the high level of orders, we have established that in the three 'dry' years, we had not invested enough especially in the Forged parts programme, because we are facing the lack of capacities, excessive maintenance costs and spatial distress.

The UNIOR Group has been continuing to improve its business results in recent years as a result of a rational investment policy in the past, the conjunctures and a number of activities aimed at improving the operations of subsidiaries and associate companies. The debts of the Group are also reducing, achieving the ratio between net financial debt and EBITDA of 3.47 in 2017. The operating result of the Group amounted to EUR 16.6 million in 2016, but it decreased by EUR 8 million in 2017 due to the revaluation of fixed assets in the amount of EUR 10.4 million due to the transfer of RTC Krvavec into the assets intended for sale. Profit on the equity reached 3.7 per cent, while the EBITDA margin was 13.7 per cent.

In Unior we paid a great attention to our employees in 2017. By implementing the adopted human resources policy, we introduced various activities for the care and development and retention of our employees. Special attention was paid to gaining human resources where they were lacking for the needs of business processes. In the area of human resources development, we introduced annual interviews to the third level, we carried out a 360 degrees evaluation for the second level, we continued with business schools for all levels of management and introduced an e-learning system. In order to provide our employees with a quality level of working life, we introduced a health promotion and have obtained the Family-Friendly Company Certificate in order for them to better reconcile work and family life. In cooperation with the social partners, we successfully implemented a new wage system and concluded a new corporate collective agreement.

The start of the sales process was announced for 2017 by the consortium of sellers holding 55 per cent of UNIOR d.d. shares. The sales process didn't start; the company's management doesn't know if and when the sales process should start and who the sellers will be; probably members of the sales consortium.

In January 2018, after several months of negotiations with Dalekovod from Zagreb, we purchased its equity stake in Unidal d.o.o. from Vinkovci becoming the sole shareholder of this company. The company is becoming a more and more important member of the forging business expansion where we are facing a lack of space and staff capacities in Zreče, while on the other hand, it meets the expectations of some customers, so we plan to extend forging to other locations.

In December, we approached the end of the RTC Krvavec sale process, since the company was defined as superfluous assets not required for operations in our refinancing contracts. Thus, we signed a sales agreement with Alpska investicijska družba as the best bidder for a sale of the share. We expect the procedure will be completed in April despite unforeseen complications. The successful completion of the sales process will enable Unior to facilitate the planned investments of core activities and the cash flow for sales growth, which is larger than planned in the medium-term plan, and to deleverage.

The business plan expects EUR 168.6 million of net sales revenues for UNIOR d.d. in 2018, which is 2 per cent more than in the previous year. The highest growth is expected in the Forged parts programme, where we will exceed EUR 100 million euros of annual sales for the first time in our history. We also plan a moderate sales growth in the Hand Tool programme, while the Special Machines program will bring a drop in sales. The ordering in the Forged parts programme is excellent at the moment and very good in the Hand Tools program, while in the Special Machines program, we need to get some more orders for this year. The 2018 goals are realistic and achievable. In 2018, a major challenge will be the transfer of higher purchase prices of steel to customers and ensuring the human resources and machinery capacities.

Darko Hrastnik
Chairman of the Management Board

2 Supervisory Board report

In the 2017 business year, the Supervisory Board monitored the operations of UNIOR d.d. and the UNIOR Group within the scope of its powers specified by the law, the company's Articles of Association and Supervisory Board's Rules of procedure.

The Supervisory Board acted with six members: Chairman MSc. Branko Pavlin, Deputy President MSc. Franc Dover and the members Prof Dr Marko Pahor and Drago Rabzelj (all representatives of the capital), as well as MSc. Marjan Adamič and Darko Dujmović (both employees' representatives).

As at 13 December 2017, the Supervisory Board operates with six members: Chairman MSc. Branko Pavlin, Deputy President Simona Razvornik Škofič and members Jože Golobič and Rajko Stanković (all representatives of the capital), as well as Saša Artnak and Boris Brdnik (both employees' representatives).

Supervisory Board operations

In 2017, the Supervisory Board assembled in three regular sessions and two correspondence sessions. All important activities and decisions of the Management Board of the company were promptly forwarded to the Supervisory Board.

The Management Board reported to the Supervisory Board on a monthly basis with reports on the operations of UNIOR d.d., and quarterly reports on the operations of the UNIOR Group. Such reporting by the Management Board enabled the Supervisory Board to properly perform its supervisory role. The Management Board's reports were usually prepared by sectors and separately for all four company programmes, with a comprehensive overview of all business effects. In its reports, the Management Board showed all the most important categories affecting the operations of a public limited company. These are the categories of balance sheet, profit and loss, sales, costs, cash flows and other economic and technical indicators. The comparative statements for the previous year and the planned statements for the current year were added to the 2017 reports.

At its regular sessions, the Supervisory Board discussed the business reports of each 2017 quarter, got acquainted with the current operations and the assessment of operations for the following short-term periods. Much attention was devoted to the management of liquidity. The focus of the activities was on achieving the goals of the adopted annual and medium-term business plan at both the company level and the level of the UNIOR Group, focusing on key strategic orientations: raising profitability and reducing debts, managing operating costs and productivity growth, promoting creativity and socially responsible behavior.

In March 2017, the Supervisory Board assembled in the first regular and correspondence session. At the regular session, it was made familiar with the statistics for 2016 and received information on current operations of the company, which included the volume of sales, stocks, receivables, obligations to suppliers, employment, an estimate of income from sales in the following periods of operation, as well as the operations of Unior's subsidiaries. It received the report of the Human Resources Commission and the Audit Commission. On the proposal of the Human Resources Commission, it unanimously approved and adopted the Act on Determining Criteria for Variable Income Payment to the Management Board for the 2017 business year. It was informed by the Human Resources Commission that the mandate of the Supervisory Board expires on 12/12/2017, and for this reason it adopted the initiative to appoint the Nomination Commission or the commission for the selection of candidates for the Supervisory Board members. The Supervisory

Board also adopted a Statement on the Management of the Company and the Compliance of the Company's Management with the Provisions of the Corporate Governance Code for Public Limited Companies. It received information on legal proceedings between UNIOR d.d. and Rhydcon d.o.o. The Supervisory Board approved a written report on the results of the verification of the audited annual report and the audited consolidated annual report for UNIOR for 2016 on its correspondence session. It was advised of the Management Board’s decision on the net profit for the current year of 2016, which was intended to cover the loss from previous years. It discussed and adopted the proposal of the company's Management Board for the balance loss to stay uncovered and be transferred to the following year. The Human Resources Commission informed the Supervisory Board about the variable income of the company's Management and the criteria, and confirmed the variable income for the Management Board for 2016. At this session, the Supervisory Board approved the agenda of the 21st session of UNIOR d.d.’s General assembly d.d. and the proposals for conclusions on individual points.

At the second regular session in May, the Supervisory Board – in addition to regular formal points – got acquainted with the report of the Human Resources Commission. On the proposal of the Human Resources Commission, the Supervisory Board agreed to revoke the Rules on Determining the Management Board Member Rights in the Employment Relationship of 07/09/2011, which were adopted on the basis of Article 6 of the Act Governing the Remuneration of Managers of Companies with Majority Ownership held by the Republic of Slovenia or Self-Governing Local Communities. The rights of the Management Board members in the employment relationship were settled directly in the concluded employment contracts or annexes to employment contracts. At the session, the Supervisory Board appointed the Nomination Committee to prepare the candidacy procedure for the Supervisory Board members of UNIOR d.d. The Supervisory Board appointed Mr Branko Bračko as the member of the Management Board of UNIOR d.d. for the period from 15/11/2017 to 14/11/2022. The Supervisory Board also got acquainted with the report of the Audit Commission and the Unaudited Quarterly Business Report for UNIOR d.d. and the UNIOR Group. The Supervisory Board appointed the audit company Deloitte revizija d.o.o. as the divisional auditor in the hive-off process of the tourism programme to a new independent company. The Supervisory Board got acquainted with the updated Corporate Governance Policy of UNIOR d.d. and accepted the content of the document in the proposed form. It got acquainted with the report of UNIOR d.d.’s Workers' Council for the period from 2014 to 2017, and concluded that the dialogue between the Workers' Council and the Management Board is proceeding appropriately.

At the correspondence session in June, the Supervisory Board discussed an invitation to submit candidatures for Supervisory Board member, inviting interested candidates to submit candidatures for the members of the Supervisory Board of UNIOR d.d. – representatives of capital. The invitation was published on the Ljubljana Stock Exchange website (SEOnet).

In July, the Supervisory Board were made familiar with the report of the Nomination Commission and proposed to the General Meeting of Shareholders of UNIOR d.d. to appoint Mrs Simona Razkof Škofič, Mr Gorazd Podbevšek, Mr Branko Pavlin and Mr Drago Rabzelj as the Supervisory Board members for the new four-year term from 13/12/2017 to 12/12/2021. The Supervisory Board also got acquainted with the progress of the hive-off procedure of the tourism programme to Unitur d.o.o. It confirmed the division plan of UNIOR Kovaška industrija d.d., and adopted and approved the Report of the Supervisory Board of UNIOR d.d. on a review of the division with the founding of a new company. The Supervisory Board discussed and approved the agenda of the 3rd extraordinary session of UNIOR d.d.’s General Assembly as well as the proposals for conclusions on individual points. It got acquainted with the proceedings carried out between UNIOR d.d. and Rhydcon d.o.o.

At the session at the end of August, the Supervisory Board got acquainted with the report of the Audit Commission, and also got acquainted with the report on the work and planned activities of the Internal Audit Department. It discussed the semi-annual report on business operations. Based on the unaudited business data, the Supervisory Board concluded that the results of the company, as well as the entire UNIOR Group, are very favourable. The Supervisory Board was also informed about the current operations and the estimate of sales revenues by the end of the 2017 business year by individual programmes as well as of the company as a whole, with an emphasis on very good ordering status on the Forge program. It got acquainted with the report on the 3rd Extraordinary session of the General Meeting of UNIOR d.d. and a report on the procedures carried out between UNIOR d.d. and Rhydcon d.o.o. On the proposal regarding the liquidation of Unior USA, which was established to support the sale of bicycle tools to the US market, it decided that the liquidation of the company is carried out in accordance with the legislation in force in the country of the company's headquarters.

The fifth regular session of the Supervisory Board was held in November. It got acquainted with the report of the Audit Commission. Regarding the Internal Audit Department report, it got acquainted with the Internal Audit Department work and the annual work plan of the Internal Audit Department for 2018. It adopted the annual work plan of the of the Internal Audit Department for 2018. It also approved the appointment of UNIOR d.d.'s internal audit director for the period from 15/02/2018 to 28/02/2023 as well as the incomes of the internal audit director. Regarding the review of the unaudited nine-month business report, the Supervisory Board took note of information on all important segments of the business – both individual programs and the company as a whole. From this point of view, it appealed for the concern of further management of operating costs, EBIT indicators, EBITDA, value added per employee, productivity, cash flow, difficulties in obtaining suitable human resources and profit. The Supervisory Board of UNIOR d.d. also got acquainted with the progress of the hive-off procedure of the tourism program and the progress of the sale process of RTC Krvavec d.d. as well as the procedure for the acquisition of the share in Unidal d.o.o., Croatia. On the Management Board's proposal for founding UNIOR North America, Inc. in Detroit, Michigan, USA, it gave its consent to the founding of this company. At this meeting, the Management Board also presented the Supervisory Board with the business plan guideline for 2018. It unanimously approved the financial release calendar of UNIOR d.d. for 2018.

The Supervisory Board session in December was intended for the appointment of the chairman of the Supervisory Board, commissions of the Supervisory Board and to discuss the 2018 business plan. MSc Branko Pavlin was unanimously appointed as the Chairman of the Supervisory Board of UNIOR d.d. and Mrs Simona Razvornik Škofič as the Deputy Chairman of the Supervisory Board. The Supervisory Board appointed a three-member Human Resources Commission composed of Mr Jože Golobič (president), and MSc. Branko Pavlin and Mr Boris Brdnik as the members. The Supervisory Board also appointed three of the four members of the Audit Commission composed of Mrs Simona Razvornik Škofič (president), and Mr Rajko Stanković and Mrs Saša Artnak as the members. The fourth, external member of the Audit Commission was appointed as an independent expert by the Supervisory Board at its session in 2018. The Supervisory Board were informed in detail by the Management Board about the content of the business plan for the UNIOR Group and UNIOR d.d. for 2018. It also got acquainted with the goals of major strategic tasks or joint projects. The Supervisory Board gave its consent to the business plan.

The Supervisory Board estimates that in 2017 it acted independently in relation to the Management Board and that there was no conflict of interest in the work of the Supervisory Board members.

All members of the Supervisory Board participated in the sessions, except for a small number of justified absences. The Chairman and a member of the Management Board were invited to all

Supervisory Board sessions. The materials for the sessions were well-prepared regarding quality and assured quality information to the Supervisory Board members.

Opting for/against the Statement on the Management of the Company

The Supervisory Board reviewed and took note of theStatement on the Management of the Company, the Statement of Compliance with the Code and the Statement of Non-Financial Operations, published in Chapter 9.7 of the Annual Report 2017. It agrees and confirms the written statements.

Annual report

The Audit Commission reviewed the annual report of UNIOR d.d. and of UNIOR Group as well as the report of the Deloitte Revizija d.o.o. audit company from Ljubljana, and prepared a proposal for a report on the verification for the Supervisory Board.

Based on the review of the annual report and the consolidated annual report, the auditors' reports and the report of the Audit Commission, the Supervisory Board finds that the unconsolidated financial statements present real and fair financial position of UNIOR d.d. and the UNIOR Group as at 31/12/2017, as well as their profit, other comprehensive income and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU. The Supervisory Board has no comments to the annual report of UNIOR d.d. and the UNIOR Group for the 2017 financial year and accepts it.

Establishing profit and a proposal to cover losses

The Supervisory Board took note of the Management Board conclusion about the net profit or loss on the basis of the revised profit and loss in 2017 amounts to for EUR 7,747,192.99. Net profit is intended to cover the loss from previous years in the amount of EUR 3,693,232.58. The difference of EUR 4,053,960.41 is included in the distribution of profit, which is reduced by long-term deferred development costs in the amount of EUR 3,617,239.07.

Based on the audited annual financial statements of the company for 2017, the estimated profit for the 2017 financial year amounts to EUR 436,721.34. The Management Board proposes that the profit remain undistributed.

The Supervisory Board proposes to the General Meeting of Shareholders to give a discharge to the Management Board and the Supervisory Board for their operations in 2017.

When drafting a conclusion on distribution of profit for the current year of 2017, the Management Board and the Supervisory Board followed the current provisions of the Companies Act and the Articles of Association of UNIOR d.d.

Chairman of the Supervisory Board:
Branko Pavlin, MSc

3 Company profile

History

The beginnings of Unior date back to 1919, when Styria Iron Works Company Ltd. was founded, with the ironworks in Zreče having much older roots. In 1950, the plant is renamed Factory of Forged Tools Zreče and comes under public ownership. In the 1970s, along with a new vision of development the factory also gets a new name: Unior, Factory of Forged Tools Zreče. In 1997, it transforms to a joint-stock company.

UNIOR today

The joint-stock company of UNIOR is organized in three programs:

- Forge
- Hand Tools
- Special Machines

Based on the General Meeting's decision in 2017, the tourism sector – as of 01/01/2017 – was hived-off to the independent subsidiary of UNITUR d.o.o. UNITUR d.o.o. was entered into the court register on 7/11/2017.

<u>The Mission</u>

We are a development partner in the production, transformation and processing of metals and an ally of nature and people.

<u>The Values</u>

Our values are: responsibility, innovation, excellence and entrepreneurship. Our core competencies are: wide technical and technological knowledge, diligence and recognition of business opportunities in our key business segments. Our core capabilities bring us the following competitive advantages: global presence, certain programs or companies in the Group are among the key players in a certain market segment or in the market in general, flexibility and competitiveness in price and quality.

<u>The Unior, d.d. vision</u>

We are recognized as an advanced international company in metal processing. We develop, produce and market solutions with an ever-increasing added value together with our own innovative process in cooperation with customers, suppliers, related companies and research organizations. We are a link in the dynamic UNIOR Group, which exploits its synergies, thus ensuring a safe investment for owners and a future for employees.

UNIOR Group

The UNIOR Group consists of eighteen dependent and seven associate companies in eighteen countries around the world.

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

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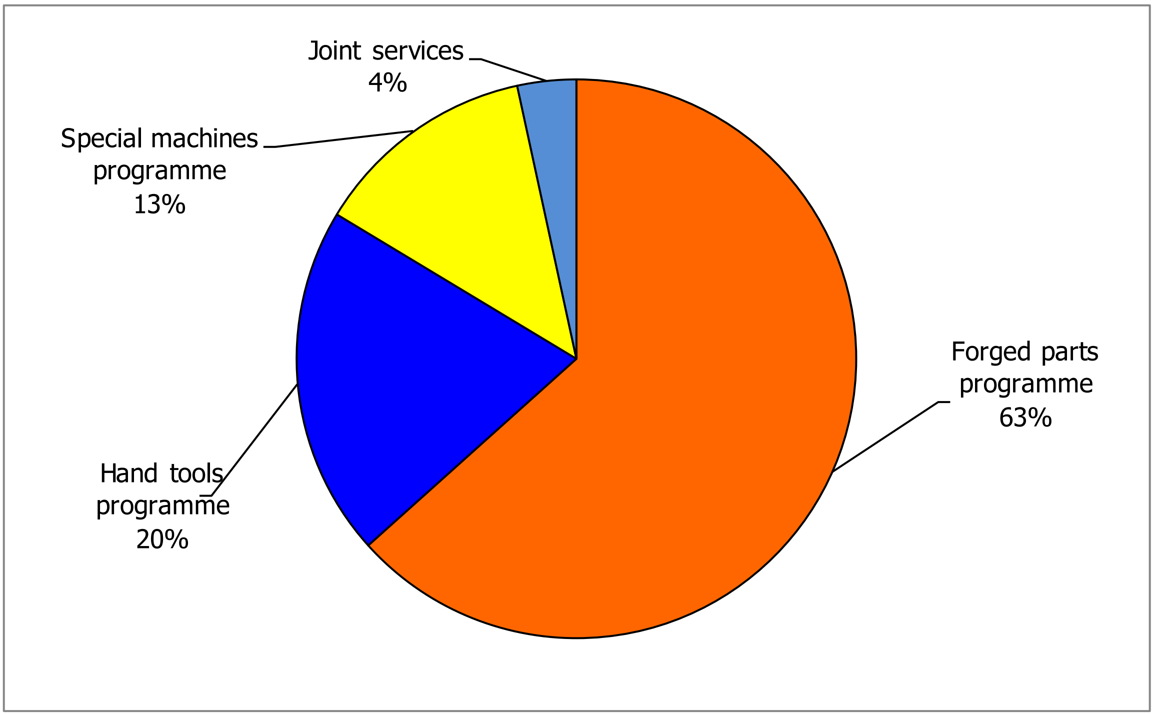
4 Programs and activities of the Company

UNIOR's 2017 sales revenues by programs



Forged parts programme

The Forge program develops, forges, sinters and processes products for the automotive industry and other customers.

We produced 18 million connecting rods and 32 million parts for the steering mechanisms of cars. The key strategic directions were: increasing added value, cost management and adapting capacities to current market demands (new projects in the area of connecting rods, merging large ZF and TRW customers).

The Forge program is the oldest program and the basis on which today's UNIOR developed. In 2017, it contributed as much as 63 per cent of all incomes from the company's sales, and is one of the largest producers of forges on the European scale in the supply chain.

We are exclusive supplier of highly demanding high-security forging parts to customers in the automotive industry (more than 95 per cent of our products are intended for this industry). These parts are particularly the parts of the steering mechanisms of passenger cars, bearing parts of undercarriages, connecting rods and other forges whose common property is that they are not axially symmetrical. A part of the production are the forgings, which we supply within the company for the Hand Tools program.

We act as a development supplier on the market, and together with customers, we develop and optimize the forgings for easy processing and the best use characteristics. We supply directly to the OEM to the assembly line of automotive manufacturers, and a "Tier 1" and "Tier 2" supplier. As a supplier to the automotive industry, we are committed to current quality standards. We have obtained the ISO IATF 16949 standard, and our customers also regularly monitor and check the quality of our products, the accuracy of supplies and overall competitive capability.

Our subsidiary manufacturing companies UNIDAL d.o.o. in Croatia and NINGBO UNIOR Ltd. in China are also becoming more and more important. Thanks to these companies, we rank among the global manufacturers of forges, and as such remain in the trend of global projects that will shape our future.

The Mission
We develop, forge and process forgings and compounds for the automotive industry and other customers. We are a reliable partner in the development of metal powder pressing technology.

The Vision
We are a global, modern and successful development program that has its place in the group of the most successful car manufacturers and their system suppliers.We are the largest manufacturer of forgings for the steering mechanisms of passenger cars in the world, and our goal is to win the title of the biggest motor connecting rod manufacturer in the European market, and to become the main development partner of all major car manufacturers for this segment of forgings.

The Strategy
The development strategy of the Forge program is based on the key assumptions of the cost-competitive and technological advantages of our production, with the continuous growth of demand for hot-forged forgings and the current trend of negative growth in investments in this branch. We intend to maintain a dominant position in the European market in the field of hot-forged iron forgings of the steering mechanisms of passenger cars, we intend to outperform the competition in the field of connecting rods and, in terms of the quantity of supplies and the importance of the projects, to end up at the very top. For the last decade, the forges have been carefully determining the pace of investment in technology, toolmaking and modernization of blacksmithing, while upgrading the range of products with the development of a mechanical processing forging plant.

We manage the complete development and technology of production of all production tools, while the versatile machine park in the forging plant ensures the possibility of competitive production of both small-scale and mass positions. In addition to forging with hammers or presses, we offer our customers a full range of thermal treatments, finishing and testing of forgings as well as upgrading in the form of mechanical processing of forgings. Technically, we have all the necessary resources to ensure the required level of quality of the most demanding users in the auto industry, and in addition, our connections with the nearby steel plant and our own Special Machines program ensure us the potential and competitive advantage that other, related blacksmiths do not have. The dispersion of our locations, which forms the basis of specialization, is in favour of lowering our costs, and with a blacksmith in China, we have created the necessary condition for acquiring large and global projects. The latter is what makes us one of the global players and opens unimagined possibilities of growth and development of the Unior brand – forgings in markets such as Mexico/USA, Russia or Latin America. Invitations to become more active in these markets come from the large car manufacturers, which simply expect that from us – the strategic supplier.

Hand tools programme

We are one of the five most important European manufacturers of hand tools. The Hand Tools program offers more than 5,500 different products of proven high quality that meets the needs of professional masters throughout the world. Unior brand is established in specific market niches. We have been developing and producing special purpose tools for many years. With our solutions, we guarantee the highest level of safety at work in many areas. At the request of our customers, we also ensure protecting of the tools with a radio frequency system.

Thanks to our own development and our own capabilities, we are developing solutions for individual sectors and industries.
Our development achievements in 2017 are mainly related to new solutions

- for aviation,
- construction and
- the most demanding users in the electrical industry, including users in nuclear power plants.

Our own development and innovations, which we develop in close cooperation with our customers, are also the basis of the new strategic orientations of the Hand Tools program.

We upgrade our successful development, production and marketing of hand tools' product groups – such as functional wrenches, complete socket wrenches, effective pliers, insulated safety tools for high voltage work (VDE), various cutters, complete plumbing tools, durable metal packaging, ergonomic screwdrivers and other – with the development of new technologies in the field of cold forging. In order to implement particularly specific solutions, the knowledge, experience and capabilities of our own blacksmith are important, as well as the possibility of producing cold forged products such as nuts, screws, rotors, stators, brackets, gearings, gear pumps, hubs. Our advantage is ensuring that products with low tolerances and without subsequent processing are provided with high cost efficiency. These capabilities have also facilitated the development of hydraulic motors and agricultural machinery. By expanding the development of non-ferrous metals, we also conquer the technology of forging asymmetric hollow products.

In the production of hand tools, we take into account the latest technological developments and are adapting to the new needs of users. We use premium materials, such as chrome and vanadium steel, which ensure the longevity of our tools. We model the tools using modern computer programs and under the supervision of a team of experienced experts for specific areas. We manufacture these tools on state-of-the-art computer-controlled machines for thermal, mechanical and surface treatment of materials and protection of products. Our original design solutions ensure exceptional utility, efficiency and aesthetic appearance of the tool. Enhancing ergonomics increases comfort and safety at work. High added value is reflected in functionality, durability, security and perfection.

The products of the Hand Tools program meet the demanding global quality standards. A lifetime warranty applies for all Unior tools regarding any material defects. The tools meet the requirements of VDE and IEC 6090 standard, CE compliance, and many others. Unior tools meet and exceed all DIN standards by 40 per cent. We are able to ensure the warranty and compliance with the quality standards because the tools are optimally designed and because we control all production processes. We follow the EFQM business excellence model that involves all employees in quality improvement processes.

The Mission
Development, production and marketing of high-quality hand tools and cold forged products, as well as implementation of industrial marketing services.

The Vision
We are the world's leading manufacturer of certain special purpose hand tools, we are among the five largest manufacturers of general tools and we are one of the five largest manufacturers of cold-forged asymmetric products in Europe, measured by sales revenues and after diversification of the assortment.

The Strategy

The global sales volume of hand tools, such as those developed, manufactured and marketed by Unior, amounts to EUR 4.2 billion. Unior reaches a 1.07 per cent of the share in the market with a value estimated at the wholesale price of wholesalers. Similar shares are achieved by competitors.

Given the trends in the global market, we plan to reduce the sales of certain classic groups of tools. The exception is pliers, in which Unior will raise its market shares and achieve them as the second largest producer of pliers in Europe. Among the existing special purpose tools, we will increase the sales of high-voltage (VDE) tools, metal packaging, bike tools, and the slipper torque wrenches. Anticipating a reduction in sales of classic tools, Unior intends to increase income growth by increasing the sales of newly developed special purpose tools, such as:

- Bike tools
- Tools for string instruments
- Tools for working at height
- Tools with RFID system
- Tools according to buyer requirements

We will take advantage of opportunities to increase sales volume in the markets where Unior is already an established brand. We will maintain our market shares in the countries of South-Eastern Europe, where we are often the first choice. We will also strengthen our entry to new markets, such as Japan, the countries of North and South America, and Scandinavia. We also see opportunities to increase sales in the countries of North Africa. We will systematically monitor tenders or opportunities for public procurement. By fulfilling all the requirements, we intend to enter various industrial platforms and catalogues of international companies.

Exclusive, unrelated distributors sell more than 60 per cent of Unior's hand tools. Our own network of sales representations is of particular importance in increasing the sales in foreign markets. The appropriate reorganization of this network will further support and strengthen our entries into new niches. Especially in the markets of Western Europe, we will promote the sale of custom-made products for industry, medium-sized enterprises and major craftsmen. We will develop new cold-forged products for current and new customers. The new products will be developed more easily by investing in additional lines for mechanical treatment and by developing technology for forging non-ferrous metals.

Special machines programme

The activity of the Special Machines programme consists of the development and construction of special purpose CNC machine tools, designed for large-sized processing of steel, aluminum or other casts. The machines are typically prototype versions and require the integration of state-of-the-art findings from cutting technology. Despite the specific requirements of the customer, we build machines out of standardized modules. Based on the needs of specific workpieces machining, we have designed some basic machine models that can be tailored to the customer's requirements and internal regulations.

Our products are the result of our own development and technological solutions, which we have developed in our long tradition. We market them directly to users in the automotive industry, especially in car manufacturers and to a lesser extent "Tier 1" suppliers. At the beginning, we were oriented only to EU countries, with an emphasis on German car manufacturers, and in the last decade we have also increased our sales activities on the global market. This was mostly due to the transfer of technology to other continents (China, North America...). Customers expected a partnership that we built in the EU market to build in other parts of the world where they have their production plants, despite the fact that this is an additional challenge due to our relatively small size.

We use the tradition of the whole of UNIOR, its diversification and global presence in the metal processing industry. Because of the complexity and high value of products, we are building a business model in the area quite specific for us:

- Business/economic confidence of the customer in our solutions and products
- High professional qualifications of our staff
- Tradition and long presence in the most demanding segment of investment equipment
- Wide range of reference products
- Quality products at market comparable prices

Key advantages of what we offer:

- Professional assistance in the product development phase
- Our responsiveness and constant presence
- Adaptability to the customer's requirements
- Flexibility of product/machine
- Energy saving machine
- Quality take-over and quick start
- Quality and fast service in the vicinity of the customer
- Good price
- Reliable and stable operation of the machine

The Special Machines activity is very complex, as we face individual demands, unique machines and technical solutions. Today, we are recognizable in the market due to our great flexibility, quick response, professionalism and high technological capability of human resources. We focused on niche segments such as automotive engine components and processing parts of bodywork, and won the field of deep drilling technology as a specific processing technology.

Trends in the construction of special purpose machines are going in the direction of increasing flexibility, wider usability, shorter delivery time and providing quality service in the immediate vicinity of the customer.

Due to intensive investments in the development and developing new technologies, the market recognizes us as a development supplier. Close cooperation, confidence and many years of experience in machining important parts of the engine, such as crankshafts and camshafts and various elements of peripheral units, ensure us with the continuity of orders. Modern guidelines regarding the flexibility of machines also require us to make new adjustments and change the way of thinking for tomorrow.

In addition to fully satisfying the needs, demands and expectations of our customers, we introduce creativity into our programme in order to create a satisfied, creative, contemporary thinking and progressively oriented colleague.

In order to ensure quality requirements and expectations and to be successful in times of rapid technological innovation and inexorable competition, we have chosen quality standards ISO 9001 and VDA 6.4 to harmonize the quality system with global practice. We also want to be an environmentally oriented, environmentally friendly company, so we have committed ourselves to comply with the requirements of the ISO 14001 standard. By doing this, we will provide the basis for the satisfaction of our customers and the satisfaction of all of us.

The Mission

We develop and manufacture innovative, technologically advanced products that provide our customers with greater competitiveness.

The Vision

Our Special Machines programme is one of the 10 most important in the EU in producing the special purpose metal cutting machines. The market knows us as a quality and affordable supplier of special purpose machines for large series and demanding machining in the auto industry – with an emphasis mainly on forgings and castings for the engine, gearbox and powertrain. We want to ensure a long-term presence and make the most technologically advanced machines for the automotive industry in our key markets of the EU, North America and China.

The Strategy

Level of employees, knowledge and education:

- Competent employees at all levels (appropriate knowledge, skills, attitudes, values of individuals)
- Passionate employees (motivation, satisfaction, responsibility, contribution to innovation)
- Optimal structure of the employees
- Communication efficiency (internal and external) and the realization of our values, including the way of management

Level of customers:

- satisfaction of business partners (buyers, suppliers)
- Global visibility of the programme
- Adaptability to specific customer needs

Level of processes, organizational level:

- Quality implementation of projects (timely and technical)
- Cost-effectiveness of projects and operations
- Responsive and professional service
- Qualified cooperative network
- Optimally vacant capacities
- Innovative new product development
- Management of inventories and receivables
- Efficient operation and support of joint services

Financial level:

- Greater profitability
- Increasing the value added per employee
- No due receivables
- Providing financial resources for projects implementation

Key strategic goals:

- Expansion to foreign markets (China, NA)
- Segment business strategies
- Maintaining the current position on the wider market
- Integrating new development products
- Ensuring long-term nature

5 Important events in 2017

Issuing the convocation of the General Meeting
On 5 May 2017, a call for the 21st General Meeting of Shareholders on 7 June 2017 was announced on Agency for Public Legal Records and Related Services website, SEOnet and the company's website.

Member of the Management Board appointment
At its 24th regular session on 30 May 2017, the Supervisory Board appointed Mr Branko Bračko as the member of the Management Board of UNIOR d.d. for the period from 15/11/2017 to 14/11/2022.

General Shareholders Meeting
On 7 June 2017, the 21st session of the General Meeting of Shareholders of UNIOR d.d. was held and shareholders:

- Discussed the information on the annual report, the opinion of the auditor and the written report of the Supervisory Board on the annual report
- Decided on the balance sheet loss for the 2016 financial year and the granting of discharge to the Management and Supervisory Boards
- Decided on the appointment of the audit company for 2017

Invitation to submit candidature the Supervisory Board member
On the basis of a decision of the Supervisory Board, an invitation to submit candidature for the UNIOR d.d. Supervisory Board member was published on 9 June 2017.

Revealing the division plan
On 19 July 2017, the company publicly announced the division plan of the UNIOR d.d. regarding the planned hive-off by the establishing a new company – it is a transfer of the tourist activity to the new company of UNITUR d.o.o. 100 per cent owned by UNIOR d.d.

Issuing the convocation of the General Meeting
On 20 July 2017, a call for a 3rd extraordinary General Meeting of Shareholders on 23 August 2017 was announced on Agency for Public Legal Records and Related Services website, SEOnet and the company's website.

3rd extraordinary General Shareholders Meeting
On 23 June 2017, the 3rd extraordinary session of the General Meeting of Shareholders of UNIOR d.d. was held and shareholders:

- Gave their consent to the hive-off by establishing a new company – it is a transfer of the tourist activity to the new company of UNITUR d.o.o. 100 per cent owned by UNIOR d.d.
- Voted on four new members of the Supervisory Board of UNIOR d.d., who took up their mandate on 13/12/2017. Mrs Simona Razkof Škofič, Mr Jože Golobič, Mr Branko Pavlin and Mr Rajko Stanković

A hive-off of the tourist activity
On 23 August, the UNIOR d.d. General Shareholders Meeting adopted a decision on the hive-off of tourist activity to the newly founded company of UNITUR d.o.o.

Action for annulment
The company received an action for annulment on 15 September 2017, filed at the District Court in Celje by the Association of Small Shareholders of Slovenia from Ljubljana, for annulment and

subordinated due to the annulment of the General Meeting decision on the consent to the hive-off of tourism sector and founding a new company for tourism activities. Regarding the filed lawsuit, the first hearing for the main hearing has not yet been carried out and the court has not yet decided on it.

Information about action for annulment

On 20 September 2017, the company published the information on the received action for annulment, and on 25 September 2017 – because of the questions received – additional more detailed clarifications about the lawsuit as well as the Management Board's opinion that the action for annulment, received on 15 September, represents an abuse of the right to a legal remedy, that the lawsuit causes damage to the company and all other shareholders, and that the Management Board will try – as far as legally possible – to execute the hive-off as soon as possible.

UNITUR d.o.o. registration

The company of UNITUR d.o.o. was entered into the court register on 7 November 2017, with its headquarters at the address of Cesta na Roglo 15, 3214 Zreče and 100 per cent owned by UNIOR d.d.

Contract on the sale of RTC Krvavec d.d.

On 11 December 2017, a contract was signed for the sale of a 98.56 per cent equity stake in RTC Krvavec d.d. with the buyer – Alpska investicijska družba d.o.o. from Ljubljana. The buyer still has to meet some of the suspensive conditions in order for the transfer of shares to be carried out.

The constitution of the new Supervisory Board

On 19 December 2017, the Company's new Supervisory Board met at its 1st regular session. MSc Branko Pavlin was appointed as the Chairman of the Supervisory Board and Mrs. Simona Razvornik Škofič as the Deputy Chairman of the Supervisory Board.

6 The most important markets and buyers

UNIOR is a supplier to the automotive industry, which is why the situation in this sector is crucial for our business operations. Our main customers are all the most prominent producers: Volkswagen, Audi, BMW, Renault, Dacia, Peugeot, ZF Friedrichshafen, Volvo, Robert Bosch, Daimler, Jtekt, GKN, and General Motors. Among the other branches our customers come from, it is important to mention craftsmen, repairers and end users, who are important especially in the Hand Tools programme.

Our most important market is the European Union, where we export over 90 per cent of all products to in the field of metal processing, meaning that we create – including sales in Slovenia – almost 90 per cent of all incomes from the sale. Among the remaining markets, European markets outside the EU and the Asian markets are the most important for us.

Forged parts programme

Similar to other programmes, the EU market is the most important for the Forged parts programme of the blacksmiths in Zreče and Unidal in Croatia, generating over 97 per cent of all sales revenues on this market – of which only three per cent in Slovenia. The majority of products (95 per cent) are directly intended for the automotive industry (our buyers are VW, Audi, Renault, Dacia, BMW, Volvo, Škoda, Porsche, JLR) and their sub-suppliers (ZF Friedrichshafen, THK, JTEKT, SEAC, GKN, Robert Bosch, Mahle).

We consolidated our sales position in the field of connecting rods. We acquired new projects regarding connecting rods with VW, Jaguar Land Rover, Renault, which allows us to maintain the total number of connecting rods at the level of over 20 million over the next few years. We are present in the development of engines, which are an integral part of hybrid vehicles. Our major competitors in the most important markets are European manufacturers.

We are the leading manufacturer in the field of steering mechanisms for passenger cars, where we managed to retain our share in the ZF group. We substantially strengthened in THK (formerly TRW), where we acquired a strategically important MQB project, which allows us to continue to grow at this customer. SEAC remains a stable buyer for the Toyota programme, which predicts growth in the field of pads. Important new projects were noted with the buyer JTEKT, where the share of processing is becoming increasingly important with a sales realization of more than EUR 4 million.

The competition from Asia (primarily China and India) is very active on our most important markets for steering mechanisms. Our key advantages in our battle with these competitors are our cooperation with the Štore Steel steelworks in the development of materials, cooperation with buyers in development projects, high productivity, technological advantages and flexibility.

In the field of processing, we are expecting an expansion in the field of processed parts for ZF, JTEKT, Sodecia FSG, and processing forks, while we remain present with our traditional buyers such as the Schaeffler group and Betek.

Our largest customers in the field of sintering are Robert Bosch Steering Automotive, Mahle, BPW, Audi, Willi Elbe. We are facing a much stronger competition on these markets than in the forging and processing programmes. Those warranting a special mention are the American company GKN, the Austrian company Miba Group, and the French company Federal-Mogul. Among the providers of sintered products, there are both large multinational companies as well as smaller and adaptive (niche) manufacturers.

Major global producers seek to manage the entire supply chain, and the automation of production is greatly increased, all of which impedes the functioning of smaller specialized manufacturers. However, they are still present and successful since the key customers (automotive and also increasingly other industries) support the existence of competitive and flexible providers.

Hand tools programme

We sell Unior hand tools all over the world. The offer is available to customers in 90 countries on all continents.

The biggest – that is 52 per cent – of all sales revenues is generated on the European Union markets. An additional 22 per cent is generated in other European countries. The Middle East markets generate 12 per cent of the entire sales revenues, 4 per cent in Africa. The rest of the sales are realized in Asian, Australian and American markets.

We achieved a leading position in many markets, especially with products such as wrenches, pliers, metal packaging, insulated tools. In the sale of classic tools, we are facing the competition from other European manufacturers, but we are successfully taking over their market shares in Western Europe thanks to our successful marketing strategy focused on distribution (the push strategy).

Additionally, we are performing the following strategies:
- "Go to market strategy" is a strategy of entering new markets and industry platforms implemented to create opportunities to increase sales in new markets and in new market segments
- "Pull strategy" is a direct customer targeting strategy implemented to increase the volume of sales in those markets where we are already present as a trademark of hand tools
- "Market segmentation strategy" implemented to increase the sales of special purpose tools in the market segment and niche and obtain new customers

Unior's hand tool brand is becoming the leader in professional hand tool users due to its quality and fulfilling their expectations, as well as due to intensive close cooperation with our customers. We treat customers as long-term business partners.

The most important users of Unior's hand tools and cold forged products are:
- the hydraulics industry,
- the pneumatics industry,
- water pumps production industry,
- production of agricultural machinery (tractors, tractor attachments, operating machinery),
- the heavy construction machinery industry,
- automobile industry and internal combustion engines production for marine, cargo vehicles, military industry, oil and gas industry.

With the development of new products such as RFID-based tools, tools for working at height and other custom-tailored solutions, we are becoming a partner in the aviation industry and strengthen our partnerships with the customers in the field of high-end construction.

Special machines programme

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

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

With regard to the wide range of machinery for metal processing within the Special Machines programme, we have focused on the segment that is ready to invest in the niche fields. Today, these are:

- Automotive industry – as the driving force of new investments and the integration of technologies
- Supplier – "TIER1", which is also the orientation of the automotive industry to maintain and monitor a wider range of suppliers in order to reduce of own risk

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

To ensure the increasing volume of business, we have to adopt the development policies of our main buyers. Until now, Europe has been the main initiator of integrating new technologies with a greater emphasis on the suppliers of components. With new technical and technological solutions, we will expand our activities on the American and Chinese market, where economic growth is expected in the following years.

We will also aim at specific niches of processing, where we would like to become a systemic supplier (machining crankshafts, car undercarriage parts). To ensure greater market activities, we foresee our own representations in the United States, as well as China some time in the future.

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

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

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

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

Market competitiveness is ensured through the full implementation of the projects gained and first class servicing and the quality of the product. Only such products provide us with a continuous demand, market uptake and the spread of the market potential in parent companies, subsidiaries and joint-venture companies.

With high specialization in a given segment, we can gain a strategic advantage and end up among the selected few (TOP 3). We need to fulfil all the perceived opportunities and strive to eliminate or reduce risks in order to increase our competitiveness.

By carefully monitoring our buyer’s needs, we are slowly orienting into developing even more flexible products, cheaper and more accessible realizations, shorter delivery deadlines and ensuring good servicing, which guarantee the buyer that our products – machinery function properly.

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

7 The Shares

Upon the establishment of the UNIOR public limited company, 2,138,200 shares were issued with a nominal value of EUR 8.35. Since then, the company has carried out two capital increases. The first one was on 01/12/1999, when an additional 200,214 shares were issued, and the second one on 01/02/2010, when 500,000 new shares were issued. UNIOR thus had 2,838,414 shares as at 31/12/2017, which have been registered as no-par value shares since 2006. They are issued in a dematerialized form and registered as of 21/01/2000 in the Central Securities Register kept by the KDD – Central Securities Clearing Corporation, d.d., in Ljubljana.

Important information on the shares

	2017	2016	2015	2014
Total number of shares	2,838,414	2,838,414	2,838,414	2,838,414
Number of treasury shares	3,330	3,330	3,330	3,330
Number of shareholders	951	1,018	1,229	1,279
Dividends per share	-	-	-	-
Value of treasury shares in the balance sheet (in	120	120	120	120

Treasury shares

The UNIOR Group has a total of 3,330 treasury shares representing 0.12 of the total equity.The shares are owned by Unior Deutschland GmbH, Remseck and SPITT d.o.o., Zreče. UNIOR d.d. doesn't own its treasury shares.

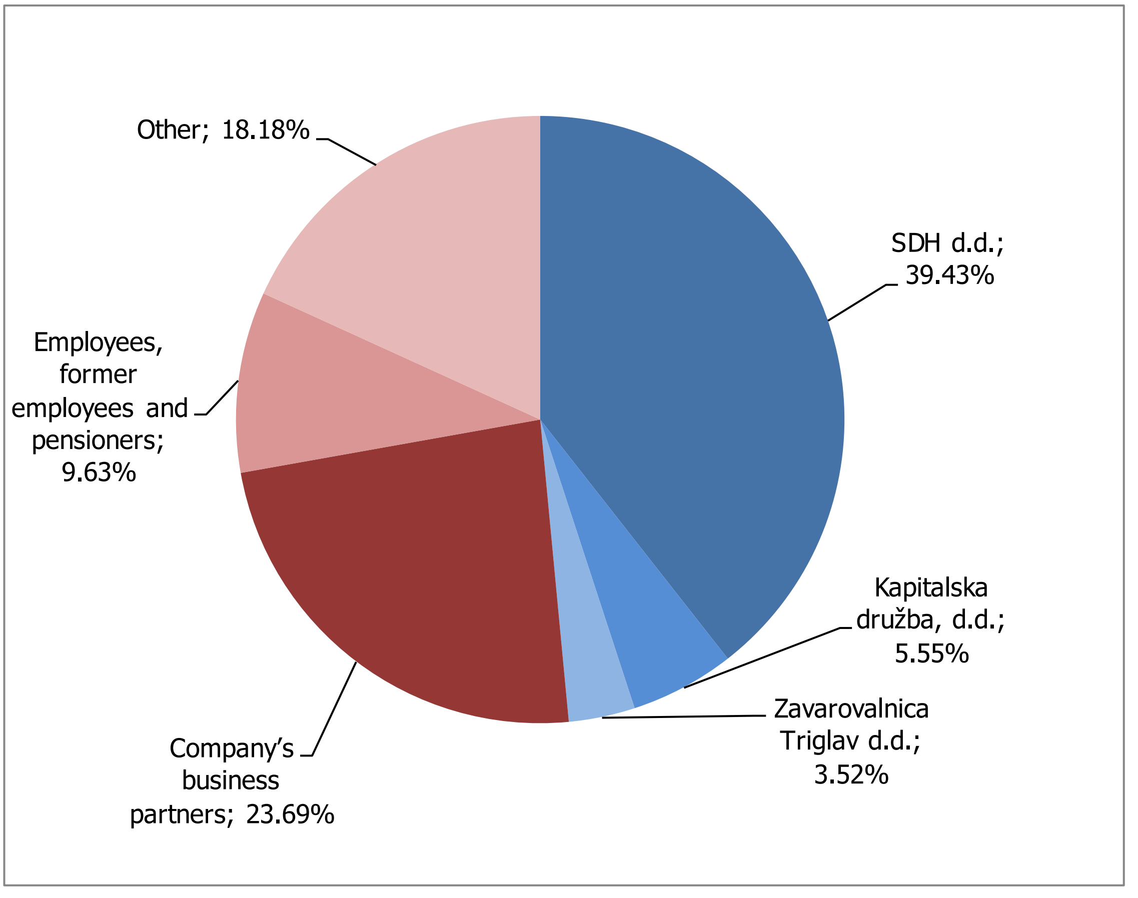
Ownership structure

Ten largest shareholders at 31/12/2017

Shareholder	Number of shares	Equity stake
SDH d.d.	1,119,079	39.43%
ŠTORE STEEL d.o.o.	346,182	12.20%
Alta Skladi d.d. – Flexible mixed subfund JVE	183,433	6.46%
KAPITALSKA DRUŽBA d.d.	157,572	5.55%
RHYDCON d.o.o.	119,328	4.20%
ZAVAROVALNICA TRIGLAV, d.d.	100,000	3.52%
Subotić Tomaž, Prague	49,226	1.73%
ŽELEZAR ŠTORE D.P. d.d.	43,627	1.54%
NLB Skladi d.o.o. – Slovenia mixed	30,000	1.06%
BTS COMPANY d.o.o.	29,527	1.04%
Ten largest shareholders	**2,177,974**	**76.73%**
Other shareholders	660,440	23.27%
TOTAL	**2,838,414**	**100.00%**

Ownership Structure at 31/12/2017

Shareholder	mber of shares	Equity stake
SDH d.d.	1,119,079	39.43%
Kapitalska družba, d.d.	157,572	5.55%
Zavarovalnica Triglav d.d.	100,000	3.52%
Company's business partners	672,362	23.69%
Employees, former employees and pens	273,339	9.63%
Other	516,062	18.18%
TOTAL	**2,838,414**	**100.00%**



Listing of the Shares on the Stock Exchange

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

Informing the shareholders

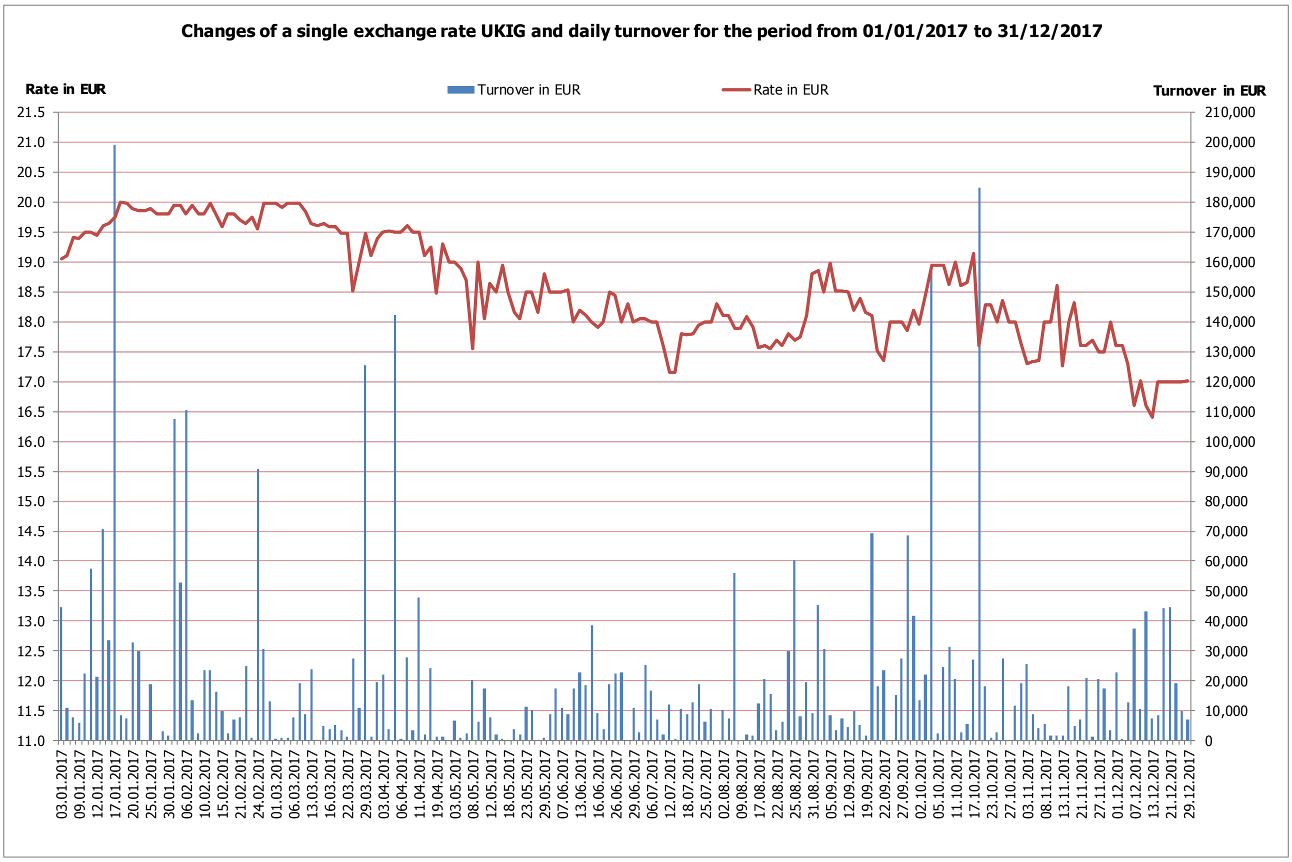
After listing the shares on the stock exchange, the company followed the practice of notifying all the shareholders and new interested investors in accordance with the law and customary business practice through the SEOnet electronic notification system of the Ljubljana Stock Exchange and the company's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

Performance indicators per share

	2017	2016	2015	2014
Earnings per share	2.73	1.79	1.27	0.78
Book value per share (in EUR)	31.38	39.61	38.12	37.27
Sales per share (in EUR)	58.23	59.17	56.31	56.18
Cash flow per share (in EUR)	5.57	6.23	5.92	5.63
Pay-out ratio	0%	0%	0%	0%

Trading in UKIG Shares

The stock market price of a UKIG share as at 29/12/2017 (closing price) was EUR 17.01. The total turnover generated between 01/01/2017 and 31/12/2017 amounted to EUR 3,745,882.70. The price-to-book value ratio of the share as at 29/12/2017 was 0.54.



8 Social responsibility

Social responsibility is one of the key elements of the long-term development of the Unior Group. We are aware that economic, social and societal development generate a greater impact of our company.That is why UNIOR obtained the Basic Family-Friendly Company Certificate on 13 December 2017, a base for the European Work & Family Audit licence. The company aims at short- and long-term positive effects of reconciliation of professional and private life of employees and reduction of fluctuation, sick leave, number of accidents, increased satisfaction, motivation and loyalty of employees.

UNIOR received a prize and a Charter for Good Practice in the Employment of Disabled Persons by the Minister of Labour, Family, Social Affairs and Equal Opportunities Dr. Anja Kopač Mrak, when attending the traditional Days of Vocational and Employment Rehabilitation – REHA 2017 in Portorož. As a recipient of the special recognition within the project, UNIOR is aware of the importance of integrating disabled people in the wider business operations of the company and strives to include disabled people in an active working environment, for equal and humane integration into society. Unior provides workers with a quality working environment, by focusing and investing on the knowledge of our employees and in safe and healthy living.

Unior has introduced certified systems, consistent with international standards for quality (ISO 9001, ISO/TS 16949, VDA 6.4) and environmental management (ISO 14001), while the system for occupational health and safety according to the requirements of the OHSAS 18001 standard is in the process of implementation.

8.1 Employees

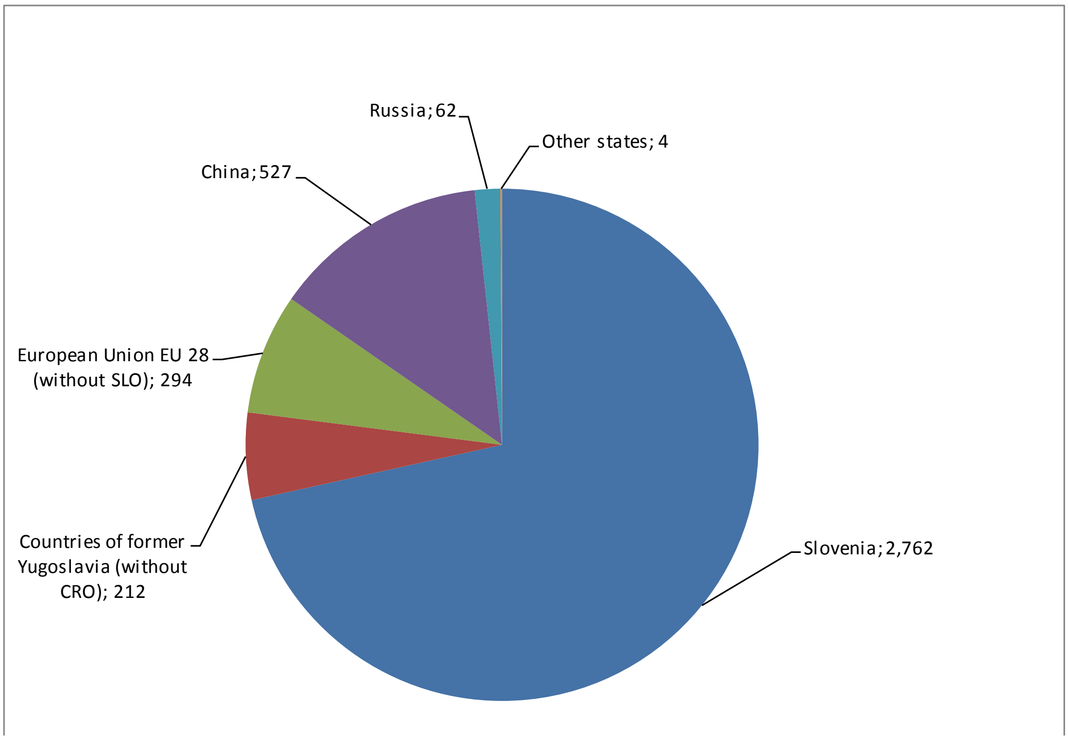
At the end of 2017, there were 1,793 employees working in UNIOR. The total number of employees is lower compared to 2016 due to the hive-off of the tourism programme and 271 workers transferred to the newly founded company of UNITUR d.o.o. The organizational unit of Social Food Service and its 19 employees remained at UNIOR d.d and ended up under the Department of General Affairs (Food Service).Due to the favourable situation regarding orders, the number of employees increased the most in the Forged parts programme.

Data on employees	2017	2016	2015	2014
Total number of employees	1,793	2,128	2,103	2,105
– Forged parts programme	*982*	*963*	*948*	*951*
– Hand Tools Programme	*395*	*391*	*395*	*388*
– Special machines programme	*154*	*169*	*153*	*153*
– Tourism Programme	*-*	*371*	*371*	*386*
– Joint services	*160*	*136*	*136*	*132*
– Maintenance	*102*	*98*	*100*	*95*
Number of employees leaving	158	233	201	205
New employees	169	258	199	183
Average years of service	17.7	17.9	17.9	17.6
Average age	41.6	41.7	41.6	41.5
Average number employees based on ho	1,787	2,057	2,036	2,008
Average absence from work (in hours)	132.7	107.0	105.2	105.1
Costs of education and training (in EUR)	181,968	206,069	163,919	140,824
Average salary (in EUR)	1,535	1,483	1,445	1,401

In 2017, 158 employees left, the majority were consensual termination of employment contracts and at their own request. There were a total of 169 new employees, most of them in the Forged parts programme. The age structure of the employees remained at a similar level as the previous year due to new employment of younger workers and retirements.

Structure of employees by country (UNIOR Group)

	Number of employees
Slovenia	2,762
Countries of former Yugoslavia (without	212
European Union EU 28 (without SLO)	294
China	527
Russia	62
Other states	4
TOTAL	**3,861**



Sick Leave and Injuries at Work

Total sick leave was 6.2 per cent in 2017, which is 1.1 per cent more than in 2016 when it was 5.1 per cent. In 2017, cases of sick leave of up to 30 days increased by 0.4 per cent compared to 2016 and was 3.4 per cent, while cases of sick leave over 30 days increased a lot from 2.1 per cent in 2016 to 2.7 per cent in 2017.

In 2017, we were implementing preventive actions of the Programme for safety and health at work. The goals of the Programme were reducing accidents at work, controlling the consistent use of hearing protection, improving working conditions, decreasing sick leaves, reducing musculoskeletal disorders, and promoting activity for a healthy lifestyle.

In 2017, there were 66 injuries at work, i.e. 3 per cent more than in 2016, while 399 days less were lost due to injuries, compared to 2016. In 2016, the average absenteeism from work lasted 37.9 days per injury, and 30.7 days in 2017. Unior and the insurance companies place greater emphasis on the participation of workers, and the share of denied (unjustified) claims still increases.

The measures in the area of health and safety at work are primarily focused on prevention:
- Training of workers regarding the hazards in the workplace and the obligations regarding safe work
- Preventative medical examinations of employees
- Implementation of tests for alcohol intoxication at the workplace
- Systematic control of sick leaves
- Inspections of the working and safety equipment and the elimination of deficiencies
- Systematic treatment of accidents and the prompt elimination of deficiencies
- Control of safety at work (use of personal protective equipment, control of the tidiness of workplaces, devices) and fire safety
- Preventative drills for the evacuation from the facilities in case of fire or other emergency events
- Implementation of actions regarding health promotion (workshops for employees on stress and relaxation techniques, training of managers in the field of communication with employees, interviews after sick leave, preventative vaccination against seasonal influenza, preventive programme for employees – muscle therapies, examinations for osteoporosis and other sports activities as well as activities on World Health Day)
- Implementation of ergonomics training for people involved in the production process, and the introduction and preparation for the certification of the system for occupational health and safety according to the requirements of the OHSAS 18001 standard

Training and education

We at UNIOR d.d. are aware that employee development is one of the key processes that serves to realize the vision and the goals of the organization in a constantly changing environment. We develop our employees primarily through training systems, but gradually include the remaining human resources development methods and connect them with the existing systems.

We strive for constant professional development of our employees with external and internal training, as we are aware of the importance of lifelong learning and transfer of acquired knowledge among employees. We find the development and upgrading of the leaders' competencies of great importance. Since 2013 we have been running business schools, in which we included the last remaining level of leaders in 2017. Therefore, all the leaders attended business schools – from the members of the Executive Board to the supervisors.

In 2017, we made an assessment for the II level of leadership within the development of leaders program and assessed their competencies according to the 360 degree method, where we detected strong areas and areas of their opportunities. We identified those developmental opportunities and connected them in a meaningful way with the system of our training and education.

In addition to the development of existing employees, we also find it important to cooperate with potential new employees. One way of attracting new employees, which is introduced into our processes, is the scholarship system in order to include potential new candidates in the work process and UNIOR. We met with them at the end of the school year, organized a workshop for the creative thinking technique within the Innovation Days, and we watched them in their practical training. The number of new scholarship agreements for pupils and students increases in the past years. Co-financing of education at work is also increasing.

For training, scholarships and studies at work in 2017, we have allocated EUR 182,000, which is comparable to the year before, although the amount was lower due to the hive-off of the tourism programme to the new company of UNITUR d.o.o.

Staffing improved some more in 2017, since the number of employees with a higher or high level of education increased. The number of unskilled employees slightly decreased. A direct comparison is difficult due to the tourism programme hive-off.

Structure of employees by education

	Qualification level	31.12.2017	31.12.2016	31.12.2015	31.12.2014
I	Unskilled	333	378	396	419
II	Semi-skilled	132	149	150	153
IV	Skilled	596	714	702	715
V	Secondary vocational education	425	519	518	491
VI.	Higher vocational education	112	125	124	131
VII/1	Graduate vocational education	111	145	121	110
VII/2	University vocational education	71	80	79	75
VIII/1	Master's degree	12	16	13	11
VIII/2	PhD	1	2	0	0
TOTAL		**1,793**	**2,128**	**2,103**	**2,105**

Average Salaries

The average monthly gross salary per employee in 2017 amounted to EUR 1,535 and was 3.4 per cent higher in comparison with the same period in the previous year. With a 1.4 per cent growth in consumer prices, this represents a 1.9 per cent real increase in average salaries. The net salary increased during this period by 2.8 per cent or by 1.4 per cent in real terms.

Communication with Employees

In internal communication in 2017, we focused on promoting departmental meetings, thus emphasizing the flow of interpersonal communication across the entire hierarchy of the company from top to bottom to all employees. We have upgraded communication with our employee with weekly newsletters and the introduction of infographics. These activities will be further strengthened in the following years with an update of the system for internal communication. With internal communication and performed activities, we strengthened the identity of Unior, the value of creativity, innovation and the value of health of the employees of UNIOR d.d., and we paid special attention to directing employees to communicate on social networks.

Communication with employees in Unior d.d. is arranged and systematical. It is conducted through a network and hierarchically using various tools: internal quarterly newspaper, weekly news, printed bulletin if necessary, regular notices on notice boards and via the internet and departmental meetings. Interpersonal communication takes place according to a time schedule for communication of the Workers' Council, trade unions, the Management Board, the Executive Board, workers assemblies and departmental meetings.

8.2 The Company

The UNIOR limited company is highly connected with its environment and a wider circle of stakeholders and constantly follows the needs of the environment. That is why our business is based on ethical behaviour, sustainable development and care for a healthy environment.

By raising awareness, moral support and financial assets, we assist various organizations and associations. We support current initiatives and various events through sponsorships and donations. We support numerous cultural, sporting and humanitarian projects on a regular basis, attaining a social responsibility and supporting the local environment, we encourage young top athletes, support young people and offer help to disabled people.

We are proud of our scholarship tradition helping many families in our region with their financial burden during the education of their children. Within the Slovenske Konjice – Zreče School Centre, we educate our human resources in our own workshop.

We can proudly say that thanks to our knowledge, diligence and ambition, as well as our diversified programmes, we have created many jobs, significantly contributed to the better visibility and more visits to our places, and the substantial progress of the entire region.

8.3 The Environmental Protection

Our fundamental principle is the responsibility to protect the environment, to prevent negative environmental impacts, to comply with the requirements of legislation and to constantly improve in the field of environmental protection. We have an established and certified environmental management system in accordance with the ISO 14001 standard, which ensures effective control, reduction of harmful effects on the environment, rationalization of resource consumption, promotion of sustainable production and consumption, and the replacement of substances that have an adverse effect on human health and the environment. In 2017, we carried out a control of the environmental management system and transition to the new standard ISO 14001:2015 by the Bureau Veritas Certification.

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

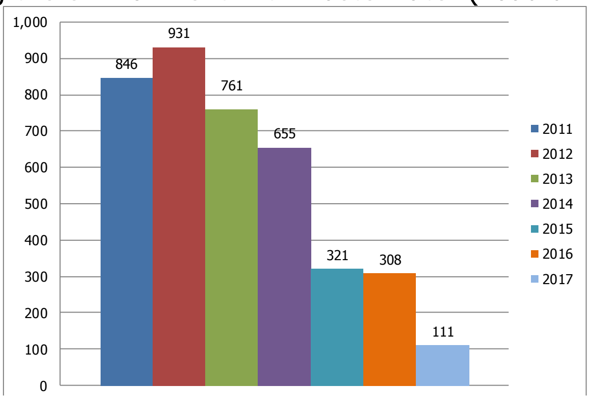
Energy Consumption, Energy Efficiency

We monitor the consumption of drinking and process water and take appropriate actions (the elimination of leakages, the introduction of solutions to reduce consumption). We build our employees' awareness of the need to conserve energy – closing of valves for water and air, switching off lights during breaks, etc. We monitor energy consumption and take action when exceeding the set targets. We have installed meters on all major energy consumers, which measure the energy consumed and the quantities produced. Since we are continuously monitoring these data, we are able to detect when a machine is poorly utilized or in need of major repair. We take care of innovative, technologically advanced and reliable solutions in the field of energy services, thus improving energy efficiency and environmental footprint. We utilize waste heat from hardening furnaces and compressors, and use it for space heating during the winter, and for warming the galvanic baths in the summer. The existing system of targeted monitoring of energy consumption has been upgraded with the new energy management information system for a better control of energy consumption. We introduced the energy management system – SUE, which operates on the basis of guidelines for the introduction of the SIST NE ISO 50001 standard.

Waste Water

At the locations of Unior d.d., mostly sanitary and meteoric waste water are formed. Process and cooling wastewater are mainly found on the location upper zone Zreče, thus we are bound to the IPPC. Before discharging waste water into the environment, for sewers, watercourses or land, we carry out internal and external measurements of the waste water quality depending on the quantity and type of waste water. Based on the external measurements, the authorized company calculates the water load units (LU) and compiles a projection for the calculation of the environmental tax for polluting the water.

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

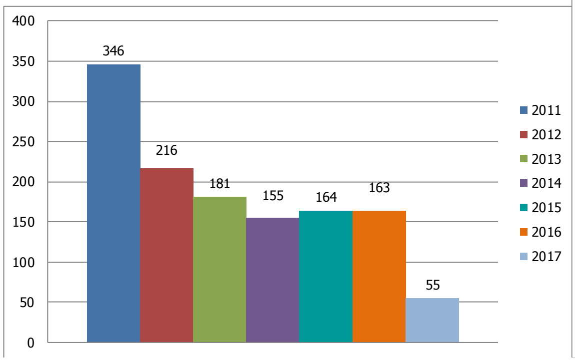


In 2017, the total load units (LU) of wastewater was reduced by approximately 64 per cent compared to 2016, since no waste water generated in Unitur d.o.o. was included that year. If only Unior's waste water was compared, the load units would be about 10 per cent higher due to the increase in the quantities of waste water due to the increase in production. In the past year, we've connected the entire lower zone to the sewer system of the municipality of Zreče.

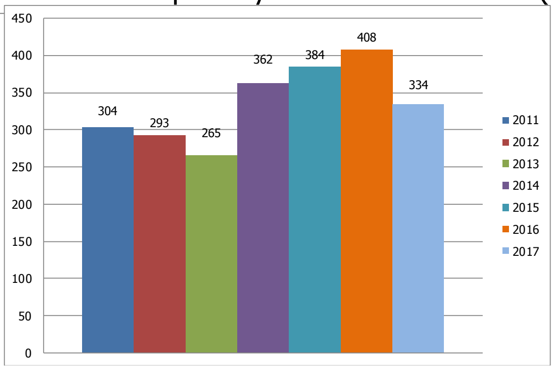
Waste

The diagrams show that the total quantity of waste was significantly reduced compared to 2016, because the data for 2017 doesn't include the quantities of waste generated in Unitur d.o.o. The amount of municipal waste and packaging decreased by around 50 per cent, while the amount of hazardous waste, which Unitur d.o.o. almost doesn't produce, decreased by 18 per cent. The total amount of waste generated by Unior and Unitur decreased by around 5 per cent compared to 2016, despite the increased production scope. In the past year, we replaced all waste signs and adjusted the waste labelling to the UNIOR d.d. graphic image. We carried out training of employees on the topic of environmental protection and waste separation.

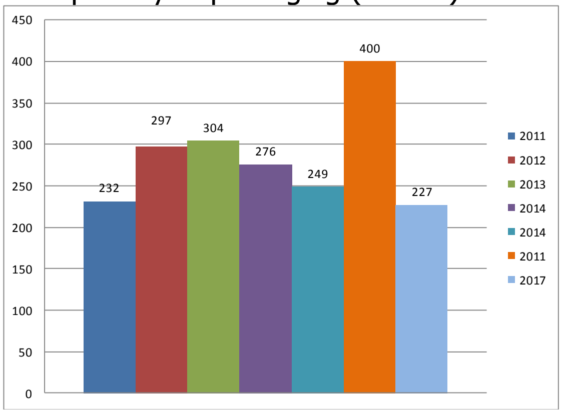
The quantity of municipal waste (tonnes)



The quantity of hazardous waste (tonnes)



The quantity of packaging (tonnes)



Air Emissions

We performed 13 measurements of emissions into the air, which are prescribed by the law, on the locations of Ročno orodje Obdelovalnica Zreče, Lenart and Stari trg. It was determined that all the measurements of emission concentrations of the prescribed parameters at all locations didn't exceed the permissible values of air emissions. Regarding the emission of substances into the air, dust sensors were installed on the discharges from filters on sandblasting machines and in the Sinter plant. We installed two new metal dust filters in Kovačnica and Orodjarna.

Noise

In the previous year, we performed noise measurements in the environment at the location of Vitanje and the upper zone of Zreče, where the noise values of noise indicators exceeded according to the IV level of protection against noise.

A noise map was prepared for the location of the upper zone of Zreče as well as the Project of Noise Reduction in the Environment. On the basis of the Project, we prepared a schedule of measurement for reducing the noise in the environment for the period 2017–2021.

Chemicals

In 2017, we implemented the legally prescribed training for employees who work with hazardous substances. The audit of the chemicals register was also under way, and should be completed in the first half of the following year.

9 Corporate Governance

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

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

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

9.1 Management

The Company has a two-member Management Board. The Chairman of the Management Board is Mr Darko Hrastnik, who was appointed on 31/01/2014, when the Supervisory Board entrusted him with a new five-year mandate for the period from 01/06/2014 to 31/05/2019. This is his second term as the Chairman of the Management Board, and before that, he was a Member of the Management Board twice. Mr Branko Bračko was appointed as a member of the Management Board on 30/5/2017, when the Supervisory Board appointed him again as the Management Board member for the period from 15/11/2017 to 14/11/2022. He is a member of the Management Board for the second time.

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

Darko Hrastnik, Chairman of the Management Board
Education: Bachelor of Metallurgical Engineering

Working and leadership experience:

2000–	UNIOR d.d.	
	2012–	Chairman of the Management Board
	2009–2012	Member of the Management Board
	2007–2012	Executive Director of the Hand Tools Programme
	2004–2007	Director of the Hand Tools Programme
	2002–2003	Member of the Management Board
	2000–2002	Assistant to the Director of the Forged parts programme,

responsible for the following areas: sintering, processing forged parts at Slovenske Konjice, cold forging and demanding project assignments

1999–2008	Higher Vocational College in Celje, associate lecturer for the Business Administration and Management course	
1996–2000	MPP Livarna, d.o.o., Maribor, Managing Director	
1994–1996	TAM Metalurgija, d.o.o., Marketing Director	
1994–1994	Livarna Ferralit, d.o.o., Žalec, Head of Production	
1989–1993	Livarna, d.o.o., Štore	
	1992–1993	Technical Director
	1989–1992	Development Department

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

Working and leadership experience:

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

9.2 Executive Board

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

The Executive Board is composed of:
- Darko Hrastnik, BSMet., Chairman of the Management Board
- Branko Bračko, BSME, Member of the Management Board
- Robert Ribič, BSME, Director of the Forged parts programme
- Danilo Lorger, BS.Che.E., Director of the Hand Tools Programme
- Boštjan Leskovar, MSc., Director of the Special Machines Programme
- Uroš Stropnik, MSc., Director of the General Affairs Sector
- Bogdan Polanec, MSc., Financial Director
- Boštjan Slapnik, MSc., Director of the Purchasing Sector
- Zlatko Zobovič, BSEc., Director of the Controlling Sector
- Rok Planinšec, MSc., Director of the ITS Sector
- Ivan Bašič, BMS and BEE, Director of the Maintenance Sector (until 31 December 2017)
- Marjan Adamič, MSc., Director of the Maintenance Sector (from 1 January 2018)
- Dani Kukovič, BSEE, Director of the Energetics Sector
- Patricija Sedmak, BSEc., Head of the Internal Auditing Service

9.3 Supervisory Board

The Supervisory Board operates within the scope of the authorizations conferred on it by Article 280 of the Companies Act. Its main task in the two-tier system is to oversee the operations of the Management Board and thereby protect the interests of the company's stakeholders.

At the 17th General Meeting held on 17/07/2013, a new six-member Supervisory Board was elected for a period of four years, namely from 13/12/2013 to 12/12/2017.

The representatives of the capital within the Supervisory Board were:

- Branko Pavlin, MSc. (Chairman)
- Franc Dover, MSc. (Deputy)
- Prof. Dr. Marko Pahor
- Drago Rabzelj, BSEc.

The representatives of the employees were:

- Marjan Adamič, MSc., and
- Darko Dujmović, BSME.

The Supervisory Board of the company had two commissions formed – the Human Resources Commission and the Audit Commission.

The Audit Commission operated in the following composition:

- Drago Rabzelj, BSEc. (Chairman)
- Prof. Dr. Marko Pahor (Deputy)
- Marjan Adamič, MSc., and
- Gregor Korošec, BSEc. (External Member)

The Human Resources Commission operated in the following composition:

- Franc Dover, MSc. (Chairman)
- Branko Pavlin, MSc. (Deputy)
- Darko Dujmović, BSME.

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

The representatives of the capital in the Supervisory Board are:

- Branko Pavlin, MSc. (Chairman)
- Simona Razvornik Škofič, BSEc. (Deputy)
- Jože Golobič, BA in Law and
- Rajko Stanković, Senior Administration Official

The representatives of the employees are:

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

The Supervisory Board of the company has two commissions formed – the Human Resources Commission and the Audit Commission.

The Audit Commission operates in the following composition:

- Simona Razvornik Škofič, BSEc. (Chairman)
- Rajko Stanković, Senior Administration Official (Deputy)

- Saša Artnak, BSEc. and
- Blanka Vezjak, MSc., External Member of the Audit Committee (from 15 February 2018)

The Human Resources Commission operates in the following composition:
- Jože Golobič, BA in Law (Chairman)
- Branko Pavlin, MSc. (Deputy)
- Boris Brdnik, BMS.

9.4 General Meeting of Shareholders

The General Meeting of Shareholders is the company's highest body where the will of the shareholders is exercised directly and key decisions are made. Each of the company's shares provides one vote, while the voting rights do not have a share. The company has not issued preference shares or shares with limited voting rights.

The company's Management Board convenes the General Meeting once a year in June or July by publishing the information on the Agency for Public Legal Records and Related Services website, SEOnet and the company's website no later than thirty days before the scheduled date. All shareholders registered in the company's share register as at the cut-off date, which is published in the notification on the convening of the General Meeting, as well as their representatives and proxies, are entitled to attend and vote at the General Meeting. The documentary materials for the General Meeting are available at the company's headquarters as of the convening until the meeting is held.

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

On 7 June 2017, the 21st session of the General Meeting of Shareholders of UNIOR d.d. was held and shareholders:
- Discussed the information on the annual report, the opinion of the auditor and the written report of the Supervisory Board on the annual report
- Decided on the balance sheet loss for the 2016 financial year and the granting of discharge to the Management and Supervisory Boards
- Decided on the appointment of the audit company for 2017

The notices about the resolutions passed at the General Meeting were published on SEOnet and the company's website on 7/6/2017.

The 3rd extraordinary session of the General Meeting of Shareholders of UNIOR d.d. was held on 23 August 2017 and shareholders discussed:
- Gave their consent to the hive-off by establishing a new company – it is a transfer of the tourist activity to the new company of UNITUR d.o.o. 100 per cent owned by UNIOR d.d.
- voted on four new members of the Supervisory Board of UNIOR d.d., who took up their mandate on 13/12/2017. Mrs Simona Razkof Škofič, Mr Jože Golobič, Mr Branko Pavlin and Mr Rajko Stanković

The notices about the resolutions passed at the General Meeting were published on SEOnet and the company's website on 23/8/2017.

The regular General Meeting in 2018 is planned to be held on 6 June 2018. The notification of the convening of the General Meeting with the envisaged content of resolutions, place, time and the conditions for participation and voting is expected to be published on the Agency for Public Legal

Records and Related Services website, SEOnet information system and the company's website on 4 May 2018.

9.5 Payments to the Management Board and the Supervisory Board

Payments to the Management Board and the Supervisory Board are presented in more detail in Chapters 9.7 and 12.7 of this Annual Report.

Management

In 2017, both members of the Management Board received a fixed remuneration under the employment contract concluded with the company's Supervisory Board for their work. The members received variable remunerations according to the contract, but were not rewarded with options, as this was not provided for under the contract.

Supervisory Board

The members of the Supervisory Board receive session attendance fees and a basic payment for performing their function, while the members of commissions in the Supervisory Board receive an additional session fee for the work in those commissions as well as additional fee for performing their function. In addition to the above, they receive per diems and have their travel expenses reimbursed in accordance with the regulations. Session attendance fees to the members of the Supervisory Board and the members of the commissions may be paid out until they reach 50 per cent of the basic remuneration for performance of their functions, and additional session attendance fees payments for performing their function may be paid out until the amount reaches 50 per cent of the basic remuneration for the performance of their functions.

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

The internal owners (employees and the Management Board) at Unior together hold a 5.95 per cent interest, whereby the Management Board holds 0.06 per cent and the Supervisory Board has no company shares. In 2017, the number of shares and participating interests owned by the Management Board and the Supervisory Board did not change.

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

	Ownership		Net purchases in	
	2017	2016	2017	2016
Darko Hrastnik	1,505	1,505	0	0
Branko Bračko	250	250	0	0
Management Board total	**1,755**	**1,755**	**0**	**0**
MSc Branko Pavlin	0	0	0	0
Simona Razvornik Škofič	0	0	0	0
Jože Golobič	0	0	0	0
Rajko Stankovič	0	0	0	0
Saša Artnak	0	0	0	0
Boris Brdnik	0	0	0	0
Supervisory Board total	**0**	**0**	**0**	**0**
Total number of issued shares	**2,838,414**	**2,838,414**		

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

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

The Management Board and the Supervisory Board of Unior Kovaška industrija d.d. hereby declare that the governance of the company in 2017 financial year complied with the provisions of the Companies Act, the Financial Instruments Market Act, the Rules of the Ljubljana Stock Exchange and other applicable regulations in force.

The statement on the management of the company forms an integral part of the 2017 Annual Report and is available on the company's website at www.unior.si for no less than five years following its publication.

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

The corporate management system represents the means of achieving the company's long-term strategic goals and a way for the Management Board and the Supervisory Board of UNIOR d.d. to fulfil their obligations to the company's shareholders and other stakeholders. The vision and goal of UNIOR d.d. and its subsidiaries are the introduction of modern management principles and the highest possible level of compliance with advanced domestic and foreign practices.

Explanations According to the Companies Act

Pursuant to the fifth paragraph of Article 70 of the Companies Act, which lays down the minimum required content of the Statement on the Management of the Company, UNIOR d.d. is hereby providing the following explanations:

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

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

   The internal control system comprises procedures ensuring that:
   - Business events are recorded based on authentic bookkeeping documents, which serve for the accurate and fair recording of these events and provide a guarantee that the company disposes of its assets fairly and honestly
   - The business events are recorded and financial statements are compiled in accordance with the applicable legislation in force
   - The eventual unauthorized acquisition, use and disposal of the company's assets that could materially affect the financial statements are prevented or detected in time

   The internal control of the company is implemented by the finance sector and accounting and controlling, which are responsible for the keeping of the accounts and the formation of the financial statements in accordance with the accounting, tax and other regulations in force. Authorized external auditors annually verify the adequacy of the internal control within the information system. In 2015, an internal audit service was established, which was also responsible for verifying the functioning of internal controls system.

2. *The material direct and indirect ownership of the company's securities in terms of achievement of a qualified holding as stipulated by the act regulating takeovers.*

   The data on the achievement of a qualified holding as stipulated by the Takeovers Act is published promptly in the electronic notification system of the Ljubljana Stock Exchange and communicated to the Securities Market Agency. The holder of the qualifying holding, as stipulated by the Takeovers Act, at UNIOR d.d., as at 31/12/2017 was the Slovenian Sovereign Holding (SSH), d.d., with an equity stake of 1,119,079 shares or 39.4 per cent.

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

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

4. *Explanations of all voting right limitations.*

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

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

   The company's rules do not specifically regulate the appointment and replacement of the members of the management and supervisory bodies and the amendments to the Articles of Association. We fully apply the applicable legislation.

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

   UNIOR d.d. did not have the authorization for the issuance and repurchase of treasury shares in 2017.

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

   The General Meeting met twice in 2017. The competencies of the General Meeting and the rights of the shareholders are provided for by the law and are exercised in the manner stipulated by the company's Articles of Association, the Rules of Procedure of the General Meeting and the Chairman of the General Meeting. The course of the voting at the General Meeting of the UNIOR public limited company is explained in detail in 9.4 The General Meeting chapter of the 2017 Annual Report.

8. *Information on the composition and functioning of the management and supervisory bodies and their commissions.*

   A comprehensive presentation of the management and supervisory bodies and their commissions is provided in Chapter 9 Corporate Management of the 2017 Annual Report.

9. *Description of the policy of diversity that is carried out in relation to representation in the company's management and supervisory bodies.*

   In accordance with Article 70 of the Companies Act (ZGD-1) regarding the representation in the management or supervisory bodies, the company did not formally adopt special policies of diversity, however, all the procedures for appointing members to these bodies are carried out in accordance with the ZGD-1, the Rules of Procedure of the Supervisory Board and the

Slovenian Corporate Governance Code for listed companies, thus ensuring equal opportunities for all categories in all human resources procedures. Regardless the fact that the company does not have a policy of diversity that would be implemented in relation to representation in the company's management or supervisory bodies in terms of aspects such as, for example, gender, age or education, the management and control bodies are structured in a way that ensures the complementarity of the knowledge and experience of the members and the heterogeneity of the composition.

Composition of the Management Board and the Supervisory Board and the amount of their remuneration

The composition of the Management Board and the organization of the company's management are presented in Chapter 9.1 of the Annual Report and shown in the table below in accordance with Annex C of the Code.

Name and surname (gender, nationality, year of birth)	Function	The first designation of the function	The end of the function/the term	Education	Membership in supervisory bodies of the non-associated companies
Darko Hrastnik (male, Slovenian, 1964)	President of the Management Board	17.08.2012	31.05.2019	BSMet	-
Branko Bračko (male, Slovenian, 1967)	Member of the Management Board	15.11.2012	14.11.2022	BSME	member of the Supervisory Board of the company Stanovanjsko podjetje Konjice d.o.o.

The Supervisory Board, its composition, its members and commissions are presented in Chapter 9.3 of the Annual Report and the composition in accordance with Annex C of the Code in the following table.

Name and surname (gender, nationality, year of birth)	Function	The first designation of the function	End of the function	Equity/employee representative	Participation on Supervisory Board meetings	Education	Independence in accordance with Article 23 of the Code	The existence of the conflict of interests	Membership in supervisory bodies of the non-associated companies	Membership in commissions	President/ member	Participation on Supervisory Board meetings
Branko Pavlin (male, Slovenian, 1950)	president of SB	13.12.2013	12.12.2021	Equity President	8/8	MSc in business administration	YES	NO	president of the Supervisory Board of the Business association of supervisors	Nomination Board Human Resources Commission	member Vice President	2/2 5/5
Franc Dover (male, Slovenian, 1965)	Vice President of the Supervisory Board	13.12.2013	12.12.2017	Equity President	7/7	Master of Science degree in Engineering	YES	NO	-	Human Resources Commission	President	5/5
Marko Pahor (male, Slovenian, 1974)	member of SB	13.12.2013	12.12.2017	Equity President	7/7	Doctor of Science in Economics	YES	NO	Non-executive member of the Management Board of AG d.d., Kamnik	the Audit Committee	Vice President	4/4
Drago Rabzelj (male, Slovenian, 1955)	member of SB	13.12.2013	12.12.2017	Equity President	6/7	BSEc.	YES	NO	-	the Audit Committee	President	4/4
Marjan Adamič (male, Slovenian, 1964)	member of SB	13.12.2013	12.12.2017	Employee Representative	7/7	Master of Economics	YES	NO	-	the Audit Committee	member	4/4
Darko Dujmović (male, Slovenian, 1960)	member of SB	13.12.2013	12.12.2017	Employee Representative	7/7	BSME	YES	NO	-	Human Resources Commission	member	5/5
Simona Razvornik Škofič (female, Slovenian, 1971)	Vice President of the Supervisory Board	13.12.2017	12.12.2021	Equity President	1/1	BSEc.	YES	NO	-	the Audit Committee Nomination Board	President member	0/0 2/2
Jože Golobič (male, Slovenian, 1973)	member of SB	13.12.2017	12.12.2021	Equity President	1/1	BA in Law	YES	NO	-	Human Resources Commission	President	0/0
Rajko Stanković (male, Slovenian, 1968)	member of SB	13.12.2017	12.12.2021	Equity President	1/1	Senior Administration Official	YES	NO	member of SB and Audit Committee of Žito d.o.o. member of SB and Audit Committee of Zavarovalnica Triglav, d.d. (up to 12/07/2017).	the Audit Committee	Vice President	0/0
Boris Brdnik (male, Slovenian, 1972)	member of SB	13.12.2017	12.12.2021	Employee Representative	1/1	BMS	YES	NO	-	Human Resources Commission	member	0/0
Saša Artnak (female, Slovenian, 1986)	member of SB	13.12.2017	12.12.2021	Employee Representative	1/1	BSEc.	YES	NO	-	the Audit Committee	member	0/0

Name and surname (gender, nationality, year of birth)	Commission	Participation on meetings	Education	Membership in supervisory bodies of the non-associated companies
Gregor Korošec (male, Slovenian, 1971)	the Audit Committee	2/4	BSEc.	external member of the Audit Committee of Cinkarna Celje, d.d.
Velimir Cugmas (male, Slovenian, 1956)	Nomination Board	2/2	BA in Law	-
Marjan Korošec (male, Slovenian, 1956)	Nomination Board Coordinator	2/2	BMS, BSME	-

Payments to the Management Board and the Supervisory Board members in accordance with Annex C of the Code are presented below and in more detail in Chapter 9.5 of the Annual Report.

(in EUR)	Function	Fixed revenue	Variable revenue	Deferred revenue	Total gross
Darko Hrastnik	President of the Management	151,030	20,684	14,062	**185,776**
Branko Bračko	Member of the Management	139,032	19,306	12,937	**171,275**

(in EUR)	Function	Payment for op. function	Meeting expenses	Total gross
Branko Pavlin	president of SB	9,435	3,738	**13,173**
Marko Pahor	member of SB	6,692	3,062	**9,754**
Drago Rabzelj	member of SB	7,021	3,330	**10,351**
Darko Dujmović	member of SB	6,583	3,098	**9,681**
Franc Dover	member of SB	7,570	3,212	**10,782**
Marjan Adamič	member of SB	6,583	2,673	**9,256**
Gregor Korošec	member of SB Commission	1,097	544	**1,641**
Velimir Cugmas	member of SB Commission	0	665	**665**
Simona Razvornik Škofič	member of SB Commission	0	473	**473**

The Statement on the Corporate Governance Code for Public Limited Companies

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

The Statement on the compliance with the Code provisions forms an integral part of the 2017 Annual Report and is available on the company's website at www.unior.si for no less than five years following its publication.

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

The Statement refers to the period of the financial year 2017, that is from 01/01/2017 to 31/12/2017. There were no changes in the company's management from the end of the financial year until the publication of the Statement.

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

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

- Provision 4: The company did not formally adopt special policies of diversity regarding the representation in the management or supervisory bodies, however, all the procedures for appointing members to these bodies are carried out in accordance with the ZGD-1, the Rules of Procedure of the Supervisory Board and the Code, thus ensuring equal opportunities for all categories in all human resources procedures. Regardless the fact that the company does not have a policy of diversity that would be implemented in relation to representation in the company's management or supervisory bodies in terms of aspects such as, for example, gender, age or education, the management and control bodies are structured in a way that ensures the complementarity of the knowledge and experience of the members and the heterogeneity of the composition.

- Provision 8.1: In case of institution's of individual's notification for intending to organize the collection of proxies for the General Meeting, the company provides the publication of the information – the list of authorized persons and their contact details, the deadlines for the collection and the proxy form, while it does not publish all of the company's costs incurred in relation to the organized collection of proxies.

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

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

- Provision 14: In the 2017 financial year, the Supervisory Board did not carry out the self-assessment procedure in accordance with this provision of the Code. The system of evaluating the effectiveness of the work of the Supervisory Board and Supervisory Board commissions is under preparation and a self-assessment will be carried out in 2018. At the meetings of the Supervisory Board, however, the members determine the efficiency of their work, as well as request from all the supervisory board commission to report on their work for each of their meeting.

- Provision 28.3: The company does not publish its communications in a foreign language as usual in international financial circles, but provides publications only in Slovenian.

- Provision 29.9: In 2017, the company did not provide public information on the Rules of procedure of its bodies (the management, supervision and general meeting) on the company's website; however, the Rules of Procedure were available to all users for their work, and the Rules of Procedure of the General Meeting are available at each General Meeting session.

The Statement on the Non-financial Operations

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

The Statement on the Non-financial Operations forms an integral part of the 2017 Annual Report and is available on the company's website at www.unior.si for no less than five years following its publication.

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

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

Careful inspections in all areas are carried out as integral part of all the systems we manage in our company. Each process in our company prepares its own report on operations, which is presented to the company's management at regular periodical meetings held at least quarterly. The results and performance of individual areas are checked at these management reviews, and individual conclusions come out of them addressing the changes and striving to be constantly improving the entire system.

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

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

The key non-financial performance indicators in UNIOR d.d. are monitored through research and measurements of organizational climate and employee satisfaction, we ensure the regular and good communication with all employees, training and education of all employees, and we are a family-friendly company, while the attitude towards all stakeholders of the company is presented in detail in Chapter 8 Social Responsibility.

Zreče, 29 March 2018

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

9.8 Risk management

In accordance with the principles and guidelines of the quality system, we have developed a risk management system and introduced it in the business processes, active since 01/07/2016.The risk management committee and risk managers regularly monitor the risk exposure, plan and implement measures to mitigate the risks and plan and monitor the performance of potentials for improvements, which would further contribute to their management.We have established a risk register, which includes descriptions and characteristics for each identified risk. The risk management approach is different for different risks, but the purpose of the measures is to reduce each of them to the lowest possible level according to the available resources.

We have recognized the mentioned risks, monitor them and perform mitigation measures, however, at this point they do not represent a major threat to the company's business: human resources, competitiveness, ownership structure, products supply, availability of resources, deepening of globalization, quality assurance, protection of intellectual property, research and development, innovative changes, information technology, technical supply, efficiency and effectiveness of processes, resources efficiency, property protection, financial loss due to inadequate products, liquidity risk, new economic crises, claims and civil lawsuits and changes in exchange rates.

Below is a detailed description of the risks with the highest severity in this period:

BUSINESS RISKS

Risk Area	Risk Description	Management Method	Exposure
Ownership structure	The risk of changes in the ownership structure can enable the elimination of weaknesses and exploiting of opportunities, or can cause danger.	Cooperation within the framework of the options in the sales process, communication between stakeholders, legal protection of interests and business simulation.	Moderate
Sales and Marketing	Risk of loss of revenue	Timely response to changing market conditions, adapting offers, new market channels and strategies, differentiation and diversification.	Moderate
Environmental permit	Risk of losing the environmental permit	Limit values for noise levels in the environment will decrease according to the OVD after 2020 and there is a risk of violating legal regulations.	Moderate

RISK OF CHANGES IN THE OWNERSHIP STRUCTURE

The risk refers to the predicted change of the majority of shareholders, as it may have a decisive impact on the strategic orientations of the company's business operations. It is a business share which is in direct and/or indirect ownership of the Republic of Slovenia, as well as other shareholders, which might be sold at a favourable offer price of shares or the takeover offers of new potential owners. The risk can be alleviated in the context of the legally permitted cooperation with potential new owners, appropriate communication with stakeholders and the simulation of scenario planning. Sensitivity analysis: In the event that shareholding were to change by more than 50 per cent, the new owner(s) would impact the strategic orientations of the company.

Should this result in positive effects for the company, we see no danger, otherwise we see the danger.

SALES AND MARKETING RISKS

Unior's sales and distribution network is widely diverse, as we sell our products in approximately 100 countries around the world. Diversity of geopolitical and macroeconomic conditions as well as legal, cultural and entrepreneurial environment also indicates different sales risks. We estimate that the key competitive advantages of Unior's processes and products are the appropriate price, quality, flexibility and innovation. We are devoting our attention to current buyers and markets, building a long-term development and supplier partnerships. At the same time, we are aiming at potential new buyers and markets, which require a different approach and a view on risks. In view of the high dependence on the markets of cars powered by internal combustion engines, special attention is paid to the development of the market and the use of electric cars. Sensitivity analysis: In the event that sales revenues were to fall behind the planned revenues by one percent, the operating result would reduce with regard to the plan by approximately six percent.

RISK OF LOSING THE ENVIRONMENTAL PERMIT

Limit values for noise levels in the environment will be decreasing according to the OVD and there is a risk/danger of violating legal regulations. In order to avoid this, Unior has developed a Remediation of Noise Programme and the Environmental Management Programme to eliminate and reduce the environmental impacts. We regularly monitor environmental legislation and actively participate in changing it in the field of noise. In search for solutions, we actively cooperate with the local residents and the local community. Sensitivity analysis: In the event of losing the environmental permit, the company may have problems with the permit to operate in the upper zone of Zreče.

OPERATIONAL RISKS

Risk Area	Risk Description	Management Method	Exposure
Employees	The risk of workplace accidents and injuries	Training, performing measures based on the workplace risk assessment, observance of the following the instructions.	Moderate
Deficiency of personnel	Lack of appropriate staff for specific jobs	Adopted and approved policy for finding and retaining personnel. Various activities are carried out with the aim of elimination of these risks, quarterly or monthly reporting for the Forged parts programme was introduced.	Moderate

RISKS ASSOCIATED WITH WORKPLACE INJURIES OF EMPLOYEES

In the field of health and safety at work, we assess the probability of the occurrence of an accident and its consequences and the likelihood of developing health defects at the workplace. By introducing a system of health and safety management at work according to the OHSAS 18001 standard, we have approached the systematic management of this field. Carrying out a risk assessment at the workplace serves us as a basis for improving, for example, ergonomics at the workplace. Education, training, safety instructions, warning signs, measures, meetings, talks after sick leave, etc. help improve the awareness about the possibilities of the occurrence and prevention of injuries at the workplace as well as the health problems at the workplace. Sensitivity analysis: By reducing/increasing the number of injuries in the workplace, the percentage of absence from work can also be lowered/increased for this reason. The reduction of the 399 lost days represents a 16 per cent reduction in absenteeism due to employee injuries at the workplace. Compensation claims can also be increased due to the increased number of injuries.

RISKS ASSOCIATED WITH THE LACK OF SUITABLE PERSONNEL

In the field of employment, we are faced with the problem of providing the suitable staff for certain jobs, especially in the field of shortage occupation. We also consider the fluctuation of this staff within the framework of risk. Business growth and market conditions began to exceed the ability to employ the appropriate workforce exclusively from Slovenia, especially for the Forged parts programme, so we were already employing foreigners in 2017. In order to mitigate the risk, a number of activities for the promotion of defective professions are introduced (scholarships, participation in career fairs, organization of an in-house employment fair, extended job vacancy promotion), human resource development activities (business schools, 360 degrees evaluation, system of rewards, introducing the competence model, introducing mentoring, improving the organizational climate, managing scholarship holders) and introducing improvements in working conditions. Sensitivity analysis: In the event that the number of new personnel needs increases even more, labour costs will increase due to the lack of candidates in the labour market. Only additional stimulating remuneration can enable us to keep and provide for a new suitable personnel.

FINANCIAL RISKS

Risk Area	Risk Description	Management Method	Exposure
credit risk	The risk that we will not be able to collect our contractual claims on maturity as a lender	Planning the cash flow, the timely collection of outstanding claims, factoring, cost and current assets management and monitoring indicators.	Moderate
Interest rate changes	Risk of financial loss due to unfavourable interest rate movements.	Management of the financing business principles, considering the golden balance rule: long-term investments are financed through long-term sources, daily monitoring, diversification of external financing sources, monitoring changes in the external environment, diversification of the maturity of liabilities and cost management.	low

CREDIT RISK

Credit risks are managed through regular monitoring of business operations and financial position of all new and existing business partners, with limiting exposure to individual business partners and with an active process of collecting receivables. By regular monitoring of outstanding and overdue accounts receivable, the age structure of receivables and the trends of average payment deadlines, the company's credit exposure is kept within acceptable limits. From 01/10/2014 onwards, all accounts receivable, with the exception of associated companies, are secured with the insurance company. Sensitivity analysis: in the event that the company did not receive timely payments of the short-term principal amounts and interest on an annual basis, the write-off of the principal amounts and the loss of revenue arising from interests would reduce the profit by approximately 30 per cent.

RISK OF CHANGES IN INTEREST RATES

The change in interest rates can significantly reduce the economic benefits of the company, which is why we constantly monitor the trends in reference interest rates on the market. The risk is assessed as moderate, however in recent years, the decrease in reference interest rates is constantly present. With the consortium of banks, the company reached an agreement that the interest margins are to be formed according to the margin scale and with regard to the performance of the Unior Group by 2023, which represents a favourable impact on the performance of the company in the future periods. In December, however, the credit exposure in the amount of EUR 47.5 million, which is part of the B loan maturing in 2023, was protected by an interest rate swap for a period of five years. This reduces the risk of an increase in interest rates. The risk of increase in interest rates is shown in the table below. Sensitivity analysis: if the interest rate were to increase by 100 per cent, the profit or loss would reduce by approximately 4.5 per cent. Other hypothetical increases are shown in the table below.

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

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

Balance of liabilities bound at a variable interest rate in year 2016

in (EUR)	Amount of the liability as at 31/12/2016	Amount of interest rate	Hypothetical rise in interest rates for 15%	for 50%	for 100%
Interest rate type					
3-month EURIBOR	100,670,921	-0.3190	48,171	160,570	321,140
6-month EURIBOR	21,394,004	-0.2210	7,092	23,640	47,281
Total effect	**122,064,925**		**55,263**	**184,210**	**368,421**

COMPLIANCE RISK

Risk Area	Risk Description	Management Method	Exposure
Compliance	Risk of legislative and tax changes	Regular monitoring of proposals for changes in the legislation and regulations, management controls.	low

THE RISK OF COMPLIANCE WITH THE LEGISLATIVE AND TAX CHANGES

Legislative risk occurs when the state does not provide legally prescribed matters The risk of compliance with legislative provisions, taxes and contributions is the risk of the occurrence of statutory or regulatory sanctions, substantial financial loss or loss of reputation, which may be suffered as a result of non-compliance with the laws, regulations, rules, related organizational standards and codes of conduct that apply to the company and its activities. Most frequently, the legislative and tax changes in the corporate world emerge as additional financial burdens and therefore impair the competitiveness. We mitigate the risks through the implementation of management control and regular monitoring of proposals for changes in legislation and regulations, while giving the priority in investments into fixed assets with less energy consumption, lower noise and emissions into the environment.

10 Business Report

10.1 The Situation in the Economy and the Automotive Industry

In 2017, the global growth of gross national product was 3.7 per cent, and the growth in the volume of world trade was 4.7 per cent. The fast-growing countries are maintaining a higher rate of development against more developed ones, but the economic growth of developed countries has also intensified. The USA reached 2.2 per cent of BDP growth in 2017, while China's economic growth was 6.9 per cent. Gross domestic product in the European Union, according to Eurostat's first estimates, increased by 2.5 per cent in 2017, the same as in the euro area, being the fastest growth in the last ten years. Germany, which is the most important foreign trade partner of Slovenia, in 2017 recorded the highest – 2.2 per cent GDP growth compared to the past six years.

Economic growth in Slovenia was five percent, which is the highest annual growth rate since the outbreak of the crisis in 2008. High growth was largely a consequence of the exploitation of the global conjuncture, as exports contributed the most to growth due to faster economic growth in the international environment, improving the competitive position of Slovenian companies in previous years and increasing the integration of companies into global value chains. Increased private consumption and revitalized investments also contributed significantly to economic growth. High employment growth continues, more and more companies report about the lack of a skilled workforce. In the context of strong demand for work, structural changes in the labour market have already begun, as the number of new jobs for an indefinite period rose noticeably faster than fixed-term employment last year.

Macroeconomic indicators of Unior's key markerts in 2016

	EU	Euro zone	Germany	France	Slovenia
GDP growth	1.9%	1.7%	1.9%	1.2%	2.5%
Unemployment	8.5%	10.0%	4.1%	9.9%	7.9%

Source: Eurostat

At the annual level, the inflation in the euro area was 1.4 per cent and in Slovenia it was 1.7 per cent, while the average annual inflation was 1.4 per cent.

In 2017, industrial production growth was high in Slovenia, it increased by 8.7 per cent compared to the previous year thanks to strong exports support. Higher growth was recorded in most processing industries. The largest increase was recorded in more export-oriented industries, in particular in some medium-high-tech companies – the production of motor vehicles. Production growth was the second highest among the European Union countries last year. According to the economic climate survey, new orders and high utilization of production capacities, the critical point does not drop at the beginning of 2018.

The economic situation in the international environment is favourable. Two thirds of the global economy can expect higher economic growth next year. The International Monetary Fund predicts a 3.9 per cent growth in the global economy in 2018, which is the fastest growth since 2011. The lever of growth will continue to be strong activity in China, India and the US, but the predictions are also favourable for Europe, as economic growth in the euro areais expected to be 2.3 per cent, and 2.0 per cent in the European Union. The expectations for Slovenia remain optimistic, as economic analysts of the Chamber of Commerce and Industry of Slovenia (CCI) estimate that economic growth in 2018 will reach 3.9 per cent.

(Sources: Information of Statistical Office of the Republic of Slovenia (SURS) and Eurostat, CCI Analytics: Macroeconomic projections March 2018)

The Automotive Industry

Production of motor vehicles

In 2017, the global automobile industry manufactured 97.3 million vehicles, which is 2.4% more than in 2016, achieving a record in production volume once more. Asia remained in the leading position with 3.3 per cent growth and the production of 53.5 million vehicles, as China is strengthening its position as the largest vehicle manufacturer with an annual production of 29 million vehicles. On the American continent, 20.7 million vehicles were produced, which is 0.7 per cent less than in the previous year, resulting mainly from the 8.1 per cent drop of production in USA. Second place among the continents was strengthened by Europe with a 3.1 per cent growth in production, producing 22.2 million vehicles and holding a 22.8 per cent share in the worldwide automotive industry.

Production of cargo vehicles worldwide

in millions vehicles	2016	2017	Growth 17/16
EUROPE	**21.5**	**22.2**	**3.1%**
EU28	18.6	18.8	0.9%
EU15	14.6	14.7	0.7%
Germany	5.7	5.6	-1.8%
Spain	2.9	2.8	-1.3%
France	2.1	2.2	6.5%
Great Britain	1.8	1.7	-3.7%
The Rest of Europe	2.9	3.4	17.4%
AMERICA	**20.8**	**20.7**	**-0.7%**
USA	12.2	11.2	-8.1%
Mexico	3.6	4.1	13.0%
Brazil	2.2	2.7	25.2%
ASIA & OCEANIA	**51.8**	**53.5**	**3.3%**
China	28.1	29.0	3.2%
Japan	9.2	9.7	5.3%
India	4.5	4.8	5.8%
South Korea	4.2	4.1	-2.7%
AFRICA	**0.9**	**0.9**	**3.1%**
TOTAL	**95.1**	**87.5**	**2.4%**

Production of cargo vehicles worldwide

in millions vehicles	2016	2017	Growth 17/16
EUROPE	**20.1**	**20.9**	**3.9%**
EU28	17.0	17.6	3.4%
EU15	15.6	16.0	2.6%
Germany	3.7	3.8	2.8%
Spain	1.3	1.5	7.7%
France	2.5	2.6	5.1%
Great Britain	3.1	3.0	-5.4%
The Rest of Europe	3.1	3.4	6.7%
AMERICA	**25.6**	**25.8**	**0.9%**
USA	17.9	17.6	-1.6%
Mexico	1.6	1.6	-4.7%
Brazil	2.1	2.2	9.2%
ASIA & OCEANIA	**46.9**	**48.9**	**4.3%**
China	28.0	29.1	3.9%
Japan	5.0	5.2	5.4%
India	3.7	4.0	9.5%
South Korea	1.8	1.8	-1.3%
AFRICA	**1.3**	**1.2**	**-9.1%**
TOTAL	**93.9**	**96.8**	**3.1%**

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

Sales of motor vehicles

Global sales of motor vehicles in 2017 reached a record 96.8 million, and the sales results indicate a 3.1 per cent increase compared to 2016. This consisted of 70.8 million passenger cars, also representing a 1.9 per cent increase compared to the year before.

In Europe, a total of 20.9 million vehicles were sold, which represents a 3.9 per cent growth compared to the previous year and of which 17.9 million were passenger cars, namely 3.7 per cent more than in 2016. In the European Union, the number of passenger cars sold increased by 3.4 per cent and reached 15.1 million.

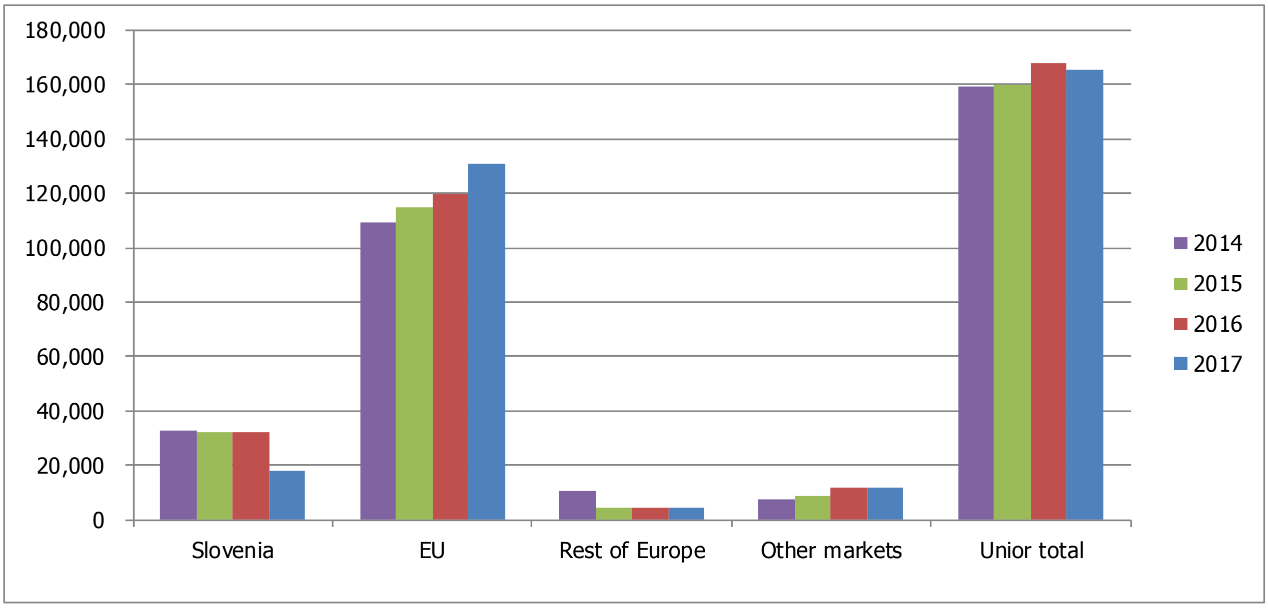
10.2 Sales

UNIOR d.d. sales revenues in 2017 came in at EUR 165.3 million and increased by 9.9 per cent, if we take into account comparable data on revenues in 2016, without the hived-off activities of the Tourism programme. Comparing the revenues to those generated in 2016 when UNIOR d.d. still held the activity of the tourism programme, the revenues were lower by 1.6 per cent. All programmes recorded sales growth, while the largest contribution was made by the higher sales of the Forge program. The growth in sales was largely due to the relatively stable market of the global automotive industry, which is UNIOR d.d.'s main client, as well as accelerated sales activities in new markets.

Non-euro markets encompass 9.7 per cent of our revenues, and after a 22.3 per cent growth in sales on these markets in 2016, it stays relatively stable, meaning that we managed to keep the buyers we have obtained. EU markets are present in the structure with 90.3 per cent and are still the most important for our business. We recorded a 9.3 per cent increase on the markets of the EU (Slovenia excluded), which is the result of bigger sales of the Forged parts programme, while sales in Slovenia decreased, because the data for 2017 no longer include the sale of the independent company of UNITUR d.o.o. (excluded tourism activities) that generates its entire sales on the domestic market.

Sales revenue by the market

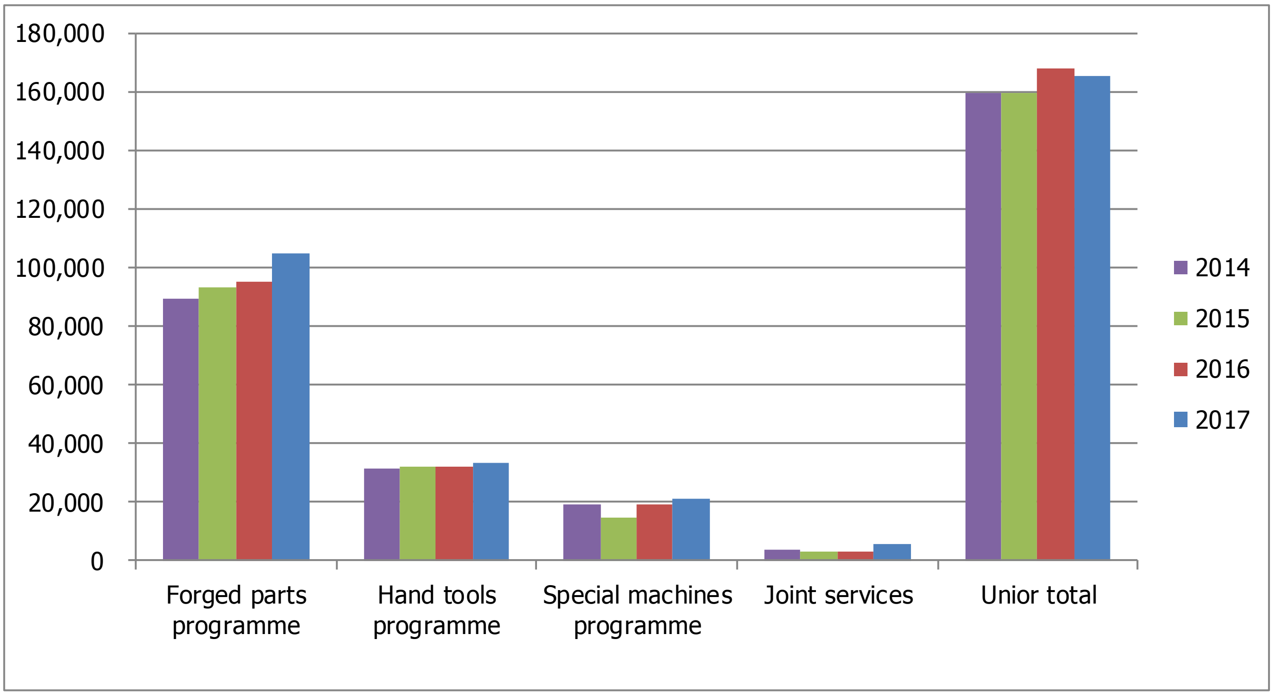
(in thousands of EUR)	2017	2016	2015	2014
Slovenia	18,146	32,048	32,034	32,525
EU	131,059	119,893	114,706	109,412
Rest of Europe	4,501	4,365	4,589	10,267
Other markets	11,567	11,636	8,490	7,253
Unior total	**165,273**	**167,942**	**159,819**	**159,457**



All programmes within the company achieved better sales in 2017 in comparison with the year before. The highest growth was in the Forge program with a growth of 9.6 per cent, reflecting a 5.9 per cent higher scope of sales, while the remainder of growth represents the higher sales price due to higher stock prices of steel waste and alloying elements. In 2017, the Hand Tool programme sold 4 per cent more than in the previous year, while the Special Machines program's sales increased by 10.9 per cent. The Sales of Joint Services are 71.1 per cent higher due to the transfer of the rental charge for the investment properties in Maribor from the Special Machines programme to the Joint Service program, and due to the change in the method of charging services (internally – externally) to the company of UNITUR d.o.o. where the activity of the tourism program was hived-off to. The claim on stable sales growth and on important projects that have been acquired for the coming years in the Forged parts programme, written down in the annual report for the previous year, was realized with the achieved sales in 2017.

Sales revenue by the programme

(in thousands of EUR)	2017	2016	2015	2014
Forged parts programme	104,676	95,491	93,257	89,320
Hand tools programme	33,516	32,239	31,783	31,212
Special machines programme	21,413	19,311	14,693	19,258
Tourism Programme	0	17,500	16,763	15,663
Joint services	5,614	3,282	3,132	3,485
Maintenance	54	120	189	519
Unior total	**165,273**	**167,942**	**159,819**	**159,457**



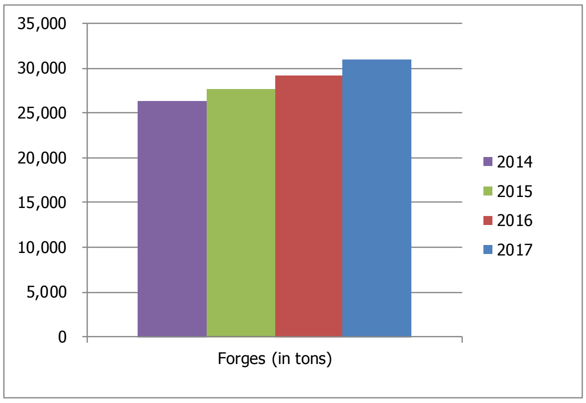
10.3 Production and services

Compared to the previous year, production in all programmes, with the exception of the Special Machines Programme, increased. The production followed the increased demand in the market, which is also reflected in higher sales than in the previous year. The increase in the production of the Forged parts programme is 5.9 per cent, while the growth of the Hand Tool program is 3.7 per cent. In the Special Machines programme, where production is measured with the number of working hours, there was 6.6 per cent less working hours due to the smaller volume of orders for the 2018 business year.

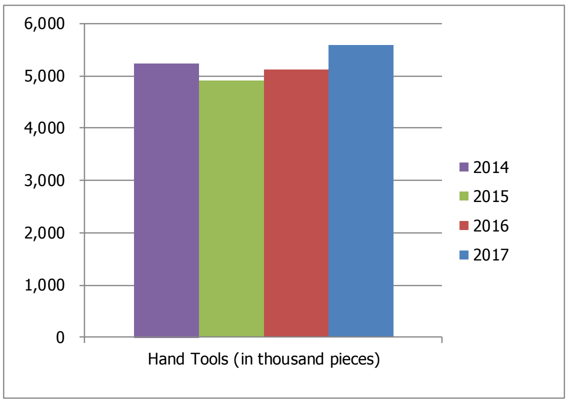
Production and services by programme

	2017	2016	2015	2014
Forges (in tons)	30,978	29,263	27,679	26,306
Forges (in thousand pieces)	79,966	78,144	74,995	70,780
Hand Tools (in tons)	2,787	2,688	2,348	2,492
Hand Tools (in thousand pieces)	5,601	5,130	4,919	5,244
Special Machines (performed hour	61,868	66,239	59,043	60,554

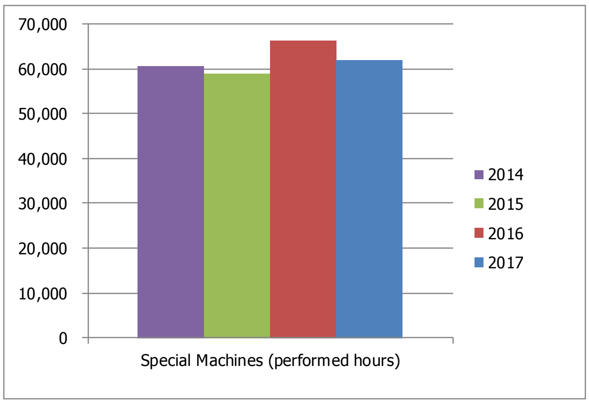
Production of forged parts



Production of hand tools



Production pf special machines



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10.4 Purchasing

Steel

The supply of ferrous metallurgy producers was good and favourable in 2017, so as users, we felt no major deviations from the actual and confirmed delivery terms. With orders, we have to consider the supplier's production times and conditioned supply terms, which began to get longer in the second half of the year as a result of increased pressure.

We find the negotiations for the basic prices of steel in 2017 successful, because despite the great pressure for steel price increase, we managed to keep it at an acceptable level. The cost of steel is defined as the basic price plus the steel scrap supplement and alloying supplement. The supplements strongly influence the determination of the final price of steel. The total value of supplements in 2017 was 214 euros per tonne on average and is 101 euros per tonne higher than in 2016.

In 2017, Unior purchased 54,530 tonnes of steel for processing at an average (weighted) price of EUR 734 per tonne. In the previous year during the same period, we purchased 50,443 tonnes of steel at an average price of EUR 640 per tonne. This represents a 8.1 per cent increase in the quantity of steel purchased and a 14.7 per cent price increase per tonne of steel.

Sheet metal

In 2017, we purchased 1,115 tonnes of alloy and structural sheet metal, namely two percent more than in the same period of the previous year. The consequence of higher prices in the market is a 13.6 per cent higher price of sheet metal than in the previous year. Due to the different production processes of sheet metal and steel (sheet metal is mainly produced from iron ore, and steel from scrap), the selling prices are formed according to different market criteria.

Cutting Tools

In 2017, the purchase of cutting tools decreased by 4 per cent compared to the previous year, while the value increased by 11 per cent due to the use of the changed assortment.

Steel powder

The average price of steel powder in 2017 was EUR 1,608 per tonne and increased by 8 per cent compared to 2016. The total quantity of powder purchased in 2017 was 510 tonnes, which represents an 11 per cent decrease compared to 2016. The average stock in 2017 was 92 tonnes, while the average stock in 2016 was 82 tonnes.

Auxiliary Material and Protective Equipment

The cost of auxiliary material and protective equipment per employee decreased, which is mainly due to the agreement in the field of protective devices concluded with Lindström, which has been providing protection materials and their washing since 2017.

10.5 Operating Performance

In 2017, UNIOR d.d. generated EUR 7.7 million of net profit, which is 2.6 million euros better compared to the previous year of 2016 when we generated EUR 5.1 million of net profit. If we exclude the impact of the hived-off activity of the tourism programme from the comparable data, the net profit was EUR 0.7 million better. The progress is surely also evident in comparison with 2014 and 2015.

The operating result is EUR 0.9 million better – in 2017, the operating profit is EUR 9.4 million, while it was generated in the amount of EUR 8.5 million in 2016. Comparison of operations without taking into account the impact of the hived-off activity indicates that the operating result is almost the same or lower by EUR 85,000. Sales in 2017 amounted to 165.3 million euros, while operating expenses amounted to 160 million euros. The gross profit generated in 2017 amounts to EUR 169.5 million, exceeding the comparable one from the previous year (excluding tourism) by EUR 10.9 million.

Sales and Profitability of Unior company

(in thousands of EUR)	2017	2016	2015	2014
Sales revenues	165,273	167,942	159,819	159,457
Operating costs	160,088	167,922	155,528	153,003
EBIT	9,414	8,507	7,902	7,318
EBITDA	16,278	18,691	17,647	16,409
Net profit or loss	7,747	5,089	3,612	2,221

The year 2017 continued with the most important goal to protect the cash flow and ensure the continuous solvency of the company, with an emphasis on the regular settlement of liabilities to employees, business partners and the banks – the liquidity was improved, as the delays of payments to suppliers were additionally reduced. All commitments to banks, defined in the Syndicated Loan Agreements, are met on a regular basis.

In December 2016, we signed a long-term Syndicated Loan Agreement with six Slovenian banks in the amount of EUR 112.8 million. The loan is an important element in ensuring further growth of the company, as we strive to stay at the top in metal processing, mainly for the automotive industry. Signing of such financing helped us to improve the company's credit rating in the eyes of buyers, suppliers and other participants, but most importantly helped us to assure that we are able to strive towards continuous progress and improvements, as this is the only option to survive and develop in the market that is demanding and overflowed with products and services. A long-term financing enabled us to re-launch the investment cycle, expanding and, above all, modernizing the machines capacities, better performance in the supplier's market, and related optimization and cost management. We are proud that we enjoy a reputation in many areas among our competitors, suppliers, banks and the wider environment as the results of our work, quality and innovative products and services.

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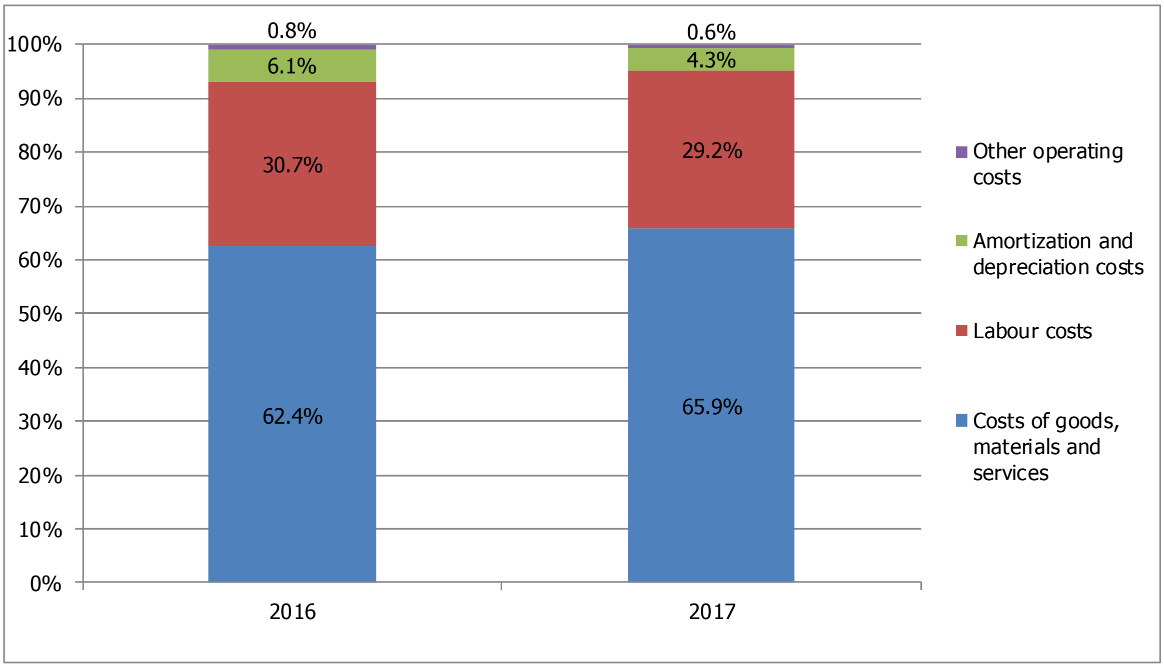
Operating expenses structure

In 2017, operating expenses increased by 7.4 per cent compared to the previous year, excluding the hived-off tourism activities, but they are almost in line with the growth of gross income, which is by 6.9 per cent higher compared to the same period last year. The structure of the expenses by type changed a little compared to the previous year due to the hived-off tourism programme. There was a slight increase in the costs of goods, material and services, while labour costs, amortization and depreciation costs, and other operating expenses in the structure ration decreased.

Operating expenses structure

	2016	2017
Costs of goods, materials and services	104,822	105,511
Labour costs	51,578	46,794
Amortization and depreciation costs	10,185	6,864
Other operating costs	1,337	919
Total operating expenses	**167,922**	**160,088**



The costs of goods, materials and services together increased by 9 per cent, compared to the comparable period, without a hived-off tourism activity. The increase is largely attributed to the higher steel prices due to higher stock prices of steel scrap additions and alloying elements. The total annual average price of steel increased by 14.7 per cent compared to the previous year. Labour costs increased by 7.3 per cent, resulting from a higher number of employees (both by status as according the working hours), promotions and increased length-of-service increments (additional year). The writes-off and other operating costs represent a structurally smaller share.

The operating result (EBIT) was 0.9 per cent behind the previous year, excluding the hived-off tourism activities, but if compared with the previous year with the tourism activity included, the operating result increased by 10.7 per cent and amounted to EUR 9.4 million.

Productivity

(in EUR)	2017	2016	2015	2014
Gross profit per employee	94,853	85,770	80,270	79,841
Gross value added per employee	35,295	34,161	32,190	30,746

The Company measures the productivity using the gross profit per employee indicator, which increased by 10.6 per cent compared to 2016, and in the current year – taking into account the hive-off of the tourism activities – by 5 per cent. The second and the most important indicator, namely the gross value added per employee, increased by 3.3 per cent (by 17.3 per cent if taking into account the hive-off of the tourism activities), reaching a record value in the history of the company's business operations.

10.6 Performance indicators

	UNIOR d.d.		UNIOR Group	
	2017	2016	2017	2016
Equity financing rate *(equity/liabilities to assets sources)*	0.363	0.393	0.436	0.438
Long-term financing rate *((Equity + long-term debt + long-term provisions) / (liabilities))*	0.765	0.821	0.768	0.805
Fixed asset investment ratio *(fixed assets at carrying amount / assets)*	0.341	0.505	0.496	0.551
Long-term investment ratio *((fixed assets at carrying amount + investment properties + long-term financial investments + long-term operating receivables) / assets)*	0.548	0.640	0.584	0.632
Equity to fixed assets ratio *(equity/fixed assets at carrying amount)*	1.065	0.778	0.879	0.796
Indirect short-term liabilities coverage ratio – quick ratio *(liquid assets/short-term liabilities)*	0.112	0.138	0.170	0.193
Short-term liabilities coverage ratio – short-term ratio *((Liquid assets + short-term receivables) / short-term liabilities)*	0.712	0.754	0.720	0.800
Coefficient of short-term coverage of short-term liabilities – short-term coefficient *(short-term assets/short-term liabilities)*	1.839	2.071	1.740	1.951
Operating efficiency ratio *(operating revenues/operating expenses)*	1.059	1.051	1.034	1.079
Net return on equity ratio *(net profit for the financial year/average equity without net income of the studied year)*	0.080	0.047	0.037	0.071
Dividend to share capital ratio *(dividend amount for the financial year/average share capital of the parent company)*	0,000	0,000	0,000	0,000

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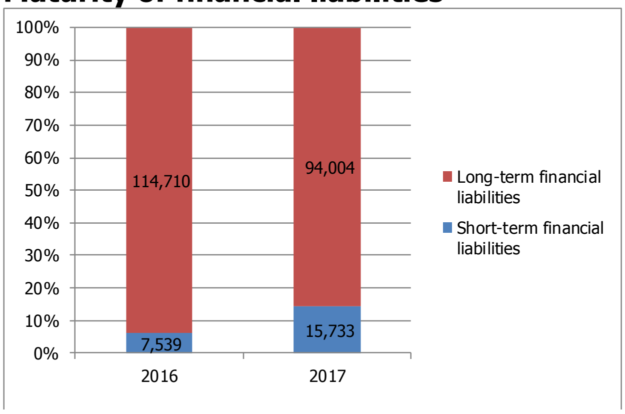
10.7 Financial position

In 2017 calendar year, the total assets of the company were amounted to EUR 245.2 million and they increased by EUR 12 million or by 5.2 per cent. The comparison with the previous year shows the lower numbers due to the tourism activities hive-off to an independent company for EUR 40.6 million. Long-term assets increased by EUR 6.2 million, namely property, plant and equipment by EUR 4.9 million due to the surplus of investments over depreciation. Long-term financial investments increased by EUR 2 million, which constitutes the capital increase of associated companies. Long-term operating receivables are lower by EUR 2.2 million, namely the decrease is almost entirely constituted by lower long-term operating receivables due from Group companies. Current assets increased by EUR 5.9 million or 5.9 per cent. The increase is constituted by increased current operating accounts receivable in the amount of EUR 4.1 million (of which EUR 3.3 million from customers abroad due to increase in sales of the Forged parts programme), and the increase in current operating receivables due from others in the amount of EUR 1.6 million, whereby the majority is constituted by an increase in receivables for input VAT, which is EUR 0.9 million higher.

In 2017, the company's equity decreased by EUR 23.4 million due to the hive-off of the activities of the Tourism programme, however the increase in capital in the 2017 financial year (after eliminating the Tourism programme activities) amounts to EUR 6.8 million, which is the result of the current year profits, the reconciliation of other profit reserves due to the hive-off of the activities of the Tourism programme and the change in the revaluation surplus from the actuarial calculation of provisions for severance pay.

In the current year, the financial liabilities increased by EUR 2.6 million, namely regular repayments of the principal amounts of loans and the instalments of the financial lease in the current year amounted to EUR 7.5 million, while the increase in the amount of EUR 10.1 million constitutes the utilization of the revolving loan in the amount of EUR 8.9 million, the EUR 0.8 million higher financial lease and by EUR 0.4 million increase in loans to associated companies. The balance of financial liabilities compared to the previous year is EUR 12.5 million lower due to the hive-off of the Tourism programme activities.

Maturity of financial liabilities



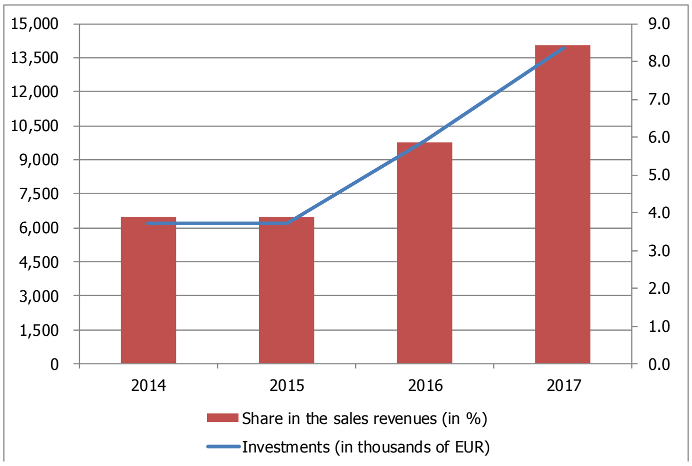
85.7 per cent of the financial liabilities of the company are long-term, while current liabilities nearly fully constitute the drawn down revolving loan, and EUR 6.4 million of the principal amounts of long-term financial liabilities that fall due in the current year. Given the interest rate, 99.6 of all the company’s financial liabilities are tied to a variable interest rate, of which 43.4 per cent of the latter was secured with interest-rate swaps for a period of five years.

In 2017, the operating liabilities increased, namely by EUR 1.8 million, or by 5 per cent, and the amount to EUR 39.6 million. Compared to the previous year, without taking into account the exclusion of the activities of the Tourism programme, however, the reduction of operating liabilities by 1.6 million euros is recorded. Current trade payables are EUR 2.2 million higher, while the advances given and other current operating receivables are EUR 0.5 million lower, because at the end of last year we recorded EUR 0.6 million of sold claims of our suppliers in other current operating liabilities.

10.8 Investments

In 2017, we invested EUR 13.9 million in new fixed assets. EUR 3.5 million of the investments was in the form of own products. Compared to 2016, the total value of investments increased by EUR 4.1 million, however the investments are cumulatively within four years almost exactly at the amount of the value of write-offs in the same period. The investments in construction facilities amounted to EUR 3.1 million, namely the main part to the Forged parts programme for the needs of completion of the extension to the production hall. For the modernization and the expansion of the mechanical capacities of production, we earmarked EUR 6.6 million, namely the main part for the Forged parts programme, where we purchased two new hammers in total value of just over EUR 2 million, and EUR 1.2 million were earmarked for the purchase of three modern machining centres. The biggest investment of the Hand Tools programme was the purchase of a sheet metal laser cutting machine at the Lenart plant, namely the invested amounted to EUR 0.6 million.

	2014	2015	2016	2017
Investments (in thousands of EUR)	6,203	6,203	9,866	13,948
Share in the sales revenues (in %)	3.89	3.88	5.87	8.44



In 2017, EUR 10.3 million was earmarked for the payment of investments in fixed assets, of which there was no outflow of funds for capitalized own products in the amount of EUR 3.5 million. Payments in 2017 are EUR 0.7 million higher than in the previous year, while in 2017, EUR 1.2 million of funds were earmarked for payment of investments in the previous year 2016.

Investments into associated companies

In 2017, the company earmarked EUR 1.9 million for investments in associated companies, namely EUR 950 thousand for the capital increase of Unior Makedonija, EUR 510 thousand for the squeeze-out of shareholders and the acquisition of a 100 per cent equity interest in the company Unior Components, EUR 251 thousand for the capital increase of the company Rhydcon, EUR 102 thousand for the capital increase of Unior Bulgaria and EUR 55 thousand for the capital increase of Unior France. In the cases of companies Unior Makedonija, Unior Bulgaria and Unior France, it is a case of legal capital increase needed to ensure the positive capital of individual companies.

10.9 Internal Audit Service

With regard to the organization, the internal auditing service acts as an independent support function within the parent company, and is under the direct authority of the company's Management Board and the Audit Committee of the Supervisory Board, and the Supervisory Board. The internal audits are carried out at the level of UNIOR d.d. and in the subsidiaries of the UNIOR Group in Slovenia and abroad according to the International Standards of Internal Auditing.

The internal auditing activity is performed on the basis of obtained fundamental internal auditing documents. The internal auditing service carries out its mission on the basis of the medium-term and annual work plan. In 2017, there were nine regular and two extraordinary internal audits carried out.

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

The internal auditing service reported to the auditee of an area/unit, management of the audited area/unit and the company’s Management Board after each review. Periodically, a summary of the findings from individual reviews, risks and the implementation of the internal auditing recommendations was reported to the Management Board and the Supervisory Board’s Audit Committee, and the Supervisory Board.

10.10 Events after the balance sheet

<u>Purchase of the company UNIDAL d.o.o.</u>
On 4 January 2018, based on payment of the purchase price, the company UNIOR d.d. acquired 100 per cent ownership interest in the company UNIDAL d.o.o. in Croatia. The sales contract of the 44.65 per cent ownership interest with the seller Dalekovod d.d. from Zagreb was signed on 28 December 2017. By entering the change in the court register, the company will be renamed as UNIOR Vinkovci d.o.o.

<u>Sale of the company RTC Krvavec d.d.</u>
On 19 January and 5 February, Annexes on extending the deadline for the fulfilment of suspensive conditions from the Sales contract until 16 April 2018, were signed with the buyer – Alpska investicijska družba d.o.o., who is purchasing the 98.56 per cent ownership interest in the company RTC Krvavec d.d.

<u>Completion of registry procedures</u>
The Pan-Slovenian Shareholders' Association has filed an appeal against the decision on the entry of spin-off with the company UNIOR d.d., which was granted for procedural reasons, and then on 5 March 2018, the registry again decided in favour of UNIOR d.d. The Pan-Slovenian Shareholders' Association appealed again against the decision issued on 5 March 2018. The Pan-Slovenian Shareholders' Association has not filed an appeal against the decision on the registration of establishing the company UNITUR d.o.o. by spin-off assets, and is therefore final.

10.11 Provision of Public Utility Services

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

In accordance with the Concession Contract for the Provision of the Public Utility Service of Heat Supply in the Area Covered by the Development Plan for the Town Centre of Zreče, Unior d.d. is obliged to construct, manage and maintain the network for the distribution of heat for general consumption purposes in the area covered by the Development Plan for the Town Centre of Zreče that has been designated for the introduction of the district heating system on the energy map. The Concession Contract was concluded with the Zreče Municipality for a period of 20 years. Pursuant to the above Contract, UNIOR d.d., transferred the concession to the company SPITT d.o.o., and in October 2013, the concession was transferred back to the company UNIOR d.d.

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

(in EUR)	2017	2016
Revenue from the supply of natural gas and electricity	427,308	450,317
Total revenues	**427,308**	**450,317**
Cost of materials	331,790	281,450
Amortization/depreciation	89,619	89,619
Labour costs	47,711	46,568
Total operating costs	**469,120**	**417,637**
PROFIT OR LOSS	**-41,812**	**32,680**

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

Note – Criteria

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

- cost centre designated 52100 – SPTE
- cost centre designated 52200 – Energetics – cogeneration 2

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

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

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

In accordance with Article 10 of the Act amending the Transparency of Financial Relations and the Maintenance of Separate Accounts for Different Activities Act, we provided the criteria for the allocation of revenues from the provision of the public utility services that have been set out and verified by the auditor. The objective eligibility of the criteria was verified by the selected auditing company, Ernst & Young in the year 2011.

10.12 Goals for 2018

In 2018, the company Unior d.d., plans to achieve EUR 168.6 million in net sales revenues, which is 2 per cent more than in the previous year.

At the end of 2018, a profit of EUR 7.7 million is expected, where we will continue with the trend of improving business operations and achieving better and better operating results for the sixth year in a row, whereby we are approaching the results achieved by the companies with better performance in the industries, in which we operate.

Sales and Profitability of Unior company

(in thousands of EUR)	2018 (plan)	2017 (realisation)
Sales revenues	168,601	165,273
EBIT	9,657	9,414
EBITDA	17,466	16,278
Net profit or loss	7,746	7,747

Forged parts programme

In the Forged parts programme, we are planning sales of EUR 101.7 million, which constitutes a 9.3 per cent increase of sales with regard to the estimate of 2017. The sales plan is based on the existing and planned expansion in 2018. It is positive for us that we supply connective rods for the automotive industry almost exclusively for petrol engines which increases our growth in the field of connective rods and thus the turnover growth.

In terms of price, the sales are based on an average steel supplement in 2017, which will be, in our estimation, EUR 162 per tonne. If significant changes are recorded in steel supplements (steel scrap and alloying supplements) and the change of basic prices of steel in 2018, the sales may deviate from the plan and with this also the planned profit and the EBITDA due to delays in calculating supplements (quarterly calculation) and consequently changes in the costs, the increase of which has been partially already included in the projections for profit or loss.

In the last two years, sales of cars in Europe have been increasing, and, additionally, the European automotive industry is booming mainly due to the still very favourable sales on the markets of China and especially North America. Despite the favourable global expansion within the automotive sector, the following year will be, in our estimation, very challenging in terms of business without sparing us any market surprises, extreme pressures on prices and even more intense competition. Despite this, the VW concern does not project sales decreases, however, it will attempt to partially cover the costs of their diesel engines affair with pressure on the suppliers regarding their prices. The strategic goals of the Forged parts programme will be orientated towards obtaining the necessary technical and capacity conditions for maintaining the existing market shares, cutting all activities and costs that do not bring added value, and also towards the search for new projects and development directions, which usually deviate from the current market and production policy of the Programme, but follow current trends within the automotive industry.

In the field of warm forging, we are planning sales of EUR 81.7 million, which constitutes a 9.7 per cent growth. The increase is planned mainly in the connecting rods programme for the VW and Renault group and on a larger scale in the housings for steering mechanisms for the buyer ZF THK, while the sales to the buyer SEAC depend on the position of the buyer Toyota on the European market. In the past year, we managed to obtain a new important buyer, Jaguar & Land Rover, for which we have planned growth in the year to come, and to increase co-operation with the buyers AC Floby and Linamar.

In the field of forge processing, we are planning EUR 15.5 million in sales, which is an 11.5 per cent growth compared to the previous year, while the lack of machine capacities restricts any higher growth. We expect a higher turnover with our buyer Schaeffler in accordance with the annual fluctuations, and an increase with the buyer JTEKT, mainly due to the A9 project, which we will upgrade in 2018 with the new CMFB project with the buyer ZF. A slightly smaller turnover than in the past year is anticipated with the buyer VW, while higher growth is anticipated with the buyers ZF Wagenfeld and Damme, mainly due to the Ford Pivot and VW B SUV projects for Damme, while the sales of forks with the buyer Robert Bosch depends on the expansion on the market of cargo vehicles. In 2018, growth is envisaged again.

In the Sinter plant, we expect to achieve sales of EUR 4.5 million, which constitutes a 4.5 per cent decrease compared to the previous year. Due to the suspension of projects, our turnover with the buyer Robert Bosch will decline, whereas growth is expected with buyers Mahle, ZF and Audi. In the future, with regard to acquiring only smaller projects, we can expect a further drop in sales.

Hand tools programme

In the Hand Tools Programme, we are planning sales of EUR 34.6 million, which is a 3.9 per cent increase given the estimate for the previous year. The planned sales realization of hand tools is EUR 32.4 million, and is 3.8 per cent higher than was realized in 2017. With cold forging, we are planning a realization in the amount of EUR 1.9 million, which is 15.6 per cent more than in the past year. In the field of industrial marketing and sales of merchandise, we expect further lower sales.

In 2018, we will continue with the sales activities such as the reorganization of the sales network (shortening the distribution chain), acquiring new markets, entry into market niches, and entry and cooperation with international groups. We will use the pull strategy intensely with distributors with the aim of promoting sales in final industrial buyers. The sales growth shall be generated by increasing the sales in Western Europe (France, Germany, Poland, Scandinavia), SE Europe and with multinational companies.

The sales growth shall be recorded on specialized tools in the amount of EUR 893 thousand, where a significant share is held by bicycle tools, workshop equipment and VDE tools. For general tools, we planned sales at the same level as in 2017 due to the foreseeable economic and political situation in individual traditional markets.

In France, the sales growth is expected due to accelerated sales activities and the reorganization of the sales network (in 2017, the sales were lower due to the loss of the customer Point P). In Romania, a lower level of sales is expected due to major tenders in 2017, which will not be repeated in the following year. With IMO, the customer from Saudi Arabia, a slight increase of sales is foreseen because of the anticipated yielding of the liquidity squeeze in the Middle East countries. An increase of sales is planned in Croatia, Serbia and with Merkur mostly due to the sales promotion for the end users In Italy, we plan to maintain a market share despite the aggressive pricing policy of the competition. The turnover with M+S Hydraulic will increase due to newly conquered products in 2017.

Special machines programme

Sales in the Special Machines Programme in 2018 will be lower than in 2017 and 2016 as well. In reality we estimate that only EUR 15.1 million can be achieved, depending on the status of orders at the end of the year, which largely already determines the possible realization due to the long production period of individual machines. Planned sales will be 29.8 per cent lower than estimated in 2017, which will cause considerable pressure on filling the capacities. The status of orders at the end of the year is below EUR 10 million, of which more than half for the sales in the second half of 2018. The first half of the year will therefore be very critical, therefore in sales terms, the most emphasis will be on sales promotion and short-term capacity filling, and solving the short-term lack of work.

The sales and to a large extent the service as well will be maximally engaged in the acquisition of small service repair projects, the renovation of existing machines and the sales of spare parts. As for the short-term sales of machines, for the first half of the year, the only solution for increasing the realization of sales is the sale of both machines, which have already been manufactured, namely:

- the FPZ machine, which has the function of a test machine or processing of pieces for customers who need test pieces before their machine is manufactured and eligible for pre-takeover, and
- the Tandem type machine, which was manufactured for the presentation at the EMO Hannover fair in September 2017, and is ready to adapt the processing to a specific piece for a new customer.

The orders and the plan for 2018 are comprised of buyers who returned with orders after a few-year absence, which means that it is a cyclical subscription status again, which is not a result of the market situation – the latter is at a critical point. Facilitated implementation of improvements in business operations, overall marketing activities and sales promotion will produce results only in the future and partly in the second half of the year, which means that a specific part of the projects that shall be implemented towards the end of the year will only be realized in 2019. All this will therefore limit the level of sales to the above-planned frames for 2018. The only positive thing in terms of sales is therefore shown in 2019, where machines in the value of several millions have already been ordered, and in addition, in the final stage of negotiations, the volume of orders is also on the level of the total planned turnover in 2018.

The sales shall be realized on three main markets; EU, North America and China. The EU, Germany, in particular, remains the main market for our machines. Here we are dealing with old, existing customers, where we are already known and according to the cyclic principle they are returning with orders for new projects. In addition to the EU, higher growth is planned for North America, where so far the most projects were in Mexico. In Mexico, most of the product processing is carried out where our machines are needed. For 2018, in addition to Mexico, the U.S. market is also opening up to a greater extent, namely with new customers and new projects. The potential in Mexico still remains and in the coming years we expect more new projects for German and U.S. clients. As long as the NAFTA Free Trade Agreement remains in force, Mexico shall be a very interesting destination for the production and related supply of machine tools. The planned sales to the Chinese market are in 2018 still in a smaller volume, but we see this market as one of the three key global regions in the future, because economic growth continues to be high there, investments in assets are continuing due to increased vehicle production. In terms of sales and service we are still undernourished or not present there, which we shall regulate in 2018 and the following years.

FINANCIAL REPORT

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11 UNIOR d.d. Financial Statements

11.1 Balance Sheet as at 31/12/2017

(in EUR)	Item	Explanation	31.12.2017	31.12.2016
	ASSETS		**245,246,753**	**285,798,930**
A.	**LONG-TERM ASSETS**		**139,189,433**	**184,762,598**
I.	**Intangible assets and long-term deferred costs and accrued revenues**	**12.3.1**	**4,483,757**	**4,169,983**
1.	Long-term property rights		300,664	1,721,457
2.	Goodwill		403,940	403,940
3.	Long-term deferred development costs		3,617,239	1,793,401
4.	Other intangible assets		143,264	165,153
5.	Intangible assets acquired		18,650	86,032
II.	**Property, plant and equipment**	**12.3.2**	**79,174,024**	**140,287,368**
1.	Land and buildings		34,960,774	91,979,557
	a) Land		*10,512,295*	*32,709,337*
	b) Buildings		*24,448,479*	*59,270,220*
2.	Production plant and machinery		37,465,030	40,393,748
3.	Other plant and equipment, small tools and other tangible fixed assets		4,145	41,136
4.	Property, plant and equipment being acquired		6,744,074	7,872,927
III.	**Investment properties**	**12.3.3**	**13,461,616**	**13,761,637**
IV.	**Long-term financial investments**	**12.3.4**	**29,120,587**	**21,228,669**
1.	Long-term financial investments, excluding loans		22,922,599	16,194,246
	a) Shares and stakes in Group companies		*19,249,687*	*12,614,405*
	b) Shares and stakes in associated companies		*3,561,701*	*3,488,420*
	c) Other shares and stakes		*111,211*	*91,421*
2.	Long-term loans		6,197,988	5,034,423
	a) Long-term loans to Group companies		*6,136,629*	*4,889,857*
	b) Long-term loans to others		*61,359*	*144,566*
V.	**Long-term operating receivables**	**12.3.6**	**8,273,275**	**3,439,743**
1.	Long-term operating receivables due from Group companies		8,159,883	3,073,383
2.	Long-term trade receivables		0	168,773
3.	Long-term operating receivables due from others		113,392	197,587
VI.	**Deferred tax assets**	**12.3.13**	**4,676,173**	**1,875,198**
B.	**SHORT-TERM ASSETS**		**106,057,321**	**101,036,332**
I.	**Assets (disposal groups) held for sale**		**610,065**	**0**
II.	**Inventories**	**12.3.5**	**60,692,963**	**60,251,980**
1.	Material		20,397,378	19,394,850
2.	Work-in-progress		22,603,433	24,560,134
3.	Products		13,539,801	12,809,160
4.	Merchandise		4,152,352	3,487,836
III.	**Short-term financial investments**	**12.3.7**	**3,677,565**	**3,991,952**
1.	Short-term financial investments, excluding loans		0	0
2.	Short-term loans		3,677,565	3,991,952
	a) Short-term loans to Group companies		*3,471,654*	*2,722,281*
	b) Other short-term loans		*205,911*	*1,269,671*
IV.	**Short-term operating receivables**	**12.3.6**	**34,637,547**	**30,036,953**
1.	Short-term operating receivables due from Group companies		7,998,793	8,865,668
2.	Short-term trade receivables		20,315,835	16,760,324
3.	Short-term operating receivables due from others		6,322,919	4,410,961
V.	**Cash and cash equivalents**	**12.3.8**	**6,439,180**	**6,755,447**

(in EUR) Item		Explanation	31.12.2017	31.12.2016
	EQUITY AND LIABILITIES		**245,246,753**	**285,798,930**
A.	**EQUITY**	**12.3.9**	**89,062,543**	**112,424,917**
I.	**Called-up capital**		**23,688,983**	**23,688,983**
1.	Share capital		23,688,983	23,688,983
2.	Uncalled capital (deduction item)		0	0
II.	**Capital reserves**		**30,277,035**	**41,686,964**
III.	**Reserves from profit**		**22,648,109**	**38,559,536**
1.	Legal reserves		1,417,442	1,951,606
2.	Reserves for treasury shares and own stakes		120,190	120,190
3.	Treasury shares and operating stakes (deduction item)		0	0
4.	Statutory reserves		0	0
5.	Other reserves from profit		21,110,477	36,487,740
IV.	**Reserves from valuation at fair value**		**8,394,456**	**23,001,591**
V.	**Net profit brought forward**		**0**	**0**
VI.	**Net loss brought forward**		**0**	**19,601,341**
VII.	**Net profit for the financial year**		**4,053,960**	**5,089,184**
VIII	**Net loss for the financial year**		**0**	**0**
B.	**PROVISIONS AND LONG-TERM ACCRUED COSTS AND DEFERRED REVENUE**	**12.3.10**	**4,522,383**	**7,371,911**
1.	Provisions for pensions and similar liabilities		4,051,603	4,444,928
2.	Other provisions		470,780	2,926,983
3.	Deferred income		0	0
C.	**LONG-TERM LIABILITIES**		**94,003,838**	**114,789,371**
I.	**Long-term financial liabilities**	**12.3.11**	**94,003,838**	**114,709,828**
1.	Long-term financial liabilities to companies in the Group		0	0
2.	Long-term financial liabilities to banks		94,003,838	114,709,828
3.	Long-term financial liabilities arising from bonds		0	0
4.	Other long-term financial liabilities		0	0
II.	**Long-term operating liabilities**	**12.3.12**	**0**	**79,543**
1.	Long-term operating liabilities to Group companies		0	0
2.	Long-term trade payables		0	0
3.	Long-term bills payable		0	0
4.	Long-term operating liabilities from advances		0	0
5.	Other long-term operating liabilities		0	79,543
III.	**Deferred tax liability**	**12.3.13**	**0**	**0**
D.	**SHORT-TERM LIABILITIES**		**57,657,989**	**51,212,731**
I.	**Liabilities included in disposal groups**		**0**	**0**
II.	**Short-term financial liabilities**	**12.3.14**	**15,732,985**	**7,538,557**
1.	Short-term financial liabilities due to Group companies		441,919	175,384
2.	Short-term financial liabilities to banks		15,038,731	7,188,240
3.	Short-term financial liabilities arising from bonds		0	0
4.	Other short-term financial liabilities		252,335	174,933
III.	**Short-term operating liabilities**	**12.3.15**	**41,925,004**	**43,674,174**
1.	Short-term operating liabilities to companies in the Group		2,269,252	2,169,834
2.	Short-term trade payables		29,196,401	28,854,633
3.	Short-term bills payable		0	0
4.	Short-term operating liabilities from advances		3,458,288	4,465,440
5.	Other short-term operating liabilities		7,001,064	8,184,267

Notes to the financial statements are an integral part of the financial statements.

11.2 Income statement for the period from 01/01/2017 to 31/12/2017

(in EUR)

	Item	Explanation	2017	2016
A.	**Net sales revenues**	**12.4.1**	**165,272,708**	**167,942,365**
1.	Net revenues from sales on the domestic market		18,146,136	32,048,846
	a) Net revenues from the sale of products and services		*9,822,678*	*25,139,088*
	b) Net revenues from sale of goods and material		*8,323,458*	*6,909,758*
2.	Net revenues from sales on foreign markets		147,126,572	135,893,519
	a) Net revenues from the sale of products and services		*135,389,693*	*125,158,465*
	b) Net revenues from sale of goods and material		*11,736,879*	*10,735,054*
B.	**Change in the value of inventories of finished products and work-in-progress**		**(956,886)**	**4,026,052**
C.	**Capitalised own products and services**	**12.4.2**	**3,451,429**	**1,027,705**
D.	**Other operating revenues**	**12.4.3**	**1,734,963**	**3,432,596**
I.	**GROSS OPERATING PROFIT**		**169,502,213**	**176,428,718**
D.	**Costs of goods, materials and services**	**12.4.4**	**105,510,616**	**104,821,999**
1.	Costs of goods and materials sold		11,999,746	11,238,003
2.	Cost of materials used		73,617,931	70,995,237
	a) Materials costs		*58,433,581*	*55,363,543*
	b) Costs of energy		*6,225,717*	*7,065,907*
	c) Other cost of materials		*8,958,633*	*8,565,787*
3.	Costs of services		19,892,939	22,588,759
	a) Transport services		*4,175,926*	*3,828,373*
	b) Costs of maintenance		*653,839*	*1,016,786*
	c) Rents		*282,988*	*422,914*
	d) Other costs of services		*14,780,186*	*17,320,686*
E.	**Labour costs**	**12.4.4**	**46,794,451**	**51,578,457**
1.	Cost of wages and salaries		34,128,465	38,050,290
2.	Cost of pension insurance		437,792	507,084
3.	Costs of other social insurance		5,759,631	6,347,692
4.	Other labor costs		6,468,563	6,673,391
F.	**Amortization and depreciation costs**	**12.4.4**	**6,863,973**	**10,184,684**
1.	Amortization/depreciation		6,386,369	9,180,428
2.	Operating expenses from revaluation of intangible fixed assets and property, plant and equipment		64,514	406,175
3.	Operating expenses from the revaluation of current assets		413,090	598,081
G.	**Other operating expenses**	**12.4.4**	**919,227**	**1,337,016**
1.	Provisions		11,852	11,790
2.	Other costs		907,376	1,325,226
II.	**OPERATING PROFIT OR LOSS**		**9,413,946**	**8,506,562**
H.	**Financial income**	**12.4.5**	**2,601,709**	**1,970,546**
1.	Financial income from participating interests		1,885,032	1,464,080
	a) Financial income from participating interest in Group companies		*1,368,625*	*1,178,249*
	b) Financial income from participating interest in associates		*516,327*	*270,451*
	c) Financial income from participating interest in other companies		*80*	*15,380*
	d) Financial income from other investments		*0*	*0*
2.	Financial income from loans granted		489,002	436,122
	a) Financial income from loans to Group companies		*310,696*	*362,480*
	b) Financial income from loans to others		*178,306*	*73,642*
3.	Financial revenues from operating receivables		227,676	70,344
	a) Financial income from operating receivables due from Group companies		*0*	*364*
	b) Financial income from operating receivables due from others		*227,676*	*69,980*
I.	**Financial expenses**	**12.4.5**	**4,461,958**	**5,663,916**
1.	Financial expenses from impairments and write-offs of financial investments		*1,006,333*	*307,169*
2.	Financial expenses from financial liabilities		3,095,967	4,741,111
	a) Financial expenses from loans, received from Group companies		*4,950*	*6,537*
	b) Financial expenses from bank loans		*3,090,854*	*4,489,039*
	c) Financial expenses from issued bonds		*0*	*0*
	d) Financial expenses from other financial liabilities		*163*	*245,535*
3.	Financial expenses from operating liabilities		359,659	615,636
	a) Financial expenses from operation liabilities to Group companies		*21,143*	*47,699*
	b) Finance expenses from trade payables and bills payable		*162,268*	*322,774*
	c) Financial expenses from other operating liabilities		*176,248*	*245,163*
III.	**PROFIT OR LOSS**		**7,553,697**	**4,813,192**
	Income tax	**12.5**	**0**	**0**
	Deferred tax	**12.5**	**(193,496)**	**(275,992)**
	NET PROFIT OR LOSS FOR THE ACCOUNTING PERIOD		**7,747,193**	**5,089,184**

Notes to the financial statements are an integral part of the financial statements.

11.3 Statement of other comprehensive income

(in EUR) Item		2017	2016
1.	**Net profit/loss for the business year after tax**	**7,747,193**	**5,089,184**
2.	**Other comprehensive income for the reporting period, after tax**	**163,101**	**(868,126)**
3.	**Items which will later not be reclassified as profit and loss**	**163,101**	**(868,126)**
3.1	Net profit/loss recognised in the reserves due to revaluation of fair value in relation to the tangible fixed assets	(13,668)	(925,816)
3.2	Net profit/loss recognised in the reserves due to revaluation of fair value in relation to the intangible fixed assets	0	0
3.3	Actuarial net profit/loss for pension programmes and change in deferred taxes recognised in retained profit/loss	176,769	57,690
4.	**Total comprehensive income for the financial year after tax**	**7,910,294**	**4,221,058**

	Net loss per share	-	-
	Net earnings per share	*2.73*	*1.27*

Notes to the financial statements are an integral part of the financial statements.

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11.5 Cash flow statement

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Item	Explanation	2017	2016
Cash flows from operating activities			
Net profit or loss			
Profit or loss before tax		7,553,697	4,813,192
Income tax and other taxes not included in the operating expenses	12.5	193,496	275,992
		7,747,193	**5,089,184**
Adjustments for			
Depreciation and amortization (+)	12.3.1, 12.3.2	6,386,369	9,180,428
Operating revenues from revaluation associated with investment and financing items (-)	12.4.3	(69,527)	(840,180)
Operating expenses from revaluation associated with investment and financing items (+)	12.4.4	64,514	406,175
Formation of value adjustments for receivables	12.3.6	61,695	439,100
Formation of value adjustments for inventories	12.3.5	138,911	69,808
Formation of value adjustments for inventories	12.3.10	447,861	574,676
Financial income excluding financial income from operating receivables (-)	12.4.5	(2,374,033)	(1,900,202)
Financial expenses excluding financial expenses from operating liabilities (+)	12.4.5	3,095,967	4,741,111
		7,751,756	**12,670,916**
Changes in net current assets (and accruals and deferrals, provisions and deferred tax assets and liabilities) of the operating items in the balance sheet			
Opening less closing operating receivables	12.3.6	(3,518,196)	(1,881,333)
Opening less closing deferred tax assets	12.3.13	(193,495)	(275,992)
Opening less closing inventories	12.3.5	(760,649)	(4,611,527)
Closing less opening operating debts	12.3.12, 12.3.15	2,356,255	2,992,620
Closing less opening deferred tax liability	12.3.13	424,533	290,490
		(1,691,552)	**(3,485,742)**
Net cash from/used in operating activities (a + b + c)		**13,807,397**	**14,274,358**
Cash flows from investing activities			
Receipts from investing activities			
Income from interest and profit participation related to investing activities	12.4.5	1,885,032	1,464,080
Receipts from the disposal of intangible assets	12.3.1	29,123	19,808
Receipts from the disposal of property, plant and equipment	12.3.2	852,412	1,709,744
Receipts from the disposal of long-term financial investments	12.3.4	758,311	17,995
Receipts from the disposal of short-term financial investments	12.3.7	2,048,064	3,470,216
		5,572,942	**6,681,843**
Disbursements from investing activities			
Disbursements from the acquisition of intangible assets	12.3.1	(2,651,051)	(97,203)
Disbursements from the acquisition of property, plant and equipment	12.3.2	(11,296,285)	(9,987,710)
Expenditures for acquisition of investment properties	12.3.3	(55,146)	(152,385)
Disbursements from the acquisition of long-term financial investments	12.3.4	(3,873,509)	(102,714)
Disbursements from the acquisition of short-term financial investments	12.3.7	(1,324,058)	(1,215,332)
		(19,200,049)	**(11,555,344)**
Net cash from/used in investing activities (a + b)		**(13,627,107)**	**(4,873,501)**
Cash flows from financing activities			
Receipts from financing activities			
Receipts from the increase in long-term financial liabilities	12.3.11	765,232	13,405,233
Receipts from the increase in short-term financial liabilities	12.3.14	9,285,113	4,104,424
		10,050,345	**17,509,657**
Financing expenditures			
Disbursements from paid interest pertaining to financing	12.4.5	(3,095,967)	(4,741,111)
Disbursements from repayment of long-term financial liabilities	12.3.11	(634,800)	(4,656,698)
Disbursements from the repayment of short-term financial liabilities	12.3.14	(6,816,135)	(13,285,075)
		(10,546,902)	**(22,682,884)**
Net cash from/used in financing activities (a + b)		**(496,557)**	**(5,173,227)**
Cash and cash equivalents at end of the period		**6,439,180**	**6,755,447**
Net cash for the period (sum of surpluses Ad, Bc and Cc)		**(316,267)**	**4,227,630**
Opening balance of cash and cash equivalents		**6,755,447**	**2,527,817**

In compliance with IAS 7.22, which allows that certain cash flows or cash receipts and payments for items, which are characterized by quick turnover, high values and short maturities are disclosed according to the net principle, the Company thus in 2016 disclosed receipts from the increase in long-term financial liabilities and expenditures for long-term financial liabilities. The company reduced the trends by EUR 95,354,840 in receipts and expenditures, because this amount represents the replacement of the company's financial liabilities due to a successfully completed refinancing process.

Notes to the financial statements are an integral part of the financial statements.

11.6 Statement of changes in equity

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

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

CHANGES IN EQUITY FOR THE PERIOD FROM 31/12/2015 TO 31/12/2016

(in EUR)	I. Called-up capital	II. Capital reserves	III. Reserves from profit			IV. Reserves from valuation at fair value	V. Retained net profit or loss	VI. Net profit or loss	Total
	1. Share capital		1. Legal reserves	2. Reserves for treasury shares	5. Other reserves from profit		1. Retained net profit/ loss	1. Net profit/ financial year loss	
Balance at the end of the previous reporting period	**23,688,983**	**41,686,964**	**1,951,606**	**120,190**	**36,487,740**	**23,869,717**	**(23,213,178)**	**3,611,837**	**108,203,859**
Opening balance of the reporting period	**23,688,983**	**41,686,964**	**1,951,606**	**120,190**	**36,487,740**	**23,869,717**	**(23,213,178)**	**3,611,837**	**108,203,859**
Total comprehensive income of the reporting period	**0**	**0**	**0**	**0**	**0**	**(868,126)**	**0**	**5,089,184**	**4,221,058**
Entry of net profit or loss for the reporting period	0	0	0	0	0	0	0	5,089,184	5,089,184
Changes in reserves from valuation of financial investments at fair value	0	0	0	0	0	(925,816)	0	0	(925,816)
Other ingredients of comprehensive income for the reporting period	0	0	0	0	0	57,690	0	0	57,690
Changes in equity	**0**	**0**	**0**	**0**	**0**	**0**	**3,611,837**	**(3,611,837)**	**0**
Allocation of the remaining net profit in the comparative reporting period to other components of equity	0	0	0	0	0	0	3,611,837	(3,611,837)	0
Closing balance of the reporting period	**23,688,983**	**41,686,964**	**1,951,606**	**120,190**	**36,487,740**	**23,001,591**	**(19,601,341)**	**5,089,184**	**112,424,917**

Notes to the financial statements are an integral part of the financial statements.

12 Notes on the financial statements

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

The financial statements of the operating company have been prepared for the year ending 31/12/2017.

The list and all data of the companies in which the company UNIOR d.d. is participating in the capital with least 20 per cent, is disclosed in Chapter 15 of the Annual Report: UNIOR Group.

12.1 Declaration of conformity

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

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

The Management Board of UNIOR d.d., confirmed the financial statements on 29/03/2018.

12.2 Basis for the Preparation of the Financial Statements

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

12.2.1 Fair value

The presented assets and liabilities with the exception of available-for-sale financial assets are valued at purchase or amortized cost, for which we estimate that they are equal to the fair values of these assets or liabilities.

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

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

- Level 3: assets, which cannot be obtained from the market data; in this category we disclose land and investment properties at the estimated value, and buildings and equipment at the current book value. Long-term financial investments are disclosed at purchase value reduced by impairments, while operating receivables, current financial investments and liabilities are disclosed at their amortized cost.

The classification of assets and liabilities in relation to their fair value as at 31/12/2017

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

The classification of assets and liabilities in relation to their fair value as at 31/12/2016

(in EUR)	Level 1	Level 3	Total
Property, plant and equipment		**32,709,337**	**32,709,337**
– land		*32,709,337*	*32,709,337*
Investment properties		**13,761,637**	**13,761,637**
Long-term financial investments	**660**	**21,228,009**	**21,228,669**
– quoted shares	*660*		*660*
– unquoted shares		*16,193,586*	*16,193,586*
– long-term financial investments – long-term loans		*5,034,423*	*5,034,423*
Long-term operating receivables		**3,439,743**	**3,439,743**
Short-term financial investments		**3,991,952**	**3,991,952**
Short-term operating receivables		**30,036,953**	**30,036,953**
Long-term financial liabilities		**114,709,828**	**114,709,828**
Long-term operating liabilities		**79,543**	**79,543**
Short-term financial liabilities		**7,538,557**	**7,538,557**
Short-term operating liabilities		**43,674,174**	**43,674,174**

Land and investment properties are disclosed at the estimated value, the long-term financial investments are disclosed at purchase value reduced by impairments, while operating receivables, current financial investments and liabilities are disclosed at their amortized cost. Major differences between the amount of assets and liabilities between 2017 and 2016 occur due to the hive-off of the Tourism Programme activities into the independent company UNITUR d.o.o.

The methodologies used for the estimated values are disclosed with individual categories in Chapter 12.3.

12.2.2 Accounting policies used

The accounting policies used are the same as in previous years.

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

- **Amendments to IAS 7 "Cash Flow Statement"** – The disclosure initiative adopted by the EU on 6 November 2017 (applies for annual periods beginning on or after 1 January 2017),

- **Amendments to IAS 12 "Income Taxes"** – Recognition of deferred tax assets arising from unrealized losses, adopted by the EU on 6 November 2017 (applies for annual periods beginning on or after 1 January 2017),

- **Amendments to different standards "Improvements to the IFRS Standards" (2014–2016 cycle),** which arise from the Annual Improvement Project to IFRS Standards (IFRS 1, IFRS 12 and IAS 28), in particular for the purpose to eliminate inconsistencies and interpretations of the text – adopted by the EU on 8 February 2018 (amendments to IFRS 12 apply for annual periods beginning on or after 1 January 2017).

The adoption of these amendments to existing standards has not led to any significant changes in the company's financial statements.

12.2.3 Foreign currency business

Transactions denominated in a foreign currency are converted into euros according to the reference exchange rate of the European Central Bank as at the day of the transaction. The financial means and liabilities expressed in foreign currency on the date of the balance sheet have been converted into the national currency according to the reference rate of the European Central Bank, valid at the last date of the accounting period. The exchange rate differences are recognized in the income statement.

The balance sheets of subsidiaries that are not disclosed in euros were converted for the needs of consolidation calculated according to the final average reference exchange rate of the ECB as at 31/12/2017, while the income statement of subsidiaries according to the average exchange rate of the ECB in 2017. The difference is disclosed under the converted equity adjustment in the consolidated financial statements of the UNIOR Group.

12.2.4 Operating profit

Operating profit/loss is defined as profit/loss before taxation and financial items. Financial items include interest on cash deposited with the bank, deposits, investments held for sale, interest paid on loans, profit or loss on the disposal of financial instruments held for sale, and positive and negative foreign exchange differences on the translation of cash and cash equivalents and liabilities denominated in a foreign currency.

12.2.5 Significant Estimates and Assessments

In compliance with the International Financial Reporting Standards, the management in preparation of financial statements delivers estimates, assessments and assumptions that have an impact on the use of policies and presented values of assets and liabilities, revenues and expenses. The estimates are formulated according to the experience from previous years and the expectations in the accounting period. The actual figures may differ from these estimates, and we therefore constantly review the estimates and formulate their corrections. Estimates and assessments are also present in the case of impairments of financial investments, receivables, impairments of inventories and estimates of the useful life of fixed assets. Valuation methods based on the method of future cash flows and comparable transactions are used in estimates and assessments for the valuation of land.

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

- provisions for long-service bonuses and severance pay upon retirement,
- impairments of accounts receivable,
- impairment of financial investments,
- tax relief for investments in research and development.

Deferred taxes are presented in detail in Chapter 12.3.13.

Deferred tax assets that are recognized in the form of provisions for long-service bonuses and severance pay are reduced in the appropriate amounts using formed provisions and are increased in the appropriate amounts according to newly formed provisions.

The tax rate used for the calculation of the amount of deductible temporary differences is 19 per cent. Based on the conditions set out in the IAS 12 (36), and the Business Plan for the coming period, we estimate that we will dispose of taxable profits to cover the unused tax losses.

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

As at the reporting date, the amount of disclosed deferred receivables and deferred tax liability is reviewed. If the Company does not dispose of sufficient profits available, the disclosed value of deferred tax assets is reduced accordingly.

Provisions
The management confirms the contents and the amount of the provisions formed based on:

- the calculation of provisions for long-service bonuses and severance pay,
- the estimate of the potential expected amount of compensation provided by the legal department of the company or other external lawyer based on existing lawsuits and claims for damages.

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

12.2.6 Summary of important accounting guidelines and disclosures

We present individual categories in accordance with International Financial Reporting Standards, in which disclosures are prescribed, and we present all relevant issues. The accounting policies and the nature and relative importance of the disclosures are defined in the company's internal acts. We have also disclosed comparative information from the previous period and included the said information in the numerical and descriptive information for all significant amounts disclosed in financial statements. The comparative figures have been adjusted so that they are in accordance with the presentation of the information in the current year.

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

Property, plant and equipment
For the land valuation, we use the revaluation model based on the appraisal of an chartered valuation surveyor in accordance with international valuation standards at least every four years. When measuring construction facilities, devices and equipment we use the cost model. The asset is disclosed at its purchase cost, less depreciation adjustment and accumulated impairment losses. The manner and methods for the valuation of assets due to impairment are described hereinafter under the heading "Impairment of tangible fixed assets". The cost of a tangible fixed asset is the cash price equivalent on the day of recognition. The cost of a tangible fixed asset comprises: its purchase price, including import duties and non-refundable purchase taxes, after deducting all trade and other discounts; all the costs of bringing the asset to its place and to the state where the asset can operate in accordance with management expectations and the initial estimate of the costs of dismantling and removing the tangible fixed asset, and restoring the site where the asset was located. This obligation is undertaken by the company when an asset is acquired or as a result of having used the item during a particular period for purposes other than to produce inventories during that period. The revaluation of land is performed based on an appraisal by a chartered valuation surveyor. The revaluation is disclosed through equity as reserves from valuation at fair value.

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

Borrowing costs
Borrowing costs that can be directly attributed to the purchase, construction or production of a qualifying asset increase the cost value of that asset. The capitalization of borrowing costs as part of the cost of the qualifying asset commences when the expenditures for the asset and the borrowing costs incur, and the activities necessary to prepare the asset for its intended use arise.

Financial lease
At the beginning of the lease on the balance sheet, we recognize the financial lease as an asset and a debt in amounts of equal fair value of the leased asset or if it is lower, the present value of the minimum lease rentals, with both values determined at the conclusion of the lease. In calculating the present value of the minimum lease rentals, the discount rate is associated with the rental rate, if it can be determined by using an assumed interest rate option for borrowing, which the tenant should have paid. The amount, which is recognized as an asset, is added to all initial direct costs borne by the lessee.

Subsequent costs
Subsequent expenditures incurred in connection with the replacement of an individual item of a tangible fixed asset increases its cost value. Other subsequent expenditures related to a tangible fixed asset increase its cost value if it is likely that its future economic benefits will exceed the originally estimated ones, or that its useful life will be prolonged. All other expenditures are recognized as expenses when they arise.

Amortization/depreciation

The amount of depreciation in each period is recognized in the profit or loss. 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 the tangible asset. The depreciation method used is verified at the end of each financial year. The residual value of an asset is only taken into account for important items, also taking into account the costs of the liquidation of the tangible fixed asset. We do not depreciate land and works of art.

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

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

Derecognition

The recognition of the carrying amounts of individual items of property, plant and equipment are eliminated upon disposal or if we do not expect any future economic benefits from its use or disposal. Profits or losses arising from the derecognition of an individual tangible fixed asset are included in the profit or loss when any of the conditions are met.

Intangible assets

An intangible fixed asset is initially recognized at cost. After initial recognition, intangible assets are disclosed at their cost less accumulated depreciation adjustment and impairment losses. The conditions that must be met in order to recognize the development costs as an intangible asset are: 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 factors to complete the development and to use or sell the project, and its ability to reliably measure the costs attributable to the intangible asset during its development (the capitalization of costs).

Goodwill

Goodwill is valued at the fair value of the transferred purchase price, including the recognized value of any non-controlling interest in the acquired company less the net recognized value of the acquired assets and liabilities valued as at the acquisition date. The transferred purchase price includes the fair values of transferred assets, liabilities to the previous owners of the acquired company and the business shares issued by the company. Every year, the company's management conducts an impairment test to determine whether an intangible fixed asset needs to be impaired.

Issued coupons
The intangible long-term fixed assets include long-term deferred costs of issued coupons allocated by the Ministry of the Environment and Spatial Planning, the Slovenian Environment Agency.

Amortization/depreciation
Amortization begins when the asset is available for use, meaning, when it is in place and in the condition that is required in order to function as planned.
The carrying amount of the intangible asset is reduced by the straight-line amortization method over the asset's useful life.
The period and method of amortization for an intangible asset with a final useful life is inspected at least at the end of each financial year. If the expected useful life of an asset differs from previous estimates, the period of amortization is adjusted accordingly.

The useful life of an intangible asset arising from contractual or other legal rights does not exceed the period of contractual or other legal rights, but may be shorter, depending on the period in which we expect the asset to be used. The estimated useful life for other intangible assets is 5 years.

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

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

Investment properties
We hold investment properties in order to earn rent or to increase the value of a long-term investment. For measuring investment properties, we use the fair value model based on an appraisal of a chartered valuation surveyor. The revenues are recognized in the income statement. Investment properties are not amortized.

Financial investments
Financial investments in subsidiary, affiliated, jointly controlled and other companies are valued at cost. The same method is also applied for unrelated companies.

Financial instruments
Financial instruments were classified in to the following classes, namely:

1. Financial investments held until maturity
2. Loans and receivables
3. Financial assets available for sale

At determining fair value of financial instruments, the following hierarchy of the level of fair value determination is taken into account:

- the first level includes listed prices (unadjusted) in operating markets for equal assets or liabilities;
- the second level includes input data in addition to listed prices included in the first level which are directly (i.e. as prices) or indirectly (i.e. as derived from prices) are perceptible for an asset or liabilities,
- the third level includes income data for an asset or liability which is not based on perceptible market data.

The listed prices are used as the basis for determining the fair value of financial instruments If a financial instrument is not listed on a regulated market or the market is assessed as inactive, then input data of the second and third level is used to evaluate fair value of a financial instrument.

1. Financial investments held until maturity

The group was formed for financial investments, for which we could decide, in the event of potential recognition, to keep them in our portfolio until maturity. We would recognize them by the settlement date and measure them at amortized cost using the effective interest method. We have not yet classified any financial investments in this group.

2. Loans and receivables

The second group includes all loans granted and received, and receivables that are recognized as at the settlement date and measured at the amortized cost using the effective interest method.

Operating receivables

In the books, long-term and short-term receivables to customers, government and employees are recorded separately. Operating receivables also include receivables for interest on the aforementioned receivables. Long-term and short-term receivables are recorded at the beginning in amounts arising from contracts or relevant supporting documents. Operating receivables denominated in foreign currencies are converted into the domestic currency at the reference exchange rate of the European Central Bank on the last day of the financial year.

The adequacy of the disclosed size of an individual claim is established at the end of the accounting period based on reasoned evidence regarding doubt as to their repayability. The impairment of receivables is formed at the individual discretion of the management of the programme with regard to the risk that the receivables would not be repaid.

Commodity loans

The company grants commodity loans to companies in the group and associated companies for the needs of their business operations. Commodity loans are recognized among long-term operating receivables. We may charge interest for commodity loans. The value adjustment for granted commodity loans is made at the individual discretion of the company's management.

Loans granted

Loans at initial recognition are shown at their depreciated cost method of taking into account the current interest. Depending on their maturity, they are classified as long-term or current assets as at the settlement date. With the aim of managing the credit risk, the maturity of the loan and the method of settlement secured by the usual collateral instruments (e.g. blank bills of exchange, pledging securities and other (im)movables, the possibility of unilateral offsetting of mutual obligations, etc.) are determined with regard to the credit rating of the borrower. In the event of any failure to comply with the contractual obligations of the borrower, we proceed to the realization of collateral instruments or to the creation of an impairment of the investment if court proceedings are initiated. For assessing the repayability of loans granted, we use the cash flow availability assessment method of the creditor for the repayment and the net asset value method to assess the assets the creditor disposes of and are the basis for the repayment of the loans granted.

Loans received

Received loans are recorded on initial recognition at their depreciated cost method of taking into account the current interest. The structure of the received loans is dominated by bank loans with the repayment of the principal amount at the maturity of the loan agreement. Given the maturity at the recognition of being classified as long-term or short-term financial liabilities. 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 insured with blank bills of exchange, receivables, stocks and mortgages on movable and immovable property.

3. Financial assets available for sale

Available-for-sale financial assets include all investments into securities. At initial recognition, they are measured at fair value, to which we add the transaction's costs arising from the purchase of a financial asset. We determine the fair value as the market-based value, such as the closing stock exchange price of a share or the published daily value of a mutual fund unit. Changes in fair value are recognized directly in the statement of other comprehensive income. The average cost method is applied for the purpose of removing shares from the records. Profits or losses are transferred to profit or loss upon de-recognition. We use the trading date when calculating the purchase and sale.
All other financial investments, for which no active market exists and where fair value cannot be reliably measured, are measured at cost.

Assets held for sale

The non-current assets held for sale are disclosed as assets (disposal groups) for sale and their value will be repaid by sale within the next twelve months, and not by their use. The long-term assets are reclassified in the group of assets held for sale, at the moment when the sale is highly probable, which means that we have a known buyer and a signed preliminary contract or a contract for the sale of such an asset. Assets are reclassified to assets held for sale at carrying amount as disclosed among long-term assets irrespective of the expected purchase price received for this asset. Assets held for sale are not amortized.

Inventories

Inventories are valued at their historical cost or net realizable value, namely at the lower of the two values. The net realizable value is the estimated selling price achieved in the ordinary course of business less estimated costs of completion and sale. The unit price of an item held in the inventory contains the costs arising from the acquisition of inventories and bringing them to their current location and condition. For finished products and work-in-progress, the costs include a corresponding share of production costs with the normal use of production assets. The consumption of inventories is disclosed according to the weighted average cost method. At the end of the year, the company checks the inventories without movement in the current year and impairs them to their realizable value.
The company forms adjustments to inventories according to the age of inventories, namely:

- For inventories that have not had any movement in the last year, an adjustment is formed in the amount of 5 per cent of the inventories value,
- Inventories that have not had any movement in two years, an adjustment is formed in the amount of additional 15 per cent of the inventories value,
- For inventories that have not had any movement in three years, an adjustment is formed in the amount of additional 10 per cent of the inventories value,
- For inventories that have not had any movement in four years, an adjustment is formed in the amount of additional 10 per cent of the inventories value,
- For inventories that have not had any movement in five years or more, an adjustment is formed in the amount of additional 10 percent of the inventories value.

Cash

Cash and cash equivalents comprise cash in hand and sight deposits held in accounts. Balance of cash in foreign currencies is converted to the domestic currency at the average rate of the European Central Bank on the last day of the financial year.

Equity

Share capital

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

Dividends

Dividends are recognized in the company's financial statements when the Shareholders' Meeting adopts the decision on dividend payments.

Repurchase of treasury shares

In 2017, we did not trade in treasury shares.

Provisions

Provisions for severance pay and jubilee awards

In compliance with the corporate collective agreement and legal regulations, the company is obliged to calculate and pay out the long-service bonuses and severance pay upon retirement. To measure these benefits, we use a simplified accounting method that requires the valuation of an actuarial obligation in compliance with the expected salary growth from the valuation day up to the anticipated retirement of an employee. This means that benefits are included in the calculation in proportion to the work performed. The estimated liability is recognized in the amount of the present value of expected future expenditures. In the measurement, we also estimate the expected salary increase and the fluctuation of employees.

Based on the calculation, we recognize the profits or losses of the current year in the income statement.
The main parameters taken into account in the calculation are the retirement age of 60 years for women and 62 for men, the required years of service of 40 years, the discount rate of 1.4 per cent, and the annual salary growth of 2.2 per cent.

Government grants

Government grants are recognized at fair value, but not until there is reasonable assurance that the company UNIOR d.d. will comply with the conditions in relation to them and actually receive the grant. Government grants are recognized as revenue in periods, in which they are matched to the respective costs they are intended to replace. If the government grant relates to a particular asset, it is recognized as a deferred revenue recognized by the company UNIOR d.d. in the income statement in the period of the expected useful life of the asset in equal annual installments.

Financial liabilities

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

Income tax

Corporate income tax is calculated in accordance with the Corporate Income Tax Act. The basis for the calculation of income tax is the gross profit increased by non-deductible costs and reduced by statutory tax credit. The resulting basis serves as a foundation for the calculation of the tax liability for corporate tax income. In 2017, the tax base was positive and is covered by past tax reliefs.

Deferred tax
In order to disclose an appropriate profit or loss in the reporting period, we also calculated the deferred taxes. These are disclosed as deferred tax assets and deferred tax liability. When calculating deferred taxes, we used the balance sheet liability method. The book value of assets and liabilities was compared with their tax value, and the difference between the two values was defined as a permanent or temporary difference. Temporary differences were divided as taxable and deductible. The taxable temporary differences have increased our taxable amounts and deferred tax liability. The deductible temporary differences decreased our taxable amounts and increased the deferred tax assets.

Revenues
Revenues from services rendered
Operating revenues are recognized when it is reasonable to expect that they will lead to receipts if these are not already realized at the time of occurrence and can be reliably measured.
When recognizing revenues from the services rendered, we use the method of the percentage of completion as at the balance sheet date. Using this method, we recognize revenues in the accounting period in which the services were rendered. We disclose the amounts of each significant type of revenues recognized in the period, and the already generated revenues on domestic and foreign markets. Revenues on the domestic market are revenues earned in Slovenia; and the foreign market is constituted by EU countries and third countries.

Revenues from the sale of products, goods and materials
Revenues from the sale of products, goods and materials shall be measured on the basis of the prices indicated in the invoices and other documents, less discounts granted at the time of sale or later. The content-relevant items from previous periods are also disclosed in revenues from the sale of products, goods, materials and services rendered.

Rental income
Rental income mainly includes revenues from investment properties, i.e. construction facilities and land that are subject to operating lease. Lease rental income is shown among business income.

Other operating revenues with operating revenues from revaluation
Donations, subsidies, premiums and revaluation revenues generated from the sale of fixed assets and the reversal of provisions in the net amount are disclosed in other revenues.

Financial income and financial expenses
Financial income includes income from interest on loans granted, dividend income, income from the disposal of available-for-sale financial assets and income from foreign exchange gains. Interest income is recognized when it occurs, using the effective interest rate. The dividend income is disclosed in profit or loss when the right to payment is established.

Financial expenses include interest costs on loans received, foreign exchange losses, impairment losses on financial assets that are recognized in the income statement. Loan costs are recognized in the profit or loss statement using the effective interest method.

Gross operating profit
Gross operating profit consists of sales revenues, changes in the value of inventories of finished products and work-in-progress, capitalized own products and services, and other operating revenues.

Expenditure – costs
Costs are recognized as expenditure in the period in which they occur. They are classified according to their nature. They are presented and disclosed by nature in the context of the company's three-year chart of accounts. Expenses are recognized if the decrease in economic benefits in the accounting period is associated with a decrease in an asset or an increase in debt, and this reduction can be reliably measured.

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

Impairment of tangible capital assets
If there is any indication that the asset may be impaired, we estimate its recoverable amount. If the asset's recoverable amount cannot be estimated, the company determines the recoverable amount of the cash-generating unit the asset belongs to. The impairment is disclosed in the income statement and, in for the revaluation of land it is disclosed through the capital revaluation surplus. The impairment losses should be eliminated if the estimates used to determine the recoverable amount of assets have changed. An impairment loss is eliminated to the extent that the increased carrying amount of the asset does not exceed the carrying amount that would have been determined after deducting the amortization write-off if an impairment loss was not recognized in the asset in previous years. The reversal of a loss is recognized in the profit or loss as an income. For land, we estimate fair value through valuation.

Impairment of intangible assets
The intangible assets are verified for the purpose of impairment as at the reporting date.
When the recoverable amount is lower than the carrying amount of an asset, the carrying amount is decreased to the asset's recoverable amount. Such a decrease is disclosed by the company as an impairment loss and recorded as a revaluation operating expense.

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

If we determine that impairment is to be made on financial investments carried at amortized cost, the amount of the loss is measured as the difference between the carrying amount of the investment and the present value of the expected future cash flows discounted at the original effective interest rate. The value of the loss is recognized in profit or loss. If the reasons for the impairment of a financial investment cease to exist, the reversal of the impairment of a financial investment disclosed at the amortized cost is recognized in the profit or loss.

Financial investments in subsidiary, affiliated, jointly controlled and other companies, the latter are disclosed at cost. If we determine that an impairment needs to be made, the latter is recognized in profit or loss as a revaluation financial expense.

For financial investments classified into the group of available-for-sale financial investments, we measure the amount of impairment losses, which is then recognized in profit or loss as the difference between the carrying amount of the investment and the market or fair value as at the cut-off balance sheet date. The impairment of these investments is performed when the estimated value is lower than the cost in terms of significance or lastingness. The amount of such formed impairment constitutes a difference between the purchase cost and the fair value of the investment.

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

Cash flow statement
The company reports on operating cash flows using the indirect method based on the balance sheet items as at 31/12/2017 and 31/12/2016, and the income statement for 2017, as well as additional data necessary for the adjustment of outflows and inflows.

Statement of changes in equity
The statement of changes in equity shows the movement of individual components of equity in the financial year (a total of revenues and expenses, and transactions with owners when acting as owners), including the use of net profit. The statement of comprehensive income, which increases the net profit of the current year by all of the revenues that we recognized directly in equity, is included.

12.2.7 New standards and interpretations that have not yet entered into force

Standards and amendments to existing standards issued by the IASB and adopted by the EU, but have not yet entered into force

On the date of approval of these financial statements, they were already issued, however, the new standards issued by the IASB and adopted by the EU have not yet entered into force:

- **IFRS 9 'Financial Instruments**' adopted by the EU on 22 November 2016 (effective for annual periods beginning on or after 1 January 2018),

- **IFRS 15 'Revenue from Contracts with Customers'** and amendments to IFRS 15 'Effective Date of IFRS 15' adopted by the EU on 22 September 2016 (effective for annual periods beginning on or after 1 January 2018),

- **Amendments to IFRS 15 "Revenue from Contracts with Customers"** – Notes to IFRS 15 Revenue from Contracts with Customers adopted by the EU on 31 October 2017 (effective for annual periods beginning on or after 1 January 2018).

- **IFRS 16 'Leases'** adopted by the EU on 31 November 2017 (effective for annual periods beginning on or after 1 January 2019),

- **Amendment to IFRS 4 "Insurance Contracts"** – Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts adopted by the EU on 3 November 2017 (effective for annual periods beginning on or after 1 January 2018, or at first application of IFRS 9 *Financial Instruments*),

- **Amendments to different standards "Improvements to the IFRS Standards" (2014–2016 cycle),** which arise from the Annual Improvement Project to IFRS Standards (IFRS 1, IFRS 12 and IAS 28), in particular for the purpose to eliminate inconsistencies and interpretations of the text – adopted by the EU on 8 February 2018 (amendments to IFRS 1 and IAS 28 apply for annual periods beginning on or after 1 January 2018).

New standards and amendments to existing standards issued by IASB but not yet adopted by the EU

Currently, the IFRS, as adopted by the EU do not significantly differ from regulations adopted by the International Accounting Standards Board (IASB), with the exception of the following new standards, amendments to existing standards and new interpretations, which as at 31/12/2017 (the below dates of entry into force apply to all IFRS) were not approved to be applied in the EU:

- **IFRS 14 "Regulatory Deferral Accounts"** (apply for annual periods beginning on or after 1 January 2016) – The European Commission decided not to commence the proceeding for endorsement of this interim standard and shall wait for the release of its final version,

- **IFRS 17 'Insurance Contracts'** (effective for annual periods beginning on or after 1 January 2021).

- **Amendments to IFRS 2 "Share-based Payment" –** Classification and measurement of share-based payment transactions(effective for annual periods beginning on or after 1 January 2018),

- **Amendments to IFRS 9 "Financial Instruments" –** Prepayment features with negative compensation (effective for annual periods beginning on or after 1 January 2019),

- **Amendments to IFRS 10 "Consolidated Financial Statements' and IAS 28 'Investments in Associates and Joint Ventures"** – Sale or contribution of assets between an investor and its associate or joint venture, and further amendments (effective date deferred indefinitely until the completion of the research project relating to the equity method),

- **Amendments to IAS 19 "Employee Benefits"** – Plan amendments, curtailments, and settlements (effective for annual periods beginning on or after 1 January 2019),

- **Amendments to IAS 28'Investments in Associates and Joint Ventures'** – long-term interests in associates and joint ventures (effective for annual periods beginning on or after 1 January 2019),

- **Amendments to IAS 40'Investment Properties'** – transfers of investment properties (effective for annual periods beginning on or after 1 January 2018),

- **Amendments to different standards "Improvements to the IFRS Standards" (2015–2017 cycle),** which arise from the Annual Improvement Project to IFRS Standards (IFRS 3, IFRS 11, IAS 12 and IAS 23), in particular for the purpose to eliminate inconsistencies and interpretations of the text (effective for annual periods beginning on or after 1 January 2019),

- **IFRIC 22 'Foreign Currency Transactions and Advance Consideration'** (effective for annual periods beginning on or after 1 January 2018).

- **IFRIC 23 'Uncertainty over Income Tax Treatments'** (effective for annual periods beginning on or after 1 January 2019).

The company assumes that the introduction of these new standards, the amendments to existing standards and new interpretations during the initial period of application will not have a significant impact on the company's financial statements.

The hedge accounting in relation to the portfolio of financial assets and liabilities, which the EU has not yet adopted, remains unregulated.

12.3 Notes to the balance sheet

12.3.1 Intangible assets

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

(in EUR)	Goodwill	Deferred costs of developmen	Investments in rights to ind. property	Other intangible assets	IFA under acquisition	Total
Purchase value						
Balance as at 31 December 2015	484,728	9,744,523	4,559,712	173,790	0	14,962,753
Direct increases – investments	0	0	3,648	7,523	86,032	97,203
Transfer from investments in progress	0	0	0	0	0	0
Decreases during the year	0	0	(23,103)	(16,160)	0	(39,263)
Balance as at 31 December 2016	484,728	9,744,523	4,540,257	165,153	86,032	15,020,693
Value adjustment						
Balance as at 31 December 2015	80,788	6,832,719	2,746,506	0	0	9,660,013
Amortisation for the year	0	1,118,403	91,749	0	0	1,210,152
Impairment	0	0	(19,455)	0	0	(19,455)
Balance as at 31 December 2016	80,788	7,951,122	2,818,800	0	0	10,850,710
Current value as at 31 December 2016	**403,940**	**1,793,401**	**1,721,457**	**165,153**	**86,032**	**4,169,983**
Current value as at 31 December 2015	403,940	2,911,804	1,813,206	173,790	0	5,302,740

For 2017, the company received 7,234 emission coupons from the Ministry of the Environment and Spatial Planning, the Slovenian Environment Agency. These are recorded in the bookkeeping records at the value of EUR 1. In 2017, the company settled its liabilities for 2017 in the amount of 6,972 coupons. For the value of produced issues in 2017, the company discloses a liability to deliver 7,363 emission coupons. The balance of emission coupons as at 31/12/2017 amounts to 22,280.

The increase in intangible fixed assets in the amount of EUR 2.6 million is constituted by the capitalized long-term deferred development costs of the Special Machines Programme. The emission coupons and long-term deferred costs and accrued revenues are disclosed among other intangible fixed assets in the amount of EUR 157,573.

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

12.3.2 Property, plant and equipment

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

(in EUR)	Land	Buildings	Production equipment	Small tools	Fixed assets in acquisition	Total
Purchase value						
Balance as at 31 December 2015	33,433,441	124,800,963	144,893,344	614,971	749,127	304,491,846
Direct increases – investments	0	0	0	0	9,987,710	9,987,710
Transfer from investments in progress	0	368,207	2,495,703	0	(2,863,910)	0
Decreases during the year	(273,359)	(1,979,187)	(2,524,422)	(2,891)	0	(4,779,859)
Revaluation due to impairment	(450,745)	0	0	0	0	(450,745)
Balance as at 31 December 2016	32,709,337	123,189,983	144,864,625	612,080	7,872,927	309,248,952
Value adjustment						
Balance as at 31 December 2015	0	61,903,215	101,631,274	526,935	0	164,061,424
Amortisation for the year	0	2,710,445	5,212,930	46,900	0	7,970,275
Decreases during the year	0	(693,897)	(2,373,327)	(2,891)	0	(3,070,115)
Balance as at 31 December 2016	0	63,919,763	104,470,877	570,944	0	168,961,584
Current value as at 31 December 2016	**32,709,337**	**59,270,220**	**40,393,748**	**41,136**	**7,872,927**	**140,287,368**
Current value as at 31 December 2015	33,433,441	62,897,748	43,262,070	88,036	749,127	140,430,422

Among property, plant and equipment, the company discloses assets acquired by financial lease at cost of EUR 1,145,779 (in 2016, EUR 949,312) and current value as at 31/12/2017 in the amount of EUR 760,765 (in 2016, EUR 528,442).

The largest investments were intended to upgrade and expand mechanical capacities of production, namely the main part for the Forged parts programme, where we purchased two new hammers and three new modern machining centres. The biggest investment of the Hand Tools Programme was the purchase of a sheet metal laser cutting machine at the Lenart plant. In 2017, the company also completed the construction of an extension to the Forges production hall, and completed the construction of a new production hall for the needs of the Special Machines Programme.

As guarantee for debts, the company pledged its fixed assets at the estimated value of EUR 114,060,738, which represents the majority of the company's assets.

Due to changes, the land was revaluated to its fair value in 2017 on the basis of an appraisal report, compiled by a chartered property surveyor, according to the balance as at 31/12/2016. In valuation, the surveyor used the method of market sales indicating the value by comparing the appraised real estate with equal or similar real estate, for which the information on price was available. Based on achieved sales prices and 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, as rights attributed to the construction land, on which the facilities with issued building permits are located. The capitalization rate taken into account was 2.89 per cent and is lower than that of investment properties due to a different method of valuation. For the 2017 financial year, according to the balance as at 31/12/2017, the chartered valuation surveyor produced an Overview of valuation with the property market analysis, and provided a statement that the market conditions and the values of the assessed real estate during the period of assessment according to the balance as at 31/12/2016, have not changed significantly.

The value of revalued land at cost amounts to EUR 2,938,058.

12.3.3 Investment properties

Investment properties

(in EUR)	31.12.2017	31.12.2016
Land	7,295,439	7,650,607
Buildings	6,166,176	6,111,030
Total	**13,461,616**	**13,761,637**

Changes in investment properties

(in EUR)	31.12.2017	31.12.2016
Opening balance as at 1 January	**13,761,637**	**13,615,812**
Transfer to UNITUR d.o.o.	(183,688)	0
Additions	55,146	152,385
Revaluation	0	(6,560)
Additional transfer UNITUR d.o.o.	(171,480)	0
Final balance as at 31 December	**13,461,616**	**13,761,637**

The investment properties include land and buildings intended for resale or renting out, namely at the location of Maribor and Zreče. The investment properties are disclosed at fair value. The fair value was determined on the basis of the valuation of the chartered valuation surveyor in 2017 as of 31/12/2016. For land intended for sale and are disclosed among investment properties, the surveyor used the market sales method, which indicates the value with the comparison of the valuated property with equal or similar real estate, for which the information on price is available. Based on achieved sales prices and 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, as rights attributed to the construction land, on which the facilities with issued building permits are located. For the 2017 financial year, according to the balance as at 31/12/2017, the chartered valuation surveyor produced an Overview of valuation with the property market analysis, and provided a statement that the market conditions and the values of the assessed real estate during the period of assessment according to the balance as at 31/12/2016, have not changed significantly.

The method of assessing the value of the investment properties for the location of the production halls in Maribor is the market sales method for determining the value of the land. In the appraisal report, in order to determine the final value, the chartered valuation surveyor considered the value obtained by the income capitalization approach, which represents a market value assessment. The income approach is based on the capitalization of the expected stable profit, which will be generated by the holder of the property right through the use of the property. The basis for assessing the stable profit are the rents, which are charged by the owner to tenants in accordance with the intended purpose of the property. The capitalization rate was established on the basis of the build-up approach and amounts to 7.465 per cent for the production and storage facilities, and 8.465 per cent for the offices. For the 2017 financial year, according to the balance as at 31/12/2017, the chartered valuation surveyor produced an Overview of valuation with the property market analysis, and provided a statement that the market conditions and the values of the assessed real estate during the period of assessment according to the balance as at 31/12/2016, have not changed significantly.

In 2017, the rental costs amounted to EUR 282,988, while in 2016, they amounted to EUR 422,914. The decrease is present due to the fact that a large part of the rental costs derived from the activities of the Tourism Programme, which is an independent company in 2017.

The smallest amount of rents from business rents – receivables

(in EUR)	2017	2016
up to 1 year	971,484	1,119,420
From 2 to 5 years	3,885,936	4,477,680
more than 5 years	4,857,420	5,597,100
Total	**9,714,841**	**11,194,200**

The smallest amount of rents from business rents – liabilities

(in EUR)	2017	2016
up to 1 year	339,899	217,404
From 2 to 5 years	1,359,597	869,616
more than 5 years	1,699,496	1,087,020
Total	**3,398,992**	**2,174,040**

Future rents relate to rentals for the production hall in Maribor, rent for the production line for powder painting, and rentals for renting out classrooms and apartments.

The company pays rents for commercial storage facilities for the needs of the Special Machines Programme, for the parking lot at the Forge Processing Plant in Slovenske Konjice, and for the hire of work clothes for all employees.

12.3.4 *Long-term financial investments*

Investments in shares and stakes in associated companies

(in EUR)	Share	31.12.2017	31.12.2016
in the country:			
RTC KRVAVEC d.o.o. Cerklje	98.555	0	610,065
ROGLA INVESTICIJE d.o.o. Zreče	100.000	385,368	385,368
SPITT d.o.o. Zreče	100.000	265,000	265,000
UNITUR d.o.o. Zreče	100.000	6,483,792	0
		7,134,160	1,260,433
abroad:			
UNIOR Produktions- und Handels-GmbH Ferlach	99.550	0	0
UNIOR GERMANY GmbH Remseck	100.000	1,052,614	1,052,614
UNIOR FRANCE S.A.S. Melun	100.000	0	0
UNIOR ITALIA S.R.L. Limbiate	95.000	71,202	71,202
UNIOR SPAIN S.L. Uharte-Arakil	95.000	398,718	398,718
UNIOR HELLAS S.A. Metamorfosis	76.080	0	0
UNIOR INTERNATIONAL Ltd. Lincolnshire	50.000	0	0
UNIOR MAKEDONIA d.o.o. Skopje	85.000	650,000	0
UNIOR PROFESSIONAL TOOLS Ltd St. Petersburg	55.000	178,332	178,332
UNIOR COMPONENTS d.o.o. Kragujevac	100.000	4,908,158	4,398,158
NINGBO UNIOR FORGING Co.Ltd. Yuyao	50.000	1,983,530	1,983,530
UNIOR USA CORPORATION Olney	100.000	0	845
UNIOR BULGARIA Ltd, Bulgaria	58.000	102,400	0
UNIDAL d.o.o. Vinkovci	55.353	2,770,573	3,270,573
UNIOR HUNGARIA Kft. Nagyrecse	70.000	0	0
		12,115,527	11,353,972
Total subsidiaries		**19,249,687**	**12,614,405**

Investments in shares and stakes in subsidiaries

(in EUR)	Share	31.12.2017	31.12.2016
in the country:			
RHYDCON d.o.o. Šmarje pri Jelšah	33.500	699,366	448,116
ŠTORE STEEL d.o.o. Štore	29.253	1,274,260	1,274,260
RC SIMIT d.o.o. Kidričevo	20.000	200,000	200,000
		2,173,626	1,922,376
abroad:			
UNIOR SINGAPORE Pte. Ltd. Singapore	40.000	0	0
UNIOR TEOS ALATI d.o.o. Belgrade	20.000	423,000	423,000
UNIOR TEPID, S.R.L. Romania, Brasov	49.000	765,075	765,075
SINTER a.d., Užice	25.067	50,000	227,969
UNIOR TEHNA d.o.o. Sarajevo	25.000	150,000	150,000
		1,388,075	1,566,044
Total associated companies		**3,561,701**	**3,488,420**

In 2017, the company earmarked EUR 1.9 million for investments in associated companies, namely EUR 950 thousand for the capital increase of Unior Makedonija, EUR 510 thousand for the squeeze-out of shareholders and the acquisition of a 100 per cent equity interest in the company Unior Components, EUR 251 thousand for the capital increase of the company Rhydcon, EUR 102 thousand for the capital increase of Unior Bulgaria and EUR 55 thousand for the capital increase of Unior France. In the cases of companies Unior Makedonija, Unior Bulgaria and Unior France, it is a case of legal capital increase needed to ensure the positive capital of individual companies.

In consolidated financial statements, the company includes subsidiaries in which it holds a 50 per cent ownership interest that results in company's controlling influence.

Long-term assets available for sale

(in EUR)	31.12.2017	31.12.2016
Other investments	111,211	91,421
Total in other companies and banks	**111,211**	**91,421**

Long-term financial investments in liabilities

(in EUR)	31.12.2017	31.12.2016
issued to subsidiaries:		
Long-term credit RTC KRVAVEC d.d Cerklje	3,312,598	3,432,597
Long-term credit SPITT d.o.o. Zreče	155,127	173,377
Long-term credit UNIDAL d.o.o. Vinkovci	1,975,000	0
Long-term credit UNIOR HUNGARIA Kft.	725,154	0
Long-term credit NINGBO UNIOR FORGING Co.Ltd.	756,133	1,376,490
Long-term credit UNIOR BULGARIA Ltd Sofia	288,000	348,000
Long-term credit UNIOR Macedonia d.o.o.	0	510,200
Transfer to short-term investment	(1,075,383)	(950,807)
issued to others:		
Long-term credit Jorgić Broker a.d. Belgrade	15,578	69,203
Long-term credit BIONIC MEDICAL d.o.o.	64,285	85,714
Long-term credit TEMNIK Primož	8,102	16,153
Long-term deposit for excise duties	2,925	2,925
Transfer to short-term investment	(29,531)	(29,429)
Total in liabilities	**6,197,988**	**5,034,423**
Total long-term financial investments excluding treasury s	**29,120,587**	**21,228,669**

The long-term loan to RTC Krvavec d.d., is secured by a mortgage on immovable and on movable property owned by RTC Krvavec d.d. The value of the mortgage at the fair value of the pledged assets amounts to EUR 6,511,881, the maturity of the loan is 31/12/2019, and the interest rate is 6-month Euribor + 3 per cent.

The long-term loan to Unior Hungaria Kft. is secured by a mortgage on immovable property owned by the company UNIOR Hungaria Kft. The value of the mortgage amounts to EUR 753,075, the maturity of the loan is 31/12/2019, and the interest rate is 6-month Euribor + 3 per cent. Since we estimate that there is a probability that the loan will not be fully repaid, a value adjustment of the loan in the amount of EUR 300 thousand has already been formed. For the repayment of the remainder of the stated loan, the pledged assets are being sold and it is estimated that the selling price will exceed the value of the stated loan. Other long-term investments into loans are not secured with a pledged property. The presented long-term loans are payable in full.

In 2017, interest revenues amounted to EUR 310,696, and in 2016, they amounted to EUR 362,480.

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

(in EUR)	2017	2016
Investments in shares and stakes as at 1 January	**21,228,669**	**22,149,362**
Transfer to UNITUR d.o.o.	(12,519)	0
Increases:		
Acquisition of shares and stakes	1,868,650	15,824
Spin-off of UNITUR d.o.o.	6,483,792	0
Increase of investments in liabilities	2,004,859	86,890
Return of a short-term part of investments in liabilities	695,295	0
Reversal of impairments	300,000	0
Other increases – reconciliation of investment payments	32,309	0
Decreases:		
Received investment payments	(26,636)	0
Termination	(845)	(21,600)
Transfer on assets intended for sales	(610,065)	0
Repayments of long-term granted loans	(731,675)	(17,995)
Short-term part of investments in liabilities	(1,104,914)	(980,236)
Other decreases – impairment	(1,006,333)	(3,576)
Balance as at 31 December	**29,120,587**	**21,228,669**

In 2017, the impairment is constituted by formed value adjustments of long-term financial investments, namely the investment in the company UNIDAL d.o.o. in the amount of EUR 500 thousand, the investment in UNIOR Makedonija d.o.o. in the amount of EUR 300 thousand, the investment in the company SINTER a.d. in the amount of EUR 151.3 thousand, and the investment in UNIOR France S.A.S. in the amount of EUR 55 thousand. In 2017, the investment in RTC Krvavec in the amount of EUR 610 thousand was transferred to Assets held for sale, as the sales procedure for the sale of the entire share owned by the company is in progress.

Equity and profit or loss of associates

Company name	Country of the company	Percentage of participation in capital	Amount of capital in EUR	Operating profit/loss of the year in EUR
Subsidiaries:				
UNITUR d.o.o.	Slovenia	100.000	37,339,384	(988,379)
RTC KRVAVEC d.d.	Slovenia	98.555	12,258,800	473,729
ROGLA INVESTICIJE d.o.o.	Slovenia	100.000	435,566	1,467
SPITT d.o.o.	Slovenia	100.000	296,307	28,859
UNIOR Produktions- und Handels-GmbH	Austria	99.550	21,264	16,262
UNIOR DEUTSCHLAND GmbH	Germany	100.000	1,228,310	131,772
UNIOR FRANCE S.A.S.	France	100.000	(102,450)	(141,484)
UNIOR ITALIA S.R.L.	Italy	95.000	160,992	6,585
UNIOR SPAIN S.L.	Spain	95.000	472,617	33,509
UNIOR INTERNATIONAL Ltd.	Great Britain	50.000	(625,272)	(167,509)
UNIOR MAKEDONIA d.o.o. Skopje	Macedonia	97.363	46,670	(24,579)
UNIOR PROFESSIONAL TOOLS Ltd.	Russia	55.000	1,066,046	109,098
UNIOR BULGARIA Ltd.	Bulgaria	77.310	39,149	(19,591)
UNIOR HUNGARIA Kft.	Hungary	70.000	(493,404)	(51,774)
UNIOR COMPONENTS d.o.o.	Serbia	100.000	11,938,468	794,082
NINGBO UNIOR FORGING Co. Ltd.	China	50.000	21,411,454	5,381,075
UNITUR d.o.o.	Croatia	55.353	1,706,115	(399,066)
Associated companies:				
ŠTORE STEEL d.o.o.	Slovenia	29.253	55,754,509	8,861,480
RHYDCON d.o.o.	Slovenia	33.500	3,255,747	(185,259)
RC SIMIT d.o.o.	Slovenia	20.000	955,990	(2,739)
UNIOR TEPID S.R.L.	Romania	49.000	5,124,863	1,303,691
UNIOR SINGAPORE Pte. Ltd.	Singapore	40.000	(35,133)	(22,816)
UNIOR TEHNA d.o.o.	Bosnia and Herzegov	25.000	1,164,310	459,880
UNIOR TEOS ALATI d.o.o.	Serbia	20.000	2,708,332	372,436

12.3.5 Inventories

(in EUR)	31.12.2017	31.12.2016
Material	20,316,345	19,707,411
Work-in-progress	22,577,229	24,532,034
Products	14,428,354	13,550,629
Merchandise	4,145,372	3,569,643
Stocktaking surpluses	262,629	46,367
Stocktaking deficits	392,269	136,219
Value adjustment	(1,429,234)	(1,290,323)
Total	**60,692,963**	**60,251,980**

Balance of value adjustment of inventories

(in EUR)	31.12.2017	31.12.2016
– material	331,567	436,902
– finished products	1,038,558	771,162
– merchandise	59,109	82,259
Total	**1,429,234**	**1,290,323**

Changes in the adjustments of the inventory values

(in EUR)	2017	2016
Balance of value adjustment of inventories as at 1 January	**1,290,323**	**1,220,515**
– material	(105,335)	(63,934)
– finished products	267,396	90,888
– merchandise	(23,150)	42,854
Balance as at 31 December	**1,429,234**	**1,290,323**

The inventories in the current financial year remained more or less unchanged, there was a slight increase in inventories of materials and products, and the inventories of work-in-progress decreased. The company's inventory is entirely realizable, so the book value of the inventory is equal to the net realizable value. Inventories in the amount of EUR 20 million are pledged for the benefit of the banks for the insurance of financial liabilities.

The inventories in the table above are shown in gross amounts, as the value adjustments of inventories and the effects of inventory adjustments arising from the changes identified at stocktaking are shown separately, while the inventories in the balance sheet are shown in net amounts.

12.3.6 Operating receivables

(in EUR)	31.12.2017	31.12.2016
Long-term operating receivables		
Long-term operating receivables from subsidiaries	8,159,883	3,073,383
Long-term operating receivables due from associates	0	168,773
Long-term trade receivables	556,284	651,049
Short-term part of long-term operating receivables		(10,570)
Value adjustment of long-term operating receivables	(442,892)	(442,892)
Total long-term operating receivables	**8,273,275**	**3,439,743**
Short-term operating receivables		
Short-term operating receivables from subsidiaries	7,981,245	7,729,437
Short-term operating receivables due from associates	1,497,148	455,207
Short-term trade receivables – Slovenia	2,577,323	3,371,713
Short-term trade receivables – abroad	15,558,281	12,867,849
Receivables for VAT	1,626,075	717,668
Advances	780,968	858,818
Advances from associated companies	17,548	1,136,231
Other short-term operating receivables	4,696,844	3,693,293
Short-term part of long-term operating receivables	0	10,570
Value adjustments	(97,885)	(803,833)
Value adjustments – subsidiaries	0	0
Total short-term operating receivables	**34,637,547**	**30,036,953**

The increase in long-term operating receivables to subsidiaries is constituted by a new receivable from the company UNITUR d.o.o. in the amount of EUR 7.1 million, namely representing this long-term operating receivable from the investment in Hotel Natura and the running training ground. The amount has become a receivable by hive-off of the activity of the Tourism Programme into an independent company. Without this increase, the balance of long-term operating receivables from subsidiary and associated companies decreased by EUR 1.6 million due to the transfer of receivables against the company UNIDAL d.o.o. to a long-term loan, and by EUR 0.4 million for the repayment of receivables by the company UNIOR Makedonija d.o.o. Other short-term receivables include receivables in the amount of EUR 1.8 million arising from the sale of operating receivables from non-recourse factoring, receivables for the payment of the profit of the company Ningbo Unior in the amount of EUR 1.4 million, receivables from refunds, and disclosed are also deferred costs and accrued revenues in the amount of EUR 357 thousand, of which short-term deferred costs amount to EUR 217 thousand, and accrued revenues to EUR 140 thousand. The receivables shown in the table are fully repayable. The company estimates the repayability of individual receivables separately, namely it estimates the likelihood of the cash flow intended for the repayment of individual receivables. This is checked by verification of customer's credit rating and taking into consideration the probability of repayment. Since all receivables are of a short-term nature, the company does not discount the receivables when taking into account their repayment.

In 2017, the company formed the following value adjustments of trade receivables.

Change in receivables value adjustments

(in EUR)	2017	2016
Balance as at 1 January	**803,833**	**1,917,767**
Transfer to UNITUR d.o.o.	(59,739)	0
Collected receivables previously written-off	(40,501)	(113,055)
Final write-off of receivables	(667,403)	(1,439,979)
Formation of value adjustments in the year:	61,695	439,100
Balance as at 31 December	**97,885**	**803,833**

As of 01/10/2014 onwards, the Company has secured all operating receivables with the exception of receivables to the associated companies. We performed a definitive write-off of customer receivables in the amount of EUR 0.7 million. For all of these receivables, a value adjustment has already been formed in the previous years. For short-term operating receivables in the amount of up to EUR 18 million, we have concluded a contract on non-recourse factoring.

Maturity of the Company's receivables	31.12.2017	31.12.2016
Outstanding receivables	26,801,086	18,948,967
receivables overdue up to 90 days	4,010,210	4,535,686
Receivables overdue from 91 to 180 days	2,463,439	2,212,770
Receivables overdue from 181 to 360 days	1,151,308	2,535,451
Receivables overdue by more than 360 days	211,504	1,804,079
Total	**34,637,547**	**30,036,953**

12.3.7 Short-term financial investments

(in EUR)	31.12.2017	31.12.2016
Loans granted:		
- to subsidiaries	2,396,272	2,071,474
– to associated companies	0	893,617
– to others	0	43,057
Short-term financial investments in deposits	176,379	303,568
Short-term part of long-term loans to subsidiaries	1,075,383	0
Short-term part of long-term investments in liabilities	29,531	980,236
Value adjustments of short-term financial investments	0	(300,000)
Total	**3,677,565**	**3,991,952**

The short-term financial investments of the company in deposits in the amount of EUR 176,379 are pledged as collateral for liabilities arising from received bank guarantees. Other short-term financial investments are not pledged.

For short-term loans, the company has no received collateral, but it is estimated that they are fully repayable. The received payments for loans granted constitute a loan reduction.

Changes in short-term financial investments

(in EUR)	2017	2016
Balance as at 1 January	**3,991,952**	**5,566,600**
Increases:		
Increase of short-term loans to Group companies	1,311,628	314,179
Increase of short-term loans to associated companies	12,419	18,195
Increase of short-term loans granted to others	0	12,976
Increase of investments in deposits	11	869,982
Transfer of short-term part of long-term financial investments	1,104,914	980,236
Decreases:		
Decrease of short-term loans to Group companies	(942,342)	(351,703)
Decrease of short-term loans to associated companies	(935,465)	(13,373)
Decrease of short-term loans granted to others	(43,057)	(29,428)
Decrease of investments in deposits	(127,200)	(3,075,712)
Transfer to long-term financial investments	(695,295)	0
Other decreases – impairment	0	(300,000)
Balance as at 31 December	**3,677,565**	**3,991,952**

12.3.8 Cash and cash equivalents

(in EUR)	31.12.2017	31.12.2016
Cash in hand and checks received	505	16,109
Cash and cash equivalents in the bank	6,438,675	6,739,338
Total	**6,439,180**	**6,755,447**

The balance of monetary assets is by amount comparable to the balance at the end of the previous year, and is constituted by the balance of cash and cash equivalents on accounts with commercial banks and cash in hand.

12.3.9 Equity

The total capital of the company UNIOR d.d. consists of called-up capital, capital reserves, reserves from profit, reserves from revaluation at fair value and net profit for the financial year.

The company's share capital as at 31 December 2017 is registered in the amount of EUR 23,688,983 as disclosed in the balance sheet and, is divided into 2,838,414 non-par value shares. The book value per share as at 31/12/2017, amounts to EUR 31.38 and has decreased by 20.8 per cent compared to the previous year due to the transfer of capital components in the amount of EUR 31,101,187 to the spin-off company UNITUR d.o.o.

Reserves from profit in the amount of EUR 22,648,108 are intentionally retained amounts of profits from previous years, primarily for the settlement of potential future losses, at the end of 2016, they amounted to EUR 38,559,536. The difference is constituted by the transfer of corresponding reserves from profit to the spin-off company UNITUR d.o.o.

Reserves from revaluation at fair value in the amount of EUR 8,394,456 represent reserves from the revaluation of land at fair value and losses and actuarial gains in actuarial calculations of severance pay upon retirement. In the past year, reserves from revaluation at fair value amounted to EUR 23,001,591. The decrease is constituted by he transfer of reserves due to the revaluation to the spin-off company UNITUR d.o.o., the amount of the difference is high, as EUR 14,804,704 of reserves fell to the spin-off company due to the ownership of the land, which was valued at fair value and transferred to the newly established company.

Reserves from valuation at fair value

(in EUR)	31.12.2017	31.12.2016
Land	10,291,691	29,240,100
Severance pay	(529,466)	(614,983)
Actuarial profit	601,301	0
Value impairment of surpluses	(1,969,070)	(5,623,526)
Total	**8,394,456**	**23,001,591**

Changes in reserves from valuation at fair value

(in EUR)	2017	2016
Balance as at 1 January	**23,001,591**	**23,869,717**
Elimination of UNITUR d.o.o.	(14,770,236)	**0**
Decreases:		
– land	(13,668)	(635,326)
– severance pay	0	0
– actuarial profit	0	0
– value impairment of surpluses	(424,533)	(321,918)
Increases:		
– land	0	0
– severance pay	0	57,690
– actuarial profit	601,301	0
– value impairment of surpluses	0	31,428
Balance as at 31 December	**8,394,456**	**23,001,591**

The net profit or loss for the financial year – profit amounted to EUR 7,747,193, and in the previous year it amounted to EUR 5,089,184, but if the figure for the previous year is recalculated without the hived-off activity of the Tourism Programme, the net profit or loss of the previous year amounted to EUR 7,000,872.

Changes in equity in the current year represent:

- the reduction of the revaluation surplus in the amount of EUR 438,201, and the increase in actuarial profit for the calculation of the provision for severance pay by EUR 601,301,
- net profit brought forward – loss from previous years has decreased by the transferred profit from 2016 in the amount of EUR 6,993,715,
- net profit for the current year decreased by EUR 3,693,233 to cover the loss from previous years.

The balance loss is a category under the Companies Act.

Accumulated profit or loss

(in EUR)	31.12.2017	31.12.2016
a) Profit for the current year	7,747,193	5,089,184
b) net profit brought forward	0	0
c) net loss brought forward	(3,693,233)	(19,601,341)
d) decrease in capital reserves	0	0
d) decrease in profit reserves	0	0
e) increase in profit reserves	0	0
f) long-term deferred development costs	(3,617,239)	(1,793,401)
g) accumulated profit	**436,721**	**(16,305,558)**

12.3.10 Long-term provisions and deferred income

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

(in EUR)	Provisions for severance pay and jubilee awards	Provisions for annuities	Provisions for environmental rehabilitation	Received grants for fixed assets	Provisions from long-term deferred revenues	Total
Balance as at 31 December 2015	**4,022,237**	**255,674**	**0**	**2,688,432**	**106,465**	**7,072,808**
Established provisions	1,170,262	11,791	0	7,523	566	1,190,142
Drawn provisions	(132,105)	(16,795)	0	(98,125)	(28,548)	(275,573)
Reversal of provisions	(615,466)	0	0	0	0	(615,466)
Balance as at 31 December 2016	**4,444,928**	**250,670**	**0**	**2,597,830**	**78,483**	**7,371,911**

The provisions for long-service bonuses and severance pay are formed in the amount of estimated future payments for severance pay and long-service bonuses discounted as at the balance sheet date. The main parameters taken into account in the calculation are the retirement age of 60 years for women and 62 for men, the required years of service of 40 years, the discount rate of 1.4 per cent, and the annual salary growth of 2.2 per cent. Reservations are eliminated due to different assumptions in the calculation of provisions and for all employees for whom provisions have been formed in previous years but who are no longer employed with us.

Provisions for annuities are formed for employees who have been injured at work and are damaged permanently.

With the spin-off of the company Unitur, the received grants for fixed assets in the amount of EUR 2,360,650 have transferred to it. Also disclosed among long-term provisions are the funds received by the Ministry of the Economy for the co-financing of development projects and the Ministry of the Environment and Spatial Planning for received emission coupons. The provisions are drawn down in accordance with the depreciation of the co-financed fixed assets. The balance of the provision as at 31/12/2017 amounts to EUR 225,053.

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

12.3.11 Long-term financial liabilities

Changes in long-term financial liabilities

(in EUR)	Principal of the debt 1 January 2017	Transfer under UNITUR d.o.o.	New loans in the year	Return on the unpaid short-term part	Repayments in the year	Principal of the debt 1 December 201	Part that falls due in year 2018	Long-term part
Bank or creditor								
Domestic banks	114,537,574	(14,426,584)	0	0	(331,471)	99,779,519	(6,137,385)	93,642,134
Financial lease	172,254	(28,356)	765,232	0	(303,329)	605,801	(244,097)	361,704
Total received loans	**114,709,828**	**(14,454,940)**	**765,232**	**0**	**(634,800)**	**100,385,320**	**(6,381,482)**	**94,003,838**

(in EUR)	Principal of the debt 1 January 2016	New loans in the year	Return on the unpaid short-term part	Repayments in the year	Principal of the debt 31 December 201	Part that falls due in year 2017	Long-term part
Bank or creditor							
Domestic banks	110,300,795	108,526,069		(98,118,738)	120,708,126	(6,170,552)	114,537,574
Foreign banks	922,474	0	0	(922,474)	0	0	0
Financial lease	1,075,434	234,004	0	(970,326)	339,112	(166,858)	172,254
Total received loans	**112,298,703**	**108,760,073**	**0**	**(100,011,538)**	**121,047,238**	**(6,337,410)**	**114,709,828**

The interest rates on long-term loans obtained are within the range of the six-month Euribor + 2.0 per cent to the six-month Euribor + 3.19 per cent, and the three-month Euribor + 0.5 per cent. The company has taken out long-term loans with a reference interest rate for a three-month and six-month Euribor. In 2017, for long-term loans in the amount of EUR 47.5 million, the company made an interest rate swap for a period of five years, thus securing the company against any adverse effects of the movement of the variable Euribor interest rate.

In compliance with IAS 7.22, which allows that certain cash flows or cash receipts and payments for items, which are characterized by quick turnover, high values and short maturities are disclosed according to the net principle, the Company thus in 2016 disclosed receipts from the increase in long-term financial liabilities and expenditures for long-term financial liabilities in the cash flow statement. The company reduced the trends by EUR 95,354,840 in receipts and expenditures, because this amount represents the replacement of the company's financial liabilities due to a successfully completed refinancing process.

Maturity of long-term financial liabilities by year

(in EUR)	2017	2016
Maturity from 1 to 2 years	7,191,326	6,417,430
Maturity from 2 to 3 years	15,128,081	7,228,642
Maturity from 3 to 4 years	11,102,555	17,792,390
Maturity from 4 to 5 years	11,226,066	12,551,298
Maturity of more than 5 years	49,355,810	70,720,068
Total	**94,003,838**	**114,709,828**

The collateral for long-term and short-term liabilities from financing are constituted by mortgages on real estate, movables, investments and inventories at fair value in the amount of EUR 134,060,738, as well as bills of exchange written. These values include the value of secured loan agreements. The collateralization of long-term liabilities arising from financing in the previous year amounted to EUR 159,315,738, as well as bills of exchange written. These values also included the value of secured loan agreements.

12.3.12 Long-term operating liabilities

(in EUR)	31.12.2017	31.12.2016
Long-term operating liabilities arising from lease	0	125,954
Short-term part of long-term operating liabilities	0	(46,411)
Total long-term operating liabilities	**0**	**79,543**

The long-term operating liabilities in the past year were constituted by the acquired commodity credit in the telecommunications field, which was transferred to the company UNITUR d.o.o by the hive-off of the activities of the Tourism Programme.

12.3.13 Deferred tax assets and liabilities

Deferred tax liability

(in EUR)	31.12.2017	31.12.2016
Deferred long-term tax asset	**6,645,243**	**7,498,724**
– jubilee awards and severance pay	769,805	844,536
– impairment of trade receivables	18,598	152,728
– tax relief for investments	2,119,306	1,996,010
– investments in research and development	829,146	1,592,354
– tax loss	2,908,388	2,913,096
Deferred long-term tax liabilities	**(1,969,070)**	**(5,623,526)**
– land revaluation surplus	(1,955,421)	(5,740,373)
– severance payments revaluation surplus	(13,649)	116,847
Net deferred long-term tax asset	**4,676,173**	**1,875,198**

Changes in deferred tax assets	2017	2016
Balance of deferred tax assets as at 1 January	**7,498,724**	**7,222,732**
Transfer to UNITUR d.o.o.	(1,046,976)	0
Decrease:		
– long-term provisions for jubilee awards and severance pa	0	0
– reversal of impairments of trade receivables	(122,780)	(173,292)
– Reversal of impairment of financial investments	0	(559,386)
– regional relief for investments	0	(48,282)
– investment into research and development	(554,553)	0
– tax loss	0	0
Increases:		
– long-term provisions for jubilee awards and severance pa	65,041	160,756
– impairment of trade receivables	0	0
– impairment of financial investments	0	0
– tax relief for investments	373,531	408,030
– investment into research and development	0	181,524
– tax loss	432,257	306,642
Balance of deferred tax assets as at 31 December	**6,645,243**	**7,498,724**

Changes in deferred tax liability	2017	2016
Balance of deferred tax liability as at 1 January	**5,623,526**	**5,333,036**
Transfer to UNITUR d.o.o.	(4,078,989)	0
Decrease	0	(120,712)
Increase	424,533	411,202
Balance of deferred tax liabilities on 31 December	**1,969,070**	**5,623,526**

Deferred tax assets and liabilities are accounted for using the balance sheet liability method. Only deferred tax assets and liabilities arising from temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes are recognised. The deferred tax is disclosed in the amount that will have to be paid according to expectations upon the reversal of the temporary differences based on laws that have been enacted or substantially enacted at the reporting date.

Deferred tax assets arise from the calculated provisions for long-service bonuses and severance pay, the impairment of accounts receivable, tax relief for investments into research and development, and from the disclosed tax loss. The applied tax rate for all items is 19 per cent.

Long-term deferred tax liability refer to the recalculation of property – land to fair value, which is disclosed in the revaluation surplus and the surplus from the revaluation of severance pay. The applied tax rate is 19 per cent.

12.3.14 Short-term financial liabilities

Changes in short-term financial liabilities

(in EUR)	Balance of debt 1 January 2017 with short-term part long-term liabilities	Transfer under UNITUR d.o.o.	New loans in the year	Transfer of unpaid short-term part o long-term liabilit	Repayments in the year	Transfer short-term of part of long-term liabilities	Balance of the debt L December 201
Bank or creditor							
Domestic banks	7,188,240	(634,652)	8,900,000	0	(6,552,242)	6,137,385	15,038,731
Related parties	183,459		385,113	0	(118,415)	0	450,157
Financial lease	166,858	(21,380)	0	0	(145,478)	244,097	244,097
Total received loans	**7,538,557**	**(656,032)**	**9,285,113**	**0**	**(6,816,135)**	**6,381,482**	**15,732,985**

(in EUR)	Balance of debt 1 January 2016 with short-term part long-term liabilities	New loans in the year	Transfer of unpaid short-term part :o long-term liability	Repayments in the year	Transfer short-term of part of long-term liabilities	Balance of the debt 31 December 2016
Bank or creditor						
Domestic banks	8,350,671	4,089,812	0	(11,422,795)	6,170,552	7,188,240
Foreign banks	39,367	0	0	(39,367)	0	0
Related parties	371,659	14,612	0	(202,812)	0	183,459
Other creditors	1,389,000	0	0	(1,389,000)	0	0
Financial lease	231,101	0	0	(231,101)	166,858	166,858
Total received loans	**10,381,798**	**4,104,424**	**0**	**(13,285,075)**	**6,337,410**	**7,538,557**

Among short-term financial liabilities, the company discloses short-term loans with associated companies of Unior Deutschland GmbH, Rogla Investments d.o.o. and RC Simit d.o.o., and a revolving loan with a consortium of commercial banks. All other financial liabilities are long-term.

The interest rate for the taken short-term loans amounts to 2.0 to 4.0 per cent fixed and 6-month EURIBOR + 2.5 per cent.

The collateral for long-term and short-term liabilities from financing are constituted by mortgages on real estate, movables, investments and inventories at fair value in the amount of EUR 134,060,738, as well as bills of exchange written. These values include the value of secured loan agreements.

12.3.15 Short-term operating liabilities

Short-term operating liabilities

(in EUR)	**31.12.2017**	**31.12.2016**
Short-term operating liabilities to subsidiaries		
Slovenia	450,833	135,069
abroad	1,818,419	2,034,765
Short-term operating liabilities to associated companies		
Slovenia	6,548,896	4,294,056
abroad	21,730	14,951
Short-term operating liabilities to other suppliers:		
Slovenia	14,990,814	18,153,352
abroad	7,634,960	6,345,863
Short-term operating liabilities to the state	538,201	643,523
Short-term operating liabilities to employees	3,699,252	4,111,958
Short-term operating liabilities for advances	3,458,288	4,465,440
Short-term operating liabilities for interest	43,392	42,860
Other short-term liabilities	2,720,218	3,385,926
Short-term part of long-term operating liabilities	0	46,411
Total	**41,925,004**	**43,674,174**

Maturity of company's operating liabilities

(in EUR)	**31.12.2017**	**31.12.2016**
outstanding liabilities	30,121,444	32,788,317
Overdue liabilities up to 90 days	11,186,883	10,418,847
Maturity from 91 to 180 days	427,745	166,024
Maturity from 181 to 360 days	164,676	288,461
Overdue liabilities over 360 days	24,257	12,525
Total	**41,925,004**	**43,674,174**

Other short-term liabilities include:

- accrued charges in the amount of EUR 2,270,118 which include accrued fees for sales of EUR 1,053,280, an obligation for unused annual leave for 2017 in the amount of EUR 1,149,257, an obligation for 2017 audit EUR 14,300, received invoices in January 2018 for supplies or services rendered in 2017 in the amount of EUR 33,316, and issued credit notes in January 2018 for supplies or services rendered in 2017 in the amount of EUR 19,965;
- VAT from advances given in the amount of EUR 37,324.

12.3.16 Contingent liabilities

(in EUR)	31.12.2017	31.12.2016
Warranties and guarantees (	2,523,151	3,665,732
Total	**2,523,151**	**3,665,732**

Warranties and guarantees given to related parties are worth EUR 2,523,151.

12.3.17 Spin-off of UNITUR d.o.o.

Based on the General Meeting's decision in 2017, the tourism sector – as of 01/01/2017 – was hived-off to the independent subsidiary of UNITUR d.o.o. UNITUR d.o.o. was entered into the court register on 7/11/2017. Below we present the balance sheet of the company UNIOR d.d. with excluded data on balances and liabilities that were transferred by spin-off to the new company UNITUR d.o.o.

The Pan-Slovenian Shareholders' Association has filed an appeal against the decision on the entry of spin-off with the company UNIOR d.d., which was granted for procedural reasons, and then on 5 March 2018, the registry again decided in favour of UNIOR d.d. The Pan-Slovenian Shareholders' Association appealed again against the decision issued on 5 March 2018. The Pan-Slovenian Shareholders' Association has not filed an appeal against the decision on the registration of establishing the company UNITUR d.o.o. by spin-off assets, and is therefore final.

Below we present a comparable balance sheet and an income statement for the company UNIOR d.d. for the financial year 2016, excluding the activities of the Tourism Programme, which has been hived-off into the independent company UNITUR d.o.o.

Opening balance sheet of UNIOR d.d.

(in EUR) Item		With Tourism activity 31.12.2016	With Tourism activity 01.01.2017
	ASSETS	**285,798,930**	**233,199,668**
A.	**LONG-TERM ASSETS**	**184,762,598**	**133,630,149**
I.	**Intangible assets and long-term deferred costs and accrued revenues**	**4,169,983**	**2,708,434**
1.	Long-term property rights	1,721,457	259,908
2.	Goodwill	403,940	403,940
3.	Long-term deferred development costs	1,793,401	1,793,401
4.	Other intangible assets	165,153	165,153
5.	Intangible assets acquired	86,032	86,032
II.	**Property, plant and equipment**	**140,287,368**	**74,269,916**
1.	Land and buildings	91,979,557	31,056,972
	a) Land	*32,709,337*	*10,271,748*
	b) Buildings	*59,270,220*	*20,785,224*
2.	Production plant and machinery	40,393,748	35,994,914
3.	Other plant and equipment, small tools and other tangible fixed assets	41,136	41,136
4.	Property, plant and equipment being acquired	7,872,927	7,176,894
III.	**Investment properties**	**13,761,637**	**13,577,949**
IV.	**Long-term financial investments**	**21,228,669**	**27,699,942**
1.	Long-term financial investments, excluding loans	16,194,246	22,665,519
	a) Shares and stakes in Group companies	*12,614,405*	*19,098,197*
	b) Shares and stakes in associated companies	*3,488,420*	*3,488,420*
	c) Other shares and stakes	*91,421*	*78,902*
2.	Long-term loans	5,034,423	5,034,424
	a) Long-term loans to Group companies	*4,889,857*	*4,889,858*
	b) Long-term loans to others	*144,566*	*144,566*
V.	**Long-term operating receivables**	**3,439,743**	**10,466,697**
1.	Long-term operating receivables due from Group companies	3,073,383	10,171,113
2.	Long-term trade receivables	168,773	168,773
3.	Long-term operating receivables due from others	197,587	126,811
VI.	**Deferred tax assets**	**1,875,198**	**4,907,210**
B.	**SHORT-TERM ASSETS**	**101,036,332**	**99,569,519**
I.	**Assets (disposal groups) held for sale**	**0**	**0**
II.	**Inventories**	**60,251,980**	**59,932,314**
1.	Material	19,394,850	19,084,110
2.	Work-in-progress	24,560,134	24,560,134
3.	Products	12,809,160	12,807,381
4.	Merchandise	3,487,836	3,480,689
III.	**Short-term financial investments**	**3,991,952**	**3,991,952**
1.	Short-term financial investments, excluding loans	0	0
2.	Short-term loans	3,991,952	3,991,952
	a) Short-term loans to Group companies	*2,722,281*	*2,722,281*
	b) Other short-term loans	*1,269,671*	*1,269,671*
IV.	**Short-term operating receivables**	**30,036,953**	**28,905,631**
1.	Short-term operating receivables due from Group companies	8,865,668	8,904,855
2.	Short-term trade receivables	16,760,324	16,718,197
3.	Short-term operating receivables due from others	4,410,961	3,282,579
V.	**Cash and cash equivalents**	**6,755,447**	**6,739,622**

(in EUR) Item		With Tourism activity 31.12.2016	With Tourism activity 01.01.2017
	EQUITY AND LIABILITIES	**285,798,930**	**233,199,668**
A.	**EQUITY**	**112,424,917**	**82,245,250**
I.	**Called-up capital**	**23,688,983**	**23,688,983**
1.	Share capital	23,688,983	23,688,983
2.	Uncalled capital (deduction item)	0	0
II.	**Capital reserves**	**41,686,964**	**30,277,035**
III.	**Reserves from profit**	**38,559,536**	**23,706,641**
1.	Legal reserves	1,951,606	1,417,442
2.	Reserves for treasury shares and own stakes	120,190	120,190
3.	Treasury shares and operating stakes (deduction item)	0	0
4.	Statutory reserves	0	0
5.	Other reserves from profit	36,487,740	22,169,009
IV.	**Reserves from valuation at fair value**	**23,001,591**	**8,231,355**
V.	**Net profit brought forward**	**0**	**0**
VI.	**Net loss brought forward**	**19,601,341**	**3,658,765**
VII.	**Net profit for the financial year**	**5,089,184**	**0**
VIII	**Net loss for the financial year**	**0**	**0**
B.	**PROVISIONS AND LONG-TERM ACCRUED COSTS AND DEFERRED REVENUE**	**7,371,911**	**4,248,255**
1.	Provisions for pensions and similar liabilities	4,444,928	3,760,405
2.	Other provisions	2,926,983	487,849
3.	Deferred income	0	0
C.	**LONG-TERM LIABILITIES**	**114,789,371**	**100,227,281**
I.	**Long-term financial liabilities**	**114,709,828**	**100,227,281**
1.	Long-term financial liabilities to companies in the Group	0	0
2.	Long-term financial liabilities to banks	114,709,828	100,227,281
3.	Long-term financial liabilities arising from bonds	0	0
4.	Other long-term financial liabilities	0	0
II.	**Long-term operating liabilities**	**79,543**	**0**
1.	Long-term operating liabilities to Group companies	0	0
2.	Long-term trade payables	0	0
3.	Long-term bills payable	0	0
4.	Long-term operating liabilities from advances	0	0
5.	Other long-term operating liabilities	79,543	0
III.	**Deferred tax liability**	**0**	**0**
D.	**SHORT-TERM LIABILITIES**	**51,212,731**	**46,478,882**
I.	**Liabilities included in disposal groups**	**0**	**0**
II.	**Short-term financial liabilities**	**7,538,557**	**6,910,133**
1.	Short-term financial liabilities due to Group companies	175,384	175,384
2.	Short-term financial liabilities to banks	7,188,240	6,726,674
3.	Short-term financial liabilities arising from bonds	0	0
4.	Other short-term financial liabilities	174,933	8,075
III.	**Short-term operating liabilities**	**43,674,174**	**39,568,749**
1.	Short-term operating liabilities to companies in the Group	2,169,834	2,185,533
2.	Short-term trade payables	28,854,633	26,946,935
3.	Short-term bills payable	0	0
4.	Short-term operating liabilities from advances	4,465,440	3,521,347
5.	Other short-term operating liabilities	8,184,267	6,914,934

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Comparable income statement of UNIOR d.d.

(in EUR) Item		With Tourism activity 2016	With Tourism activity 2016
A.	**Net sales revenues**	**167,942,365**	**150,442,246**
1.	Net revenues from sales on the domestic market	32,048,846	14,548,339
	a) Net revenues from the sale of products and services	*25,139,088*	*7,647,387*
	b) Net revenues from sale of goods and material	*6,909,758*	*6,900,952*
2.	Net revenues from sales on foreign markets	135,893,519	135,893,907
	a) Net revenues from the sale of products and services	*125,158,465*	*125,158,853*
	b) Net revenues from sale of goods and material	*10,735,054*	*10,735,054*
B.	**Change in the value of inventories of finished products and work-in-progress**	**4,026,052**	**4,029,026**
C.	**Capitalised own products and services**	**1,027,705**	**1,027,705**
D.	**Other operating revenues**	**3,432,596**	**3,086,362**
I.	**GROSS OPERATING PROFIT**	**176,428,718**	**158,585,339**
D.	**Costs of goods, materials and services**	**104,821,999**	**96,776,534**
1.	Costs of goods and materials sold	11,238,003	11,224,380
2.	Cost of materials used	70,995,237	67,158,552
	a) Materials costs	*55,363,543*	*52,831,115*
	b) Costs of energy	*7,065,907*	*5,965,272*
	c) Other cost of materials	*8,565,787*	*8,362,165*
3.	Costs of services	22,588,759	18,393,602
	a) Transport services	*3,828,373*	*3,652,413*
	b) Costs of maintenance	*1,016,786*	*604,575*
	c) Rents	*422,914*	*258,729*
	d) Other costs of services	*17,320,686*	*13,877,885*
E.	**Labour costs**	**51,578,457**	**43,594,362**
1.	Cost of wages and salaries	38,050,290	32,720,177
2.	Cost of pension insurance	507,084	446,484
3.	Costs of other social insurance	6,347,692	5,495,908
4.	Other labor costs	6,673,391	4,931,793
F.	**Amortization and depreciation costs**	**10,184,684**	**7,758,710**
1.	Amortization/depreciation	9,180,428	6,797,408
2.	Operating expenses from revaluation of intangible fixed assets and property, plant and equipment	406,175	393,374
3.	Operating expenses from the revaluation of current assets	598,081	567,928
G.	**Other operating expenses**	**1,337,016**	**956,345**
1.	Provisions	11,790	11,790
2.	Other costs	1,325,226	944,555
II.	**OPERATING PROFIT OR LOSS**	**8,506,562**	**9,499,388**
H.	**Financial income**	**1,970,546**	**1,969,128**
1.	Financial income from participating interests	1,464,080	1,464,080
	a) Financial income from participating interest in Group companies	*1,178,249*	*1,178,249*
	b) Financial income from participating interest in associates	*270,451*	*270,451*
	c) Financial income from participating interest in other companies	*15,380*	*15,380*
	d) Financial income from other investments	*0*	*0*
2.	Financial income from loans granted	436,122	436,122
	a) Financial income from loans to Group companies	*362,480*	*362,480*
	b) Financial income from loans to others	*73,642*	*73,642*
3.	Financial revenues from operating receivables	70,344	68,926
	a) Financial income from operating receivables due from Group companies	*364*	*364*
	b) Financial income from operating receivables due from others	*69,980*	*68,562*
I.	**Financial expenses**	**5,663,916**	**4,696,252**
1.	Financial expenses from impairments and write-offs of financial investments	*307,169*	*307,169*
2.	Financial expenses from financial liabilities	4,741,111	3,810,141
	a) Financial expenses from loans, received from Group companies	*6,537*	*6,537*
	b) Financial expenses from bank loans	*4,489,039*	*3,558,069*
	c) Financial expenses from issued bonds	*0*	*0*
	d) Financial expenses from other financial liabilities	*245,535*	*245,535*
3.	Financial expenses from operating liabilities	615,636	578,942
	a) Financial expenses from operation liabilities to Group companies	*47,699*	*58,475*
	b) Finance expenses from trade payables and bills payable	*322,774*	*305,510*
	c) Financial expenses from other operating liabilities	*245,163*	*214,957*
III.	**PROFIT OR LOSS**	**4,813,192**	**6,772,264**
	Income tax	**0**	**0**
	Deferred tax	**(275,992)**	**(228,608)**
	NET PROFIT OR LOSS FOR THE ACCOUNTING PERIOD	**5,089,184**	**7,000,872**

12.4 Notes to the income statement

12.4.1 Net sales revenues

Net sales revenues by geographical segment

(in EUR)	2017	2016
Slovenia	**18,146,136**	**32,048,846**
– subsidiaries	1,431,235	172,592
– associates	82,717	103,258
– other buyers	16,632,184	31,772,996
Other countries	**147,126,572**	**135,893,519**
– subsidiaries	13,618,123	13,096,792
– associates	4,890,497	4,079,328
– other buyers	128,617,952	118,717,399
Total	**165,272,708**	**167,942,365**

Net revenue from sales by sectoral sections

(in EUR)	2017	2016
FORGES	104,675,636	95,491,055
TOOLS	33,516,356	32,239,121
SPECIAL MACHINES	21,413,056	19,310,545
TOURISM	0	17,500,119
JOINT SERVICES	5,613,919	3,281,739
MAINTENANCE	53,741	119,786
Total	**165,272,708**	**167,942,365**

12.4.2 Capitalised own products and services

Capitalized own products and services are products manufactured by the company for its own needs and has capitalized them among tangible fixed or intangible long-term fixed assets. Their value does not exceed the costs of their production or provision of services.

(in EUR)	2017	2016
Capitalised own products and services	3,451,429	1,027,705
Total	**3,451,429**	**1,027,705**

The capitalized own products and services disclose the value of capitalized costs of development in the Special Machines Programme in the amount of EUR 2.7 million, as well as own investments in maintenance for the needs of other programmes in the amount of EUR 0.7 million, which include general renovation of machines in the forging workshop and the renovation of CNC machines.

12.4.3 Other operating revenues

Other operating revenues

(in EUR)	2017	2016
Rewards for exceeding the quota of disabled employees	167,951	170,802
Paid receivables that were already included in the value adjustr	40,501	113,055
Damages received	250,413	307,223
Reversal of long-term provisions	270,062	615,466
Profit from the sale of fixed assets	69,527	681,686
Revaluation of investment properties at fair value	0	158,494
Subsidies, grants and similar revenues	7,813	56,689
Emission coupon sales	7,523	7,815
Other operating revenues	921,172	1,321,366
Total	**1,734,963**	**3,432,596**

Among other operating revenues, the company discloses revenues from the accrued income of managing the company NINGBO Unior in the amount of EUR 513 thousand, the elimination of the accrued inventory adjustment in the amount of EUR 207 thousand, revenues from the refund of scholarships in the amount of EUR 113 thousand, the bonus received by the insurance company in the amount of EUR 50 thousand, and EUR 32 thousand constitutes the reconciliation of long-term financial investments in RRA d.o.o. Celje.

12.4.4 Costs and expenses

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

Year 2016 (in EUR)	Production costs	Costs of sales	Costs of general activities	Total
Cost of goods sold/production costs	9,084,283	13,639	2,140,081	11,238,003
Cost of materials	65,405,576	4,836,886	752,775	70,995,237
Costs of services	14,529,850	5,149,126	2,909,783	22,588,759
Cost of wages and salaries	*28,504,048*	*5,602,130*	*3,944,112*	38,050,290
Cost of social insurance	*4,822,667*	*893,590*	*631,435*	6,347,692
Cost of pension insurance	*402,133*	*65,880*	*39,071*	507,084
Other labour costs	*4,588,468*	*1,422,495*	*662,428*	6,673,391
Total labour costs	38,317,316	7,984,095	5,277,046	51,578,457
Amortisation/depreciation	6,165,046	2,383,020	632,362	9,180,428
Operating expenses from the revaluation of current	560,175	17,352	20,554	598,081
Operating expenses from the revaluation of intangi	111,589	12,801	281,785	406,175
other costs	752,005	380,671	204,340	1,337,016
Total costs	**134,925,840**	**20,777,590**	**12,218,726**	**167,922,156**

Other labour costs include the costs of holiday pay, meal allowance, for transport to and from work, long-service bonuses and severance pay above the formed provision, and some other payments to employees.

Among the cost of services, the company discloses EUR 196,915 of costs for hiring workers through agencies for provision of workforce, which represents 11 employees compared to hours worked.

The purchasing of material in associated companies is presented in Chapter 12.6.2.

As part of its other costs, the company discloses:

(in EUR)	2017	2016
– Provisions for annuities	11,852	11,790
– charge for the use of building land	153,632	273,439
– environmental protection expenditures	65,170	73,963
– awards to pupils and students	440,006	533,145
– scholarships to pupils and students	51,589	44,968
– damages paid to employees	58,299	70,056
– financial aid – grants	123,076	123,611
– impairments of investment properties	0	181,106
– other operating expenses	15,603	24,938
Total	**919,227**	**1,337,016**

The contractual amount for auditing the Annual Report for the public limited company Unior d.d. and the Unior Group amounts to EUR 20,000. The audit was performed by the company Deloitte Revizija d.o.o. Ljubljana. The contractual amounts for the provision of non-audit services in the 2017 financial year amounted to EUR 9,550, and cover the implementation of education in relation to the introduction of the new IFRS 15, a breakdown audit of the hived-off activity of the Tourism Programme into the independent company UNITUR d.d., and checking the correctness of the calculation of financial commitments for the needs of banks.

12.4.5 Financial income and financial expenses

Financial income

(in EUR)	2017	2016
Financial income from participating interests		
Financial income from participating interest in Group companies	1,068,625	1,178,249
Financial income from participating interest in associates	516,327	270,451
Financial income from participating interests in other companies	80	15,380
Financial income from impairment of financial investments	300,000	0
Total	1,885,032	1,464,080
Financial income from loans granted		
Financial income from loans granted to Group companies	310,696	362,480
Financial income from loans granted to others	178,306	73,642
Total	489,002	436,122
Financial income from operating receivables		
Financial profit from operating receivables due from Group companies	0	364
Financial income from operating receivables due from others	227,676	69,980
Total	227,676	70,344
Total financial revenue	**2,601,709**	**1,970,546**

Financial income from participating interests in Group companies include profits in the companies Unior Components a.d. and Ningbo Unior Forging Co. Ltd. Financial income from participating interests in associates companies includes a share in profits in the company Unior Teos d.o.o., Unior Tepid s.r.l., Unior Tehna d.o.o. and Štore Steel d.o.o.
The impairment of the long-term loan of Unior Makedonija d.o.o. was eliminated due to the full repayment of the loan.

Financial expenses

(in EUR)	2017	2016
Financial expenses from impairments and write-offs of financial investments	1,006,333	307,169
Financial expenses from financial liabilities		
Financial expenses from loans, received from Group companies	4,950	6,537
Financial expenses from bank loans	3,090,854	4,489,039
Financial expenses from other financial liabilities	163	245,535
Total	3,095,967	4,741,111
Financial expenses from operating liabilities		
Financial expenses from operation liabilities to Group companies	21,143	47,699
Financial expenditures from trade payables and bills payable	162,268	322,774
Financial expenses from other operating liabilities	176,248	245,163
Total	359,659	615,636
Total financial expenses	**4,461,958**	**5,663,916**

Impairment of financial investments
The impairment of the investment in Unidal d.o.o. amounted to EUR 500,000, in Unior Makedonija d.o.o. to EUR 300,000, in Sinter Užice to EUR 151,333 and in Unior France S.A.S. to EUR 55,000.

12.5 Corporate income tax account and deferred taxes

(in EUR)	2017	2016
Income tax	0	0
Deferred tax	(193,496)	(275,992)
Total	**(193,496)**	**(275,992)**

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

(in EUR)	2017	2016
Profit and loss for the accounting period before taxes	7,608,436	4,813,191
Income tax in Slovenia 19%	1,445,603	818,243
Non-taxable income	84,671	113,055
Expenses not recognized for tax purposes	2,948,302	2,004,050
Value adjustments of receivables	(122,780)	(173,292)
Value adjustment of investments	0	(559,386)
Provisioning	65,041	160,756
Tax relief for investments in research and development	(554,553)	133,242
Tax relief for investments	373,531	408,030
Tax relief for the employment of disabled people	0	0
Tax relief for supplementary pension insurance	0	0
Tax loss	432,257	306,642
Deferred tax	(193,496)	(275,992)
Effective tax rate in %	(2.5)	(5.7)

The tax base for 2017 is disclosed in the amount of EUR 10,439,996. The tax base is reduced by the use of tax relief for R & D investments in the amount of EUR 5,046,824, for investments in the amount of EUR 3,402,559, for the employment of disabled persons in the amount of EUR 1,455,442, for supplementary pension insurance in the amount of EUR 437,791 and for grants in the amount of EUR 97,380. There is no tax base. The tax relief that can be used in subsequent periods amount to a total of EUR 28,472,119, with a tax loss of EUR 15,307,307.

Deferred tax

The profit determined under the tax legislation differs from the profit established on the basis of accounting principles and the IFRS. The deferral of taxes is accounted only for temporary differences in the tax burden between the business and tax financial statements, i.e. for those that are reconciled in the identifiable period.

A deferred tax asset is calculated using the temporary difference in the long-term provisions for severance pay and long-service bonuses, impairment of accounts receivable, unused tax reliefs and tax losses.

The impact on net profit from deferred taxes amounts to EUR 193,496, which increases the net profit for the current year.

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12.6 Related party transactions

12.6.1 Sales to related parties

Sales to associated companies

(in EUR)	2017	2016
Subsidiaries:		
in the country:	**1,431,235**	**172,592**
UNITUR d.o.o. Zreče	1,416,307	0
RTC KRVAVEC d.d. Cerklje	423	135,170
SPITT d.o.o. Zreče	14,505	37,422
abroad:	**13,618,123**	**13,096,792**
UNIOR Produktions- und Handels-GmbH Ferlach	3,203,416	3,549,747
UNIOR GERMANY GmbH Remseck	807,513	793,506
UNIOR ITALIA S.R.L. Limbiate	1,129,221	971,332
UNIOR SPAIN S.L. Uharte-Arakil	677,424	733,374
UNIOR HELLAS S.A. Metamorfosis	(1,672)	171,953
UNIOR INTERNATIONAL Ltd. Lincolnshire	881,219	903,595
UNIOR MAKEDONIA d.o.o. Skopje	138,187	172,454
UNIOR PROFESSIONAL TOOLS Ltd St. Petersburg	1,207,367	1,338,376
UNIOR USA CORPORATION Olney	19,417	26,147
UNIOR BULGARIA Ltd. Sofia	216,107	187,812
UNIOR HUNGARIA Kft. Nagyrecse	177,150	214,203
UNIOR COMPONENTS d.o.o. Kragujevac	241,055	179,396
NINGBO UNIOR FORGING Co.Ltd. Yuyao	27,447	111,365
UNIDAL d.o.o. Vinkovci	4,894,273	3,743,532
Total subsidiaries	**15,049,358**	**13,269,384**
Associated companies:		
in the country:	**82,717**	**103,258**
ŠTORE STEEL d.o.o. Štore	26,280	43,851
RHYDCON d.o.o. Šmarje pri Jelšah	30,276	33,245
RC SIMIT d.o.o. Kidričevo	26,162	26,162
abroad:	**4,890,497**	**4,079,328**
UNIOR TEPID S.R.L. Brasov	3,052,241	2,434,346
UNIOR SINGAPORE Pte. Ltd. Singapore	203,612	205,320
UNIOR TEHNA d.o.o. Sarajevo	471,875	492,825
UNIOR TEOS ALATI d.o.o. Belgrade	1,162,770	891,422
SINTER a.d. Užice	0	55,415
Total associated companies	**4,973,214**	**4,182,586**
Total sales to related parties	**20,022,572**	**17,451,970**

12.6.2 Purchases from associated companies

Purchases from related parties

(in EUR)	2017	2016
Subsidiaries:		
in the country:	**755,732**	**456,554**
UNITUR d.o.o. Zreče	599,489	0
RTC KRVAVEC d.d. Cerklje	0	71,477
SPITT d.o.o. Zreče	156,243	385,077
abroad:	**12,071,905**	**10,422,559**
UNIOR Produktions- und Handels-GmbH Ferlach	1,079,679	1,150,249
UNIOR GERMANY GmbH Remseck	1,035,251	658,954
UNIOR FRANCE S.A.S. Melun	0	1,440
UNIOR ITALIA S.R.L. Limbiate	17,959	39,862
UNIOR SPAIN S.L. Uharte-Arakil	1,759	1,759
UNIOR HELLAS S.A. Metamorfosis	1,204,518	247,376
UNIOR INTERNATIONAL Ltd. Lincolnshire	114,108	122,512
UNIOR MAKEDONIA d.o.o. Skopje	30,153	38,263
UNIOR HUNGARIA Kft. Nagyrecse	0	(87)
UNIOR COMPONENTS d.o.o. Kragujevac	784,708	883,802
NINGBO UNIOR FORGING Co.Ltd. Yuyao	316,815	528,560
UNIDAL d.o.o. Vinkovci	7,486,955	6,749,869
Total subsidiaries	**12,827,637**	**10,879,113**
Associated companies:		
in the country:	**20,334,019**	**14,785,931**
ŠTORE STEEL d.o.o. Štore	20,334,019	14,785,931
abroad:	**160,942**	**549,102**
UNIOR TEPID S.R.L. Brasov	8,533	10,198
UNIOR SINGAPORE Pte. Ltd. Singapore	4,621	3,376
UNIOR TEHNA d.o.o. Sarajevo	2,141	0
UNIOR TEOS ALATI d.o.o. Belgrade	145,647	173,316
SINTER a.d. Užice	0	362,212
Total associated companies	**20,494,961**	**15,335,033**
Total purchase from related parties	**33,322,598**	**26,214,146**

12.6.3 Operating receivables due from associated companies

Operating receivables from related parties

(in EUR)	31.12.2017	31.12.2016
Subsidiaries:		
in the country:	**7,270,615**	**26,096**
UNITUR d.o.o. Zreče	7,268,410	0
RTC KRVAVEC d.d. Cerklje	0	21,954
SPITT d.o.o. Zreče	2,205	4,142
abroad:	**8,888,061**	**11,912,955**
UNIOR Produktions- und Handels-GmbH Ferlach	1,746,649	1,613,329
UNIOR GERMANY GmbH Remseck	26,341	80,786
UNIOR ITALIA S.R.L. Limbiate	426,650	382,349
UNIOR SPAIN S.L. Uharte-Arakil	689,246	781,706
UNIOR HELLAS S.A. Metamorfosis	0	954,165
UNIOR INTERNATIONAL Ltd. Lincolnshire	1,502,196	1,332,360
UNIOR MAKEDONIA d.o.o. Skopje	424,817	1,032,262
UNIOR PROFESSIONAL TOOLS Ltd St. Petersburg	1,031,820	1,432,277
UNIOR BULGARIA Ltd. Sofia	174,025	380,975
UNIOR HUNGARIA Kft. Nagyrecse	136,216	150,678
UNIOR COMPONENTS d.o.o. Kragujevac	35,615	31,281
NINGBO UNIOR FORGING Co.Ltd. Yuyao	0	82,396
UNIDAL d.o.o. Vinkovci	2,694,485	3,658,391
Total subsidiaries	**16,158,676**	**11,939,051**
Associated companies:		
in the country:	**88,320**	**117,908**
ŠTORE STEEL d.o.o. Štore	79,232	105,431
RHYDCON d.o.o. Šmarje pri Jelšah	6,160	9,549
RC SIMIT d.o.o. Kidričevo	2,928	2,928
abroad:	**1,408,828**	**506,072**
UNIOR TEPID S.R.L. Brasov	1,219,701	172,296
UNIOR TEHNA d.o.o. Sarajevo	199,332	187,983
UNIOR TEOS ALATI d.o.o. Belgrade	(10,205)	(44,136)
SINTER a.d. Užice	0	189,929
Total associated companies	**1,497,148**	**623,980**
Total operating receivables due from related part	**17,655,824**	**12,563,031**

12.6.4 Operating liabilities to associated companies

Operating liabilities to associated companies

(in EUR)	31.12.2017	31.12.2016
Subsidiaries:		
in the country:	**450,833**	**135,069**
UNITUR d.o.o. Zreče	310,754	0
RTC KRVAVEC d.d. Cerklje	0	10,373
SPITT d.o.o. Zreče	140,079	124,696
abroad:	**1,818,419**	**2,034,765**
UNIOR Produktions- und Handels-GmbH Ferlach	638,643	717,396
UNIOR GERMANY GmbH Remseck	0	87,903
UNIOR ITALIA S.R.L. Limbiate	3,628	3,693
UNIOR SPAIN S.L. Uharte-Arakil	1,759	1,759
UNIOR COMPONENTS d.o.o. Kragujevac	526,256	735,827
NINGBO UNIOR FORGING Co.Ltd. Yuyao	18,000	0
UNIDAL d.o.o. Vinkovci	630,133	488,187
Total subsidiaries	**2,269,252**	**2,169,834**
Associated companies:		
in the country:	**6,548,896**	**4,294,056**
ŠTORE STEEL d.o.o. Štore	6,545,839	4,290,999
RC SIMIT d.o.o. Kidričevo	3,057	3,057
abroad:	**21,730**	**14,951**
UNIOR TEPID S.R.L. Brasov	3,194	0
UNIOR TEOS ALATI d.o.o. Belgrade	18,536	14,951
Total associated companies	**6,570,626**	**4,309,007**
Total operating liabilities due from related parties	**8,839,878**	**6,478,841**

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

Receivables from loans and interest arising from associated companies

(in EUR)	31.12.2017	31.12.2016
Subsidiaries:		
in the country:	**5,717,941**	**4,579,887**
RTC Krvavec d.d., Cerklje	3,342,427	3,465,837
UNITUR d.o.o., Zreče	1,251,103	0
SPITT d.o.o., Zreče	1,124,411	1,114,050
abroad:	**3,890,342**	**3,032,252**
UNIOR Komerc d.o.o., Skopje	91,823	607,969
UNIDAL d.o.o., Croatia	1,981,633	0
UNIOR HUNGARIA Kft. Nagyrecse, Hungary	725,154	695,295
NINGBO UNIOR FORGING Co. Ltd, China	802,543	1,376,490
UNIOR BULGARIA Ltd, Bulgaria	289,190	352,498
Total subsidiaries	**9,608,283**	**7,612,139**
Associated companies:		
in the country:	**0**	**616,397**
RHYDCON d.o.o., Šmarje pri Jelšah	0	616,397
abroad:	**0**	**306,648**
SINTER a.d., Užice	0	306,648
Total associated companies	**0**	**923,045**
Total receivables from loans from related parties	**9,608,283**	**8,535,184**

Liabilities from loans and interest arising from associated companies

(in EUR)	43100	42735
Subsidiaries:		
in the country:	**63,312**	**61,818**
ROGLA INVESTICIJE d.o.o., Zreče	63,312	61,818
abroad:	**378,607**	**113,566**
UNIOR GERMANY GmbH, Germany	378,607	113,566
Total subsidiaries	**441,919**	**175,384**
Associated companies:		
in the country:	**8,238**	**8,075**
RC SIMIT d.o.o., Kidričevo	8,238	8,075
Total associated companies	**8,238**	**8,075**
Total liabilities from loans due from related parties	**450,157**	**183,459**

12.7 Receipts of the Management Board and the Supervisory Board

(in EUR)	Gross values 2017	Gross values 2016	Net values 2017	Net values 2016
Darko Hrastnik	171,714	166,742	81,693	73,589
Branko Bračko	158,338	154,920	77,423	68,382
Management Board total	**330,052**	**321,662**	**159,116**	**141,971**
Branko Pavlin	13,173	12,154	9,398	8,839
Marko Pahor	9,754	10,440	6,912	7,593
Drago Rabzelj	10,351	10,687	7,346	7,773
Darko Dujmović	9,681	8,946	6,859	6,506
Franc Dover	10,782	9,933	7,660	7,224
Marjan Adamič	9,256	9,549	6,550	6,945
Gregor Korošec *	1,641	2,186	1,194	1,590
Velimir Cugmas **	665	0	484	0
Simona Razvornik Škofič **	473	0	344	0
Supervisory Board total	**65,777**	**63,895**	**46,746**	**46,470**

* external member of the Supervisory Board Commission

** members of the nominating Commission of the Supervisory Board

12.8 Proposal for allocation of distributable profit for the current year

The Management Board of the company adopted the audited financial statements by decision dated 29/03/2018.

Based on the audited annual financial statements of the company for 2017, the estimated profit for the 2017 financial year amounts to EUR 436,721.34. The Management Board proposes that the profit remain undistributed.

The distributable profit for the financial year 2017 consists of net profit in the amount of EUR 4,053,960.41, and reduced by long-term deferred development costs in the amount of EUR 3,617,239.07.

13 Statement on the Management Board's Responsibility

The Management Board is responsible for the preparation of the annual report so that it presents fairly and accurately the financial position of the Company and its operation results for 2017.

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

The Management is also responsible for proper accounting, for the adoption of appropriate measures to secure assets and for discovering fraud and other irregularities and illegal practices.

At any time within a period of five years after the end of the year in which the tax is to be levied, the tax authorities may check the business of the company, which can result in the creation of an additional obligation to pay tax, default interest and penalties from the DDPO or other taxes and charges. The Company's Management Board is not aware of any circumstances that might cause any major liability thereunder.

Zreče, 29 March 2018

Chairman of the Management Board,
Darko Hrastnik, BSMet.

Member of the Management Board,
Branko Bračko, BSME.

14 Independent auditor's report

Deloitte.

Deloitte Revizija d.o.o.
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Slovenia

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INDEPENDENT AUDITOR'S REPORT
for the owners of the company UNIOR d.d.

Opinion

We have audited the financial statements of the company Unior d.d., (hereinafter the "Company"), composed of its balance sheet of 31 December 2017, the income statement, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended and explanatory notes to the financial statements, including a summary of essential accounting policies.

We believe that the financial statements give a true and fair view of the financial position of the company on 31 December 2017, its income statement and cash flows for the year then ended in accordance with the international financial reporting standards (IFRS), as adopted by the European Union (hereinafter the "IFRS").

The basis for the opinion

The audit was carried out pursuant to the International Auditing Standards (IAS). Our responsibilities under these standards are detailed in the paragraph *Auditor's responsibility for auditing the financial statements* within our report. In accordance with the Code of Ethics for Professional Accountants, issued by the International Ethics Standards Board for Accountants (Code IESBA), and ethical requirements, which relate to the auditing of financial statements in Slovenia, we confirm our independence from the company and compliance with all other ethical obligations in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that are, in our expert valuation, the most important in terms of our audit of the financial statements for the current period. We have treated the mentioned matters within the context of the audit of the financial statements as a whole and in compiling our opinion on the financial statements as a whole, which is why we do not provide a separate opinion on these matters.

Key Audit Matter	***Audit procedures in key audit matters discourse***
Recoverable amount of financial assets in subsidiaries in the financial statements	
Financial investments in the equity of subsidiaries are in the amount of EUR 19,250 thousand and are measured at the purchase value. Long-term and short-term loans to subsidiaries are in the amount of EUR 9,609 thousand and are measured at the amortised cost. Financial assets in subsidiaries on 31/12/2017 are in the amount EUR 28,859 thousand and represent 12% of assets. The Management annually asses the impairment signs of the aforementioned investments and granted loans and, where required, performs annual tests based on the discounting future cash flows. This procedure requires specific management assessment. In impairment signs assessment, a professional judgement and the use of subjective assumptions by the management is required. Due to the significance of the above-mentioned circumstances, the identification of impairment signs and the calculation of the impairments are considered as key audit matters.	We have assessed the management's considering the signs of impairments of investments and loans. The emphasis of our audit procedures was on assessing and testing the key assumptions, which the management used for identifying the signs of impairment and for assessing these impairments. These procedures included: • the comparison of net asset value with investment value • the assessment of assumptions, which are used for the calculation of discount measurements and their recalculation, • the review of planned future cash flows, which the company uses for impairment testing, • the comparison of planned cash flows, including the assumptions on revenue growth rate and operating profitability, with previous results for testing accuracy of management's assumptions, • the verification of assessments of granted loans impairments, • the verification of adequacy of granted loans, • the assessment of adequacy of disclosures in the financial statements. The disclosures in relation with financial assets in subsidiaries are included in explanation notes 12.3.4 and 12.3.7.

Other information

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

Our opinion on the financial statements does not apply to other information.

Our responsibility with regard to the conducted audit of the financial statements is to read other information and estimate whether it is significantly non-compliant with the financial statements, regulatory requirements or our knowledge, obtained during the audit of the company, or whether it indicates to be significantly incorrect in any other way. We also estimate whether other information is also prepared in accordance with the applicable legislation and regulations in all important aspects, particularly their compliance in view of the formal requirements and the procedure of preparing other information in the context of significance, thus whether any non-compliance with these regulations could impact the judgments that are based on this other information.

On the basis of the procedures performed and to the extent in which this can be estimated, we report on the following:

- Other information describing the facts, which are also presented in the financial statements, are in conformity with the financial statements in all important aspects.
- Other information is prepared in accordance with the applicable legislation and regulations.

In addition to the above-mentioned, we are obliged to report whether other information contains any material misstatement of facts on the basis of our knowledge and understanding of the company, which we have gained during the auditing of the company. On the basis of procedures performed with regard to other information which we have gained, important false statements of facts were not detected.

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

The management is responsible for the preparation and fair presentation of these financial statements in accordance with the IFRS standards and for such internal control it considers needed in order to prepare the financial statements that are free from material misstatements whether due to fraud or error.

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

The Supervisory Board and the Audit Committee are responsible for the control of the process of financial reporting in the company.

Auditor's responsibility for auditing the financial statements

Our goal is to obtain reasonable assurance that the financial statements as a whole do not contain any material misstatements due to fraud or error and to compile the auditor's report which includes our opinion. An acceptable assurance is a high degree of assurance, however, this is not a guarantee that the audit, in accordance with the International Standards on Auditing (ISA), identifies material misstatements at all times, should they exist. Misstatements may arise from fraud or error and are considered as material if it is reasonable to expect that they would individually or jointly affect the economic decisions of the users, adopted on the basis of these financial statements.

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

- Identify and assess the risks of material misstatements in the financial statements, whether due to fraud or error, form and perform audit procedures in response to the assessed risks and obtain sufficient and suitable audit evidence, which provide the basis for our opinion. The risk that we will not detect material misstatements resulting from fraud is greater than the risk of non-detection of material misstatements due to errors, as fraud may include secret agreements, falsification, deliberate omissions, misleading disclosures or the avoidance of internal controls;

- Carry out procedures of verification and understanding of internal controls, which are important for the audit, namely with the aim of creating audit procedures suitable for the circumstances, but not with a view to express an opinion on the effectiveness of the company's internal controls;

- Estimate the suitability of the applied accounting policies and the acceptability of the accounting estimates and related disclosures of the management;

- On the basis of the acquired audit evidence of the existence of significant uncertainty regarding the events or circumstances, which raise doubts in the capacity of the organization to continue as a going concern, we adopt a decision on the suitability of the management's use of the going concern assumption as a basis for the accounting. If we adopt a decision on the existence of significant uncertainties, we are obliged to report on the relevant noted disclosures in the financial statements in the auditor's report, or, if such disclosures are inadequate, adjust our opinion. An auditor's decisions are based on the audit evidence, obtained up to the date of the issuance of the auditor's report, although subsequent events or circumstances may cause the suspension of the organization as a going concern.

- Evaluate the general presentation, structure and content of the financial statements, including the disclosures, and estimate whether the financial statements represent the respective business transactions and events in such manner that a fair presentation is achieved.

We inform the Supervisory Board and/or the Audit Committee about the planned scope and time-frame of the audit and about significant audit findings, including significant deficiencies of internal controls, which we have detected during our audit.

We also provide the Supervisory Board and/or the Audit Committee with a statement of compliance with the non-biding ethical requirements as to independence and inform them of all relationships and other matters which could be justifiably considered as encroaching on our independence, and, if appropriate, of all related safeguards.

Among matters on which we inform the Supervisory Board and/or the Audit Committee, we select those that are the most important for the current period in view of the audit of the financial statements and as such represent the key audit matters. These matters are described in the auditor's report, unless the legislative or regulatory provisions prohibit public disclosure of such matters or if, in the case of rare exceptional circumstances, we establish that such matter should not be reported in our report, as adverse consequences may be reasonably expected to outweigh the benefits of such disclosure, which are in the public interest.

Other reporting liabilities in accordance with the Regulation EU, no. 537/2014 of European Parliament and Board

In accordance with the Article 10(2) of the Regulation (EU) no. 537/2014 of European Parliament and Board, in our independent auditor report, we state the following information which is required besides the requirements of the international auditing standards:

Naming the auditor and the duration of the transaction

At the shareholder's meeting on 7 June 2017, the company's owners named us, once again, as the legal auditor of the company. Our performance of the trade lasts fully and without interruptions for 6 years.

Compliance with additional report to the Audit Committee

We confirm that our audit opinion on accounting records in this report comply with the addition report to the Audit Committee on 29 March 2018, in accordance with Article 11 of the Regulation (EU) no. 537/2014 of the European Parliament and Board.

We declare that we have not performed any illegal non-auditing services from Article 5(1) of the Regulation (EU) no. 537/2014 of the European Parliament and Board.

Besides the required audit, we did not perform any other services which are not revealed in the annual report for the audited company or its subsidiaries.

DELOITTE REVIZIJA d.o.o.

Matjaž Prešeren
Certified Auditor

Ljubljana, 29 March 2018

Deloitte.
DELOITTE REVIZIJA D.O.O.
Ljubljana, Slovenia

CONSOLIDATED FINANCIAL REPORT

15 UNIOR Group

15.1 Composition of the UNIOR Group

Subsidiary companies

Company name	Country	Percentage %
UNITUR d. o. o.	Slovenia	100.00
RTC KRVAVEC d. d.	Slovenia	98.56
ROGLA INVESTICIJE d. o. o.	Slovenia	100.00
SPITT d. o. o.	Slovenia	100.00
UNIOR PRODUKTIONS UND HANDELS GmbH	Austria	99.55
UNIOR DEUTSCHLAND GmbH	Germany	100.00
UNIOR FRANCE S. A. S.	France	100.00
UNIOR ITALIA S. R. L.	Italy	95.00
UNIOR ESPANA S. L.	Spain	95.00
UNIOR INTERNATIONAL Ltd.	UK	50.00
UNIOR MAKEDONIJA d. o. o.	Macedonia	97.36
UNIOR PROFESSIONAL TOOLS Ltd.	Russia	55.00
UNIOR BULGARIA Ltd.	Bulgaria	77.31
UNIOR COMPONENTS d. o. o.	Serbia	100.00
NINGBO UNIOR FORGING Co. Ltd.	China	50.00
UNIDAL d. o. o.	Croatia	55.35
UNIOR HUNGARIA Kft.	Hungary	70.00
UNIOR – NORTH AMERICA Inc.	USA	100.00

Associated companies

Company name	Country	Percentage %
ŠTORE STEEL d. o. o.	Slovenia	29.25
RHYDCON d. o. o.	Slovenia	33.50
RC SIMIT, d. o. o.	Slovenia	20.00
UNIOR TEPID S. R. L.	Romania	49.00
UNIOR SINGAPORE Pte. Ltd.	Singapore	40.00
UNIOR TEHNA, d. o. o.	Bosnia and Herzegovina	25.00
UNIOR TEOS ALATI d. o. o.	Serbia	20.00

The consolidated financial statements of the UNIOR Group include all the companies in which the parent company UNIOR d.d., holds an ownership interest of 50 per cent or more, as it has a controlling influence in these companies.

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

By hiving-off the Tourism Programme from UNIOR d.d., a new company Unitur d.o.o. was established, which was entered into the court register on 07/11/2017, whereby in terms of examining the accounting results it is deemed that Unitur d.d. was hived-off as at 01/01/2017.

With the squeeze-out of minority shareholders, we acquired 100 per cent ownership interest in the public limited company UNIOR Components a.d. and restructured it into a private limited company.

With capital increases we increased the percentage of ownership in the companies Unior Bulgaria Ltd. to 77.31 per cent and Unior Komerc d.o.o. in Macedonia to 97.36 per cent, whereby we renamed this company to Unior Makedonija d.o.o.

Due to the ongoing sales procedure for the sale of the entire share of the company RTC Krvavec, the assets and liabilities of this company have been transferred to short-term assets or liabilities for sale at the end of 2017.

In December 2017, a new company, Unior – North America Inc., was registered in Detroit in order to support business operations in North America. It shall commence with business operations in 2018.

At the end of 2017, the following companies have been excluded from the UNIOR Group, namely Unior Hellas S.A. (Greece), Unior USA Co. and Sinter a.d. Užice (Serbia) due to the liquidation of these companies.

15.2 Presentation of the companies included in the consolidation

15.2.1 Subsidiary companies

UNITUR d.o.o.

Company address:	Cesta na Roglo 15, 3214 ZREČE
Country:	Slovenia
Phone:	+386 3 757 61 00
Fax:	+386 3 576 24 46
Internet:	http://www.unitur.eu
Email:	turizem@unitur.eu
The company's activity:	Tourism and other business activities
Number of employees:	363

RTC KRVAVEC d.d.

Company address:	Grad 76, 4207 CERKLJE NA GORENJSKEM
Country:	Slovenia
Phone:	+386 4 252 59 30
Fax:	+386 4 252 59 31
Internet:	http://www.rtc-krvavec.si
Email:	info@rtc-krvavec.si
The company's activity:	Recreational tourist ski centre
Number of employees:	66

ROGLA INVESTICIJE d.o.o.

Company address:	Kovaška cesta 10, 3214 ZREČE
Country:	Slovenia
Phone:	+386 3 757 81 00
Fax:	+386 3 576 21 03
Email:	unior@unior.si
The company's activity:	Real estate trading
Number of employees:	0

SPITT d.o.o.

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

UNIOR PRODUKTIONS- und HANDELS-GmbH

Company address:	Auengasse 9, 9170 FERLACH
Country:	Austria
Phone:	+43 4227 35 14
Fax:	+43 4227 35 15 18
Internet:	http://www.unior.at
Email:	office@unior.at
The company's activity:	Sale of hand tools
Number of employees:	9

UNIOR DEUTSCHLAND GmbH

Company address:	Am Oberen Schlossberg 5, 71686 REMSECK	
Country:	Germany	
Phone:	+49 1 634 469 908,	+49 7146 28 500
Fax:	+386 3 576 26 43,	+49 7146 28 5020
Internet:	http://www.unior-werkzeug.de	
Email:	deutschland@unior.si,	unior@unior-deutschland.com
The company's activity:	Sales of hand tools and	CNC machining and machine servicing
Number of employees:	5	

UNIOR FRANCE S.A.S.

Company address:	166-172 Rue du General Delestraint, 77000 MELUN
Country:	France
Phone:	+33 1 64 37 23 00
Fax:	+33 1 64 39 40 90
Email:	contact@uniortools.fr
The company's activity:	Sale of hand tools
Number of employees:	12

UNIOR ITALIA S.R.L.

Company address:	Via Caserta 8, 20812 LIMBIATE (MB)
Country:	Italy
Phone:	+39 02 99 04 3403
Fax:	+39 02 99 04 3414
Email:	unioritalia@unioritalia.it
The company's activity:	Sale of hand tools
Number of employees:	2

UNIOR ESPAÑA S.L.

Company address:	Poligon Sargaitz 2, Nave A5, 31840 UHARTE – ARAKIL (Navarra)
Country:	Spain
Phone:	+34 948 56 71 13
Fax:	+34 948 46 42 48
Internet:	http://www.unior.es
Email:	unior@unior.es
The company's activity:	Sale of hand tools
Number of employees:	3

UNIOR INTERNATIONAL Ltd.

Company address:	Unit 7, Belton Lane Industrial Estate, GRANTHAM (Lincolnshire) NG31 9HN
Country:	Great Britain
Phone:	+44 1476 567 827
Fax:	+44 1476 590 703
Email:	sales@unior.co.uk
The company's activity:	Sale of hand tools
Number of employees:	8

UNIOR MAKEDONIJA d.o.o.

Company address:	Naroden front, br.5, 1000 SKOPJE
Country:	Macedonia
Phone:	+389 2 243 20 57
Fax:	+389 2 243 20 89
Internet:	http://www.uniormakedonija.mk
Email:	info@uniormakedonija.mk
The company's 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
Phone:	+7 812 449 83 50
Fax:	+7 812 449 83 51
Internet:	http://www.unior.ru
Email:	sales@unior.ru
The company's activity:	Sale of hand tools
Number of employees:	62

UNIOR BULGARIA Ltd.

Company address:	Suhodolska ul. 195, 1373 SOFIA
Country:	Bulgaria
Phone:	+359 2 9559 233
Fax:	+359 2 9559 380
Internet:	http://www.unior.bg
Email:	office@unior.bg
The company's activity:	Sale of hand tools
Number of employees:	6

UNIOR COMPONENTS d.o.o.

Company address:	Kosovska 4, 34000 KRAGUJEVAC
Country:	Serbia
Phone:	+381 34 306 300
Fax:	+381 34 306 336
Internet:	http://www.unior-components.com
Email:	contact@unior-components.com
The company's activity:	Manufacture of machine tools
Number of employees:	155

NINGBO UNIOR FORGING Company Ltd.

Company address:	Xindongwu, Moushan, YUYAO, ZHEJIANG 315456
Country:	China
Phone:	+ 86 574 6249 6150
Fax:	+ 86 574 6249 6152
Internet:	http://www.unior.cn
Email:	info@unior.cn
The company's activity:	Production of steel forgings for the automotive industry
Number of employees:	527

UNIDAL d.o.o. – on 01/03/2018 name change into **UNIOR VINKOVCI d.o.o.**

Company address:	Ulica Kneza Mislava 42, 32100 VINKOVCI
Country:	Croatia
Phone:	+385 32 323 999
Fax:	+385 32 323 206
Email:	kovacnica@unidal.hr
The company's activity:	Company for the production of forgings
Number of employees:	191

UNIOR Hungaria Kft.

Company address:	Napfeny utca 1, 8756 NAGYRECSE
Country:	Hungary
Phone:	+36 93 571 070
Fax:	+36 93 571 073
Internet:	http://www.unior.hu
Email:	info@unior.hu
The company's activity:	Sale of hand tools
Number of employees:	4

UNIOR – NORTH AMERICA Inc.

Company address:	28213 Carlton Way Drive, 48377 NOVI (Michigan)
Country:	USA
Number of employees:	0

15.2.2 Associated companies

ŠTORE STEEL d.o.o.

Company address:	Železarska 3, 3220 ŠTORE
Country:	Slovenia
Phone:	+386 3 780 51 00
Fax:	+386 3 780 53 83
Internet:	http://www.store-steel.si
Email:	info@store-steel.si
The company's activity:	Company for production of steel
Number of employees:	525

RHYDCON d.o.o.

Company address:	Obrtniška ulica 5, 3240 ŠMARJE PRI JELŠAH
Country:	Slovenia
Phone:	+386 3 818 30 50
Fax:	+386 3 582 11 35
Email:	info@rhydcon.si
The company's activity:	Fastening elements for hydraulic systems
Number of employees:	15

RC SIMIT d.o.o.

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

UNIOR TEPID S.R.L.

Company address:	str. Bruxelles, No. 10, 507165 PREJMER, jud. BRASOV
Country:	Romania
Phone:	+40 268 322 483
Fax:	+40 268 317 786
Internet:	http://www.sculeserioase.ro
Email:	tepid@tepid.ro
The company's activity:	Sale of hand tools
Number of employees:	54

UNIOR SINGAPORE Pte. Ltd.

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

UNIOR TEOS ALATI d.o.o.

Company address:	Subotička 23, 11000 BELGRADE
Country:	Serbia
Phone:	+381 11 744 03 30
Fax:	+381 11 744 08 05
Internet:	http://www.uniorteos.com
Email:	office@uniorteos.com
The company's activity:	Sale of hand tools
Number of employees:	22

UNIOR TEHNA d.o.o.

Company address:	Bačići 58, 71000 SARAJEVO
Country:	Bosnia and Herzegovina
Phone:	+387 33 776 376
Fax:	+387 33 776 371
Internet:	www.uniortehna.ba
Email:	info@uniortehna.ba
The company's activity:	Sale of hand tools
Number of employees:	29

16 Consolidated financial statements

16.1 Consolidated balance sheet as at 31/12/2017

(in euros) Item	Explanation	on 31.12.2017	on 31.12.2016
ASSETS		**363,973,502**	**347,977,798**
A. LONG–TERM ASSETS		**217,291,879**	**222,225,678**
I. Intangible assets and other IA	**17.3.2**	**6,883,349**	**4,749,441**
1. Long-term property rights		2,224,876	1,898,732
2. Goodwill		521,448	521,448
4. Other intangible assets		143,264	165,153
5. Intangible assets acquired		18,650	86,032
II. Tangible fixed assets	**17.3.3**	**173,578,500**	**186,956,719**
1. Land and buildings		106,550,330	117,180,789
a) Land		36,946,458	38,384,929
b) Buildings		69,603,872	78,795,860
2. Production facilities and machinery		58,253,175	55,813,326
3. Other facilities and machines, small tools and other tangible fixed assets		529,707	5,209,282
4. Tangible fixed assets acquired		8,245,288	8,753,322
a) Tangible fixed assets under construction and manufacture		8,245,288	8,753,322
III. Investment real estates	**17.3.4**	**14,626,679**	**14,222,552**
IV. Long-term financial investments	**17.3.5**	**17,228,595**	**13,660,926**
1. Long-term financial investments, except loans		17,152,378	13,516,359
a) Shares and stakes in affiliate companies		16,970,615	13,363,862
b) Other shares and stakes		138,830	105,016
c) Other long-term financial investments		42,933	47,481
2. Long-term loans		76,217	144,567
a) Long-term loans to others		76,217	144,567
V. Long-term operating receivables	**17.3.8**	**183,393**	**416,529**
1. Long-term operating receivables from buyers		10,132	218,160
2. Long-term operating receivables from others		173,261	198,369
VI. Deferred tax receivables	**17.3.15**	**4,791,363**	**2,219,511**
B. SHORT–TERM ASSETS		**146,681,623**	**125,752,120**
I. Assets (disposal groups) held for sale	**17.3.6**	**9,600,643**	**120,000**
II. Inventories	**17.3.7**	**74,515,732**	**71,136,001**
1. Material		25,905,611	23,128,975
2. Work in progress		24,612,525	25,833,225
3. Products		15,668,839	14,041,920
4. Merchandise		8,328,757	8,131,881
III. Short-term financial investments	**17.3.9**	**1,924,993**	**2,917,569**
1. Short-term financial investments, except loans		0	0
a) Other stocks and shares		0	0
b) Other short–term financial investments		0	0
2. Short-term loans		1,924,993	2,917,569
a) Other short-term loans		1,924,993	2,917,569
IV. Short-term operating receivables	**17.3.7**	**46,310,526**	**39,161,039**
1. Short-term operating receivables from buyers		32,548,662	26,838,013
2. Short-term operating receivables from others		13,761,864	12,323,026
V. Monetary assets	**17.3.10**	**14,329,729**	**12,417,511**

Consolidated balance sheet as at 31/12/2017 (continuation)

(in euros) Item	Explanation	on 31.12.2017	on 31.12.2016
LIABILITIES TO ASSET SOURCES		**363,973,502**	**347,977,798**
A. CAPITAL	**17.3.11**	**158,646,507**	**152,553,925**
A1. CAPITAL OF THE PARENT COMPANY OWNERS		**146,490,871**	**141,943,778**
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		**40,603,303**	**40,089,670**
1. Legal reserves		2,023,943	2,015,958
2. Reserves for treasury shares and own operating stakes		120,190	120,190
3. Own shares and operating stakes (deduction item)		(120,190)	(120,190)
4. Statutory reserves		1,641,102	757,947
5. Other revenue reserves		36,938,258	37,315,765
IV. Reserves resulting from valuation at fair value		**28,214,466**	**26,715,673**
V. Retained net profit or loss		**11,287,678**	**4,294,426**
VI. Net profit or loss of financial year		**3,237,746**	**7,495,550**
VII. Consolidation adjustment of the capital		**(2,228,269)**	**(2,027,488)**
A2. CAPITAL OF NON-CONTROLLING SHARE		**12,155,636**	**10,610,147**
B. PROVISIONS AND LONG-TERM ACCRUED EXPENSES	**17.3.12**	**9,003,136**	**9,765,187**
1. Provisions for retirement grants and similar provisions		5,872,492	5,720,367
2. Other provisions		2,829,461	3,374,715
3. Deferred revenues		301,183	670,105
C. LONG-TERM LIABILITIES		**112,044,232**	**117,640,092**
I. Long-term financial liabilities	**17.3.13**	**109,190,279**	**117,470,295**
1. Long-term financial liabilities to banks		109,041,591	117,274,364
2. Long-term financial liabilities based on shares		0	0
3. Other long-term financial liabilities		148,688	195,931
II. Long-term operating liabilities	**17.3.14**	**41,405**	**123,484**
1. Long-term operating liabilities to suppliers		0	43,941
2. Long-term liabilities for bills of exchange		0	0
3. Long-term operating liabilities based on advance payments		0	0
4. Other long-term operating liabilities		41,405	79,543
III. Deferred tax liabilities	**17.3.15**	**2,812,548**	**46,313**
D. SHORT-TERM LIABILITIES		**84,279,627**	**68,018,594**
I. Liabilities included in disposal groups		**4,281,087**	**0**
II. Short-term financial liabilities	**17.3.16**	**20,311,195**	**10,309,904**
1. Short-term financial liabilities to banks		19,961,218	9,985,075
2. Short-term financial liabilities based on shares		0	0
3. Other short-term financial liabilities		349,977	324,829
III. Short-term operating liabilities	**17.3.17**	**59,687,345**	**57,708,690**
1. Short-term operating liabilities to suppliers		35,429,517	34,599,908
2. Short-term liabilities for bills of exchange		6,019,779	4,660,785
3. Short-term operating liabilities based on advance payments		4,520,223	4,654,944
4. Other short-term operating liabilities		13,717,826	13,793,053

Notes to the financial statements are an integral part of the financial statements.

16.2 Consolidated income statement for the period from 01/01/2017 to 31/12/2017

(in euros) Item	xplanatior	Year 2017	Year 2016
A. Net sales revenue	**17.4.2**	**239,019,600**	**219,111,997**
1. Net sales revenue on the domestic market		39,475,923	35,726,570
a) Net profit from the sale of products and services		*31,391,616*	*28,793,583*
b) Net profit from sales of goods and materials		*8,084,307*	*6,932,987*
2. Net sales revenue on the foreign market		199,543,677	183,385,427
a) Net profit from the sale of products and services		*176,283,697*	*160,938,677*
b) Net profit from sales of goods and materials		*23,259,980*	*22,446,750*
B. Change in the value of inventories and unfinished production		**819,891**	**3,391,683**
C. Capitalised own products and services	**17.4.3**	**3,465,748**	**1,029,142**
D. Other operating revenues	**17.4.4**	**2,318,954**	**3,817,499**
I. GROSS PROFIT FROM OPERATING ACTIVITIES		**245,624,193**	**227,350,321**
D. Costs of goods, material and services	**17.4.5**	**142,056,024**	**129,262,226**
1. Purchase value of sold goods and material		10,255,207	11,491,913
2. Cost of consumed material		98,761,239	86,681,272
a) Material costs		*76,229,333*	*65,702,333*
b) Energy costs		*11,719,166*	*11,007,296*
c) Other costs of material		*10,812,740*	*9,971,643*
3. Costs of services		33,039,578	31,089,041
a) Transport services		*6,081,622*	*5,305,571*
b) Maintenance costs		*2,201,586*	*1,994,696*
c) Rents		*1,350,104*	*1,093,880*
d) Other costs of services		*23,406,266*	*22,694,894*
E. Labour costs	**17.4.5**	**69,045,323**	**64,589,637**
1. Salary costs		51,593,392	48,615,712
2. Cost of pension insurance		887,138	794,639
3. Other social security costs		8,366,137	7,845,234
4. Other labor costs		8,198,656	7,334,052
F. Write-offs of values	**17.4.5**	**24,601,331**	**14,993,918**
1. Depreciation		13,516,546	13,781,216
2. Revaluation operating expense on NFA and TFA		10,513,964	552,612
3. Revaluation operating expenditures of current assets		570,821	660,090
G. Other operating expenses	**17.4.5**	**1,883,130**	**1,916,277**
1. Provisions		16,511	21,292
2. Other costs		1,866,619	1,894,985
II. OPERATING PROFIT AND LOSS		**8,038,385**	**16,588,263**
H. Financial income	**17.4.6**	**5,141,559**	**2,241,209**
1. Financial income from shares		4,050,534	1,103,894
a) Financial revenue from shares in affiliated companies		*4,049,799*	*1,087,864*
b) Financial revenue from shares in other companies		*370*	*15,590*
c) Financial revenues from other investments		*365*	*440*
2. Financial income from loans granted		215,642	105,242
3. Financial revenues from operating receivables		875,383	1,032,073
I. Financial expenses	**17.4.6**	**5,504,080**	**6,787,731**
1. Financial expenses from impairment and financial investment write-offs		151,333	318,710
2. Financial expenses from financial liabilities		4,052,933	5,359,248
a) Financial expenses from loans received from banks		*3,818,683*	*4,930,866*
b) Financial expenses from issued bonds		*0*	*0*
c) Financial expenses from other financial liabilities		*234,250*	*428,382*
3. Financial expenses from operating liabilities		1,299,814	1,109,773
a) Financial expenses from liabilities to suppliers and bills payable		*228,206*	*364,660*
b) Financial expenses from other operating liabilities		*1,071,608*	*745,113*
III. OPERATING PROFIT AND LOSS		**7,675,864**	**12,041,741**
Income tax	**17.5**	**2,125,339**	**2,135,462**
Deferred tax	**17.5**	**(145,018)**	**(285,537)**
NET PROFIT OR LOSS OF THE ACCOUNTING PERIOD		**5,695,543**	**10,191,816**
- which is attributable to the owners of controlling company		3,237,746	7,495,550
- which is attributable to non-controlling share		2,457,797	2,696,266

RESULT OF MAINTAINED OPERATING	**17.4**	**5,258,645**	**10,492,178**
RESULT OF DISCONTINUED OPERATING	**17.4**	**436,898**	**(300,362)**

Consolidated income statement for the period from 01/01/2017 to 31/12/2017 (continuation)

(in euros) Item	Year 2017	Year 2016
Owners' share of controlling share in net profit (loss)	3,237,746	7,495,550
Owners' share of non-controlling share in net profit (loss)	2,457,797	2,696,266

Net profit (loss) per owners' share of controlling share	1.14	2.64
Net profit (loss) per owners' share of non-controlling share	0.87	0.95

Net profit (loss) per share from maintained operations	1.85	3.70
Net profit (loss) per share from discontinued operations	0.15	(0.11)

Notes to the financial statements are an integral part of the financial statements.

16.3 Consolidated statement of other comprehensive income

	(in euros) Item	2017	2016
1.	**Net profit/loss for the business year after tax**	**5,695,543**	**10,191,816**
2.	**Other comprehensive income for the accounting period after tax**	**722,236**	**(1,420,861)**
3.	**Items, that will not be reclassified in operating profit or loss**	**722,236**	**(1,420,861)**
3.1	Net profit/loss recognized in the revaluation surplus in respect of tangible fixed assets	767,316	(1,090,044)
3.2	Net profit/loss recognized in the revaluation surplus in respect of intangible fixed assets	0	0
3.3	Actuarial net profit/loss for retirement programmes recognised in retained profit/loss	745,632	57,311
3.4	Profits and losses, arising from conversions of accounting statements of companies abroad	(790,712)	(388,128)
4.	**Comprehensive income for the business year after tax**	**6,417,779**	**8,770,955**
	Total comprehensive income for the accounting period, attributable to owners of controlling company	4,549,914	6,190,964
	Total comprehensive income for the accounting period, attributable to non-controlling share	1,867,865	2,579,991

Notes to the financial statements are an integral part of the financial statements.

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

16.4 Consolidated cash flow statement

(in euros) Item	Explanation	2017	2016
A. Operating cash flows			
a) Net profit or loss			
Profit or loss before tax		7,675,864	12,041,741
Income tax and other taxes which are not included in the operating expenses	17.5	(1,980,321)	(1,849,925)
		5,695,543	**10,191,816**
b) Adjustments for			
Depreciation (+)	17.3.2, 17.3.3	13,516,546	13,781,216
Revaluation operating revenues in relation with investment and financing items (-)		(561,441)	(1,409,209)
Revaluation operating expenses in relation with investment and financing items (+)	17.4.5	10,513,964	552,612
Formation of the correction of the value of receivables	17.3.8	565,692	507,604
Formation of the correction of the value of inventories	17.3.7	5,129	66,895
Formation and remedies of long-term provisions	17.3.12	(762,051)	312,286
Financial income excluding financial income from operating receivables (-)	17.4.6	(4,266,176)	(1,209,136)
Financial expenditures excluding financial expenditures from operating liabilities (+)	17.4.6	4,204,266	5,677,958
		23,215,929	**18,280,226**
c) Changes in net current assets (and accruals and deferrals, provisions and deferred tax assets and liabilities) of the operating items in the balance sheet			
Initial less final operating receivables	17.3.8	(7,482,043)	(4,688,233)
Initial less final receivables for deferred tax	17.3.15	(2,571,852)	55,325
Initial less final assets (disposal groups) for sale	17.3.6	(9,480,643)	14,665
Initial less final inventory	17.3.7	(3,384,860)	(3,877,666)
Final less initial liabilities included in disposal groups	17.3.6	4,281,087	0
Final less initial operating debts	17.3.14,17.3.17	1,896,576	4,250,081
Final less initial liabilities for deferred tax	17.3.15	2,766,235	(22,733)
		(13,975,500)	**(4,268,561)**
d) Operating receipt excess or operating expenditure excess (a + b + c)		**14,935,972**	**24,203,481**
B. Investing activity cash flows			
a) Income from investing activities			
Income from interest and profit shares related to investing activities		4,266,176	1,209,136
Income from disposal of intangible assets		40,970	20,784
Income from tangible fixed assets		8,967,001	1,847,858
Income from disposal of investment real estates		0	0
Income from disposal of long-term financial investments		271,388	388,324
Income from disposal of short-term financial investments		1,517,887	3,147,545
		15,063,422	**6,613,647**
b) Expenditures from investing activities			
Expenditures for acquisition of intangible assets	17.3.2	(3,364,733)	(190,958)
Expenditures for acquisition of tangible assets	17.3.3	(17,600,718)	(13,188,968)
Expenditures for acquisition of investment property		(404,569)	(152,385)
Expenditures for acquisition of long-term financial investments	17.3.5	(3,839,057)	(845,618)
Expenditures for acquisition of short-term financial investments		(525,311)	(1,389,631)
		(25,734,388)	**(15,767,560)**
c) Investing activities receipt excess or investing activities expenditure excess (a + b)		**(10,670,966)**	**(9,153,913)**
C. Financing cash flows			
a) Income from financing activities			
Income from paid-in capital	17.3.11	0	0
Income from the increase in short-term financial liabilities	17.3.13	1,074,434	13,405,233
Income from an increase in short-term financial liabilities	17.3.16	11,698,048	4,224,732
		12,772,482	**17,629,965**
b) Financing expenditures			
Expenses for interest-bearing interests relating to financing	17.4.6	(4,052,933)	(5,359,248)
Expenses for payment of long-term financial liabilities	17.3.13	(2,284,297)	(5,338,913)
Expenses for payment of short-term financial liabilities	17.3.16	(8,766,910)	(16,322,500)
Expenses for payment of dividends and other shares in profit	17.3.11	(21,130)	(507,702)
		(15,125,270)	**(27,528,363)**
c) Financing receipt excess or financing expenditure excess (a + b)		**(2,352,788)**	**(9,898,398)**
D. Final balance of monetary assets		**14,329,729**	**12,417,511**
x) Financial outcome in the period (excess sum of Ac, Bc and Cc)		**1,912,218**	**5,151,170**
y) Initial balance of monetary assets		**12,417,511**	**7,266,341**

In compliance with IAS 7.22, which allows that certain cash flows or cash receipts and payments for items, which are characterized by quick turnover, high values and short maturities are disclosed according to the net principle, the Group thus in 2016 disclosed receipts from the increase in long-term financial liabilities and expenditures for long-term financial liabilities. The company reduced the trends by EUR 95,354,840 in receipts and expenditures, because this amount represents the replacement of the financial liabilities of the company UNIOR d.d. due to a successfully completed refinancing process.

Notes to the financial statements are an integral part of the financial statements.

16.5 Statement of changes in equity

	I. Share capital	II. Capital reserves	III. Reserves from profit					IV. Revaluation surplus	V. Retained net profit or loss	VI. Net profit or loss of business year	VII. Consolidation adjustment of the capital	Total capital to owners' of controlling company	Capital of non-controlling share	Total capital
(in euros)	Fixed capital		Legal reserves	Reserves for own shares	Treasury shares	Statutory reserves	Other reserves from profit		Retained net profit/ loss	Net profit/ financial year loss				
A.1. Balance at the end of the previous reporting period	**23,688,983**	**41,686,964**	**2,015,958**	**120,190**	**(120,190)**	**757,947**	**37,315,765**	**26,715,673**	**4,294,426**	**7,495,550**	**(2,027,488)**	**141,943,778**	**10,610,147**	**152,553,925**
A.2. Initial balance of the reporting period	**23,688,983**	**41,686,964**	**2,015,958**	**120,190**	**(120,190)**	**757,947**	**37,315,765**	**26,715,673**	**4,294,426**	**7,495,550**	**(2,027,488)**	**141,943,778**	**10,610,147**	**152,553,925**
B.1. Changes of private equity - transactions with owners	**0**	**0**	**1,395**	**0**	**0**	**0**	**188**	**2,437**	**(6,841)**	**0**	**0**	**(2,821)**	**(322,376)**	**(325,197)**
Payment of the dividend	0	0	0	0	0	0	0	0	0	0	0	0	(21,130)	(21,130)
Other adjustments in equity capital	0	0	1,395	0	0	0	188	2,437	(6,841)	0	0	(2,821)	(301,246)	(304,067)
B.2. Total comprehensive income of the reporting period	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**1,512,949**	**0**	**3,237,746**	**(200,781)**	**4,549,914**	**1,867,865**	**6,417,779**
Entry of operating profit/loss for the reporting period	0	0	0	0	0	0	0	0	0	3,237,746	0	3,237,746	2,457,797	5,695,543
Entry of actuarial profit from provisions for severance pay	0	0	0	0	0	0	0	689,808	0	0	0	689,808	0	689,808
Changes of surplus in the revaluation of tangible assets	0	0	0	0	0	0	0	767,316	0	0	0	767,316	0	767,316
Other components of comprehensive income for the reporting period	0	0	0	0	0	0	0	55,825	0	0	0	55,825	(1)	55,824
Profits and losses, arising from conversions of accounting statements of companies abroad	0	0	0	0	0	0	0	0	0	0	(200,781)	(200,781)	(589,931)	(790,712)
B.3. Changes in equity	**0**	**0**	**6,590**	**0**	**0**	**883,155**	**(377,695)**	**(16,593)**	**7,000,093**	**(7,495,550)**	**0**	**0**	**0**	**0**
Allocation of residual net profit for benchmark reporting period to other capital components	0	0	0	0	0	0	0	0	7,495,550	(7,495,550)	0	0	0	0
Other equity changes	0	0	6,590	0	0	883,155	(377,695)	(16,593)	(495,457)	0	0	0	0	0
C. Final balance of the reporting period	**23,688,983**	**41,686,964**	**2,023,943**	**120,190**	**(120,190)**	**1,641,102**	**36,938,258**	**28,214,466**	**11,287,678**	**3,237,746**	**(2,228,269)**	**146,490,871**	**12,155,636**	**158,646,507**

EQUITY MOVEMENT FOR THE PERIOD FROM 31/12/2015 TO 31/12/2016

	I. Share capital	II. Capital reserves	III. Reserves from profit					IV. Revaluation surplus	V. Retained net profit or loss	VI. Net profit or loss of business year	VII. Consolidation adjustment of the capital	Total capital to owners' of controlling company	Capital of non-controlling share	Total capital
(in euros)	Fixed capital		Legal reserves	Reserves for own shares	Treasury shares	Statutory reserves	Other reserves from profit		Retained net profit/ loss	Net profit/ financial year loss				
A.1. Balance at the end of the previous reporting period	**23,688,983**	**41,686,964**	**2,012,271**	**120,190**	**(120,190)**	**422,408**	**37,140,778**	**27,748,406**	**453,903**	**4,557,108**	**(1,755,635)**	**135,955,186**	**8,675,842**	**144,631,028**
A.2. Initial balance of the reporting period	**23,688,983**	**41,686,964**	**2,012,271**	**120,190**	**(120,190)**	**422,408**	**37,140,778**	**27,748,406**	**453,903**	**4,557,108**	**(1,755,635)**	**135,955,186**	**8,675,842**	**144,631,028**
B.1. Changes of private equity - transactions with owners	**0**	**0**	**0**	**0**	**0**	**0**	**1,190**	**0**	**(203,562)**	**0**	**0**	**(202,372)**	**(645,686)**	**(848,058)**
Payment of the dividend	0	0	0	0	0	0	0	0	0	0	0	0	(507,702)	(507,702)
Other adjustments in equity capital	0	0	0	0	0	0	1,190	0	(203,562)			(202,372)	(137,984)	(340,356)
B.2. Total comprehensive income of the reporting period	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**(1,032,733)**	**0**	**7,495,550**	**(271,853)**	**6,190,964**	**2,579,991**	**8,770,955**
Entry of operating profit/loss for the reporting period	0	0	0	0	0	0	0	0	0	7,495,550	0	7,495,550	2,696,266	10,191,816
Changes of surplus in the revaluation of tangible assets	0	0	0	0	0	0	0	(1,090,044)	0	0	0	(1,090,044)	0	(1,090,044)
Other components of comprehensive income for the reporting period	0	0	0	0	0	0	0	57,311				57,311	0	57,311
Profits and losses, arising from conversions of accounting statements of companies abroad	0	0	0	0	0	0	0	0	0	0	(271,853)	(271,853)	(116,275)	(388,128)
B.3. Changes in equity	**0**	**0**	**3,687**	**0**	**0**	**335,539**	**173,797**	**0**	**4,044,085**	**(4,557,108)**	**0**	**0**	**0**	**0**
Allocation of residual net profit for benchmark reporting period to other capital components	0	0	0	0	0	0	0	0	4,557,108	(4,557,108)	0	0	0	0
Other equity changes	0	0	3,687	0	0	335,539	173,797	0	(513,023)	0	0	0	0	0

Notes to the financial statements are an integral part of the financial statements.

17 Notes on the financial statements

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

The financial statements of the group have been prepared for the year ending as at 31/12/2017.

17.1 Declaration of conformity

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

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

The Management Board of UNIOR d.d., confirmed the financial statements on 29/03/2018.

17.2 Basis for the Preparation of the Financial Statements

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

17.2.1 Fair value

The presented assets and liabilities with the exception of available-for-sale financial assets are valued at purchase or amortized cost, for which we estimate that they are equal to the fair values of these assets or liabilities.

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

- Level 1: assets, valued using the exchange rate on the last day of the accounting period
- Level 3: assets, which cannot be obtained from the market data; in this category we disclose land and investment properties at the estimated value, and buildings and equipment at the current book value. Long-term financial investments are disclosed at purchase value reduced by impairments, while operating receivables, current financial investments and liabilities are disclosed at their amortized cost.

Classification of assets and liabilities according to determination of their fair value on 31/12/2017

(in euros)	Level 1	Level 3	Total
Tangible fixed assets		**36,946,458**	**36,946,458**
- land		*36,946,458*	*36,946,458*
Investment real estates		**14,626,679**	**14,626,679**
Long-term financial investments	**660**	**17,227,935**	**17,228,595**
- quoted shares	*660*		*660*
- unquoted shares		*17,151,718*	*17,151,718*
- long-term financial investments - long-term loans		*76,217*	*76,217*
Long-term operating receivables		**183,393**	**183,393**
Short-term financial investments		**1,924,993**	**1,924,993**
Short-term operating receivables		**46,310,526**	**46,310,526**
Long-term financial liabilities		**109,190,279**	**109,190,279**
Long-term operating liabilities		**41,405**	**41,405**
Short-term financial liabilities		**20,311,195**	**20,311,195**
Short-term operating liabilities		**59,687,345**	**59,687,345**

Classification of assets and liabilities according to determination of their fair value on 31/12/2016

(in euros)	Level 1	Level 3	Total
Tangible fixed assets		**38,384,929**	**38,384,929**
- land		*38,384,929*	*38,384,929*
Investment real estates		**14,222,552**	**14,222,552**
Long-term financial investments	**660**	**13,660,266**	**13,660,926**
- quoted shares	*660*		*660*
- unquoted shares		*13,515,699*	*13,515,699*
- long-term financial investments - long-term loans		*144,567*	*144,567*
Long-term operating receivables		**416,529**	**416,529**
Short-term financial investments		**2,917,569**	**2,917,569**
Short-term operating receivables		**39,161,039**	**39,161,039**
Long-term financial liabilities		**117,470,295**	**117,470,295**
Long-term operating liabilities		**123,484**	**123,484**
Short-term financial liabilities		**10,309,904**	**10,309,904**
Short-term operating liabilities		**57,708,690**	**57,708,690**

Land and investment properties are disclosed at the estimated value, the long-term financial investments are disclosed at purchase value reduced by impairments, while operating receivables, current financial investments and liabilities are disclosed at their amortized cost.

The methodologies used for the estimated values are disclosed with individual categories in Chapter 17.3.

17.2.2 Accounting policies used

UNIOR Kovaška industrija d.d. (hereinafter referred to as UNIOR d.d.), is a company with its registered offices in Slovenia. The address of the registered office is Kovaška cesta 10, 3214 Zreče. Hereinafter, the consolidated financial statements of the UNIOR Group are presented for the year that ended as at 31 December 2017. The consolidated financial statements include Unior d.d., and its subsidiaries, the Group's shares in associated companies and shares in jointly controlled companies (hereinafter together as the UNIOR Group). Investments in subsidiaries are excluded from the Unior Group's statements in the process of consolidation. A more detailed view of the composition of the UNIOR Group is shown in Chapter 15 UNIOR Group in the financial section of the report.

Statement of compliance

The Management Board of the company approved the consolidated financial statements of the UNIOR Group on 29/03/2018. The consolidated financial statements of the UNIOR Group have been prepared in accordance with the Companies Act and International Financial Reporting Standards (IFRS) as adopted by the European Union, and interpretations adopted by the International Financial Reporting Interpretations Committee (IFRIC) and also adopted by the European Union, and in compliance with the provisions of the Companies Act (ZGD). As regards the process of standard confirmation by the European Union, there were no differences as at the balance sheet date between the accounting policies used by the UNIOR Group and the used International Financial Reporting Standards (IFRS) adopted by the European Union.

The other accounting policies used are the same for the entire UNIOR Group and are stated in the Chapter 12.2.2.

17.3 Notes to the balance sheet

17.3.1 Balance sheet by division

Item (in euros)	Tourism act. 31.12.2017	Metal act. 31.12.2017	TOTAL 31.12.2017	Tourism act. 31.12.2016	Metal act. 31.12.2016	TOTAL 31.12.2016
ASSETS	**78,628,810**	**285,344,692**	**363,973,502**	**88,702,533**	**259,275,265**	**347,977,798**
A. LONG–TERM ASSETS	**67,880,649**	**149,411,230**	**217,291,879**	**85,733,831**	**136,491,847**	**222,225,678**
I. Intangible assets and other IA	**1,413,823**	**5,469,526**	**6,883,349**	**1,621,493**	**3,127,948**	**4,749,441**
1. Long-term property rights	1,413,823	811,053	2,224,876	1,478,744	419,988	1,898,732
2. Goodwill	0	521,448	521,448	0	521,448	521,448
3. Long-term deferred development costs	0	3,975,111	3,975,111	0	2,078,076	2,078,076
4. Other intangible assets	0	143,264	143,264	142,749	22,404	165,153
5. Intangible assets acquired	0	18,650	18,650	0	86,032	86,032
II. Tangible fixed assets	**66,041,023**	**107,537,477**	**173,578,500**	**83,874,064**	**103,082,655**	**186,956,719**
1. Land and buildings	60,555,024	45,995,306	106,550,330	73,945,719	43,235,070	117,180,789
2. Production facilities and machinery	4,402,956	53,850,219	58,253,175	4,406,185	51,407,141	55,813,326
3. Other facilities and machines, small tools and other tangible fixed assets	8,073	521,634	529,707	4,605,764	603,518	5,209,282
4. Tangible fixed assets acquired	1,074,970	7,170,318	8,245,288	916,396	7,836,926	8,753,322
III. Investment real estates	**355,168**	**14,271,511**	**14,626,679**	**183,688**	**14,038,864**	**14,222,552**
IV. Long-term financial investments	**12,519**	**17,216,076**	**17,228,595**	**15,585**	**13,645,341**	**13,660,926**
1. Long-term financial investments, except loans	12,519	17,139,859	17,152,378	15,585	13,500,774	13,516,359
2. Long-term loans	0	76,217	76,217	0	144,567	144,567
V. Long-term operating receivables	**58,116**	**125,277**	**183,393**	**39,001**	**377,528**	**416,529**
1. Long-term operating receivables from buyers	0	10,132	10,132	0	218,160	218,160
2. Long-term operating receivables from others	58,116	115,145	173,261	39,001	159,368	198,369
VI. Deferred tax receivables	**0**	**4,791,363**	**4,791,363**	**0**	**2,219,511**	**2,219,511**
B. SHORT–TERM ASSETS	**10,748,161**	**135,933,462**	**146,681,623**	**2,968,702**	**122,783,418**	**125,752,120**
I. Assets (disposal groups) held for sale	**7,800,643**	**1,800,000**	**9,600,643**	**0**	**120,000**	**120,000**
II. Inventories	**390,934**	**74,124,798**	**74,515,732**	**436,529**	**70,699,472**	**71,136,001**
1. Material	381,771	25,523,840	25,905,611	407,927	22,721,048	23,128,975
2. Work in progress	0	24,612,525	24,612,525	0	25,833,225	25,833,225
3. Products	1,140	15,667,699	15,668,839	1,779	14,040,141	14,041,920
4. Merchandise	8,023	8,320,734	8,328,757	26,823	8,105,058	8,131,881
III. Short-term financial investments	**0**	**1,924,993**	**1,924,993**	**0**	**2,917,569**	**2,917,569**
1. Short-term financial investments, except loans	0	0	0	0	0	0
2. Short-term loans	0	1,924,993	1,924,993	0	2,917,569	2,917,569
IV. Short-term operating receivables	**1,807,443**	**44,503,083**	**46,310,526**	**1,988,113**	**37,172,926**	**39,161,039**
1. Short-term operating receivables from buyers	1,462,937	31,085,725	32,548,662	1,302,286	25,535,727	26,838,013
2. Short-term operating receivables from others	344,506	13,417,358	13,761,864	685,827	11,637,199	12,323,026
V. Monetary assets	**749,141**	**13,580,588**	**14,329,729**	**544,060**	**11,873,451**	**12,417,511**

Balance sheet by division (continuation)

LIABILITIES TO ASSET SOURCES	**78,628,810**	**285,344,692**	**363,973,502**	**88,702,533**	**259,275,265**	**347,977,798**
A. CAPITAL	**37,516,524**	**121,129,983**	**158,646,507**	**55,353,118**	**97,200,807**	**152,553,925**
A1. CAPITAL OF THE PARENT COMPANY OWNERS	**37,339,385**	**109,151,486**	**146,490,871**	**55,182,823**	**86,760,955**	**141,943,778**
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	**11,409,929**	**30,277,035**	**41,686,964**	**11,409,929**	**30,277,035**	**41,686,964**
III. Reserves from profit	**15,911,428**	**24,691,875**	**40,603,303**	**23,100,430**	**16,989,240**	**40,089,670**
1. Legal reserves	534,164	1,489,779	2,023,943	589,215	1,426,743	2,015,958
2. Reserves for treasury shares and own operating stakes	0	120,190	120,190	0	120,190	120,190
3. Own shares and operating stakes (deduction item)	0	(120,190)	(120,190)	0	(120,190)	(120,190)
4. Statutory reserves	0	1,641,102	1,641,102	0	757,947	757,947
5. Other revenue reserves	15,377,264	21,560,994	36,938,258	22,511,215	14,804,550	37,315,765
IV. Reserves resulting from valuation at fair value	**15,341,539**	**12,872,927**	**28,214,466**	**15,457,731**	**11,257,942**	**26,715,673**
V. Retained net profit	**0**	**22,573,486**	**11,287,678**	**527,270**	**3,767,156**	**4,294,426**
VI. Retained net loss	**(11,285,808)**	**0**	**0**	**0**	**0**	**0**
VII. Net profit of financial year	**0**	**3,759,241**	**3,237,746**	**0**	**9,291,879**	**7,495,550**
VIII. Net loss of financial year	**521,495**	**0**	**0**	**1,796,329**	**0**	**0**
IX. Consolidation adjustment of the capital	**0**	**(2,228,269)**	**(2,228,269)**	**0**	**(2,027,488)**	**(2,027,488)**
A2. CAPITAL OF NON-CONTROLLING SHARE	**177,139**	**11,978,497**	**12,155,636**	**170,295**	**10,439,852**	**10,610,147**
					0	0
B. PROVISIONS AND LONG-TERM ACCRUED EXPENSES	**2,979,605**	**6,023,531**	**9,003,136**	**3,787,439**	**5,977,748**	**9,765,187**
1. Provisions for retirement grants and similar provisions	645,892	5,226,600	5,872,492	791,696	4,928,671	5,720,367
2. Other provisions	2,333,713	495,748	2,829,461	2,652,241	722,474	3,374,715
3. Deferred revenues	0	301,183	301,183	343,502	326,603	670,105
C. LONG-TERM LIABILITIES	**27,247,724**	**84,796,508**	**112,044,232**	**22,155,427**	**95,484,665**	**117,640,092**
I. Long-term financial liabilities	**17,491,692**	**91,698,587**	**109,190,279**	**19,228,548**	**98,241,747**	**117,470,295**
1. Long-term financial liabilities to banks	17,491,692	91,549,899	109,041,591	19,172,870	98,101,494	117,274,364
2. Long-term financial liabilities based on shares	0	0	0	0	0	0
3. Other long-term financial liabilities	0	148,688	148,688	55,678	140,253	195,931
II. Long-term operating liabilities	**7,139,955**	**-7,098,550**	**41,405**	**123,484**	**0**	**123,484**
1. Long-term operating liabilities to suppliers	0	0	0	43,941	0	43,941
2. Long-term liabilities for bills of exchange	0	0	0	0	0	0
3. Long-term operating liabilities based on advance payments	0	0	0	0	0	0
4. Other long-term operating liabilities	7,139,955	-7,098,550	41,405	79,543	0	79,543
III. Deferred tax liabilities	**2,616,077**	**196,471**	**2,812,548**	**2,803,395**	**(2,757,082)**	**46,313**
D. SHORT-TERM LIABILITIES	**10,884,957**	**73,394,670**	**84,279,627**	**7,406,549**	**60,612,045**	**68,018,594**
I. Liabilities included in disposal groups	**4,281,087**	**0**	**4,281,087**	**0**	**0**	**0**
II. Short-term financial liabilities	**1,541,713**	**18,769,482**	**20,311,195**	**1,246,661**	**9,063,243**	**10,309,904**
1. Short-term financial liabilities to banks	1,513,326	18,447,892	19,961,218	1,246,661	8,738,414	9,985,075
2. Short-term financial liabilities based on shares	0	0	0	0	0	0
3. Other short-term financial liabilities	28,387	321,590	349,977	0	324,829	324,829
III. Short-term operating liabilities	**5,062,157**	**54,625,188**	**59,687,345**	**6,159,888**	**51,548,802**	**57,708,690**
1. Short-term operating liabilities to suppliers	2,717,066	32,712,451	35,429,517	2,500,036	32,099,872	34,599,908
2. Short-term liabilities for bills of exchange	0	6,019,779	6,019,779	0	4,660,785	4,660,785
3. Short-term operating liabilities based on advance payments	1,006,965	3,513,258	4,520,223	1,014,293	3,640,651	4,654,944
4. Other short-term operating liabilities	1,338,126	12,379,700	13,717,826	2,645,559	11,147,494	13,793,053

Additional information according to the geographical area for the Group

	Sales revenue		Total assets		Net investments	
(in euros)	2017	2016	2017	2016	2017	2016
Slovenia	172,987,345	158,525,990	306,430,427	296,079,508	15,348,523	10,795,552
European Union	13,171,851	14,146,571	12,236,611	13,031,642	645,902	688,662
Rest of Europe	11,448,145	10,335,571	10,089,645	10,507,913	1,025,799	853,065
Other markets	41,412,259	36,103,865	35,216,819	28,358,734	4,349,799	1,195,032
Total	**239,019,600**	**219,111,997**	**363,973,502**	**347,977,798**	**21,370,022**	**13,532,311**

17.3.2 Intangible assets

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

UNIOR GROUP (in euros)	Goodwill	Deferred costs development	Investments in rights to and. ownership	Other intangible assets	ILA in acquisition pr.	Total
Purchase value						
Balance on 31 December 2015	602,236	10,884,541	5,084,146	173,790	0	16,744,713
Direct increases - investments	0	78,802	18,601	7,523	86,032	190,958
Transfer from investments in progress	0	0	3,648	0	0	3,648
Decreases during the year	0	0	(81,737)	(16,160)	0	(97,897)
Other changes (movements, exchange	0	(40,398)	(981)	0	0	(41,379)
Balance on 31 December 2016	602,236	10,922,945	5,023,677	165,153	86,032	16,800,043
Value adjustment						
Balance on 31 December 2015	80,788	7,507,499	3,073,064	0	0	10,661,351
Depreciation in year	0	1,360,224	128,887	0	0	1,489,111
Decreases during the year	0	0	(77,113)	0	0	(77,113)
Other changes (movements, exchange	0	(22,854)	107	0	0	(22,747)
Balance on 31 December 2016	80,788	8,844,869	3,124,945	0	0	12,050,602
Current value on 31 December 2016	**521,448**	**2,078,076**	**1,898,732**	**165,153**	**86,032**	**4,749,441**
Current value on 31 December 2015	521,448	3,377,042	2,011,082	173,790	0	6,083,362

For 2017, the Group received 7,234 emission coupons from the Ministry of the Environment and Spatial Planning, the Slovenian Environment Agency. These are recorded in the bookkeeping records at the value of EUR 1. In 2017, the Group settled its liabilities for 2017 in the amount of 6,972 coupons. For the value of produced issues in 2017, the Group discloses a liability to deliver 7,363 emission coupons. The balance of emission coupons as at 31/12/2017 amounts to 22,280.

The increase in intangible fixed assets is largely represented by capitalized long-term deferred development costs in the amount of EUR 2.9 million in the Special Machines Programme, and in the forging workshop of Ningbo Unior Forging in China. The emission coupons and long-term deferred costs and accrued revenues are disclosed among other intangible fixed assets in the amount of EUR 143,264.

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

17.3.3 Property, plant and equipment

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

UNIOR GROUP (in euros)	Land	Buildings	Production equipment and machines	ther equipme small tools	Fixed assets in quisition proce	Total
Purchase value						
Balance on 31 December 2015	39,265,774	164,531,995	178,678,706	13,336,961	924,394	396,737,830
Direct increases - investments	48,911	395,764	1,267,351	309,671	11,167,271	13,188,968
Transfer from investments in progress	0	407,564	2,878,610	31,209	(3,317,383)	0
Decreases during the year	(273,359)	(2,182,092)	(3,243,891)	(534,019)	(21,121)	(6,254,482)
Revaluation due to improvement/impairment	(605,829)	0	0	0	0	(605,829)
Other adjustments (exchange rates	(50,568)	(107,143)	(738,602)	9,282	161	(886,870)
Balance on 31 December 2016	38,384,929	163,046,088	178,842,174	13,153,104	8,753,322	402,179,617
Value adjustment						
Balance on 31 December 2015	0	81,551,732	118,326,825	7,785,791	0	207,664,348
Depreciation in year	0	3,584,766	8,066,553	640,785	0	12,292,104
Decreases during the year	0	(903,754)	(3,008,926)	(493,944)	0	(4,406,624)
Other adjustments (exchange rates	0	17,484	(355,604)	11,190	0	(326,930)
Balance on 31 December 2016	0	84,250,228	123,028,848	7,943,822	0	215,222,898
Current value on 31 December 2016	**38,384,929**	**78,795,860**	**55,813,326**	**5,209,282**	**8,753,322**	**186,956,719**
Current value on 31 December 2015	39,265,774	82,980,263	60,351,881	5,551,170	924,394	189,073,482

In 2017, the UNIOR Group there was a total of EUR 21,370,022 of new investments in fixed assets, of which EUR 3,364,734 in intangible fixed assets, EUR 17,600,719 in property, plant and equipment, and EUR 404,569 in investment properties. In the metal industry, investments amounted to EUR 18,919,318, and in the tourism activity to EUR 2,450,704.

As at 31/12/2017, the Group disclosed assets acquired through a financial lease among the property, plant and equipment, at purchase cost of EUR 1,841,360 (in 2016, EUR 1,644,893) and at current value of EUR 1,017,166 (in 2016, EUR 854,401).

As a guarantee for debts, the Group has pledged fixed assets, the value of which is estimated at EUR 133,842,366, which represents the majority of the Group's assets.
Due to changes, the land was revaluated to its fair value in 2017 on the basis of an appraisal report, compiled by a chartered property surveyor, according to the balance as at 31/12/2016. In valuation, the surveyor used the method of market sales indicating the value by comparing the appraised real estate with equal or similar real estate, for which the information on price was

available. Based on achieved sales prices and 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, as rights attributed to the construction land, on which the facilities with issued building permits are located. The capitalization rate taken into account was 2.89 per cent and is lower than that of investment properties due to a different method of valuation. For the 2017 financial year, according to the balance as at 31/12/2017, the chartered valuation surveyor produced an Overview of valuation with the property market analysis, and provided a statement that the market conditions and the values of the assessed real estate during the period of assessment according to the balance as at 31/12/2016, have not changed significantly.

The value of revalued land at cost amounts to EUR 8,536,021.

The items reduction-transfer to assets held for sale and revaluation due to the transfer to assets held for sale refer to the reallocation of assets of the company RTC Krvavec to assets held for sale (disposal groups) because of the initiated sales procedure of this company. The assets held for sale are explained in Chapter 17.3.6.

17.3.4 Investment properties

(in euros)	31.12.2017	31.12.2016
Land	7,650,607	7,650,607
Buildings	6,976,072	6,571,945
Total	**14,626,679**	**14,222,552**

Changes in real estate investments

(in euros)	2017	2016
Initial balance on 1 January	**14,222,552**	**14,112,745**
Additions	404,569	152,385
Revaluation	(34,178)	(6,560)
Disposals	0	0
Other changes (movements, exchange rates)	33,736	(36,018)
Final balance on 31 December	**14,626,679**	**14,222,552**

The investment properties include land and buildings intended for resale or renting out, namely at the location of Maribor, Zreče, Rogla and in Kragujevac in Serbia. The investment properties are disclosed at fair value. The fair value was determined on the basis of the valuation of the chartered valuation surveyor in 2017 as of 31/12/2016. For land intended for sale and are disclosed among investment properties, the surveyor used the market sales method, which indicates the value with the comparison of the valuated property with equal or similar real estate, for which the information on price is available. Based on achieved sales prices and 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, as rights attributed to the construction land, on which the facilities with issued building permits are located. For the 2017 financial year, according to the balance as at 31/12/2017, the chartered valuation surveyor produced an Overview of valuation with the property market analysis, and provided a statement that the market conditions and the values of the assessed real estate during the period of assessment according to the balance as at 31/12/2016, have not changed significantly.

The method of assessing the value of the investment properties for the location of the production halls in Maribor is the market sales method for determining the value of the land. In the appraisal report, in order to determine the final value, the chartered valuation surveyor considered the value obtained by the income capitalization approach, which represents a market value assessment. The income approach is based on the capitalization of the expected stable profit, which will be generated by the holder of the property right through the use of the property. The basis for assessing the stable profit are the rents, which are charged by the owner to tenants in accordance with the intended purpose of the property. The capitalization rate was established on the basis of the build-up approach and amounts to 7.465 per cent for the production and storage facilities, and 8.465 per cent for the offices. For the 2017 financial year, according to the balance as at 31/12/2017, the chartered valuation surveyor produced an Overview of valuation with the property market analysis, and provided a statement that the market conditions and the values of the assessed real estate during the period of assessment according to the balance as at 31/12/2016, have not changed significantly.

In 2017, the rental costs amounted to EUR 1,350,104, while in 2016, they amounted to EUR 1,093,880. The increase in the cost is the result of an increase in the rented production facilities of the forging workshop in China.

The smallest amount of rents from business rents - receivables

(in euros)	2017	2016
up to 1 year	1,299,834	1,369,267
between 2 to 5 years	5,199,336	5,477,068
more than 5 years	6,499,170	6,846,335
Total	**12,998,341**	**13,692,670**

The smallest amount of rents from business rents - liabilities

(in euros)	2017	2016
up to 1 year	1,411,106	1,049,800
between 2 to 5 years	5,644,424	4,199,200
more than 5 years	7,055,530	5,249,000
Total	**14,111,060**	**10,498,000**

Future rents relate to rentals for the production hall in Maribor and Kragujevac, rent for the production line for powder painting, rent for the facility on Krvavec and rentals for renting out classrooms and apartments.

The Group pays rents for commercial storage facilities of hand tools distributers abroad, for renting a production hall in China, for renting business and storage facilities for the needs of the Special Machines Programme, for renting Koča na Pesku and the parking lot at the Forge Processing Plant in Slovenske Konjice and for the hire of work clothes for employees of the parent company.

17.3.5 *Long-term financial investments*

Investments in stocks and shares in subsidiaries

(in euros)	Share	31.12.2017	31.12.2016
In the country:			
ŠTORE STEEL d.o.o. Štore	29.253	12,877,642	9,979,981
RHYDCON d.o.o. Šmarje pri Jelšah	33.500	596,178	154,304
RC SIMIT d.o.o. Kidričevo	20.000	179,773	191,746
		13,653,593	10,326,031
Abroad:			
UNIOR TEPID S.R.L. Brasov	49.000	2,511,183	2,150,916
UNIOR SINGAPORE Pte. Ltd. Singapore	40.000	(14,053)	(4,927)
UNIOR TEHNA d.o.o. Sarajevo	25.000	291,078	222,602
UNIOR TEOS ALATI d.o.o. Belgrade	20.000	528,814	474,683
SINTER a.d. Užice, Serbia	25.067	0	194,557
		3,317,022	3,037,831
Total affiliated companies		**16,970,615**	**13,363,862**

Available-for-sale long-term assets		
Investments in stocks and shares in other companies and banks:		
BANKS	750	1,535
INSURANCE COMPANIES	0	2,282
OTHER COMPANIES	181,013	148,680
	181,763	152,497
Long– term financial investments in debts		
Long-term loans to others	76,217	144,567
	76,217	144,567
Total long-term financial investments without treasury s	**17,228,595**	**13,660,926**

The associated companies are valued in the consolidated financial statements according to the equity method. The profits and losses of associated companies in the consolidated balance sheet increase or decrease the value of long-term financial investments, and increase financial revenues or expenses in the consolidated income statement.

In the year 2017, the positive effect in the amount EUR 3,495,664 resulted from profits and losses of associated companies, while in 2016, the positive effect amounted to EUR 817,413.

The long-term loans are fully repayable. In 2017, interest revenues amounted to EUR 215,642, and in 2016, they amounted to EUR 105,242.

Changes in long-term investments in shares and stocks

(in euros)	2017	2016
State of investments in shares and stocks on 1 January	13,660,926	13,203,632
Increases:		
Shares and stocks purchases	252,050	15,824
Increasing investments in debts	16,654	12,381
Dividends or shares from profit of affiliated companies	3,495,664	817,413
Short-term debt investments yield	0	0
Other increases – revaluation	74,689	0
Repayments of long-term granted loans	(53,674)	(21,703)
Losses of affiliated companies	0	0
Short-term debt investments	(31,329)	(42,405)
Other decreases - impairment	(159,749)	(324,216)
Balance on 31 December	**17,228,595**	**13,660,926**

Changes in long-term investments in shares and stocks in affiliated companies:

(in euros)	2017	2016
Book value on 1 January	**13,363,862**	**12,845,464**
Shares and stocks purchases	251,250	15,824
Profits (losses) using the equity method	3,337,367	1,319,645
Repayment of the profit based on equity share	(516,327)	(270,451)
Conversion currency differences	(26,679)	(77,204)
Investment impairments	(177,969)	(299,016)
Other changes	739,110	(170,400)
Book value on 31 January	**16,970,615**	**13,363,862**

Equity and profit or loss of associates

Company name	Country of the compar	Percentage participation in capital	Size capital in euros	Operating it/loss of the y in euros	Revised account. statements
Affiliated companies:					
ŠTORE STEEL d.o.o.	Slovenia	29.253	55,754,509	8,861,480	YES
RHYDCON d.o.o.	Slovenia	33.500	3,255,747	(185,259)	NO
RC SIMIT d.o.o.	Slovenia	20.000	955,990	(2,739)	NO
UNIOR TEPID S.R.L.	Romania	49.000	5,124,863	1,303,691	YES
UNIOR SINGAPORE Pte. Ltd.	Singapore	40.000	(35,133)	(22,816)	YES
UNIOR TEHNA d.o.o.	Bosnia and Herzegovina	25.000	1,164,310	459,880	NO
UNIOR TEOS ALATI d.o.o.	Serbia	20.000	2,708,332	372,436	NO

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

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

(in euros)	31.12.2017	31.12.2016
Assets (disposal groups) held for sale	9,600,643	120,000
A. LONG–TERM ASSETS	**7,873,612**	**120,000**
I. Intangible assets and other IA	11,848	0
1. Long-term property rights	11,848	0
II. Tangible fixed assets	7,373,460	0
1. Land and buildings	5,179,812	0
a) Land	453,470	0
b) Buildings	4,726,341	0
2. Production facilities and machinery	0	0
3. Other facilities and machines, small tools and other tangible fixed assets	2,114,846	0
4. Tangible fixed assets acquired	78,803	0
III. Investment real estates	120,000	120,000
IV. Long-term financial investments	3,066	0
V. Long-term operating receivables	0	0
VI. Deferred tax receivables	365,238	0
B. SHORT–TERM ASSETS	**1,727,031**	**0**
I. Assets (disposal groups) held for sale	0	0
II. **Inventories**	112,352	0
III. Short-term financial investments	0	0
IV. Short-term operating receivables	643,596	0
V. Monetary assets	971,083	0
Total sales assets (of disposal group)	**9,600,643**	**120,000**

Liabilities included in disposal groups

(in euros)	31.12.2017	31.12.2016
Liabilities included in disposal groups	4,281,087	0
A. CAPITAL	**0**	**0**
B. PROVISIONS AND LONG-TERM ACCRUED EXPENSES	**583,831**	**0**
C. LONG-TERM LIABILITIES	**1,289,511**	**0**
I. Long-term financial liabilities	885,784	0
II. Long-term operating liabilities	238,085	0
III. Deferred tax liabilities	165,642	0
D. SHORT-TERM LIABILITIES	**2,407,745**	**0**
I. Liabilities included in disposal groups	0	0
II. Short-term financial liabilities	389,992	0
III. Short-term operating liabilities	2,017,753	0
Total liabilities included in disposal groups	**4,281,087**	**0**

Due to the initiated sales procedure for the sale of the 98.55 per cent share in the company RTC Krvavec, the assets of this company were transferred to assets (disposal groups) held for sale at fair value, and the liabilities of this company to liabilities included in disposal groups at carrying amount. This resulted in a negative effect on the profit or loss of the UNIOR Group in the amount of EUR 10,401,661, which is recognized in operating expenses from revaluation of operating fixed assets.

In addition to assets of the company RTC Krvavec, the assets held for sale also include bungalows on Rogla.

17.3.7 Inventories

(in euros)	31.12.2017	31.12.2016
Material	26,422,253	23,844,360
Work in progress	24,612,525	25,833,225
Products	16,707,397	14,817,131
Merchandise	8,437,041	8,299,640
Value adjustment	(1,663,484)	(1,658,355)
Total	**74,515,732**	**71,136,001**

State of the adjustments of the inventory values

(in euros)	31.12.2017	31.12.2016
Inventory value adjustment:		
- material	516,642	715,385
- final products	1,038,558	775,211
- merchandise	108,284	167,759
Total	**1,663,484**	**1,658,355**

Changes in the adjustments of the inventory values

(in euros)	2017	2016
State of the adjustments of the inventory values on 1 January	**1,658,355**	**1,591,460**
- material	(198,743)	(75,860)
- final products	263,347	87,811
- merchandise	(59,475)	54,944
Balance on 31 December	**1,663,484**	**1,658,355**

The inventories in the current financial year increased mainly due to the inventories of materials, as average prices of steel at the end of 2017 were higher than at the end of 2016. There was also a slight increase in inventories of products and merchandise, and the inventories of work-in-progress decreased. The Group's inventory is entirely realizable, so the book value of the inventory is equal to the net realizable value. Inventories in the amount of EUR 20 million are pledged for the benefit of the banks for the insurance of financial liabilities.

The inventories in the table above are shown in gross amounts, as the value adjustments of inventories, while the inventories in the balance sheet are shown in net amounts. The total amount of inventories is aligned.

17.3.8 Operating receivables

(in euros)	31.12.2017	31.12.2016
Long-term operating receivables		
Long-term operating receivables from affiliate companies	0	168,773
Long-term operating receivables from other buyers	626,285	701,218
Short-term part of long-term operating receivables	0	(10,570)
Value adjustment of long-term operating receivables	(442,892)	(442,892)
Total long-term operating receivables	**183,393**	**416,529**
Short-term operating receivables		
Short-term operating receivables from affiliate companies	1,497,148	455,207
Short-term operating receivables due from buyers - home	4,005,630	3,528,338
Short-term operating receivables from buyers - abroad	28,101,456	24,182,964
Short-term operating receivables from interest	1,793	6,914
Receivables for VAT	1,771,359	943,288
Advance payments	1,871,947	1,906,759
Other short-term operating receivables	10,116,765	9,466,065
Short-term part of long-term operating receivables	0	10,570
Value adjustments of short-term receivables	(1,055,572)	(1,339,066)
Total short-term operating receivables	**46,310,526**	**39,161,039**

The increase of short-term trade receivables arose due to the large volume of sales compared to the previous year. Due to higher purchases, VAT receivables are also higher. The increase in other operating receivables is mainly due to the larger bill receivables in China. In addition, other short-term receivables include receivables in the amount of EUR 1.8 million arising from operating receivables from non-recourse factoring, receivables from refunds, and disclosed are also deferred costs and accrued revenues in the amount of EUR 897,561, of which short-term deferred costs amounted to EUR 458,024, accrued revenues of EUR 408,672, and VAT from received advances in the amount of EUR 30,865. The receivables shown in the table are fully repayable. The Group estimates the repayability of individual receivables separately, namely it estimates the likelihood of the cash flow intended for the repayment of individual receivables. This is checked by verification of customer's credit rating and taking into consideration the probability of repayment. Since all receivables are of a short-term nature, the Group does not discount the receivables when taking into account their repayment.

In 2017, the Group formed the following value adjustments of trade receivables.

Changes in value adjustments of receivables from buyers

(in euros)	2017	2016
Balance on 1 January	**1,339,066**	**1,263,545**
Written-off recovered receivables	(75,160)	(113,524)
Final write-off of receivables	(774,026)	(318,559)
Formation of value adjustments in the year:	565,692	507,604
Balance on 31 December	**1,055,572**	**1,339,066**

As of 01/10/2014 onwards, the Group has secured all operating receivables of the parent company to the associated companies. For short-term operating receivables in the amount of up to EUR 18 million, it has concluded a contract on non-recourse factoring.

Maturity of receivables of the group on 31 December 2017

(in euros)	31.12.2017	31.12.2016
Outstanding receivables	35,850,964	28,584,831
overdue receivables up to 90 days	6,299,230	6,139,881
overdue receivables between 91 to 180 days	1,922,746	1,666,392
overdue receivables between 181 to 365 days	1,529,697	1,504,745
overdue receivables over 1 year	707,889	1,265,190
Total	**46,310,526**	**39,161,039**

17.3.9 Short-term financial investments

(in euros)	31.12.2017	31.12.2016
Loans granted		
- to affiliated companies	0	893,617
- to others	0	43,057
Short-term financial investments in deposits	1,893,664	1,938,490
Short-term part of long-term investments in debts	31,329	42,405
Value adjustments of short-term financial investments	0	0
Total	**1,924,993**	**2,917,569**

The short-term financial investments of the Group are not pledged as collateral, with the exception of part of the deposits in the amount of EUR 176,379, which is pledged as collateral for liabilities arising from received bank guarantees. For short-term loans it is estimated that they are fully repayable.

Changes in short-term financial investments

(in euros)	2017	2016
Balance on 1 January	**2,917,569**	**4,675,483**
Increases:		
Increase of short-term loans to affiliated companies	12,419	18,195
Increase of short-term loans to others	0	15,072
Increase of investments in deposits	481,563	1,313,959
Profit of short-term part of long-term financial investments	31,329	42,405
Decreases:		
Decrease of short-term loans to affiliated companies	(935,465)	(29,429)
Decrease of short-term loans to others	(56,033)	(29,428)
Decrease of investments in deposits	(526,389)	(3,088,688)
Other decreases - impairment	0	0
Balance on 31 December	**1,924,993**	**2,917,569**

17.3.10 Cash and cash equivalents

(in euros)	31.12.2017	31.12.2016
Cash in register and received checks	27,676	41,717
Monetary assets in the bank	14,302,053	12,375,794
Total	**14,329,729**	**12,417,511**

The increase constitutes a higher level of cash and cash equivalents on accounts with commercial banks at the end of the financial year 2017.

17.3.11 Equity

The total capital of the UNIOR Group consists of called-up capital, capital reserves, reserves from profit, reserves from revaluation at fair value, net profit brought forward and net profit for the financial year.

The parent company's share capital as at 31 December 2017 is registered in the amount of EUR 23,688,983 as disclosed in the balance sheet and, is divided into 2,838,414 non-par value shares.

Reserves from profit in the amount of EUR 40,603,303 are intentionally retained amounts of profits from previous years, primarily for the settlement of potential future losses.

Reserves from revaluation at fair value in the amount of EUR 28,214,466 represent reserves from the revaluation of land at fair value and losses and actuarial gains in actuarial calculations of severance pay upon retirement.

Reserves resulting from valuation at fair value

(in euros)	**31.12.2017**	**31.12.2016**
Land	33,704,905	32,954,182
Severance pay	(614,983)	(614,983)
Actuarial profit	692,247	0
Value impairment of surpluses	(5,567,703)	(5,623,526)
Total	**28,214,466**	**26,715,673**

Changes in reserves resulting from valuation at fair value

(in euros)	**2017**	**2016**
Balance on 1 January	**26,715,673**	**27,748,406**
Decreases:		
- land	(13,668)	(799,932)
- severance pay	0	0
- actuarial profit	0	0
- value impairment of surpluses	0	(321,918)
Increases:		
- land	764,391	0
- severance pay	0	57,690
- actuarial profit	692,247	0
- value impairment of surpluses	55,823	31,428
Balance on 31 December	**28,214,466**	**26,715,673**

The net profit brought forward amounts to EUR 11,287,678, and constitutes the undistributed profits of the previous years.

In 2017, the profit of the UNIOR Group amounted to EUR 5,695,543 and was by EUR 2,051,650 lower than the profit of the parent company. The differences are the results of the profits or losses of subsidiaries in the amount of EUR 2,689,428, attributions of profits or losses of associated companies in the amount of EUR 3,495,664, the eliminations and adjustments in consolidation in the amount of EUR -292,878, the negative effect of the transfer of RTC Krvavec to assets held for sale in the amount of -10,401,661, and profit attributable to minority shareholders in the amount of EUR 2,457,797.

In 2017, the profit of the UNIOR Group without the transfer of RTC Krvavec to assets held for sale amounted to EUR 16,097,204.

Changes in equity attributable to the owners of the parent company in the current year represent:

- The net profit of the financial year attributable to the owners of the parent company represents a profit in the amount of EUR 3,237,746,
- The increase of reserves from revaluation at fair value in the amount of EUR 823,141, and the increase in actuarial profit when calculating the provision for severance pay by EUR 689,808,
- The net profit brought forward has increased by EUR 7,495,550 for the profit brought forward from 2016, and decreased by EUR 4,557,108 due to the transfer to other equity items.

- The conversion adjustment of equity decreased by EUR 200,781 due to currency conversion differences, because of the appreciation of the domestic currency, the euro, vis-à-vis the currencies in other countries in which the UNIOR Group has its subsidiaries.

Changes in equity of the non-controlling interest in the current year represent:

- The net profit of the financial year attributable to the owners of the non-controlling interests represents a profit in the amount of EUR 2,457,797,
- The dividend payout to the owners of the non-controlling interest reduced the equity by EUR 21,130,
- Other changes of equity interest in the amount of EUR 301,246 represent, in particular, a decrease in the non-controlling interest due to the squeeze-out of minority shareholders from the Unior Components.
- The conversion adjustment of equity decreased by EUR 589,931 due to currency conversion differences, because of the appreciation of the domestic currency, the euro, vis-à-vis the currencies in other countries in which the UNIOR Group has its subsidiaries.

17.3.12 Long-term provisions and deferred income

(in euros)	Provisions for severance pay and jubilee	Annuity provisions	Provisions for ecological improvements	Received grants for fixed assets	Provisions from long-term deferred revenues	Total
Balance on 31 December 2016	**5,720,367**	**250,670**	**0**	**3,124,045**	**670,105**	**9,765,187**
Increases	1,262,395	11,852	0	11,752	500	1,286,499
Decreases	(1,110,270)	(16,795)	0	(552,062)	(369,422)	(2,048,549)
Balance on 31 December 2017	**5,872,492**	**245,726**	**0**	**2,583,735**	**301,183**	**9,003,136**

(in euros)	Provisions for severance pay and jubilee	Annuity provisions	Provisions for ecological improvements	Received grants for fixed assets	Provisions from long-term deferred revenues	Total
Balance on 31 December 2015	**5,152,311**	**255,674**	**0**	**3,269,102**	**775,814**	**9,452,901**
Increases	1,356,882	11,791	0	7,523	69,474	1,445,670
Decreases	(788,826)	(16,795)	0	(152,580)	(175,183)	(1,133,384)
Balance on 31 December 2016	**5,720,367**	**250,670**	**0**	**3,124,045**	**670,105**	**9,765,187**

The provisions for long-service bonuses and severance pay are formed in the amount of estimated future payments for severance pay and long-service bonuses discounted as at the balance sheet date. The main parameters taken into account in the calculation are the retirement age of 60 years for women and 62 for men, the required years of service of 40 years, the discount rate of 1.4 per cent, and the annual salary growth of 2.2 per cent. Reservations are eliminated due to different assumptions in the calculation of provisions and for all employees for whom provisions have been formed in previous years but who are no longer employed with us.

Provisions for annuities are formed for employees who have been injured at work and are damaged permanently.

The long-term provisions also show the funds received from the Ministry of the Economy for co-financing investments in the reconstruction and development of tourist facilities in Zreče and Rogla, for the rehabilitation of the spa after the fire, co-financing the construction of the Atrij Hotel in Zreče and the wood biomass district heating boiler room on Rogla, and for co-financing development projects. The provisions are drawn down in accordance with the depreciation of the co-financed fixed assets. The balance of the provision as at 31/12/2016 amounts to EUR 2,583,735.

The value of the provision arising from the rents paid by Mobitel d.d. amounts to EUR 48,700, while the provisions arising from other long-term deferred revenues amount to EUR 252,483.

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

17.3.13 Long-term financial liabilities

Changes in long-term financial liabilities

(in euros)	Principle of the debt 01/01/2017	New loan in the year	Profit of unpaid short-term part	Repayments in the year	Principle of the debt 31/12/2017	Part that due in year 2018	Long-term part
Bank or creditors							
Banks in the state	115,491,371	33,842	0	(1,386,467)	114,138,746	(6,249,790)	107,888,956
Foreign banks	1,593,851	167,977	0	(520,489)	1,241,339	(502,680)	738,659
Other creditors	195,931	0	0	(13,855)	182,076	(45,199)	136,877
Financial lease	189,142	872,615	0	(363,486)	698,271	(272,484)	425,787
Total received loans	**117,470,295**	**1,074,434**	**0**	**(2,284,297)**	**116,260,432**	**(7,070,153)**	**109,190,279**

(in euros)	Principle of the debt 01/01/2016	New loan in the year	Profit of unpaid short-term part	Repayments in the year	Principle of the debt 31/12/2016	Part that due in year 2017	Long-term part
Bank or creditors							
Banks in the state	111,684,067	108,526,069	0	(98,118,738)	122,091,398	(6,600,027)	115,491,371
Foreign banks	3,569,027	0	0	(1,464,924)	2,104,103	(510,252)	1,593,851
Other creditors	312,960	0	0	0	312,960	(117,029)	195,931
Financial lease	1,232,087	234,004	0	(1,110,091)	356,000	(166,858)	189,142
Total received loans	**116,798,141**	**108,760,073**	**0**	**(100,693,753)**	**124,864,461**	**(7,394,166)**	**117,470,295**

The interest rates on long-term loans obtained are within the range of the six-month Euribor +0.5 per cent to the six-month Euribor +3.9 per cent, and the three-month Euribor +0.5 per cent, and the real interest rate from 2.8 to 3.65 per cent. The Group has taken out long-term loans with a reference interest rate for a three-month and six-month Euribor. In 2017, for long-term loans in the amount of EUR 47.5 million, the parent company UNIOR d.d. made an interest rate swap for a period of five years, thus securing the company against any adverse effects of the movement of the variable Euribor interest rate.

In compliance with IAS 7.22, which allows that certain cash flows or cash receipts and payments for items, which are characterized by quick turnover, high values and short maturities are disclosed according to the net principle, the Group thus in 2016 disclosed receipts from the increase in long-term financial liabilities and expenditures for long-term financial liabilities in the cash flow statement. The company reduced the trends by EUR 95,354,840 in receipts and expenditures, because this amount represents the replacement of the company’s financial liabilities due to a successfully completed refinancing process.

Maturity of long-term financial liabilities by year

(in euros)	2016	2016
Maturity between 1 to 2 yea	7,899,254	7,268,594
Maturity between 2 to 3 yea	17,936,326	7,873,110
Overdue between 3 to 4 yea	12,613,222	18,247,714
Maturity between 4 to 5 yea	12,723,889	12,847,766
Maturity over 5 years	58,017,588	71,233,111
Total	**109,190,279**	**117,470,295**

The collateral for long-term and short-term liabilities from financing are constituted by mortgages on real estate, movables, investments and inventories in the amount of EUR 154,509,299 at fair value, as well as bills of exchange written. These values include the value of secured loan agreements.

17.3.14 Long-term operating liabilities

(in euros)	31.12.2017	31.12.2016
Long-term operating liabilities	87,816	169,895
Short-term part of long-term operating liabilities	(46,411)	(46,411)
Total	**41,405**	**123,484**

The long-term operating liabilities represent the acquired commodity credit in the telecommunication field and is repaid in accordance with the amortization plan.

17.3.15 Deferred tax assets and liabilities

(in euros)	31.12.2017	31.12.2016
Long-term deferred tax receivable	7,742,989	8,008,679
Long-term deferred tax receivable	(5,764,174)	(5,835,481)
Net long-term deferred tax receivable	**4,791,363**	**2,219,511**
Net long-term deferred tax liability	**2,812,548**	**46,313**

Changes in deferred tax receivables	**2017**	**2016**
Balance of deferred tax receivables on 1 January	**8,008,679**	**7,755,650**
Increases:	1,107,106	1,056,952
Decreases:	(1,372,796)	(803,923)
Balance of deferred tax receivables on 31 December	**7,742,989**	**8,008,679**
- set-off with deferred tax liabilities	2,951,626	5,789,168
Net deferred tax receivables on 31 December	**4,791,363**	**2,219,511**

Changes in deferred tax liabilities	**2017**	**2016**
Balance of deferred tax liabilities on 1 January	**5,835,481**	**5,549,860**
Increases:	574,692	411,202
Decreases:	(645,999)	(125,581)
Balance of deferred tax liabilities on 31 December	**5,764,174**	**5,835,481**
- set-off with deferred tax receivables	2,951,626	5,789,168
Net deferred tax liabilities on 31 December	**2,812,548**	**46,313**

Deferred tax assets and liabilities are accounted for using the balance sheet liability method. Only deferred tax assets and liabilities arising from temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes are recognised. The deferred tax is disclosed in the amount that will have to be paid according to expectations upon the reversal of the temporary differences based on laws that have been enacted or substantially enacted at the reporting date.

When performing the consolidation, temporary differences can appear in the tax burden that arise from the differences between the official financial statements of a subsidiary and its financial statements adjusted to the account regulations applying to the parent company.

Deferred tax assets arise from the calculated provisions for long-service bonuses and severance pay, the impairment of accounts receivable, investment impairments, tax relief for investments into research and development, and from the disclosed tax loss. The applicable tax rates for all items are in accordance with the tax laws of individual countries, in which group companies operate, and they range from 10 to 30 per cent.

Long-term deferred tax liability refer to the recalculation of property – land to fair value, which is disclosed in the revaluation surplus. The applicable tax rates for all items are in accordance with the tax laws of individual countries, in which group companies operate, and they range from 10 to 30 per cent.

17.3.16 Short-term financial liabilities

(in euros)	Debt balance 01/01/2017 with a short-term pa long-term liabilities	New loan in the year	Repayments in the year 2017	Transfer short-term part long-term liabilities	Debt balance 31.12.2017
Bank or creditors					
Banks in the state	8,226,820	8,900,000	(7,877,474)	6,249,790	15,499,136
Foreign banks	1,591,397	2,797,885	(429,880)	502,680	4,462,082
Other creditors	324,829	163	(292,698)	45,199	77,493
Financial lease	166,858	0	(166,858)	272,484	272,484
Total received loans	**10,309,904**	**11,698,048**	**(8,766,910)**	**7,070,153**	**20,311,195**

(in euros)	Debt balance 01/01/2016 with a short-term pa long-term liabilities	New loan in the year	Repayments in the year 2016	Transfer short-term part long-term liabilities	Debt balance 31.12.2016
Bank or creditors					
Banks in the state	9,368,428	4,089,812	(11,831,447)	6,600,027	8,226,820
Foreign banks	3,501,201	134,920	(2,554,976)	510,252	1,591,397
Other creditors	1,762,757	0	(1,554,957)	117,029	324,829
Financial lease	381,120	0	(381,120)	166,858	166,858
Total received loans	**15,013,506**	**4,224,732**	**(16,322,500)**	**7,394,166**	**10,309,904**

Among short-term financial liabilities, the Group discloses short-term loans from banks and foreign development funds, a short-term loan for project financing granted by a commercial bank and a short-term part of the loan from the company Petrol d.d.

The interest rates for the taken short-term loans amount to 2.0 to 5.24 per cent fixed and 6-month EURIBOR from +0.5 to +2.5 per cent.

The collateral for long-term and short-term liabilities from financing are constituted by mortgages on real estate, movables, investments and inventories in the amount of EUR 154,509,299 at fair value, as well as bills of exchange written. These values include the value of secured loan agreements.

17.3.17 Short-term operating liabilities

(in euros)	31.12.2017	31.12.2016
Short-term operating liabilities to affiliated companies		
home	7,048,215	4,793,375
abroad	21,730	14,951
Short-term operating liabilities to other suppliers:		
home	17,804,574	19,116,770
abroad	10,508,587	10,628,401
Short-term operating liabilities to the State	699,976	679,985
Short-term operating liabilities to employees	5,014,564	4,867,330
Short-term operating liabilities for advance payments	4,520,223	4,654,944
Short-term operating liabilities for interest rates	45,403	68,969
Short-term liabilities for bills of exchange	6,019,779	4,660,785
Other short-term liabilities	7,957,883	8,176,769
Short-term part of long-term operating liabilities	46,411	46,411
Total	**59,687,345**	**57,708,690**

The item of short-term liabilities to the state discloses only liabilities to the state in Slovenia, while liabilities of foreign companies to the countries in which they operate are disclosed in other short-term liabilities.

Other short-term liabilities include:

- short-term deferred revenue from the sale of ski tickets in the amount of EUR 328,781;
- accrued charges in the amount of EUR 3,025,482, which include accrued fees for sales of EUR 1,053,280, an obligation for unused annual leave for 2017 in the amount of EUR 1,549,085, and other accrued costs in the amount of EUR 423,117;
- VAT from advances given in the amount of EUR 48,543.

17.3.18 Contingent liabilities

(in euros)	31.12.2017	31.12.2016
Granted guarantees	2,523,151	3,665,732
Total	**2,523,151**	**3,665,732**

Contingent liabilities comprise guarantees and warranties for loans raised from banks.

17.4 Notes to the income statement

Income statement from discontinued operations

(in euros) Item		2017	2016
A.	Net sales revenues	4,809,084	4,583,178
B.	Change in inventory values of products and work-in-progress production	0	0
C.	Capitalised own products and services	0	0
D.	Other operating income (with revaluation operating income)	108,930	416,585
	GROSS PROFIT FROM OPERATING ACTIVITIES	**4,918,013**	**4,999,763**
D.	Costs of goods, material and services	1,982,309	2,939,797
E.	Labour costs	1,203,204	1,097,004
F.	Write-offs of values	1,033,471	1,039,710
Mr	Other operating expenses	73,690	43,754
	OPERATING PROFIT AND LOSS	**625,339**	**-120,502**
H.	Financial income	334	802
I.	Financial expenses	159,752	192,994
	OPERATING PROFIT AND LOSS	**465,920**	**-312,694**
J.	Income tax	0	0
K.	Deferred tax	29,022	-12,333
	NET PROFIT OR LOSS OF THE ACCOUNTING PERIOD	**436,898**	**-300,362**
	- which is attributable to the owners of controlling company	438,259	-213,148
	- which is attributable to non-controlling share	-1,361	-87,214

The income statement from discontinued operationsconstitutes the operations of the companies RTC Krvavec d.d. in Slovenia, Unior Hellas S.A. in Greece and Unior USA Co. in the United States. In the consolidated financial statements for the year 2016, the operations of these companies have been included in full consolidation, and for 2017 only until the date of the liquidation of the companies Unior Hellas S.A. and Unior USA Co., while the company RTC Krvavec had been transferred at the end of the year to assets (disposal groups) held for sale and is still included in full consolidation. The same applies to the cash flow statement from discontinued operations.

Cash flow from discontinued operations

(in euros) Item		2017	2016
A.	Net operating cash flow	989,761	1,565,609
B.	Net cash flow from investing activities	185,323	(439,442)
C.	Net cash flow from financing activities	(938,884)	(939,434)
=	**Total net cash flow**	**236,200**	**186,733**

17.4.1 Consolidated income statement by division

(in euros) Item	Tourism act. 2017	Metal act. 2017	Total 2017	Tourism act. 2016	Metal act. 2016	Total 2016
A. Net sales revenue	**23,373,375**	**215,646,225**	**239,019,600**	**21,220,365**	**197,891,632**	**219,111,997**
1. Net sales revenue on the domestic market	23,370,402	16,105,521	39,475,923	21,217,672	14,508,898	35,726,570
2. Net sales revenue on the foreign market	2,973	199,540,704	199,543,677	2,693	183,382,734	183,385,427
B. Change in the value of inventories and unfinished production	**(639)**	**820,530**	**819,891**	**(2,974)**	**3,394,657**	**3,391,683**
C. Capitalised own products and services	**0**	**3,465,748**	**3,465,748**	**0**	**1,029,142**	**1,029,142**
D. Other operating revenues	**378,427**	**1,940,527**	**2,318,954**	**391,235**	**3,426,264**	**3,817,499**
I. GROSS PROFIT FROM OPERATING ACTIVITIES	**23,751,163**	**221,873,030**	**245,624,193**	**21,608,626**	**205,741,695**	**227,350,321**
D. Costs of goods, material and services	**11,002,794**	**131,053,230**	**142,056,024**	**9,993,362**	**119,268,864**	**129,262,226**
1. Purchase value of sold goods and material	22,471	10,232,736	10,255,207	28,024	11,463,889	11,491,913
2. Cost of consumed material	5,048,912	93,712,327	98,761,239	4,916,694	81,764,578	86,681,272
3. Costs of services	5,931,411	27,108,167	33,039,578	5,048,644	26,040,397	31,089,041
E. Labour costs	**8,612,718**	**60,432,605**	**69,045,323**	**8,571,996**	**56,017,641**	**64,589,637**
1. Salary costs	6,252,173	45,341,219	51,593,392	6,234,189	42,381,523	48,615,712
2. Cost of pension insurance	63,079	824,059	887,138	65,880	728,759	794,639
3. Other social security costs	1,017,944	7,348,193	8,366,137	1,003,127	6,842,107	7,845,234
4. Other labor costs	1,279,522	6,919,134	8,198,656	1,268,800	6,065,252	7,334,052
F. Write-offs of values	**3,394,204**	**21,207,127**	**24,601,331**	**3,443,882**	**11,550,036**	**14,993,918**
1. Depreciation	3,348,797	10,167,749	13,516,546	3,395,686	10,385,530	13,781,216
2. Revaluation operating expense on NFA and TFA	9,120	10,504,844	10,513,964	8,658	543,954	552,612
3. Revaluation operating expenditures of current assets	36,287	534,534	570,821	39,538	620,552	660,090
G. Other operating expenses	**496,985**	**1,386,145**	**1,883,130**	**422,507**	**1,493,770**	**1,916,277**
1. Provisions	3,544	12,967	16,511	0	21,292	21,292
2. Other costs	493,441	1,373,178	1,866,619	422,507	1,472,478	1,894,985
II. OPERATING PROFIT AND LOSS	**244,462**	**7,793,923**	**8,038,385**	**(823,121)**	**17,411,384**	**16,588,263**
H. Financial income	**597**	**5,140,962**	**5,141,559**	**2,219**	**2,238,990**	**2,241,209**
1. Financial income from shares	290	4,050,244	4,050,534	210	1,103,684	1,103,894
2. Financial income from loans granted	4	215,638	215,642	0	105,242	105,242
3. Financial revenues from operating receivables	303	875,080	875,383	2,009	1,030,064	1,032,073
I. Financial expenses	**666,266**	**4,837,814**	**5,504,080**	**1,034,062**	**5,753,669**	**6,787,731**
1. Financial expenses from impairment and financial investment write-offs	0	151,333	151,333	0	318,710	318,710
2. Financial expenses from financial liabilities	591,461	3,461,472	4,052,933	997,141	4,362,107	5,359,248
3. Financial expenses from operating liabilities	74,805	1,225,009	1,299,814	36,921	1,072,852	1,109,773
III. OPERATING PROFIT AND LOSS	**(421,207)**	**8,097,071**	**7,675,864**	**(1,854,964)**	**13,896,705**	**12,041,741**
Income tax	**0**	**2,125,339**	**2,125,339**	**0**	**2,135,462**	**2,135,462**
Deferred tax	**93,443**	**(238,461)**	**(145,018)**	**(59,716)**	**(225,821)**	**(285,537)**
NET PROFIT OR LOSS OF THE ACCOUNTING PERIOD	**(514,650)**	**6,210,193**	**5,695,543**	**(1,795,248)**	**11,987,064**	**10,191,816**
- which is attributable to the owners of controlling company	(521,495)	3,759,241	3,237,746	(1,796,329)	9,291,879	7,495,550
- which is attributable to non-controlling share	6,845	2,450,952	2,457,797	1,081	2,695,185	2,696,266

The net sales revenues have increased in total by EUR 19,907,603, of which in metal activity by EUR 17,754,593 and in tourism activity by EUR 2,153,010. The operating result (EBIT) is lower than reached in 2016 due to the revaluation of fixed assets when transferring the company RTC Krvavec to assets held for sale, otherwise it would be 11.2 per cent higher than reached in the previous year.

For the reason of this revaluation, the net profit is lower than in 2016, and without the revaluation effect, it would reach EUR 16,097,204 in 2017, and would be 57.9 per cent higher than the one reached in the previous year.

17.4.2 Net sales revenues

(in euros)	2017	2016
Slovenia	**39,475,923**	**35,726,570**
- affiliated companies	82,717	103,258
- other customers	39,393,206	35,623,312
Other countries	**199,543,677**	**183,385,427**
- affiliated companies	4,890,497	4,079,328
- other customers	194,653,180	179,306,099
Total	**239,019,600**	**219,111,997**

17.4.3 Capitalised own products and services

Capitalized own products and services are products manufactured by the company for its own needs and has capitalized them among tangible fixed or intangible long-term fixed assets. Their value does not exceed the costs of their production or provision of services.

(in euros)	2017	2016
Capitalised own products and services	3,465,748	1,029,142
Total	**3,465,748**	**1,029,142**

The capitalized own products and services disclose the value of capitalized costs of development in the Special Machines Programme in the amount of EUR 2.7 million, as well as own investments in maintenance for the needs of other programmes in the amount of EUR 0.7 million, which include general renovation of machines in the forging workshop and the renovation of CNC machines.

17.4.4 Other operating revenues

(in euros)	2017	2016
Awards for exceeding the quota of the disabled	171,696	170,802
Paid receivables, which were already corrected	75,160	113,524
Received compensation	306,478	326,966
Remedy of long-term provisions	567,361	995,807
Profit from sales of fixed assets	118,561	717,751
Revaluation of investment real estate at fair value	0	174,546
Subsidies, grants and similar income	342,406	211,368
Sale of emission coupons	7,523	7,815
Other	729,769	1,098,920
Total	**2,318,954**	**3,817,499**

17.4.5 Costs and expenses

Year 2017 (in euros)	Production costs	Costs selling	Costs general activities	Total
Purchase value of trading goods/pr	3,786,584	4,527,001	1,941,622	10,255,207
Costs of material	87,743,596	5,126,333	5,891,310	98,761,239
Costs of services	19,746,248	6,381,705	6,911,625	33,039,578
Salary costs	*40,684,735*	*4,242,083*	*6,666,574*	*51,593,392*
Social security costs	*6,447,611*	*828,954*	*1,089,572*	*8,366,137*
Cost of pension insurance	*743,056*	*47,209*	*96,873*	*887,138*
Other labour costs	*7,036,791*	*286,550*	*875,315*	*8,198,656*
Total labour costs	54,912,193	5,404,796	8,728,334	69,045,323
Depreciation	11,530,551	503,241	1,482,754	13,516,546
Revaluation revenues from current	381,748	88,173	100,900	570,821
Revaluation revenues from intangib	60,246	6,227	10,447,491	10,513,964
other costs	951,407	356,659	575,064	1,883,130
Total costs	**179,112,573**	**22,394,135**	**36,079,100**	**237,585,808**

Year 2016 (in euros)	Production costs	Costs selling	Costs general activities	Total
Purchase value of trading goods/pr	9,338,193	13,639	2,140,081	11,491,913
Costs of material	74,435,637	8,148,596	4,097,039	86,681,272
Costs of services	17,136,460	7,949,792	6,002,789	31,089,041
Salary costs	*35,026,519*	*8,006,445*	*5,582,748*	*48,615,712*
Social security costs	*5,587,798*	*1,365,925*	*891,511*	*7,845,234*
Cost of pension insurance	*636,369*	*89,245*	*69,025*	*794,639*
Other labour costs	*4,993,842*	*1,559,931*	*780,279*	*7,334,052*
Total labour costs	46,244,528	11,021,546	7,323,563	64,589,637
Depreciation	9,823,247	2,674,429	1,283,540	13,781,216
Revaluation revenues from current	571,542	32,385	56,163	660,090
Revaluation revenues from intangib	213,992	30,118	308,502	552,612
other costs	955,873	483,550	476,854	1,916,277
Total costs	**158,719,472**	**30,354,055**	**21,688,531**	**210,762,058**

Revaluation expenses for intangible and property, plant and equipment include EUR 10,401,661 of expenses due to the reallocation of assets of the company RTC Krvavec as assets (disposal groups) held for sale.

Other labour costs include the costs of holiday pay, meal allowance, for transport to and from work, long-service bonuses and severance pay above the formed provision, and some other payments to employees.

Among the cost of services, the UNIOR Group discloses EUR 196,915 of costs for hiring workers through agencies for provision of manpower, which represents 11 employees compared to hours worked.

The purchasing of material in associated companies is presented in Chapter 17.6.2.

As part of its other costs, the group discloses:

(in euros)	2017	2016
- provisions	16,511	11,790
- building land plot fee	298,388	287,408
- costs related to environmental protection	218,466	143,701
- awards to pupils and students	662,131	545,289
- scholarships to pupils and students	52,841	44,968
- employee compensations	94,447	93,271
- financial help - grants	133,156	123,611
- impairments of investment properties	0	181,106
- other operation expenditures	407,190	485,133
Total	**1,883,130**	**1,916,277**

The costs of auditing annual reports of companies in the UNIOR Group amount to EUR 71,507. The costs of performing non-audit services by the Deloitte Group in the financial year 2017, have in the companies of the UNIOR Group amounted to EUR 15,182.

17.4.6 Financial income and financial expenses

Financial income

(in euros)	2017	2016
Financial income from shares		
Financial income from shares in affiliated companies	4,049,799	1,087,864
Financial income from shares in other companies	370	15,590
Financial income from other investments	365	440
Total	4,050,534	1,103,894
Financial income from granted loans		
Financial income from loans granted to others	215,642	105,242
Total	215,642	105,242
Financial income from operating receivables		
Financial income from operating receivables to others	875,383	1,032,073
Total	875,383	1,032,073
Total financial revenue	**5,141,559**	**2,241,209**

Financial revenues from shares in affiliated companies contain a positive effect in terms of profits and losses of associated companies in the amount of EUR 3,495,664. In addition, the include the distribution of profits in the companies Štore Steel d.o.o., Unior Teos d.o.o., Unior Tepid s.r.l. and Unior Tehna d.o.o.

Financial expenses

(in euros)	2017	2016
Financial expenses from impairment and financial investment write-offs	151,333	318,710
Financial expenses from financial liabilities		
Financial expenses from loans, received from banks	3,818,683	4,930,866
Financial expenses from other financial liabilities	234,250	428,382
Total	4,052,933	5,359,248
Financial expenses from operating liabilities		
Financial expenses from liabilities to suppliers and bills payable	228,206	364,660
Financial expenses from other operating liabilities	1,071,608	745,113
Total	1,299,814	1,109,773
Total financial expenses	**5,504,080**	**6,787,731**

Impairment of financial investments

The value of the investment in the affiliated company Sinter a.d. Užice was impaired in the amount of EUR 151,333 due to the liquidation of the company.

17.5 Corporate income tax account and deferred taxes

The income tax is charged in accordance with the laws that apply in different countries, in which the Group has its subsidiaries.

(in euros)	2017	2016
Income tax	2,125,339	2,135,462
Deferred taxes	(145,018)	(285,537)
Total	**1,980,321**	**1,849,925**

Reconciliation of tax and accounting profit multiplied with tax rate in Slovenia:

Profit and loss of the accounting period before taxes	7,675,864	12,041,741
Profit tax in Slovenia 19%	1,458,414	2,047,096
Tax free income	123,824	131,023
Non-recognised tax expenses	3,996,117	2,234,509
Value adjustments of receivables	200,559	227,641
Formation of provisions	(1,115,773)	(972,462)
Investment relief for research and development	(554,553)	181,524
Investment relief	579,824	408,030
Other relief and adjustments for tax recognized expenditures	2,870,265	2,005,192
Tax profit	485,179	7,144,453
Income tax	1,980,321	1,849,925
Effective tax rate in %	25.8	15.4

Deferred tax

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

A deferred tax asset is calculated using the temporary difference in the long-term provisions for severance pay and long-service bonuses, impairment of accounts receivable, unused tax reliefs and tax losses, and for temporary differences in the tax burden, arising from the differences between the subsidiary's official accounts and its financial statements.

The impact on net profit from deferred taxes amounts to EUR 145,018, which increases the net profit for the current year.

17.6 Related party transactions

17.6.1 Sales to related parties

Sales to associated clients

(in euros)	2017	2016
Affiliated companies:		
in the country:	**82,717**	**103,258**
ŠTORE STEEL d.o.o. Štore	26,280	43,851
RHYDCON d.o.o. Šmarje pri Jelšah	30,276	33,245
RC SIMIT d.o.o. Kidričevo	26,162	26,162
abroad:	**4,890,497**	**4,079,328**
UNIOR TEPID S.R.L. Brasov	3,052,241	2,434,346
UNIOR SINGAPORE Pte. Ltd. Singapore	203,612	205,320
UNIOR TEHNA d.o.o. Sarajevo	471,875	492,825
UNIOR TEOS ALATI d.o.o. Belgrade	1,162,770	891,422
SINTER a.d. Užice	0	55,415
Total affiliated companies	**4,973,214**	**4,182,586**

17.6.2 Purchases from associated companies

Purchases from associated clients

(in euros)	2017	2016
Affiliated companies:		
in the country:	**20,334,019**	**14,785,931**
ŠTORE STEEL d.o.o. Štore	20,334,019	14,785,931
RC SIMIT d.o.o. Kidričevo	0	0
abroad:	**160,942**	**549,102**
UNIOR TEPID S.R.L. Brasov	8,533	10,198
UNIOR SINGAPORE Pte. Ltd. Singapore	4,621	3,376
UNIOR TEHNA d.o.o. Sarajevo	2,141	0
UNIOR TEOS ALATI d.o.o. Belgrade	145,647	173,316
SINTER a.d. Užice	0	362,212
Total affiliated companies	**20,494,961**	**15,335,033**

17.6.3 Operating receivables due from associated companies

(in euros)	31.12.2017	31.12.2016
Affiliated companies:		
in the country:	**88,320**	**117,908**
ŠTORE STEEL d.o.o. Štore	79,232	105,431
RHYDCON d.o.o. Šmarje pri Jelšah	6,160	9,549
RC SIMIT d.o.o. Kidričevo	2,928	2,928
abroad:	**1,408,828**	**506,072**
UNIOR TEPID S.R.L. Brasov	1,219,701	172,296
UNIOR TEHNA d.o.o. Sarajevo	199,332	187,983
UNIOR TEOS ALATI d.o.o. Belgrade	(10,205)	(44,136)
SINTER a.d. Užice	0	189,929
Total affiliated companies	**1,497,148**	**623,980**

17.6.4 Operating liabilities to associated companies

(in euros)	31/12/2017	31/12/2016
Affiliated companies:		
in the country:	**7,048,215**	**4,793,375**
ŠTORE STEEL d.o.o. Štore	6,545,839	4,290,999
RC SIMIT d.o.o. Kidričevo	502,376	502,376
abroad:	**21,730**	**14,951**
UNIOR TEPID S.R.L. Brasov	3,194	0
UNIOR TEOS ALATI d.o.o. Belgrade	18,536	14,951
Total affiliated companies	**7,069,945**	**4,808,326**

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

Receivables from loans and interest arising from associated companies

(in euros)	31/12/2017	31/12/2016
in the country:	**0**	**616,397**
RHYDCON d.o.o., Šmarje pri Jelšah	0	616,397
abroad:	**0**	**306,648**
SINTER a.d., Užice	0	306,648
Total	**0**	**923,045**

Liabilities from loans and interest arising from associated companies

(in euros)	31/12/2017	31/12/2016
in the country:	**8,238**	**8,075**
RC SIMIT d.o.o., Kidričevo	8,238	8,075
Total	**8,238**	**8,075**

17.7 Risk management

In accordance with the principles and guidelines of the SIST ISO 31000:2011 quality system, we have developed and introduced the risk management system in the business processes of the company UNIOR d.d., which operates from 01/07/2016 onwards.The risk management committee and risk managers regularly monitor the risk exposure, plan and implement measures to mitigate the risks and plan and monitor the performance of potentials for improvements, which would further contribute to their management.We have established a risk register, which includes descriptions and characteristics for each identified risk. The risk management approach is different for different risks, but the purpose of the measures is to reduce each of them to the lowest possible level according to the available resources.

All risks are described in more detail in Chapter 9.8. on page 51 of the annual report, and for the UNIOR Group, the financial risks with the sensitivity analysis are disclosed separately.

FINANCIAL RISKS

Risk Area	Risk Description	Management Method	Exposure
credit risk	The risk that we will not be able to collect our contractual claims on maturity as a lender	Planning the cash flow, the timely collection of outstanding claims, factoring, cost and current assets management and monitoring indicators.	low
Interest rate changes	Risk of financial loss due to unfavourable interest rate movements.	Management of the financing business principles, considering the golden balance rule: long-term investments are financed through long-term sources, daily monitoring, diversification of external financing sources, monitoring changes in the external environment, diversification of the maturity of liabilities and cost management.	Moderate

CREDIT RISK

Credit risks are managed through regular monitoring of business operations and financial position of all new and existing business partners, with limiting exposure to individual business partners and with an active process of collecting receivables. By regular monitoring of outstanding and overdue accounts receivable, the age structure of receivables and the trends of average payment deadlines, the company’s credit exposure is kept within acceptable limits. From 01/10/2014 onwards, all accounts receivable, with the exception of associated companies, are secured with the insurance company. Sensitivity analysis: in the event that the Unior Group did not receive timely payments of principal amounts and interest on an annual basis, the write-off of the principal amounts and the loss of revenue arising from interests would reduce the profit by approximately 10 per cent.

RISK OF CHANGES IN INTEREST RATES

The change in interest rates can significantly reduce the economic benefits of the company, which is why we constantly monitor the trends in reference interest rates on the market. The risk is assessed as moderate, however in recent years, the decrease in reference interest rates is constantly present. With the consortium of banks, the company reached an agreement that the interest margins were to be formed according to the margin scale and with regard to the performance of the Unior Group by 2023, which represents a favourable impact on the performance of the company in future periods. The risk of increase in interest rates is shown in the table below. Sensitivity analysis: if the interest rate were to increases by 100 per cent, the profit or loss is reduced by approximately 2.5 per cent. Other hypothetical increases are shown in the table below.

Sensitivity analysis of financial liabilities with respect to changes in the variable interest rates

Balance of liabilities bound at a variable rate in year 2017

in (EUR)	Value of liabilities on 31/12/2017	Amount of int.rates	Hypothetical interest rate growth for 15%	for 50%	for 100%
Type of interest rate					
3-month EURIBOR	92,214,228	-0.3290	45,508	151,693	303,385
6-month EURIBOR	19,402,816	-0.2710	7,887	26,291	52,582
Overall effect	**111,617,044**		**53,395**	**177,984**	**355,967**

Balance of liabilities bound at a variable interest rate in year 2016

in (EUR)	Value of liabilities on 31/12/2016	Amount of int.rates	Hypothetical interest rate growth for 15%	for 50%	for 100%
Type of interest rate					
3-month EURIBOR	100,670,921	-0.3190	48,171	160,570	321,140
6-month EURIBOR	25,728,329	-0.2210	8,529	28,430	56,860
Overall effect	**126,399,250**		**56,700**	**189,000**	**378,000**

The total financial liabilities amount to EUR 129,501,474, the difference of EUR 17,884,430 to the disclosed balance for the sensitivity of the interest rate is constituted by the financial liabilities with a fixed interest rate.

17.8 Receipts of the Management Board and the Supervisory Board

The members of the Management and Supervisory Board in the UNIOR Group are the same as in the parent company UNIOR d.d. The remunerations are disclosed in Chapter 9.5. on page no. 43 of the annual report.

17.9 Events after the balance sheet

Increase of the ownership interest in the company UNIDAL d.o.o.
On 4 January 2018, based on payment of the purchase price, the company UNIOR d.d. acquired 100 per cent ownership interest in the company UNIDAL d.o.o. in Croatia. The sales contract of the 44.65 per cent ownership interest with the seller Dalekovod d.d. from Zagreb was signed on 28 December 2017. By entering the change in the court register, the company will be renamed as UNIOR Vinkovci d.o.o.

Sale of the company RTC Krvavec d.d.
On 19 January and 5 February, Annexes on extending the deadline for the fulfilment of suspensive conditions from the Sales contract until 16 April 2018, were signed with the buyer – Alpska investicijska družba d.o.o., who is purchasing the 98.56 per cent ownership interest in the company RTC Krvavec d.d.

18 Statement on the Management Board's Responsibility

The Management Board is responsible for the preparation of the annual report so that it presents fairly and accurately the financial position of the Group and its operation results for 2017.

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

The Management is also responsible for proper accounting, for the adoption of appropriate measures to secure assets and for discovering fraud and other irregularities and illegal practices.

At any time within a period of five years after the end of the year in which the tax is to be levied, the tax authorities may check the business of the group companies, which can result in the creation of an additional obligation to pay tax, default interest and penalties from the DDPO or other taxes and charges. The Company's Management Board is not aware of any circumstances that might cause any major liability thereunder.

Zreče, 29 March 2018

Chairman of the Management Board,
Darko Hrastnik, BSMet.

Member of the Management Board,
Branko Bračko, BSME.

19 Independent auditor's report

Deloitte.

Deloitte Revizija d.o.o.
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INDEPENDENT AUDITOR'S REPORT
for the owners of the company UNIOR d.d.

Opinion

We have audited the consolidated financial statements of the Unior d.d. company (hereinafter the "Company"), composed of its consolidated balance sheet of 31 December 2017, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended and explanatory notes to the consolidated financial statements, including a summary of essential accounting policies.

We believe that the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2017, its consolidated income statement and consolidated cash flows for the year then ended in accordance with the international financial reporting standards (IFRS), as adopted by the European Union (hereinafter the "IFRS").

The basis for the opinion

The audit was carried out pursuant to the International Auditing Standards (IAS). Our responsibilities under these standards are detailed in the paragraph*Auditor's responsibility for auditing the consolidated financial statements* within our report. In accordance with the Code of Ethics for Professional Accountants, issued by the International Ethics Standards Board for Accountants (IESBA), and ethical requirements, which relate to the auditing of financial statements in Slovenia, we confirm our independence from the company and compliance with all other ethical obligations in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Key Audit Matters

Key audit matters are those matters that are, in our expert valuation, the most important in terms of our audit of the financial statements for the current period. We have treated the mentioned matters within the context of the audit of the financial statements as a whole and in compiling our opinion on the financial statements as a whole, which is why we do not provide a separate opinion on these matters.

Key Audit Matter	**Audit procedures in key audit matter discourse**
Measuring fair value: the use of the revaluation model in land accounting	
The book value of the land on 31/12/2017 is EUR 36,947 thousand. After the initial recognition, the land is measured according to the revaluation model. The Group evaluates the fair value of land at the end of every reporting period. Revaluation is performed when the fair value significantly deviates from the recorded book value. When changes in fair value of land are insignificant, the revaluation is performed every four years. Due to the importance of assessment in determining fair value of land and important value in financial statements, the evaluation of land is considered as a key audit matter.	Our audit procedures included an evaluation of the suitability of the management's judgement for measuring fair value of land, since we: • checked the suitability and implementation of accounting policy, • assessed the suitability of assumptions used in evaluation of fair value and suitability of methods and assumptions used in evaluation by external experts, • assessed the competence, capability and impartiality of the independent value assessor who was engaged by the management. Disclosures which relate to land, are presented in the note 17.3.3.

Other information

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

Our opinion on the consolidated financial statements does not apply to other information.

Our responsibility with regard to the conducted audit of the consolidated financial statements is to read other information and estimate whether it is significantly non-compliant with the consolidated financial statements, regulatory requirements or our knowledge, obtained during the audit of the company, or whether it indicates to being significantly incorrect in any other way. We also estimate whether other information is prepared in accordance with the applicable legislation and regulations in all important aspects, particularly their compliance in view of the formal requirements and the procedure of preparing other information in the context of significance, thus whether any non-compliance with these regulations could impact the judgments that are based on this other information.

On the basis of the procedures performed and to the extent in which this can be estimated, we report on the following:

- Other information describing the facts which are also presented in the consolidated financial statements, is in conformity with the consolidated financial statements in all important aspects.
- Other information is prepared in accordance with the applicable legislation and regulations.

In addition to the above-mentioned, we are obliged to report whether other information contains any material misstatement of facts on the basis of our knowledge and understanding of the Group which we have gained during the auditing of the company. On the basis of procedures performed with regard to other information which we have gained, important false statements of facts were not detected.

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

The management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with the IFRS standards and for such internal control it considers necessary in order to prepare the consolidated financial statements that are free from material misstatements whether due to fraud or error.

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

The Supervisory Board and the Audit Committee are responsible for the control of the process of financial reporting in the Group.

The auditor's responsibility for auditing the consolidated financial statements

Our goal is to obtain reasonable assurance that the consolidated financial statements as a whole do not contain any material misstatements due to fraud or error and to compile the auditor's report which includes our opinion. An acceptable assurance is a high degree of assurance, however, this is not a guarantee that the audit, in accordance with the International Standards on Auditing (ISA), identifies material misstatements at all times, should they exist. Misstatements may arise from fraud or error and are considered as material if it is reasonable to expect that they would individually or jointly affect the economic decisions of the users, adopted on the basis of these financial statements.

During the conduct of the audit in accordance with the ISA standards, we exercise professional judgement and maintain a professionaldistrust. We also:

- Identify and assess the risks of material misstatements in the consolidated financial statements, whether due to fraud or error, form and perform audit procedures in response to the assessed risks and obtain sufficient and suitable audit evidence, which provide the basis for our opinion. The risk that we will not detect material misstatements resulting from fraud is greater than the risk of non-detection of material misstatements due to errors, as fraud may include secret agreements, falsification, deliberate omissions, misleading disclosures or the avoidance of internal controls;

- We carry out procedures of verification and understanding of internal controls which are important for the audit, namely with the aim of creating audit procedures suitable for the circumstances, but not with a view to express an opinion on the effectiveness of the Group's internal controls;

- We estimate the suitability of the applied accounting policies and the acceptability of the accounting estimates and related disclosures of the management;

- On the basis of the acquired audit evidence of the existence of significant uncertainty regarding the events or circumstances, which raise doubts in the capacity of the organization to continue as a going concern, we adopt a decision on the suitability of the management's use of the going concern assumption as a basis for the accounting. If we adopt a decision on the existence of significant uncertainties, we are obliged to report on the relevant noted disclosures in the financial statements in the auditor's report, or, if such disclosures are inadequate, adjust our opinion. An auditor's decisions are based on the audit evidence, obtained up to the date of the issuance of the auditor's report, although subsequent events or circumstances may cause the suspension of the organization as a going concern.

- Evaluate the general presentation, structure and content of the consolidated financial statements, including the disclosures, and estimate whether the consolidated financial statements represent the respective business transactions and events in such a manner that a fair presentation is achieved.

- Obtain sufficient and appropriate audit evidence with regard to the financial statements of the Group companies or their business activities in order to be able to express an opinion on the consolidated financial statements. We are responsible for the management, monitoring and implementation of the audit of the Group. The audit opinion is solely our responsibility.

We inform the Supervisory Board and/or the Audit Committee about the planned scope and time-frame of the audit and about significant audit findings, including significant deficiencies of internal controls, which we have detected during our audit.

We also provide the Supervisory Board and/or the Audit Committee with a statement of compliance with the non-biding ethical requirements as to independence and inform them of all relationships and other matters which could be justifiably considered as encroaching on our independence, and, if appropriate, of all related safeguards.

Among matters on which we inform the Supervisory Board and/or the Audit Committee, we select those that are the most important for the current period in view of the audit of the financial statements and as such represent the key audit matters. These matters are described in the auditor's report, unless the legislative or regulatory provisions prohibit public disclosure of such matters or if, in the case of rare exceptional circumstances, we establish that such matter should not be reported in our report, as adverse consequences may be reasonably expected to outweigh the benefits of such disclosure which is in the public interest.

Other reporting liabilities in accordance with the Regulation EU, no. 537/2014 of European Parliament and Board

In accordance with the Article 10(2) of the Regulation (EU) no. 537/2014 of European Parliament and Board, in our independent auditor report, we state the following information which is required besides the requirements of the international auditing standards:

Naming the auditor and the duration of the transaction

At the shareholder's meeting on 7 June 2017, the company's owners named us, once again, as the legal auditor of the company. Our performance of the trade lasts fully and without interruptions for 6 years.

Compliance with additional report to the Audit Committee

We confirm that our audit opinion on accounting records in this report comply with the addition report to the Audit Committee on ... in accordance with Article 11 of the Regulation (EU) no. 537/2014 of the European Parliament and Board.

Performing non-auditing services

We declare that we have not performed any illegal non-auditing services from Article 5(1) of the Regulation (EU) no. 537/2014 of the European Parliament and Board.

Besides the required audit, we did not perform any other services which are not revealed in the annual report for the audited company or its subsidiaries.

DELOITTE REVIZIJA d.o.o.

Matjaž Prešeren
Certified Auditor

Ljubljana, 29 March 2018

Deloitte.
DELOITTE REVIZIJA D.O.O.
Ljubljana, Slovenia