



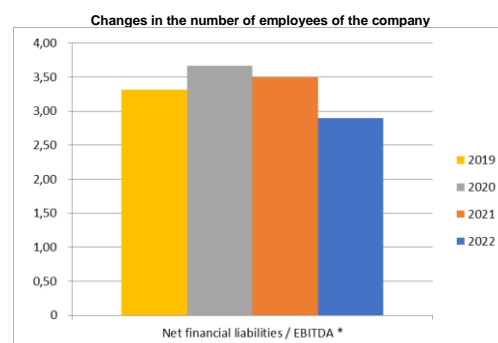
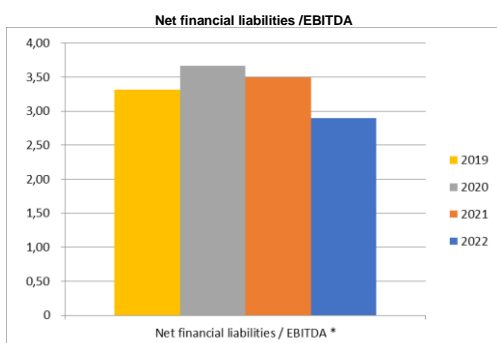
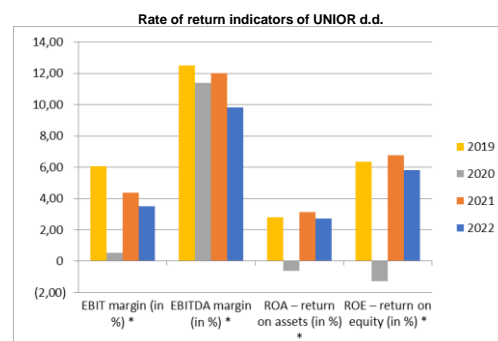
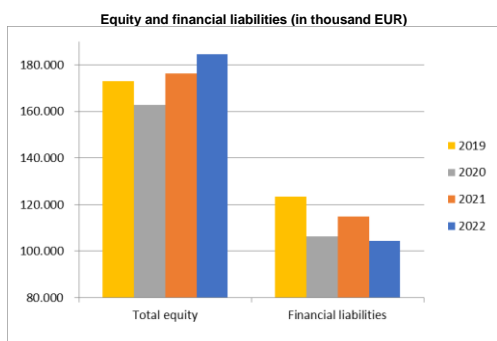
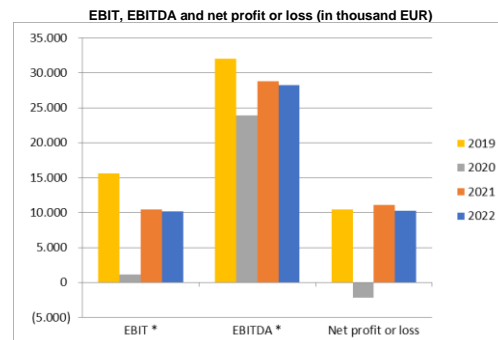
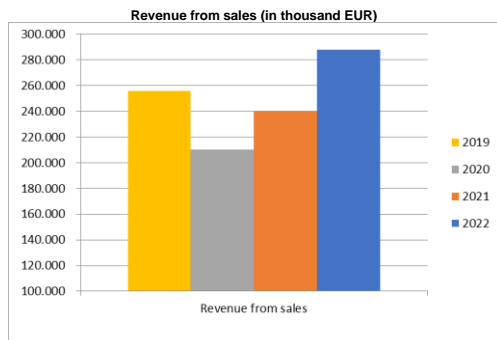
ANNUAL REPORT 2022



Key performance data of the UNIOR Group

(in thousand EUR)	2022	2021	2020	2019
Profit or loss				
Revenue from sales	287.653	239.699	210.240	255.994
EBIT *	10.120	10.486	1.128	15.557
EBITDA *	28.267	28.792	23.931	31.974
Net profit or loss	10.232	11.091	(2.196)	10.433
Financial situation				
Total assets	381.111	365.577	341.402	374.839
Total equity	184.645	176.323	162.852	172.897
Financial liabilities	104.467	114.817	106.428	123.346
Operating liabilities	77.484	63.550	61.301	66.413
Rate of return indicators				
EBIT margin (in %) *	3,52	4,37	0,54	6,08
EBITDA margin (in %) *	9,83	12,01	11,38	12,49
ROA – return on assets (in %) *	2,74	3,14	(0,61)	2,80
ROE – return on equity (in %) *	5,83	6,76	(1,30)	6,34
Financial reliability ratios				
Equity / total assets (in %)	48,45	48,23	47,70	46,13
Net financial liabilities / EBITDA *	2,89	3,49	3,66	3,32
Productivity ratio				
Gross added value per employee (in EUR) *	39.139	36.178	32.197	34.621
Employees				
Unior and subsidiaries – year-end	2.801	2.772	2.808	3.018

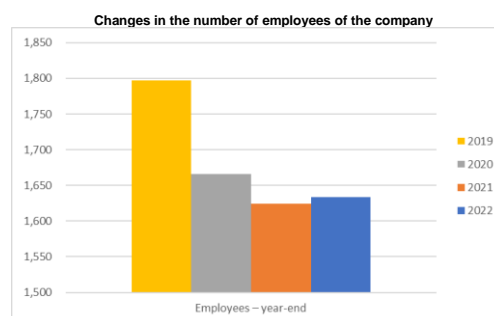
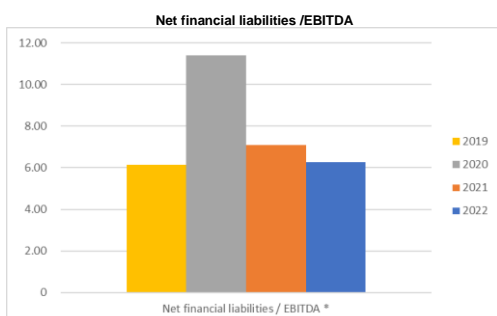
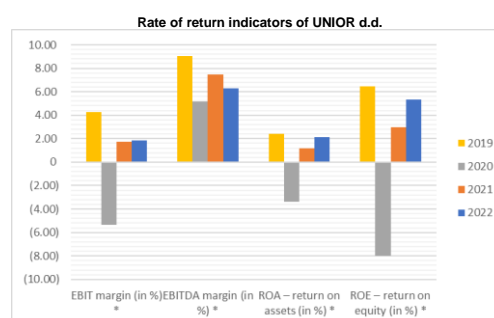
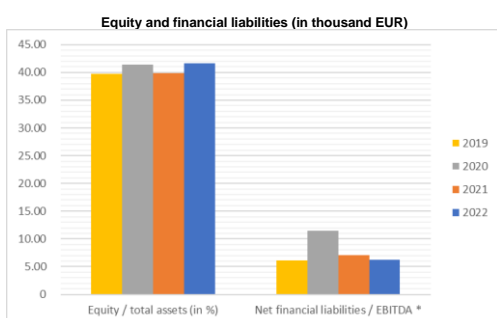
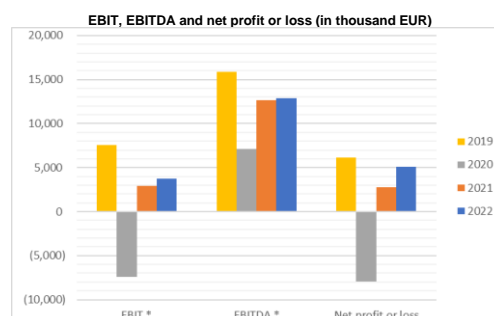
* The indicators are defined as alternative benchmarks. Their definitions are provided in Section 8.14 of the 2022 Annual Report.



Key performance data of UNIOR d.d.

(in thousand EUR)	2022	2021	2020	2019
Profit or loss				
Revenue from sales	204.557	168.975	138.055	175.336
EBIT *	3.731	2.943	(7.403)	7.526
EBITDA *	12.915	12.663	7.148	15.859
Net profit or loss	5.075	2.746	(7.959)	6.124
Financial situation				
Total assets	241.025	236.189	221.730	251.492
Total equity	100.332	94.185	91.939	99.923
Financial liabilities	84.155	91.839	84.522	103.201
Operating liabilities	50.557	44.941	40.047	43.208
Rate of return indicators				
EBIT margin (in %) *	1,82	1,74	(5,36)	4,29
EBITDA margin (in %) *	6,31	7,49	5,18	9,04
ROA – return on assets (in %) *	2,13	1,20	(3,36)	2,43
ROE – return on equity (in %) *	5,36	2,99	(7,97)	6,46
Financial reliability ratios				
Equity / total assets (in %)	41,63	39,88	41,46	39,73
Net financial liabilities / EBITDA *	6,26	7,10	11,41	6,14
Productivity ratio				
Gross added value per employee (in EUR) *	42.237	37.720	32.195	37.337
Employees				
Employees – year-end	1.634	1.624	1.666	1.797

* The indicators are defined as alternative benchmarks. Their definitions are provided in Section 8.14 of the 2022



CONTENTS

1	LETTER FROM THE PRESIDENT OF THE MANAGEMENT BOARD	10
2	REPORT BY THE SUPERVISORY BOARD	16
3	PRESENTATION OF THE UNIOR GROUP AND UNIOR D.D.	24
3.1	PRESENTATION OF THE UNIOR GROUP	25
3.2	PRESENTATION OF UNIOR d.d.	32
3.3	PROGRAMMES OF UNIOR D.D.	33
3.3.1	FORGE PROGRAMME	33
3.3.2	HAND TOOLS PROGRAMME	35
3.3.3	SPECIAL MACHINES PROGRAMME	37
3.4	THE MOST IMPORTANT MARKETS AND CUSTOMERS OF THE UNIOR GROUP AND UNIOR d.d.	40
3.4.1	FORGE PROGRAMME	41
3.4.2	HAND TOOLS PROGRAMME	42
3.4.3	SPECIAL MACHINES PROGRAMME	43
4	RELEVANT EVENTS IN 2022 IN THE UNIOR GROUP AND UNIOR d.d.	45
5	SHARES OF THE PARENT COMPANY	50
6	SUSTAINABLE DEVELOPMENT	55
6.1	KEY SUSTAINABILITY GUIDELINES OF UNIOR d.d.	56
6.1.1	THE STAKEHOLDER MATRIX	59
6.1.2	SUSTAINABLE DEVELOPMENT REPORTING	60
6.2	CONCERN AND RESPONSIBILITY FOR EMPLOYEES	61
6.2.1	INVESTING IN COMPETENCES OF OUR EMPLOYEES	63
6.2.2	CONCERN FOR THE ORGANISATIONAL CULTURE	64
6.2.3	RAISING THE EDUCATIONAL STRUCTURE	66
6.2.4	TAKING CARE OF THE HEALTH OF EMPLOYEES	66
6.2.5	SUSTAINABILITY DIALOGUE	68
6.3	ONGOING PARTNERSHIPS WITH CUSTOMERS AND SUPPLIERS	68
6.3.1	PRODUCT LABELLING AND CUSTOMER SAFETY	69
6.3.2	CLAIMS	70
6.3.3	MANAGING THE SUPPLIER CHAIN	70
6.4	ENVIRONMENTAL EFFECT MANAGEMENT	71
6.4.1	MANAGEMENT SYSTEMS	71
6.4.2	ENVIRONMENTAL PROTECTION	72
6.4.3	ENVIRONMENTAL ASPECTS	79
6.4.4	INTEGRATED ENERGY MANAGEMENT FOR A LOW-CARBON SOCIETY	84
6.4.5	THE IMPACT OF CLIMATE CHANGE	88
6.5	PROMOTING INNOVATIVE, DEVELOPMENT- AND SUSTAINABILITY-ORIENTED SOLUTIONS	89
6.6	ASPECTS OF SOCIAL SUSTAINABILITY	90

6.6.1	SUPPORTING SPORTS, CULTURAL, AND HUMANITARIAN PROJECTS	91
6.6.2	CONTINUING THE SCHOLARSHIP TRADITION	92
6.6.3	MAINTAINING THE 'FAMILY-FRIENDLY COMPANY' CERTIFICATE	92
6.6.4	EDUCATING AND TRAINING OUR FUTURE HR IN COOPERATION WITH THE SLOVENSKE KONJICE-ZREČE SCHOOL CENTRE	92
7	CORPORATE GOVERNANCE	94
7.1	MANAGEMENT BOARD OF THE PARENT COMPANY	94
7.2	THE BOARD OF DIRECTORS OF THE PARENT COMPANY	96
7.3	SUPERVISORY BOARD OF THE PARENT COMPANY	96
7.4	GENERAL MEETING OF THE PARENT COMPANY	98
7.5	REMUNERATION POLICY OF THE MANAGEMENT AND SUPERVISORY BOARDS	99
7.6	CORPORATE GOVERNANCE DECLARATION OF THE UNIOR GROUP AND UNIOR d.d.	102
7.7	STATEMENT ON NON-FINANCIAL OPERATIONS OF THE UNIOR GROUP AND UNIOR d.d.	112
7.7.1	BUSINESS MODEL DESCRIPTION	112
7.7.2	ENVIRONMENTAL, SOCIAL, AND HR MATTERS	112
7.7.2.1	ENVIRONMENT	112
7.7.2.2	SOCIAL AND HR MATTERS	115
7.7.2.3	RESPECT FOR HUMAN RIGHTS	119
7.7.3	ANTI-CORRUPTION AND BRIBERY	121
7.7.4	REPORT ON ENVIRONMENTALLY SUSTAINABLE ECONOMIC ACTIVITIES AND INVESTMENTS OF THE UNIOR GROUP AND UNIOR d.d. IN 2022	122
7.7.4.1	UNIOR GROUP	124
7.7.4.2	UNIOR d.d.	129
7.7.4.3	ABOUT THE DISCLOSURES	131
7.8	RISK MANAGEMENT	132
7.8.1	RISK MANAGEMENT IN THE UNIOR GROUP	132
7.8.2	RISK MANAGEMENT IN UNIOR d.d.	134
8	OPERATION REPORT	143
8.1	SITUATION OF THE ECONOMY AND THE AUTOMOTIVE INDUSTRY	143
8.1.1	SITUATION OF THE ECONOMY	143
8.1.2	THE AUTOMOTIVE INDUSTRY	145
8.1.3	IMPACT OF THE WAR IN UKRAINE ON THE OPERATIONS OF THE UNIOR GROUP AND UNIOR d.d.	147
8.2	SALES	149
8.2.1	SALES OF THE UNIOR GROUP	149
8.2.2	SALES OF UNIOR d.d.	152
8.3	PRODUCTION AND SERVICES	155
8.3.1	PRODUCTION AND SERVICES OF THE UNIOR GROUP	155
8.3.2	PRODUCTION AND SERVICES OF UNIOR d.d.	157
8.4	PROCUREMENT	158

8.4.1	PROCUREMENT OF THE UNIOR GROUP	158
8.4.2	PROCUREMENT IN UNIOR d.d.....	158
8.5	PERFORMANCE	160
8.5.1	PERFORMANCE OF THE UNIOR GROUP	160
8.5.2	PERFORMANCE OF UNIOR d.d.....	162
8.6	PERFORMANCE INDICATORS OF THE UNIOR GROUP AND UNIOR d.d.....	165
8.7	FINANCIAL SITUATION	166
8.7.1	FINANCIAL SITUATION OF THE UNIOR GROUP	166
8.7.2	FINANCIAL POSITION OF UNIOR, d.d.....	168
8.8	INVESTMENTS	170
8.8.1	INVESTMENTS OF THE UNIOR GROUP.....	170
8.8.2	INVESTMENTS OF UNIOR d.d.....	172
8.9	INTERNAL AUDIT IN THE PARENT COMPANY	173
8.10	FOREIGN BRANCHES OF THE PARENT COMPANY	173
8.11	EVENTS AFTER THE REPORTING PERIOD IN THE UNIOR GROUP AND UNIOR d.d.	173
8.11.1	ACCRUALS AFTER THE REPORTING PERIOD.....	173
8.11.2	OTHER EVENTS AFTER THE REPORTING PERIOD	174
8.12	PROVISION OF A PUBLIC UTILITY	174
8.13	2023 OBJECTIVES.....	176
8.13.1	2023 OBJECTIVES OF THE UNIOR GROUP	176
8.13.2	OBJECTIVES OF UNIOR d.d. FOR THE YEAR 2023.....	177
8.14	ALTERNATIVE BENCHMARKS OR PERFORMANCE MEASURES	178
9	<i>AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE UNIOR GROUP.....</i>	<i>180</i>
9.1	AUDITED CONSOLIDATED FINANCIAL POSITION STATEMENT OF THE UNIOR GROUP AS AT 31/12/2022.....	180
9.2	AUDITED CONSOLIDATED INCOME STATEMENT OF THE UNIOR GROUP FOR THE PERIOD BETWEEN 1/1/2022 AND 31/12/2022	182
9.3	AUDITED CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME OF THE UNIOR GROUP FOR THE PERIOD BETWEEN 1/1/2022 AND 31/12/2022.....	184
9.4	AUDITED CONSOLIDATED CASH FLOW STATEMENT OF THE UNIOR GROUP FOR THE PERIOD BETWEEN 1/1/2022 AND 31/12/2022	185
9.5	AUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY OF THE UNIOR GROUP	186
9.6	NOTES TO AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE UNIOR GROUP.....	187
9.6.1	PRESENTATION OF COMPANIES, INCLUDED IN THE CONSOLIDATED FINANCIAL STATEMENTS OF THE UNIOR GROUP	190
9.6.1.1	PARENT COMPANY	190
9.6.1.2	SUBSIDIARIES.....	190
9.6.1.3	ASSOCIATES	192
9.6.2	STATEMENT OF COMPLIANCE OF THE UNIOR GROUP	193

9.6.3	MEASUREMENT BASES FOR THE FINANCIAL STATEMENTS OF THE UNIOR GROUP	193
9.6.3.1	LEVELS OF THE FAIR VALUE HIERARCHY	193
9.6.3.2	FUNCTIONAL AND REPORTING CURRENCY	195
9.6.3.3	SIGNIFICANT ESTIMATES AND JUDGEMENTS	195
9.6.3.4	SUMMARY OF ACCOUNTING POLICIES USED AND DISCLOSURES	200
9.6.3.5	THE USE OF NEW AND REVISED IFRS AND INTERPRETATIONS OF IFRS	215
9.7	DISCLOSURES TO THE AUDITED CONSOLIDATED FINANCIAL POSITION STATEMENT OF THE UNIOR GROUP	219
9.7.1	FINANCIAL POSITION STATEMENT BY DIVISION	219
9.7.2	INTANGIBLE ASSETS	221
9.7.3	PROPERTY, PLANT AND EQUIPMENT	223
9.7.4	INVESTMENT PROPERTY	226
9.7.5	NON-CURRENT INVESTMENTS	227
9.7.6	ASSETS (GROUPS FOR DISPOSAL) HELD FOR SALE	229
9.7.7	INVENTORIES	229
9.7.8	OPERATING RECEIVABLES	231
9.7.9	CURRENT INVESTMENTS	232
9.7.10	CASH AND CASH EQUIVALENTS	233
9.7.11	EQUITY	233
9.7.12	NON-CURRENT PROVISIONS AND DEFERRED REVENUE	236
9.7.13	NON-CURRENT FINANCIAL LIABILITIES	238
9.7.14	NON-CURRENT OPERATING LIABILITIES	240
9.7.15	DEFERRED TAX ASSETS AND LIABILITIES	240
9.7.16	CURRENT FINANCIAL LIABILITIES	242
9.7.17	CURRENT OPERATING LIABILITIES	244
9.7.18	CONTINGENT LIABILITIES	245
9.8	DISCLOSURES TO THE AUDITED CONSOLIDATED INCOME STATEMENT OF THE UNIOR GROUP	246
9.8.1	CONSOLIDATED INCOME STATEMENT BY DIVISION	247
9.8.2	NET REVENUE FROM SALES OF THE UNIOR GROUP BY GEOGRAPHICAL AND BUSINESS SEGMENT	248
9.8.3	CAPITALISED OWN PRODUCTS AND SERVICES	248
9.8.4	OTHER OPERATING REVENUE	249
9.8.5	COSTS AND EXPENSES	250
9.8.6	FINANCIAL REVENUE AND FINANCIAL EXPENSES	252
9.9	CORPORATE INCOME TAX ACCOUNT AND DEFERRED TAXES	253
9.10	RELATED-PARTY TRANSACTIONS OF THE UNIOR GROUP	255
9.10.1	SALES TO RELATED PERSONS	255
9.10.2	PROCUREMENT FROM RELATED PARTIES	255
9.10.3	OPERATING RECEIVABLES DUE FROM RELATED PARTIES	256
9.10.4	OPERATING LIABILITIES DUE TO RELATED PARTIES	256
9.10.5	RECEIVABLES AND LIABILITIES FROM LOANS AND INTEREST FROM ASSOCIATES	256
9.10.6	TRANSACTIONS WITH OWNERS AND THEIR RELATED PARTIES	257
9.11	RISK MANAGEMENT IN THE UNIOR GROUP	258

9.12	GROSS REMUNERATION OF GROUPS OF PERSONS	261
9.13	ENVIRONMENTAL/CLIMATE RISK ASSESSMENT AND THEIR EFFECT ON OUR FINANCIAL STATEMENTS	262
9.14	EVENTS AFTER THE REPORTING PERIOD IN THE UNIOR GROUP	264
9.15	STATEMENT ON THE RESPONSIBILITY OF MEMBERS OF THE MANAGEMENT BOARD	265
9.16	INDEPENDENT AUDITOR'S REPORT	266
10	AUDITED SEPARATE FINANCIAL STATEMENTS OF UNIOR d.d.	272
10.1	AUDITED SEPARATE FINANCIAL POSITION STATEMENT OF UNIOR d.d. AS AT 31/12/2022.....	272
10.2	AUDITED SEPARATE INCOME STATEMENT OF UNIOR d.d. FOR THE PERIOD BETWEEN 1/1/2022 AND 31/12/2022.....	274
10.3	AUDITED SEPARATE STATEMENT OF OTHER COMPREHENSIVE INCOME OF UNIOR d.d. FOR THE PERIOD BETWEEN 1/1/2022 AND 31/12/2022	275
10.4	AUDITED SEPARATE CASHFLOW STATEMENT OF UNIOR d.d. FOR THE PERIOD BETWEEN 1/1/2022 AND 31/12/2022.....	276
10.5	AUDITED SEPARATE STATEMENT OF CHANGES IN EQUITY OF UNIOR d.d.....	277
10.6	NOTES TO AUDITED SEPARATE FINANCIAL STATEMENTS OF UNIOR d.d.....	278
10.6.1	STATEMENT OF COMPLIANCE.....	278
10.6.2	MEASUREMENT BASES FOR THE FINANCIAL STATEMENTS OF UNIOR d.d.	278
10.6.2.1	LEVELS OF THE FAIR VALUE HIERARCHY.....	279
10.6.2.2	FUNCTIONAL AND REPORTING CURRENCY	280
10.6.2.3	SIGNIFICANT ESTIMATES AND JUDGEMENTS	281
10.6.2.4	SUMMARY OF ACCOUNTING POLICIES USED AND DISCLOSURES	286
10.6.2.5	THE USE OF NEW AND REVISED IFRS AND INTERPRETATIONS OF IFRS.....	301
10.7	DISCLOSURES TO THE AUDITED SEPARATE FINANCIAL POSITION STATEMENT OF UNIOR d.d.	304
10.7.1	INTANGIBLE ASSETS	304
10.7.2	PROPERTY, PLANT AND EQUIPMENT	306
10.7.3	INVESTMENT PROPERTY	308
10.7.4	NON-CURRENT INVESTMENTS.....	309
10.7.5	INVENTORIES.....	313
10.7.6	OPERATING RECEIVABLES.....	314
10.7.7	CURRENT INVESTMENTS.....	315
10.7.8	CASH AND CASH EQUIVALENTS	316
10.7.9	EQUITY	316
10.7.10	NON-CURRENT PROVISIONS AND DEFERRED REVENUE.....	319
10.7.11	NON-CURRENT FINANCIAL LIABILITIES	321
10.7.12	NON-CURRENT OPERATING LIABILITIES.....	322
10.7.13	DEFERRED TAX ASSETS AND LIABILITIES	323
10.7.14	CURRENT FINANCIAL LIABILITIES	324
10.7.15	CURRENT OPERATING LIABILITIES	325
10.7.16	CONTINGENT LIABILITIES.....	326

10.8 DISCLOSURES TO THE AUDITED SEPARATE INCOME STATEMENT OF UNIOR d.d.	326
10.8.1 NET REVENUE FROM SALES FROM CONTRACTS WITH CUSTOMERS BY GEOGRAPHICAL AND BUSINESS SEGMENT	326
10.8.2 CAPITALISED OWN PRODUCTS AND SERVICES	327
10.8.3 OTHER OPERATING REVENUE	328
10.8.4 COSTS AND EXPENSES.....	329
10.8.5 FINANCIAL REVENUE AND FINANCIAL EXPENSES	330
10.9 CORPORATE INCOME TAX ACCOUNT AND DEFERRED TAXES	332
10.10 TRANSACTIONS OF UNIOR d.d. OF UNIOR d.d.	333
10.10.1 SALES TO RELATED PERSONS.....	333
10.10.2 PROCUREMENT FROM RELATED PARTIES.....	334
10.10.3 OPERATING RECEIVABLES DUE FROM RELATED PARTIES	335
10.10.4 OPERATING LIABILITIES DUE TO RELATED PARTIES	336
10.10.5 RECEIVABLES AND LIABILITIES FROM LOANS AND INTEREST FROM ASSOCIATES	336
10.10.6 TRANSACTIONS WITH OWNERS AND THEIR RELATED PARTIES	337
10.11 RISK MANAGEMENT IN UNIOR d.d.	338
10.12 GROSS REMUNERATION OF GROUPS OF PERSONS.....	341
10.13 PROPOSED DISTRIBUTION OF BALANCE SHEET PROFIT OF THE CURRENT YEAR	344
10.14 ENVIRONMENTAL/CLIMATE RISK ASSESSMENT AND THEIR EFFECT ON OUR FINANCIAL STATEMENTS	344
10.15 EVENTS AFTER THE REPORTING PERIOD IN UNIOR d.d.....	345
10.16 STATEMENT ON THE RESPONSIBILITY OF MEMBERS OF THE MANAGEMENT BOARD	347
10.17 INDEPENDENT AUDITOR'S REPORT	348

1 LETTER FROM THE PRESIDENT OF THE MANAGEMENT BOARD

Dear shareholders, business partners and colleagues,

2022 was a year, full of challenges, that we, however, managed to defy successfully. Economies worldwide found themselves under the crushing weight of the developments in the course of the last few years. After the 2020 pandemic year was followed by a year of electronic component shortages and rupturing global supply chains, we had to witness the unimaginable war in Ukraine in 2022. At the beginning of the year, the entire European automotive industry had to face three worsened economic outlooks - the war in Ukraine which disrupted the supply chain of car components (primarily cable sets), a drop in sales in the countries involved in the conflict, and an extremely restricted supply of semi-conductors from Asia. During the second half of 2022, supply chain was somewhat less subject to disruptions, resulting primarily from the slowdown in growth of new industry orders. Nevertheless, these still remained significantly below the long-standing average.

The military conflict in February 2022 further aggregated the scope of the then already existing energy crisis which peaked at the end of August 2022, when major droughts and also floods in some areas had a disruptive effect on capacities all over the world and led to a shortage of energy of disastrous proportions. Concerns regarding a general shortage of energy products in the near future caused a sharp rise of prices of important materials and raw materials for the global economy, leading to higher inflation rates and, subsequently, pressures on operating cost growth in all operating segments.

In the UNIOR Group, the negative effects of our macro environment were mitigated by strengthening our comprehensive operating efficiency and actively supporting the development of potential of our employees in addition to encouraging them to sustainably improve their productivity with an emphasis on innovation and the building of a robust and future-oriented business model.

In addition to the numerous challenges mentioned above, car manufacturers also changed their business models in 2022 and, facing the general shortage of components, shifted their manufacturing towards the most expensive models, thus impacting added value preservation. Car manufacturers and their main suppliers which also faced increasing costs and a shortage of input materials were able to meet their planned financial targets primarily by transferring costs along the value chain to the end customers to a great extent. All of the above affected the sales of cars in the European Union, as car manufacturers were unable to provide ordered vehicles on time.

During the last year, UNIOR d.d. paid special attention to the cash flow of the Company. Continuously rising inflation pressures required several rounds of negotiations with buyers, suppliers, and, last but not least, with employee representatives. In June, a 49 per cent share of our associate UNIOR Tepid in Romania was sold with a EUR 1.7 million positive effect on the net operating result of UNIOR d.d., whereas the sale of the share led to a negative EUR 1.1 million effect on the UNIOR Group. Our cash flow in 2022 suffered from the additional pressures of increased fixed current capital level requirements

caused by higher procurement and sales prices, leading to higher trade payables, trade receivables and, primarily, values of inventories. All commitments made to banks as specified in the Syndicated Credit Agreement of December 2016 were also diligently honoured in 2022.

In 2022, the UNIOR Group invested EUR 16.5 million or EUR 3.2 million less in new fixed assets than in 2021. The majority of investments can be attributed to investments in completing the investments to establish a new aluminium moulding production programme to in Vitanje (EUR 2.1 million), followed by our sustainability-oriented investments in solar power plants in Serbia and China (EUR 1.1 million), in the upgrading of the biomass-based district heating system on Rogla or in the construction of heat pipes and related heating energy distribution infrastructure in Slovenia in Croatia (EUR 0.9 million in total). Numerous external impacts are responded to by continuously adapting to new conditions and strengthening sustainability-based operations.

The operations of the Forge Programme in 2022 as an important supplier of the automotive industry were marked by the unexpected military escalation in Ukraine, resulting in disrupted supply chains and the related energy crisis reversing the car sales projections and trends on the market. Car manufacturers proved their ingenuity and resilience in a period of uncertainty by adapting and quickly resuming their production of cars despite several temporary closures of production lines. As a result, the Forge Programme recorded stable order intakes in 2022 as well. The previous year was spent in a continuous series of negotiations with both our suppliers, which had, similarly to us, found themselves in the grip of exceptional high operating costs, and our customers, which initially found it hard to accept the unavoidable increase of prices. Higher prices of energy products, inflation and a shortage of labour on the labour market and the resulting higher labour costs also need to be included in the list of additional challenges affecting the performance of the programme. Despite facing several challenges, an appropriate pricing policy accompanied by a somewhat lower production volume allowed us to generate higher sales than planned in 2022 in view of higher sales prices. The fact that the programme supplies connecting rods for the automotive industry almost exclusively for petrol engines, which are also installed into hybrid vehicles which recorded a consistent growth in sales in 2022 as well also contributed to the results achieved. No trend of growing sales of electric vehicles in relation to a decrease in orders of our connecting rod assortment has been identified so far. Nevertheless, we are ready for upcoming trends. Our advantage lies in the fact that forgings for steering mechanisms can be installed in all types of vehicles, irrespective of their type of drive. In line with the Business Plan and projections, manufacturing conditions at the new aluminium moulding production programme were established in March 2022. The first series of new products were made on the first production line.

In order to understand the realisation of the Hand Tools Programme in 2022, one should remember the excellent performance of this segment in 2021, marked by high order intakes, related to the launching of new sales projects primarily related to specialist cycling programmes. Higher order intakes also resulted from the 'malnutrition' of the market caused by the pandemic the year prior. As a result, the Hand Tools Programme entered 2022 with historically high order intakes, maximum utilised production capacities, and relatively low inventory levels. The war in Ukraine caused unforeseen pressures on its operations as it contributed to significantly higher input costs and sales network disruptions on some

markets. The programme also faced additional challenges related to global logistics, availability, and timely deliveries. Operating costs thus reached historically high levels. Above all, they were also hard to predict. The programme was able to manage them well by conducting successful negotiations and pursuing a relevant pricing policy. In the face of all challenges in the year 2022, significant investments were made in improvements, in raising productivity, and in improving internal processes, resulting in an excess production volume and a higher sales volume than planned.

For the second year in a row, the Special Machines Programmes was faced with the consequences of production shutdowns in the automotive industry and the overall feeling of uncertainty on the market in 2022. As the programme is engaged in investments, its products are the result of required investment in new or increased production capacities. The war in Ukraine deepened the supply chain crisis. Some key procurement components were unavailable or were delivered late. The energy crisis resulted in additional changes to the investment dynamic of our customers. Despite new business developments, the programme was able to adjust to market challenges once more. As such, its operating results were significantly better in terms of its scale of operations in 2022 compared to the preceding year. Order intakes were similar to those of the year before; trends have been suggesting a similar scale of operations and developments on the investment market in the future as well. The successful adjustment of operations to current market conditions and investment trends was indicated in 2022 by an increased sales volume of machines used for electric mobility and the truck manufacturing industry. Engineering also increased.

In terms of the achieved key performance indicators, UNIOR d.d. operated in 2022 better than in 2020 and 2021.

In 2022, UNIOR d.d. generated EUR 204.6 million in net revenue from sales, representing a EUR 35.6 million or 21.1 per cent increase compared to 2021 and exceeding our 2022 plan by 5.7 per cent. The 2022 financial year ended with EUR 5.1 million in profit, indicating a 2,3 million EUR or 84.8 per cent better result than in 2021. In part, the result is the result of a largely successful and timely sales policy, the persistence and efforts of our employees, and, in part, also of high financial revenue generated from the sales of the 49 per cent share of UNIOR Tepid in Romania.

In 2022, the UNIOR Group generated EUR 287.7 million in net revenue from sales, representing a EUR 48 million or 20 per cent increase compared to 2021 and exceeding our 2022 plan by 5.7 per cent. In the 2022 financial year, profitability was under great pressure from higher costs of energy products, materials, services, and labour. Nevertheless, successfully implemented actions allowed us to end the year with EUR 10.2 million in profit or 7.7 per cent or EUR 859 thousand less than in 2021.

Compared to the preceding year, financial liabilities of the UNIOR Group in 2022 fell by EUR 10.3 million, primarily due to the reduced financing of the required current assets, diligent honouring of our commitments to banks as defined in the Syndicated Loan Agreement of December 2016, and the regular

remittance of loan principles. In light of a decrease in financial liabilities, we were able to decrease the net financial debt/EBITDA¹ ratio compared to 2021 to 2.89.

The Business Plan of the UNIOR Group for 2023 was drawn up on the basis of data collected in December 2022 and January 2023. The Group strove to provide an as accurate operating estimate of the current year in a period of uncertainty as possible. The confirmed 2023 Business Plan focuses on implementing planned and completing ongoing projects by carrying out mostly changes on which the productivity and optimisation of costs and the strengthening of sustainable solutions are based. An important guideline used in drawing up the plan was the vision according to which an increased added value per employee is projected. It shall be strengthened through productivity, competitiveness, business excellence, professional work, and a dedicated concern for our stakeholders.

In 2023, UNIOR d.d. plans to generate EUR 208.2 million in net revenue from sales, representing a EUR 3.6 million or 1.8 per cent increase compared to our record 2022 which exceeded our plan by as much as EUR 11.1 million. The planned revenue from sales is the highest in the history of UNIOR d.d. for the second year in a row and also exceeds the revenue generated by the company when UNITUR's tourism activity still constituted one of the company's programmes.

Subject to successfully completed projects, EUR 3.6 million in profit or EUR 1.5 million less than in 2022 is planned to be generated for UNIOR d.d. in 2023. Primarily due to an increased estimate of financing costs, a lower than average profit prior to the 2020 pandemic year is planned despite record revenue from sales. There is a risk of reduced order intakes in view of direct and indirect effects of geo-political instability or any other unforeseen and negative economic oscillations.

In the world, primarily on our important market, the European Union, there has been a steady increase in the number of electric cars as many countries provide grants or other tax breaks for the purchase of a new cars to both individuals and companies. Most of these grants are intended for the purchase of e-cars. In 2022, the share of new battery-powered electric vehicles sold in the European Union increased to 12.1 per cent (2021: 9.1 per cent). The trend is projected to continue. The share of sold plug-in hybrids increased from 8.9 to 9.4 per cent. The share of conventional hybrid vehicles also increased somewhat from 19.8 to 22.6 per cent. In addition to internal combustion engines, both car groups belong to a group of cars whose drive trains require connecting rods - one of the products manufactured by the UNIOR Group. In 2022, the total share of sold new engine-powered cars with connecting rods fell from 90.9 to 87.9 per cent.

The electric vehicle sales increase trends are also followed by the development of UNIOR d.d., as 14 per cent of revenue from sales of two programmes supplying the automotive industry in 2022 was generated from the sales of electric vehicles and plug-in hybrids. Their share is expected to rise to 16 per cent in 2023.

In 2023 and subject to development according to our plans, EUR 295.7 million net revenue from sales is planned for the UNIOR Group, amounting to 2.8 per cent more than in the previous year and 23.4 per

¹The indicator is defined as an alternative benchmark or APM. Its definition is provided in Section 8.14 of the 2022 Annual Report..

cent more than in 2021. Almost all Group companies, with the exception of only a few of them, which already experienced a high growth in revenue in 2022 by reason of extraordinary developments, shall increase their sales volume in 2023, seeking to neutralise the increased costs of materials, merchandise, energy products, and labour. EUR 11.1 million in profit and EUR 30.2 million in EBITDA² are planned for the UNIOR Group.

In 2023, the financial liabilities of the UNIOR Group shall increase by EUR 11.7 million by reason of refinancing the existing loans in the parent company to finance new investments and increased current assets. In other Group companies, the sum of all new loans shall more or less equal the repayments of principles of existing loans. As a result, the total indebtedness of other Group companies shall not increase.

The Group recognises the development-related importance of sustainable and efficient consumption of energy resulting in a reduced carbon footprint. The Hand Tools Programme continues to develop special-purpose tools used to repair and maintain e-bicycles, e-cars, e-trains, e-motorbikes, and e-heavy machinery. It has also been developing tools used to install and maintain e-charging station infrastructure, while at the same time developing special-purpose tools used to repair and maintain equipment generating RES energy. The Special Machines activity shall seek to strengthen the construction of special-purpose and flexible machines for the automotive industry, with an emphasis on emission-reducing development and technical solutions, higher recycling volumes, energy efficient operations, and the reduction of the carbon footprint. Our development capacities allow us to stay up-to-date with automotive industry trends and to subsequently immediately introduce technical solutions to our end products and production. The Tourism Activity experienced a solid winter last year and an encouraging trend of interim growth of the number of overnight stays. It gives us great pride that we were in 2022 able to successfully tender at the call for tenders for investments in a high-quality and sustainable transformation of Slovenian tourism intended to strengthen its resilience. The call for tenders was aimed at developing and restructuring major Slovenian ski resorts into year-round mountain tourist centres for active holidays and adventure activities. The total value of the "Park Mašinžaga - Phase One" project which is foreseen to be completed by November 2023 is estimated at EUR 11.4 million, out of which EUR 8 million have been received from earmarked European funds and the rest shall be received from the UNITUR d.o.o. subsidiaries own funds.

In terms of the operations of UNIOR d.d. and the UNIOR Group, we recognise the development importance of sustainability-oriented and energy-efficient projects to outline our operating progress. The foreseen decarbonisation strategy to include short-, medium-, and long-term carbon footprint reduction or decarbonisation of UNIOR d.d. shall also outline a blueprint for our operations. For this purpose, a verified calculation of the carbon footprint for SCOPE 1 and SCOPE 2 in collaboration with an external contractor was carried out in 2022 and decided to calculate emissions as part of SCOPE 3 for 2021.

At the end of October 2022, the operations of the company were marked by an extraordinary event when steams from the galvanising bath were released at the Hand Tools Programme plant into the

²The indicator is defined as an alternative benchmark or APM. Its definition is provided in Section 8.14 of the 2022 Annual Report..

surroundings of the plant. Several days of measurements of air and ground emissions showed that, luckily, no hazardous impacts on the environment and people had been identified.

If we were to summarise our operations in 2022 and look back in time, we would establish that our proactive actions during the financial year contributed to the preservation and even improvement of the competitive position of both the UNIOR Group and UNIOR d.d. despite an extremely challenging macro environment, for which special thanks goes to our employees for their dedicated and professional work and loyalty and commitment even in a period of uncertainty.

Darko Hrastnik

President of the Management Board

A handwritten signature in blue ink, appearing to read 'Hrastnik', written over the printed name.

2 REPORT BY THE SUPERVISORY BOARD

OPERATIONS OF THE SUPERVISORY BOARD

In 2022, the Supervisory Board supervised the operations of the UNIOR Group and UNIOR d.d. within the limits of its powers as laid down by the law, the Articles of Association and the Rules of Procedure of the Supervisory Board. It performed its duties by providing for a transparent relationship between the Supervisory Board and other stakeholders and ensuring immediate public releases of reports on the sessions carried out thereby. In 2022, seven regular and one extraordinary session of the Supervisory Board were convened. The Supervisory Board was promptly apprised of all important events and activities in the Company and of decisions made by the Management Board of the Company.

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

Both during and in-between its regular sessions, the Supervisory Board took note of the current performance and performance estimates for the following short-term periods. Close attention was paid to the volume of orders, risk-reduction, sustainable-development, and cost-management measures and current liquidity management. In addition, the Supervisory Board was apprised of the impacts on the repercussions of the war in Ukraine, the lack of semi-conductors, high energy products, and actions intended to reduce these impacts on the operations of both UNIOR d.d. and the UNIOR Group.

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

In January 2022, the Supervisory Board appointed an external Member of the Audit Committee of the Supervisory Board, deliberated on and consented to the 2022 Business Plan in addition to being apprised of the estimated development opportunities of the Special Machines Programme and the status of the aluminium metalworking project.

In April 2022, the Supervisory Board took note of the 2021 annual inner audit report of the Internal Audit Department at its second regular session and took note of and consented to the updated internal audit Charter of Fundamental Rights. It took note of the Audit Committee report on the review of the audited 2021 Annual Report and Audited Consolidated Annual Report of UNIOR, adopted a written report on the results of the audit of the audited 2021 UNIOR d.d. and UNIOR Group annual report, adopted the Corporate Governance Declaration, Declaration of Conformity with the Code and the Statement on Non-Financial Operations. It took note of the decision of the Management Board of the company on the distributable profit of the 2021 financial year. It also deliberated on the proposition of the Management

Board of the company that the distributable profit should remain undistributed. The Supervisory Board was apprised of the report of the HR Committee on the criteria of the variable remuneration of the Management Board for 2021 and, with the consent of both Members of the Management Board, adopted the decision to delay the decision-making process related to the payment of the variable remuneration of the Management Board for 2021 on the grounds of ZDGLPE and ZDUOP. The Supervisory Board of UNIOR d.d. drew up a proposal to the General Meeting of Shareholders to commission the MAZARS d.o.o. auditing company to audit the financial statements of the UNIOR Group and UNIOR d.d. for the 2022, 2023, and 2024 financial years.

In May 2022, the Supervisory Board took note at its third regular session of the status of the finally concluded court proceedings between Rhydcon and Unior, including all met obligations arising from the judgements and all legal opinions regarding the potential tort liability of the Management and Supervisory Boards of the Company. The Supervisory Board was also apprised of the Non-audited interim report for the January-March 2022 period for the UNIOR Group and UNIOR d.d. It also took note, adopted, and confirmed the UNIOR d.d. Management and Supervisory Board Remuneration Policy and submitted it to the vote of the General Meeting of Shareholders for consent. It deliberated on and approved the agenda of the 26th General Meeting of UNIOR d.d. and proposed decisions for various items on the agenda. The Supervisory Board deliberated on a proposal of the HR Committee and confirmed the term of Member of the Management Board, Branko Bračko, between 15/11/2022 and 14/11/2027.

At its fourth regular session, held in June 2022, the Supervisory Board deliberated on and confirmed the Report on environmentally sustainable economic activities and investments of the UNIOR Group in 2021. It deliberated on the contract to be concluded with a new potential auditor MAZARS d.o.o. for a new auditing period of three financial years (2022, 2023, and 2024) for UNIOR d.d. and the UNIOR Group. The Supervisory Board deliberated on and consented to the Medium-Term Business Plan of UNIOR d.d. and the UNIOR Group for the period between 2022 and 2026.

In August 2022, the Supervisory Board deliberated on the Non-audited interim report for the period between January and June 2022 for the UNIOR Group and UNIOR d.d., it deliberated on and adopted the revised structure of the Medium-term business plan of UNIOR d.d. and the UNIOR Group for the period between 2022 and 2026. The Supervisory Board deliberated on and consented to new employment agreements of the President of the Management Board of UNIOR d.d., Mr. Darko Hrastnik, and the Member of the Management Board of UNIOR d.d., Mr. Branko Bračko, applicable as of 29/8/2022 or, in some parts of their respective agreements, as of 6/7/2022 until the end of their current term. It also deliberated on and consented to the new employment agreements of Member of the Management Board of UNIOR d.d., Mr. Branko Bračko, applicable between 15/11/2022 and 14/11/2027.

In November 2022, the Supervisory Board took note of an extraordinary event at its first extraordinary session - a technical defect in UNIOR d.d. (the release of chrome steam into the air from the galvanising line on 26/10/2022).

The sixth regular session of the Supervisory Board was held in November 2022 when the Supervisory Board deliberated on and approved the Non-Audited Interim Report for January-September 2022 for the UNIOR Group and UNIOR d.d. During that session, the Supervisory Board deliberated on and took note of the report on the extraordinary event on 26/10/2022 and decided that the Management Board shall commission an independent audit.

The seventh regular session of the Supervisory Board was convened in December 2022. The Supervisory Board took note of the received quotes for the performance of an independent audit of the extraordinary event and ordered the Management Board to conclude an agreement with the selected contractor. It also authorised the Head of the Internal Audit Department to coordinate the external audit procedure related to the extraordinary event on 26/10/2022. At that session, the Supervisory Board took note of the 2023 annual work plan of the internal audit department and consented to its implementation and to the appointment of the Head of the Internal Audit Department, Ms. Patricija Sedmak, for the period between 1/3/2023 and 29/2/2028. The Supervisory Board deliberated on and adopted the new Act laying down the criteria for the payment of the variable remuneration of the Management Board of UNIOR d.d. It also deliberated on the letters of resignation of two Members of the Supervisory Board: Mr. Boštjan Napast, a representative of capital, and Mr. Boris Brdnik, a representative of employees. It also took note of the decision adopted by the Works Council of UNIOR d.d. on the term of the representative of employees, Mr. Milan Potočnik, in the SB of UNIOR d.d. It also took note of the agenda of the 4th extraordinary General Meeting of Shareholders of UNIOR d.d. and of proposed decisions related to individual items on the agenda including justifications. It took note of the interest rate exposure or risk hedging procedure in UNIOR d.d. and of the consumption, costs, and deliverability of energy products and activities aimed at reducing consumption and potential uses of alternative sources of energy. The Supervisory Board took note of the assumptions and baselines of the UNIOR d.d. Medium-Term Plan in force including guidelines of the UNIOR d.d. 2023 Business Plan. It took note of the course of the UNIOR d.d. Sustainable Development project including a calculation of the carbon footprint (Scope 1 and 2) on the level of the organisation and the course of preparing the LCA (Life-Cycle Analysis) of three typical UNIOR d.d. Products. It unanimously approved the financial calendar of posts of UNIOR d.d. for 2023, deliberated on and adopted the procedure of evaluating the efficiency of the work performed by the SB in 2022 (which was carried out in 2022 and completed at the beginning of 2023 including an estimate and improvement action plan) in addition to taking note of the application of the Slovenian Code of Governance of Public Joint-Stock Companies and the Corporate Governance Code for Companies with State Capital Investments. At that session, the Supervisory Board appointed the representative of employees, Mr. Milan Potočnik, Member of the HR Committee.

The Supervisory Board considers itself to have acted independently of the Management Board in 2022 and the work performed by its members not to have given rise to any conflict of interest.

The sessions were mostly attended by all Members with exception of absences due to health issues or resignations. On 8/12/2022, Tomaž Subotič, PhD, began his 4-year term subject to a decision by the General Meeting of Shareholders of UNIOR d.d. The President and Member of the Management Board were invited to all sessions of the Supervisory Board. Materials the Members were presented with during

sessions provided them with high-quality information allowing them to supervise operations and make informed decisions.

OPERATIONS OF THE SUPERVISORY BOARD COMMITTEES

AUDIT COMMITTEE

In 2022, nine regular sessions of the Audit Committee were convened.

Due to the beginning of a new term and the appointment of a new committee, the first session was spent interviewing candidates for the external Audit Committee member, subject to which a proposal was drawn up for the Supervisory Board that Ms. Blanka Vezjak is to be appointed external Audit Committee member.

The work performed by the Audit Committee supports the Supervisory Board in supervising accounting reporting, internal audits, risk management, and in collaborating with external and internal auditors. It regularly reports on its work to the Supervisory Board and proposes the adoption of appropriate decisions.

As such, the Audit Committee of the Supervisory Board of UNIOR d.d. in 2022:

- Diligently supervised the course of the carried-out audit by the external auditor Deloitte revizija d.o.o. by interviewing the auditor prior to the audit, after the pre-audit process and following the audit. It also took note of all procedures of the performed audit during all its phases. It deliberated on the drafts and final reports of the external auditor, reports to the Audit Committee on the 2021 audit in compliance with Article 11 of the Regulation (EU), letter to the Management Board including findings.
- It reviewed the 2021 Annual Report by initially deliberating on and taking note of the Non-audited 2021 financial year annual report of the UNIOR Group and UNIOR d.d. in addition to deliberating on the report on the work performed by the Supervisory Board, Audit Committee, and HR Committee of UNIOR d.d. in 2021 following the audit, it deliberated on the audited annual report.

This way, it contributed to comprehensive financial reporting.

The Audit Committee of the SB of UNIOR d.d. took note of the draft decision of the Management Board establishing the 2021 distributable profit of UNIOR d.d. of the proposed use thereof.

Subject to the External Audit Quality Monitoring Guidelines, the Audit Committee evaluated the work of the external auditor Deloitte revizija d.o.o. for the 2021 financial year.

It carried out activities related to selecting the external auditor for a new audit period of three years which ended by means of a final proposal to the Supervisory Board related to the proposal to be drawn up for the General Meeting of Shareholders of the company. Prior to signing the auditing agreement, it reviewed its content.

The Audit Committee deliberated on and took note of periodical internal audit reports. At the beginning of the year, it took note of the annual report of the Internal Audit Service for 2021 and, at the end of the year, of the planned internal audits for 2023, to which it also contributed its own input information. It also deliberated on the proposed appointment of the Head of the Internal Audit Department and the proposed remuneration before presenting its opinion to the Supervisory Board.

In addition to the above, the Audit Committee:

- regularly took note of and deliberated on interim performance reports for the UNIOR Group and UNIOR d.d.;
- took note of risk management reports and the risk register,
- took note of activities intended to identify and combat internal fraud in 2022;
- took note of the list of Top 100 Slovenian suppliers of UNIOR d.d. that provide the company with more than 50 per cent of their annual turnover (materials or services);
- took note of open legal proceedings in which UNIOR d.d. appears as either the defendant or applicant in a value exceeding EUR 3,000,
- took note of the self-checking system and of the optimisation of the financial reporting and consolidation processes in UNIOR d.d.,
- took note of the report on environmentally sustainable activities subject to the Taxonomy Regulation,
- took note of the succession policy and the replacement of key talent.

Throughout 2022, close attention was paid estimating the effect on the war in Ukraine and the changed economic conditions on the performance and realisation of the company and a review of the activities and measures intended to ensure liquidity.

HR COMMITTEE

Based on the criteria to be used for the payment of the variable remuneration of the Management Board, the HR Committee of the Supervisory Board at its first session held in April took note of the calculation of the variable remuneration of the Management Board for 2021 and proposed to the Supervisory Board that, with the consent of both Members of the Management Board, the decision-making process on the justification of the variable remuneration of the Management Board of 2021 by reasons of ZDGLPE and ZDUOP, be postponed. The HR Committee of the SB of UNIOR d.d. also took note of the proposed Remuneration Policy for Members of the Management and Supervisory Boards of UNIOR d.d. and proposed that the SB amend the proposed Remuneration Policy for Members of the Management and Supervisory Boards of UNIOR d.d. with the recommendations of the Slovenian Sovereign Holding (SDH). It also deliberated on the listed criteria to calculate the variable remuneration to be paid to the Management Board. The HR Committee carried out the Management Board Member appointment procedures and proposed to the SB that it approves the term of the Member of the Management Board, Mr. Branko Bračko, for the period between 15/11/2022 and 14/11/2027.

In order to draw up a high-quality document entitled Amendments to the proposed Remuneration Policy for Members of the Management and Supervisory Board an expert group was convened which drew up a proposal for the HR Committee for the session held in May. In May, the HR Committee of the SB of UNIOR d.d. deliberated on the proposed Remuneration Policy for Members of the Management and Supervisory Board and proposed to the Supervisory Board that the policy be deliberated on, adopted, approved thereby and submitted to the vote of the General Meeting of Shareholders for approval.

In August, the HR Committee deliberated on the proposed new Act on laying down the criteria for the payment of the variable remuneration of the Management Board and proposed to the Supervisory Board that it be deliberated on, adopted and approved thereby. The HR Committee also deliberated on the proposed new employment agreements for the President of the Management Board, Mr. Darko Hrastnik, and Member of the Management Board, Mr. Branko Bračko, applicable between 6/7/2022 until the end of their current term. It proposed to the Supervisory Board that it deliberate on and adopt both agreements in the proposed form. The HR Committee also deliberated on the proposed new employment agreement Member of the Management Board, Mr. Branko Bračko, applicable between 15/11/2022 and 14/11/2027 and proposed to the Supervisory Board that it deliberate on the employment agreement and approve it in the proposed form.

In September, the HR Committee deliberated on the proposed new Act on laying down the criteria for the payment of the variable remuneration of the Management Board of UNIOR d.d. applicable as of 1/7/2022 and on the variable remuneration payment method. It also proposed to the Supervisory Board that it deliberate on, approves, and confirms the act in its proposed form.

2022 ANNUAL REPORT REVIEW

OPINION ON THE CORPORATE GOVERNANCE DECLARATION

The Supervisory Board reviewed and became acquainted with the Corporate Governance Declaration of the UNIOR Group and UNIOR d.d. and the Statement on Non-Financial Operations of the UNIOR Group and UNIOR d.d., published in Sections 7.6 and 7.7 of the 2022 Annual Report. The Supervisory Board agrees therewith and hereby approves them.

ANNUAL REPORT

In 2022, the Audit Committee monitored the financial reporting proceedings and made its proposals to ensure its comprehensiveness, monitored the independence of the auditor of consolidated financial statements and the financial statements of the parent company (hereinafter referred to as the "Auditor"), worked closely with the Auditor in identifying the most significant audit areas and ensured mutual communication on main audit-related matters. It reviewed the non-audited and audited UNIOR Group and UNIOR d.d. 2022 Annual Report and the report of the Ljubljana-based auditing company MAZARS d.o.o. It reported to the Supervisory Board on its role in the evaluation of the annual report compilation and compulsory audit monitoring process in addition to clarifying that the compulsory audit had made a significant contribution to the comprehensiveness of the financial statements.

The Supervisory Board reviewed the drawn up annual report and proposed use of distributable profits, both presented thereto by the Management Board.

Following a review of the annual report and consolidated annual report, auditor and Audit Committee reports, the Supervisory Board hereby finds that the financial statements of the UNIOR Group and UNIOR d.d. give a true and fair view of the financial position on 31/12/2022, their profit/loss, other comprehensive income and cash flows for the then finished year in compliance with international financial reporting standards as adopted by the EU. Members of the Supervisory and Management Boards ensure that the UNIOR Group and UNIOR d.d. 2022 Annual Report and its constituent elements, including the Corporate Governance Declaration and Statement on Non-Financial Operations have been compiled and published in compliance with the Companies Act and the International Financial reporting Standards. The Supervisory Board does not have any objections to the UNIOR Group and UNIOR d.d. 2022 Annual Report and hereby confirms it.

DISTRIBUTABLE PROFITS OF THE PARENT COMPANY

The Supervisory Board took note of the decision of the Management Board of the parent company UNIOR d.d., subject to the audited Income Statement, the net income of the year amounts to EUR 5,075,396. The net income shall be included in distributable profits in full, less non-current deferred development costs amounting to EUR 2,588,190.

The established distributable profits of the 2022 financial year subject to the audited annual financial statements of the parent company for 2022 amount to EUR 14,246,269. The Management Board proposes that distributable profits remain undistributed.

The Supervisory Board proposes that the General Meeting of Shareholders grant a discharge to the Management Board and the Supervisory Board for 2022 operations.

In forming the draft resolution on the allocation of profits of the parent company for the current year of 2022, the Management Board and the Supervisory Board took into account the valid provisions of the Companies Act and the Articles of Association of UNIOR d.d. The Supervisory Board agrees with the proposal of the Management Board that the distributable profits of the parent company of the 2022 financial year remain undistributed.

Franc Dover, M. Sc.

President of the Supervisory Board

A handwritten signature in blue ink, appearing to be 'Franc Dover', written over the printed name and title.

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

ZGODOVINA

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

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

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

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

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

In 1997, the company was converted into a joint-stock company called UNIOR Kovaška industrija Zreče d.d., abbreviated as UNIOR d.d. The first financial statements of the UNIOR Group were drawn up for that year as well.

By founding Ningbo UNIOR Forging Co. Ltd. in 2005 in Yuyau, China, with a 50-per cent ownership share of UNIOR d.d., engaged in forging, UNIOR became a global supplier of the automotive industry.

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

The UNIOR joint-stock company is one of the largest and most important Slovenian companies in terms of exports boasting a tradition of professionalism and innovation. The company is committed to business excellence as pursued by its devoted employees. The UNIOR Group and its international network of affiliated companies is building on the visibility and consolidation of the UNIOR brand, thus spreading the name of Slovenia throughout the world.

3.1 PRESENTATION OF THE UNIOR GROUP

As at 31/12/2022, the UNIOR Group consists of the following companies:

PARENT COMPANY

The parent company of the UNIOR Group is UNIOR Kovaška industrija d.d.

Company Address: Kovaška cesta 10, 3214 Zreče, Slovenia

Telephone: +386 3 757 81 00

Website: www.unior.si









E-mail: unior@unior.com

Registration number: 5042437000




Tax number: 72461721

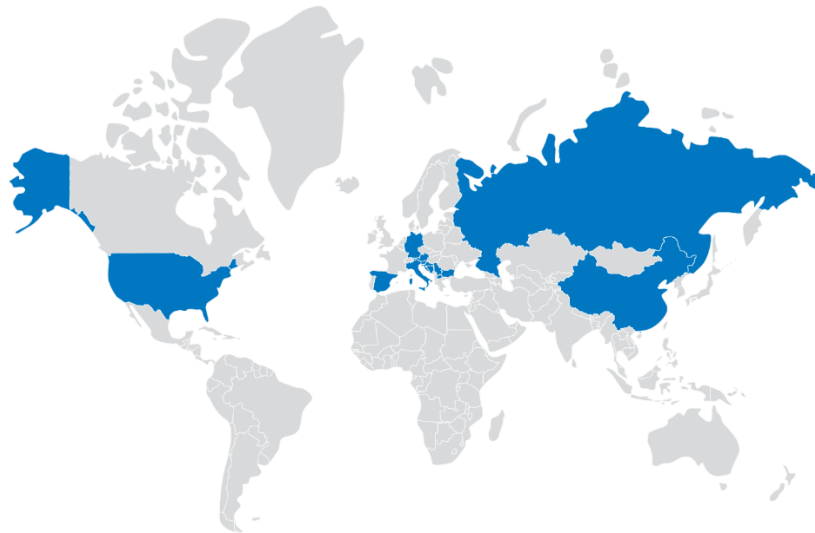
SUBSIDIARIES

Company name and activity	Headquarters	Share in per cent
 UNITUR d.o.o. Tourism and other commercial activities	Zreče, Slovenia	100.00
 UNIOR IN d.o.o. Processing of forged and sintered products	Zreče, Slovenia	100.00
 SPITT d.o.o. Energy - steam and air conditioning supply	Zreče, Slovenia	100.00
 UNIOR PRODUKTIONS UND HANDELS GmbH Sales of hand tools	Ferlach, Austria	99.55
 UNIOR DEUTSCHLAND GmbH Sale and servicing of machinery	Leonberg, Germany	100.00
 UNIOR ITALIA S. R. L. Sales of hand tools	Limbiate, Italy	100.00

	UNIOR ESPANA S. L. Sales of hand tools	Uharte - Arakil, Spain	95.00
	UNIOR MAKEDONIJA d.o.o. Sales of hand tools	Skopje, North Macedonia	97.36
	UNIOR PROFESSIONAL TOOLS Ltd. Sales of hand tools	Saint Petersburg, Russia	70.30
	UNIOR BULGARIA Ltd. Sales of hand tools	Sofia, Bulgaria	77.31
	UNIOR COMPONENTS d.o.o. Production of machine tools	Kragujevac, Serbia	100.00
	NINGBO UNIOR FORGING Co. Ltd. The production of forgings	Xindongwu, Yuyao, China	50.00
	UNIOR VINKOVCI d.o.o. The production of forgings	Vinkovci, Croatia	100.00
	UNIOR – NORTH AMERICA Inc. Sales, procurement, and servicing activities	Novi (Michigan), USA	100.00

ASSOCIATES

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



For more information on Group companies, please refer to Section 9.6.1 of the 2022 Annual Report.

PRESENTATION OF ACTIVITIES OF THE UNIOR GROUP

UNIOR d.d. is the parent company in the UNIOR Group whose activities are carried out as part of three production programmes: Forge, Hand Tools, and Special Machines, all presented in further detail in Sections 3.3 and 3.4 of the 2022 Annual Report.

As at 31/12/2022, the UNIOR Group consists of not only its parent company but also 14 subsidiaries generating revenue on the global level by engaging in five activities, the production of forgings, hand tools, special machines, machine tools, and tourism. The UNIOR Group also includes three associates.

As at 31/12/2022, forgings are produced and sold by not only the Forge Programme of the parent company but also by three subsidiaries: the Croatia-based UNIOR VINKOVCI d.o.o., the China-based NINGBO UNIOR FORGING Co. Ltd., and the Slovenia-based UNIOR IN d.o.o. UNIOR VINKOVCI d.o.o. and NINGBO UNIOR FORGING Co. Ltd. are engaged in the production of steel forgings for the automotive and power industry. UNIOR IN d.o.o. is a sheltered workshops that performs simple production, processing, control tasks and renders other forged and sintered product services. One of our suppliers of steel used to produce forgings is our associate Štore Steel d.o.o.

In terms of development, our Forge activity is focused on the production of complex forgings with high safety requirements used as car components where the majority of our revenue is generated. In terms of its development, the production forming part of the Forge activity is focused on producing forgings as parts of steering mechanisms of cars used in all drive assemblies of cars, including electric, and on producing forgings used for connecting rods used in internal combustion engines and hybrid vehicles which experienced a growth trend among sold cars in 2022. On the Group level, vehicle electrification trends and projections of industry associations of car manufacturers where the option of preserving vehicles using internal combustion engines using synthetic or e-fuels that can render these vehicles carbon neutral are proactively followed. As part of the adopted Medium-term business plan for the 2022-2026 period, it is taken into account that the sales volume of connecting rods is to fall in the future. As

such, the sales volume of parts of steering mechanisms and other forgings and the market share therein will be increased. Keeping up with current trends has been demonstrated by the Group with a successful investment of the parent company in 2022 in the aluminium forging production line seeking to follow the desire of our development-oriented customers to reduce the weight of the vehicle and the resulting fall in CO2 emissions.

The Hand Tools Programme of the UNIOR d.d. parent company develops, produces, and markets premium hand tools and cold-forged products for specific market niches and general areas of use. As at 31/12/2022, the Hand Tools activity consists not only of the Hand Tools Programme of the parent company but also of six subsidiaries: The Austria-based UNIOR PRODUKTIONS UND HANDELS GmbH, the Italy-based UNIOR ITALIA S. R. L., the Spain-based UNIOR ESPANA S. L., the Republic of North Macedonia-based UNIOR MAKEDONIJA d.o.o., the Russia-based UNIOR PROFESSIONAL TOOLS Ltd., the Bulgaria-based UNIOR BULGARIA Ltd. In addition, two associates are in charge of sales on the markets of Serbia and Bosnia and Herzegovina: the Serbia-based UNIOR TEOS ALATI d.o.o. and the Bosnia and Herzegovina-based UNIOR TEHNA, d.o.o. Our subsidiaries and associates engaged in the Hand Tools activity are in charge of distributing and selling the hand tools of the parent company, whereas the development and production thereof is limited to the parent company.

Boasting a variety of more than 3500 manufactured products, UNIOR Hand Tools are ranked among the top five most important European producers of hand tools. The activity emphasises the development, production, and marketing of hand tools. The activity is focused primarily on market niches of producing special-purpose hand tools whereby the use of less polluting materials leads to the development of smart hand tools containing electric, mechatronic, and electronic components. As part thereof, the Hand Tools activity also develops and markets e-bicycle, e-car, solar power plant and wind farm construction and repair solutions.

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

In contrast to after-sales activities, which also include regular repairs or restorations of machines, the special-purpose machine construction activity is bound by cyclical investment inquiry trends, the development of new drive assembly technologies, such as electro-mobility, hydrogen cells, and hybrid drives. The activity has thus focused on niche segments, such as the production and restoration of special-purpose machines used to machine car engine components. It has successfully positioned itself in the segment of producing machines used to machine parts of bodywork and battery pack casings for electro-mobility purposes whose market share has been increasing and which can potentially allow for the long-term development of the activity.

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

The Tourism activity is, as at 31/12/2022, represented by the Slovenia-based subsidiary UNITUR d.o.o. managing the Terme Zreče spa and the Rogla ski resort on Pohorje. This company generates revenue from winter tourism, hotel management, catering, healthcare, wellness, and, during recent years, also from adventure-related offers. By intensively focusing the company adventure-related offers also outside the winter season, which are on the increase year after year, our vision of sustainable restructuring into a year-round mountain tourism centre for active holidays and outdoor activities is realised and the positive impact of de-seasoning revenue of the activity and a synergy impact on the occupancy rate of the accommodation facilities and the sales of other services provided by the company is recognised.

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

BUSINESS MODEL OF THE UNIOR GROUP



LOOKING AT THE FUTURE

The strategic guidelines of the UNIOR Group in the upcoming period are laid down by the 2023 Business Plan of the UNIOR Group as the basic corporate document approved by the Supervisory Board of the parent company and by the Medium-term business plan for the period between 2022-2026 drawn up by the UNIOR Group as a blueprint for key strategic guidelines of the Group with which the Group seeks to meet the expectations of its stakeholders in terms of the growth of economic and social capital of the UNIOR Group and take care of the natural capital in the environment in which it operates by pursuing sustainability. The Medium-term plan also defines the strategic guidelines of following European carbon neutrality trends, complying with environmental requirements, and of providing for the sustainable development of the parent company. We intended to gradually also introduce good practices in UNIOR Group companies operating outside of Slovenia as the Group is aware of the importance of the transition to carbon neutrality.

CORPORATE GOVERNANCE IN THE UNIOR GROUP

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

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

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

3.2 PRESENTATION OF UNIOR d.d.

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

The production programs in UNIOR d.d. are:

- Forge,
- Hand Tools, and
- Special Machines.

MISSION OF THE PARENT COMPANY UNIOR d.d.

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

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

Our values are:

- responsibility,
- innovation,
- enterprise, and
- attentiveness.

Our core competences and competitive edges are:

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

VISION OF THE PARENT COMPANY UNIOR d.d.

To be a forward-looking international company in the metalworking industry. To build an environment-friendly and sustainability-oriented company. To belong, in some areas of operation, among the leading companies in the world according to our market share. To develop, manufacture, and market products and technical solutions using our own innovation processes. To generate a gross added value per employee³ amounting to more than EUR 50 thousand by 2026.

3.3 PROGRAMMES OF UNIOR D.D.

3.3.1 FORGE PROGRAMME

MISSION OF THE FORGE PROGRAMME

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

VISION OF THE FORGE PROGRAMME

To be a global, modern and successful development-oriented programme which has established an excellent reputation with the group of the most successful automotive producers and their system suppliers. To be the first or second largest producers of steering mechanisms forgings in our industry in Europe. To increase the share of machined and aluminium forgings in sales. To contribute to reducing the carbon footprint of the entire company by increasing the share of aluminium forgings. To generate a gross added value per employee⁴ amounting to more than EUR 50 thousand.

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

- successful implementation of higher customer prices,
- automation of forging and final control and processing and provision of HR are pre-conditions for implementing the sales plan and shift to 4.0 Industry;
- to launch mass production of aluminium forgings;
- larger series and specialisation in the Forgings Processing Plant;
- digitalisation of production and business processes;
- to review and make a decision on producing forgings in Mexico.

The Forge Programme is the oldest programme on the basis of which today's UNIOR has developed. In 2022, its revenue from sales accounted for more than 67 per cent of all company revenue. UNIOR d.d. constitutes one of the largest local producers of forgings in the European supply chain whose quality and flexibility have successfully withstood aggressive Asian competitors for several years.

³Gross added value per employee is an indicator defined as an alternative benchmark. Definitions are provided in Section 8.14 of the 2022 Annual Report.

⁴Gross added value per employee is an indicator defined as an alternative benchmark. Definitions are provided in Section 8.14 of the 2022 Annual Report.

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

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

On the market, the Forgings Programme operates as a development-oriented supplier which develops and optimises forgings in collaboration with customers allowing to simplify processing and boast the best characteristics of use. We are a Direct OEM⁵ (original equipment manufacturer) and TIER 1 and TIER 2 supplier⁶. As a supplier to the automotive industry, UNIOR d.d. is committed to complying with current quality standards. For this purpose, we have obtained the ISO IATF 16949 standard and our buyers also regularly monitor and control the quality of our products, timeliness of deliveries, and other competitive capacities.

Our subsidiaries UNIOR Vinkovci d.o.o in Croatia and Ningbo UNIOR Forging Co. Ltd. in China are also extremely important. They have allowed us to join the ranks of global forgings producers and to, as such, keep up with the trend of global projects in our industry which will shape our future to an increasing extent.

On the European market, we plan to preserve our market shares and the primary position as a producer of parts of steering mechanisms of passenger cars; whereas, in terms of connecting rods for engines, follow development trends, adapt our capacities and get out in front of the remaining European competition in this segment. In 2023, we will begin mass producing parts of steering mechanisms - aluminium forgings - which will help us preserve the position of the leading producer of this product segment. This will allow us to keep up with the widespread trend of automotive producers to reduce the weight of vehicles and, as a result, of CO₂ emissions.

Our planned sales volume will also be generated by increasing the share of machined forgings where we have been penetrating the market as a provider of these services with an increasing success. During recent years, great efforts have been made to obtain such projects but our price competitiveness has proved challenging to demonstrate. A rise in investments, improved cost control and simultaneous development of technologies have allowed us to become an interesting provider with machined forgings as demonstrated by the 2023 sales objective in this segment.

In the last decade, our programme has been diligently focusing its investments on toolmaking technologies and modernisation of its production facilities, all the while upgrading its range of products by developing the forgings machining department. We have been comprehensively managing the

⁵ (En. Original equipment manufacturer;

⁶ TIER 1 - TIER 1 suppliers, TIER 2 - TIER 2 suppliers (of TIER 1)

development and the technology of production of all production tools, whereas the diverse machinery in the forge enables us to produce competitive products in small and large batches. In addition to hammer or press forging, our customers can also avail of heat treatment, finishing, and testing as well as machining of forgings.

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

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

3.3.2 HAND TOOLS PROGRAMME

MISSION OF THE HAND TOOLS PROGRAMME

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

VISION OF THE HAND TOOLS PROGRAMME

In 2026, UNIOR will become the leading world manufacturer of special-purpose tools in terms of sales revenue as well as retain its position as one of the five largest manufacturers of general tools in the world. By then, it will have generated more than EUR 50 thousand gross added value per employee⁷.

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

- accelerated development and growth of sales of specialised tools and pliers;
- the implementation of the planned investments to increase capacities and to improve the cost-efficiency of the hand tools production process,
- digitalisation of production and business processes;
- rationalisation of sales channels, the sales network and logistics;
- optimisation of logistic processes in the Programme;
- increasing productivity through automation;

⁷ Gross added value per employee is an indicator defined as an alternative benchmark. Definitions are provided in Section 8.14 of the 2022 Annual Report.

- greater level of specialisation by plant.

Boasting a variety of more than 3,500 different manufactured products, UNIOR Hand Tools are ranked among the top five most important European producers of hand tools and stands for quality in the world. The latter is the driving force behind all our activities and we intend to continue operating the same way in the future. Development based on a rich tradition is our mission. Only this will allow us to continue to develop in harmony with nature, the environment, and society all over the world into a successful global corporation which brings us together and ensure a better future for all of us.

All our processes aim at reducing our negative impacts and increasing our positive impacts on the environment, society, and people both within and outside the company. We follow the strategy of environment protection, waste management, material and source consumption, innovation of basic production processes, care for our employees, raising awareness of our customers, working with our suppliers, active participation and contribute to economic growth.

Our long-standing tradition, sophisticated development, a professional approach and state-of-the-art technological findings have enabled us to continuously and promptly adapt to users' needs during all these years. Not only by using premium materials, such as chrome vanadium steel which provides for an extremely long lifespan but also through the purpose-orientation of individual tools and their increasingly functional use.

During the last few years, marketing has primarily been adding new programme activity development-related dimensions pertaining to operations and guidelines. Specialised solutions are particularly subject to the required know-how and capacities of our in-house forge and the ability to produce cold-forged products, such as nuts, bolts, rotors, stators, shafts, gearings, gear pumps and hubs. Our advantage lies in the fact that products with low tolerances and without any subsequent processing are provided in an extremely cost-effective manner. The above has enabled us to expand our development to hydraulic engines and agricultural machinery.

To continue to be a reliable partner for everyone looking for useful, efficient, and safe tools with a long lifespan. This is proven by many certificates demonstrating that UNIOR Hand Tools comply with rigorous quality standards and satisfy the requirements of the VDE, IEC 6090, conform to the CE marking and many others. The fact that UNIOR Hand Tools continue to exceed the requirements of the DIN standard also remains extremely important. We also operate in accordance with the EFQM Business Excellence Model engaging all our employees in quality improvement processes.

Our customers' requirements and orders are met using our state-of-the-art logistics. Our properly protected brand, our own representative offices and a widespread distributor network, the programme provides for comprehensive information of its users and premium after-sales services.

It is essential to point out:

- that our product development is sustainability-oriented. It is based on partner development, know-how, and innovation that serve also to increase the performance of our customers;
- that, in the future, the programme will focus on the growth of special programmes in the segments of cycling tools, metal packaging, measuring tools, motorcycle tools, and tools required for working on high-voltage systems;
- that the programme is a certified supplier of tools required for working on RES (solar power plants, wind farms) high-voltage systems. Our advantage lies in the fact that our tools are adapted to working at heights whereby the European regulation is followed and facilitate safe, reliable, and efficient user work.

The development strategy of the Hand Tools Programme is thus based on a long-standing tradition of in-house production based on our own know-how, backgrounds of our work so far and marketing to which new dimensions of operation and guidelines are being added. An increasingly sustainable orientation plays an exceptional role as it facilitates the less polluting production and marketing of light and more energy efficient hand tools. By using less polluting materials, the programme is able to develop smart hand tools containing electrical, mechatronic, and electronic components.

3.3.3 SPECIAL MACHINES PROGRAMME

MISSION OF THE SPECIAL MACHINES PROGRAMME

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

VISION OF THE SPECIAL MACHINES PROGRAMME

Our vision is to become one of the Top 10 mechanical engineering departments engaged in the production of special purpose metal-cutting machines in the EU. To achieve a long-standing presence on our key markets (EU, North America and China) and produce the technologically most complex machines for the automotive industry. To achieve more than EUR 50 thousand in gross added value per employee as of 2022⁸.

⁸ Gross added value per employee is an indicator defined as an alternative benchmark. Definitions are provided in Section 8.14 of the 2022 Annual Report.

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

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

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

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

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

- corporate/economic confidence of buyers' in our solutions and products;
- proficiency of our staff;
- tradition and multi-annual presence in the most demanding segment of capital goods;

- a wide range of reference products; and
- quality products at competitive prices.

Key features of our range:

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

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

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

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

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

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

During the ensuing period, prime consideration will be given to existing EU-based customers, primarily to German automotive industry customers, which we have been serving as a long-term and established

supplier. The programme will focus on ensuring a straight-line uniform scale of operations; in favourable economic conditions, also on utilising opportunities to increase the scale of operations with our existing capacities.

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

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

3.4 THE MOST IMPORTANT MARKETS AND CUSTOMERS OF THE UNIOR GROUP AND UNIOR d.d.

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

Even though UNIOR Hand Tools are known on 120 markets, as much as 79 per cent of revenue from sales is generated in Europe. Our biggest sales markets for general-use tools continue to be France, Romania, Austria, and Saudi Arabia. The situation is somewhat different in the special product groups dominated by countries such as Germany, Italy, and the US. UNIOR Hand Tools with their added value and quality primarily remain intended for professional users. Industrial companies purchase general-use hand tools (SKF, Bombadier, Ford, Alstom, and craftsmen engaged in repairing and maintaining the power distribution network, power components, water supply systems). Corporations operating globally (Trek, Specialized, Giant, KTM, Honda) primarily purchase special product groups. In collaboration with them, new product groups shifting towards an increasingly sustainable orientation are developed.

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

anywhere in the world where cars are mass produced. Europe is followed by North America. The programme is also present with German manufacturers in China.

The domestic market is the main market of the Tourism activity. After a period of epidemiological restrictions which heavily influenced the guest structures, the share of foreign markets has been on the rise and accounted for 30 per cent of overnight stays in 2022. Most foreign guests arrived from EU Member States, such as Croatia, Hungary, Germany, Italy, and the Czech Republic, and from other European countries.

The production of machine tools activity is export-oriented as export markets account for 78 per cent of sales in more than 30 countries globally. The most important market that accounts for 68 per cent of sales is the European Union, primarily countries where the car industry is more strongly present. Ten per cent of sales is generated in other countries in the world and 22 per cent of sales is generated on the local market, in Serbia.

3.4.1 FORGE PROGRAMME

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

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

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

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

way, we continue to stay on the market also with sintered products, although the general growth trend is negative.

3.4.2 HAND TOOLS PROGRAMME

The development strategy of the Hand Tools Programme is thus based on a long-standing tradition of in-house production based on our own know-how, backgrounds of our work so far and marketing to which new dimensions of operation and guidelines are being added. An increasingly sustainable orientation plays an exceptional role as it facilitates the less polluting production and marketing of light and more energy efficient hand tools. By using less polluting materials, the programme is able to develop smart hand tools containing electrical, mechatronic, and electronic components.

In order to meet the requirements of even the most demanding users and to meet the needs and wishes of our consumers, the programme has been recently primarily focusing on market niches or specialised tools of various industries. The latter represent 42 per cent of the total generated revenue from sales of the Hand Tools Programme and are set to reach as much as 50 per cent in 2026.

Using state-of-the-art technology, our team of experienced specialists in various areas develops tools by always keeping the needs of our users in mind. We are committed to continuously improving materials, seeking ergonomic solutions, taking into account all safety aspects and seeking functional solutions in line with the most recent standards and trends on the global market. Our originality and improvements provide for an excellent practical value, more comfortable and safe work. Using these processes, UNIOR has been proving for decades that it is the best partner of all professional users of hand tools.

We are distinguished by a long-standing tradition, reliable and qualified employees, an exceptional know-how, state-of-the-art technological solutions, premium products and services, socially responsible conduct and a contemporary marketing approach ensuring a widespread sales network used to diligently foster the satisfaction and loyalty of the internal and external public.

The latter is exceptionally important for both the growth of the brand and its stability, primarily on foreign markets. In spite of the above, the programme has continued to expand its sales network and penetrate new markets, recognising that, especially times like these, require agility and the willingness to change.

Development and marketing are focused primarily on specialised tools, intended for the automotive and cycling industry, but also on various measuring tools, VDE-certified tools, and workshop equipment. Nowadays, we can also boast of achieving tangible results and attainments as far as our e-bicycle and e-car solutions, the construction and repair of power plants using renewable energy (solar and wind power plants) are concerned.

In terms of strategic planning and work, the past year was undoubtedly dynamic and challenging. Supply chains were being disrupted, we witnessed increased prices of input raw materials and energy products, a war on European soil, high inflation rates. In spite of it all, we managed to continuously maintain a high order intake. The burden of input costs was alleviated in part by increasing sales prices on the

market, and, in part, by optimising individual processes. Production-sales process digitalisation activities were undertaken.

Due to all activities, the following have also been implemented successfully: our strategy of entering new markets and industrial platform, our strategy focusing directly on consumers, segmentation of the market that increases the sales volume of special-purpose tools in various market niches and with new customers. We heavily focus on sustainability orientation and caring for the environment by providing our customers with tools with a long useful life which are less burdensome on the environment.

In addition to the fact and understanding how important it is to maintain the current position of the leading manufacturer both at home and abroad, we understand that achieving all of the above will require great efforts. Not only investing in new knowledge, monitoring trends and maintaining our quality, but also acting as the pioneer in individual work segments. We will continue to pursue the above by setting guidelines on the map of successful hand tool companies related to development and new products. At the same time, we will not forget about the strategic relationship with our customers which continues to be based on partnership and a joint long-term vision, new knowledge, and innovative approaches which will serve to promote their performance by joining forces as well.

3.4.3 SPECIAL MACHINES PROGRAMME

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

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

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

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

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

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

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

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

4 RELEVANT EVENTS IN 2022 IN THE UNIOR GROUP AND UNIOR d.d.

CHANGE OF NAME OF THE ROGLA INVESTICIJE d.o.o. SUBSIDIARY

The ROGLA INVESTICIJE d.o.o. subsidiary, 100 per cent owned by UNIOR d.d., on 28/2/2022 changed its commercial name to UNIOR IN, predelava kovanih in sintranih izdelkov d.o.o. pursuant to its Articles of Association of 17/2/2022. The company will be in charge of performing simple production, control, and service tasks. It is foreseen to convert into a sheltered workshop.

ESTABLISHING THE ALUMINIUM PRODUCT PRODUCTION

In line with the Business Plan and projections, production conditions in the new aluminium moulding production programme were established at the end of Q1. The first series of new products were produced on the first production line including its corresponding equipment.

SUSPENSION OF THE SALES PROCEEDINGS OF THE UNITUR D.O.O. SUBSIDIARY

On 11/4/2022, the company announced that the sales proceedings for the sales of the 100 per cent ownership share in its UNITUR d.o.o. subsidiary were suspended. On 2/12/2019, the company publicly announced that it has initiated sales proceedings for the sale of its 100 per cent shareholding in its subsidiary UNITUR d.o.o. created in 2017 with the carve-out of the Tourism Programme to a separate legal entity. On account of the COVID-19 viral disease epidemic, the sales proceedings were temporarily suspended on 21/4/2020. UNIOR d.d. planned to resume the proceedings by the end of 2021 or when the situation related to the COVID-19 viral disease were to improve. Given the duration of the COVID-19 pandemic leading to uncertainties in the tourism industry and additionally new conditions on the market caused by the war in Ukraine, adding new and further uncertainties, all of which has a significant effect on achieving the appropriate price for the 100 per cent shareholding in UNITUR d.d., the sales proceedings have been terminated. The launch of any new sales proceedings will be deliberated on in the future when the precarious situation passes and when normal and continuous operations can be foreseen and relied on.

APPOINTMENT OF A MANAGEMENT BOARD MEMBER

On 26/5/2022, the Supervisory Board of the Company appointed Branko Bračko Member of the Management Board of Unior, d.d., for another term from 15/11/2022 and 14/11/2027.

CONVENING NOTICE OF THE GENERAL MEETING OF SHAREHOLDERS

On 3/6/2022, the convening of the 26th General Meeting of Shareholders was published on the website of AJPES (the Agency of the Republic of Slovenia for Public Legal Records), SEOnet and the website of the company. On 16/6/2022, the amended agenda with two additional items was published the same way.

SALES OF THE INVESTMENT IN THE UNIOR TEPID SRL, ROMANIA, ASSOCIATE

On 15/6/2022, an agreement selling a 49 per cent share of UNIOR TEPID SRL, Romania, to the buyer Dăbuleanu Dan, Braşov for a purchase price of EUR 2.5 million which exceeded the estimated value from the appraisal was signed.

MEDIUM-TERM UNIOR BUSINESS PLAN FOR THE PERIOD BETWEEN 2022 AND 2026

On 20/6/2022, the Supervisory Board adopted the UNIOR Medium-term plan for the period between 2022 and 2026, foreseeing in 2026 EUR 212.7 million in sales and EUR 20.7 million in EBITDA for UNIOR d.d. and EUR 304.2 million in sales and EUR 40.4 million in EBITDA for the UNIOR Group.

REPORT ON ENVIRONMENTALLY SUSTAINABLE ECONOMIC ACTIVITIES AND INVESTMENTS OF THE UNIOR GROUP IN 2021

On 24/6/2022, the Report on environmentally sustainable economic activities and investments of the UNIOR Group in 2021 subject to the EU Taxonomy Regulation was published.

GENERAL MEETING OF SHAREHOLDERS

On 6/7/2022, the 26th General Meeting of Shareholders of UNIOR d.d. was held. At the meeting, the shareholders:

- took note of the 2021 financial year annual report and the written report of the Supervisory Board approving the 2021 financial year annual report;
- took note of and approved the Management and Supervisory Board Remuneration Report for UNIOR d.d. in the 2021 financial year;
- deliberated on the appropriation of the distributable profits of the 2021 financial year amounting to EUR 8,780,057.76 and decided it remain undistributed;
- granted discharge to the Management and Supervisory Boards for the 2021 financial year;
- took note of and approved the Policy of Remuneration of the Management and Supervisory Boards of UNIOR d.d.;
- commissioned the certified auditing company MAZARS, družba za revizijo, d.o.o., to audit the financial statements of the UNIOR Group and UNIOR d.d. for the 2022, 2023, and 2024 financial years;
- amended Section 6.10 of the Articles of Association of the Company in compliance with the provision of Paragraph three of Article 297 of the Companies Act (ZGD-1);

- amended Article 5 of the Rules of Procedure of the General Meeting of Shareholders in compliance with the provision of Paragraph three of Article 297 of the Companies Act (ZGD-1);
- rejected the proposed decision on the compensation for the damage incurred to UNIOR d.d. as a result of infringement of duties related to managing transactions in the Rhydcon d.o.o. case;
- rejected the proposed dismissal and appointment of a Member of the Supervisory Board.

REPORT ON THE REMUNERATION OF MEMBERS OF THE MANAGEMENT AND SUPERVISORY BOARDS OF UNIOR d.d. IN THE 2021 FINANCIAL YEAR

On 6/7/2022, the Report on the remuneration of the Members of the Management and Supervisory Boards of UNIOR d.d. in the 2021 financial year was published in compliance with the provisions of the Companies Act (ZGD-1). The document was approved by the shareholders at the 26th General Meeting of Shareholders convened on 6/7/2022.

POLICY OF REMUNERATION OF MEMBERS OF THE MANAGEMENT AND SUPERVISORY BOARDS OF UNIOR d.d

On 6/7/2022, the Policy of remuneration of Members of the Management and Supervisory Boards was published in compliance with the provisions of the Companies Act. The document was approved by the shareholders at the 26th General Meeting of Shareholders convened on 6/7/2022.

RESIGNATION OF A MEMBER OF THE SUPERVISORY BOARD OF THE COMPANY

On 5/10/2022, it became known in public that the Company had received the letter of resignation of Member of the Supervisory Board of the Company, Mr. Boštjan Napast, whereby Mr. Napast was stepping down from his position of Member of the Supervisory Board of UNIOR d.d.

ACQUISITION OF A 5-PER CENT SHARE OF THE UNIOR ITALIA S.R.L. SUBSIDIARY

On 5/10/2022, a 5-per cent share of the subsidiary UNIOR ITALIA S.R.L. was acquired by transferring a EUR 6,500 acquisition price. UNIOR d.d. became the 100-per cent owner of this Italian subsidiary.

RESIGNATION OF A MEMBER OF THE SUPERVISORY BOARD OF THE COMPANY

On 20/10/2022, it became publicly known that the company had received the letter of resignation of Member of the Supervisory Board of the Company - the representative of employees, Mr. Boris Brdnik, in which Mr. Brdnik stated that he was stepping down as Member of the Supervisory Board of employees UNIOR d.d. due to a conflict of interest related to the performance of this function in addition to being the CEO of the UNIOR IN d.o.o. subsidiary.

GENERAL MEETING CONVENING REQUEST

On 25/10/2022, it became publicly known that the Company had received the request of the shareholders of ŽELEZAR ŠTORE D.P. D.d., Društvo MDS, PORT NALOŽBE d.o.o. and Tomaž Subotič, PhD, to the convening of a General Meeting of Shareholders of UNIOR d.d.

ALTERNATE MEMBER OF THE SUPERVISORY BOARD OF THE COMPANY

On 7/11/2022, it became publicly known that the Company had received the decision of the Works Council of UNIOR d.d. of 28/10/2022 that the latter had appointed Mr. Milan Potočnik Member of the Supervisory Board of the Company - representative of employees, for a term between 1/11/2022 and 22/7/2025.

THE CONVENING OF AN EXTRAORDINARY GENERAL MEETING OF SHAREHOLDERS

On 7/11/2022, the convening notice for the 4th extraordinary General Meeting of Shareholders of UNIOR Kovaška industrija d.d., was published on the website of AJPES, SEOnet and of the company to be held on 8/12/2022 at 12 PM at the Red Hall of the Atrij Hotel in Zreče.

UNIOR IN d.o.o. BECOMES A SHELTERED WORKSHOP

By means of a decision of the Ministry of Labour, Family, Social Matters and Equal Opportunities of 9/11/2022, our subsidiary UNIOR IN, predelava kovanih in sintranih izdelkov d.o.o. became a sheltered workshop and was entered into the Register of Sheltered Workshops in the Republic of Slovenia.

EXTRAORDINARY EVENT AT UNIOR d.d.

On 26/10/2022, steam was released from the galvanising bath in the processing facility into its surroundings. As soon as the release was identified, production was immediately halted and an inspector of the Republic of Slovenia for the environment and spatial planning was apprised of the extraordinary event. Damage was incurred on cars of our employees and area residents. It shall be compensated for by the insurance company. Air and soil emission measurements are compliant with the law and the requirements of our environmental permit. Measurement results show no hazardous impacts on the environment and people.

LIQUIDATION OF UNIOR HUNGARIA Kft.

On 2/12/2022, the liquidation of UNIOR HUNGARIA Kft. in Hungary was completed. As a result, the company no longer forms part of the UNIOR Group. The liquidation did not have any negative effects on the operating result of UNIOR d.d. and the UNIOR Group 2022 as the value of the investments had already been fully impaired during the preceding financial years.

ACQUISITION OF A SHAREHOLDING IN UNIOR PROFESSIONAL TOOLS Ltd.

On 5/12/2022, UNIOR d.d. concluded an agreement on the acquisition of a 9 per cent shareholding in UNIOR Professional Tools Ltd., whereby it became a 64 per cent owner of this subsidiary. Through pro rata distribution of the remaining 9 per cent of its own shareholding, the shareholding of UNIOR d.d. in this subsidiary increased to 70.3 per cent.

EXTRAORDINARY GENERAL MEETING OF SHAREHOLDERS OF THE COMPANY

On 8/12/2022, the 4th Extraordinary General Meeting of Shareholders of UNIOR d.d. was held. At the meeting, the shareholders:

- took note of the resignation of Member of the Supervisory Board, Mr. Boštjan Napast;
- took note of the resignation of Member of the Supervisory Board - representative of employees, Mr. Boris Brdnik, and of the appointment of the alternate Member of the Supervisory Board - representative of employees, Mr. Milan Potočnik;
- appointed Tomaž Subotič, PhD, Member of the Supervisory Board of the Company for a 4-year term;
- rejected the decision to reduce the share capital of the Company by withdrawal of treasury shares.

5 SHARES OF THE PARENT COMPANY

Upon the founding of the UNIOR joint-stock company, 2,138,200 shares were issued, each having a par value of EUR 8.35. Since then, the company has carried out two capital increases. The first one on 1/12/1999, when 200,214 shares were issued, and the second on 1/2/2010, when 500,000 new shares were issued. As at 31/12/2022, UNIOR has a total of 2,838,414 shares, kept since 2006 in the form of no-par value shares. Issued in non-materialised form and, since 21/1/2000, entered in the Central Registry of the Ljubljana-based Central Securities Clearing Corporation (KDD), d.d. All issued shares of the UNIOR d.d. joint-stock company are of one class, resulting in the same rights and obligations of shareholders. No restrictions to voting rights for shares apply. No share transfer restrictions apply. All shares are freely transferable. The company has not created an employee share scheme. The company is not aware of:

- any agreements between shareholders which may result in restrictions on the transfer of securities or voting rights;
- any significant agreements to which the company is a party and which take effect, alter or terminate upon a change of control of the company following a takeover bid as laid down by the law regulating takeovers and the effects of such agreements;
- any agreements between the company and its board members or employees providing for compensation if they resign or are made redundant without valid reason or if their employment ceases because of a takeover bid as laid down by the law regulating takeovers.

Relevant information on shares

	2022	2021	2020	2019
Total shares	2,838,414	2,838,414	2,838,414	2,838,414
Number of treasury shares	73,114	73,114	73,114	73,114
Number of shareholders	765	897	850	873
Dividends per share (in EUR)*	0.00	0.00	0.00	0.00
Value of treasury shares in the balance sheet (in thousand EUR)	2,688	2,688	2,016	2,033

* The indicator is defined as an alternative benchmark. Its definition is provided in Section 8.14 of the 2022 Annual Report.

TREASURY SHARES

The UNIOR Group has a total of 73,114 treasury shares, out of which 3,330 shares of 0.12 per cent of the total shareholding are owned by UNIOR Deutschland GmbH, Leonberg and the Zreče-based SPITT, d.o.o. UNIOR d.d. owns 69,784 treasury shares or 2.46 per cent of the total shareholding. No treasury shares were acquired or disposed of in 2022. Neither the company nor any third party on behalf of the company pledged any treasury shares in 2022. UNIOR d.d. obtained treasury shares in 2019 subject to a judgement having the force of res judicata.

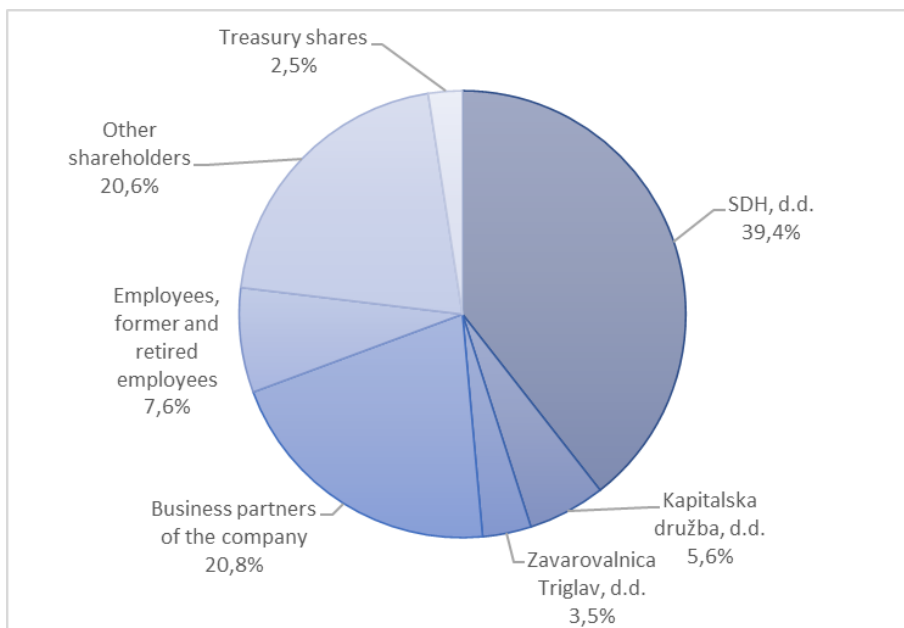
Ten largest shareholders as at 31/12/2022

Shareholder	Number of shares	Shareholding
SDH, d.d.	1,119,079	39.43 %
ŠTORE STEEL d.o.o.	346,182	12.20 %
KAPITALSKA DRUŽBA, d.d.	157,572	5.55 %
NLB skladi - Slovenija mešani (NLB Funds - Slc	132,321	4.66 %
ZAVAROVALNICA TRIGLAV, d.d.	100,000	3.52 %
Subotič Tomaz, Prague	81,800	2.88 %
UNIOR d.d.	69,784	2.46 %
RHYDCON d.o.o.	49,544	1.75 %
ŽELEZAR ŠTORE D.P. d.d.	43,627	1.54 %
INTERCAPITAL securities Ltd - fiduciary accour	32,604	1.15 %
Total ten largest shareholders	2,132,513	75.13 %
Other shareholders	705,901	24.87 %
TOTAL	2,838,414	100.00 %

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

Ownership structure as at 31/12/2022

Shareholder	Number of shares	Shareholding
SDH, d.d.	1,119,079	39.43 %
Kapitalska družba, d.d.	159,204	5.61 %
Zavarovalnica Triglav, d.d.	100,000	3.52 %
Business partners of the company	589,731	20.78 %
Employees, former and retired employees	214,947	7.57 %
Other shareholders	585,669	20.63 %
Treasury shares	69,784	2.46 %
TOTAL	2,838,414	100.00 %



ADMISSION OF SHARES TO QUOTATION ON THE STOCK EXCHANGE

The 14th regular General Meeting of the Company adopted the decision on 21/7/2010 to admit the shares of UNIOR d.d. to quotation on the organised Ljubljana Stock Exchange. On 13/7/2011, the company received the decision of the Securities Market Agency, file number 40200-10/2011-6. The shares prospectus was made public on 16/8/2011. On 18/8/2011, our shares were admitted to quotation on the Ljubljana Stock Exchange. The first trading day was 22/8/2011. Our shares are listed in the Standard Quotation of the stock market.

COMMUNICATIONS TO SHAREHOLDERS

After its shares were admitted to quotation on the Ljubljana Stock Exchange, the Company has been following the practice of communicating with shareholders and new interested investors in compliance with the law and customary business practice through the SEOnet electronic notification system of the Ljubljana Stock Exchange and the Company's website.

Performance indicators per share

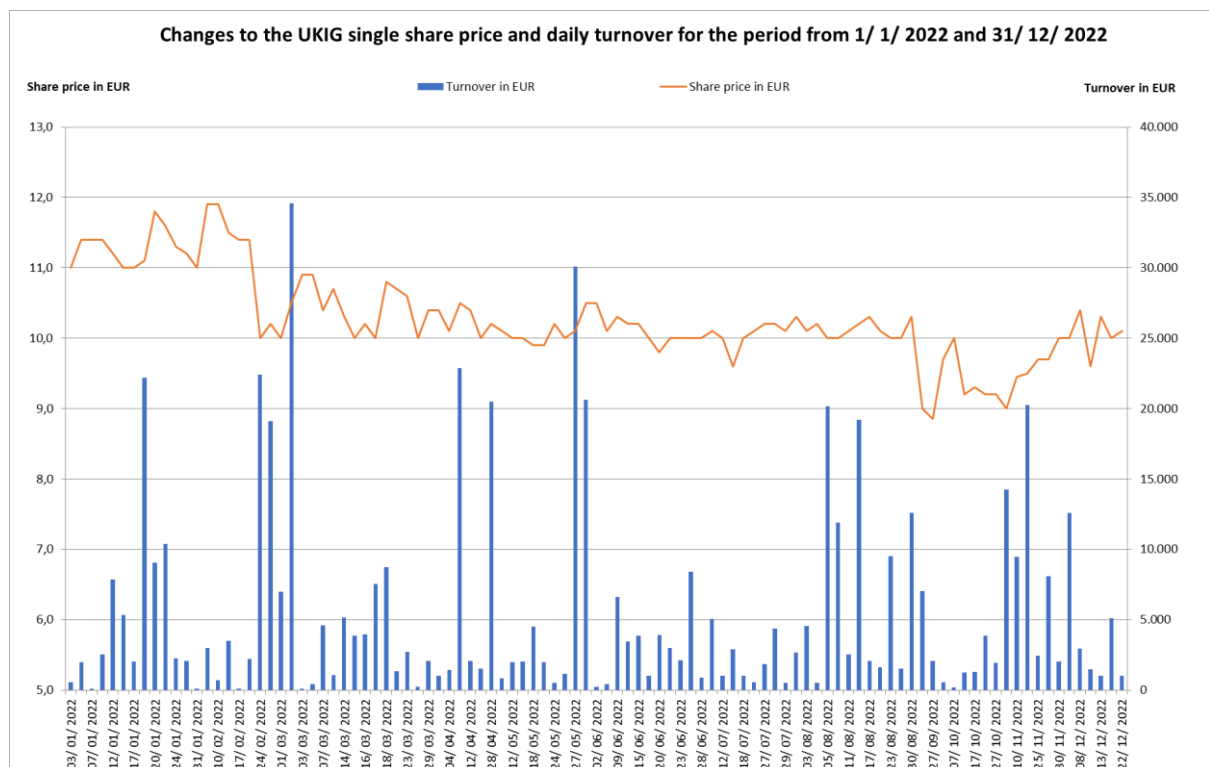
	2022	2021	2020	2019
Earnings per share in EUR*	1.84	0.99	(2.88)	2.21
Book value per share (in EUR)*	36.28	34.06	33.25	36.13
Sales per share (in EUR)*	73.97	61.11	49.92	63.41
Cash flow per share (in EUR)*	4.56	4.18	0.35	5.51
Percentage of dividends disbursed*	0 %	0 %	0 %	0 %

* The indicators are defined as alternative benchmarks. Their definitions are provided in Section 8.14 of the 2022 Annual Report.

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

TRADING OF UKIG SHARES

On 22/12/2022 (closing share price for 2022), the market price of one UKIG share was EUR 10.10. Between 1/1/2022 and 31/12/2022, the trading turnover amounted to EUR 557,829.75. On 30/12/2022, the P/B (price-to-book) ratio per share was 0.28.



TRADING IN SHARES OF THE MANAGEMENT BOARD AND SUPERVISORY BOARD

In UNIOR, the Management and Supervisory Boards hold a 2.94 per cent participating share, out of which 0.06 per cent by the Management Board and 2.88 per cent by the Members of the Supervisory Board. Other Company employees own a total of 1.84 per cent shares. In 2022, both the number of shares and the ownership share of shares owned by Members of the Supervisory Board fell by 6,256 shares or 0.22 per cent (the number of shares owned by Member of the Supervisory Board, Mr. Subotič, PhD, did not change from the day of his appointment, 8/12/2022 until the end of the 2022 financial year). The number of shares and the ownership share of shares owned by the Management Board remained the same.

Trading in Shares of the Management Board and the Supervisory Board

	Ownership		Net procurement during the year
	31/12/2022	31/12/2021	
Darko Hrastnik	1,505	1,505	0
Branko Bračko	250	250	0
Management Board in total	1,755	1,755	0
Franc Dover, Franc Dover	0	0	0
Simona Razvornik Škofič	0	0	0
Boštjan Napast (Member until 8/ 12/ 2022).	0	0	0
Tomaž Subotič, PhD (Member since 8/ 12/ 2022)	81,800	88,056	(6,256)
Andreja Potočnik	0	0	0
Saša Koren	0	0	0
Boris Brdnik (Member since 1/ 11/ 2022).	0	0	0
Milan Potočnik (Member since 1/ 11/ 2022).	0	0	0
Supervisory Board in total	81,800	88,056	(6,256)
Total number of issued shares	2,838,414	2,838,414	

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

6 SUSTAINABLE DEVELOPMENT

With its activities and business relationships, the UNIOR Group impacts its economic, natural, and social environment, and, therefore, also sustainable development.

Sustainable development and the disclosure of ESG areas is an important factor for the long-term attainment of values and successful implementation of Unior's business strategies. All sustainability-related issues are managed by diligently gradually including them into our strategies and strategic reporting. Sustainable activities are planned in all processes that impact the environment we operate in with the utmost commitment. Trust of all key stakeholders is built through our knowledge, professional and ethical approach and premium quality on all levels of our operations.

The objective of sustainability reporting is to communicate how the UNIOR Group contributes or wishes to contribute to sustainable development. UNIOR d.d. acknowledges its role as a strategic development and welfare partner in the local environment and also as a part of global society. Through our vision, mission and conduct, UNIOR wishes to contribute to the welfare of the local environment or the sustainable development of the Republic of Slovenia, as laid down in the 2030 Slovenia Development Strategy, climate goals of the European Union until 2050 and the achievement of sustainability objectives of the UN until 2030, in a long-term strategic way. This is why sustainable development, climate change, and circular economy opportunities and risks are recognised in a strategic manner.

In its local environment, the company significantly contributes to the vitality and development of not only the economy and entrepreneurship, but also of education, culture, sports, and wider society. Our conduct as specified above is based on our values, tested throughout our time-honoured tradition of engaging all stakeholders in a partnership dialogue, and on the ambitious vision that continuously pushes boundaries and raises the added value for all.

Sustainable operations are embedded in the operations of the Company and Group. A sustainable operation policy is, however, yet to be adopted. Nevertheless, the Medium-term plan also defines the strategic guideline of following European carbon neutrality trends, complying with environmental requirements, and of providing for the sustainable development of UNIOR d.d. We intend to gradually also introduce good practices in UNIOR Group companies operating outside of Slovenia as the Group is aware of the importance of the transition to carbon neutrality.

6.1 KEY SUSTAINABILITY GUIDELINES OF UNIOR d.d.

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

Competitiveness which generates added value for all

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

As a long-standing producer of special machines, primarily for OEM and TIER 1 manufacturers in the automotive industry, UNIOR Special Machines quickly and successfully adapts to new challenges and needs of the fast-developing e-mobility market. Our palette of machines is complemented by a new family of machines for lower-carbon production purposes. The recyclability of our products constitutes an added value.

- Delivery of successful operating results.

Good business results are ensured by means of our competitive operations and export orientation. The net result amounted to EUR 5,075,396 million. Corporate tax amounted to EUR 348,501.

- Generation of favourable indirect effects on the economy.

UNIOR d.d. procures 70 per cent of input materials from local suppliers in Slovenia. UNIOR d.d. pumps back EUR 71 million in value through its orders to the local economy.

- Provision of safe and high-quality jobs,

As at 31/12/2022, UNIOR d.d. preserved 1,634 jobs, 0.6 per cent more employees than the year before. More than 91 per cent of our employees have an employment agreement of indefinite duration. The gross value per employee increased from EUR 37,720 to EUR 42,237.

Contributing to sustainability objectives of the UN until 2030



An active, healthy, safe and responsible company

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

The occupational safety training was attended by 848 employees. The training served to contribute to the activation of a healthy lifestyle of our employees. Wellness and health-promoting events attended by 1,339 participants were organised. Events for the wider community (recreation, competitions, BBQs) were also organised.

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

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

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

All participants in the value chain (suppliers, employees, customers) are provided with safety.

- Provision of safety to all participants in the value chain (suppliers, employees, customers).

The number of occupational injuries of our employees was reduced by 13.5 per cent compared to 2021.

- Operations in compliance with the law and high ethical standards.

We operate in compliance with the law and high ethical standards and also encourage our employees towards ethical conduct. In 2022, no fines were received.

Contributing to sustainability objectives of the UN until 2030



Learning for and throughout life

- Employee education and training.

UNIOR d.d. provided 8.05 hours of training or EUR 60.56 per employee.

- Connecting education institutions and the economy.

Our trainings are carried out using more than 90 external contractors.

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

- Provision of study placements.

In 2022, UNIOR d.d. facilitated mandatory study placements in collaboration with nine high schools, two colleges, and three faculties, for 49 high school and 17 university students. 32 active scholarship recipients were provided with EUR 94,181 in company scholarships.

- Transfer of development and research findings to the economic environment.

UNIOR d.d. also collaborates as a partner with the Jožef Stefan Institute. The Company is also one of the co-founders of the Jožef Stefan Institute Post-Graduate School. In 2022, UNIOR d.d. was awarded an Honorary Certificate in recognition of its successful transfer of scientific and technological achievements and know-how, created at the Institute, to the social and economic environments.

UNIOR d.d. also successfully participates in the Green Mobility project for the provision of a strategic development plan for the automotive industry until 2030.

- Promotion of lifelong learning.

UNIOR d.d. also co-financed part-time studies of its employees in the amount of EUR 14,318.

Contributing to sustainability objectives of the UN until 2030



A healthy natural environment, low-carbon future

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

Sustainability-oriented investments replace fossil fuels with RES; by installing solar power plants (647 kW), by producing 4 cogeneration mechanical installations (cogeneration or combined heat and power

- CHP - is the process of simultaneously converting the fuel energy into heat and power) and by increasing the exploitation of waste heat (1,200 MWh per year).

Resources are managed sustainably by recycling 97 per cent of waste. In 2022, the consumption of potable water fell by 11 per cent compared to the year before.

Contributing to sustainability objectives of the UN until 2030



High degree of cooperation

- Transparent and efficient operations.
- More dialogue and collaboration with stakeholders.
- Socially responsible projects and partnerships.

Transparent and efficient operations are guaranteed using an integrated governance system. Dialogue and collaboration with key stakeholders are promoted and supported by the following communications channels: digital (16 multi-media communications displays, intranet, online portals, e-mails), personal and others (the 'We are blacksmiths' internal newspaper, various internal publications). Unior is strongly embedded in the local environment, bound by the tradition and experience of our ancestors and connected with a wide range of stakeholders. The local environment grows hand in hand with us. EUR 87,704 were spent by UNIOR d.d. for sponsorships and donations.

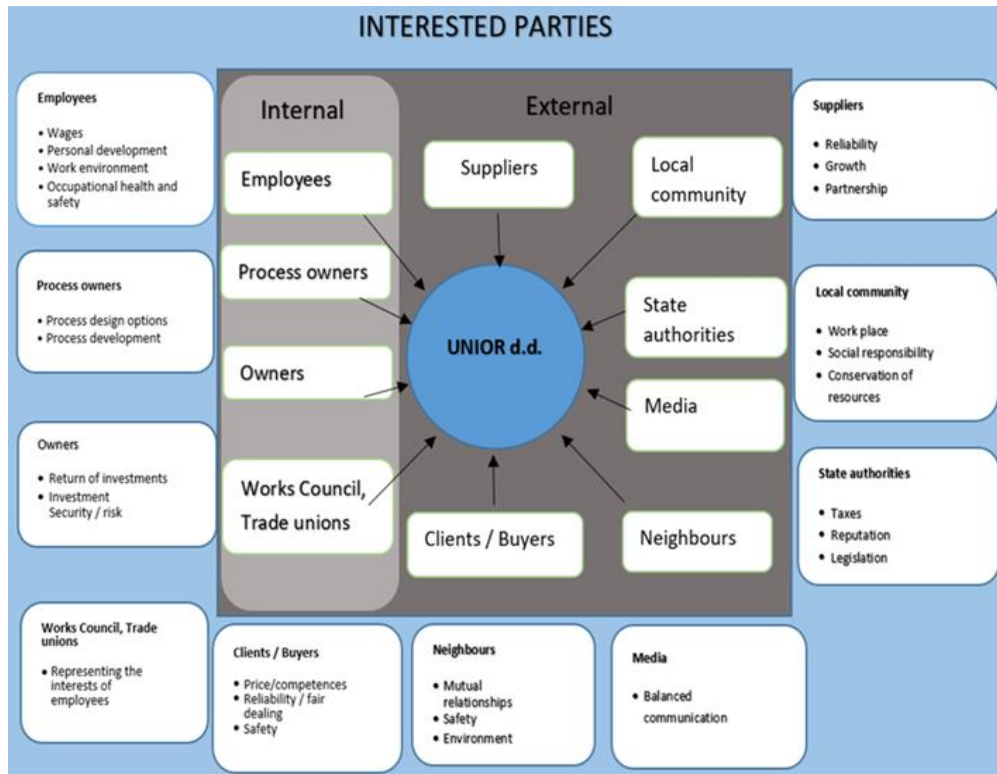
Contributing to sustainability objectives of the UN until 2030



6.1.1 THE STAKEHOLDER MATRIX

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

OUR STAKEHOLDERS AND THEIR INTERESTS



6.1.2 SUSTAINABLE DEVELOPMENT REPORTING

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

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

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

6.2 CONCERN AND RESPONSIBILITY FOR EMPLOYEES

Our concern for our employees plays a central role in all our business plans. As the largest single employer in the region and one of the largest in the country, UNIOR d.d. recognises that investing in our employees does not only demonstrate responsibility towards colleagues but also towards the wider environment.

Employee details	2022	2021	2020	2019
Total number of employees	1,634	1,624	1,666	1,797
– <i>Forge Programme</i>	897	892	906	974
– <i>Hand Tools Programme</i>	348	334	348	378
– <i>Special Machines Programme</i>	153	157	165	179
– <i>Joint services</i>	146	147	151	163
– <i>Maintenance,</i>	90	94	96	103
Departures	133	196	165	110
New employees	143	154	34	82
Average length of service of employees	18.3	18.5	18.4	17.8
Average age	43.5	43.3	43.4	42.7
Average number of employees in terms of hours worked	1,544	1,592	1,675	1,756
Average absence from work (in hours)	186.7	153.9	136.9	149.9
Average salary (in EUR)	1,999	1,838	1,706	1,705

At the end of 2022, UNIOR d.d. employed 1,634 people, 10 more than the year before. Compared to 2021, the number of employees rose in the Forge and Hand Tools Programmes, whereas the number of employees in the Special Machines Programme, Joint Services, and Maintenance fell. The departure of 133 employees in total was observed, of which the majority due to terminations of employment agreements at the request of employee and the expiration of fixed-term employment agreements. The company recruited 143 employees in total, the majority of which in the Forge and Hand Tools Programmes. The average age of employees somewhat increased in 2022 to 43.5 years.

As far as gender and the nature of work in our company are concerned, the majority of employees (around 70 per cent of all employees) are male. A large proportion of employees in UNIOR d.d. concluded an employment agreement of an indefinite duration. In 2022, more than 91 per cent of all employees were in the possession of such an agreement.

The average monthly gross salary per employee in 2022 amounted to EUR 1,999, rising by 8.8 per cent compared to 2021. Given the 8.8 per cent average annual growth of the consumer price index, it preserved its real value. In 2022, the net salary reached EUR 1,310 and increased by 9.3 per cent or, in real terms, by 0.4 per cent, compared to the previous year.

EMPLOYMENT IN THE UNIOR GROUP

As at 31/12/2022, the UNIOR Group employed 2801 people or 1 per cent or 29 more people than at the end of the preceding year on account of rationalisation and optimisation of the number of employees in certain processes, as well as through automation and robotisation of some production jobs. The increase in economic activity after the end of the epidemic period had a positive impact on new vacancies, primarily in the Forge and Hand Tools production programmes.

Compared to the number of employees at the end of the preceding year, the number of employees in the forge activity increased by 29, in the hand tools activity by 13, and in the tools and machinery production activity by five employees. In the Tourism activity, the number of employees fell by nine compared to the end of 2021 when better snow conditions had been witnessed at the Rogla ski centre. In the Special Machines activity, the number of employees fell by four, whereas in Joint Service and Maintenance in the parent company by five in total. The number of employees was primarily downsized on account of regular dismissal by the employer, the expiration of fixed-term employment agreements, retirement and resignations by employees. In 2022, the average number of employees in terms of hours worked amounted to 2,667 or 33 employees or 1.2 per cent less compared to 2021.

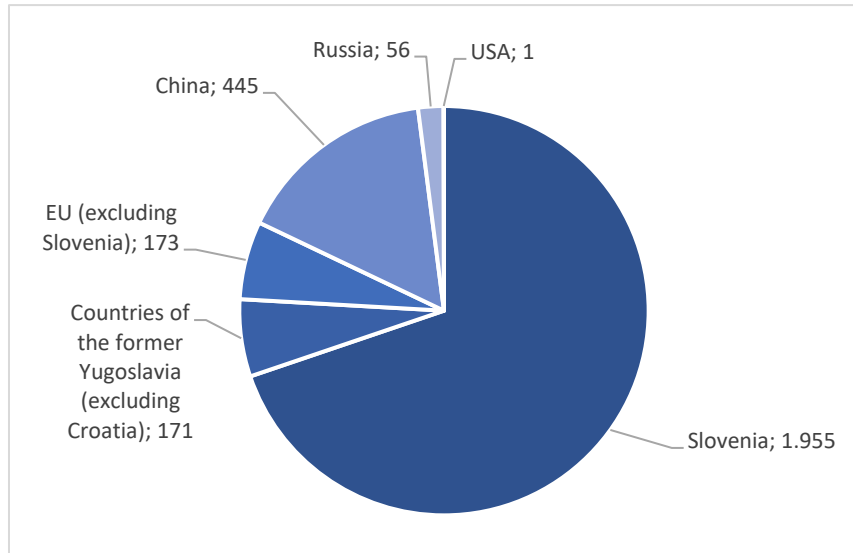
The average monthly gross salary per employee in the UNIOR Group in 2022 amounted to EUR 1,744, rising by 8.3 per cent compared to 2021.

Employees in the UNIOR Group by activity	2022	2021	2020	2019
Total number of employees	2,801	2,772	2,808	3,018
– Forgings production activity	1,499	1,470	1,503	1,588
– Hand Tools production activity	428	415	441	478
– Special Machines activity	158	162	170	184
- Tourism activity	316	325	287	339
- Production of machine tools activity	164	159	160	163
– Joint services departments in the parent	146	147	151	163
- Maintenance department in the parent	90	94	96	103
Average number of employees in terms of hours worked	2,667	2,700	2,832	3,001
Average gross salary (in EUR)	1,744	1,611	1,490	1,482

GROUP EMPLOYEES BY REGION

Number of employees as at 31 December	2022	2021	2020	2019
Slovenia	1,955	1,949	1,953	2,136
Countries of the former Yugoslavia (excluding Croatia)	171	165	167	170
EU (excluding Slovenia)	173	177	188	200
China	445	425	442	451
Russia	56	55	57	60
USA	1	1	1	1
Total UNIOR Group	2,801	2,772	2,808	3,018

In most regions where UNIOR Group companies are located, the number of employees was increased compared to the end of the preceding year. In Slovenia and the countries of the former Yugoslavia (excluding Croatia), the number of employees increased by six, in China by 20 and in Russia by one. The number of employees in the European Union fell by four and the number of employees in the USA remained the same.



6.2.1 INVESTING IN COMPETENCES OF OUR EMPLOYEES

The development of employees is one of the key processes used to implement UNIOR's commitment to sustainability. Skills and competences of our employees are increased primarily through trainings in both areas of expertise and soft skills. External and internal training courses are organised and co-financing of part-time studies is facilitated. Company scholarships for school pupils and students are also available.

We are aware that sustainable development training undeniably constitutes an appropriate basis and framework for the acquisition of competences required for successfully operating in a green economy and facing interwoven global challenges. In light of the above, content related to sustainable development and social responsibility was included in our business schools.

All employees were able to attend motivational lectures on communication, motivation, and trust. Trainings on the management and quality of suggestions, smart factories, digitalisation, circular economy, carbon footprint management, lean production, quality, claims, project management, safe handling of hazardous chemicals, environmental protection, occupational health and safety, technical regulations and machine safety were carried out. All these topics contribute to the protection of health of our employees, their development, development of new ideas and products, a safe work environment, protection of the environment and a forward-oriented mindset.

An e-training development conference was organised. Company fraud and Oracle module e-trainings were also carried out. Employees are able to attend online training when they wish to do so, resulting in less lost working time, printing of materials and no travel expenses.

UNIOR d.d. prioritises the importance of our employees, their planning, and life-long development. As such, co-financing of part-time studies is provided for them. Their acquired new know-how and work can contribute to the quality of the working process and a successful performance in the long run. This way, our employees are provided with a professional, working, and personal development and promotion opportunities.

Scholarships facilitate long-term planning of the recruitment of future employees and serve as an excellent opportunity for the personal and professional growth of individuals. By means of scholarships, UNIOR d.d. connects with prospects as early as during their educational period, thus creating a pool of young talent. Our scholarships are aimed at obtaining and training competent human resources in the areas required. We find it important to build and preserve connections with local high schools where the majority of our scholarship recipients are educated.

In 2022, 13,118 hours of training took place in total. In 2022, EUR 98,711 was spent on training, EUR 14,318 on part-time studies, and EUR 94,181 on scholarships, or EUR 207,210 in total. The sum is a total of all internal and external training-related costs and does not include the costs of absence of employees from the workplace. Recent years have seen a higher number of training hours and funds, co-financing of part-time studies and company scholarships.

Training and Education	2022	2021	2020	2019
Hours of training (in hours)	13,118	10,315	8,875	26,826
Training costs (in EUR)	98,711	63,317	53,626	194,624
Costs of company scholarships (in EUR)	94,181	88,405	114,117	107,991
Costs of part-time studies (in EUR)	14,318	2,856	6,854	7,559
	207,210	154,578	174,597	310,174

6.2.2 CONCERN FOR THE ORGANISATIONAL CULTURE

In 2022, the company continued with year-end reviews during which employees and managers are encouraged to embark on a mutual dialogue on their welfare at the workplace, achieved and set objectives for the future, training needs, proposed improvements at the workplace, etc. The response thereto has been positive and has allowed managers and employees to become more familiar with each other and cooperate more easily in the future. Managers carry out year-end reviews of all employees up to and including salary scale five. However, some managers also carry out year-end reviews with junior employees. In 2022, 550 year-end reviews were carried out in total. A high proportion of activities also focused on boosting an innovative mindset. In order to identify potential successors which could take over key positions in the future, a succession policy for key talent has been laid down as part of the employee development process.

A high level of respect of human rights, of differences between employees, the prohibition of discrimination, mobbing and other hazardous effects form an important part of the organisational culture of our company. The company has adopted its own Code of Ethics and rules which regulate the responsibilities of the company towards employees and vice versa in further detail. Employees can file complaints regarding breaches of the Code of Ethics directly before their direct supervisor or other superior or can send their complaint via e-mail to etika@unior.com.

On 1/7/2016, the Rules on Preventing and Identifying Fraud laying down the tasks and responsibilities of employees associated with preventing, identifying and examining fraud was adopted. Since the same date, the Rules on Business Gifts and the Policy of Ethic Standards have also been in force. Reports of corruption and conflicts of interest, bribes and other offending conduct can be sent by employees to the e-mail address used for complaints prijava.povejmo@unior.com, by calling the anonymous 080 10 90 hotline operated by an external independent company. The reported suspected fraud is known only to the competent professional.

The content of the Code of Ethics of UNIOR d.d. is also available to our external business partners who can also report any alleged offending deceptive or fraudulent practices when doing business with UNIOR d.d.

Authorised personnel for receiving reports were appointed by decision of the Management Board who receives reports of alleged sexual or other abuse and mobbing at the workplace in each plant of the company. A total of 15 authorised personnel were appointed. A mobbing training is organised for them on a multiannual basis.

6.2.3 RAISING THE EDUCATIONAL STRUCTURE

Economic and technological development and working process needs promote the recruitment of a larger share of new employees with a higher level of qualifications than before. In 2022, 19.9 per cent of all employees had completed minimum vocational college. The share rose by 1.5 per cent compared to 2019. Such employees will further contribute to seeking new and sustainable solutions ensuring further economic stability of the company.

Employees by level of completed education in UNIOR d.d.

Qualification level		31/12/2022	31/12/2021	31/12/2020	31/12/2019	Index R22/R21
I	Unskilled	256	263	275	311	97.3
II	Semi-skilled	120	126	130	132	95.2
IV	Skilled	515	524	540	595	98.3
V	Secondary vocational education	416	391	390	430	106.4
VI	Higher vocational education	120	113	112	113	106.2
VII/1	Graduate vocational education (1 st Cycle Bologna Degree)	115	121	130	126	95.0
VII/2	University vocational education (2 nd Cycle Bologna Degree)	79	73	76	77	108.2
VIII/1	Master's degree	12	12	12	12	100.0
VIII/2	PhD	1	1	1	1	100.0
TOTAL		1,634	1,624	1,666	1,797	100.6

6.2.4 TAKING CARE OF THE HEALTH OF EMPLOYEES

Unior recognises that investing in the occupational safety and health of its employees is an investment. Occupational safety is a big concern and continues to be improved via our annual programme of safety and promotion of occupational safety.

In 2022, most prevention activities were focused on activities contained in the Occupational Health Promotion Programme. Our activities were aimed at reducing the incidence of occupational injuries, monitoring the use of hearing protection, improving work conditions, reducing the incidence of sick leave and taking care of a healthy lifestyle through activities.

SICK LEAVE

The total incidence of sick leave in 2022 amounted to 8.9 or 1.7 per cent more than in 2021 when it amounted to 7.2 per cent. The total incidence of sick leave debited to the employer in 2022 amounted to 3.4 or 0.1 per cent less than in 2021 when it had amounted to 3.5 per cent. The total incidence of refunded sick leave was 1.8 per cent higher than in 2021 and amounted to 5.5 per cent. In 2021, sick leave it had amounted to 3.7 per cent.

Sick leave	2022	2021	2020	2019
Sick leave (in per cent)	8.9	7.2	6.2	7.0

OCCUPATIONAL INJURIES

In 2022, there were 45 occupational injuries or 13.5 per cent less than in 2021, leading to the loss of 971 days or 4 per cent less than in 2021, constituting 21.6 days per injury in 2022 compared to 22.5 days per injury in 2021.

Occupational injuries	2022	2021	2020	2019
Number of injuries	45	52	37	77

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

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

MATERNITY AND PATERNITY LEAVE

Data on maternity or paternity leave taken by our employees are a reflection of the age and gender structure of our employees. In 2022, a 0.7 per cent and, in 2021, a 0.8 per cent incidence of maternity leave was observed; in 2022, a 0.2 per cent incidence of paternity leave, and, in 2021, a 0.2 per cent incidence were observed.

6.2.5 SUSTAINABILITY DIALOGUE

UNIOR d.d. focuses on enforcing sustainable dialogue in the company which was also marked in 2022 by activities related to promoting positive communication and raising awareness on sustainability. As far as communications are concerned, the company sought to support current operations of the company and concerned itself with the health of employees to the maximum extent. Inter-department communication was strengthened through various tools: our internal newspaper, weekly newsletter, regular communications on the bulletin board, intranet, etc. Department meetings and interpersonal communication flows were promoted throughout the entire company, from senior management down to all employees.

The extraordinary event (emission release) constituted a special communications challenge which encouraged us to manage risks, strengthen our resilience and proactively communicate even in the most challenging situations in an even more active way. Communications methods and channels in crisis situations were included in our organisational documentation and foresaw relevant training of key responsible persons involved in the corporate communications process. By promoting sustainable dialogue and activities, in 2022 awareness was raised on and the value of health of co-workers in addition to the values of innovation and attentiveness were promoted.

The value of creativity and innovation was promoted through two campaigns in March and October, the Development Conference and a Hackathon. The advantages of a lean company were highlighted.

6.3 ONGOING PARTNERSHIPS WITH CUSTOMERS AND SUPPLIERS

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

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

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

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

6.3.1 PRODUCT LABELLING AND CUSTOMER SAFETY

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

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

Our hand tools are designed with the safety of the user at the forefront. For this reason, UNIOR's products are constructed in a way that ensure minimum physical effort during work and are fully adapted to the type of work.

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

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

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

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

Our products are primarily equipped with safety labels tailored to the specifications of our customers and intended to ensure the safety of machine operators.

6.3.2 CLAIMS

As maximum satisfaction of our customers is our top priority, claims are carefully managed in all our programmes.

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

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

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

6.3.3 MANAGING THE SUPPLIER CHAIN

UNIOR d.d. also passes on its introduced governance systems to its suppliers, such as IATF, ISO, VDA standards. Approximately 70 per cent of its procurement volume is procured from local or Slovenian suppliers.

6.4 ENVIRONMENTAL EFFECT MANAGEMENT

Our basic principles are responsible protection of the environment, prevention of negative effects on the environment, compliance with statutory requirements and continuous environmental protection improvements. UNIOR has established and integrated quality, environment, occupational health and safety, and energy management systems.

6.4.1 MANAGEMENT SYSTEMS

UNIOR d.d. has introduced and certified management systems compliant with international standards, namely for quality (ISO 9001 - quality management systems - general, IATF 16949 - quality management systems in the automotive industry - mass production, VDA 6.4 - quality management systems in the automotive industry - means of production), environmental management (ISO 14001), occupational health and safety subject to the ISO 45001 requirements and an energy management system (ISO 50001). The safe exchange of data certificate (TISAX) was also obtained. Operations in compliance with the international management system standards is one of our commitments. As such, we constantly keep up-to-date with novelties, introduce them, periodically verify and re-certify them (in 2022, ISO 14001 was re-certified at the company and the scope of certified management systems was extended to the aluminium production facility in Vitanje). If required, new certificates are obtained. Operations in compliance with international standards is the foundation of long-term sustainable operations of the company.

RESPONSIBILITIES AND POWERS ASSOCIATED WITH MANAGEMENT SYSTEMS

The representative of the Management Board for quality, environmental and occupational health and safety management systems in UNIOR d.d. is the head of the general matters department; whereas the energy management system has been entrusted to the head of the energy department. Their powers and responsibilities include the following:

- to manage, supervise and integrate management systems between programmes and joint services and promotes awareness-raising of operating system requirements;
- to communicate with the persons responsible on matters associated with management systems;
- to report to the Management Board of the company; when needed, to heads of programmes and joint services, on the operation of management systems and any required improvements thereto.

Management systems have been implemented at six locations of UNIOR in Slovenia: Zgornja cona Zreče (Zreče Upper Zone), Spodnja cona Zreče (Zreče Lower Zone), Obrat Obdelava odkovkov Konjice (Konjice Forgings Machining Plant), Obrat Vitanje (Vitanje Plant), Obrat Lenart (Lenart Plant) and Obrat Stari Trg (Stari Trg Plant).

6.4.2 ENVIRONMENTAL PROTECTION

The entire environmental management system in UNIOR d.d. includes:

- rationalising the consumption of resources;
- monitoring emissions to the environment;
- preventing environmental pollution;
- replacing substances with adverse effects on human health and the environment;
- enforcing compliance with the law on all levels;
- concern for continual improvement of the system and environmental effects;
- continuously raising awareness and education employees on the importance of protecting the environment;
- communicating our environmental policy to employees, partner companies, suppliers and other stakeholders and promoting the introduction of similar principles with our customers.

RECOGNISED CHALLENGES AND OPPORTUNITIES OF THE GREEN TRANSITION

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

Activities	Challenges of the Green Transition	Opportunities of the Green Transition	Preparedness in 2022
<p>Our Forge production and sales activity (consists of):</p> <p>UNIOR d.d., the Forge Programme, Slovenia</p> <p>UNIOR VINKOVCI d.o.o., Croatia</p> <p>Ningbo UNIOR Forging Company Ltd., China</p> <p>UNIOR IN d.o.o., Slovenia</p>	<p>The shift of the EU towards a low-carbon society and the consequential phasing-out of vehicles powered by a conventional, fossil fuel-powered engine. Given that approximately 40 per cent of our products are linked to internal combustion engines, this policy guides our development.</p> <p>Related challenges are moderately and timely manageable as they encompass the entire automotive industry whose sheer size, however, renders it relatively slow and inflexible. The market also needs enough time to adjust to new trends.</p> <p>The Forge Programme in Slovenia including its production in Vinkovci, Croatia, and Ningbo, China, has been actively involved in the Green Transition related to the development of the automotive industry and expectations of our customers, including OEM, TIER 1 and TIER 2 system suppliers.</p>	<p>The basic raw material used in our metalworking and machining processes is steel. In the future, aluminium will be included as well. Both metals are recyclable.</p> <p>In the period until 2035, the production of forgings will take place on a stable footing, whereby a more intense development of products not tied to internal combustion engines will be underway. The programme will focus on forgings for groups of steering mechanisms which already account for the majority of production volume.</p>	<p>The transition to carbon neutrality began several years ago. We are undoubtedly already an active participant in this process.</p> <p>Our production quickly and timely adjusts to new requirements in the form of equipment, technology, and required knowledge modifications.</p> <p>The forgings production technology is rather universal and only varies in specific production steps which are, however, subject to the development of tools and the appropriate production technological procedure every single time. All of the above is managed by using the appropriate software, our accumulated knowledge and the toolshop which is suitable for a radical change of our assortment in the long term as well.</p> <p>Virtually all our strategic suppliers are based in the EU, where the same standards and laws apply.</p>

Activities	Challenges of the Green Transition	Opportunities of the Green Transition	Preparedness in 2022
<p>The Special Machines activity (consists of):</p> <p>UNIOR d.d., Special Machines Programme, Slovenia</p> <p>UNIOR DEUTSCHLAND GmbH, Germany</p> <p>UNIOR - North America Inc., USA</p>	<p>The activity produces products - machines or technologies which form part of the Green Transition and play a key role in the production of e-cars.</p> <p>The steel, aluminium, and energy supply challenge are small as our distributors are extremely dispersed and the dependence on any dependence on any given supplier is low.</p>	<p>In line with technological development, changes to materials are taken into account (e.g., MineralGus - material consisting of natural minerals, calcium carbonate and aluminium trihydrates, linked with a low quantity of polyester resin or cement).</p>	<p>Our production programme is already focused on low-carbon technologies.</p>

Activities	Challenges of the Green Transition	Opportunities of the Green Transition	Preparedness in 2022
<p>The Hand Tools activity (consist of):</p> <p>UNIOR d.d., Hand Tools Programme, Slovenia</p> <p>UNIOR Produktions- und Handels G.m.b.H., Austria</p> <p>UNIOR Makedonija, d.o.o., North Macedonia</p> <p>UNIOR Italia S.R.L., Italy</p> <p>UNIOR Espana, S.L., Spain</p> <p>UNIOR Professional Tools Ltd., Russia</p> <p>UNIOR Bulgaria, Ltd., Bulgaria</p>	<p>The Programme is specialised in producing premium hand tools used to repair and maintain machines, e-cars, e-bicycles, e-motorbikes and other mechanical appliances.</p> <p>As far as technological challenges are concerned, the transition from hexavalent chromium to trivalent chromium in the galvanising process is recognised.</p> <p>Trivalent chromium is a safer alternative to hexavalent chromium as it poses a lower risk to the health of people and the environment. Meeting this target will require a reconstruction of the existing galvanising line. The galvanising process and product coating with trivalent chromium may also be outsourced to an external collaborator. The current carrying amount of the galvanic line amounts to EUR 9,700. If the galvanising process were to be abandoned, this value would be reduced. Changes to the coating does not pose a huge challenge as already more than 35 per cent of hand tools are coated with other, more environment- and health friendly coatings which facilitate the meeting of the announced statutory requirements and the opportunity to penetrate market niches which require the use of more sustainable solutions.</p>	<p>The Hand Tools Programme has also been taking strides towards the Green Transition also in relation to the use of raw materials and consumables. The raw material used to make hand tools is chromium-vanadium steel which is fully recycled and can be returned to the production process. Hand tools have a long-life span and can also be recycled if needed. In the future, the development of consumables will be focused on using phthalate-free composite materials and biodegradable ties to attach products to recycled packaging. These materials are currently undergoing testing regarding their resilience and UV radiation resistance.</p>	<p>Many tools intended for specific tasks - i.e. the maintenance of special machines for the production of e-cars and infrastructure required for their operation - have already been developed and are produced. Hand tools for the maintenance of RES-powered power plants and the power distribution grid are developed and produced.</p>

Activities	Challenges of the Green Transition	Opportunities of the Green Transition	Preparedness in 2022
<p>Tourism activity (consists of):</p> <p>UNITUR d.o.o. Slovenia</p>	<p>The company diligently monitors physical climate challenges for our activity.</p> <p>The impact of climate change on the tourism range of Rogla cannot be generalised or individual winters with higher temperatures and less snow are not commonplace. They only occur every few years. For example, the last three winters have had favourable weather and have been rich in natural snow precipitations.</p>	<p>The so-called Green Scheme of Slovenian Tourism to which UNITUR d.o.o. also belongs as a member and which promotes sustainable conduct, brings together sustainable efforts and promotes green stories of green tourism, has been established under the Slovenia Green umbrella brand in Slovenian tourism. Rogla boasts a favourable micro climate whose climate conditions are characteristic of 1,800 meters altitude - in the summer, the temperature is on average 10 degrees Celsius lower than in the valley and cities.</p> <p>Alternative sources of energy (solar energy with photovoltaic panels on the SE façade of the Atrij Hotel in Terme Zreče, biomass heating in the majority of Unitur's accommodation facilities on Rogla) are exploited.</p> <p>Subject to the responsible tourism establishment guidelines, Unitur focuses on providing for a higher proportion of locally produced food and food products, thus shortening the supply chains</p>	<p>The sustainable orientation of the local environment in which the company operates is also demonstrated by the Slovenia Green Destination Gold label boasted by the Rogla – Pohorje Destination. As a result, the obtained EU Ecolabel - EU Flower for the Hotel Natura **** on Rogla and the Hotel Atrij **** Superior in Terme Zreče constitutes a significant contribution to the local, regional, and national green policy. Both environmentally sustainable and sustainability-oriented Unitur's hotels have also been awarded the Slovenia Green Accommodation label which is the only quality label of this kind for tourism accommodation facilities.</p> <p>Our marketing activities to preserve and grow the number of Slovenian guests (70 per cent share of Slovenian guests in 2022) have been intensified.</p>

		and reducing the carbon footprint.	Our marketing activities in areas at a distance of maximum 500 km from Unitor's centres have been intensified.
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Activities	Challenges of the Green Transition	Opportunities of the Green Transition	Preparedness in 2022
<p>Production of machine tools activity (consists of):</p> <p>UNIOR COMPONENTS d.o.o., Serbia</p>	<p>The shift of the EU towards a low-carbon society and the consequential phasing-out of vehicles powered by a conventional, fossil fuel-powered engine. Change is also on the horizon in the aviation industry.</p> <p>A long-term trend analysis indicates a moderate risk related to the reduction of the automotive and aviation markets due to the reduced use of deburring tools in both industries.</p> <p>Related challenges are moderately and timely manageable as they encompass the entire automotive and aviation industries whose sheer size, however, render them relatively slow and inflexible.</p>	<p>Our production processes will focus on diversifying our production programmes and new solutions using technologies which our customers wishing to adjust their activities to the Green Transition will also be supplied with in the future.</p>	<p>The transition to carbon neutrality began several years ago. We are undoubtedly already an active participant in this process, including by investing in RES which already covered 16 per cent of our own consumption in 2022. In 2023, self-sufficiency amounting to 30-40 per cent of our own consumption is expected.</p> <p>Our production lines have been modernised and are timely adapted to new customer requirements to the greatest extent possible by means of new technologies and the required expertise.</p> <p>We continue to focus on diversifying our production programme.</p>

Activities	Challenges of the Green Transition	Opportunities of the Green Transition	Preparedness in 2022
<p>Other activities (consist of):</p> <p>SPITT d.o.o., Slovenia</p> <p>UNIOR d.d., departments of the Joint Services and the Maintenance department Slovenia</p>	<p>The distant heating activity using RES (biomass) which constitutes one of the key pillars of the Green Transition and is carried out by our subsidiary SPITT d.o.o. is an important activity forming part of our other activities.</p> <p>The Energy Department operates within the Joint Services department which provides for the supply of energy products and the optimisation of the energy solutions of the parent company and the Tourism activity.</p> <p>Other departments carry out service activities and provide support to other activities in the Green Transition process.</p>	<p>A favourable impact was identified during the energy crisis in the SPITT d.o.o. subsidiary. When the negative aspects of energy dependence were shown. Wooden biomass is a renewable source of energy that can be generated locally. As such, the risk from this point of view is minimal.</p> <p>The Energy department carries out activities related to seeking effective energy solutions aimed at the decarbonisation of the company and managing the consumption of energy products.</p>	<p>The significance of RES is recognised. In light of this, we shall seek to increase their proportion by actively investing in both increasing capacities and in the efficient consumption of energy products.</p> <p>Investments in the expansion of biomass distant heating capacities and the exploitation of waste heat for heating facilities in addition to carbon footprint measurements were made in 2022.</p>

6.4.3 ENVIRONMENTAL ASPECTS

A diligent analysis has allowed us to identify the key environmental aspects of our activity: waste water, waste, air emissions, soil pollution, chemicals, and noise. Subject to identified environmental aspects, statutory and other requirements, UNIOR performs relevant monitoring, proactively communicates environment-related information to employees and interested stakeholders, primarily neighbours, and sets programmes and objectives for the years to come.

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

WATER CONSUMPTION

The company monitors the consumption of potable and non-potable water and takes appropriate action (eliminate leakages, introduce solutions that allow the company to reduce consumption levels). All our six locations in Slovenia use potable water from the public water supply network; at the Zgornja cona (Upper Zone) and Obrat Vitanje Kovačnica (The Vitanje Forge Plant), there are also in-house water catchments.

Water consumption (in m³/year)

	Water consumption (in m ³ /year)			
	2022	2021	2020	2019
Potable water	64,035	71,818	54,782	59,734
Own catchment	469,787	477,614	494,832	475,212

In 2022, the consumption of potable water was reduced by 11 per cent - despite a water supply network defect in 2021 in the Zreče Upper Zone. The defect was remedied in 2022. The consumption of water from our own catchment was also reduced by 2 per cent.

WASTE WATER

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

Waste water volume (in m³/year)

	2022	2021	2020	2019
Urban waste water	64,035	71,818	54,782	59,734
Industrial waste water	5,604	6,501	6,700	6,670
Waste water from cooling systems	323,848	330,699	348,100	304,030

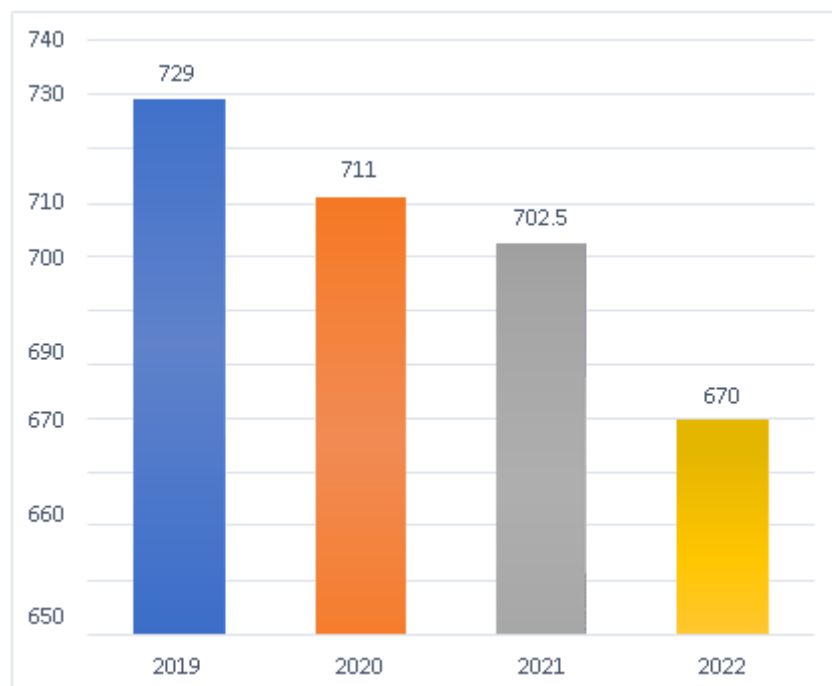
In 2022, the consumption of urban waste water was decreased by 11 per cent, of industrial waste water by 13 per cent and of waste water from cooling systems by 2 per cent.

WASTE

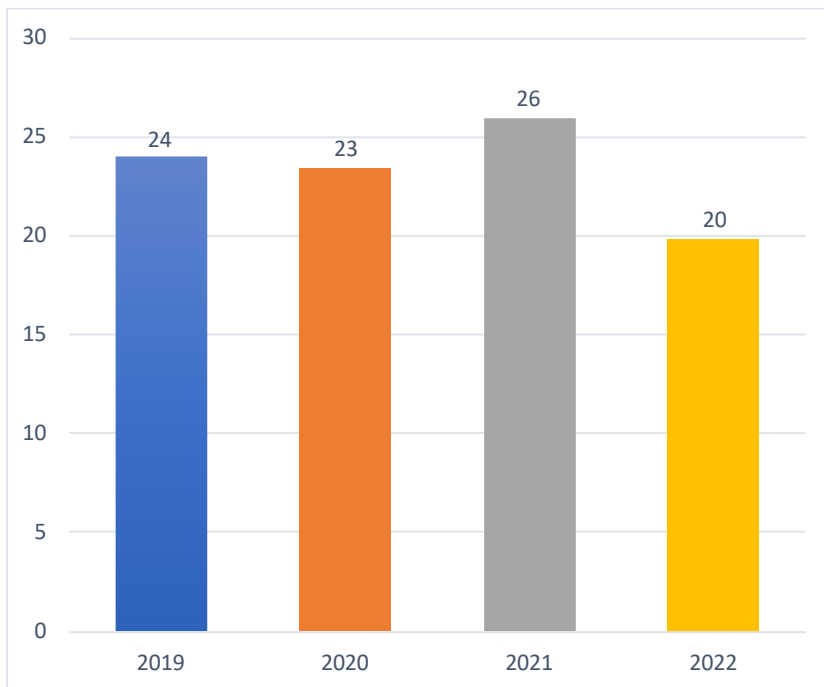
In compliance with the circular economy model, UNIOR manages waste considered raw materials. The waste management hierarchy has been gaining considerable ground in the company: reduction and separation at the origin, recovery, recycling, composting, heat recovery before disposal.

Compared to 2021, the total volume of waste was 5 per cent lower in 2022. Secondary waste accounts for the majority of the total volume of waste, i.e. waste metals generated during forging and other metalworking procedures.

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

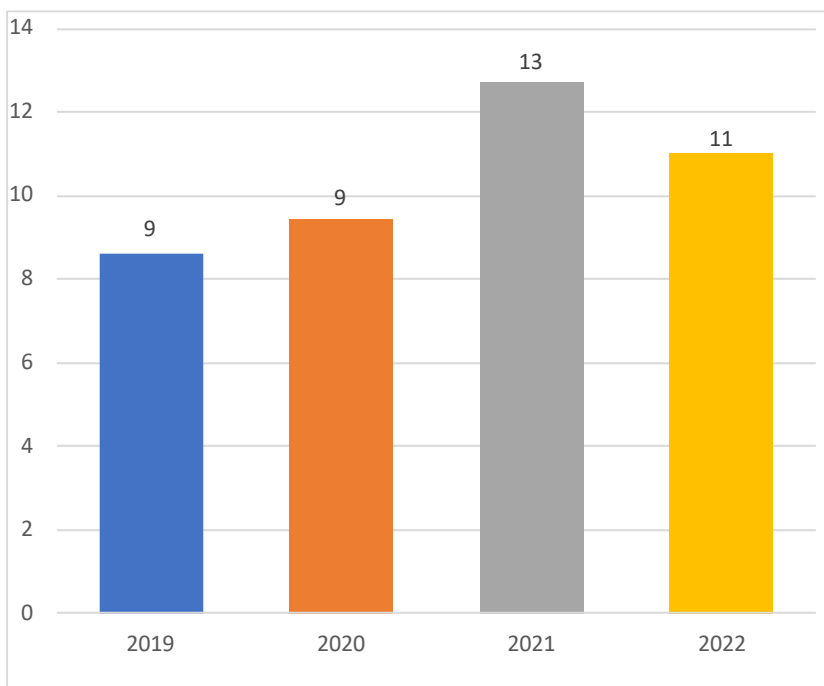


Volume of non-hazardous waste generated per tonne of produced products (in kg/t)



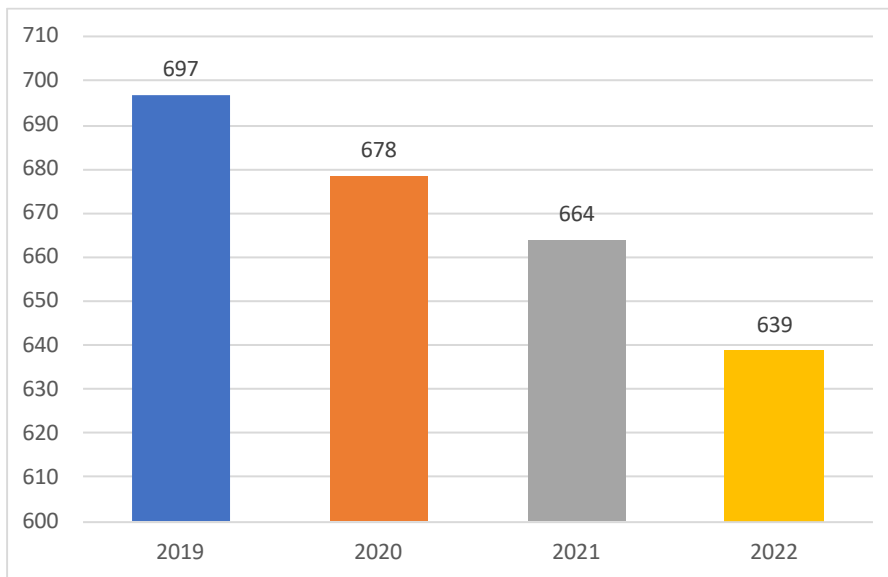
The volume of non-hazardous waste per tonne of generated products fell by 23 per cent in 2022 compared to 2021. Non-hazardous waste did not include metal or secondary waste which is shown in the diagram below.

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



The total volume of hazardous waste in 2022 fell by 15 per cent compared to 2021.

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



The volume of secondary waste fell by 4 per cent in 2022 compared to 2021. Secondary waste includes metal waste sold to waste collectors or recoverees who recover or recycle the waste received, allowing for its reuse. In 2022, UNIOR recycled more than 97 per cent of all generated waste which is comparable to the levels of the years before. The following waste was recycled to the greatest extent: turnings, shavings and other metal waste generated during forging and metalworking.

Volume of generated waste by waste management method (in tons)

	2022	2021	2020	2019
Recycling	21,031	20,966	18,411	22,784
Composting, biological treatment	87	52	41	40
Incineration	174	135	105	130
Disposal	51	58	41	61
Other	185	242	141	123
Total	21,528	21,454	18,740	23,138

AIR EMISSIONS

In 2022, 15 legally required measurements of emissions to air at the following locations were performed: Zreče Processing Facility, Zreče Forge, and Vitanje Forge. It was determined that none of the measurements of emission concentrations of the prescribed parameters at all locations exceeded permissive air emission limit values.

On 26/10/2022, there was an extraordinary event - a release of chromium steam into the environment, namely at the drain discharging chromium steam from the galvanising line. The release occurred after the replacement of the ventilator and drip catcher to improve the extraction and efficiency of chromium steam cleaning processes. As a result of an excess air flow through the drip catcher, the drips probably could not be condensed and were released into the environment. The production and hazard were halted immediately. An inspector of the environment was apprised of the extraordinary event and measures in compliance with the environmental permit were taken. Soil measurements were also made. These did not show any harmful effects on people and the environment. This was also proven by measurements made by independent institutions. Several measures intended to prevent another similar extraordinary event were carried out.

HRUP

UNIOR is aware of being engaged in the "noisiest" activities, primarily forging. For this reason, it has actively focused on reducing environmental noise during recent years. It has commissioned projects on how to reduce environmental noise and, during recent years, all investments have also taken into account this aspect.

KEMIKALIJE

The company performs regular fire safety and safe handling of chemicals trainings intended to prevent environmental events. Emergency (fire, chemical spills) drills are performed periodically at all locations.

Given that the use of chromium trioxide used to chrome plate products is currently only allowed until 21/9/2024, the Hand Tools Programme has been actively preparing for and seeking options to shift to chrome plating using trivalent chrome or alternatives which could replace chrome plating using hexavalent chromium.

ENVIRONMENTAL COMPLAINTS

No complaints from neighbours were received in 2022. Nevertheless, the company more frequently communicated with the Municipality of Zreče, the local elementary school and institutions carrying out reports on the extraordinary event, such as NIJZ, ARSO, and IJS, due to the extraordinary event. An extraordinary session of the municipal council was convened on the initiative of the municipal council.

CONSERVATION OF BIODIVERSITY

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

6.4.4 INTEGRATED ENERGY MANAGEMENT FOR A LOW-CARBON SOCIETY

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

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

UNIOR d.d. was audited for the first time subject to ISO 50001:2018 by the SIQ (Slovenian Institute of Quality and Metrology) certification body in November 2021. Good work on efficient energy use, in particular the work of the wider energy group consisting of members from all programmes and major departments to improve energy consumption control, was re-affirmed. In 2022, an internal energy review and audit were performed, target values were set and deviations of energy consumption from the set objectives were monitored. By operating in compliance with the requirements of the ISO 50001:2018 standard, UNIOR has demonstrated a systematic approach to continuously introducing energy management improvements.

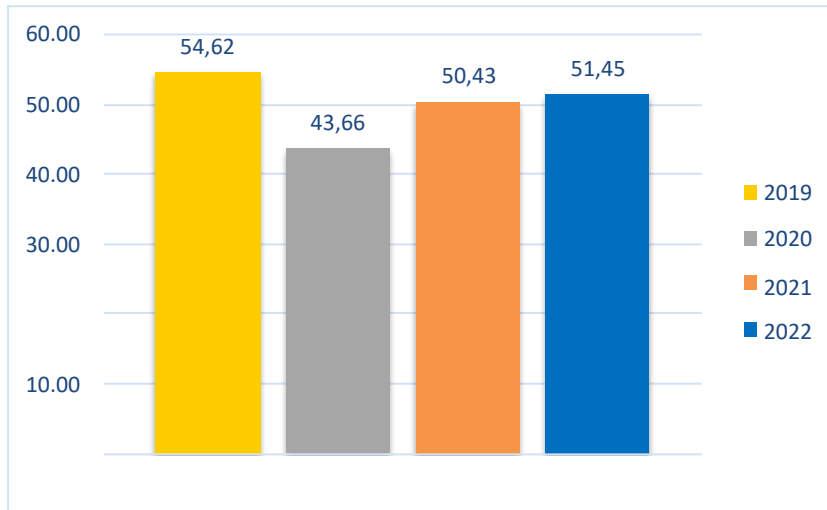
For many years, UNIOR has been managing advanced projects providing several positive values to both the company and its environment, as effective harnessing of waste thermal energy reduces the carbon footprint of the company. In 2022, a waste heat exploitation heating system was established which facilitates the heating of sanitary and swimming pool water at Terme Zreče in summertime. UNIOR has been setting increasingly ambitious energy management goals.

Awareness is raised among our employees regarding the need to conserve energy – closing water and air valves, switching off lights during breaks, etc. Energy consumption is monitored and action is taken when it exceeds the set targets. Meters on all major energy consumers measuring the energy consumed and the quantities consumed have been installed. Since these data are continuously monitored, Unior is able to detect underutilisation of a machine or a need of major repair. UNIOR provides for innovative,

technologically advanced and reliable energy service solutions which improve its energy efficiency and environmental footprint. Excess heat from annealing furnaces and compressors is exploited to heat its premises in winter and to heat swimming pool and sanitary water at the UNITUR Zreče tourist complex in summer. The existing system of targeted monitoring of energy consumption has been upgraded with the new energy management information system allowing for better control of energy consumption.

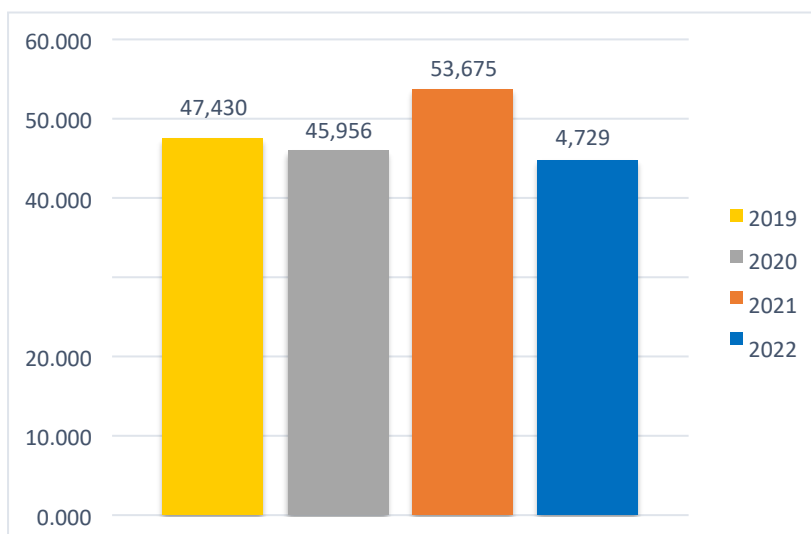
ENERGY CONSUMPTION

Electricity received from the distribution grid (in GWh)



In 2022, the consumption of electricity increased by 2 per cent, which was caused by a 6.8 per cent higher production. As such, our specific consumption of electricity was improved by 4 per cent and it amounted to 1.18 kWh/kg of input material in 2022.

Consumption of natural gas (in GWh)

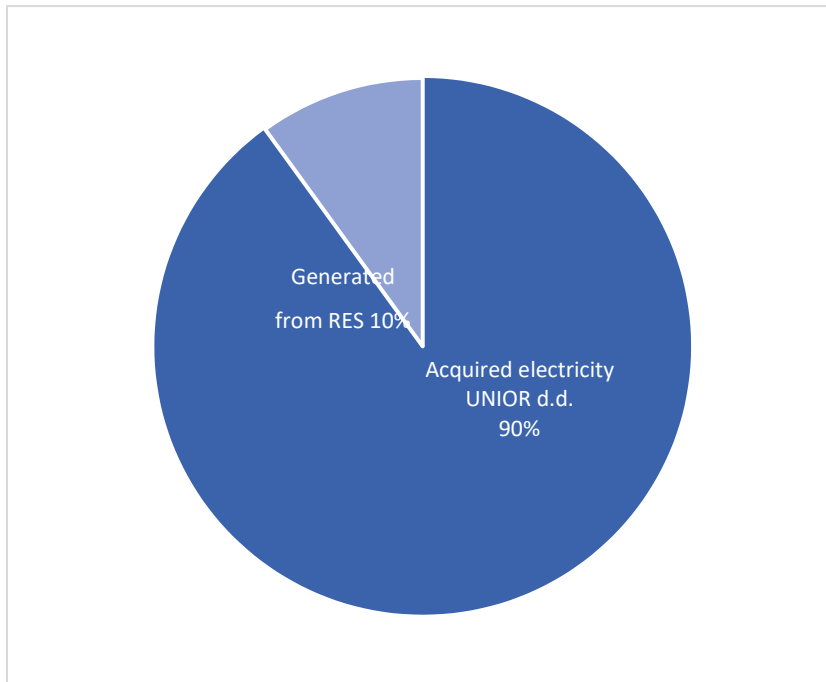


The consumption of natural gas fell in 2022 due to the discontinuation of the SPTE 2 cogeneration installation and cost-saving measures.

IN-HOUSE GREEN ENERGY GENERATION VOLUME

The company has installed 4 SPTE installations used for co-generation of thermal energy and electricity and 2 solar panels enhancing our energy independence and generating green energy. The total installed electric power of all installations amounts to 2,090 kW.

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

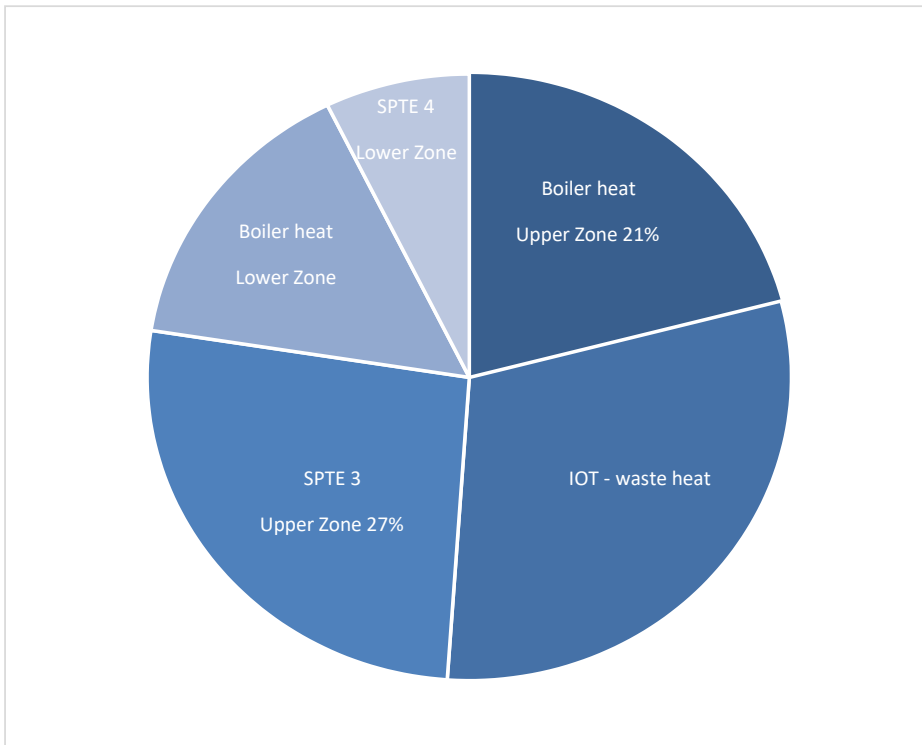


The share of our own-generated electric energy from renewable energy and generation with improved recovery compared to the total consumption of electricity.

THERMAL ENERGY GENERATION

By harnessing waste thermal energy from compressors and flue gases on annealing furnaces, UNIOR successfully generates 30 per cent of its required heat. The remaining heat is generated through the consumption of co-generated thermal energy (SPTE) and electricity (34 per cent) and from natural gas-powered boilers.

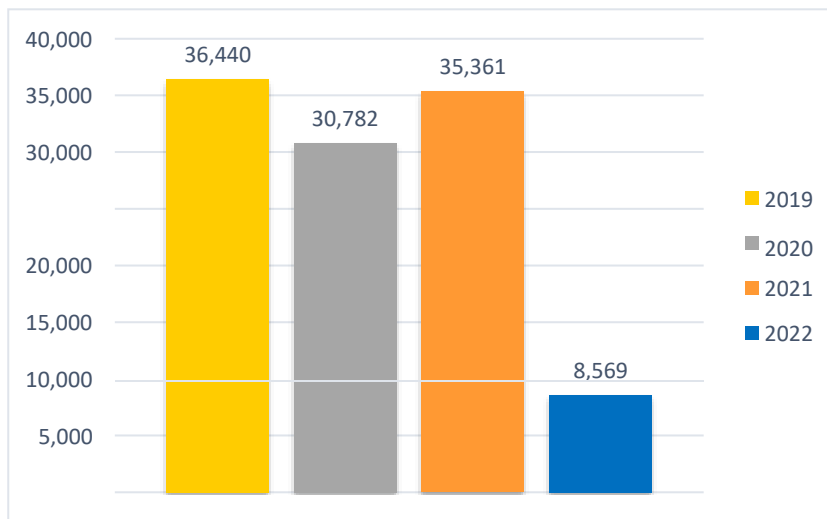
Thermal energy generation structure by resource (in per cent)



GREENHOUSE GAS EMISSIONS

In compliance with our sustainable development and carbon neutrality transition efforts, we have been going to great lengths to reduce greenhouse gas emissions. In 2021, the monitoring of total carbon footprint emissions was introduced as part of upgrading the energy control IT system, namely, during Phase one, only emissions directly caused by our company – SCOPE 1 and SCOPE 2. Data show a slight declining trend of emissions. With an extremely low level of emissions on account of lower operations caused by the COVID-19 epidemic, 2020 stands out. In 2022, there was a significant reduction in emissions of SCOPE 2 due to the acquisition of as electricity generated from RES - green electricity. In 2022, it was also decided to calculate emissions of SCOPE 3 for 2021 and the decarbonisation strategy including short-, medium- and long-term decarbonisation targets (until 2025, 2030, and 2050) was drawn up.

Total CO₂ emissions (SCOPE 1 and SCOPE 2) - UNIOR d.d. [In tonnes of CO₂]



6.4.5 THE IMPACT OF CLIMATE CHANGE

UNIOR d.d. is aware of both the impact of climate change on its operations and the impacts of UNIOR d.d. on the environment and climate change. Our key environmental aspects are presented in Section 6.4.3 of the 2022 Annual Report. Section 6.4.4 contains a presentation of our integrated energy management for a low-carbon society.

Both sections contain a presentation of the results and measures UNIOR d.d. is currently taking to achieve its objective of alleviating and adapting to environment and climate change. Some environmental and climate risks are managed in the existing risk management system (for further details, please refer to Section 7.8.2 of the 2022 Annual Report).

The UNIOR Group and UNIOR d.d. drew up an initial preliminary assessment of climate change on its financial statements, as disclosed in Sections 9.13 and 10.14 of the 2022 Annual Report.

The project is yet to comprehensively examine any additional climate change-related risks (transition and physical risks). Challenges have been, however, recognised. These shall be reviewed further and, if needed, identified as a risk (Section 6.4.2 of the 2022 Annual Report). Accordingly, and in compliance with statutory requirements, we shall amend our risk management system and, as part of the project, draw up key sustainable development documents in addition to providing for additional (separate) environmental parameters, specifying objectives and monitoring our progress in achieving them.

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

6.5 PROMOTING INNOVATIVE, DEVELOPMENT- AND SUSTAINABILITY-ORIENTED SOLUTIONS

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

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

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

IMPORTANT R&D PROJECTS

In terms of our sustainable orientation, UNIOR d.d. continued with R&D projects that guide us towards reducing the consumption of material resources and energy and sustainability-oriented products in the long term in 2022. We have been following the needs of the automotive industry shifting towards e-vehicles and an increasingly frequent use of lower mass components. Development projects of the forgings production are thus focused on machining and forming of aluminium parts, of special machines in the development and production of machines used to machine aluminium components, and, of hand tools, in the development of hand tools focused on sustainable transport, such as cycling. One part of our activities is focused on developing and introducing methods that improve the efficiency of processes, primarily robotisation, the modernisation of production equipment, and digitalisation. By improving the efficiency of the processes, we impact the improvement of safety, resource (materials, energy) consumption reduction and significantly improve the ergonomics of our work by expanding robotisation and automation to ergonomically demanding jobs.

Our most important R&D projects include the following:

- Forge - R&D of the aluminium pressing and rolling process and the construction of capacities and the provisions of all remaining conditions for the mass forging of aluminium forgings.
- Forge - development of process efficiency monitoring procedures by introducing MES (Manufacturing Execution System) to the steel and aluminium forging processes.
- Forge - development of forging, visual inspection, and machining automation processes.
- Hand Tools - development of hand tools for cycling and aluminium hand tools.
- Hand Tools - development of the 3-valent chrome coating for tools.
- Hand Tools - development of process efficiency monitoring processes by introducing digital MES tools and a planning system.
- Special Machines - development of a double-spindle UNIFLEX mass machining centre including solutions related to higher productivity, lower energy consumption, and carbon footprint.
- Special Machines - development of special-purpose machine tools for the automotive industry compliant with the most recent statutory requirements.

- Special Machines - development of a machining centre concept

HONORARY CERTIFICATE FOR UNIOR d.d.

During the 30th Jožef Stefan Days, the Jožef Stefan Institute awarded its Honorary Certificates to UNIOR d.d. and its employee Mr. Jože Ravničan recognising their successful transfer of scientific and technological achievements and know-how, created at the Institute, to the social and economic environments. UNIOR d. d. collaborated with the E1 and E9 departments of the Jožef Stefan Institute (IJS) in several phases of the ROBKONCEL project. UNIOR contributed to merging specific knowledge and UNIOR's practical experience in robotisation and the introduction of intelligent systems into the production environment. The synergy of both facilitated results which strengthen our research value and new competitive paths. UNIOR d.d. has been collaborating with the IJS for decades. Collaboration with the research activity is of key significance for UNIOR d.d. and is promoted as a result.

THE 'GREMO' PROJECT

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

6.6 ASPECTS OF SOCIAL SUSTAINABILITY

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

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

6.6.1 SUPPORTING SPORTS, CULTURAL, AND HUMANITARIAN PROJECTS

With its hundred-year tradition, UNIOR d.d. is extremely involved in its environment, with a wide range of interested stakeholders and has been continuously following the needs of its environment. This is why our operations rely on the principles of ethical conduct, sustainability, and concern for a healthy environment.

UNIOR supports various organisations and associations by raising awareness, providing moral support and financial funds. Current events and various one-time events are supported through sponsorship and donations. Youth and socially disadvantaged individuals are supported. On an annual basis, numerous cultural, sports and humanitarian projects are supported.

SOCIALLY RESPONSIBLE PROJECTS:

THE “TO BE GOOD AT THE GOOD YOU DO” PROJECT

Between October and November 2022, the “To be good at the good you do” project was carried out. In collaboration with the Zreče Secondary Vocational and Technical School, UNIOR d.d., sought-after professions, emerging and sought competences requires by UNIOR d.d. for successful development and operations, were presented to the high school students in an interactive manner.

THE POSITIVE ATMOSPHERE MARATHON

As a good working atmosphere is important to us, UNIOR carried out several lectures during which employees were taught about the value of life between September and November 2022. The value of health and a healthy lifestyle was deepened and awareness was raised thereon. During that period, managers sought to promote a positive atmosphere in particular.

CULTIVATING RUNNING CULTURE IN UNIOR D.D. AND IN THE WIDER AREA

With its presence and support, UNIOR d.d. promotes running culture in collaboration with the Slovenske Konjice Athletic School at the traditional UNIOR run on Rogla and the Slovenske Konjice Marathon (5 km, 10 km, and 21 km). The UNIOR run on Rogla was attended by 100 runners from all over the country, including some UNIOR employees.

THE KNOWLEDGE COMPETITION

“The knowledge competition” is a project that UNIOR Hand Tools aims at promoting and educating high school on hand tool solutions and work, in addition to ensure an even closer collaboration between UNIOR and educational institutions. Participating senior students participate in a three-level competition. Their demonstrated knowledge and participation are rewarded with attractive prizes, new practical and theoretical knowledge and an unforgettable fun experience.

THE 2022 YOUNG MECHANIC

UNIOR traditionally participates in the “Young Mechanic of Slovenia” project. In collaboration with the Tranzit magazine, high school students are encouraged to undergo education and training in this professional area. The Tranzit magazine carries out a competition won by the best young mechanic following a theoretical and practical test. All competitors are shown our products and various solutions that allow them to work more safely, quickly, and efficiently.

6.6.2 CONTINUING THE SCHOLARSHIP TRADITION

Great attention is paid to recruiting potential new employees. Our scholarship programme has been supporting cooperation with promising HR for more than four decades. Scholarship holders are included in the work process and UNIOR d.d. during their educational process. At the end of 2022, UNIOR d.d. had 32 active scholarship recipients being educated in programmes who significantly contributed to digitalisation and technological progress of our company.

UNIOR d.d. primarily awards scholarships for mechanical engineering, electricity, mechatronics, metallurgy, and computing. The company believes to establish a high-quality relationship with scholarship holders during their studies, facilitating a successful cooperation in the future.

6.6.3 MAINTAINING THE ‘FAMILY-FRIENDLY COMPANY’ CERTIFICATE

During the first half of 2021, we were able to obtain the full “Family-Friendly Certificate”, meaning that ongoing activities of identifying new measures to maintain the full certificate continue to be underway. The basic certificate includes defined measures related to additional adjustments to the working hours and adjustments to working conditions. One of the measures is to provide aid to children of deceased parents who worked at UNIOR d.d. At the end of the year, there was an event for children. UNIOR children received gifts from Santa. A UNIOR Family Day on Rogla attended by most of our employees to whom the event means a lot was also organised.

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

For as many as four decades, UNIOR d.d. has been participating through its employed instructors in practical classes at the School Workshop as part of the Zreče Secondary Vocational and Technical School which forms part of the Slovenske Konjice - Zreče School Centre. UNIOR d.d. promotes the importance of investing in educational programmes, demonstrating not only its responsibility towards the wider environment but also educating HR which it needs. Through its investments and donations, UNIOR d.d. provides for the procurement of state-of-the-art technological equipment and high-quality premises and extremely constructively cooperates with the school in the implementation of its programmes with the aim of implementing its strategy of educating needed human resources and thus addressing the educational programme of needs of the socio-economic environment.

Its objectives are met through high-quality training of high school students during practical classes and training while working with an employer, the so-called PUD/PRI (practical training including working with an employer/practical training - vocational training). It also carries out varied mechanical engineering internal trainings for the purposes and needs of specific jobs (skills) on the UNIOR d.d. level. In addition, it provides for the preparation and implementation of the national vocational qualification (NPK).

Per school year, up to 50 students of mechanical engineering demonstrate their knowledge by successfully completing vocational A levels and school leavers' exam in the following educational programmes: machine operator, metalworker - toolworker and machine installation installer.

The development of educational programmes is primarily focused on Industry 4.0 development competences. As such, robotisation, automation and digitalisation are thematic expertise of our future experts. In the future, it will also be emphasised how to include sustainable guidelines of UNIOR d.d. in the education process.

7 CORPORATE GOVERNANCE

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

As a non-publicly traded company, maximum transparency of operations and the provision of honest and correct information to our shareholders and other stakeholders on the developments at the Company was ensured in the past. Through the admission of our shares to quotation at the stock exchange in 2011, the company began introducing even more stringent standards of corporate governance, thus adapting its operations to statutory regulations, stock exchange rules and high rules applicable in the relevant environment. Therefore, we now operate as a publicly traded company.

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

7.1 MANAGEMENT BOARD OF THE PARENT COMPANY

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

INFORMATION ON THE PROFESSIONAL AND MANAGEMENT EXPERIENCE OF THE MEMBERS OF THE MANAGEMENT BOARD**Darko Hrastnik, President of the Management Board****Educational attainment:** B.Sc. in Metallurgical Engineering and Materials**Professional and managerial experience:**

2000–	UNIOR d.d.
2012–	President of the Management Board
2009-2012	Member of the Management Board
2007-2012	Executive Director of the Hand Tools Program,
2004-2007	Head of the Hand Tools Programme
2002-2003	Member of the Management Board
2000-2002	Executive Director of the Forge Program,
1999-2008	Technical College in Celje, associate lecturer for the Business Administration and Management course
1996-2000	MPP Livarna, d.o.o., Maribor, CEO
1994-1996	TAM Metalurgija, d.o.o., CMO
1994-1994	Livarna Ferralit, d.o.o., Žalec, CPO
1989-1993	Livarna, d.o.o., Štore
1992-1993	CTO
1989-1992	R&D department

Branko Bračko, Member of the Management Board**Educational attainment:** B.Sc. in Mechanical Engineering**Professional and managerial experience:**

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

7.2 THE BOARD OF DIRECTORS OF THE PARENT COMPANY

The Board of Directors consists of Members of the Management Board, chief officers of various programmes and departments and the Head of the Internal Audit Department. The main tasks of the Board of Directors are the independent management of each individual programme or service. The Board of Directors works closely with the Management Board, exercises its strategic and operational powers and also serves as a consulting body for the Management Board.

The College of the Management Board consists of:

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

7.3 SUPERVISORY BOARD OF THE PARENT COMPANY

The Supervisory Board operates within the scope of the powers conferred thereto by Article 281 of the Companies Act. Its role in the two-tier governance system is to monitor the transactions of the Management Board and thus protect the interests of company stakeholders.

At the 25th General Meeting of the company held on 9/6/2021, a six-member Supervisory Board of Unior was elected for a four-year term from 13/12/2021 and 12/12/2025. In 2022, Mr. Boštjan Napast resigned as Member of the Supervisory Board. He was replaced by a new Member of the Supervisory Board, Mr. Tomaž Subotič, PhD, who was appointed at the 4th extraordinary General Meeting of Shareholders of UNIOR d.d. held on 8/12/2022 for a 4-year term. In 2022, Member of the Supervisory Board, representative of employees, Mr. Boris Brdnik, also resigned. He was replaced by a new Member of the Supervisory Board - representative of employees, Mr. Milan Potočnik whose term is to last between 1/11/2022 and 22/7/2025.

The representatives of capital within the Supervisory Board are:

- Franc Dover, M.Sc., President of the Supervisory Board (his term ends on 12/12/2025),
- Simona Razvornik Škofič, B.A. Ec., Deputy President of the Supervisory Board (her term ends on 12/12/2025),
- Boštjan Napast, B.A. in Mechanical Engineering, Member of the Supervisory Board (his term ended on 8/12/2022),
- Tomaž Subotič, PhD, Member of the Supervisory Board (term between 8/12/2022 and 7/12/2026), and
- Andreja Potočnik, M.A. Manag., Member of the Supervisory Board (her term ends on 12/12/2025).

The representatives of employees are:

- Boris Brdnik, B.A. Man., Member of the Supervisory Board (his term ended on 1/11/2022),
- Milan Potočnik, Member of the Supervisory Board (term between 1/11/2022 and 22/7/2025), and
- Saša Koren, B.A. Ec., Member of the Supervisory Board (her term ends on 12/12/2025).

The Supervisory Board of the company has also created two committees, namely the Audit and HR Committees.

The Audit Committee operates in the following composition:

- Simona Razvornik Škofič, B.A. Ec., President,
- Andreja Potočnik, M.A. Manag., Deputy President (her term ends on 12/1/2023),
- Tomaž Subotič, Deputy President (term since 13/1/2023),
- Saša Koren, B.A. Ec., Member, and
- Ms. Blanka Vezjak, M.A., external member of the Audit Committee.

The HR Committee operates in the following composition:

- Andreja Potočnik, M.A. Manag., President,
- Franc Dover, M.Sc. (Deputy President),
- Tomaž Subotič, PhD, Member (term since 12/1/2023),
- Boris Brdnik, B.A. Man., Member (his term ended on 1/11/2022), and
- Milan Potočnik, Member (term since 2/11/2022).

7.4 GENERAL MEETING OF THE PARENT COMPANY

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

As a rule, the General Meeting of Shareholders is convened once a year, in June, by the Management Board of the company who notifies the shareholders thereof on the website of the Agency of the Republic of Slovenia for Public Legal Records (AJPES), SEOnet and the website of the company – no later than thirty days prior to the General Meeting. The General Meeting may be attended by and their voting rights exercised by all shareholders entered in the central share register of the company on the cut-off date published in the convening notice, their representatives and attorneys-in-fact. The entire material for the General Meeting is available for inspection at the Company's registered office as of the convening until the meeting is held.

At the General Meeting, the Management Board presents all the information the shareholders require to make informed decisions on various items on the agenda by taking into consideration statutory and any other restrictions on their disclosure.

In 2022, the convening notice of the General Meeting of Shareholders was published on 3/6/2022 on the websites of AJPES and the company and SEOnet. On 6/7/2022, the 26th General Meeting of Shareholders of UNIOR d.d. was held. At the meeting, the shareholders:

- took note of the 2021 financial year annual report and the written report of the Supervisory Board approving the 2021 financial year annual report;
- took note of and approved the Management and Supervisory Board Remuneration Report for UNIOR d.d. in the 2021 financial year;
- deliberated on the appropriation of the distributable profits of the 2021 financial year amounting to EUR 8,780,057.76 and decided it remain undistributed;
- granted discharge to the Management and Supervisory Boards for the 2021 financial year;
- took note of and approved the Policy of Remuneration of the Management and Supervisory Boards of UNIOR d.d.;
- commissioned the certified auditing company MAZARS, družba za revizijo, d.o.o., to audit the financial statements of the UNIOR Group and UNIOR d.d. for the 2022, 2023, and 2024 financial years;
- amended Section 6.10 of the Articles of Association of the Company in compliance with the provision of Paragraph three of Article 297 of the Companies Act (ZGD-1);
- amended Article 5 of the Rules of Procedure of the General Meeting of Shareholders in compliance with the provision of Paragraph three of Article 297 of the Companies Act (ZGD-1);
- rejected the proposed decision on the compensation for the damage incurred to UNIOR d.d. as a result of infringement of duties related to managing transactions in the Rhydcon d.o.o. case;
- rejected the proposed dismissal and appointment of a Member of the Supervisory Board.

A notification of the decision adopted by the General Meeting was published on 6/7/2022 on SEOnet and the website of the company.

The convening notice for the extraordinary General Meeting of Shareholders was published on 7/11/2022 on the websites of AJPES and the company and SEOnet. On 8/12/2022, the 4th Extraordinary General Meeting of Shareholders of UNIOR d.d. was held. At the meeting, the shareholders:

- took note of the resignation of Member of the Supervisory Board, Mr. Boštjan Napast;
- took note of the resignation of Member of the Supervisory Board - representative of employees, Mr. Boris Brdnik, and of the appointment of the alternate Member of the Supervisory Board - representative of employees, Mr. Milan Potočnik;
- appointed Tomaž Subotič, PhD, Member of the Supervisory Board of the Company for a 4-year term;
- rejected the decision to reduce the share capital of the Company by withdrawal of treasury shares.

In 2023, the regular General Meeting of Shareholders is due to be held on 5/7/2023. The convening notice of the General Meeting of Shareholders including the proposed content of decisions, location, time, participation and voting conditions are due to be published on 2/6/2023.

7.5 REMUNERATION POLICY OF THE MANAGEMENT AND SUPERVISORY BOARDS

For a detailed clarification on the remuneration to the Management and Supervisory Boards, please refer to Sections 9.12 and 10.12 of the 2022 Annual Report. At the 26th regular General Meeting of UNIOR d.d., held on 6/7/2022, the Remuneration Policy of the Management and Supervisory Boards (hereinafter: “the Remuneration Policy”) was adopted subject to the provision of Article 294a of ZGD-1. Immediately after the General Meeting of Shareholders, the Remuneration Policy was published on the website of the Company and SEOnet of the Ljubljana Stock Exchange where it will remain available to the public at least for the duration of its applicability (minimum ten years).

The Remuneration Policy was drawn up in compliance with the provisions of ZGD-1 and by taking into account Recommendation 9 of the Slovenian Sovereign Holding (Slovenski državni holding, d.d. - SDH) entitled “Remuneration Policy of Management Bodies”. The Remuneration Policy was deliberated on and approved by the Supervisory Board at its VII-4th regular session held on 26/5/2022 and submitted it for approval to the General Meeting of Shareholders. The Policy entered into force when it was approved by the General Meeting of Shareholders during a consultation decision-making process on 6/7/2022.

The employment agreements of the President and Member of the Management Board (hereinafter collectively referred to as “Members of the Management Board” or “Management Board” and individually as “Member of the Management Board”) were reconciled with the Remuneration Policy adopted by the General Meeting of Shareholders.

The remuneration of Members of the Management Board consists of the basic fixed gross wage (hereinafter referred to as “basic salary”) and the variable performance payment (hereinafter referred to as “variable remuneration”). In some cases, the Members of the Management Board are entitled to a severance package and other benefits or rights as laid down in the Remuneration Policy.

The basic salary of the two Members of the Management Board is laid down subject to the complexity of the tasks performed and corporate management responsibility. This shall be laid down for the company by taking into account complexity criteria divided into criteria which lay down the size of the company and into criteria which reflect the complexity of operations of the company.

Subject to the classification of the company by complexity criterion (factor), a basic monthly gross salary of maximum EUR 18,000.00 can be laid down for both Members of the Management Board.

The variable remuneration is the part of the entire remuneration laid down in the employment agreement concluded with a Member of the Management Board subject to the performance of the company.

Once a year, on the proposal of the HR Committee and subject to a special decision of the Supervisory Board adopted thereby upon the acceptance of the audited annual report, the performance of the Management Board shall be assessed for a Member of the Management Board pursuant to which the suitable variable remuneration payable for the performance in the preceding year, amounting to maximum 60 per cent of the annual basic gross salary in this financial year, shall be laid down. The variable remuneration shall be laid down subject to pre-determined criteria adopted by the Supervisory Board in the form of a separate act.

At its VII-8th session, held on 2/12/2022, the Supervisory Board of UNIOR d.d. Adopted the Act on laying down the criteria for the payment of the variable remuneration to the Management Board in force as of 6/7/2022.

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

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

a) short-term

- EBITDA of the UNIOR Group
- the net operating result of UNIOR d.d.

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

- gross added value per employee (in UNIOR d.d.)
- return on equity (ROE) of UNIOR d.d.

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

a) short-term

1. collaboration with the trade unions and the works council
2. collaboration with the local community

3. integration of sustainable development

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

1. the CO2 footprint for a period of three years
2. the completion or course of strategic projects the respective Member of the Management Board is in charge of.

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

At the 26th regular General Meeting of Shareholders of UNIOR d.d., held on 6/7/2022, there was, pursuant to the provision of Article 294a of ZGD-1, a consultation vote on the Management and Supervisory Board Remuneration Report for UNIOR d.d. in the 2021 financial year (hereinafter referred to as "Remuneration Report"). The General Meeting of Shareholders took note of and approved the Remuneration Report. Immediately after the General Meeting of Shareholders, the Remuneration Policy was published on the website of the Company and SEOnet of the Ljubljana Stock Exchange where it will remain available to the public at least for a period of ten years.

MANAGEMENT BORD

In compliance with the Remuneration Policy (applicable as of 6/7/2022) and in compliance with the employment agreement, concluded with the Supervisory Board of the company, both Members of the Management Board received a fixed remuneration for their work in 2022. In the 2022 financial year, no variable remuneration was paid out thereto. In addition, they did not receive any optional bonuses as these are not foreseen in their employment agreement.

The remuneration of the Management Board consists of a basic salary and a variable remuneration subject to the performance of the company. The basic salary of the Members of the Management Board already includes all allowances and benefits that company employees are entitled to subject to the Employment Relationships Act and collective agreements applicable for the company. Once a year, on the proposal of the HR Committee and subject to a special decision of the Supervisory Board adopted thereby upon the acceptance of the audited annual report, the performance of the Management Board shall be assessed for a Member of the Management Board pursuant to which the suitable variable remuneration payable for the performance in the preceding year, amounting to maximum 60 per cent of the annual basic gross salary in this financial year, shall be laid down. Pre-determined and quantifiable performance criteria contained in the Remuneration Policy shall be used to specify the variable remuneration of the above. In compliance with the Remuneration Policy and their employment agreement, both Members of the Management Board may also be entitled to other allowances or bonuses.

SUPERVISORY BOARD

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

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

7.6 CORPORATE GOVERNANCE DECLARATION OF THE UNIOR GROUP AND UNIOR d.d.

The Management and Supervisory Boards of Unior Kovaška industrija d.d. hereby declare that, in the 2022 financial year, the company was governed in compliance with the provisions of the Companies Act, the Financial Instruments Market Act, the Rules of the Ljubljana Stock Exchange and other applicable regulations in force.

The Corporate Governance Declaration forms an integral part of the 2022 Annual Report of the UNIOR Group and UNIOR d.d. and can also be accessed via the www.unior.si website for a minimum period of five years following its publication.

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

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

REFERENCE TO GOVERNANCE CODES IN FORCE

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

- The Management Code for Publicly Traded Companies of 9/12/2021 which came into force on 1/1/2022, published on the web page of the Ljubljana Stock Exchange (Ljubljanska borza, d.d.) <https://ljse.si/UserDocs/Images/datoteke/Pravila,%20Navodila,%20Priročnik/Slovenski%20kodeks%20upravljanja%20javnih%20delniskih%20druzb.pdf?vel=795421> in
- Corporate Governance Code for Companies with State Capital Investments, in force as of June 2022, published on the website of Slovenski državni holding d.d. https://sdh.si/Data/Documents/pravni-akti/Kodeks%20upravljanja%20dru%C5%BEb%20s%20kapitalsko%20nalo%C5%BEbo%20dr%C5%BEave_junij_2022.pdf,

with certain derogations as clarified herein.

The Declaration of Compliance with the aforementioned codes forms an integral part of the 2022 Annual Report and can also be accessed via the www.unior.si website for a minimum period of five years following its publication.

This Declaration applies to the 2022 financial year, i.e., from 1/1/2022 and 31/12/2022. No changes were introduced to the company's governance between the end of the financial year and the publication hereof.

DEROGATIONS FROM THE PROVISIONS OF THE GOVERNANCE CODES

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

- Provision 1: the company shall operate in compliance with the basic objective, i.e. long-term and sustainable maximisation of the value of the company and other objectives, such as long-term creation of value for its shareholders and observation of social and environmental aspects for the purpose of ensuring sustainable development of the company even though the above is not provided for in the Articles of Association thereof;
- Provision 4: on 22 4/2021, the Supervisory Board of the Company adopted the Diversity Policy of the Management and Supervisory Board of UNIOR d.d. published by the Company on its website [https://www.unior.si/uploads/dokumenti/Politika%20raznolikosti%20uprave%20in%20nadzornega%20sveta%20dru%C5%BEbe%20UNIOR%20d.%20d.%20\(VI-21.%20seja%20NS,%2022.4.2021\).pdf](https://www.unior.si/uploads/dokumenti/Politika%20raznolikosti%20uprave%20in%20nadzornega%20sveta%20dru%C5%BEbe%20UNIOR%20d.%20d.%20(VI-21.%20seja%20NS,%2022.4.2021).pdf), however, the adopted Policy does not lay down any concrete diversity targets and criteria. In addition, such concrete targets are not laid down in the internal acts of the Company. In spite of that, the company pursues the target of the maximum diverse composition of management and supervisory boards in relation to aspects such as nationality, gender, age, religious affiliation, other personal attributes and professional diversity;

- Provision 5.6: for more than three years the company has not provided for an external assessment of the adequacy of its corporate governance declaration by an independent institution with relevant professional references. However, it shall make sure that such an external assessment of the adequacy of its corporate governance declaration for the UNIOR Group and UNIOR d.d. is carried out in 2023 for the 2022 financial year.
- Provision 7: Sustainable operations are embedded in the operations of the UNIOR Group and UNIOR d.d. A sustainable operation policy is, however, yet to be adopted. The Company operates by taking into account the environmental, social, and governance aspect. Sustainable operations of the company are under development and in the implementation phase.
- Provision 10.5: in the event of being notified by an institution or individual that they wish to collect powers of attorney for the General Meeting in an organised manner, the company shall ensure a public announcement on organised collection of powers of attorney for the General Meeting, the list of attorneys-in-fact and their contact information, collection deadlines and a power of attorney form; however, it shall not publish the costs incurred to the company in relation to the organised collection of powers of attorney as no direct costs are incurred to the company in the event of the collection of powers of attorney by third institutions or individuals;
- Provision 10.13: in the 2022 financial year, the Company did not invite a representative of the certified auditor of the Company to the regular General Meeting of Shareholders during the agenda item related to taking note of the annual report. It shall, however, ensure that the certified auditor of the Company is present at the regular General Meeting of Shareholders of the company in the 2023 financial year during the agenda item related to taking note of the 2022 annual report.
- Provision 14.4: the Supervisory Board did not deliberate on the report of the works council on the situation related to employee participation in the management of the company in the 2022 financial year. However, it shall deliberate on the report of the works council on the situation related to employee participation in the management of the company in the 2023 financial year in addition to expressing its view thereon and taking a position on the proposed measures contained therein;
- Provision 16.4: As the Supervisory Board work valuation procedure was carried out in compliance with the methodology and Supervisory Board Efficiency Valuation Manual (Association of Supervisors of Slovenia) which had made critical assessments of the Supervisory Board which had served as the basis for an improvement action plan, there was no need for an external assessment in 2022. The Supervisory Board shall, however, ensure that an external assessment of the work of the Supervisory Board is carried out in 2023;
- Provision 26: In transactions with related parties, the Company does not keep a list of related persons and parties and has not foreseen any internal procedures pertaining to transactions with related parties, clarifying that the Company or the Company's subsidiaries did not conclude any transactions with the two Members of the Management Board or their family members in 2022 which would have required the consent of the Supervisory Board. In addition, not a single transaction was carried out with related parties in 2022 which did not form part of regular

operations, wasn't carried out under normal market conditions or which would have required the consent of the Supervisory Board;

- Provision 31.3: the company shall not provide for public announcements of its communications in the foreign language used in international financial fora as a rule, but shall only provide for public announcements in Slovenian due to being listed in the Standard Quotation of the Ljubljana Stock Exchange;

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

- Provision 3.1: the company shall operate in compliance with the basic objective, i.e. long-term and sustainable maximisation of the value of the company, and other objectives, such as the observation of social and environmental aspects for the purpose of ensuring sustainable development of the company even though the above is not provided for in the Articles of Association thereof;
- Provision 3.6: on 22 4/2021, the Supervisory Board of the Company adopted the Diversity Policy of the Management and Supervisory Board of UNIOR d.d. published by the Company on its website [https://www.unior.si/uploads/dokumenti/Politika%20raznolikosti%20uprave%20in%20nadzornega%20sveta%20dru%C5%BEbe%20UNIOR%20d.%20d.%20\(VI-21.%20seja%20NS.%2022.4.2021\).pdf](https://www.unior.si/uploads/dokumenti/Politika%20raznolikosti%20uprave%20in%20nadzornega%20sveta%20dru%C5%BEbe%20UNIOR%20d.%20d.%20(VI-21.%20seja%20NS.%2022.4.2021).pdf), however, the adopted Policy does not lay down any concrete diversity targets and criteria. In addition, such concrete targets are not laid down in the internal acts of the Company. In spite of that, the company pursues the target of the maximum diverse composition of management and supervisory boards in relation to aspects such as nationality, gender, age, religious affiliation, other personal attributes and professional diversity;
- Provision 6.5.1: the Supervisory Board shall draw up a competence profile for Members of the Supervisory Board when recruiting individuals running for Membership in the Supervisory Board. However, the competence profile is not published on the website of the Company. The Company, shall, however, ensure that it is published in the 2023 financial year;
- Provision 6.10.6: Members of the Supervisory Board were provided with the perquisite in the form of an individual liability insurance of members of management and supervisory bodies for the insurance of the mandatory deductible arising from the corporate liability insurance of executives concluded by the Company in compliance with Provision 6.10.11 of the Corporate Governance Code for Companies with State Capital Investments;
- Provision 6.13.3: at the end of the year, the SB completed the SB composition assessment procedure and completed it by means of an action plan at the beginning of 2023. No separate report was published. The relevant information is, however, published in the 2022 Annual Report in the Report by the Supervisory Board. The same practice will continue to be pursued by the Supervisory Board in the future.

- Provision 8.1: the Company has implemented various sustainable development contents. Sustainable operations of the Company are in the business process implementation phase. Reports are drawn up in the direction of the GRI standard or in compliance with the proposed European Sustainability Reporting Standards, Draft ESRS.
- Provision 8.3: the Company fully complies with the provision and discloses the remuneration and rights of individual management and supervisory bodies in compliance with Annex 4 to the Code for the parent company. It does not, however, disclose relevant data for Group companies.
- Provision 11: Corporate integrity is already covered in the Company in part by the internal fraud management and control department. Internal rules and the Code of Ethics of the Company have been drawn up for management purposes. No authorised corporate integrity person was formally appointed in 2022. However, this has been provided for with an appointment thereof as of 1/3/2023.

DATA SUBJECT TO THE PROVISIONS OF POINTS 3 TO 7 OF PARAGRAPH 5 OF ARTICLE 70 OF ZGD-1

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

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

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

The internal control system comprises procedures which ensure that:

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

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

the internal control system. The described internal control and risk management structure is also used in subsidiaries in the UNIOR Group;

2. Significant direct and indirect ownership of securities of the company in the sense of acquiring a qualifying holding as laid down by the law governing takeovers

Data on acquiring a qualifying holding as laid down by the Takeovers Act shall be promptly published in the electronic notification system of the Ljubljana Stock Exchange and communicated to the Securities Market Agency. As at 31/12/2022, a qualifying holding of UNIOR d.d. as laid down by the Takeovers Act is held by SDH, d.d., the holder of 1,119,079 or 39.4 per cent of its shares;

3. Explanatory notes on each holder of securities with special control rights.

No individual shareholder of UNIOR d.d. holds any securities with special control rights subject to a participating interest in the company;

4. Explanatory notes on all voting rights restrictions.

No voting rights restrictions have been imposed on the shareholders of UNIOR d.d.

5. Rules of the company on appointing and replacing Members of the Management and Supervisory Boards and amending the Articles of Association of the company.

The Company's rules do not specifically regulate the appointment and replacement of Members of the Management and Supervisory Boards and amendments to the Articles of Association. Law in force shall be comprehensively applied;

6. Powers of members of the management, in particular powers to issue or acquire treasury shares.

In 2022, UNIOR d.d. was not in the possession of any power to issue or acquire treasury shares;

7. Performance of the General Meeting of the company and its key powers

In 2022, the General Meeting of Shareholders was convened twice. The powers of the General Meeting and the rights of the shareholders are provided for by ZGD-1 and are exercised in the manner laid down by the Company's Articles of Association, the Rules of Procedure of the General Meeting and the Chair of the General Meeting. The voting procedures at UNIOR General Meetings are clarified in detail in Section 7.4 of the 2022 Annual Report;

8. Data on the composition and operation of the Management and Supervisory Boards and their respective committees.

A comprehensive presentation of the Management and Supervisory Boards and their respective committees can be found in Sections 7.1, 7.2, and 7.3 of the 2022 Annual Report;

9. Description of the diversity policy implemented with regard to representation in the Management and Supervisory Boards of the company

On 22 4/2021, the Supervisory Board of the company adopted the Diversity Policy of the Management and Supervisory Boards of UNIOR d.d. aimed primarily at promoting diversity and achieving the target diversity of the Management and Supervisory Board in terms of gender, age, education and experience. The primary objective of the adopted policy is to promote a diverse composition of the Management and Supervisory Boards aimed at maximising their efficiency and providing for a set of expert know-how that allows for a successful long-term performance of the company. The Diversity Policy of the Management and Supervisory Boards of UNIOR d.d. is also published on the website of the company.

[https://www.unior.si/uploads/dokumenti/Politika%20raznolikosti%20uprave%20in%20nadzornega%20sveta%20dru%C5%BEbe%20UNIOR%20d.%20d.%20\(VI-21.%20seja%20NS,%2022.4.2021\).pdf](https://www.unior.si/uploads/dokumenti/Politika%20raznolikosti%20uprave%20in%20nadzornega%20sveta%20dru%C5%BEbe%20UNIOR%20d.%20d.%20(VI-21.%20seja%20NS,%2022.4.2021).pdf).

COMPOSITION OF THE MANAGEMENT AND SUPERVISORY BOARDS AND THEIR REMUNERATION

The composition of the Management Board and the organisation of the Management Board of the Company are presented in Chapter 7.1 of the 2022 Annual Report, all in compliance with Annex C to the Management Code for Publicly Traded Companies and Annex 3 to the Corporate Governance Code for Companies with State Capital Investments, as illustrated in the table below.

Name and surname	Position	Scope of operations of the Management Board	First appointment	End of term	Gender	Citizenship	Year of birth	Level of education	Professional profile	Membership in supervisory boards of non-affiliates
Darko Hrašnik	President of the Management Board	Finances, HR, Sales, Production	17. 08. 2012	31. 05. 2024	male	Slovenian	1964	Bachelor's Degree in Metallurgical and Material Engineering.	Management	-
Branko Bračko	Member of the Management Board	Procurement, Sales, Production	15. 11. 2012	14. 11. 2027	male	Slovenian	1967	Bachelor's Degree in Mechanical Engineering	Management	Member of the Supervisory Board of Stanovanjsko podjetje Konjice d.o.o. Member of the Supervisory Board of ACS Slovenski avtomobilski grozd Member of the Supervisory Board of Zavarovalnica Triglav, d.d.

The Supervisory Board, its composition, members and committees are presented in Chapter 7.3 of the 2022 Annual Report. In compliance with Annex C to the Management Code for Publicly Traded Companies and Annex 3 to the Corporate Governance Code for Companies with State Capital Investments, the composition of the Supervisory Board is illustrated in the table below.

Name and surname	Position	First appointment	End of term	Representative of capital/employees	Participation at sessions of the SB	Gender	Citizenship	Year of birth	Level of education	Professional profile	Independence subject to Article 23 of the Code	Existence of a conflict of interest	Membership in management boards of other companies	Membership in committees	President/Member	Participation at sessions of committees
Franc Dover, M.A.	President of the SB	13. 12. 2021	12. 12. 2025	Representative of capital	8/8	male	Slovenian	1965	Master's degree in Industrial Sciences	Management	DA	NO	President of the SB of HSE, d.o.o. (until Sept. 2022). Member of the HR Committee of HSE, d.o.o. (until Sept. 2022).	HR Committee	Deputy President	5/5
Simona Razvornik Škofič	Deputy President of the SB	13. 12. 2017	12. 12. 2025	Representative of capital	8/8	female	Slovenian	1971	Bachelor's degree in Economics	Finance	DA	NO	External Member of the Audit Committee of NS LL Grosist d.o.o.	Audit Committee	President	9/9
Boštjan Napast	Member of the SB	13. 12. 2021	08. 12. 2022	Representative of capital	6/8	male	Slovenian	1971	Bachelor's Degree in Mechanical Engineering	Management	DA	NO	Member of the SB of Plinovodi, d.o.o.	-	-	-
Tomaž Subotič, PhD	Member of the SB	08. 12. 2022	07. 12. 2026	Representative of capital	0/0	male	Slovenian	1959	PhD in Organisation Science and M.A. in Economics	management and financial matters	DA	NO	President of the SB of Železar Store DP d.d. President of the Board of The Celje General Hospital	Audit Committee HR Committee	Deputy President Member	0/0 0/0
Andreja Potočnik	Member of the SB	13. 12. 2021	12. 12. 2025	Representative of capital	6/8	female	Slovenian	1982	Master's degree in Management	Management	DA	NO	-	HR Committee Audit Committee	Deputy President	5/5 8/9
Boris Brdnik	Member of the SB	13. 12. 2017	01. 11. 2022	Representative of employees	6/6	male	Slovenian	1972	Bachelor's Degree in Management of Organisations	Management	DA	NO	-	HR Committee	Member	5/5
Milan Potočnik	Member of the SB	01. 11. 2022	22. 07. 2025	Representative of employees	2/2	male	Slovenian	1976	Car mechanic	Expert	DA	NO	-	HR Committee	Member	0/0
Saša Koren	Member of the SB	13. 12. 2017	12. 12. 2025	Representative of employees	8/8	female	Slovenian	1986	Bachelor's degree in Economics	Finance	DA	NO	-	Audit Committee	Member	9/9

Name and surname	Committee	Participation at sessions of committees	Gender	Citizenship	Level of education	Year of birth	Professional profile	Membership in supervisory boards of non-affiliates
mag. Blanka Vezjak	Audit Committee	8/9	female	Slovenian	Master's degree in Economics	-	Auditing	External Member of the Audit Committee of the SB of Mariborski vodovod, d.d. (until Jan. 2023). External member of the Audit Committee of the MB of the University of Ljubljana

This Member of the Audit Committee did not consent to the publication of her year of birth

In compliance with Annex 4 to the Corporate Governance Code for Companies with State Capital Investments, remuneration of the Management Board and Members of the Supervisory Board is illustrated below. For a more detailed presentation, refer to Section 7.5 of the 2022 Annual Report.

REMUNERATION TO THE MANAGEMENT BOARD

2022 (in EUR)	Position	Fixed remuneration	Variable remuneration			Deferred remuneration	Termination benefits	Bonuses		Paying back of bonuses	Gross total:	Net total	Cost reimbursements
			Quantitative criteria	Qualitative criteria	TOTAL			Insurance	Vehicle				
	Darko Hraštnik	189.189	0	0	0	0	0	5.734	8.147	0	203.070	85.347	534
	Branko Bračko	175.884	0	0	0	0	0	5.638	7.979	0	189.501	82.830	2.431

2021 (in EUR)	Position	Fixed remuneration	Variable remuneration			Deferred remuneration	Termination benefits	Bonuses		Paying back of bonuses	Gross total:	Net total	Cost reimbursements
			Quantitative criteria	Qualitative criteria	TOTAL			Insurance	Vehicle				
	Darko Hraštnik	168.975	0	0	0	0	0	5.753	9.776	0	184.504	72.464	66
	Branko Bračko	157.401	0	0	0	0	0	5.657	9.847	0	172.905	70.511	1.053

Remuneration to the Supervisory Board

2022 (in EUR)	Position	Remuneration for the performance of duties				TOTAL	SB and committee meeting allowances	Gross total:	Net total	Travel expenses
		basic salary for the performance of duties	remuneration for the performance of duties	additional remuneration for the performance of special tasks						
	Branko Pavlin		531	88	0	619	0	619	450	0
	Simona Razvornik Škofič		12,068	4,114	0	16,182	5,025	21,207	15,289	1,169
	Jože Golobič		354	133	0	487	0	487	354	0
	Rajko Stankovič		354	88	0	442	0	442	322	0
	Saša Koren		10,971	2,743	0	13,714	3,957	17,671	12,716	0
	Boris Brdnik		10,057	2,514	0	12,571	2,650	15,221	10,934	0
	Franc Dover		15,926	2,654	0	18,580	3,424	22,004	15,868	297
	Andreja Potočnik		10,388	6,064	0	16,452	5,824	22,276	16,066	1,712
	Boštjan Napast		10,617	0	0	10,617	1,644	12,261	8,782	0
	Milan Potočnik		914	229	0	1,143	503	1,646	1,197	0
	Blanka Vezjak		0	2,425	0	2,425	1,845	4,270	3,106	274

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

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

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

2022	Gross values						Net values					
	Short-term employee benefits	Post-employment benefits	Other long-term employee benefits	Termination benefits	Share-based payments	Gross total:	Short-term employee benefits	Post-employment benefits	Other long-term employee benefits	Termination benefits	Share-based payments	Net total
(in EUR)												
Management Board of the company	392,571	0	0	0	0	392,571	168,177	0	0	0	0	168,177
Supervisory Board of the company	118,104	0	0	0	0	118,104	85,084	0	0	0	0	85,084
Employees employed on the basis of individual contracts	4,389,017	0	0	0	0	4,389,017	2,492,765	0	0	0	0	2,492,765

2021	Gross values						Net values					
	Short-term employee benefits	Post-employment benefits	Other long-term employee benefits	Termination benefits	Share-based payments	Gross total:	Short-term employee benefits	Post-employment benefits	Other long-term employee benefits	Termination benefits	Share-based payments	Net total
(in EUR)												
Management Board of the company	357,409	0	0	0	0	357,409	142,975	0	0	0	0	142,975
Supervisory Board of the company	104,971	0	0	0	0	104,971	75,427	0	0	0	0	75,427
Employees employed on the basis of individual contracts	3,900,492	0	0	0	0	3,900,492	2,169,213	0	0	0	0	2,169,213

In Zreče, on 26/4/2023

Branko Bračko

Member of the Management Board



Darko Hrastnik

President of the Management Board



7.7 STATEMENT ON NON-FINANCIAL OPERATIONS OF THE UNIOR GROUP AND UNIOR d.d.

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

The Statement on Non-Financial Operations forms an integral part of the 2022 Annual Report and can also be accessed via the www.unior.si website for a minimum period of five years following its publication.

7.7.1 BUSINESS MODEL DESCRIPTION

UNIOR d.d. is the parent company of the dynamic UNIOR Group operating in 13 countries of the world with its subsidiaries and associates and selling its services and products in all continents. The Business Model of the UNIOR Group consisting of companies with varied activities is presented in Section 3.1 of the 2022 Annual Report, whereas the Business Model of UNIOR d.d. in Section 3.2. of the 2022 Annual Report and Section 7.6 - Corporate Governance Declaration of the UNIOR Group and UNIOR d.d.

The governance policy is provided for in the Corporate Governance Policy of UNIOR d.d. laying down the main company and Group operation factors and has been made available to the public on the website of the company

(https://www.unior.si/uploads/dokumenti/243_Politika%20upravljanja%20dru%C5%BEbe%20UNIOR%20d.%20d.pdf). The governance policy constitutes a commitment of current and future conduct of the Supervisory and Management Boards, executive and other managerial personnel and employees. The company has also adopted UNIOR Group Governance Rules intended to unify the rules of operation of UNIOR Group companies in as many areas of operation as possible.

7.7.2 ENVIRONMENTAL, SOCIAL, AND HR MATTERS

7.7.2.1 ENVIRONMENT

POLICY

The fundamental principle for achieving the goals of UNIOR d.d. is to continue the path to everlasting excellence. Therefore, quality management, environmental management and occupational safety and health systems have been established and integrated.

ENVIRONMENTAL POLICY

Our basic principles are responsible protection of the environment, prevention of negative effects on the environment, compliance with statutory requirements and continuous environmental protection improvements. An environmental management system compliant with the ISO 14001 has been

established and certified. The system provides for effective control, the reduction of adverse environmental impacts, the rationalisation of the consumption of resources, the conservation of biodiversity, the promotion of sustainable production and consumption and the replacement of substances with an adverse impact on the health of people and the environment. We are also aware of the importance of sustainable development and the related transition to low-carbon society. A waste management hierarchy is being implemented and the principles of a circular economy introduced.

The basic principle in the operation of subsidiaries of UNIOR d.d. shall be responsibility for environmental protection, prevention of negative impacts on the environment and continuous improvement in the field of environmental protection. Our subsidiaries observe and act in compliance with the prescribed (national) environmental protection legislation, have established or certified an environment management system in compliance with the ISO 14001 standard, promote sustainable production and consumption and the replacement of substances with an adverse impact on the health of people and the environment, periodically assess environmental aspects and set programmes and targets for the upcoming years in addition to training their employees in environmental protection issues.

ENERGY POLICY

UNIOR d.d. is one of the biggest consumers of energy in Slovenia. The Company is known in Slovenia for promoting energy efficiency and exploitation of RES. The active implementation of the efficient energy consumption policy of the Company is reflected in the continuous implementation of measures aimed at energy efficiency and the resulting lower energy costs. The Company has adopted Energy Management Rules laying down its energy policy. Through the policy, the Company advocates taking into account state-of-the-art environment management system guidelines in line with our abilities and needs. By continuously improving our energy efficiency and the energy management system, the Company not only reduces environmental emissions but also its operating costs.

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

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

DUE DILIGENCE

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

In compliance with the management systems, there is a management review of the environment management system that involves drawing up an annual report on our operations covering the following: the status of measures of previous management reviews, the attainment of environmental targets, the environment management effect, an assessment of compliance with statutory and other requirements, results of audits, information by interest parties. The environment management system operation report is deliberated on during the management review whereby measures including any opportunities for continuous improvements, the attainment of environmental targets, required changes and other findings aimed at improving the environment management system are entered into the minutes.

At the end of 2020, the Company obtained the energy management system certificate for ISO 50001, assuring continuous energy efficiency improvements and reducing our environmental impact. An energy policy with concrete energy consumption optimisation targets leading to savings has been established. Energy efficiency is included in the equipment, raw material, and service planning and procurement decision-making processes within the Company. Subject to the obtained certificate, the conformity and efficiency of the management system with the standard requirements are verified by an independent external organisation. The certificate does not only impact the awareness of our employees that our Company has been determinedly seeking to reduce its energy consumption which will lead to new approaches, oriented towards saving energy, but also demonstrates our commitment to sustainable development.

MAIN RISKS AND THEIR MANAGEMENT

We are aware of the risks associated with the operations of the Group. For this reason, special attention is paid to all risks therein. A Risk Management Committee has been established, and individual risk managers have been appointed in compliance with the established risk register.

Environmental protection-related risks have been combined in the environmental and climate risks divided into risks where the UNIOR Group/UNIOR d.d. Has an impact on the environment, and into risks where the environment has an impact on the UNIOR Group/UNIOR d.d. For more information on environmental and climate risks, please refer to Section 7.8 of the 2022 Annual Report.

KEY NON-FINANCIAL PERFORMANCE INDICATORS

A diligent analysis has allowed us to identify the key environmental aspects of our activity: waste water, waste, air emissions, soil pollution, chemicals, and noise. Based on recognised environmental aspects, statutory and other requirements, programmes and targets for the upcoming years are set and relevant

monitorings are carried out, environmental information is proactively communicated to our employees and interested stakeholders, primarily our neighbours.

Environmental aspects are measured and managed by means of indicators by regularly monitoring waste water, air emissions, sources of noise, recording the volume of generated waste. For more information on environmental aspects, please refer to Section 6.4 of the 2022 Annual Report.

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

7.7.2.2 SOCIAL AND HR MATTERS

POLICY

Concern for employees has been firmly integrated in all business planning of the UNIOR Group. As the biggest employer in the region, one of the largest in the country and as an economic entity that contributes and shapes the local way of life to a significant extent, we are aware that by investing in our employees, we not only demonstrate our responsibility to colleagues, but also our responsibility to the wider environment as proven, among others, by the Full Family-Friendly Company Certificate obtained in 2021. The basic certificate includes defined measures related to additional adjustments to the working hours and adjustments to working conditions. One of the measures is to provide aid to children of deceased parents who worked at UNIOR d.d. At the end of the year, there was an event for children - UNIOR's children received a gift from Santa. A UNIOR Family Day on Rogla attended by most of our employees to whom the event means a lot was also organised. In addition to our employees and their families, the Company invited all former employees which had been co-creating UNIOR's story prior to their retirement to the event. As such, the event is attended by several thousand people. Separately from the measures included in the Family Friendly Company certificate, the Company organises a year-end party for all employees which was held in the Terme Zreče Multi-Purpose Hall in December 2022.

In the event of a longer sick leave, our employees may also request solidarity aid. All employees who express this wish are also collectively insured against injuries 24/7. In addition, our employees can also join a supplementary pension scheme, whereby the employer pays their supplementary pension scheme premiums on their behalf.

The Company prioritises the importance of its employees, their planning, and life-long development. Their acquired new know-how and work can contribute to the quality of the working process and a successful performance in the long run. This way, our employees are provided with a professional, working, and personal development and promotion opportunities.

The Company carries out annual performance review during which employees and their supervisors are encouraged to establish a mutual dialogue on the well-being at the workplace, the achieved objectives and set objectives for the future, required training, improvement proposals for the workplace,

etc. In order to identify potential successors which could take over key positions in the future, a succession policy for key talent has been laid down as part of the employee development process.

Scholarships awarded to high school and university students facilitate long-term planning of the recruitment of future employees and serve as an excellent opportunity for the personal and professional growth of individuals. By means of scholarships, the Company connects with prospects as early as during their educational period, thus creating a pool of young talent. Our scholarships are aimed at obtaining and training competent human resources in the areas required. We find it important to build and preserve connections with local high schools where the majority of our scholarship recipients are educated.

The Company communicates with employees via bulletin boards, displays installed in dining rooms and in certain parts of production, via e-mail and the intranet of the Company or the Uninet as it is called. The Corporate Communications and Innovation Process Department draws up a blacksmithing e-newsletter with the most recent news in the Group or Company. At least four times a year, the "We are blacksmiths" publication received by all employees is published. Employees are encouraged to innovate and to put forward useful proposal. Several sports, cultural, and humanitarian projects in the Dravinja River Valley are supported. We sponsor driven and excellent athletes.

The basic occupational health and safety documents are the Occupational Health Promotion and Safety Programme and the Quality, Environmental Management, Occupational Health and Safety, and Energy Management Policy of Unior d.d. Using the ISO 45001 system and complying with our commitments arising from the Policy and activities arising from the Programme, the employer was able to continue maintaining a falling trend of occupational accidents in 2022 as well (for more information, please refer to Section 6 of the 2022 Annual Report). We comply with statutory requirements related to training, work equipment and micro-climate requirement inspections, carry our risk assessments, prevention medical check-ups and health-promoting activities. We demonstrate our commitment to protect both our employees and property. We raise awareness on and improve control of hazards and risks at the workplace.

Through the UNIOR Sports Association, employees are encouraged to pursue a healthy and active lifestyle. Our employees are able to attend back exercise sessions at Terme Zreče, use the rented sports hall, our workers, their children and partners can purchase season ski passes on Rogla in addition to being able to avail of the services provided by our subsidiary UNITUR d.o.o. (wellness, medical centre). Our employees are also able to take advantage of our special December offer for employees when purchasing gift vouchers for catering, medical, and other services in UNITUR d.o.o. Our employees can also use our holiday capacities on Rogla, in Portorož and in Biograd na Moru in the neighbouring Croatia at lower prices.

Persons with disabilities are also employed. As a result, special attention is paid to ergonomic adjustments of the workplace, to obtaining funding from the Pension and Disability Insurance Institute of Slovenia (ZPIZ) for adjusting work areas and equipment for persons with disabilities and to finding appropriate jobs for persons with disabilities and limitations. UNIOR d.d. exceeds the quota of employed

persons with disabilities. In 2022, our subsidiary UNIOR IN d.o.o. became a sheltered workshop and employed three then unemployed persons with disabilities from the labour market. We regularly collaborate with vocational rehabilitation providers and train unemployed persons with disabilities, allowing them to obtain practical work experiences and knowledge do increase their employability.

Sustainable development goals and commitments, operations in compliance with ESG (environment, society, governance) aspects, integration of sustainable aspects in the development of company products and services, sustainability reporting, the carbon footprint and Life-Cycle Analysis (LCA) are becoming increasingly important aspects of sustainable governance of the company. The development of sustainable competences of employees and their integration in sustainable development are key to achieving the sustainable development goals of our organisation. For more information, please refer to Section 6 of the 2022 Annual Report.

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

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

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

DUE DILIGENCE

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

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

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

The number of occupational accidents and sick leave rate (for more information, please refer to Section 6.4 of the 2022 Annual Report) are monitored as related to occupational health and safety. We are a holder of the ISO 45001 certificate which contributes to improving safety culture and to consequently reduce the number of occupational accidents and production downtime.

MAIN RISKS AND THEIR MANAGEMENT

HR-related risks arise primarily in relation to shortage of talent and the related unwanted turnaround and increasing age structure of our employees.

Many activities promoting occupations in deficit have been introduced to mitigate these risks (using various promotional channels and advertising vacancies, scholarships, collaborating with schools and promoting mandatory work placements for high school and university students, recruiting foreigners, involving employment agencies to help find talent, participating in career fairs) in addition to activities aimed at retaining talent (monitoring and holding interviews with recent recruits, development discussions with scholarship recipients, departure interviews and detecting potential departures of employees, HR development activities and introducing work condition, work training, knowledge transfer improvements).

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

KEY NON-FINANCIAL PERFORMANCE INDICATORS

The company provides for regular and good communication with all employees, for training and education of all employees and has obtained the full Family Friendly Company certificate.

Subject to various HR tools (annual performance reviews, development discussions, potential assessments, mentorship system, business schools, etc.), the company provides for high-quality development of its employees and for the preservation and transfer of knowledge within its premises. A succession policy has been laid down for key talent.

The development of employees is one of the key processes used to implement UNIOR's commitment to sustainability. Skills and competences of our employees are increased primarily through trainings in both areas of expertise and soft skills. External and internal training courses are organised and co-financing of part-time studies is facilitated. Company scholarships for school pupils and students are also available.

Indicators related to investments in employee development are relevant: number of training hours, funds spent on training and education (co-financing of part-time studies and scholarships), the education structure.

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

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

The occupational accident number has been falling throughout the years, resulting also in lower numbers of lost days caused by sick leave resulting from occupational injuries. The payment of compensation for occupational accidents has been monitored. Sick leave rates are managed and measures adopted to reduce them to the established rate on the activity level. The Company obtains funding from ZPIZ for adjusting work areas and equipment.

Sections 9.8.5 and 10.8.4 of the 2022 Annual Report contains the main categories of costs, including employee remuneration. Added value per employee of the company and Group has been disclosed in Section 8.5 of the 2022 Annual Report, while Section 8.6 contains a disclosure of key performance indicators.

7.7.2.3 RESPECT FOR HUMAN RIGHTS

POLICY

The UNIOR corporation respects human rights, as already written down as one of our seven commitments towards employees in the Code of Ethics of the Company which entered into force on 1/7/2016. The Code of Ethics of the UNIOR Group dating back to 2020 also includes commitments related to operating compliance and integrity pertaining to transparent conduct and combating unlawful and unethical conduct on the Group level. The Company respects the Constitution and laws of the Republic of Slovenia in addition to generally applicable standards and principles and international human right law rules.

In 2022, no separately drafted human right respect policy was adopted by UNIOR d.d. However, in March 2023, it has approved its new Quality, Environmental Management, Occupational Health and Safety, and Energy Management Policy of Unior d.d. Which also includes a separate section - "Respect for human rights". The company respects human rights in the entire business process and any potential negative impacts thereon are avoided and prevented. We advocate for the respect of human rights of our business partners and suppliers. We are committed to the joint tackling and collaboration with key stakeholders, desiring to promote progress in the respect of human rights in operations.

UNIOR d.d. employs foreigners, persons with disabilities, older employees, pregnant women and parents. Everyone is treated with respect and equally. The Company advocates for a zero tolerance

policy regarding any kind of threats to our employees resulting from their performance of their tasks and duties, for the purpose of which the Work Instruction DNV 0105060-3 (Instruction on Protecting Employees in the Event of Threats) has been adopted. We provide for a working environment in which no worker is exposed to sexual or any other harassment or mobbing by the employer, supervisors, or co-workers. This area has been regulated in the Rules concerning the prohibition and prevention of sexual and other harassment or mobbing at the workplace. Employees engaging in inappropriate conduct at the workplace, using force or severely threatening their co-workers, inciting conflicts between or with their co-workers, customers of the Company and acting contrary to the Code of Ethics shall be treated in compliance with the Rules on breaching contractual and other obligations arising from the employment relationship in UNIOR d.d.

The UNIOR Group Governance Manual includes the provision that our concern for employees constitutes an important part of the social responsibility of the Group. For this purpose, activities such as the respect for the prescribed (national) labour law are promoted in the Group. The Group shall not tolerate any discrimination based on race or ethnic, national or social origin, sex, skin colour, health, disability, religion, belief, age, sexual orientation, or any harassment and/or abusive treatment of any individual in the workplace.

DUE DILIGENCE

Three representative trade unions and a 14-member Works Council are active in UNIOR d.d. There are also two representatives of employees in the Supervisory Board of the Company. In compliance with the law, the aforementioned bodies deliver opinions. The employer shall communicate certain matters thereto, consult them, and send decision proposals under co-decision. The first concern of social partners is the respect for employee, thus also human, rights. A continuous dialogue takes place in the Company in relation thereto. The Company may also be inspected by labour, occupational health and safety inspectors. In 2022, inspectors established no irregularities related to employee rights. No action related to the breach of employee rights was brought before the court in 2022 either.

MAIN RISKS AND THEIR MANAGEMENT

No major risks related to the respect for human rights have been identified. These risks are eliminated through regular training of both expert colleagues and the employees themselves in addition to regular social dialogue with the trade unions and the Works Council.

KEY NON-FINANCIAL PERFORMANCE INDICATORS

No penalty was imposed on UNIOR d.d. In 2022 in relation to any violation of labour law regulations. No action whereby the applicant was to sue for a breach of rights arising from the concluded employment relationship was brought.

7.7.3 ANTI-CORRUPTION AND BRIBERY

POLICY

In relation to anti-corruption and bribery, UNIOR d.d. has already adopted several measures to prevent or reduce any negative effects on its operations. Our conduct takes into consideration business ethics and builds an organisational culture promoting legal, transparent and ethical conduct of all employees.

DUE DILIGENCE

UNIOR d.d. has established a fraud and corporate integrity risk management system. Management includes continuous control and supervision of individual areas.

As of 1/3/2023, the Company has had an appointed corporate integrity and fraud authorised person by the Management Board who works independently and reports directly to the Management Board. The authorised person notifies the Management Board and the Audit Committee on an annual level. The authorised person also provides expert integrity assistance to employees.

In order to prevent corruption and bribery, we have adopted rules set out in the Rules on Business Gifts, the Ethical Standards Policy and the Rules on the Prevention and Detection of Fraud. The Company has established several lines which can be used to report infringements, fraud and integrity, namely via e-mail; prijava.povejmo@unior.com and etika@unior.com and the toll-free telephone number 080 10 90. Special attention is paid to the protection of whistleblowers acting in good faith.

The Code of Ethics of UNIOR d.d. was adopted by the company in the past and was presented to all employees who have also received a copy in written form. The Code of Ethics is also published on the website of the company

(<https://www.unior.si/uploads/unior%20eticni%20kodeks%20feb%202023.pdf>).

The Code of Ethics of the UNIOR Group adopted by all Group companies has also been adopted. The Code of Ethics of UNIOR d.d. contains fundamental standards of ethical conduct in the Company along with the commitment of our employees to ensure excellence, responsibility and transparency. The Corporate Integrity Policy to replace the Ethical Standard Policy is currently being drafted.

As integrity constitutes one of the most important values in the UNIOR Group, Group companies shall operate in compliance with the law, good business practices and ethical principles. Employees of the Group's companies shall make work decisions that affect the operations, corporate integrity and goodwill of the parent company. Under certain circumstances, a person may be in doubt or unsure if they have made the right choice. The UNIOR Group's Code of Ethics guides and clearly defines the conduct expected of all Group companies and their employees, and provides guidance on how promises are translated into action.

MAIN RISKS AND THEIR MANAGEMENT

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

In order to ensure transparent operations, prevent non-compliance and to establish control mechanisms, UNIOR d.d. has adopted admissibility rules for its business partners entailing multi-level reviews. These rules are laid down by the “Supply Selection and Procurement Activities” rules and the “Supplier Assessment” Rules, subject to which business partners undergo a review.

UNIOR d.d. employees are also trained in fraud and integrity, increasing their understanding and knowledge of the area. Internal publications in various forms spread the knowledge on how to act without bias, fairly, trustworthy, and by applying high moral principles compliant with the Code of Ethics.

The Company has established a corruption risk monitoring system. For the same purpose, the Company has adopted the Conflict-of-Interest Management Rules and the Fraud Prevention and Detection Rules which lay down how to handle and take action when controlling our operations and provide for an efficient system of ensuring the integrity of the Company. In the event of an alleged crime, the Company shall react within options provided thereto by the law regarding the compensation of damage.

KEY NON-FINANCIAL PERFORMANCE INDICATORS

No integrity breach reports were made in 2022. An established management method contributed to the above as it draws the attention of employees, in addition to other activities (via training, articles in the internal newsletter, bulletin boards, newsletters), to open communication and promotes it. This allows us to reduce the ability to rationalise bad behaviour of employees and to promote the understanding that any breach can be reported to the competent authorities and that the identity of the whistle-blower shall be kept confidential.

7.7.4 REPORT ON ENVIRONMENTALLY SUSTAINABLE ECONOMIC ACTIVITIES AND INVESTMENTS OF THE UNIOR GROUP AND UNIOR d.d. IN 2022

We hereby disclose (for the UNIOR Group and UNIOR d.d.) information on how and to what extent our activities are related to the economic activities deemed environmentally sustainable in compliance with Article 3 and 9 of the Taxonomy Regulation - Regulation (EU) 2020/852 of the European Parliament and of the Council

of 18 June 2020 on the establishment of a framework to facilitate sustainable investment, and amending Regulation (EU) 2019/2088.

The disclosure of information refers to the Commission Delegated Regulation (EU) 2021/2139 of 4 June 2021 supplementing Regulation (EU) 2020/852 of the European Parliament and of the Council by establishing the technical screening criteria for determining the conditions under which an economic activity qualifies as contributing substantially to climate change mitigation or climate change adaptation and for determining whether that economic activity causes no significant harm to any of the other environmental objectives.

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

The 2022 report was drawn up taking into account the Commission Notice on the interpretation of certain legal provisions of the Disclosures Delegated Act under Article 8 of EU Taxonomy Regulation on the reporting of eligible economic activities and assets (2022/C 385/01) published in the Official Journal of the European Union of 6/10/2022. For the UNIOR Group and UNIOR d.d., the following part of the authoritative interpretation (Section 8) is of particular relevance:

“For reporting turnover, assets and processes in the value chain of an activity are only eligible if they are explicitly included in the activity description. For example, if the description only refers to manufacturing of final products, intermediary activities in the value chain are not automatically eligible. Accordingly, manufacturing specific car and vehicle components is not automatically eligible under the section ‘manufacture of low carbon technologies for transport’. From a supplier’s perspective, this means that the activity of a company that is a supplier to a Taxonomy-eligible activity is not by definition Taxonomy-eligible and the manufacturing of specific components for cars is not by default eligible under the activity ‘manufacture of low carbon technologies for transport’. This is because the EU Taxonomy does not take a blanket approach for upstream activities. Instead, it sets out specific criteria for each included activity, including the relevant ‘do no significant harm’ criteria. However, certain key components that are spelled out in separate Sections, such as for batteries or hydrogen (in Sections 3.2 and 3.4) are eligible. Furthermore, the manufacture of components can qualify under the section ‘manufacture of other low carbon technologies’ (Section 3.6 of Annex I to the Climate Delegated Act) where not covered by other sections and where they meet the activity description.”

Activities of the UNIOR Group and UNIOR d.d. related to products that form part of the manufacture of low carbon technologies for transport supply chain, thus cannot be listed as Taxonomy-eligible in line with this authoritative interpretation. In the 2021 report, these revenue and investments were listed for these activities as Taxonomy-eligible and also, following a review of the technical criteria, also as aligned therewith.

To assure a comprehensive understanding of interested stakeholders, revenue and investments in Taxonomy-eligible activities, related to the manufacture of low carbon technologies for transport which significantly contribute to decarbonisation and form an essential part of the Green Transition of the

economy, are presented as part of additional voluntary disclosures. We are positive that the Green Transition to a low-carbon economy is not possible without a competitive supply chain which forms an essential part of green activities.

7.7.4.1 UNIOR GROUP

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

Share of revenue from products or services related to Taxonomy-eligible economic activities - 2022 disclosure for the UNIOR Group

Economic activity	NACE codes ⁹	Description of Taxonomy-eligible activity	Revenue (in EUR)	Share of revenue in %
A) TAXONOMY-ELIGIBLE ACTIVITIES				
Energy	D35.30	District heating/cooling distribution	5,245	0.002
	D35.11	Generating energy using photovoltaic technology	4,021	0.001
Total revenue from Taxonomy-eligible activities			9,266	0.003
B) REVENUE FROM TAXONOMY-NON-ELIGIBLE ACTIVITIES			287,643,605	99.997
Total A+B			287,652,871	100.00

In 2022, the UNIOR Group generated EUR 287,652,871 in revenue from sales, out of which revenue from products or services related to Taxonomy-eligible economic activities amounted to EUR 9,266 or 0.003 per cent. EUR 287,643,605 in revenue from sales was generated from Taxonomy-non-eligible economic activities (99.997% per cent). Technical criteria listed in the Delegated Acts have been reviewed. The activity does not do any significant harm in relation to other environmental objectives.

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

The KPI related to turnover (turnover KPI) was calculated as the part of the net turnover derived from products or services, including intangibles, associated with Taxonomy-aligned economic activities (numerator), divided by the net turnover (denominator).

⁹ NACE (Nomenclature of economic activities) is the European Statistical Classification of Economic Activities.

The turnover shall cover the revenue recognised pursuant to International Accounting Standard (IAS) 1, paragraph 82(a), as adopted by Commission Regulation (EC) No. 1126/2008 (1).

ADDITIONAL INFORMATION

Additional information relevant to understand to what extent the UNIOR Group contributes to the Green Transition as part of the value chain of Taxonomy-aligned activities is provided below.

As a globally successful supplier of forgings for cars with an annual production of more than 20 million forgings for steering mechanisms of cars and of more than 20 million forgings for connecting rods used in internal combustion engines, the UNIOR Group is one of the leading forges in its industry in Europe. With its forgings for steering mechanisms, it is present both in electric and hybrid cars. In the latter, connecting rods for internal combustion engines are also supplied. Given the strong electrification trend, the share of our products for electric and hybrid cars will continue to grow and will constitute a significant part of the green transition of our activity.

Our Hand Tools and metal packaging (C25.73 and C25.91) facilitate the following for our customers:

- to repair and maintain electric trains and other forms of public transport with zero CO₂ emissions and to maintain bimodal trains;
- to repair and maintain heating, ventilation, air-conditioning systems with high-performance technologies and to install, maintain, and repair photovoltaic systems, solar panels, and heat pumps with insulated tools for working on high-voltage systems.

Our Special Machines Programme (C27.9, C28.4, C28.9) is a supplier to customers engaged in the Taxonomy-eligible battery manufacture activity - it manufactures suitable components (battery casings) and other low-carbon technologies.

The UNIOR Group strategically manages energy and decarbonisation. Our subsidiary SPITT d.o.o. Generated 3,276 MWh in thermal energy from biomass in 2022, amounting to EUR 281,203, which was sold to the subsidiary UNITUR (EUR 275,958 - 3,241 MWh), i.e. within the UNIOR Group, and to external consumers (EUR 5,245 - 34,53 MWh). In 2022, the UNIOR Group generated 1,221.87 MWh in electricity from solar power plants, out of which EUR 4,021 or 21,33 MWh were sold on the market and the remainder was used for our own operations.

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

Share of investments in fixed assets - products or services related to Taxonomy-eligible economic activities - 2022 disclosure for the UNIOR Group

Economic activity	NACE codes	Investment description	Investments in fixed assets (in EUR)	Share of investments in fixed assets in %
A) INVESTMENTS IN TAXONOMY-ELIGIBLE FIXED ASSETS				
Energy	D35.30	District heating/cooling distribution	936,379	5.69
	D35.11	Generating energy using photovoltaic technology	1,149,229	6.98
Transport	N77.1	Transport by motorcycles, cars and light commercial vehicles	49,643	0.30
Construction and real estate activities	C27.1	Installation, maintenance and repair of charging stations for electric vehicles in buildings (and in parking spaces, connected to buildings)	1,304	0.01
Total investments in Taxonomy-eligible current assets			2,136,555	12.98
B) INVESTMENTS IN TAXONOMY-NON-ELIGIBLE FIXED ASSETS			14,323,212	87.02
Total A+B			16,459,767	100.00

In 2022, the UNIOR Group invested EUR 16,459,767 in fixed assets, out of which revenue from products or services related to Taxonomy-eligible economic activities amounted to EUR 2,136,555 or 12.98 per cent of all investments in fixed assets. EUR 14,323,212 in investments in fixed assets were invested in Taxonomy-non-eligible economic activities (87.02 per cent of all investments in fixed assets).

Out of Taxonomy-eligible investments, EUR 936,379 were invested in the construction of a pipeline and the related heating energy distribution infrastructure. The majority of these investments is accounted for by the investment of our subsidiary SPITT d.o.o. (EUR 696,782) in upgrading the biomass-powered distant heating system. This was followed by investments that exploit waste heat whereby the UNIOR d.d. parent company spent EUR 208,864 on the construction of the distant heating distribution system to the UNITUR d.o.o. subsidiary, and another investment was made in the construction of heating energy distribution infrastructure in the UNIOR Vinkovci d.o.o. subsidiary (EUR 30,733).

The second group of Taxonomy-eligible investments in 2022 includes investments in electricity generation systems using photovoltaic technology amounting to EUR 1,149,229, out of which an investment of the NINGBO UNIOR FORGING Company Ltd. subsidiary amounting to EUR 1,048,464 and of the UNIOR COMPONENTS d.o.o. subsidiary amounting to EUR 100,765.

The third group of investments is the investment of the UNIOR PRODUKTIONS UND HANDELS GmbH subsidiary in transport by motorcycles, cars and light commercial vehicles. The subsidiary significantly contributed to the Green Transition by procuring an electric car amounting to EUR 49,643 and the corresponding charging station amounting to EUR 1,304.

The share of investments in fixed assets was calculated by including the increase in tangible and intangible assets in the financial year before depreciation and all remeasurements, including those arising from revaluation and impairments, and without fair value changes in the denominator. The denominator also includes increases in tangible and intangible assets arising from business combinations. The meter included a part of investments in fixed assets, included in the denominator, related to the assets or processes related to Taxonomy-eligible economic activities.

By investing in Taxonomy-eligible fixed assets, the Taxonomy-eligible economic activity will be expanded.

ADDITIONAL INFORMATION

Additional information relevant to understand to what extent the UNIOR Group contributes to the Green Transition through its investments in fixed assets as part of the value chain of Taxonomy-aligned activities is provided below.

The Forge Programme (C25.500) of the parent company spent EUR 1,904,812 on installing and equipping an aluminium recovery plant to produce parts for electric and hybrid vehicles (our customers have a Taxonomy-aligned activity) constituting an investment in fixed assets in 2022.

The Hand Tools and Metal Packaging Programme (C25.73, C25.91) of the parent company spent the following on investments in fixed assets essential for the performance of activities manufacturing products sold to customers for their performance of Taxonomy-aligned activities in 2022: EUR 277,066.

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

Share of investments in current assets - products or services related to Taxonomy-eligible economic activities - 2022 disclosure for the UNIOR Group

Economic activity	NACE codes	Investment description	Investments in current assets (in EUR)	Share of investments in current assets in %
A) INVESTMENTS IN TAXONOMY-ELIGIBLE CURRENT ASSETS				
Energy	D35.30	Wooden biomass-based distant heating distribution	24,604	0.17
Total investments in Taxonomy-eligible current assets			24,604	0.17
B) REVENUE FROM TAXONOMY-NON-ELIGIBLE ACTIVITIES			14,166,479	99.83
Total A+B			14,191,083	100.00

In 2022, the UNIOR Group invested EUR 24,604 in current assets - products or services related to Taxonomy-eligible economic activities, out of which 0.17 per cent of investments in current assets were Taxonomy-eligible. 99.83 per cent or EUR 14,166,479 in investments in current assets were Taxonomy-non-eligible.

Taxonomy-aligned current assets in the UNIOR Group encompass maintenance works (maintenance materials and machine repair labour costs) in the SPITT d.o.o. subsidiary in charge of distributing distant heating using wooden biomass.

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

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

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

- related to assets or processes related to Taxonomy-eligible economic activities, including training and other HR adjustment needs and direct non-capitalised costs (R&D);
- part of a plan for investments in fixed assets for the expansion of Taxonomy-eligible economic activities or for facilitating their qualification into Taxonomy-eligible or Taxonomy-aligned economic activities within a pre-determined timeframe;
- related to the acquisition of production from Taxonomy-eligible economic activities and individual measures facilitating the qualification of target activities as low-carbon or leading to reduced greenhouse gas emissions and individual building restoration measures, as laid down in the Delegated Acts, adopted in compliance with Article 10(3), 11(3), 12(2), 13(2), 14(2) or 15(2) of Regulation (EU) 2020/852, provided that such measures are introduced or are implemented within a period of 18 months.

7.7.4.2 UNIOR D.D.

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

In 2022, UNIOR d.d. generated EUR 204,557,463 in revenue, 100 per cent of which from activities which are currently not aligned with the Taxonomy.

ADDITIONAL INFORMATION

Additional information relevant to understand to what extent UNIOR d.d. contributes to the Green Transition as part of the value chain of Taxonomy-aligned activities is provided below.

With its forgings for steering mechanisms, it is present both in electric and hybrid cars. In the latter, connecting rods for internal combustion engines are also supplied. We generated EUR 20,387,517 in revenue through this activity (C25.500) by selling our products for the performance of a Taxonomy-aligned activity of our customers in 2022, namely for the following:

- means of transport for urban, suburban and road passenger transport with zero direct CO₂ (exhaust) emissions of the vehicles;
- M1 and N1 category vehicles classified as light vehicles until 31 December 2025, whose specific CO₂ emissions, as laid down in Article 3(1)(h) of the Regulation (EU) 2019/631 of the European Parliament and the Council (81), are lower than 50g Co₂/km (zero- and low-emission light vehicles).

By manufacturing hand tools and metal packaging (C25.73, C25.91), we thus form part of the value chain of several Taxonomy-eligible activities. EUR 14,441,332 in revenue (33 per cent of all revenue from sales of hand tools) was generated through this activity as a supplier to customers, facilitating their Taxonomy-eligible activity, in 2022. Due to the electrification of transport, a rising share of our products in the value chain of these Taxonomy-aligned activities is expected.

EUR 2,944,558 revenue was generated in 2022 from the sales of our machines to customers (C27.9, C28.4, C28.9) performing Taxonomy-aligned activities. We have been developing new types of machines allowing us to become Taxonomy-aligned - under the classification "Manufacture of other low carbon technologies".

In 2022, UNIOR d.d. generated 575.09 MWh in electricity from its solar power plants, worth EUR 53,000, and 1,323 MWh in waste heat thermal energy; the energy was used for our own operations in its entirety.

Share of investments in fixed assets - products or services related to Taxonomy-eligible economic activities

Share of investments in fixed assets - products or services related to Taxonomy-eligible economic activities - 2022 disclosure for UNIOR d.d.

Economic activity	NACE codes	Investment description	Investments in fixed assets (in EUR)	Share of investments in fixed assets in %
A) INVESTMENTS IN TAXONOMY-ELIGIBLE FIXED ASSETS				
Energy	D35.30	District heating/cooling distribution	208,864	2.92
Total investments in Taxonomy-eligible current assets			208,864	2.92
B) INVESTMENTS IN TAXONOMY-NON-ELIGIBLE FIXED ASSETS				
			6,943,717	97.08
Total A+B			7,152,581	100.00

Investments in fixed assets of UNIOR d.d. amounted to EUR 7,152,581 in 2022, out of which EUR 208,864 or 2.92 per cent of all investments in fixed assets related to products or services related to Taxonomy-eligible economic activities. EUR 6,943,717 in investments in fixed assets were invested in Taxonomy-non-eligible economic activities (97.08 per cent of all investments in fixed assets).

A Taxonomy-eligible investment is the investment in the construction of the pipeline and the related heating energy distribution infrastructure ending in the heat exchanger. The investment facilitated the construction of a distant heating distribution system using excess heat from UNIOR d.d. to its UNITUR d.o.o. subsidiary.

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

UNIOR d.d. invested EUR 10,749,389 in current assets which are currently Taxonomy-non-aligned.

7.7.4.3 ABOUT THE DISCLOSURES

The disclosures provided have been drawn up subject to a diligent review of the aforementioned Taxonomy-related documents, additional authoritative interpretations of the Commission, our current understanding, and data at our disposal.

The EU Taxonomy Climate Delegated Act does not yet cover all 'green activities' which significantly contribute to meeting environmental objectives, therefore these are yet to form part of the EU Taxonomy. This is expected to change in the future, allowing some of our activities to be recognised as Taxonomy-eligible as they contribute to the Green Transition of the economy and wider society.

The UNIOR Group and UNIOR d.d. are committed to sustainable development and decarbonisation. As a result, their business model, production programmes, and investment programme are adjusted to this long-term strategy. For this reason, it is expected that our KPIs compliant with the Taxonomy also in the light of new expected delegated acts that shall reflect contributions to the remaining four environmental objectives (the sustainable use and protection of water and marine resources; the transition to a circular economy; pollution prevention and control; and the protection and restoration of biodiversity and ecosystems) are to be increased in the future.

In Zreče, on 26/4/2023

Branko Bračko

Member of the Management Board



Darko Hrastnik

President of the Management Board



7.8 RISK MANAGEMENT

7.8.1 RISK MANAGEMENT IN THE UNIOR GROUP

Material risks in the UNIOR d.d. parent company, which also represent risks for the UNIOR Group, are described in Section 7.8.2 of the 2022 Annual Report. Specific risks for the UNIOR Group are shown separately below.

ENERGY PRODUCTS AND IMPACT OF THE WAR IN UKRAINE

A massive rise in prices of all energy products (primarily electricity and natural gas), significantly impacting the operations of energy-intensive production companies, was identified on a global level in 2022. The onset of the war in Ukraine brought about additional increases in energy product prices, additionally increasing the cost risk which was mitigated by acquiring most of the electricity required at lower prices before their increases. In addition, we were able to largely pass on higher energy products to sales prices. In addition, there was an oscillation of deliveries on the market which can lead to reduced deliveries of primarily natural gas.

During the last quarter of 2022, energy product prices somewhat decreased and remained stable in part. Nevertheless, they still remained high compared to the pre-covid period and before the war in Ukraine. No delivery reductions were identified. Nevertheless, measures to replace natural gas as an energy product whenever possible and feasible were implemented for prevention purposes.

COVID-19 EPIDEMIC

The companies continue to be primarily concerned with further COVID-19 infection-related developments and their effect on their operations. The Group shall continue to observe all recommendations of professionals and authorities in individual countries of the Group. Given the two-year pandemic period, it has been estimated that the epidemic was managed well and that we are well prepared for any similar scenarios in the future. Towards the end of 2022, the situation improved somewhat and no longer had a significant impact on our operations. The exception is our company in China where strict measures intended to contain the spread of the epidemic continued to apply. However, the epidemic was managed successfully by the company.

CHANGED MARKET CONDITIONS

The UNIOR Group has been experiencing the repercussions of the conflict between Russia and Ukraine. Risks are related primarily to:

- higher prices of raw materials and semi-finished products accompanied by their shortage and extended delivery periods;
- rising energy product prices and delivery disruptions;
- loss of revenue from sales due to respecting European directives related to doing business with Russia and Belarus.

Due to higher prices of our suppliers, the UNIOR Group frequently and, as needed, conducts negotiations with its customers to pass on the rising input prices to them either in full or in part, allowing the Group to preserve profitability of its sales.

Due to disruptions of the supply chain of raw materials and energy products and subsequent disruptions to transports to customers, the period between order and delivery has been extended. By using information technology, the Group has been optimising commodity flow, inventories, and transport routes, contributing to a greater rationalisation of the supply chain.

There has been a loss of revenue from sales and the competitive edge and market share on the Russian and Belarus markets due to respecting the imposed sanctions. There is a risk of a long-term high inflation rate, consequently leading to a risk of stagflation, as a result of which the purchase power of end customers, consumers, users will be reduced, resulting in a lower new order intake and sales. The Group is looking for new market niches, areas related to sustainable development and are in the growth phase. A higher sustainable orientation is of exceptional importance in this regard, as it allows for the manufacture and marketing of lighter and more energy-efficient products with which the Group can penetrate new, less price-sensitive market segments while decreasing the environmental footprint.

Each UNIOR Group activity has also been facing its own (also specific) risks related to changes to market conditions which have been managed in various ways:

- The Forge Programme production, active in the automotive industry product mass production segment, has been managing risks by controlling the order intake promptly (on a monthly basis), by monitoring vehicle adoption and the development of new projects in addition to a global insight into the market situation in this market segment. The global nature and dispersion of customers are both key in this regard. Additional impacts on our risk assessment are: the onset of the war in Ukraine, the energy crisis in the EU and the division or gap related to the speed of adoption of new vehicles as pertaining to e-mobility development guidelines (EU/the rest of the world).
- Risks in our own Hand Tools sales network are managed by implementing working and human capital measures. The risk of appropriate human resources and their deficit have been identified in our trade network. The risk is being reduced by recruiting additional talent (also through headhunting') and by the transfer of knowledge among employees. At the same time, purchase power has been falling on the markets where our subsidiaries are located. Negative economic growth has been projected, which shall have a negative impact on revenue from sales. The Group has been setting the bar for the development and innovative products of successful companies. Our relationship with our customers is based on partnerships and a joint, long-term vision, new knowledge, and innovative approaches.
- Our tourism activity has been managing the challenging operating environment caused by increased operations and a lack of HR by actively monitoring intervention activities on the national level to ensure the operation of the company in critical conditions and by carrying out activities to recruit talent and implementing measures which can guarantee state aid. The risk

has also been managed by strictly adhering to all recommendations of the Slovenian Public Health Institute (NIJZ) and other competent institutions both for employees, guests and visitors of our tourism centres. The "Unitur Plus Standard" publication has been issued. In spite of the above, UNITUR d.o.o. performed well in 2022. At the end of the year, an agreement with the state for the co-financing of a new six-seat cableway was signed which will have a positive impact on the operations of the company and the satisfaction levels of tourists in the upcoming period.

FINANCIAL RISKS

Financial risks of the UNIOR Group have been disclosed in Section 9.11 of the 2022 Annual Report.

ENVIRONMENTAL AND CLIMATE RISKS IN THE UNIOR GROUP

The project is yet to comprehensively examine any additional climate change-related risks (transition and physical risks). Challenges have been, however, recognised. These shall be reviewed further and, if needed, identified as a risk (Section 6.4.2 of the 2022 Annual Report).

7.8.2 RISK MANAGEMENT IN UNIOR d.d.

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

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

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

The beginning of 2022 was also characterised by the COVID-19 epidemic which affected the operations of the company. Even so, improvements compared to the preceding year have been observed as the introduced measures to contain the epidemic contributed to a reduction in the infection incidence, not to mention that accelerated vaccination in the countries we collaborate with has also been contributing to the normalisation of operations. The order intake already improved in UNIOR d.d. during the first half of 2022. However, a shortage of chips was still felt in the automotive industry. The war in Ukraine which disrupted the supply chain, caused additional price hikes of raw materials, energy products and services, and market instability, gave rise to an additional concern in February. We responded thereto by introducing several measures to mitigate the situation at hand.

The most important risks in 2022 are summarised below.

STRATEGIC RISKS

UNEXPECTED RISE IN PRICES OF BASIC RAW MATERIALS AND EXTENSION OF DELIVERY PERIODS

For various reasons, we can remain without a basic raw material or other commodity installed in our products, preventing us from providing a sufficient quantity of products or realising a project which has an essential effect on the realisation of expected deliveries for customers.

Primarily at the beginning of 2022, there was a continuing trend that, due to an increase in orders, some suppliers were unable to deliver in within the desired timelines, related to COVID-19. Delivery times were extended. A higher demand increases purchase prices. The conditions were further exacerbated by the beginning of the war in Ukraine in February 2022. The war resulted in unexpected price hikes of some basic raw materials and energy product which also had an unexpected impact on higher material and energy costs.

The measures we were able to implement are focused on the continuous monitoring of the procurement market, on looking for alternative basic materials and cheaper suppliers. Within the company, a fast exchange of information between procurement and other departments in charge of calculations and sales was ensured. Our procurement department has been spending much of its time coordinating between production and suppliers. As far as energy products are concerned, we have been monitoring measures intended to reduce energy costs in the EU and Slovenia, exchange price oscillations in addition to carrying out segment procurements of energy products for longer periods of time as well.

Energy price regulations led to a material price stabilisation on the market towards the end of 2022. At the same time, consumption in the automotive industry, household appliance industry, etc. was also experiencing stabilisation.

THE IMPACT OF THE WAR IN UKRAINE

On account of the war situation in Ukraine and the resulting changed conditions in this part of Europe, there has been a risk of change - reduced order intake, higher energy, raw material, and transport prices, complicated logistics, and payment services. An unclear situation regarding any reduction of the order intake and the duration of the war could significantly impact the operations of our company.

The situation in the crisis area has been monitored regularly. Our loss experienced on the Russian, Ukrainian, and Belarus markets is replaced by customers on other markets. Products to the Russian, Ukrainian, and Belarus markets are delivered only following the receipt of an advance payment. All potential future deliveries are diligently reviewed from all safety aspects and from the aspect of an increase in receivables. Production is adjusted subject to the order intake in the automotive industry segment. Circumstances permitting, inventories of key raw materials are increased. Our dependence on natural gas (NG) is replaced with liquefied petroleum gas (LPG), and extra light heating oil. Energy

cost reduction measures in the EU and Slovenia are monitored and the optimum moment to procure electricity is sought.

THE WIDESPREAD USE OF ELECTRIC CARS

In light of our considerable dependence on the internal combustion engine-powered car market, particular attention is paid to its development and the potentially large-scale use of electric cars which could affect the demand for forgings produced for vehicles containing internal combustion engines. In the event that the demand for electric-only cars rises considerably at the expense of sales of internal combustion engine-powered cars, the demand for one part of forgings produced by us is at stake. Even though related market conditions remain rather unclear, there is a pronounced electrification trend.

In 2022, there was also an increased sales volume of electrical vehicles on the market. These include all hybrid vehicles fitted with a traditional engine which consequently require connecting rods. There has also been a changing trend related to the structure of new projects commissioned by our customers. These have been shifting outside the internal combustion engine segment and towards hybrid vehicle related projects. Additional long-term structural changes in our production are also expected. At the same time, existing projects - orders of products related to cars with internal combustion engines - are yet to be phased out. No lower order intake in this product segment has been observed.

This risk is mitigated by a diverse variety of production, by looking for additional opportunities outside the automotive industry segment, by increasing the mass production of aluminium forgings, by increasing the sales of processed forgings and by undertaking joint development of products with our customers. In light of the reduced weight of cars and environmental requirements, the company has identified the need for non-steel-based products. For this purpose, we have been focusing on the R&D of alternative forging materials. As a result, in 2022 the first series of pressed aluminium forgings which we consider to have a great potential was manufactured on our new production line.

RISK OF INCREASED NOISE LEVELS IN THE ENVIRONMENT

In 2020, UNIOR d.d. applied or technically, spatially and economically justified environment noise level reduction measures as foreseen in our noise reduction projects. Based on the carried-out measures, an amended environmental permit was received in 2021 and the risk assessment reduced. The risk was increased in 2022 on account of the decision of the Constitutional Court that the Decree on limit values for environmental noise indicators is unconstitutional, as an amendment thereto could have had an impact on our environmental permit.

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

OPERATING RISKS

MARKET CONDITION CHANGES AND SCOPE OF OPERATIONS - ECONOMIC CRISIS

These risks are associated with geopolitical and other developments on individual markets or countries which, in turn, affect the economic situation (e.g., a fast reduction or increase in the sales volume), requiring fast adapting of operations to the new situation in terms of inventory, employees, investments and costs.

In 2022, the automotive industry continued to be affected by a supply chain crisis due to difficulties in supplying various components (such as chips) to the automotive industry in the EU from suppliers from other parts of the world (such as Asia). This resulted in decreased production of cars of our important customers. The conditions were further exacerbated by the beginning of the war in Ukraine in February 2022. An economic crisis has been projected, accompanied by inflationary pressures and other market-impacting circumstances.

A situation characterised by reduced/increased levels of demand and a more intense pressure to take advantage of the offered projects (as a result, also price pressure) has emerged on the market. Each company activity has also been facing its own (also specific) risks related to changes to market conditions which have been managed in various ways:

- the production of forgings operating in the mass production of semi-finished products for the automotive industry by managing orders, monitoring commissioned new projects not related to internal combustion engines (such as producing aluminium semi-finished products), monitoring the situation on the market or vehicle sales developments – the global nature and dispersion of customers are key;
- the production of hand tools with a widespread sales and distribution network, have been managing new challenges by penetrating new markets, implementing measures in existing markets and implementing inventory, receivables and employee number management measures;
- mechanical engineering as a supplier of high-performance capital goods for the automotive industry has been continuously monitoring developments on the market and closely collaborating with its distributors to maximise obtained enquiries and be as responsive thereto as possible. The programme has been striving for optimum capacity utilisation through orders and coordinating the scheduling dynamic to ensure an as even as possible distribution of projects in its schedule and utilisation by configuration process;

It is believed that the key competitive advantages of UNIOR's processes in products in these changed circumstances continue to be competent employees, innovation, reasonable prices, high quality, and flexibility. Attention is paid to existing customers and markets with whom long-term development partnerships are built.

LABOUR-RELATED RISKS - DEFICIT OF HUMAN RESOURCES

The situation on the labour market has been impacting staff turnaround and constitutes a risk on account of a shortage of talent additionally exacerbated by new HR needs caused by a favourable order intake. Our operating growth and market conditions have been exceeding our ability to recruit appropriate labour from Slovenia. As a result, we continued to recruit foreigners in 2022 as well.

Many activities promoting occupations in deficit have been also introduced to mitigate this risk (using various promotional channels and advertising vacancies, scholarships, collaborating with schools and promoting mandatory work placements for high school and university students, involving employment agencies to help find talent, participating in career fairs) in addition to activities aimed at retaining talent (monitoring and holding interviews with recent recruits, development discussions with scholarship recipients, departure interviews and detecting potential departures of employees, HR development activities and introducing work condition, work training, knowledge transfer improvements).

Due to the situation on the labour market, there has also been increasing pressure on salaries resulting in higher labour costs. New appropriate talent can be retained and provided for only through additional incentive schemes.

SUPPLY CHAIN ISSUE RISK

UNIOR d.d. has been integrated in supply chains in various ways. On the one hand, as a supplier of semi-finished products and special machines for car manufacturers and of finished hand tool products, while, on the other, as a buyer of basic materials, approved materials, energy products, and services. In the event of disruptions on the input (procurement) or output (sales) side, there is a risk of challenging operations of the company. Issues experienced by our customers such as car manufacturers with other suppliers (the supply of chips, cable sets, etc.) can also have an indirect impact on the operations of UNIOR d.d.

The onset of the war in Ukraine also led to additional and higher pressures on purchase prices and extended delivery periods. The risk of delivery of natural gas was specifically highlighted. On the sales side, there is a risk related to whether higher prices on the purchase side can be fully passed on to the price of our end product. We were able to manage to succeed in that regard in 2022 in most cases.

Mitigating measures are implemented by having a wide range of suppliers also from global markets which are expanded if needed. Emergency inventories, alternative materials and their dimensions are ensured. We are also more frequently in contact with our suppliers. In terms of energy products, we have been shifting from natural gas to other energy products (LPG, heating oil, electricity). To the greatest extent, we are aided in this regard by the measures introduced by the EU and Slovenia intended to reduce our dependence on Russian energy products.

CORPORATE COMMUNICATION DEFICIT

Corporate communication stands for the strategic management of communication with key stakeholders aimed at ensuring a uniform and coordinated communication of the PR department, strengthening our relationship with stakeholders, building on our visibility and strengthening the good reputation of the company. This is particularly important in times of uncertainty and in critical situations when the organisation of corporate communication is key to effective communication and the preservation of a good reputation and trust.

Following the extraordinary event on 26/10/2022, in the company, a need to strengthen and centralise corporate communication facilitating a coordinated response and aligned communication with key stakeholders in both critical situations and other times was identified. Communication procedures with key stakeholders were reviewed and updated. An appropriate response and proactive communication channels in critical situations were laid down. Employees in charge of management tasks and responsible persons engaged in the corporate communication process are undergoing communication training.

GOVERNANCE OF GROUP COMPANIES

Constitutes a growth and development opportunity for the Group on the one hand and a business volume reduction risk on the other. The COVID-19 epidemic including all its repercussions rendered governance of Group companies more difficult. The coronavirus epidemic continued to render travelling primarily to distant countries (such as China) increasingly difficult. In addition, a level of uncertainty regarding another epidemic outbreak remained. There has been an additional impact of the war in Ukraine which has rendered corporate governance in the Group very difficult as well.

Faced with these developments, UNIOR d.d. has been implementing measures to improve the financial stability and optimise the ownership structure of Group companies, monitoring global developments, monitoring opportunities to receive state aid in Group company countries; when required, conducting internal audits and further optimising the portfolio of Group companies. Vaccination against the COVID-19 disease and a reduction in infection rates in the countries of our Group companies and suppliers and the fact that Group companies were managing measures intended to prevent the spread of infections filled us with greater optimism.

FINANCIAL RISKS

The financial risks of UNIOR d.d. have been disclosed in Section 10.11 of the 2022 Annual Report.

OPERATIONAL RISKS

INFECTIONS WITH SERIOUS TRANSMISSIBLE DISEASES, EPIDEMICS

This risk is associated with the risk of infection which could result in movement and production restrictions due to the absence of employees. In order to prevent the introduction and spread of the transmissible coronavirus in the company, we have been compelled to step up measures used to prevent the risk of its introduction or spread among employees. These measures are divided into general measures, additional measures, mission-related measures, measures related to the introduction of fast antigen tests (FAT); security/logistics measures - delivery and dispatch, measures subject to specific circumstances.

Measures, instructions of companies, recommendations of national public health national institutions (NIJZ) were communicated to employees via established communication channels and managers.

Shortly after the beginning of 2022, the incidence rate of infections with the new infectious virus increased but these were found to be less dangerous and, throughout the year, the incidence rate of infections also led to a lower impact thereon on our operations. The majority of the introduced measures were lifted. However, we continue to be ready to re-activate the measures in the event of a potential new illness outbreak. The number of infected persons in the company, information and recommendations of official expert institutions of the RS are monitored regularly. No additional measures are implemented given the current situation.

CONTINUOUS OPERATION OF IT

2022 was an extremely challenging year in terms of assuring the continuous operation of information security systems. The beginning of the year was marked by two major events affecting risks - still ongoing COVID infections and the aggression of Russia on Ukraine. The attack on Ukraine was strongly reflected in the digital area as all types of cyber-attacks increased at the same time.

The company began implementing business process digitalisation projects to a greater extent, which also brought about new challenges related to information security and providing the continuous operation of the IT system. Additional challenges and major risks are posed by out-of-date systems and applications which cannot be secured properly against increasingly sophisticated cyber threats. It has been established that greater attention should be paid to training and raising awareness of users in this area - of not only employees in administration but also in production.

The ICS Department seeks to respond to challenges immediately by continuously improving our processes and adapting them to good professional good practices, integrating additional protection, undergoing training, and updating software and hardware. During the past year, protection against malware and hazardous SaaS applications and of the IoT environment were introduced. The so-called "Zero Trust" model which constitute only one of the many steps towards introducing a virtualised network is being introduced on the server and network levels. In addition, the management and monitoring of Privileged Access Management (PAM) assuring transparent operation of our solutions was also provided for.

We are faced with increasingly more challenging tasks and challenges which require additional training, additional funding and changing or adapting the business processes to flexible, reliable, and safe operations in the digital age.

ENVIRONMENTAL AND CLIMATE RISKS

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

Risks whereby UNIOR d.d. Impacts the environment encompass the fire risk arising in the event of a fire and its accompanying impacts; the risk of incipient fires due to our work process, an impurity, or technical defect. High levels of noise pollution - non-compliance with environmental legislation or the prescribed limit values can be exceeded. Air emissions and waste water discharges to the environment - on account of emergency situations, carelessness, inappropriate maintenance, untreated waste water can flow into a watercourse, the sewage system or into the ground; or there can be excess air pollution. Not properly separated, disposed of or recorded waste - on account of inadequate separation of waste, disposal of waste to unauthorised collectors or recording of waste, the company can incur high costs resulting from inspection decisions, re-separation of waste or withdrawal of the environmental permit.

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

Risks whereby the environment impact UNIOR d.d. include the disruption to the use of cooling water from the Dravinja River resulting from a lengthier dry period when the flow rate of the river can fall below the minimum allowed flow rate subject to the water permit for the consumption of process water. Our machines can also shut down on account of extreme weather conditions when temperatures above 35 degrees Celsius in summertime can cause overheating and shutdown of inductive furnaces due to too high cooling water temperatures. The immediate vicinity of the Dravinja River can also pose a risk to the forge in the event of heavy downpour - torrential waters/floods.

This risk is mitigated by measures aimed at creating a semi-closed process water system whereby approximately 30 per cent of fresh water is added and a fully closed cooling water system whereby only water resulting from vapour losses in the cooling towers would be added. The chance of torrential waters/flood is prevented by means of regular inspections and any required clearing of the stormwater drainage, Dravinja River bed and banks by UNIOR d.d.

COMPLIANCE RISK

RISK OF COMPLIANCE WITH LEGISLATIVE AND TAXATION CHANGES

There is a legislative risk when the company fails to comply with statutory requirements. The risk of compliance with legislative provisions, taxes and contributions presents a risk for legal or regulatory penalties, significant financial loss or loss of credibility that can be incurred by the company as a result of non-compliance with laws, regulations, rules, related organisational standards and codes of conduct applicable to the company and its activities. A significant impact of minimum wage legislation has been indicated, which can be intensified further in the upcoming years and will have an unfavourable effect on our competitiveness. However, in some areas, legislation has been increasingly tailored to company needs.

During the upcoming period, labour law legislation in the EU and Slovenia in particular shall be closely monitored. Given the most likely lengthy war in Ukraine, the risk of tax legislation amendments has been increasing. Aid sent to Ukraine and EU measures imposed on Russia will most likely be reflected in higher economic burdens in the upcoming years. In addition, an intense adoption of sustainable development legislation is expected in the future. It has been noticed that sustainable development rules and regulations have been amended and complemented quickly, rendering the integration of all aspects of sustainable development even more difficult. This can also increase the risk of meeting the expectations of all stakeholders.

8 OPERATION REPORT

8.1 SITUATION OF THE ECONOMY AND THE AUTOMOTIVE INDUSTRY

8.1.1 SITUATION OF THE ECONOMY

In 2022, the global economy was shifting towards a low-carbon and circular economy. However, rapid changes to business models were primarily due to the effects of a whole series of major shocks, such as the war in Ukraine, supply chain disruptions, partial economy lockdowns in China subject to the zero-tolerance coronavirus policy and the energy crisis. The above changed the conditions in the global economy both separately and together, aggregated inflation pressures on the prices of raw materials and energy products, leading to significant changes to the monetary policies and increasing interest rates by central banks all over the world.

Turbulences in the global environment required a high degree of creativity from companies on all levels. 2022 showed that annual plans may be disrupted as early as February and that new markets and closer suppliers must be sought, energy products and inventories stocked up on, and new products developed also to enable companies to circumvent at least some of these issues. The present uncertainty could be shown in frequently corrected economic projections by international institutions for future periods which were significantly worse in autumn compared to the initial spring estimates.

Economic growth in the Eurozone and in our most important economic partners slowed down significantly in the second half of 2022, however, not as much as previously expected by global institutions. Eurostat had initially estimated a 3.5 per cent GDP growth in the Eurozone in 2022, arising primarily from the first half of the year, driven primarily by a higher post-covid consumption, supported by the release of high household savings, whereas, during the second half of the year, it slowed down significantly in a period of high uncertainty in the global environment.

In conditions characterised by a high level of geopolitical insecurity, high energy product prices and increasing inflation levels, trust indicators namely began to fall, the purchase power of households began to decrease, whereas financing conditions became more stringent on account of the normalisation of the monetary policy. Despite a significant slowdown of growth, Eurozone economies proved to be more resilient than expected by global institutions.

According to statistics, the Slovenian GDP increased by 5.4 per cent in 2022, similarly to the Eurozone, where the growth resulted primarily from the post-epidemic recovery and reached the highest levels in the first half of the year. The positive growth in the last quarter of the previous year, following a strong economic downturn in the summer months, suggests a certain level of resilience of the economy and the effects of the adopted agreements and measures intended to mitigate the energy crisis as trust indicators and the stabilisation of energy product prices.

In the most important foreign trade partner of Slovenia, Germany, the GDP increased in 2022 by 1.8 per cent which is less than the European average. However, it needs to be emphasised that the repercussions of the war in Ukraine and extreme energy price hikes had a strong impact on the economic conditions in Germany. The German Federal Statistics Office, Destatis, has emphasised that the strong recovery following the lifting of quarantine measures throughout the entire past year overrode the negative effects of the war in Ukraine. The contraction in economic activity was primarily prevented by means of state fiscal aid.

EU Member States have been adopting various measures to mitigate the repercussions of high energy costs and provide sufficient sources of energy. Initially, in response to growing energy product prices during the post-epidemic global recovery, and, subsequently, also due to the changed geo-political conditions and the repercussions of the war in Ukraine. The most frequently financial aid-related measures include reduced taxation of energy prices, transfer to vulnerable groups, grants and liquidity aid to corporations.

	GDP annual growth *in per cent		Unemployment	
	2021	2022	Dec. 2021	Dec. 2022
European Union	5.4	3.5	6.4	6.1
Eurozone	5.3	3.5	7.0	6.7
Germany	2.6	1.8	3.2	3.0
France	6.8	2.6	7.4	7.2
Slovenia	8.2	5.4	4.5	3.4

The fast recovery of the economy following the lifting of the strictest epidemiological measures significantly strengthened the inflation rate in the Eurozone which remained at historically high levels throughout the year as a result of a mixture of the continuation of supply chain issues and escalating geo-political tensions in addition to significantly more expensive energy products.

In December 2022, the annual inflation rate in the Eurozone amounted to 9.2 per cent (in 2021, there had been a 5 per cent inflation) and, in the entire EU, to 10.4 per cent (in the year before, there had been a 5.3 per cent inflation). In December, the annual inflation rate in Slovenia amounted to 10.3 per cent or 5.4 per cent more than in December 2021, when there was a 4.9. per cent deflation rate, according to data provided by the Statistical Office of the RS. The average annual inflation rate in 2022 in Slovenia amounted to 8.8 per cent. In 2021, there was a 1.9 per cent inflation rate on average. Following a significant decrease in energy product prices during the last months of 2022, the inflation rate fell somewhat. However, the basic inflation rate excluding the impact of food and energy product prices remains high. As a result, the ECB has announced further increase rate increases which will serve to further exacerbate borrowing conditions. An increase in credit activity in the Eurozone and Slovenia already slowed down during the last months of the year. The Eurozone monetary policy was exacerbated by the European Central Bank at a historically high pace. The key interest rates were raised for the first time in ten years in July last year. Until 2022, they were raised four times by 2.5 per cent in total.

During the second half of 2022, the increase in employment was stabilised due to the cooling of economic activity and labour shortages. However, the employment rate still achieved a higher level of growth and the unemployment rate was the lowest in the last 30 years - 3.4 per cent at the end of the year. Low unemployment rates at the end of the year were also recorded in other EU Member States, according to Eurostat, it amounted to 3 per cent in Germany (interim reduction of 0.2 per cent), in the EU to 6.1 per cent and in the Eurozone to 6.7 per cent. The interim unemployment rate fell in both zones by 0.3 per cent.

8.1.2 THE AUTOMOTIVE INDUSTRY

Production of motor vehicles in the world

in million vehicles					Growth
	2019	2020	2021	2022	22/21
EVROPA	21.5	16.9	16.3	16.2	-0.7 %
EU27 + Great Britain	18.0	13.8	13.1	13.8	5.1 %
EU14 + Great Britain	13.6	10.2	9.6	10.1	4.8 %
Germany	4.9	3.7	3.3	3.7	11.2 %
Spain	2.8	2.3	2.1	2.2	5.8 %
France	2.2	1.3	1.4	1.4	2.3 %
UK	1.4	1.0	0.9	0.9	-6.0 %
Rest of Europe	3.6	3.1	3.2	2.4	-24.7 %
AMERICAS	20.2	15.7	16.2	17.8	9.7 %
USA	10.9	8.8	9.2	10.1	9.9 %
Mexico	4.0	3.2	3.2	3.5	9.8 %
Brasil	2.9	2.0	2.2	2.4	5.4 %
ASIA AND OCEANIA	49.3	44.3	46.8	50.0	7.0 %
China	25.8	25.2	26.1	27.0	3.4 %
Japan	9.7	8.1	7.8	7.8	-0.0 %
India	4.5	3.4	4.4	5.5	24.0 %
South Korea	4.0	3.5	3.5	3.8	8.5 %
AFRIKA	1.1	0.8	0.9	1.0	12.7 %
TOTAL	92.1	77.7	80.2	85.0	6.0 %

(Source: OICA - International Organization of Motor Vehicle Manufacturers
(Production data include not only cars but also lorries and buses)

According to first available data, published by the OICA (International Organization of Motor Vehicle Manufacturers), whose data include not only cars but also trucks and buses, more than 85 million motor vehicles or 6 per cent more than the year before were manufactured in 2022. However, these levels are yet to achieve the pre-epidemic production levels as still 7.1 million or 7.7 per cent less units were manufactured last year compared to the pre-crisis year of 2019.

The manufacture of motor vehicles on our most important market, Europe, fell by 0.7 per cent in 2022 compared to the year before that. However, there was a strong contrast between the manufacture trend in the European Union and the rest of Europe where it fell by 24.7 per cent. The area including the European Union and Great Britain contributed to a higher manufacture level, reporting a 5.1 per cent growth in 2022. Despite reduced pressures in the supply chain, the semi-conductor shortage remained

the main restrictive factor for the manufacture of cars in Europe in 2022, primarily during the first half of the year. The aforementioned growth was compared to the lower basis of the years before as the manufacture of 13.8 million units in 2022 matched the restriction-affected manufacture levels in 2020. As a result, the manufactured volumes in 2022 were 23.2 per cent lower than those in 2019 prior to the crisis. The collapse of the Ukrainian market as a strong supplier of the automotive industry strongly affected the total manufactured volumes in the European region in 2022 in addition to the withdrawal from the Russian market. As a result, Europe accounted for only 19.1 per cent of all global manufacture levels (a 4.3 per cent lower share than in the pre-crisis year of 2019).

The American manufacture of motor vehicles increased by 9.7 per cent in 2022 compared to the preceding year and amounted to 17.8 million units in total. This growth was primarily driven by the new vehicle demand in USA, the biggest market in the region, which caused a 9.9 per cent increase in production to 10.1 million units. However, this still amounted to 0.8 million fewer units than in the pre-crisis year of 2019.

The lifted restrictions related to the zero tolerance coronavirus policy in China strengthened demand, additionally incentivised by government initiatives, allowing a fast recovery of the production of vehicles in China despite logistics and supply chain pressures. As a result, the manufacture of motor vehicles in China increased by 3.4 per cent to 27 million vehicles, which accounts for 31.8 per cent of the global manufacture which maintains China on the position of the biggest vehicle manufacturer in the world.

Sales of passenger cars in the EU

According to data provided by the European Automobile Manufacturers Association (ACEA), the sales of passenger cars in 2022 fell by 10.4 per cent to 12.8 million units. The main restrictive factor remained on the side of the manufacturers as car manufacturers were unable to manufacture ordered vehicles due to a shortage of important car components. At the same time, the war in Ukraine continued to hamper the Eastern European market marked by high interim decreases in sales in the countries directly involved in the conflict. In 2022, the passenger car sales volume in Ukraine fell by 64.7 per cent and in Russia by 62.7 per cent.

The sales volume of new passenger cars in the European Union fell by 4.6 per cent in 2022, primarily caused by a shortage of built-in components during the first half of the year. A sales reduction trend in the EU was recorded for the third year in a row. Even though signs of improvement were indicated on the market during the second half of the year and an increase in sales, recorded by the ACEA between August and December, the cumulative sold volume in the European Union amounted to a total of 9.3 million units or the lowest volume in the region since 1993 when 9.2 million units had been sold.

Both in the world and on our important market, the European Union, there has been a steady increase in the number of electric cars as many countries actively promote grants or other tax breaks for the purchase of a new cars to both individuals and companies. Most of these grants are intended for the purchase of e-cars. In 2022, the share of new battery-powered electric vehicles sold in the European Union increased to 12.1 per cent (2021: 9.1 per cent). The trend is projected to continue. The share of

sold plug-in hybrids also increased from 8.9 to 9.4 per cent; the share of sold conventional hybrid vehicles increased to a somewhat greater extent - from 19.8 to 22.6 per cent. The latter is positive news for us as, these two car groups, in addition to internal combustion engines, belong to a group of cars whose drive trains require connecting rods - one of the products manufactured by the UNIOR Group. In 2022, the total share of sold new engine-powered cars with connecting rods fell from 90.9 to 87.9 per cent. As a result, the UNIOR Group has been closely monitoring the development trends of the manufacture of connecting rods and actively adjusting its capacities accordingly. The Group seeks to utilise additional capacities at its disposal to retain its market shares and preserve the primary position of the European car steering mechanism part market as these parts are the same for all vehicle drives.

8.1.3 IMPACT OF THE WAR IN UKRAINE ON THE OPERATIONS OF THE UNIOR GROUP AND UNIOR d.d.

The Group has been actively monitoring current developments in the war in Ukraine accompanied by an extremely volatile economic and geo-political environment arising from the still ongoing military conflict since its onset in February 2022. At the beginning of the conflict, two assessed operating scenarios were drawn up for the 2022 on the UNIOR Group. These were described in detail in the 2021 UNIOR Group and UNIOR d.d. Annual Report, published on 22 April 2022, and the Non-audited interim report for January-March 2022 for the UNIOR Group and UNIOR d.d., published on 31 May 2022. The 'best-case' and 'worst-case' scenarios included assessed sales volumes of Group companies and projected trends of two of our main cost groups which have a significant effect on the operations of the Group together with labour costs. The drawn-up action plans of the foreseen measures stayed only on paper and their implementation was not required given the smooth operations within the planned operating activities of both the UNIOR Group and UNIOR d.d. in 2022. The disclosure related to the impact on our operations in the first nine months of 2022 and an assessed impact until the end of 2022 were written down in the published nine-month operating report, namely in Section 8: Impacts on the operations of the UNIOR Group and UNIOR d.d., published on 30 November 2022.

Pursuing a proactive approach to tackling challenges in 2022 in both the UNIOR Group and UNIOR d.d., a significant indirect impact on procurement related to increased pressures on price hikes of raw materials and their challenging delivery was identified. However, we were able to manage costs on acceptable levels or mitigated them by means of an adjusted sales strategy in addition to obtaining and preserving sufficient inventories in a timely manner. For more information, please refer to Section 8.4 of the Annual Report.

Historically high volatilities and record prices of energy products, primarily of natural gas and electricity in August 2022, when some energy-intensive industries brought their operations to a complete halt, no significant direct impact was identified in the UNIOR Group on account of having procured the majority of our main energy products in 2022 or this impact remained within expected values and in line with significantly changed market conditions whereby an energy price stabilisation and reduction was identified towards the end of 2022. In spite of the above, we actively implemented an investment project during 2022 which created an alternative to dependence on natural gas of a technologically significant

process in our hand tools production activity by facilitating the shift to liquefied petrol gas or extra light heating oil which, in terms of energy supply, facilitate local storage and thus continuous production process opportunities. An energy product can be changed in the technological process in the event of an unstable or disrupted supply of natural gas which continues to remain the primary energy product of the aforementioned process - also on account of a smaller carbon footprint.

The UNIOR Group has a commercial company in Russia for the sales of hand tools that the UNIOR d.d. parent company sold EUR 1.2 million worth of products or 9.8 per cent or EUR 103 thousand more than 2021, whereby the sold product volumes in 2022 were 4 per cent lower than in 2021. The aforementioned sales volume accounted for 2.4 per cent of sold hand tools in 2022 (in the year before that, it accounted for 2.7 per cent thereof) and only for 0.5 per cent of the total sales volume of the parent company (0.6 per cent the year before that). Revenue from sales of our commercial company in Russia does not account for a significant share which would significantly impact the operations of the parent company.

During active hostilities, the operations of the company in Russia was rendered more difficult. However, no fall in sales in the subsidiary was identified at the end of the year, as its sales volume increased by 26.9 per cent in 2022 compared to the comparable period the year before that and, in part, arises from higher sales prices attained by the subsidiary. It has been estimated that there is currently no significant doubt regarding the ability of the subsidiary to continue its operations as a going concern. There are neither no changes in facts and concerns that we would know of that would significantly restrict our ability to enforce our rights and governance provisions related to the subsidiary. All deliveries of hand tools to Russia are diligently reviewed from all aspects of the restrictive measures imposed by the European Union on Russia in relation to Ukraine and are only carried out subject to prior payments. In 2022, the monetary authority initiated its proceedings reviewing the operations of the parent company in relation to its Russian subsidiary. After the review was completed, the conclusion of the report reads that no irregularities were established during the review of compliance with the provisions of legislation related to dual-use and that no irregularities were established during the review of compliance with the provisions of legislation related to the restrictive measures on account of the conduct of Russia causing destabilising conditions in Ukraine. The latter served to confirm our compliance with the aforementioned restrictive measures as part of the adopted sanctions and directives.

The war in Ukraine also indirectly impacted the UNIOR Group through the suspension of the sales proceedings for the sales of the UNITUR d.o.o. subsidiary, as UNIOR d.d., on 11/4/2022, announced that the sales proceedings for the sales of the 100 per cent ownership share in its UNITUR d.o.o. subsidiary were suspended. Given the duration of a period of uncertainty in tourism initially caused by the COVID-19 pandemic and subsequently additionally deepened by the changed economic conditions caused by the war in Ukraine, new and unforeseen uncertainties which have a significant impact on attaining the appropriate price for a 100 per cent ownership share in UNITUR d.o.o. arose. The launch of any new sales proceedings will be deliberated on in the future when the precarious situation passes and when normal and continuous operations can be foreseen and relied on. For more information, please refer to Section 4 of the 2022 Annual Report.

The long-term direct repercussions of future developments on the future operations of the parent company and the Group are difficult to assess in an objective manner. As a result, the sales and procurement and risk management strategies are continuously updated based on the operations of the previous years, our observations and received feedback from the market. Whenever needed, additional measures are proactively adopted to reduce relevant risks. In terms of cyber security, the Group did not identify any increased risks in 2022. Information support and business processes continued to operate smoothly. The risk related to the war in Ukraine are described in further detail in Section 7.8 of the Annual Report.

In the event of an additional escalation of the conflict in the future with direct or stronger indirect impacts on a reduced order intake or any other abrupt anomalies on the market in relation to additional cost increases, all Group companies shall have to formulate sales prices in collaboration with the customers which shall encompass an agreed share of the additionally increased input costs. The Group has been proactively monitoring developments, allowing it to adjust its operations to new conditions in the event of any changes to the conditions which could heavily negatively impact the operations of the Group.

8.2 SALES

8.2.1 SALES OF THE UNIOR GROUP

In 2022, the UNIOR Group generated EUR 287.7 million in revenue from sales or 20 per cent or EUR 48 million more than the year before, whereby a higher revenue from sales was generated by all Group activities.

The production activity of forgings which is an important supplier of the automotive industry in 2022 had to prove its resilience and industriousness in the face of a series of unforeseen challenges through strategic decisions which turned out to have been correct at the end of the financial year. An unexpected military escalation in Ukraine disrupted supply chains, resulting in temporary shutdowns of production lines of several car manufacturers in the European Union. In the face of stark global energy product conditions, extended delivery periods of important input raw materials and inflation pressures, the year was spent in a continuous series of negotiations with both our suppliers, which had, similarly to us, found themselves in the grip of exceptional high operating costs, and our customers, which initially found it hard to accept the unavoidable increase of prices. Despite several unforeseen challenges, the forgings production activity was able to generate a 20.8 per cent or EUR 31.5 million increase in sales compared to the year before by adopting an appropriate pricing policy in 2022.

Following a successful 2021 financial year, the hand tools programme production was able to enter 2022 with a high order intake. Despite unforeseen economic challenges, the year passed with production capacities utilised to the maximum. The latter exceeded the 2019 pre-epidemic year by 8.9 per cent or by 104 thousand more items of produced and sold products. The war in Ukraine which caused unforeseen pressures on its operations as it contributed to significantly higher input costs and sales network disruptions on some markets brought about unforeseen operating challenges. The

programme also faced additional challenges related to global logistics, availability, and timely deliveries. Operating costs of the activity increased significantly. Above all, they were hard to predict. Nevertheless, successful negotiations and an appropriate pricing policy allowed us to manage them properly. The resulting growth in revenue from sales amounting to 14.8 per cent or EUR 6.7 million resulted from a successful sales strategy and adopted strategic guidelines of activities which, in addition to increasing its productivity, was able to keep increasing its market shares in niche or special-purpose hand tools programmes in the interim period.

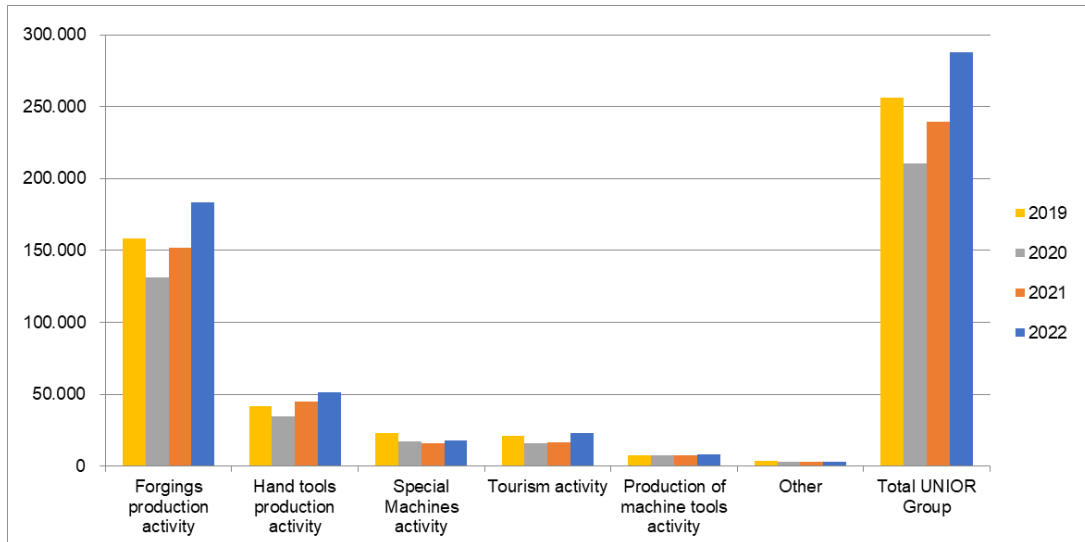
In the special machines activity, sales were EUR 1.8 million or 11.4 per cent higher in 2022 than the year before. The activity generated the highest sales volume in the last three years which, however, still did not reach the record 2019 pre-corona levels. On account of the delays in obtaining new projects caused by the epidemic, the feelings of uncertainty of customers when ordering new capital goods were extended in 2022 also by the unforeseen war in Ukraine and the related energy crisis which rendered the operation of the activity by exploiting its full production capacities difficult. Strategic guidelines of the activity in 2022 facilitated the adjustment to new market challenges which significantly improved the operating result in terms of operating volume in 2022 compared to the previous year, bringing the activity closer to the set and planned sales values. The successful adjustment of operations to current market conditions and investment trends was indicated in 2022 by an increased sales volume of machines used for electric mobility and the truck manufacturing industry. Engineering also increased.

The post-epidemic recovery was significantly positively reflected in the operations of the tourism activity of the Group as it recorded a 41.6 per cent or EUR 6.8 million increase in revenue from sales in 2022 which exceeded not only the planned value but also the sales volume in the pre-epidemic 2019. A reduction in sales of tourism services to foreign guests directly or indirectly affected by the war in Ukraine or the related energy crisis was compensated for by the demand of guests from the nearby geographic region. The impact of significantly increased operating costs was successfully managed by the tourism activity by means of an appropriate pricing policy which did not facilitate only a fast beginning of the ski season in December but also the generation of a positive operating result of the activity in 2022.

In the production of machine tools activity, sales increased by 8.2 per cent compared to the previous year which was the highest in its history. One of the causes of higher sales was not only the successful enforcement of higher sales prices but also the post-epidemic economic recovery as the restrictive measures during the epidemic had led to a reduction in order intake from the aviation industry which is one of the customers of the activity.

REVENUE FROM SALES OF THE UNIOR GROUP BY ACTIVITY

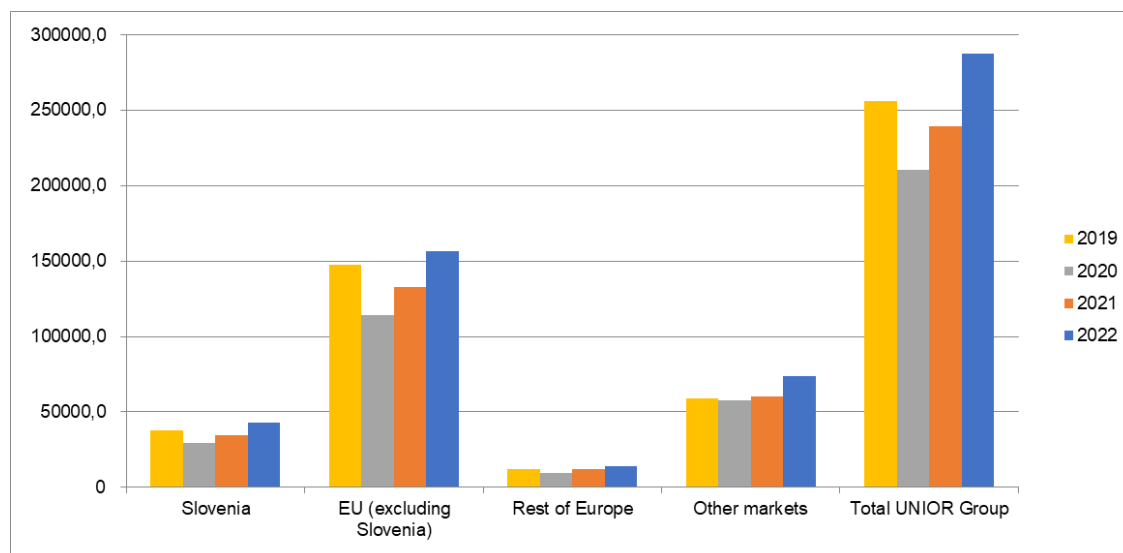
(in thousand EUR)	2022	2021	2020	2019
Forgings production activity	183,181	151,694	131,310	158,056
Hand tools production activity	51,657	45,006	34,734	42,005
Special Machines activity	17,996	16,154	17,045	23,205
Tourism activity	23,139	16,346	16,212	21,081
Production of machine tools activity	8,412	7,773	7,840	7,832
Other	3,268	2,726	3,099	3,815
Total UNIOR Group	287,653	239,699	210,240	255,994



The EU market plays the most important role in the operations of the UNIOR Group where it generated EUR 156.5 million in sales or a 54.4 per cent share in the sales structure. In 2022, sales on the EU market rose by 17.7 per cent. In Slovenia, the sales volume amounted to EUR 43 million, rising by 24.4 per cent, also on account of higher revenue generated by the tourism activity. Slovenia and the rest of the EU account for a 69.4 per cent share in sales of the UNIOR Group which is similar to the previous year when they had accounted for 69.9 per cent. On remaining European markets which represent a 5 per cent share, sales rose by 20.1 per cent to EUR 14.2 million. The sales volume on other, non-European, markets rose by 22.6 per cent compared to the previous year, amounting to EUR 73.9 million or a 25.7 per cent share in the sales of the UNIOR Group.

Revenue from sales of the UNIOR Group by market

(in thousand EUR)	2022	2021	2020	2019
Slovenia	42,982	34,546	29,407	37,917
EU (excluding Slovenia)	156,509	133,004	113,878	147,679
Rest of Europe	14,246	11,859	9,552	11,731
Other markets	73,916	60,290	57,403	58,667
Total UNIOR Group	287,653	239,699	210,240	255,994

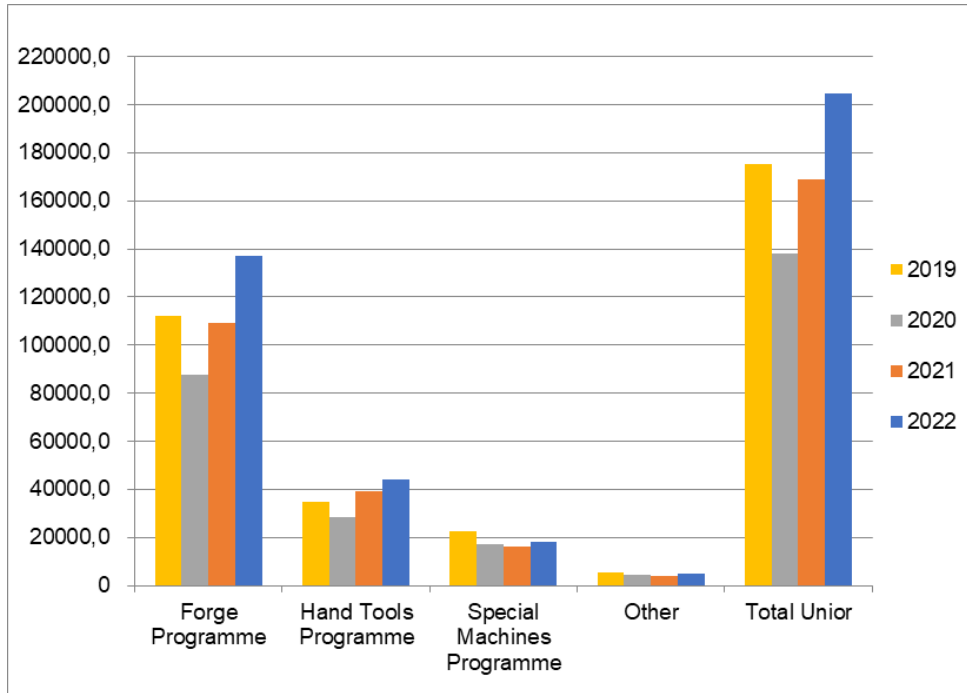


8.2.2 SALES OF UNIOR d.d.

In 2022, revenue from sales generated by UNIOR d.d. amounted to EUR 204.6 million or 21.1 per cent or EUR 35.6 million more than the year before. All activities of the Group generated higher revenue from sales than the year before. Revenue from sales of the Forge Programme exceeded sales from the year before by 25.5 per cent or EUR 27.9 million, thus exceeding the revenue generated thereby in 2019 or the year prior to the outbreak of the epidemic and crisis in the automotive industry, caused by the supply chain of components required to manufacture new cars. The Hand Tools Programme exceeded its revenue from sales from 2021, which had been an exceptional year for all segments, but primarily for the special-purpose programmes of Hand Tools, by EUR 5.1 million which accounts for a 13 per cent growth. With its EUR 18.1 million in revenue from sales, the Sales Machines Programme also exceeded the revenue generated thereby in the year before by 10.1 per cent or EUR 1.7 million, thus generated the highest revenue from sales in the past three years.

Revenue from sales by programme

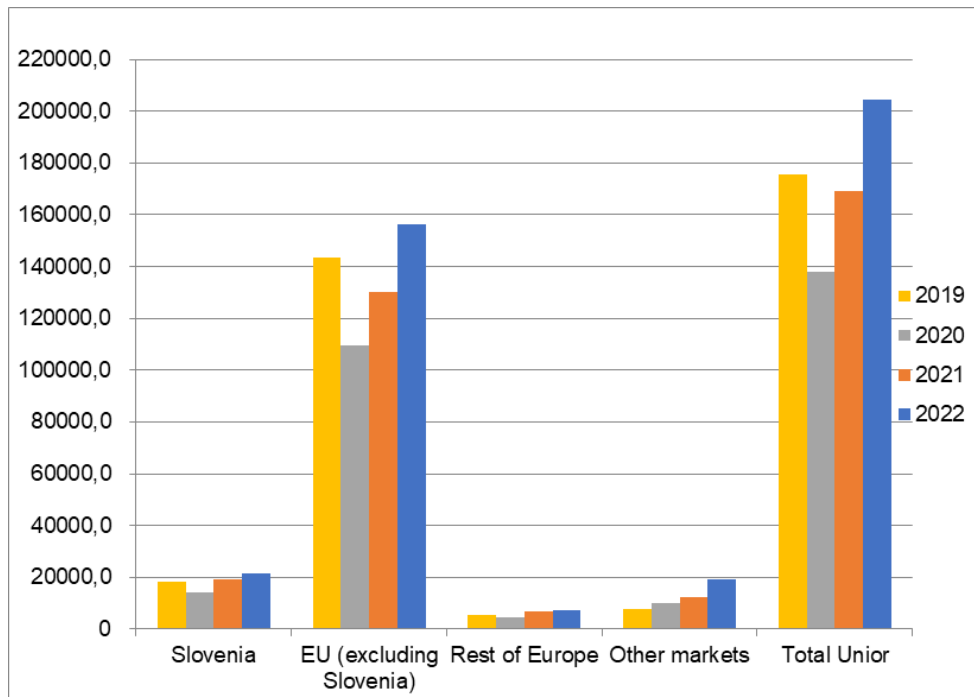
(in thousand EUR)	2022	2021	2020	2019
Forge Programme	137,110	109,208	87,821	112,128
Hand Tools Programme	44,204	39,102	28,244	34,837
Special Machines Program	18,095	16,431	17,441	22,751
Other	5,148	4,234	4,548	5,620
Total Unior	204,557	168,975	138,055	175,336



European markets represent a 90.5 per cent share in our structure and are the most important for the operations of UNIOR d.d. The sales volume in European markets rose by 18.3 per cent. Growth of 10.5 per cent was experienced in Slovenia and 20 per cent growth in EU markets excluding Slovenia. Other markets represent 9.5 per cent of our generated revenue. Our sales volume thereon rose by 55.2 per cent.

Revenue from sales by market

(in thousand EUR)	2022	2021	2020	2019
Slovenia	21,477	19,431	14,211	18,355
EU (excluding Slovenia)	156,412	130,366	109,550	143,489
Rest of Europe	7,298	6,695	4,345	5,601
Other markets	19,370	12,482	9,949	7,892
Total Unior	204,557	168,975	138,055	175,336



8.3 PRODUCTION AND SERVICES

8.3.1 PRODUCTION AND SERVICES OF THE UNIOR GROUP

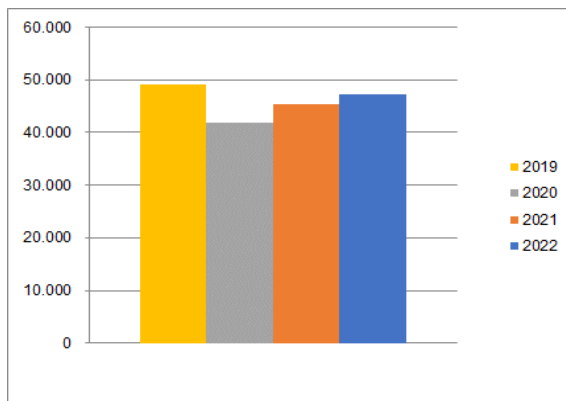
The UNIOR Group produces forgings in its forges in Zreče and Vitanje, Slovenia, in Vinkovci, Croatia, and Yuyau, China. Forgings are machined in Slovenske Konjice in Slovenia. Hand tools are produced at four locations in Slovenia, namely in Zreče, Vitanje, Lenart and Stari trg ob Kolpi. Foreign Group companies are only in charge of their sales. Special Machines takes place in Zreče, Slovenia, whereas machine tools are produced in Kragujevac, Serbia. The Tourism activity is carried out only in Slovenia and includes the Terme Zreče spa in Zreče and the Rogla ski resort.

The increased sales volume in 2022 also resulted in a higher production volume of forgings and hand tools in the UNIOR Group compared to 2021. The UNIOR Group produced 47,189 tons of forgings or 4 per cent or 1,831 tons more than during the preceding year, despite a lower produced quantity in terms of items by 1.2 per cent or 1.2 million compared to 2021. The Hand Tools Programme produced 5.5 million pieces of hand tools or 1.9 per cent more than in the year before, whereas production in terms of product weight amounted to 3,588 tons or 3.7 per cent more than in 2021. The number of completed hours in 2022 in the Special Machines Programme and the machine tool production (where production is measured thereby) fell by 0.6 per cent compared to the year before. The post-epidemic optimism was indicated in 2022 in the tourism activity of the UNIOR Group which attained 28.7 per cent more overnight stays compared to 2021.

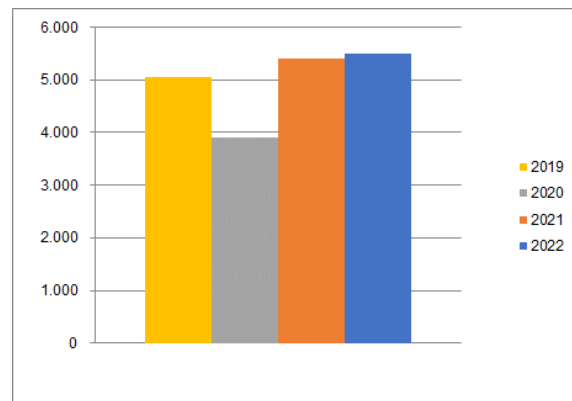
Production and services in the UNIOR Group by activity

	2022	2021	2020	2019
Production of forgings (in tons)	47,189	45,358	41,981	49,190
Production of forgings (in thousand units)	95,438	96,595	88,754	103,907
Production of hand tools (in tons)	3,588	3,460	2,262	2,798
Production of hand tools (in thousand units)	5,499	5,395	3,904	5,048
Special Machines and machine tools (worked hours)	368,641	370,889	400,893	437,984
Total overnight stays in Tourism	184,125	143,113	159,554	201,722

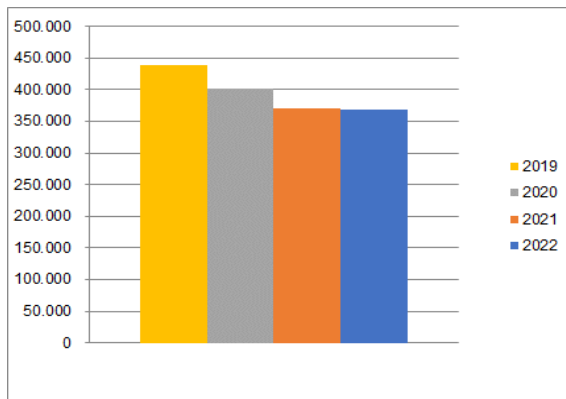
Forge Programme Production



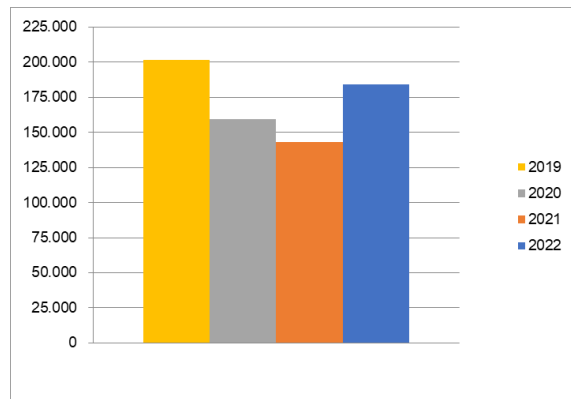
Hand Tools Programme Production



Special Machines and production of machine tools



Total overnight stays in Tourism



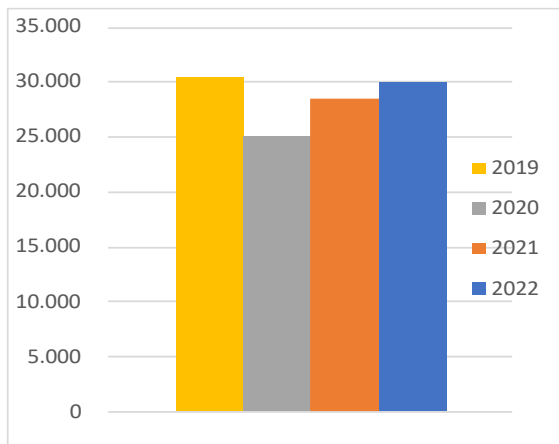
8.3.2 PRODUCTION AND SERVICES OF UNIOR d.d.

The increased sales volume in 2022 also led to an increased production volume compared to 2021. In 2022, the Forge Programme manufactured 5 per cent or 1,418 more tonnes of forgings, the growth of production in terms of pieces was lower, namely by 4.2 per cent or 2.9 million pieces, meaning that heavier forgings were produced on average. The Hand Tools Programme produced 3.7 per cent more than in the year before in tons. In terms of pieces, production rose by 1.9 per cent. The number of completed hours in 2022 in the Special Machines Programme (where production is measured thereby) also increased by 0.6 per cent compared to the year before given its higher sales.

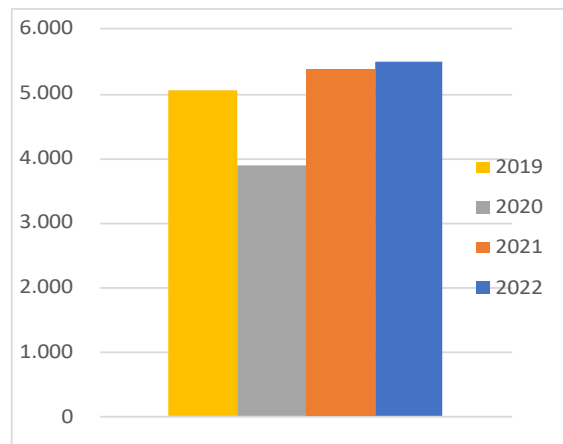
Production and services by programme

	2022	2021	2020	2019
Forgings (in tons)	29,928	28,510	25,160	30,486
Forgings (in thousand units)	66,763	69,703	60,169	73,988
Hand Tools (in tons)	3,588	3,460	2,262	2,798
Hand Tools (in thousand units)	5,499	5,395	3,904	5,048
Special Machines (hours worked)	175,250	174,190	201,430	216,887

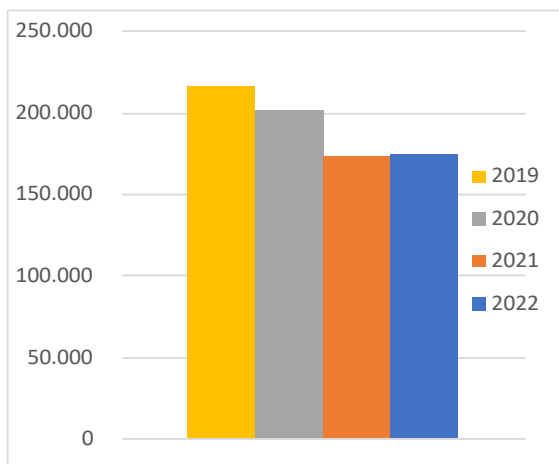
Forge Programme production



Hand Tools production



Special Machines Programme production



8.4 PROCUREMENT

8.4.1 PROCUREMENT OF THE UNIOR GROUP

In 2022, procurement flows in the Group moved as expected. The increasing effect of the conjuncture on the global economy began to establish relatively normal conditions on the procurement markets. Growing production and consumption led to increased pressure on the suppliers who reacted to the given situation by extending delivery periods and rising their prices. The same trend continued until the beginning of Q4, when the consumption of certain raw materials in certain segments and markets fell, alleviating the pressure to extend delivery periods and rising prices.

The previous year was marked primarily by significant price increases of electricity and natural gas. The heavily positive oscillation did not stabilise until the end of 2022. This resulted in a direct response of certain suppliers where energy accounts for a major share in their products. This led to new price hike requirements at a time when the majority of negotiations with key customers of our steel and sheet metal products had already been concluded. As a result, we were forced to undergo another round of negotiations with our customers during the second half of 2022.

8.4.2 PROCUREMENT IN UNIOR d.d.

STEEL

The supply of steel was highly specific in 2022. Overdraft limit issues were experienced with some suppliers. All suppliers increased the basic price of steel and added an energy surcharge. Some suppliers had difficulties filling our orders which is ascribed to the starker energy product conditions and the resulting liquidity-related challenges. Annual volumes were agreed and deliveries were coordinated on a monthly basis. On account of increasingly higher prices of steel waste and scrap surcharges, prices increased on a monthly basis until the summer. When the surcharges began to fall, suppliers began to charge an energy surcharge which varies from supplier to supplier and is also charge at different intervals (monthly, quarterly). On account of higher basic prices and higher scrap and scrap metal surcharges in addition to the introduction of an energy surcharge, the price of steel increased by 28 per cent in 2022 compared to 2021. In 2022, the average value of scrap and scrap metal surcharges amounted to EUR 538/tonne or 25 per cent more than in 2021. At the same time, the energy surcharge varied between a few tens Euros/tonne and as much as EUR 400/tonne. The average price of the energy surcharge in 2022 amounted to EUR 97/tonne. In 2022, UNIOR procured 52,375 tons or 1 per cent more processing steel than in 2021.

STEEL POWDER

In 2022, 524 tonnes or 15 per cent less steel powder were procured than in the year before that. Its average price in 2022 was 19 per cent higher than in 2021. The increase is due to higher basic prices,

scrap and scrap metal surcharges and the energy surcharge during Q2 of the year. The price is also dependent on the ordered steel powder assortment.

OTHER (SLEEVES, ALUMINIUM, COPPER SHEET METAL, GREY IRON CASTINGS, NON-FERROUS METALS)

In 2022, 32 tons of products from various non-ferrous metals were procured. Aluminium accounts for the majority of procurement (25.6 tonnes). A comparison between 2021 and 2022 in real terms is not possible as a diverse array of materials and prices not repeated throughout the years are identified.

SHEET METAL

Rising material prices and limited capacities of deliverable materials were faced in the spring months of 2022 after the onset of the war in Ukraine. We were able to obtain sufficient quantities of materials as required by production. In the meantime, prices increased heavily and peaked in the summer months when the price of cold-rolled sheet metal amounted to EUR 1,800/tonne. After the stabilisation of the market, a heavy fall of prices was foreseen and was ultimately realised. Prices reached a stable and reasonable level (EUR 1,000/tonne of cold-rolled sheet metal) again in November. The consumption of sheet metal in 2022 amounted to 1,080 tonnes or 15 per cent less than in 2021. No major sheet metal supply issues are expected in 2023.

SANDING MATERIALS

No major sanding material supply issues were identified in 2022. Some delivery periods were extended on account of busy production lines and a shortage of corundum. Our sanding material consumption levels increased by 15 per cent in 2022 compared to 2021. The impact of the price amounted to 13.5 per cent in 2022. The majority of the price impact is accounted for by sanding powder. We were able to maintain the basic sanding powder price on the same level. The iron and energy surcharges, however, increased considerably. All in all, this has resulted in a total growth of the price of steel sanding powder.

CUTTING TOOLS

In terms of value and volume, the consumption of cutting tools in 2022 rose by 24 per cent compared to the previous year of 2021, consistent with increased production. Consignment agreements have been concluded with most suppliers for our cutting tools, allowing for continuous supply of these materials and an optimum cost burden. In this procurement category, price increases were exceptionally low in 2022 compared to other procurement categories. Prices increased by 2.3 per cent on average.

CONSUMABLES

The consumption level of consumables in 2022 increased in terms of value and decreased in terms of volume compared to the previous year of 2021. In terms of prices, an average 5 per cent rise was

identified in 2022 compared to 2021. Undisrupted deliveries proved the most challenging. This was caused by continuously extended delivery periods of up to one year by some suppliers and daily prices.

CHEMICAL PRODUCTS

Compared to 2021, the procurement of chemical products in 2022 also proved challenging in many ways. The provision of timely required quantities of oils, lubricants, chemicals required for galvanising purposes, technical gases and some other chemical products proved to be the most challenging. This was caused by the onset of the war in Ukraine. This led to daily prices in this procurement category and prices proved pretty much non-negotiable. We thus agreed on procuring 3-monthly or even larger quantities with agreed successive deliveries to ensure price management. That allowed us to ensure quarterly stable prices and primarily the required quantities of individual materials as needed by production. In 2022, a little less than 2 per cent less was procured in terms of quantity compared to 2021. As a result of the pricing situation on the market, a 27 per cent price increase compared to 2021 was recorded.

8.5 PERFORMANCE

8.5.1 PERFORMANCE OF THE UNIOR GROUP

The profitability of the UNIOR Group found itself under immense pressure in 2022 due to increased energy product, material, service, and labour costs. This way, Group companies experienced a part of the indirect impacts of the war in Ukraine that they had no direct control over. Through the proactive management of risks and the carried-out measures in 2022, the UNIOR Group generated EUR 10.2 million in net profit or 7.7 per cent or EUR 859 thousand less than in 2021. The sales of a 49 per cent share in the UNIOR Tepid associate in Romania resulted in a EUR 1.1 million negative effect as a result of valuation under the equity method on the UNIOR Group level. The UNIOR Group received EUR 146 thousand in government grants to mitigate the effects of the pandemic in 2022 and EUR 3.5 million EUR in 2021, of which EUR 3.1 million by the Group's tourism activity.

In 2022, the EBIT (Earnings Before Interest and Taxes) of the UNIOR Group amounted to EUR 10.1 million or EUR 365 thousand or 3.5 per cent less than the preceding year. The EBITDA (Earnings Before Interest, Taxes, Depreciation, and Amortization) amounted to EUR 28.3 million or EUR 525 thousand or 1.8 per cent less than in 2021.

Sales and profitability of the UNIOR Group

(in thousand EUR)	2022	2021	2020	2019
Revenue from sales	287,653	239,699	210,240	255,994
Operating costs	(288,715)	(241,345)	(219,043)	(246,531)
EBIT *	10,120	10,486	1,128	15,557
EBITDA *	28,267	28,792	23,931	31,974
Earnings before interest and taxes	10,619	11,260	(3,077)	12,651
Net profit or loss	10,232	11,091	(2,196)	10,433

* The indicators are defined as alternative benchmarks. Their definitions are provided in Section 8.14 of the 2022 Annual Report.

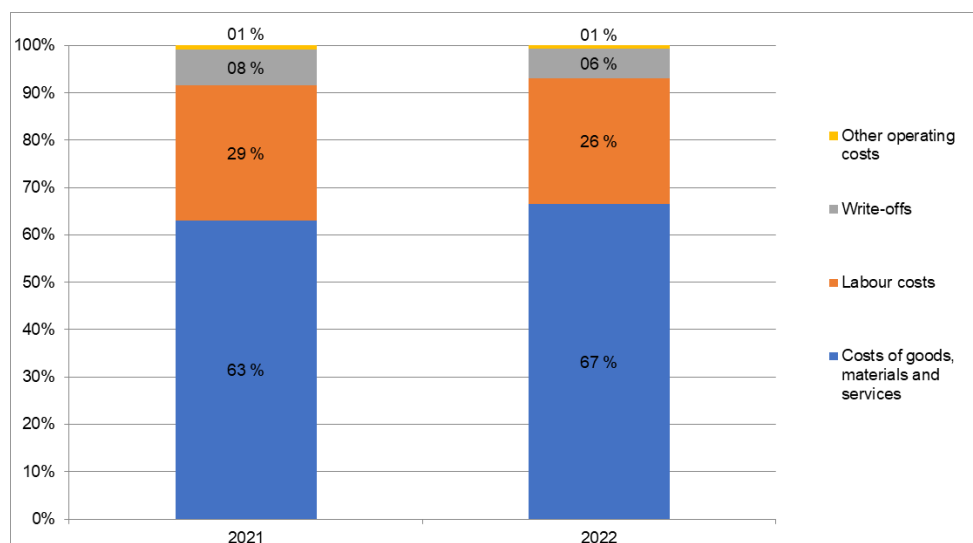
In the face of extraordinary global events, in 2022 the UNIOR Group was able to honour its obligations towards its employees, business partners and banks for the third year in a row. All commitments made to banks as specified in the Syndicated Credit Agreement of December 2016, were honoured by the company even in 2022.

OPERATING EXPENSES STRUCTURE OF THE UNIOR GROUP

Operating expenses of the UNIOR Group rose in 2022 by 19.6 per cent. An increase in operating expenses was identified throughout the entire financial year. Extreme pressure exercised on material, energy product, and service prices in the UNIOR Group was identified in all associates. They primarily arose from the energy crisis or the subsequent crisis related to the war in Ukraine which resulted in additional breaks in the supply chain. As a result, compared to 2021, costs of goods, materials and services rose by 26.5 per cent and by more than operating revenue in 2022. An increase in procurement prices of steel, sheet metal, and some energy products affected such a higher level of growth. Compared to 2021, labour costs rose by 10.5 per cent, partially as a result of the increase of the minimum wage as mandated by law in some countries where UNIOR Group companies operate, but primarily on account of annual wage adjustments or promotions of employees aimed at recruiting and retaining high-quality and suitably qualified talent. Write-offs which include depreciation and operating expenses from evaluation fell by 0.9 per cent in 2022, due to lower value adjustments of inventories and receivables. Other operating expenses, which account for only a small share in the operating expenses structure, rose by 0.9 per cent compared to 2021.

Operating expenses structure in the UNIOR Group

(in thousand EUR)	2022	2021
Costs of goods, materials and services	(192,467)	(152,184)
Labour costs	(76,116)	(68,888)
Write-offs	(18,147)	(18,307)
Other operating costs	(1,984)	(1,966)
Total operating expenses	(288,715)	(241,345)



Compared to the previous year, the structure of expenses was changed due to the above; namely, costs of goods, materials and service rose by 3.5 per cent, whereas labour costs fell by 2.1 per cent, write-offs fell by 1.3 per cent and operating costs fell by 0.1 per cent.

PRODUCTIVITY OF THE UNIOR GROUP

(in EUR)	2022	2021	2020	2019
Gross output per employee*	112,049	93,271	77,744	87,334
Gross added value per employee*	39,139	36,178	32,197	34,621

* The indicators are defined as alternative benchmarks. Their definitions are provided in Section 8.14 of the 2022 Annual Report.

Productivity in the UNIOR Group is measured by gross operating profit by employee which rose by 20.1 per cent compared to 2021 and amounted to EUR 112 thousand per employee. The other indicator, gross added value per employee, rose by 8.2 per cent compared to the year before and amounted to EUR 39.1 thousand per employee. Higher productivity indicators are a reflection of an almost 18.7 per cent increase in the gross output and a 1.2 per cent decline in the number of employees in terms of hours worked.

8.5.2 PERFORMANCE OF UNIOR d.d.

In 2022, UNIOR d.d. generated a net result of EUR 5.1 million which is EUR 2.3 million or 84.8 per cent more than compared to the previous year of 2021 when a net positive result of EUR 2.7 million had been generated. The generated net profit includes EUR 1.7 million in positive effects resulting from the 49 per cent share in the UNIOR Tepid associate in Romania in June. Profitability continued to be under pressure of the COVID-19 epidemic in 2022, reflected primarily in higher absence levels of employees in the first months of 2021, the war in Ukraine and the unforeseen high prices of energy products, materials, and services. Despite all environmental effects we had no direct control over, the Group was able to preserve a net positive operating result and even improve it compared to 2021.

Our operating result improved by EUR 0.8 million – in 2022, EUR 3.7 million in operating profit was generated, compared to EUR 2.9 million in operating profit in 2021. The EBITDA generated in 2022 amounts to EUR 12.9 million, exceeding the EBITDA generated during the year before by EUR 0.3 million.

Sales volume and profitability of UNIOR d.d.

(in thousand EUR)	2022	2021	2020	2019
Revenue from sales	204,557	168,975	138,055	175,336
Operating costs	(210,084)	(172,135)	(152,768)	(175,099)
EBIT *	3,731	2,943	(7,403)	7,526
EBITDA *	12,915	12,663	7,148	15,859
Earnings before interest and tax	4,867	2,129	(10,302)	6,774
Net profit or loss	5,075	2,746	(7,959)	6,124

* The indicators are defined as alternative benchmarks. Their definitions are provided in Section 8.14 of the 2022 Annual Report.

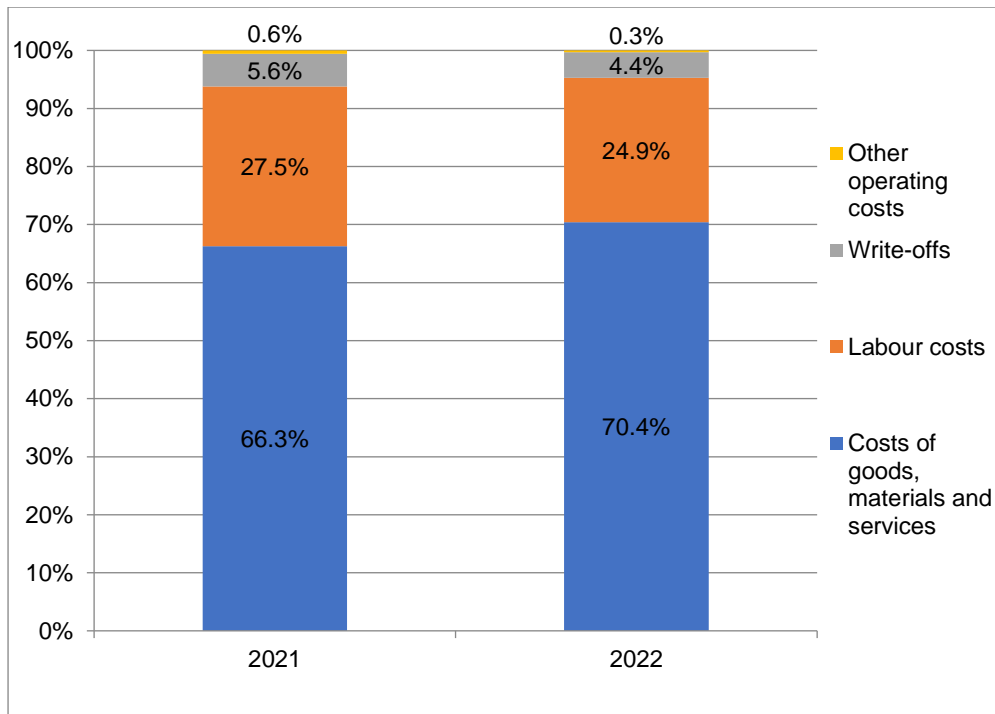
In the year still marked by the global epidemic and the intensifying war in Ukraine including all its repercussions (supply chain issues, energy crisis), the most important objective of the company remained to protect its cash flow and ensure continuous liquidity with an emphasis on fulfilling its obligations towards its employees, business partners and banks. All commitments made to banks as specified in the Syndicated Credit Agreement of December 2016, were honoured by the company without any derogations even in 2022 when the situation proved to be far from normal.

OPERATING EXPENSES STRUCTURE

The increase in costs is the result of extreme pressures on the prices of raw materials and materials and energy products throughout the entire year, which we primarily caused by the war in Ukraine and the consequently related disrupted supply chain. Compared to 2021, costs of goods, materials and services rose by 29.5 per cent. Compared to 2022, labour costs rose by 10.4 per cent. The following impacted higher labour costs: the statutory increase of the minimum wage and adjustment of wages (basic requirements of a job as an element of the basic wage) in compliance with the tariff annex to the Collective agreement for the metal products and foundry industry of Slovenia of 1/1/2022 and the resulting numerous individual promotions of the remaining employees in order to both preserve the salary progression and to retain high-quality and professional HR and a general raise of wages by 3 per cent as of 1/4/2022. Write-offs which include depreciation and operating expenses from revaluation fell by 5.5 per cent, primarily on account of lower operating expenses from revaluation. Other operating expenses fell by 13.9 per cent but these account for the smallest proportion of the operating expenses structure.

Operating expenses structure

(in thousand EUR)	2022	2021
Costs of goods, materials and services	(147,896)	(114,208)
Labour costs	(52,299)	(47,387)
Write-offs	(9,184)	(9,720)
Other operating costs	(706)	(820)
Total operating expenses	(210,084)	(172,135)



Compared to the previous year, the structure of expenses was changed due to the above; namely, costs of goods, materials and service rose by 4.1 per cent, whereas labour costs fell by 2.6 per cent, write-offs fell by 1.2 per cent, and other operating costs fell by 0.3 per cent.

PRODUCTIVITY

(in EUR)	2022	2021	2020	2019
Gross output per employee*	138,482	109,974	86,785	104,001
Gross added value per employee*	42,237	37,720	32,195	37,337

* The indicators are defined as alternative benchmarks. Their definitions are provided in Section 8.14 of the 2022 Annual Report.

Productivity in the company is measured by gross operating profit by employee which rose by 25.9 per cent compared to 2021. The other indicator, gross added value per employee, also rose by 12 per cent compared to the year before. Both indicators reached historically maximum levels.

8.6 PERFORMANCE INDICATORS OF THE UNIOR GROUP AND UNIOR d.d.

	UNIOR Group		UNIOR d.d.	
	2022	2021	2022	2021
Equity financing rate*	0.484	0.482	0.416	0.399
Long-term financing rate*	0.571	0.733	0.484	0.690
Operating fixed assets rate*	0.477	0.504	0.378	0.394
Long-term assets rate*	0.536	0.566	0.511	0.535
Equity to operating fixed assets*	1.015	0.956	1.101	1.013
Indirect short-term liabilities coverage ratio - acid test ratio*	0.139	0.113	0.026	0.026
Progressive short-term liabilities coverage ratio - liabilities - quick ratio*	0.449	0.639	0.255	0.453
Short-term liabilities coverage ratio - liabilities - current ratio*	1.040	1.561	0.894	1.415
Operating efficiency ratio*	1.035	1.043	1.018	1.017
Net return on equity*	0.058	0.068	0.054	0.030
Dividend to share capital*	0.000	0.000	0,000	0,000

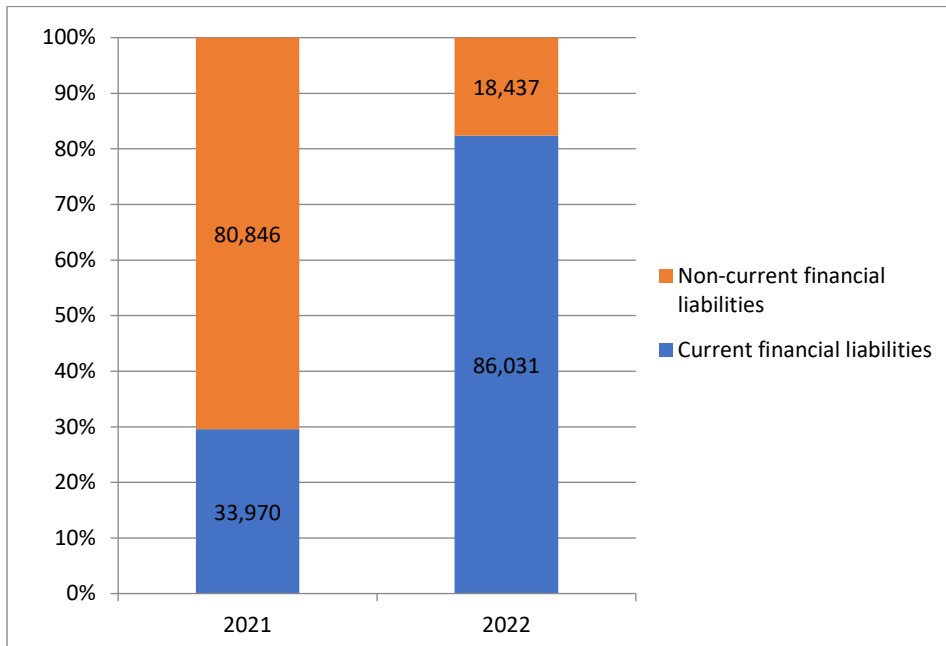
* The indicators are defined as alternative benchmarks. Their definitions are provided in Section 8.14 of the 2022 Annual Report.

8.7 FINANCIAL SITUATION

8.7.1 FINANCIAL SITUATION OF THE UNIOR GROUP

At the end of 2022, total assets of the UNIOR Group amounted to EUR 381.1 million, rising by EUR 15.5 million or 4.2 per cent during the 2022 calendar year. Non-current assets amounted to EUR 211 million or EUR 2.4 million more than at the end of the preceding year. Intangible assets fell by EUR 1.3 million, property, plant and equipment by EUR 1.1 million, both an account of depreciation which exceeded the value of new investments. Investment property fell by EUR 31 thousand due to fair value changes. Non-current investments fell by EUR 276 thousand, resulting from the sales of the 49 per cent ownership share in the UNIOR Tepid associate in Romania and the valuation of associates using the equity method. Deferred tax assets rose by EUR 351 thousand to EUR 6.8 million. On the other hand, non-current operating receivables fell by eight thousand euros. At the end of 2022, current assets amounted to EUR 170.1 million, rising by EUR 17.9 million or 11.8 per cent compared to the end of the year before. The inventory status rose by EUR 9.9 million compared to the year before. All types of inventory were increased. An increase in inventory is a result of an increase in procurement prices of materials and raw materials and an increased production in 2022. Current investments fell by EUR 3.2 million due to lower deposits held with banks. Current operating receivables fell by EUR 457 thousand primarily due to lower current trade receivables. Cash rose at the end of 2022 by EUR 11.6 million compared to the beginning of the year.

As at 31/12/2022, the equity of the UNIOR Group amounted to EUR 184.6 million, rising by EUR 8.3 million as a result of EUR 10.2 million in profit of the 2022 financial year, and being reduced in light of the disbursement of dividends to non-controlling interest owners amounting to EUR 0.7 million, a reduction in fair value reserve valuation amounting to EUR 0.2 million, a reduced cumulative translation adjustment amounting to EUR 0.7 million, and other changes in equity amounting to EUR 0.3 million. Non-current and current financial liabilities amount to EUR 104.5 million in total. In 2022, financial liabilities fell by EUR 10.3 million, resulting from regular repayments of loan principles, and increased as a result of utilising a loan for our investment in the new aluminium moulding programme. A total of 17.6 per cent of financial liabilities of the UNIOR Group are of a non-current nature, whereas current liabilities represent utilised revolving loans and EUR 66.6 million in principals of non-current financial liabilities maturing in 2023. At the same time, it should be emphasised that the actual repayment of principles in 2023 will amount to EUR 10.2 million as the parent company in collaboration with the tourism activity and the bank trade union had already agreed on the refinancing of the debt payable in 2023. Given the interest rate, 93.4 per cent of all financial liabilities of the Group are linked to a variable interest rate.

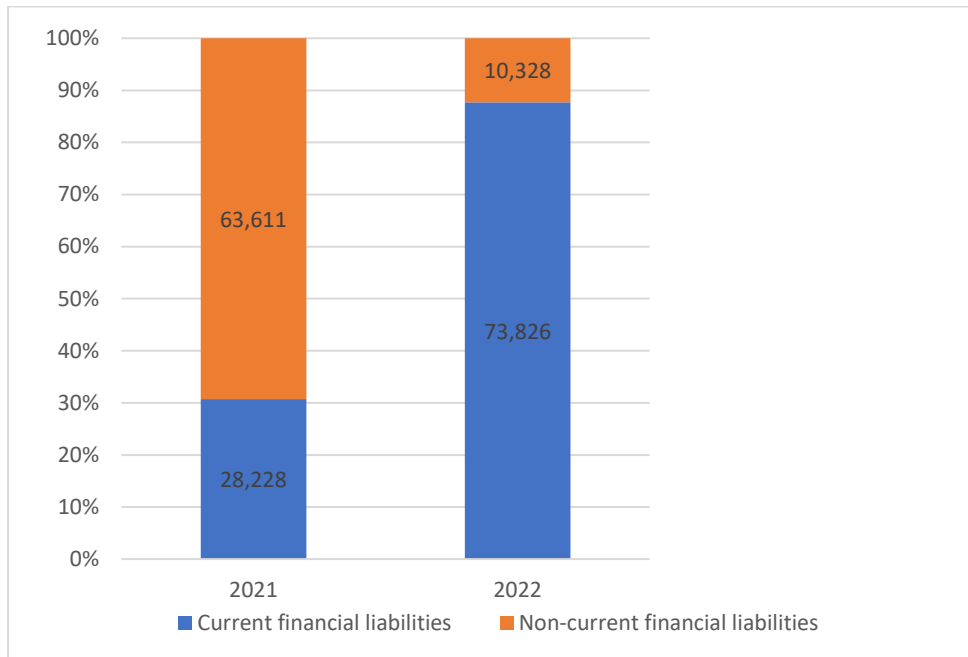
Maturity dates of financial liabilities of the UNIOR Group


In 2022, operating liabilities of the UNIOR Group rose by EUR 13.9 million or 21.9 per cent and amount to EUR 77.5 million. Compared to the balance as at the end of the previous year, current trade payables increased by EUR 8.4 million primarily on account of higher prices of steel, sheet metal, energy, and services in addition to an increase in production levels and higher emergency reserves of material required for the provision of a continuous production process while at the same time minimising the risk of disrupted supply chains caused by the war in Ukraine. Current bills of exchange payable increased by EUR 3.6 million, liabilities from advance payments received from customers increased by EUR 2.5 million, whereas other current operating liabilities fell by EUR 0.6 million.

8.7.2 FINANCIAL POSITION OF UNIOR, d.d.

At the end of 2022, total assets of the company amounted to EUR 241 million, rising by EUR 4.8 million or 2 per cent during the 2022 calendar year. Current assets fell by EUR 2.9 million. Intangible fixed assets fell by EUR 1.2 million, property, plant and equipment by EUR 0.7 million, non-current investments by EUR 1.3 million, namely on account of the sales of the 49 per cent ownership share in the UNIOR Tepid associate in Romania and on the depreciation of investments in UNIOR Vinkovci and UNIOR Makedonija. On the other hand, deferred tax assets increased by EUR 0.3 million. Non-current operating receivables fell by EUR 48 thousand, whereas investment property remained unchanged. Current assets rose by EUR 7.7 million or 7.4 per cent. The inventory status increased by EUR 10.4 million in all types of inventories. The increase in inventories is primarily related to a rise in material and raw material prices and also increased production levels in 2022. Current investments fell by EUR 1.3 million as a result of a lower balance of a loan repayable by UNITUR d.o.o. and regular repayments of loans by Group companies. Current operating receivables fell by EUR 2.7 million primarily due to lower current trade receivables. Cash rose by EUR 1.3 million compared to the beginning of the year.

In 2022, the equity of the company fell by EUR 6.1 million, resulting from EUR 5.1 million in profit during the 2022 financial year and changes to reserves from valuation at fair value due to actuarial gains arising from calculating provisions for employees in compliance with IAS 19 and changes in reserves from valuation at fair value of land. Financial liabilities fell by EUR 7.7 million in the current year, namely falling as a result of regular repayments of loan principles, and increasing as a result of utilising the investment in our new aluminium moulding programme. A total of 12.3 per cent of financial liabilities of the Company are of a non-current nature, whereas current liabilities represent the utilised revolving loan and EUR 55.3 million in principals of non-current financial liabilities maturing in 2023. At the same time, it should be emphasised that the actual repayment of principles in 2023 will amount to EUR 7.6 million as the Company in collaboration with the bank syndicate had already agreed on the refinancing of the debt payable in 2023. Given the interest rate, 98.7 per cent of all financial liabilities of the Company are linked to a variable interest rate.

Maturity dates of financial liabilities of UNIOR d.d.


In 2022, operating liabilities rose by EUR 5.6 million or 12.5 per cent and amount to EUR 50.6 million. Current trade payables rose by EUR 6.3 million, liabilities to Group companies fell by EUR 0.2 million and liabilities associated with advance payments received from customers increased by EUR 1.5 million. Other current operating liabilities fell by EUR 2 million. Current trade payables increased on account of higher prices of materials (primarily steel and sheet metal), services, and energy and also on account of an increase in production levels and emergency inventories of materials, primarily steel and sheet metal, in order to ensure continuous provision of production in the event of disrupted supply chains caused by the war in Ukraine.

8.8 INVESTMENTS

8.8.1 INVESTMENTS OF THE UNIOR GROUP

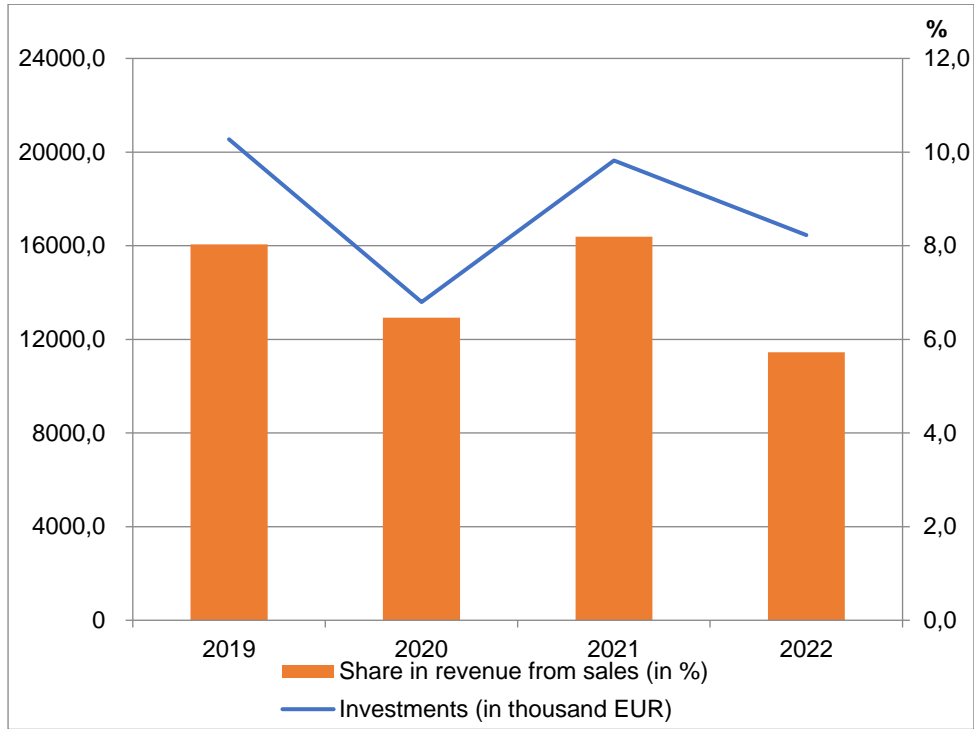
In 2022, the UNIOR Group invested EUR 16.5 million in fixed assets, out of which EUR 1.2 million were invested in the form of capitalised own products. Investments into intangible fixed assets amounted to EUR 0.7 million and investments into tangible fixed assets to EUR 15.8 million. EUR 13.4 million were invested in the metalworking activity and EUR 3.1 million in the tourism activity. The total value of investments was lower by EUR 3.2 million compared to 2021 primarily due to hedging the cash flow in the parent company.

In 2022, EUR 4.7 million was invested in buildings, EUR 10.8 million in new equipment and EUR 0.3 million in the acquisition of new land by the UNIOR Group. Most investments were spent on the new aluminium forgings pressing production programme in Vitanje (EUR 2.1 million in total). EUR 1.1 million were invested in electricity generation systems using photovoltaic technology in China and Serbia. EUR 0.9 million in total were invested in upgrading the biomass distant heating system on Rogla, in the construction of heat pipes and related infrastructure for distributing heating energy in Slovenia and Croatia. Other major investments in the metalworking activity include the modernisation and expansion of machine park capacities with an emphasis on the robotisation and automation of processes in addition to investments in improving energy efficiency and working conditions in production facilities in Slovenia, China, Croatia, and Serbia. Tourism investments include the acquisition of land on Rogla, investments in modernising the cableway infrastructure and upgrading the artificial snowmaking system in addition to the energy restoration of accommodation and catering capacities. Preparation works on the “Park Mašinžaga” project which will restructure the Rogla ski resort into a year-round mountain tourism centre for active holidays and adventure activities also began. For more information on investments in property, plant and equipment of the UNIOR Group, please refer to Section 9.7.3 of the 2022 Annual Report.

Investments in fixed assets and their share in revenue from sales of the UNIOR Group

	2022	2021	2020	2019
Investments (in thousand EUR)	16,460	19,645	13,593	20,546
Share in revenue from sales (in %)*	5.72	8.20	6.47	8.03

*The indicator is defined as an alternative benchmark or APM. Its definition is provided in Section 8.14 of the 2022 Annual Report.



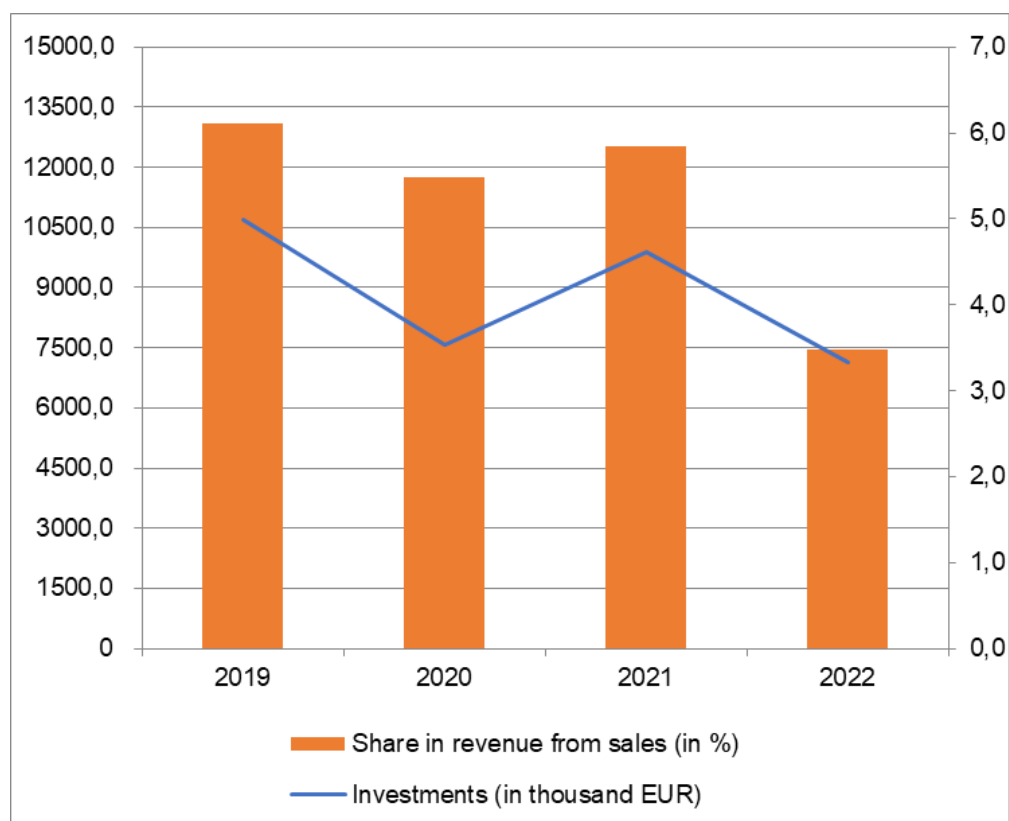
8.8.2 INVESTMENTS OF UNIOR d.d.

In 2022, UNIOR invested EUR 7.1 million in new fixed assets. EUR 1.2 million was invested in the form of capitalised own products. The total value of investments fell by EUR 2.7 million compared to 2021 and was lower than planned primarily due to hedging the cash flow. EUR 1.8 million was invested in buildings. EUR 5.3 million was spent on upgrading and expanding our production machine capacities, the majority of which (EUR 3.3 million) for the Forge Programme and the launching of a new Aluminium production programme, for which the investment in the first-line aluminium moulding and presses needed by the Zreče forge was completed. Considerable resources were also spent on further automation and robotisation of the forgings production.

Investments in fixed assets and their share in revenue from sales of the company

	2022	2021	2020	2019
Investments (in thousand EUR)	7,153	9,873	7,578	10,708
Share in revenue from sales (in %)*	3.47	5.84	5.49	6.11

*The indicator is defined as an alternative benchmark or APM. Its definition is provided in Section 8.14 of the 2022 Annual Report.



EUR 8 million were spent on paying investments in fixed assets in 2022. In 2022, payments were EUR 1.8 million lower than in the year before. EUR 1.9 million funds were also spent in 2022 to pay for investments of the year before (2021).

8.9 INTERNAL AUDIT IN THE PARENT COMPANY

The internal audit department is a service organised in the UNIOR d.d. parent company. Organisationally speaking, it reports directly to the Management Board, while functionally speaking, it reports to the Audit Committee of the Supervisory Board and the Supervisory Board itself. Internal audits are performed on the UNIOR d.d. and UNIOR Group level in compliance with the International Standards for the Professional Practice of Internal Auditing and the adopted Internal Audit Basic Charter.

The Internal Audit Department carries out its mission within the context of approved annual work plans. In 2022, the department carried out eleven internal audits, out of which nine regular and two extraordinary ones. During the carried-out audits, the level of attainment of audit objectives in the categories of operation, reporting and compliance with the regulations of each audited area was audited. Recommendations and options for improvement of the audited areas were proposed. Their implementation was also verified on a regular basis.

The Internal Audit Department reported to the audited unit, the management of the audited unit and the Management Board of the company on each carried out audit. Periodically, a summary of the findings of individual audits, risks and the implementation of internal audit recommendations was reported to the Management Board, the Supervisory Board and its Audit Committee.

8.10 FOREIGN BRANCHES OF THE PARENT COMPANY

The parent company, Unior d.d., does not have any foreign branches or operating units abroad.

8.11 EVENTS AFTER THE REPORTING PERIOD IN THE UNIOR GROUP AND UNIOR d.d.

8.11.1 ACCRUALS AFTER THE REPORTING PERIOD

Important accruals are indicated in Sections 9.14 and 10.15 of the 2022 Annual Report.

8.11.2 OTHER EVENTS AFTER THE REPORTING PERIOD

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

Pertaining to the extraordinary event in the processing facility, when steam was released from the galvanising bath into its surroundings on 26/10/2022, the Supervisory Board of UNIOR d.d. took note on 23/3/2023 of the report on the extraordinary audit of the event by the Jožef Stefan Institute, establishing that the event luckily had not had any repercussions on the health of company employees or the health of people outside the facility. The event also had not had any unacceptable impacts on the ground both in and outside the facility. On 24 3/2023, UNIOR d.d. received a Proceeding Termination Decision of the Inspectorate of the RS for the Environment and Energy in the matter "Air emissions following release from the Z54 galvanising line - extraordinary inspection." The inspection established that the registrant (UNIOR d.d.) carries out its activity in compliance with legislation in force. It was established that the registrant had not breached the Environmental Protection Act (ZVO-2) or any regulations issued subject thereto.

8.12 PROVISION OF A PUBLIC UTILITY

Provision of the thermal energy supply public utility in the Zreče Centre Development

A Delegation Agreement was concluded on 1/3/2007 with the Municipality of Zreče for a period of 20 years. Pursuant to the above, UNIOR d.d., with the consent of the Municipality of Zreče, assumed a concession activity subject to a Management and Implementation Agreement. In compliance with the Public Service Delegation Agreement on thermal energy supply in Zreče, UNIOR d.d. also undertook to manage and maintain the thermal energy distribution network.

Income statement for the provision of the thermal energy generation and supply public utility

(in EUR)	2022	2021
Revenue from supplying natural gas and electricity	1,135,516	754,531
Total revenue	1,135,516	754,531
Costs of goods, materials and services	(800,989)	(726,069)
Depreciation	(81,765)	(92,434)
Labour costs	(177,689)	(121,916)
Other operating expenses	(34,176)	(17,931)
Financial expenses from financial liabilities	(21,278)	(11,255)
Total operating costs	(1,115,897)	(969,605)
PROFIT OR LOSS	19,619	(215,074)

In order to ensure separate accounting of the public utility activity, revenue generated from the public utility shall be monitored at specific locations accounting for the operating results thereof in compliance with the Public Service Delegation Agreement on thermal energy supply in the Zreče Centre Development. Revenue shall represent charged thermal energy to users.

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

In 2022, both revenue and operating costs increased. Depreciation fell as the investments in the heat pipe connection were yet to be activated. This part will be activated and the depreciation increased in 2023.

Subject to all data, the Energy Agency consented to the initial price of thermal energy for the distribution system.

Cost separation criteria associated with the provision of the public utility in compliance with the Transparency of Financial Relations and Maintenance of Separate Accounts for Different Activities Act (ZPFOLERD-1)

UNIOR d.d. shall provide for the thermal energy supply public utility in the Zreče Centre Development.

In order to ensure separate reporting and accounting of the provision of the thermal energy supply public utility in compliance with the Public Service Delegation Agreement, separate cost centres shall be organised in UNIOR d.d. as follows:

- cost centre 52100 – SPTE 1 (generation of electricity and thermal energy);
- cost centre 52200 – SPTE 2 (generation of electricity and thermal energy);
- cost centre 52500 – Dobrava Boiler Room (thermal energy).

Direct costs of the provided public utility shall be recorded subject to their natural types and depending on the element of the business process they shall be incurred by: costs of operational tools or depreciation, labour costs, costs of services, costs of work items or costs of materials.

Post-generation distribution of thermal energy and electricity

Fixed eligible costs excluding energy product costs (costs of materials and services, labour costs, maintenance costs, depreciation, other write-offs and other operating expenses) incurred at the 52500 cost centre (CC) Dobrava Boiler Room shall be incurred solely from the generation and sales of thermal energy.

At cost centres 52100 co-generation SPTE 1 and 52200 co-generation SPTE 2, fixed costs shall be calculated subject to the share of generated electricity and thermal energy.

The calculation is based on the technical specification of the manufacturer of the electricity-generating apparatus in the following ratio:

- SPTE 1: CC 52100 (electricity 391kW – 43.5 per cent),
(thermal energy 508kW – 56.5 per cent);
- SPTE 2: CC 52200 (electricity 637 kW – 45.4 per cent),
(thermal energy 766kW – 54.6 per cent).

Variable costs (energy products) of cost centres 52100 co-generation SPTE 1 and 52200 co-generation SPTE 2 shall be determined in proportion to the actually generated electricity and thermal energy.

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

Indirect costs of the public utility shall constitute general costs of Joint Services of the company. The share of revenue of an individual activity in the total revenue of the company shall be applied as the criterion.

The objective justification of the criteria was verified by the auditing company Mazars d.o.o. in the 2022.

8.13 2023 OBJECTIVES

The business plan for 2023 has been drawn up on the basis of data collected in December 2022 and January 2023. It was drafted in a period of major economic and overall uncertainty. As a result, special attention was paid to current topics (management of high energy product costs and reliability of supply therewith in addition to the proactive monitoring of geo-political risks). The 2023 Business Plan focuses on implementing planned and completing ongoing projects by carrying out mostly those types of changes which the productivity and optimisation of costs and the strengthening of sustainable solutions are based on. An important guideline used in drawing up the plan was the vision according to which an increased added value per employee seen as a response to the increasing lack of competitiveness of European manufacturers compared to those based in the Far East is projected.

In 2023, particular emphasis will be placed on further sustainable development strategically and organisationally integrated into the General Matters Department as the driver of sustainable development in the company in 2022. As far as the operations of UNIOR d.d. and the UNIOR Group are concerned, the development significance of sustainability-oriented and energy-efficient projects to shape the progress of our operations is recognised.

8.13.1 2023 OBJECTIVES OF THE UNIOR GROUP

In 2023, EUR 295.7 million net revenue from sales is planned for the UNIOR Group, amounting to 2.8 per cent more than the previous year and 23.4 per cent more than 2021. Almost all Group companies, with the exception of only a few of them, which already experienced a high growth in revenue in 2022 by reason of extraordinary developments, shall increase their sales volume in 2023, seeking to neutralise the increased costs of materials, merchandise, energy products, and labour. As such, the UNIOR Group is planning to have EBITDA (Earnings Before Interest, Taxes, Depreciation, and Amortization) which amounted to EUR 28.3 million in 2022 increase in 2023 by 20.2 per cent or EUR 5.7 million to amount to EUR 34 million. The EBIT (Earnings Before Interest and Taxes) will increase by EUR 5.9 million or 58.4 per cent to amount to EUR 16 million. The planned net profit of the UNIOR Group for 2023 will increase by 8.6 per cent compared to 2022 to amount to EUR 11.1 million.

Planned sales and profitability of the UNIOR Group

(in thousand EUR)	2023 (plan)	2022 (realisation)
Revenue from sales	295,702	287,653
EBIT *	16,030	10,120
EBITDA *	33,970	28,267
Profit or loss	11,109	10,232

* The indicators are defined as alternative benchmarks. Their definitions are provided in Section 8.14 of the 2022 Annual Report.

In 2023, the financial liabilities of the UNIOR Group shall increase by EUR 11.1 million by reason of refinancing the existing loans in the parent company to finance new investments and increased current assets. In other Group companies, the sum of all new loans shall more or less equal the repayments of principles of existing loans. As a result, the total indebtedness of other Group companies shall not increase.

8.13.2 OBJECTIVES OF UNIOR d.d. FOR THE YEAR 2023

In 2023, UNIOR d.d. plans to generate EUR 208.2 million in net revenue from sales, constituting a EUR 3.6 million or 1.8 per cent increase compared to 2022. Given the current published economic projections and the current dynamic situation, it is hard to project the stabilisation of procurement and sales chains in 2023. However, we remain optimistic and focused on systematically managing the turbulences in our new reality. There is a risk of reduced order intakes for all production programmes in view of direct and indirect effects of geo-political instability and any other unforeseen economic oscillations or even shocks.

Planned sales volume and profitability of UNIOR d.d.

(in thousand EUR)	2023 (plan)	2022 (realisation)
Revenue from sales	208,166	204,557
EBIT *	8,123	3,731
EBITDA *	17,168	12,915
Profit or loss	3,567	5,075

* The indicators are defined as alternative benchmarks. Their definitions are provided in Section 8.14 of the 2022 Annual Report.

In 2023, EUR 3.6 million in profits or EUR 1.5 million less than in 2022 are planned for UNIOR d.d. Despite record levels of revenue from sales, the profit is lower than the average profit prior to the 2020 pandemic year, in view of increased financing costs caused by growing reference interest rates and banking margins. In 2023, the EBITDA (Earnings Before Interest, Taxes, Depreciation, and Amortization) amounting to EUR 12.9 million in 2022 will increase by 32.9 per cent or EUR 4.3 million to EUR 17.2 million.

In 2023, UNIOR d.d. will make EUR 15.2 million in investments, of which EUR 2.8 million from our own funds. New investments will increase our forgings machining, aluminium metalworking, cold-forging production capacities and our cycling programme segment production capacities in our hand tools production. Other investments will focus on investments whose robotisation and automation of processes will contribute to higher productivity and the improvement of utilisation of production capacities in addition to providing for a higher quality of products, improving working conditions, and replacing obsolete equipment.

8.14 ALTERNATIVE BENCHMARKS OR PERFORMANCE MEASURES

The UNIOR Group and UNIOR d.d. Present their operating results using alternative benchmarks or performance measures (APMs) as laid down by the European Securities and Markets Authority (ESMA).

Value items are rounded up to EUR thousands, except where it is explicitly stated that the benchmark is in EUR.

Overall shares are shown in percentage, as a rule, rounded up to one decimal place or as a ratio between two categories. Alternative benchmarks or performance measures (APMs) are disclosed among key operating highlights and Section 8.6 of the 2022 Annual Report. The list of APMs is listed below.

Alternative performance measure (benchmark)	Calculation methodology	Criterion selection
EBIT (Earnings before interest and taxes)	operating revenue / operating expenses	KPI of a company and indicator of profitability achieved by a company while engaging in its basic activity.
EBITDA	Earnings Before Interest, Taxes, Depreciation, and Amortization - write-offs	Performance indicator of a company in its basic activity and a good approximation of the cash flow from operating activities
EBIT margin (in %)	operating profit or loss / net revenue from sales x 100	Performance and profitability measure.
EBITDA margin (in %)	EBITDA / net revenue from sales x 100	Performance and profitability measure.
ROA – return on assets (in %)	net profit or loss / average assets (calculated as the average between the opening and closing balances in the financial year) x 100	Indicator of company efficiency in management of assets at its disposal for generating profit
ROE – return on equity	net profit or loss / average equity (calculated as the closing balance of capital without taking into account the net profit of the current year in the financial year) x 100	Performance indicator of the company in relation to making profit from sources provided by owners or shareholders.
Net financial liabilities / EBITDA	(financial liabilities - cash) / EBITDA	An indicator showing in how many years the financial debt would have been repaid from the existing liquid assets and the generated cash flow from operating activities assuming the same trade volume and profitability.
Gross added value per employee	(Gross Operating Output - Costs of Goods, Materials and Services - Other Operating Expenses) / Number of Employees in Hours Worked	Basic economic indicator and basic measure of economic activity and performance. Constitutes newly created value of a company in a specific period per employee.
Dividends per share	profit distribution / number of shares entitled to dividends	Measure of the distribution of profit attached to each share.
Profit per share	net profit or loss generated / weighted average number of ordinary shares excluding ordinary shares owned by the company or Group	Measure of value of the net profit or loss belonging to a share with an attached voting right.
Book value per share	equity / weighted average number of ordinary shares excluding ordinary shares owned by the company or Group	Measure of value of capital belonging to a share with an attached voting.
Sales per share	net revenue from sales / weighted average number of ordinary shares excluding ordinary shares owned by the company or Group	Measure of generated net profit in a specific period belonging to a share with an attached voting right.
Cash flow per share	(operating profit or loss - depreciation) / weighted average number of ordinary shares excluding ordinary shares owned by the company or Group	Measure indicating free cash flow in a specific period belonging to a share with an attached voting right.
Percentage of dividends disbursed	Dividends per share / profit per share x 100	Measure of the share of profit distributed to shareholders
Gross output per employee	Gross operating profit / number of employees in terms of hours worked	Measure of generated revenue plus capitalised own products, other operating revenue and change in value of inventories and work in progress in a specific period of time per employee.
Equity financing rate	equity / liabilities	Equity financing of assets indicator
Long-term financing rate	((equity + non-current debt + non-current provisions) / (liabilities))	Financing state ratio.
Operating fixed assets rate	Fixed assets at carrying amount / assets	Investment indicator.
Long-term assets rate	((fixed assets at the carrying amount + properties + non-current financial investments + non-current operating receivables) / assets))	Investment indicator.
Equity to operating fixed assets	equity / fixed assets at carrying amount	Horizontal financial structure ratio
Indirect short-term liabilities coverage ratio - acid-test ratio	cash / current liabilities	Horizontal financial structure ratio
Progressive short-term liabilities coverage ratio - quick ratio	((liquid assets + current receivables) / current liabilities)	Horizontal financial structure ratio
Short-term liabilities coverage ratio - current ratio	current assets / current liabilities	Horizontal financial structure ratio
Operating efficiency ratio	operating revenue / operating expenses	Operating efficiency ratio without taking into account financing and extraordinary impacts.
Net return on equity	net profit of the financial year / average equity excluding net profit or loss of the reporting year	Profitability measure indicating capital (equity) capitalisation rate.
Dividend to share capital	total dividends of the financial year / average share capital of the parent company	Performance indicator.
Share of investments in revenue from sales	Company investments of the company in fixed assets/net revenue from sales x 100	Measure of the share of investments in fixed assets expressed in the percentage of generated net revenue from sales.

9 AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE UNIOR GROUP

9.1 AUDITED CONSOLIDATED FINANCIAL POSITION STATEMENT OF THE UNIOR GROUP AS AT 31/12/2022

(in EUR)				
	Item	Note	31/12/2022	31/12/2021
	ASSETS		381,111,416	365,577,341
A.	NON-CURRENT ASSETS		211,026,390	213,404,405
I.	Intangible assets and other IA	9.7.2	6,470,030	7,807,422
1.	Non-current property rights		2,985,354	2,400,027
2.	Goodwill		521,448	521,448
3.	Non-current deferred development costs		2,588,191	3,947,203
4.	Other intangible assets		47,133	61,947
5.	Intangible assets being acquired		327,904	876,797
II.	Property, plant and equipment	9.7.3	175,483,918	176,560,904
1.	Land and buildings		102,994,181	102,215,823
	a) Land		30,494,631	30,070,639
	b) Buildings		72,499,550	72,145,184
2.	Plant and machinery		63,010,002	62,654,505
3.	Other equipment and machinery, small tools and other property, plant and machinery		650,189	618,746
4.	Property, plant and equipment being acquired		8,829,546	11,071,830
III.	Investment property	9.7.4	1,955,427	1,986,461
IV.	Non-current investments	9.7.5	20,250,939	20,526,937
1.	Non-current investments, excluding loans		20,242,033	20,515,473
	a) Shares and participating interests in associates		20,179,654	20,426,841
	b) Other non-current investments		62,379	88,632
2.	Non-current loans		8,906	11,464
V.	Non-current operating receivables	9.7.8	21,356	28,963
1.	Non-current operating receivables		0	0
2.	Non-current operating receivables from others		21,356	28,963
VI.	Deferred tax assets	9.7.15	6,844,720	6,493,718
B.	CURRENT ASSETS		170,085,026	152,172,936
I.	Assets (groups for disposal) held for sale	9.7.6	120,000	120,000
II.	Inventories	9.7.7	96,464,234	86,540,690
1.	Materials		35,351,508	34,372,076
2.	Work in progress		29,790,945	28,087,466
3.	Products		23,939,959	18,375,645
4.	Merchandise		7,381,822	5,705,503
III.	Current investments	9.7.9	60,535	3,251,733
1.	Current investments, excluding loans		0	0
2.	Current loans		60,535	3,251,733
IV.	Current operating receivables	9.7.8	50,746,399	51,203,777
1.	Current trade receivables		32,763,469	36,709,130
2.	Current operating receivables due from others		17,982,930	14,494,647
V.	Cash and cash equivalents	9.7.10	22,693,858	11,056,736

Audited consolidated financial position statement of the UNIOR Group as at 31/12/2022 (cont.)

(in EUR)				
	Item	Note	31/12/2022	31/12/2021
	LIABILITIES		381,111,416	365,577,341
A.	EQUITY	9.7.11	184,645,182	176,322,704
A1	EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT		167,003,008	158,720,004
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	40,220,660
III.	Reserves from profit		35,838,083	40,468,445
1.	Legal reserves		1,951,606	2,010,200
2.	Reserves for treasury shares and own participating interests		2,721,454	2,723,119
3.	Treasury shares and own participating interests (deduction item)		(2,721,454)	(2,723,119)
4.	Statutory reserves		0	0
5.	Other reserves from profit		33,886,477	38,458,245
IV.	Fair value reserves		20,313,057	20,521,761
V.	Net profit brought forward		38,306,075	25,745,126
VI.	Net loss brought forward		0	0
VII.	Net profit of the financial year		8,441,971	8,973,951
VIII.	Net loss of the financial year		0	0
IX.	Translation adjustment of capital		(1,272,125)	(898,922)
A2	CAPITAL ATTRIBUTABLE TO NON-CONTROLLING INTEREST		17,642,174	17,602,700
B.	PROVISIONS AND DEFERRED REVENUE	9.7.12	12,612,939	9,390,926
1.	Provisions for pensions and similar liabilities		7,388,634	6,700,968
2.	Other provisions		4,824,935	2,490,453
3.	Deferred revenue		399,370	199,505
C.	NON-CURRENT LIABILITIES		20,338,398	82,356,570
I.	Non-current financial liabilities	9.7.13	18,436,598	80,846,487
1.	Non-current financial liabilities to banks		14,959,525	77,397,204
2.	Non-current financial liabilities from bonds payable		0	0
3.	Other non-current financial liabilities		3,477,073	3,449,283
II.	Non-current operating liabilities	9.7.14	0	13,085
1.	Non-current trade payables		0	0
2.	Non-current bills of exchange payable		0	0
3.	Non-current operating liabilities from advance payments		0	0
4.	Other non-current operating liabilities		0	13,085
III.	Deferred tax liabilities	9.7.15	1,901,800	1,496,998
D.	CURRENT LIABILITIES		163,514,897	97,507,141
I.	Liabilities included in groups for disposal		0	0
II.	Current financial liabilities	9.7.16	86,030,691	33,970,018
1.	Current financial liabilities to banks		84,723,858	32,188,586
2.	Current financial liabilities from bonds payable		0	0
3.	Other current financial liabilities		1,306,833	1,781,432
III.	Current operating liabilities	9.7.17	77,484,206	63,537,123
1.	Current operating liabilities to suppliers		46,569,505	38,134,558
2.	Current bills of exchange payable		9,801,933	6,217,570
3.	Current operating liabilities from advance payments		3,913,384	1,372,391
4.	Other current operating liabilities		17,199,384	17,812,604

Notes to the consolidated financial statements form an integral part of the financial statements.

9.2 AUDITED CONSOLIDATED INCOME STATEMENT OF THE UNIOR GROUP FOR THE PERIOD BETWEEN 1/1/2022 AND 31/12/2022

(in EUR)			January-December 2022	January-December 2021
	Item	Notes		
A.	Net revenue from sales	9.8.2	287,652,871	239,698,528
1.	Net revenue from sales on the domestic market		42,981,885	34,546,353
	<i>a) Net revenue from sales of products and services</i>		31,073,975	24,345,511
	<i>b) Net revenue from sales of merchandise and materials</i>		11,907,910	10,200,842
2.	Net revenue from sales on foreign markets		244,670,986	205,152,175
	<i>a) Net revenue from sales of products and services</i>		219,301,905	181,482,433
	<i>b) Net revenue from sales of merchandise and materials</i>		25,369,081	23,669,742
B.	Change in value of product inventories and work-in-progress		6,026,777	3,098,086
C.	Capitalised own products and services	9.8.3	1,238,986	1,914,226
D.	Other operating revenue	9.8.4	3,916,361	7,120,035
I.	GROSS OPERATING PROFIT		298,834,995	251,830,875
D.	Costs of goods, materials and services	9.8.5	(192,467,222)	(152,184,264)
1.	Cost of merchandise and materials sold		(11,120,004)	(9,284,848)
2.	Costs of materials used		(143,898,570)	(109,871,763)
	<i>a) Costs of materials</i>		(109,775,187)	(85,239,047)
	<i>b) Costs of energy</i>		(16,962,196)	(12,793,377)
	<i>c) Other costs of materials</i>		(17,161,187)	(11,839,339)
3.	Costs of services		(37,448,648)	(33,027,653)
	<i>a) Transportation services</i>		(8,081,084)	(6,475,920)
	<i>b) Maintenance costs</i>		(3,199,377)	(3,564,121)
	<i>c) Lease payments</i>		(1,456,931)	(1,462,276)
	<i>d) Other costs of services</i>		(24,711,256)	(21,525,336)
E.	Labour costs	9.8.5	(76,116,456)	(68,888,209)
1.	Costs of salaries		(56,808,860)	(52,342,933)
2.	Costs of pension insurances		(818,834)	(749,276)
3.	Costs of other social insurances		(9,300,805)	(8,538,163)
4.	Other labour costs		(9,187,957)	(7,257,837)
F.	Write-offs	9.8.5	(18,147,005)	(18,306,686)
1.	Depreciation		(17,422,540)	(17,082,862)
2.	Operating expenses from the revaluation of intangible fixed assets and property, plant and equipment		(390,329)	(162,450)
3.	Operating expenses from the revaluation of operating current assets		(334,136)	(1,061,374)
G.	Other operating expenses	9.8.5	(1,984,032)	(1,966,014)
1.	Provisions		(97,169)	(75,817)
2.	Other costs		(1,886,863)	(1,890,197)
II.	OPERATING PROFIT OR LOSS		10,120,280	10,485,702
H.	Financial revenue	9.8.6	6,065,913	4,382,820
1.	Financial revenue from participating interests		4,768,375	3,736,610
	<i>a) Financial revenue from participating interests in associates</i>		4,766,725	2,841,678
	<i>b) Financial revenue from participating interests in other companies</i>		386	138,559
	<i>c) Financial revenue from other investments</i>		1,264	756,373
2.	Financial revenue from loans given		127,206	178,804
3.	Financial revenue from operating receivables		1,170,332	467,406
I.	Financial expenses	9.8.6	(5,566,774)	(3,608,851)
1.	Financial expenses from the impairment and write-offs of investments		(1,144,845)	(49,042)
2.	Financial expenses from financial liabilities		(3,194,137)	(3,158,632)
	<i>a) Financial expenses from loans received from banks</i>		(3,078,167)	(3,010,872)
	<i>b) Financial expenses from bonds issued</i>		0	0
	<i>c) Financial expenses from other financial liabilities</i>		(115,970)	(147,760)
3.	Financial expenses from operating liabilities		(1,227,792)	(401,177)
	<i>a) Financial expenses from trade payables and bills of exchange payable</i>		(260,031)	(125,887)
	<i>b) Financial expenses from other operating liabilities</i>		(967,761)	(275,290)
III.	PROFIT OR LOSS		10,619,419	11,259,671
	Corporate income tax	9.9	(968,888)	(1,006,007)
	Deferred tax	9.9	581,931	837,606

NET PROFIT OR LOSS OF THE ACCOUNTING PERIOD		10,232,462	11,091,270
– Attributable TO EQUITY HOLDERS OF THE PARENT		8,441,971	8,973,951
– Attributable to NON-CONTROLLING INTERESTS		1,790,491	2,117,319
PROFIT OR LOSS FROM CONTINUING OPERATIONS	9.8	10,228,734	11,053,280
PROFIT OR LOSS FROM DISCONTINUED OPERATIONS	9.8	3,728	37,990

Consolidated income statement of the UNIOR Group for the period between 1/1/2022 and 31/12/2022
(cont.)

(in EUR)		January- December 2022	January- December 2021
Item			
Share of holders of controlling interest in net profit (loss)		8,441,971	8,973,951
Share of holders of non-controlling interest in net profit (loss)		1,790,491	2,117,319
Net earnings (loss) per share of holders of controlling interest		3.05	3.16
Net earnings (loss) per share of holders of non-controlling interest		0.65	0.75
Net earnings (loss) per share from continuing operations		3.70	3.89
Net earnings (loss) per share from discontinued operations		0.00	0.01

Net earnings or loss per share are calculated by dividing the accounting period net loss or profit which belongs to the shareholders by the weighted average number of ordinary shares whereby ordinary shares owned by the Group shall be excluded.

Notes to the consolidated financial statements form an integral part of the financial statements.

9.3 AUDITED CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME OF THE UNIOR GROUP FOR THE PERIOD BETWEEN 1/1/2022 AND 31/12/2022

(in EUR)		January-December	January-December
Item		2022	2021
1.	Net profit/loss of the financial year after tax	10,232,462	11,091,270
2.	Other comprehensive income of the accounting period, after tax	(912,339)	3,728,146
2.1	Items which will not be subsequently reclassified as profit or loss	(208,704)	204,735
	Net profit/loss recognised in fair value reserves in respect of property, plant and equipment	(1,063,418)	864,480
	Net profit/loss recognised in the due fair value reserves in respect of intangible fixed assets	0	0
	Actuarial net profit/loss for retirement benefit plans and changes to deferred taxes recognised in retained profit/loss	854,714	(659,745)
2.2	Items which will be subsequently reclassified to profit or loss	(703,635)	3,523,411
	Gains and losses arising from translation of financial statements of entities located abroad	(703,635)	3,523,411
3.	Total comprehensive income of the financial year after tax	9,320,123	14,819,416
	Total comprehensive income of the accounting period, attributable to equity holders of the parent	8,335,188	11,048,816
	Total comprehensive income of the accounting period, attributable to non-controlling interests	984,935	3,770,600

(in EUR)		January-December	January-December
Item		2022	2021
	Total comprehensive income of the financial year after tax per share	3.37	5.36
	Total comprehensive income of the financial year from continuing operations	9,316,395	14,618,864
	Total comprehensive income of the financial year from discontinued operations	3,728	200,552

Total comprehensive income of the financial year after tax per share is calculated by dividing the accounting period total comprehensive income which belongs to the shareholders by the weighted average number of ordinary shares whereby ordinary shares owned by the Group shall be excluded.

Notes to the consolidated financial statements form an integral part of the financial statements.

Changes in total comprehensive income are presented in item 9.5 (Consolidated statement of Changes in Equity of the UNIOR Group) of the 2022 Annual Report.

9.4 AUDITED CONSOLIDATED CASH FLOW STATEMENT OF THE UNIOR GROUP FOR THE PERIOD BETWEEN 1/1/2022 AND 31/12/2022

(in EUR)	Item	Note	January-December 2022	January-December 2021
A.	Cash flows from operating activities			
a)	Net profit or loss			
	Profit or loss before tax		10,232,462	11,091,270
	Income tax and other taxes not included in operating expenses	9.9	(386,957)	(168,401)
b)	Adjustments for			
	Depreciation (+)	9.7.2, 9.7.3	17,422,540	17,082,862
	Operating revenue from revaluation associated with investment and financing items (-)	9.8.4	(252,402)	(566,230)
	Operating expenses from revaluation associated with investment and financing items (+)	9.8.5	390,329	162,450
	Allowances set up for receivables	9.7.8	236,916	52,493
	Allowances set up for inventories	9.7.7	97,220	1,008,881
	Formation and reversal of non-current provisions	9.7.12	3,222,013	(96,969)
	Financial revenue excluding financial revenue from operating receivables (-)	9.8.6	(1,497,923)	(1,822,038)
	Financial expenses excluding financial expenses from operating liabilities (+)	9.8.6	4,338,982	3,207,674
c)	Changes in net current assets (and accruals and deferrals, provisions and deferred tax assets and liabilities) of operating items of the balance sheet			
	Opening less closing operating receivables	9.7.8	228,069	(10,418,017)
	Opening less closing deferred tax assets	9.7.15	(351,002)	(829,799)
	Opening – less closing assets (groups for disposal) held for sale	9.7.6	0	0
	Opening less closing inventories	9.7.7	(10,020,764)	(12,549,172)
	Closing less opening liabilities included in groups for disposal	9.7.6	0	0
	Closing less opening operating liabilities	9.7.14, 9.7.17	13,933,998	2,249,100
	Closing less opening deferred tax liabilities	9.7.15	404,802	164,879
d)	Net cash from operating activities (a + b + c)			
			38,385,240	8,737,384
B.	Cash flows from investing activities			
a)	Cash proceeds from investing activities			
	Cash proceeds from interest and profit participations relating to investing activities	9.8.6	1,497,923	1,822,038
	Cash proceeds from disposal of intangible assets	9.7.2	14,815	80,795
	Cash proceeds from disposal of property, plant and equipment	9.7.3	260,812	2,901,831
	Cash proceeds from disposal of investment property	9.7.4	0	0
	Cash proceeds from disposal of non-current financial investments	9.7.5	2,528,821	79,400
	Cash proceeds from disposal of current financial investments	9.7.9	3,246,498	4,810
b)	Cash repayments from investing activities			
	Cash repayments to acquire intangible assets	9.7.2	(792,806)	(1,180,949)
	Cash repayments to acquire tangible fixed assets	9.7.3	(15,760,395)	(18,577,416)
	Cash repayments to acquire investment property	9.7.4	0	0
	Cash repayments to acquire non-current investments	9.7.5	(3,397,668)	(2,093,384)
	Cash repayments to acquire current investments	9.7.9	(55,300)	(318,597)
c)	Net cash from investing activities (a + b)			
			(12,457,300)	(17,281,472)
C.	Cash flows from financing activities			
a)	Cash proceeds from financing activities			
	Cash proceeds from paid-in capital	9.7.11	0	0
	Cash proceeds from increase in non-current financial liabilities	9.7.13	4,226,232	9,406,959
	Cash proceeds from increase in current financial liabilities	9.7.16	35,074,954	35,494,675
b)	Cash repayments from financing activities			
	Interest paid on financing activities	9.8.6	(3,194,137)	(3,158,632)
	Cash repayments to acquire treasury shares	9.7.11	0	(700,000)
	Cash repayments of non-current financial liabilities	9.7.13	(65,774)	(41,009)
	Cash repayments of current financial liabilities	9.7.16	(49,584,628)	(36,472,515)
	Dividends and other profit shares paid	9.7.11	(747,465)	(764,452)
c)	Net cash from financing activities (a + b)			
			(14,290,818)	3,765,026
D.	Closing balance of cash			
	Net cash flow for the period (sum of items Ad, Bc and Cc)	9.7.10	22,693,858	11,056,736
	Opening balance of cash		11,637,122	(4,779,062)
			11,056,736	15,835,798

Notes to the consolidated financial statements form an integral part of the financial statements.

9.5 AUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY OF THE UNIOR GROUP

CHANGES IN EQUITY FOR THE PERIOD BETWEEN 31/12/2021 AND 31/12/2022

(in EUR)	I. Called-up capital		III. Reserves from profit					IV. Reserves from revaluation at fair value	V. Net profit or loss brought forward	VI. Net operating profit or loss of the financial year	VII. Translation adjustment of capital	Total capital attributable to equity holders of the parent	Capital attributable to non-controlling interest	Total capital
	Share capital capital	II. Capital reserves	Legal reserves	Reserves Treasury shares	Treasury shares (Deduction item)	Statutory reserves	Other reserves from profit							
A.1. Balance at the end of the previous financial year	23,688,983	40,220,660	2,010,200	2,723,119	(2,723,119)	0	38,458,245	20,521,761	25,745,126	8,973,951	(898,922)	158,720,004	17,602,700	176,322,704
A.2. Opening balance of the reporting period	23,688,983	40,220,660	2,010,200	2,723,119	(2,723,119)	0	38,458,245	20,521,761	25,745,126	8,973,951	(898,922)	158,720,004	17,602,700	176,322,704
B.1 Changes in equity – transactions with owners	0	0	0	0	0	0	129,708	0	(181,892)	0	0	(52,184)	(945,461)	(997,645)
Acquired treasury shares and shareholdings	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Disbursement of dividends	0	0	0	0	0	0	0	0	0	0	0	0	(747,465)	(747,465)
Other changes in equity	0	0	0	0	0	0	129,708	0	(181,892)	0	0	(52,184)	(197,996)	(250,180)
B.2. Total comprehensive income of the reporting period	0	0	0	0	0	0	0	(208,704)	475,124	8,441,971	(373,203)	8,335,188	984,935	9,320,123
Entry of operating profit/loss of the financial year	0	0	0	0	0	0	0	0	0	8,441,971	0	8,441,971	1,790,491	10,232,462
Entry of actuarial profit from termination benefit provisions	0	0	0	0	0	0	0	0	854,714	0	0	854,714	0	854,714
Changes in reserves from valuation at fair value	0	0	0	0	0	0	0	0	(1,063,418)	0	0	(1,063,418)	0	(1,063,418)
Other items of comprehensive income of the financial year	0	0	0	0	0	0	0	0	475,124	0	0	475,124	(475,124)	0
Gains and losses arising from translation of financial statements of entities located abroad	0	0	0	0	0	0	0	0	0	0	(373,203)	(373,203)	(330,432)	(703,635)
B.3 Changes in equity	0	1,466,304	(58,594)	(1,665)	1,665	0	(4,701,476)	0	12,267,717	(8,973,951)	0	0	0	0
Reallocation of the remaining part of the net profit from the comparative financial year to other equity items	0	0	0	0	0	0	0	0	0	8,973,951	(8,973,951)	0	0	0
Reserves for treasury shares and own participating interests	0	0	0	(1,665)	1,665	0	0	0	0	0	0	0	0	0
Other changes in equity	0	1,466,304	(58,594)	0	0	0	(4,701,476)	0	3,293,766	0	0	0	0	0
C. Closing balance of the financial year	23,688,983	41,686,964	1,951,606	2,721,454	(2,721,454)	0	33,886,477	20,313,057	38,306,075	8,441,971	(1,272,125)	167,003,008	17,642,174	184,645,182

CHANGES IN EQUITY FOR THE PERIOD BETWEEN 31/12/2020 AND 31/12/2021

(in EUR)	I. Called-up capital		III. Reserves from profit					IV. Reserves from revaluation at fair value	V. Net profit or loss brought forward	VI. Net operating profit or loss of the financial year	VII. Translation adjustment of capital	Total capital attributable to equity holders of the parent	Capital attributable to non-controlling interest	Total capital
	Share capital capital	II. Capital reserves	Legal reserves	Reserves Treasury shares	Treasury shares (Deduction item)	Statutory reserves	Other reserves from profit							
A.1. Balance at the end of the previous financial year	23,688,983	40,155,331	2,031,982	2,016,459	(2,016,459)	3,278,156	35,216,365	20,231,979	30,986,078	(4,471,502)	(2,684,005)	148,433,367	14,419,014	162,852,381
A.2. Opening balance of the reporting period	23,688,983	40,155,331	2,031,982	2,016,459	(2,016,459)	3,278,156	35,216,365	20,231,979	30,986,078	(4,471,502)	(2,684,005)	148,433,367	14,419,014	162,852,381
B.1 Changes in equity – transactions with owners	0	65,329	0	0	0	0	(89,863)	0	(37,645)	0	0	(762,179)	(586,914)	(1,349,093)
Acquired treasury shares and shareholdings	0	0	0	0	(700,000)	0	0	0	0	0	0	(700,000)	0	(700,000)
Disbursement of dividends	0	0	0	0	0	0	0	0	0	0	0	0	(764,452)	(764,452)
Other changes in equity	0	65,329	0	0	0	0	(89,863)	0	(37,645)	0	0	(62,179)	177,538	115,359
B.2. Total comprehensive income of the reporting period	0	0	0	0	0	0	0	289,782	0	8,973,951	1,785,083	11,048,816	3,770,600	14,819,416
Entry of operating profit/loss of the financial year	0	0	0	0	0	0	0	0	0	8,973,951	0	8,973,951	2,117,319	11,091,270
Entry of actuarial profit from termination benefit provisions	0	0	0	0	0	0	0	0	(659,745)	0	0	(659,745)	0	(659,745)
Changes in reserves from valuation at fair value	0	0	0	0	0	0	0	0	949,527	0	0	949,527	(85,047)	864,480
Other items of comprehensive income of the financial year	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Gains and losses arising from translation of financial statements of entities located abroad	0	0	0	0	0	0	0	0	0	0	1,785,083	1,785,083	1,738,328	3,523,411
B.3 Changes in equity	0	0	(21,782)	706,660	(6,660)	(3,278,156)	3,331,743	0	(5,203,307)	4,471,502	0	0	0	0
Reallocation of the remaining part of the net profit from the comparative financial year to other equity items	0	0	0	0	0	0	0	0	(4,471,502)	4,471,502	0	0	0	0
Reserves for treasury shares and own participating interests	0	0	0	706,660	(6,660)	0	(700,000)	0	0	0	0	0	0	0
Other changes in equity	0	0	(21,782)	0	0	(3,278,156)	4,031,743	0	(731,805)	0	0	0	0	0
C. Closing balance of the financial year	23,688,983	40,220,660	2,010,200	2,723,119	(2,723,119)	0	38,458,245	20,521,761	25,745,126	8,973,951	(898,922)	158,720,004	17,602,700	176,322,704

Notes to the consolidated financial statements form an integral part of the financial statements.

9.6 NOTES TO AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE UNIOR GROUP

BASES FOR CONSOLIDATION

The parent company of the UNIOR Group is UNIOR Kovaška industrija d.d., with its registered office at Kovaška cesta 10, Zreče, Slovenia, which drew up not only separate but also consolidated financial statements.

The consolidated financial statements of the UNIOR Group include UNIOR d.d. and all its subsidiaries, participating interests of the Group in associates and participating interests in joint ventures.

The consolidated financial statements of the UNIOR Group were compiled for the year ending on 31/12/2022/The financial year of the group is the same as the calendar year. A more detailed overview of the composition of the UNIOR Group is presented in Section 9.6.1 of the 2022 Annual Report.

Explanatory information is included in the report so as to clarify those accruals and transactions relevant to the understanding of changes to the financial position and operating result of the UNIOR Group during the 2022 financial year.

The financial statements of Group companies for consolidation purposes were drawn up for the same reporting period as the financial statements of the parent company and by using the same accounting policies. If the accounting policies of a subsidiary differ from the accounting policies used by the Group, the accounting policies of the subsidiary shall be adjusted accordingly before drawing up consolidated financial statements to ensure reconciliation with the accounting policies of the Group.

The consolidated financial statements of the UNIOR Group include all subsidiaries in which the UNIOR d.d. parent company holds a minimum 50 per cent shareholding providing it with, directly or indirectly, more than a half of voting rights and the ability to decide on the financial and business policies of the companies on account of obtaining benefits arising from their operation. All UNIOR Group subsidiaries are fully consolidated under the full consolidation method starting on the date when control is obtained and excluded from the consolidation on the date when control is lost. The Group does not use any exemption related to excluding any company from full consolidation.

The assessment of control is carried out upon the acquisition of the respective investment and during the financial statement drawing up process. When control is lost, the Group de-recognises the assets and liabilities of the subsidiary. Any surplus or deficit arising at the loss of control is recognised in the operating profit or loss. If any (non-controlling) interest in the former subsidiary is retained, it shall be measured at fair value on the date of loss of control. Subsequently, that interest shall be accounted for as an investment in an associate (calculated under the equity method) or as a financial asset available for sell, subject to the degree of control.

Investments of UNIOR d.d. in subsidiaries are eliminated in the consolidated accounts of the UNIOR Group. The company recognises any difference between the amount non-controlling interests are adjusted to and the fair value of considerations paid and apportions it to the owners of the parent company. The difference between the cost and carrying amount of the non-controlling interest shall be accounted for in equity under capital reserves.

The capital of owners of non-controlling interest shall be shown in the financial position statement in a separate item, separately from the capital of owners of the parent company. Changes to the equity interest of the parent company in a subsidiary which do not lead to a loss of control shall be accounted for as transactions with owners without recognising goodwill. Changes to non-controlling interest shall be based on the proportionate share of net assets of the subsidiary. All excess over the carrying amount of assets shall be recognised in equity.

Profit and loss generated by subsidiaries shall be included in the income statement of the Group. Amounts referring to transactions within the Group (receivables and liabilities, revenue and expenses between consolidated companies) shall be excluded. Unrealised gains and losses arising from transactions within the Group and recognised in assets shall also be excluded if their amount is significant. Unrealised losses shall be excluded the same way as gains, provided that there is proof of impairment.

Associates are companies in which the Group exercises significant influence but does not control their financial and business policies. As at 31/12/2022, these companies are: Štore Steel d.o.o. in Slovenia and Unior Tehna d.o.o. and UNIOR Teos Alati d.o.o. abroad, in which the parent company UNIOR d.d. holds a minimum 20 and maximum less than 50 per cent shareholding.

Joint ventures are companies whose economic operations are under the joint control of the Group and which have been founded subject to a contractual agreement pursuant to which unanimous financial and business decisions are required. As at 31/12/2022, the UNIOR Group does not have any joint ventures.

At initial recognition, investments in associates and joint ventures shall be measured at cost and subsequently accounted for under the equity method. Consolidated financial statements of the Group encompass the share of the profit and loss of the Group in associates and joint ventures, calculated under the equity method following the reconciliation of accounting policies from the date the significant influence begins to the date it ends. If the share of loss of the Group in associates and joint ventures is higher than her interest, the carrying amount of the interest shall be decreased to zero and it shall no longer be recognised in subsequent losses.

The bases for drawing up the consolidated financial statements of the UNIOR Group are disclosed in detail in Section 9.6.3 of the 2022 Annual Report.

CHANGES TO THE ORGANISATIONAL STRUCTURE OF THE UNIOR GROUP 2022 WHICH IMPACTED THE CONSOLIDATED STATEMENTS OF THE GROUP

In line with the planned optimisation of the hand tool sales trading network, the UNIOR Group on 2/12/2022 liquidated UNIOR Hungaria Kft in Hungary which no longer forms part of the Group due to the discontinuation of its operations. The operations of this subsidiary is still taken into account in the consolidated income statement of the UNIOR Group until the liquidation date. More information is disclosed in the income statement from discontinued operations in Section 9.8 of the 2022 Annual Report.

On 15/6/2022, UNIOR d.d. signed an agreement on the sales of its 49 per cent shareholding in the UNIOR Tepid S.R.L. associate in Romania. As a result, as of that date, this no longer constitutes an investment in associates of the UNIOR Group. In the consolidated income statement of the UNIOR Group, the sales of the shareholding in the associate resulted in financial expenses from impairment and write-offs of investments. For more information, refer to Section 9.8.6 of the 2022 Annual Report. In the consolidated financial position statement of the UNIOR Group, the sales of the shareholding in UNIOR Tepid impacted the reduction of non-current financial investments resulting from the valuation of associated under the equity method. For more information, please refer to Section 9.7.5 of the 2022 Annual Report.

In 2022, the shareholding in UNIOR Professional Tools in Russia was increased by 15.3 per cent to 70.3 per cent and in UNIOR Italia by 5 per cent to 100 per cent.

9.6.1 PRESENTATION OF COMPANIES, INCLUDED IN THE CONSOLIDATED FINANCIAL STATEMENTS OF THE UNIOR GROUP

9.6.1.1 PARENT COMPANY

UNIOR d.d.

Company Address: Kovaška cesta 10,
3214 ZREČE

Country: Slovenia

Telephone: +386 3 757 81 00

Website: <http://www.unior.si>

E-mail: unior@unior.com

Company activity: Forging, pressing, stamping
and roll-forming of metal, powder metallurgy

Number of employees: 1,634

9.6.1.2 SUBSIDIARIES

UNITUR d.o.o.

Company Address: Cesta na Roglo 15,
3214 ZREČE

Country: Slovenia

Telephone: +386 3 757 61 00

Website: <http://www.unitur.eu>

E-mail: turizem@unitur.eu

Company activity: Tourism and other
commercial activities

Number of employees: 316

UNIOR IN d.o.o.

Company Address: Kovaška cesta 10,
3214 ZREČE

Country: Slovenia

Telephone: +386 3 757 81 00

E-mail: uniorin@unior.com

Company activity: Processing of forged and
sintered products

Number of employees: 6

SPITT d.o.o.

Company Address: Kovaška cesta 10,
3214 ZREČE

Country: Slovenia

Telephone: +386 3 757 81 00

E-mail: spitt@unior.com

Company activity: Energy - steam and air
conditioning supply

Number of employees: 1

UNIOR PRODUKTIONS- und HANDELS- GmbH

Company Address: Auengasse 9,
9170 FERLACH

Country: Austria

Telephone: +43 4227 35 14

Website: <http://www.unior.at>

E-mail: office@unior.at

Company activity: Sales of hand tools

Number of employees: 8

UNIOR DEUTSCHLAND GmbH

Company Address: Hertichstrasse 81,
71229 LEONBERG

Website: <http://www.unior-deutschland.com>

E-mail: unior@unior-deutschland.com

Country: Germany
Telephone: +49 7152 381 1975

Company activity: Sale and servicing of machinery
Number of employees: 4

UNIOR ITALIA S.R.L.

Company Address: Via Caserta 8,
20812 Limbiate (MB)
Country: Italy
Telephone: +39 02 99 04 3403

E-mail: unioritalia@unioritalia.it
Company activity: Sales of hand tools
Number of employees: 2

UNIOR ESPAÑA S.L.

Company Address: Poligon Sargaitz 2,
Nave A5, 31840 UHARTE - ARAKIL (Navarra)
Country: Spain
Telephone: +34 948 56 71 13

Website: <http://www.unior.es>
E-mail: unior@unior.es
Company activity: Sales of hand tools
Number of employees: 3

UNIOR MAKEDONIJA d.o.o.

Company Address: Naroden front, br.5,
1000 SKOPJE
Country: North Macedonia
Telephone: +389 2 243 20 57

Website: <http://www.uniormakedonija.mk>
E-mail: info@uniormakedonija.mk
Company activity: Sales of hand tools
Number of employees: 7

UNIOR PROFESSIONAL TOOLS Ltd.

Company Address: Blagodatnaya str. 63,
bld. 1, D, 196105 SAINT PETERSBURG
Country: Russia
Telephone: +7 812 449 83 50

Website: <http://www.unior.ru>
E-mail: sales@unior.ru
Company activity: Sales of hand tools
Number of employees: 56

UNIOR BULGARIA Ltd.

Company address: r.d. Ilinden, block 71,
1309 SOFIA
Country: Bulgaria
Telephone: +359 2 9559 233

Website: <http://www.unior.bg>
E-mail: office@unior.bg
Company activity: Sales of hand tools
Number of employees: 4

UNIOR COMPONENTS d.o.o.

Company Address: Kosovska 4,
34000 KRAGUJEVAC
Country: Serbia
Telephone: + 381 34 306 300

Website: <http://www.unior-components.com>
E-mail: contact@unior-components.com
Company activity: Production of machine tools
Number of employees: 164

NINGBO UNIOR FORGING Company Ltd.

Company Address: Xindongwu,
Moushan, YUYAO, ZHEJIANG 315456
Country: China
Telephone: + 86 574 6249 6150

Website: <http://www.unior.cn>
E-mail: info@unior.cn
Company activity: The production of steel
forgings for the automotive industry
Number of employees: 445

UNIOR VINKOVCI d.o.o.

Company Address: Ulica Kneza Mislava
27,
32100 VINKOVCI
Country: Croatia
Telephone: +385 32 323 999

E-mail: kovacnica@unior.com
Company activity: The production of forgings
Number of employees: 152

UNIOR – NORTH AMERICA Inc.

Company Address: 28213 Carlton Way
Drive, 48377 NOVI (Michigan)
Country: USA
Telephone: +1 248 730 0060

Website: <http://www.unior.com>
E-mail: bleskovar@unior.com
Company activity: Sales, procurement and
servicing activities on the North American
market
Number of employees: 1

9.6.1.3 ASSOCIATES**ŠTORE STEEL d.o.o.**

Company Address: Železarska 3,
3220 ŠTORE
Country: Slovenia
Telephone: +386 3 780 51 00

Website: <http://www.store-steel.si>
E-mail: info@store-steel.si
Company activity: The production of steel
Number of employees: 489

UNIOR TEOS ALATI d.o.o.

Company Address: Subotička 23,
11000 BEOGRAD
Country: Serbia
Telephone: +381 11 744 03 30

Website: <http://www.uniorteos.com>
E-mail: office@uniorteos.com
Company activity: Sales of hand tools
Number of employees: 24

UNIOR TEHNA d.o.o.

Company Address: Bačići 58,
71000 SARAJEVO
Country: Bosnia and Herzegovina
Telephone: +387 33 776 376

Website: www.uniortehna.ba
E-mail: info@uniortehna.ba
Company activity: Sales of hand tools
Number of employees: 31

9.6.2 STATEMENT OF COMPLIANCE OF THE UNIOR GROUP

The consolidated financial statements have been drawn up in line with International Financial Reporting Standards (IFRS) as adopted by the International Accounting Standards Board (IASB) and interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) as adopted by the European Union and in compliance with the provisions of the Companies Act (ZGD-1).

As regards the process of standard confirmation by the European Union, there were no differences as at the financial position statement date between the accounting policies used by the UNIOR Group, and the International Financial Reporting Standards (IFRS) adopted by the European Union. These mandatory financial statements have been compiled to comply with legal requirements.

The Management Board of UNIOR d.d. approved the consolidated financial statements of the UNIOR Group on 26/4/2023.

9.6.3 MEASUREMENT BASES FOR THE FINANCIAL STATEMENTS OF THE UNIOR GROUP

The consolidated financial statements were drawn up using the assumption of going concern of Group companies meaning that assets are acquired and sold and that liabilities are settled as part of normal operations.

The consolidated financial statements were drawn up taking into account historical cost, except for land, investment property, financial assets valued at fair value through profit or loss and financial instruments at fair value through other comprehensive income in addition to derivatives where the fair value has been taken into account. The methods used to measure fair value are described in Section 9.6.3.1 of the 2022 Annual Report.

9.6.3.1 LEVELS OF THE FAIR VALUE HIERARCHY

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. All assets and liabilities measured or disclosed in the financial statements at fair value are categorised into different levels of the fair value hierarchy in the level of the lowest level input that is significant to the entire measurement.

Assets and liabilities measured or disclosed at fair value are classified into a fair value hierarchy consisting of the following levels:

- Level 1: assets valued using the stock exchange quotation on the last day of the accounting period;
- Level 2: unquoted assets whose value can be monitored for the entire tenor thereof;
- Level 3: assets whose value cannot be obtained from market data; this category discloses land and investment property measured at fair value and at fair value disclosed plant and equipment

valued at cost subject to verification of signs of impairment. This level also includes fair value disclosures of non-current investments valued at cost less impairment and operating liabilities, whereas current investments and liabilities are valued at amortised cost.

Classification of assets and liabilities in relation to their fair value as at 31/12/2022

(in EUR)	Level 1	Level 3	Total
Property, plant and equipment		30,494,631	30,494,631
– Land		30,494,631	30,494,631
Investment property		1,955,427	1,955,427
Non-current investments	0	8,906	8,906
– Quoted shares	0		0
– Non-current investments – long-term loans		8,906	8,906
Non-current operating receivables		21,356	21,356
Current investments		60,535	60,535
Current operating receivables		50,746,399	50,746,399
Non-current financial liabilities		18,436,598	18,436,598
Non-current operating liabilities		0	0
Current financial liabilities		86,030,691	86,030,691
Current operating liabilities		77,484,206	77,484,206

Classification of assets and liabilities in relation to their fair value as at 31/12/2021

(in EUR)	Level 1	Level 3	Total
Property, plant and equipment		30,070,639	30,070,639
– Land		30,070,639	30,070,639
Investment property		1,986,461	1,986,461
Non-current investments	0	11,464	11,464
– Quoted shares	0		0
– Non-current investments – long-term loans		11,464	11,464
Non-current operating receivables		28,963	28,963
Current investments		3,251,733	3,251,733
Current operating receivables		51,203,777	51,203,777
Non-current financial liabilities		80,846,487	80,846,487
Non-current operating liabilities		13,085	13,085
Current financial liabilities		33,970,018	33,970,018
Current operating liabilities		63,537,123	63,537,123

Land and investment property are valued at fair value established by valuation, non-current investments are disclosed at cost less impairment, whereas operating liabilities, current investments and liabilities at amortised cost.

The methodology used for estimated values is disclosed by category in Section 9.7 of the 2022 Annual Report.

9.6.3.2 FUNCTIONAL AND REPORTING CURRENCY

All consolidated financial statements and notes thereto are drawn up and presented in euros (EUR) or the functional currency in Slovenia and the functional currency of the Group without cents and are rounded to the nearest whole number. When using addition, rounding errors may occur.

Transactions denominated in a foreign currency are translated into euros according to the reference exchange rate of the European Central Bank as at the day of the transaction. Cash and non-cash and liabilities denominated in foreign currencies as at the financial position statement date are translated into functional currency using the European Bank balances reference exchange rate on the last day of the accounting period. Exchange rate differences are recognised in the profit or loss statement.

FINANCIAL STATEMENTS OF FOREIGN COMPANIES

Financial statements of foreign subsidiaries whose functional currency differs from the reporting currency (euro), the Group shall convert the assets and liabilities into the currency of reporting of the consolidated financial statements using the applicable exchange rate at the reporting date. Revenue and expenses recorded in the income statement and items recorded in other comprehensive income shall be converted using the average exchange rate for the period considered which it estimates to be a sufficiently good approximation of the applicable exchange rate at the transaction date. Capital items shall be converted using the applicable exchange rate at the end of the period during which the change in capital had arisen. Exchange difference arising during the conversion shall be recognised in other comprehensive income (translation adjustment of capital) until the disposal of the subsidiary when the exchange difference shall be transferred to the income statement.

9.6.3.3 SIGNIFICANT ESTIMATES AND JUDGEMENTS

In accordance with the International Financial Reporting Standards, estimates, judgements and assumptions affecting the application of policies and the disclosed values of assets and liabilities, revenue and expenses are made by the Management Board of the company for financial statement compilation purposes. Estimates are made subject to experience from previous years and expectations in the reporting period. The methods of forming estimates and accompanying assumptions and uncertainties are disclosed in notes to individual items.

Estimates include establishing the useful life and other values of property, plant and equipment and intangible non-current assets, revenue from contracts with customers, value adjustments of inventories and receivables, impairments of investments and goodwill, relevant assumptions for the actuarial calculation of some earnings of employees, assumptions included in the calculation of any provisions set up for actions, the assessed duration of leases and the used interest rate and the assessment of usage options of deferred tax assets. Estimates, assessments, and assumptions are reviewed regularly. As the actual performance may diverge, they are subject to continuous verification and

revision. Changes to accounting estimates are recognised in the period for which estimates are changed or for all future periods the change will impact.

Highlights of critical uncertainty assessments and material assessments drawn up by the Group in the accounting policy implementation process and which have the biggest impact on the amounts in the consolidated financial statements are described below.

ASSESSMENT OF THE IMPAIRMENT OF PROPERTY, PLANT AND EQUIPMENT

The existence of any impairment indications for property, plant and property shall be assessed by the Group in compliance with IAS 36. Group companies shall assess at the date of each reporting if there are any such indications (significant technological change, market change, obsolescence or physical state of any tangible asset) that an asset may be impaired. If such an indication is identified, the recoverable amount shall be estimated by the Group. Assets shall be impaired if their carrying amount exceeds their recoverable amount. The recoverable amount is the higher of the two items: fair value less costs to sell and its value in use.

As far as estimates and judgements of land are concerned, land is valued subject to CUT valuation methods.

GOODWILL IMPAIRMENT ASSESSMENT

Every year, the Group shall assess the recoverable amount of goodwill based on its value in use upon drawing up its consolidated financial statements. The determination of the current value of future cash flows shall require an estimate of the expected cash flows of the cash-generating unit to which goodwill is allocated and the determination of the appropriate discount rate and other material items.

ASSESSMENTS OF THE APPROPRIATENESS OF THE USEFUL LIVES OF DEPRECIABLE ASSETS

The useful life of depreciable assets is assessed by the Group by taking into account the expected physical use, technical obsolescence, economic obsolescence and expected statutory as well as other restrictions on their use. In addition, the Group shall review the useful life of material assets; e.g. in the event of a change in circumstances or if a change to the useful life and the resulting revaluation of depreciation costs is required. Notes 9.7.2, 9.7.3, and 9.7.4 to the 2022 Annual Report.

INVESTMENTS

The Group has classified investments into investments measured at cost, investments measured at fair value through profit or loss and investments at amortised cost. The Group shall assess investments by assessing impairment indications and for investments, where these exist (the value of the investment exceeds the value of the proportionate holding of capital in the company), carry out a valuation of investments subject to future cash flows or using the income approach through the recoverable amount of value in use or the recoverable amount arising from fair value less costs of sales. Investments in

debt, measured at amortized value, shall be assessed by the Group subject to the rating of the debtors and regularity of repayment subject to depreciation plans. Notes 9.7.5 and 9.7.9 to the 2022 Annual Report.

ASSESSMENT OF IMPAIRMENT OF INVENTORIES

At the end of the year, Group companies verify the inventories without any movements in the current year and impair them to their estimated realisable value. Value adjustments shall be formed by Group companies subject to the age of inventories. Note 9.7.7 to the 2022 Annual Report.

ASSESSMENT OF THE APPROPRIATENESS OF RECOGNISING REVENUE FROM CONTRACTS WITH CUSTOMERS

The Group posts and discloses net revenue in compliance with IFRS 15. Revenue from contracts with customers shall be recognised subject to the provisions of the individual sales contract with the customer, thus the control over goods and services is transferred to the customer in the amount that reflects the compensation that the Group expects to be entitled to.

The Group uses the percentage of completion method as at the financial position statement date to recognise revenue from sales generated by the Special Machines activity; whereas revenue from the sales of products, goods, materials, and services generated by Hand Tools, Forge, Machine Tools, and Tourism Revenue is measured at selling prices stated in invoices and other documents, less discounts and rebates approved either when the sale is made or subsequently, including those granted for early payment. For a more detailed note, please refer to Section 9.6.3.4 of the 2022 Annual Report.

TESTING THE IMPAIRMENT OF INVESTMENTS

Consolidated financial statements shall be drawn up by the Group by setting up value adjustments or impairments of receivables for which it assumes that they won't be recovered in full are reported or not at all. The value adjustment calculation shall be based on the methodology on the probability or assessment of default by the customer.

PROVISIONS

The Management Boards of Group Companies confirm the content and the amount of the provisions formed on the basis of:

- the calculation of provisions for jubilee awards and termination benefits;
- the estimate of the potential expected amount of damages communicated by the legal department of the company or an external attorney subject to existing lawsuits and tort claims.

ASSESSMENT OF PROVISIONS SET UP FOR RETIREMENT ALLOWANCES AND JUBILEE BENEFITS

The current value of retirement allowances and jubilee benefits are recorded as part of obligations to pay out certain post-employment and other benefits. These shall be recognised on the basis of an actuarial calculation. The actuarial calculation is based on the assumptions and estimates in force at the time of the calculation, which may differ from the actual assumptions that will apply at payment due to future changes. This primarily refers to the determination of the discount rate, estimates of employee fluctuations, mortality estimates and estimates of wage growth. Due to the complexity of the actuarial calculation and long-term character of the item, benefit liabilities for certain remuneration are sensitive to changes in those estimates. The amounts of the provisions formed constitute the best estimate of future expenditure. Note 9.7.12 to the 2022 Annual Report.

ASSESSMENT OF THE SETTING UP ANNUITY PROVISIONS

Provisions are recognised when the Group company has legal or constructive obligations arising from past events, which can be reliably assessed, and when it is likely that an outflow of resources embodying economic benefits will be required to settle the liability.

The Management Board of the company confirms the content and the amount of the provisions formed on the basis of the estimate of the potential expected amount of damages communicated by the legal department of the Group company or an external attorney subject to existing lawsuits and tort claims.

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

Contingent liabilities are not recognised in the consolidated financial statements, as their amount could not be estimated reliably or their actual existence will be confirmed by the occurrence or non-occurrence of events only in the unforeseeable future that the Group has no control over.

Management Boards of Group companies shall regularly check whether an outflow of funds allowing economic benefits is likely to be fulfilled in order to settle a contingent liability. If it becomes likely, a provision shall be set up in the consolidated financial statements.

DEFERRED TAX

Based on the estimate that there will be sufficient profits available in the future, deferred tax assets have been formed by the Group for the following:

- provisions for jubilee awards and termination benefits at retirement;
- impairment of trade receivables;
- impairment of investments,
- relief for investments in research and development,
- relief arising from unused tax loss.

For a more detailed presentation of deferred taxes, please refer to Section 9.7.15 of the 2022 Annual Report.

ASSESSMENT OF THE POSSIBILITY TO USE DEFERRED TAX ASSETS

The company has adopted and approved a strategic business plan for the following five years which show future taxable profit. For tax planning purposes, the company has drawn up a plan of utilising tax deductions in the upcoming five-year-period indicating that deferred tax assets shall be utilised, namely the tax deductible for investing in R&D in the upcoming four years, whereas the tax deductible for investments in the upcoming five years. The recorded tax losses shall have an unlimited duration of use.

Deferred tax assets recognised as part of provisions formed for jubilee awards and termination benefits, are decreased by appropriate amounts through the uptake of provisions formed and increased by appropriate amounts with respect to the newly formed provisions.

As the impairment of investments and trade receivables are not recognised as a deductible tax expense when set up, the Group has set up deferred tax assets equivalent to the difference between the tax and book value of trade receivables and investments. Deferred tax assets shall be derecognised by the Group upon the disposal or derecognition of investments, whereas trade receivables upon recovery or definite write-off.

Deferred tax assets for unutilised deductibles for fixed assets shall be recognised in the amount of 40 per cent of the invested amount in equipment and intangible assets for the last five years. These assets shall be derecognised in the period and in the amount when the tax basis shall be reduced in the tax return as a result of utilising tax deductibles.

The tax rates used to calculate deductible temporary differences comply with tax legislation in the individual countries in which Group companies operate, varying between 9.0 and 33.825 per cent. Based on the conditions set out in the IAS 12 and the Business Plan for the coming period, taxable profits will be available to cover the unused tax losses in the coming years.

Disclosed deferred tax liabilities arise from taxable temporary differences from the revaluation of land to a higher value and from the revaluation of termination benefits.

In the consolidated financial position statement, deferred tax assets and liabilities only within individual Group companies shall be off-set, whereas deferred tax assets and liabilities arising in various Group companies shall not be off-set.

As at the reporting date, the disclosed amount of deferred tax assets and deferred tax liabilities is disclosed. Deferred tax assets shall be recognised in the event of a likely net profit available in the future to which the deferred tax assets may be debited in the future. If the Group fails to have sufficient profits at its disposal, the disclosed amount of deferred tax assets is lowered accordingly. The notes are contained in Section 9.7.15 of the 2022 Annual Report.

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In compliance with IFRS 7, financial risks (credit risk, interest rate risk and liquidity risk) are disclosed and presented in detail in the financial part of the 2022 Annual Report, namely in Section 9.11.

MATERIALITY

The Group shall post, value and disclose items by taking into account the materiality principle. The nature and degree of materiality are defined in compliance with IAS 1 and IAS 8. In consolidated financial statements, items are material if they could, individually or collectively, influence the economic decisions that users make on the basis of the financial statements. Materiality was defined by the Group taking into account qualitative and quantitative factors. All items denoted by Roman numerals in the financial position statement are deemed material and the same applies to items in capital letters in the income statement. Within these items, material are all amounts exceeding 10 per cent of the explanatory category in the financial statements (quantitative criterion) or information that the Management Board deems useful for users of accounting information (qualitative criterion).

Individual categories of prescribed disclosures and all material matters are presented in conformity with International Financial Reporting Standards. Comparative information from the previous period has also been disclosed and the said information included the quantitative and descriptive sections for all material disclosed amounts in the consolidated financial statements. The comparative figures have been adjusted to equate the presentation of the information in the current year.

9.6.3.4 SUMMARY OF ACCOUNTING POLICIES USED AND DISCLOSURES

The Group uses the same accounting policies for all periods presented in the enclosed financial statements. The accounting policies and calculation methods used have remained the same as during the last annual reporting, with the exception of those which have resulted from newly adopted standards and notes.

PROPERTY, PLANT AND EQUIPMENT

Land is valued subject to the revaluation model based on the appraisal of a licensed appraiser in conformity with international valuation standards. Valuation shall be carried out at least every five years. The revaluation surplus is disclosed in the equity category as a fair value reserve and does not directly affect the profit or loss.

Building construction and buildings, plant and equipment are measured using the cost model. An asset is disclosed at cost less the accumulated depreciation adjustment and any accumulated impairment losses. The manner and methods used for the valuation of assets for impairment are described below under the heading "Impairment of Property, Plant and Equipment." The cost of an item of property, plant and equipment is the cash price equivalent at the recognition date. The cost of an item of property, plant and equipment comprises: its purchase price, including import duties and non-refundable purchase taxes, after deducting trade discounts and rebates; any costs directly attributable to bringing the asset to the location and restoring it to the condition required for it to be capable of operating in the manner intended by the management and the initial estimate of the costs of dismantling and removing the item and restoring the site where it was located. The Group undertakes this obligation either upon acquisition

or as a consequence of having used the item during a particular period for purposes other than to produce inventories during that period.

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

BORROWING COSTS

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset increase the value of that asset. The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when the expenditures, borrowing costs and the activities necessary to prepare the asset for its intended use arise. Borrowing costs shall be capitalised for qualifying assets. When the asset is transferred, borrowing costs shall no longer be capitalised. Borrowing costs, capitalised during the period, shall not exceed borrowing costs incurred during the same period.

SUBSEQUENT COSTS

The subsequent costs associated with the replacement of an item of property, plant and equipment increases its cost. Other subsequent expenditures associated with an item of property, plant and equipment increase its cost if it is likely that its future economic benefits will exceed the originally estimated one. All other expenditures are recognised as expenses when they arise.

DEPRECIATION

The amount of depreciation in each period is recognised in the profit or loss. The depreciation of an asset begins when it is available for use. Fixed assets are depreciated according to the straight-line depreciation method taking into account the estimated useful life of each item of property, plant and equipment. The depreciation period and method for a depreciable asset with a finite useful life are reviewed at least at the end of each financial year. If the expected useful life of the asset differs from previous estimates, the depreciation period is changed accordingly subject to the remaining expected useful life of the asset. The residual value of an asset is only taken into account for material items by also taking into account the costs of the liquidation of the item of property, plant and equipment. Land and works of art are not depreciated.

Depreciation rates used by the Group have not changed considerably compared to the previous year and amount to:

	Lowest (in %)	Highest (in %)
Property, plant and equipment:		
Property:		
Property	0.3	20.0
Masonry buildings	0.3	13.6
Other buildings	1.1	20.0
Equipment:		
Production equipment	0.1	50.0
Computer and electrical equipment	0.6	50.0
Fork lifts and hoists	0.4	22.1
Cars and tractors	0.8	33.3
Cleaning and heating equipment	3.1	33.3
Measuring and control devices	1.5	33.3
Furniture – office and other	1.3	33.6
Other equipment	10.0	33.3

DERECOGNITION

The recognition of the carrying amount of individual items of property, plant and equipment is reversed upon disposal or if no future economic benefits are expected from its use or disposal. Gains or losses arising from the derecognition of an item of property, plant and equipment are included in the profit or loss when any of the conditions are met.

APPROPRIATENESS OF USEFUL LIVES

The useful life of assets is assessed by the Group by taking into account the expected physical use, technical obsolescence, economic obsolescence and expected statutory as well as other restrictions on their use. In addition, the Group shall review the useful life of material assets; e.g. in the event of a change in circumstances or if a change to the useful life and the resulting revaluation of depreciation costs is required.

CAPITALISED OWN PRODUCTS

Capitalised own products and services are products and services generated by the Group and subsequently includes them in tangible fixed assets. The cost of intangible fixed assets completed in the Group includes costs related directly thereto and general costs of production attributable to the particular asset. Capitalised own products also include own produced investments which cause an increase in the cost of an already qualified tangible fixed asset or result in the extension of the useful life of an already qualified tangible fixed asset.

LEASES

When an agreement is concluded, the Group assesses if it is a lease contract or if the contract contains a lease. The contract shall contain a lease if the right to control the use of an identified asset throughout

the period of use is transferred in return for a consideration. The Group company shall determine the lease term as the non-cancellable period of a lease, together with both

- a) periods covered by an option to extend the lease if the lessee is reasonably certain to exercise that option; and
- b) periods covered by an option to terminate the lease if the lessee is reasonably certain not to exercise that option.

RIGHT-OF-USE ASSETS

In compliance with IFRS 16, the Group shows contracts which include lease as a right-of-use asset. The scope of IFRS 16 includes leases of all assets, with some exceptions. The Group has decided to apply exemptions for short-term (up to 1 year) and low-value leases (leased assets of up to EUR 5,000 in value). Asset values are recognised in the current value of unpaid lease payments. Lease rights are also calculated by taking into account any initial direct costs and an estimate of costs incurred in removing or restoring the asset. The incremental borrowing rate is laid down subject to the interest rate used for risk-free government bonds and a credit spread.

Right-of-use assets are measured using the cost model. The initial value of rights-of-use assets over their useful life is decreased by depreciation and loss from impairment and adjusted for any remeasurement of the lease liability. Right-of-use assets shall be depreciated by the Group on a straight-line basis over the shorter of the estimated lease term or useful life of the asset.

LEASE LIABILITIES

At the commencement date of the lease, the Group shall measure the lease liability at the present value of future lease payments to be made in the estimated lease term. Lease payments included in measuring lease liabilities shall include fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate. Lease payments shall also include amounts expected to be payable by the Group under residual value guarantees. Lease liability shall also include the exercise price of a purchase option if the Group is reasonably certain to exercise that option and payments of penalties for terminating the lease, if the lease term reflects the Group exercising an option to terminate the lease. Variable lease payments not included in the measurement of the lease liability in the period in which the event or condition that triggers those payments occurs shall be recognised by the Group after the commencement date of the lease in profit or loss.

If the lease duration was not specified (lease of indefinite duration), the agreement was restricted to the duration of the medium-term business plan of the company (five years) and using a 1.2 per cent discount rate; in the case of new contracts from 2022, a 3.9 discount rate was used.

After the commencement date of the lease term, lease liability is increased by accrued interest and decreased by lease payments. The carrying amount of lease liability shall be re-measured in the event of a change to the lease term, to the lease payments or to the assessment of the purchase option of the leased asset.

Right-of-use assets and lease liabilities are disclosed as separate items in the statement of financial position.

INTANGIBLE ASSETS

Intangible assets are valued using the cost model. They are initially recognised at cost equalling fair value. After the initial recognition, intangible assets are disclosed at cost less the amortisation adjustment and the eventual impairment loss.

CAPITALISED DEVELOPMENT COSTS

Development costs incurred are recognised as intangible assets if the company can demonstrate the following: the technical feasibility of completing the project so that it will be available for use or sale; its intention to complete the project and use or sell it; its ability to use or sell the project; the likelihood that the project will generate future economic benefits (the existence of a market for the output of the project or the project itself or, if the project is to be used by the Group, the usefulness of the project); the availability of technical, financial and other resources to complete the development and to use or sell the project, and its ability to reliably measure the expenditure attributable to the intangible asset during its development (capitalisation of costs). The Group shall include the following among development costs recognised as an intangible asset: labour costs and costs of external services required for the development of new technological solutions, in the event of the creation of an asset arising from development, material costs related to the creation of the development asset shall also be capitalised as deferred development costs.

GOODWILL

Goodwill shall be recognised at business combinations and the valuation of the acquisition. Goodwill is valued at the fair value of the transferred purchase consideration, including the recognised value of any non-controlling interest in the acquiree less the net recognised value of the acquired assets and liabilities valued as at the acquisition date. The transferred purchase consideration includes the fair value of the transferred assets, liabilities to the previous owners of the acquiree and participating interest issued by the company. After initial recognition, goodwill is measured at cost less accumulated impairment. The impairment is reviewed once a year for each item the goodwill refers to. After the initial recognition, the Group shall review the existence of factors which could negatively impact the future cash flows of the cash-generating unit acquired at the business combination. The reduction of the value of the cash-generating unit shall be recognised in the financial statements as an impairment of goodwill or the cash-generating unit, debited to the current profit or loss.

SUBSEQUENT COSTS

Subsequent costs of items of property, plant and equipment are recognised in the carrying amount of this item, if it is probable that the future economic benefits embodied with this asset will flow to the Group and the cost of the item can be measured reliably. All other costs shall be recognised in the profit or loss as costs for the period.

DEPRECIATION

Depreciation begins when an asset is available for use, i.e., when it is at the location and in the condition necessary for it to function as planned. The carrying amount of an intangible asset is decreased according to the straight-line depreciation method over the asset's useful life. The depreciation period and method for an intangible asset with a finite useful life are reviewed at least at the end of each financial year. If the expected useful life of the asset differs from previous estimates, the depreciation period is changed accordingly.

The useful life of an intangible asset that arises from contractual or other legal rights does not exceed the period of validity of contractual or other legal rights, but may be shorter, depending on the period in which the asset is expected to be used.

The amount of depreciation in each profit or loss is debited to the profit or loss.

Depreciation rates used by the Group have not changed considerably compared to the previous year and amount to:

	Lowest (in %)	Highest (in %)
Capitalised costs of investments in fixed assets of others	20.0	20.0
Deferred development costs	10.0	22.6
Property rights	3.0	33.4
Other intangible non-current assets	3.3	33.4

APPROPRIATENESS OF USEFUL LIVES

The Group shall assess the useful life of intangible assets with a definite useful life by taking into account the expected utility arising from software procurement contracts or the utility or the likelihood of disposal of projects arising from capitalised non-current deferred development costs. Goodwill has an indefinite useful life. In the event of changes to the circumstances applicable at the assessment of the useful life, the useful life shall be changed and depreciation costs revalued.

DERECOGNITION

An intangible asset shall be derecognised when the asset is disposed of or retired as no economic benefit is expected from its use or disposal.

INVESTMENT PROPERTY

Investment property is held with the aim of generating lease payments or increasing the value of a non-current investment. Initially, investment property shall be measured at cost, consisting of the purchase price and costs attributable directly to the purchase. Investment property is measured subsequently using the fair value method; the fair value is estimated subject to an appraisal of a licensed property appraiser. Valuation shall be carried out at least every five years. Changes in fair value are recognised in the income statement.

DERECOGNITION

Investment property is not depreciated. Investment property shall be derecognised when the investment property is disposed of or retired as no economic benefit is expected from its use or disposal. The difference between the price of disposal and the carrying amount shall be debited to the profit or loss.

INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

At initial recognition, investments in associates and joint ventures shall be measured at cost and subsequently accounted for under the equity method. Consolidated financial statements of the Group encompass the share of the profit and loss of the Group in associates and joint ventures, calculated under the equity method following the reconciliation of accounting policies from the date the significant influence begins to the date it ends. If the share of loss of the Group in associates and joint ventures is higher than her interest, the carrying amount of the interest shall be decreased to zero and it shall no longer be recognised in subsequent losses. The profits and losses of the associates disclosed in the consolidated financial position statement either increase or decrease the value of non-current financial investments, whereas they increase financial revenue or expenses in the consolidated income statement.

FINANCIAL INSTRUMENTS

In compliance with IFRS 9, financial assets shall be classified and measured subject to the business model for managing the assets and the assets' contractual cash flow characteristics (depending on the fact if these are solely payments of principal and interest on the principal amount outstanding). When a financial asset is first recognised, it is classified into one of the following business models:

1. the asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows (measurement at amortised cost),
2. the asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets (measurement at fair value through other comprehensive income),
3. the asset is held within another model (measurement at fair value through profit or loss).

The business model may be changed only in exceptional cases.

MODEL FOR COLLECTING CONTRACTUAL CASH FLOWS - FINANCIAL INSTRUMENTS AT AMORTISED COST

Financial assets held within the business model used to acquire contractual cash flows and provided that the cash flows represent only payments of principal and interest on the principal amount outstanding (loans, receivables and unlisted debt securities)) are allocated by the Group to these financial instruments. A financial instrument is recognised at fair value increased by costs directly attributable to the transaction. Profit and loss is recognised in the profit or loss account upon elimination, modification or impairment.

MODEL FOR SELLING AND COLLECTING CONTRACTUAL CASH FLOWS - FINANCIAL INSTRUMENTS MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

This category has been formed for equity securities which could be preserved in our portfolio for a longer period of time upon the decision to recognise them. These equity securities are not held for trading purposes. Upon initial recognition, they are measured at fair value by taking into account transaction costs arising from the acquisition of the financial asset. Gains and losses arising from these financial instruments are never allocated to the statement of profit or loss. Dividends from financial instruments allocated to this category are recognised as financial revenue in the statement of profit or loss.

OTHER MODELS - FINANCIAL INSTRUMENTS MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS

Financial instruments allocated to this category are those intended for trading purposes and those who need to be measured by the Group at their fair value. Gains and losses arising from these financial instruments are allocated to the statement of profit or loss. Dividends from financial instruments allocated to this category are recognised as financial revenue in the statement of profit or loss.

OPERATING RECEIVABLES

Non-current and current trade receivables, receivables due from the state and employees are recorded separately in the ledger. Interest receivable on the above is also recognised in the operating receivables category. Non-current and current operating receivables are disclosed at transaction value. Operating receivables denominated in foreign currencies on the last day of the financial year are translated to the domestic currency according to the reference exchange rate of the European Central Bank. The suitability of the disclosed individual receivable is established at the end of the reporting period based on informed evidence regarding expected repayment cash flows.

The receivables impairment method is described in Section 9.6.3.4 of the 2022 Annual Report, "Impairment of Assets".

COMMODITY LOANS

The Group extends commodity loans to associates as required for their operations. Commodity loans are recognised among non-current operating receivables. Interest on commodity loans can also be accrued. Value adjustments for commodity loans given are made given any expected losses in respect of the risk that outstanding receivables may not be recovered.

LOANS GIVEN

Upon initial recognition, loans given are recognised at fair value less costs by taking into account the effective yield method. Depending on their maturity date, they are classified as non-current or current assets as at the settlement date. Subject to the rating of the borrower, the credit risk is managed by laying down the maturity of the loan and the repayment method secured by standard collateral.

Collateral is liquidated in the event of default of the borrower as per agreement. The loan repayment ability is assessed by using the cash flow availability and the method of assessing the net value of assets the creditor disposes of serving as the basis of repayment of the loans given.

LOANS RECEIVED

Upon initial recognition, loans received are valued at fair value less costs by taking into account the effective yield method. The structure of loans received is dominated by bank loans with the repayment of the principal on the expiry of the loan agreement. Depending on their maturity, they are classified as non-current or current financial liabilities upon recognition. On the last day of the year, all financial liabilities that fall due within the next year are transferred to current financial liabilities. Loans received are secured with blank bills of exchange, receivables, stocks and mortgages on movable and immovable property.

ASSETS HELD FOR SALE

Assets (groups for disposal) for sale are non-current assets intended for sale whose value will be recovered through their sale within the next twelve months and not through their use. Non-current assets are reclassified as assets held for sale at a time when their sales are highly probable and IFRS 5 conditions are met, meaning that there are a known buyer and a preliminary contract or contract for their sale has been signed. Assets are reclassified to assets held for sale at the lower of their carrying amount or fair value less costs to sell as previously disclosed among non-current assets irrespective of the expected purchase price for a particular asset. Assets held for sale are not depreciated.

INVENTORIES

Inventories of materials are measured at the lower of cost and net realisable value. The net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and sale. The unit of quantity price of an item held in inventory includes costs incurred when acquiring inventories and bringing them to their present location and condition. Inventories of work in progress and finished products shall be valued at production costs. The consumption of inventories is disclosed according to the weighted average cost method. At the end of the year, Group companies verify the inventories without any movements in the current year and impair them to their realisable value.

The inventories impairment method is described in Section 9.6.3.4 of the 2022 Annual Report, "Impairment of Assets".

CASH

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

CAPITAL

SHARE CAPITAL

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

DIVIDENDE

Dividends are recognised in the consolidated financial statements of the Group upon adoption of the respective dividend distribution decision by the General Meeting of Shareholders.

REDEMPTION OF TREASURY SHARES

In 2019, the company obtained treasury shares by virtue of a judgement becoming final. These are recognised in the consolidated financial statements as a deduction equity item of the Group. Shares are disclosed using the user-cost method. Reserves for treasury shares in the value of obtained treasury shares are established against other revenue reserves. The number of treasury shares is indicated in Sections 5, 9.7.11, and 10.7.9 of the 2022 Annual Report.

PROVISIONS

Provisions are recognised when the Group has legal or constructive obligations arising from a past event, which can be reliably assessed, and when it is likely that an outflow of resources embodying economic benefits will be required to settle the liability. The required provisions shall be laid down by the Group by using a discount rate which shall be a pre-tax rate of expected future cash flows that reflects current market assessments of the time value of money and the risks specific to the liability.

PROVISIONS FOR JUBILEE BENEFITS AND RETIREMENT ALLOWANCES

In compliance with the company collective agreements for Slovenia-based companies and the statutory regulations of individual countries in which UNIOR Group companies operate, the Group shall account for and pay out jubilee benefits and retirement allowances. These types of earnings are measured using simplified accounting method requiring the valuation of actuarial liabilities in accordance with the expected growth in salaries from the date of valuation up to the envisaged retirement of an employee. This means the accrual of earnings in proportion to the work performed. The estimated liability is

recognised in the amount of the present value of expected future expenditures. Measurements also include an estimate of the projected increase in salaries and staff turnover.

The calculation serves as the basis for recognising gains or losses in the current year in the income statement. The main parameters taken into account in the calculation are disclosed in further detail in Section 9.7.12 of the 2022 Annual Report.

GOVERNMENT GRANTS

Government grants are recognised at fair value, but not until the respective Group company provides reasonable assurance that conditions related thereto shall be met and the aid is in fact received. Government grants are recognised as income over the periods necessary to match them with the related costs which they are intended to compensate. If a government grant relates to a particular asset, it is recognised as deferred income recognised by the respective Group company in the income statement in the period of the expected useful life of the asset in equal annual instalments.

FINANCIAL LIABILITIES

Financial liabilities are initially recognised at fair value including transaction costs incurred. In subsequent periods, financial liabilities are measured at their amortised cost using the effective interest rate method. Any difference between proceeds (excluding transaction costs) and liabilities is recognised in the income statement throughout the entire period of financial liability.

FINANCIAL DERIVATIVES

Financial derivatives recognised in the consolidated financial position statement shall be measured by the Group at fair value through profit or loss. Gains and losses arising from these financial instruments are allocated to the statement of profit or loss in the current period.

CORPORATE INCOME TAX

Corporate income tax is levied in accordance with the Corporate Income Tax Act and tax law of individual countries where Group companies are located. Corporate income tax is levied on the basis of gross profit plus fiscally unrecognised costs and less legally permitted tax relief. The corporate income tax liability is calculated from the resulting base amount. A tax base is disclosed for 2022, as listed in Section 9.9 of the 2022 Annual Report.

DEFERRED TAX

In order to disclose an appropriate profit or loss in the reporting period, deferred taxes were also levied. These are disclosed as deferred tax assets and deferred tax liabilities. Deferred taxes were levied using the financial position statement liability method. The carrying amounts of assets and liabilities were compared to their tax base, and the difference between the two values was defined as a permanent or

temporary difference. Temporary differences were divided into taxable and deductible. Taxable temporary differences increased taxable amounts and deferred tax liabilities. Deductible temporary differences decreased our taxable amounts and increased deferred tax assets.

REVENUE

REVENUE FROM CONTRACTS WITH CUSTOMERS (PRIMARILY FOR THE SPECIAL MACHINES ACTIVITY)

Operating revenue is recognised when it is reasonable to expect that they will lead to proceeds unless realised upon inception or they can be measured reliably – in that case, a five-step model in conformity with IFRS 15 is applied. The Group shall recognise revenue from services rendered by using the percentage of completion method as at the financial position statement date, meaning that the Group shall recognise revenue by using an output method based on the milestones achieved from sales agreements with customers. This method is used to recognise revenue in the reporting period in which services were rendered. The amounts of each material category of revenue recognised in the period and generated revenue on domestic and foreign markets are disclosed. Revenue on the domestic market is revenue generated in Slovenia and foreign markets include EU Member States and third countries. During the sales process, UNIOR acts as the principal. As a rule, contractual arrangements do not include any material variable arrangements.

REVENUE FROM THE SALES OF PRODUCTS, GOODS, MATERIALS AND SERVICES (PRIMARILY FOR THE FORGINGS, HAND TOOLS, MACHINE TOOLS PRODUCTION ACTIVITIES AND THE TOURISM ACTIVITY)

Revenue shall be recognised when the control over products, goods, materials and rendered services is transferred to the customer in the amount that reflects the compensation that the Group company expects to be entitled to in return. Revenue from contracts with customers at fair value of the received repayment or receivable less discounts granted at the time of or post-sale. In the case of recovery, the Group company shall issue a credit to the customer which shall be recorded as a reduction of trade receivables at the time of recovery, whereby claim procedures shall be, as a rule, resolved at the time of sale.

The sales of products, goods, materials, and services shall be recognised dependent on the provisions of the purchase and sale agreement. As a rule, the control over the goods shall be transferred to the customer as soon as the goods are collected by the customer or the service has been rendered and the recovery of related receivables is reasonably certain.

Items corresponding in materiality from previous periods are also disclosed among revenue from the sale of products, goods, materials and services rendered.

A contract asset is a right to consideration in exchange for goods or services that the entity has transferred to a customer. Contract assets shall also include accrued revenue from the delivery of goods and services to customers. A receivable shall constitute the right of the Group to a consideration that is unconditional, i.e., a payment that matures within a fixed term.

A contract liability shall constitute the liability to transfer products, goods, materials, or services to the customer in exchange for a consideration received by the Group from the customer. Contract liabilities from contracts with customers shall include liabilities for customer advances received. A contract liability shall be recognised as revenue when the Group satisfies its performance obligation subject to the contract.

LEASE REVENUE

Lease revenue includes revenue from leasing the production hall, office space, apartments, classrooms, and parking spaces. The Group allocates lease revenue to operating revenue.

OTHER OPERATING REVENUE INCLUDING OPERATING REVENUE FROM REVALUATION

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

FINANCIAL REVENUE AND FINANCIAL EXPENSES

Financial revenue comprises revenue from interest payable on the loans given, dividend revenue, revenue from the disposal of available-for-sale financial assets and from exchange rate gains. Revenue from interest payable on loans given is initially recognised using the effective interest rate method. Dividend revenue is disclosed in the profit or loss when the right of redemption is exercised.

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

GROSS OPERATING PROFIT

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

EXPENSES – COSTS

Costs are recognised as expenses in the period in which they incur. They are classified by nature. They are disclosed and reported by the nature of the type of expense. Expenses are recognised if the decrease in economic benefits in the reporting period is associated with decreases in assets or increases in debt and if this decrease can be reliably measured.

OPERATING PROFIT/LOSS

Operating profit or loss is defined as operating profit or loss before tax and financial items. Financial items include interest on bank balances, deposits, investments held for sale, interest paid on loans,

profit or loss from the disposal of available-for-sale financial instruments, and exchange rate gains and losses from the translation of all monetary assets and liabilities in a foreign currency.

PROFIT OR LOSS

Profit or loss consists of the operating profit or loss plus financial revenue and less financial expenses.

IMPAIRMENT OF ASSETS

IMPAIRMENT OF PROPERTY, PLANT AND EQUIPMENT

If there is any indication of potential impairment of an asset, its recoverable amount is estimated subject to IAS 36. If the asset's recoverable amount cannot be estimated, the Group determines the recoverable amount of the cash-generating unit the asset belongs to. Impairment is disclosed in the income statement and, in the event of revaluation of land, the previously built-up capital revaluation surplus is initially decreased. Impairment losses need to be reversed in the event of changes to the estimates used to determine the recoverable amount of the assets. The loss due to the impairment of the asset is reversed only up to the amount that does not entail the increased carrying amount of an asset exceeding the carrying amount that would have been determined after the deduction of the depreciation write-off, if the impairment loss was not recognised as an asset in prior years. The reversal of a loss is recognised in the profit or loss as revenue. A capital revaluation surplus is built up to reverse the reversal of land impairment. Fair value of land is established by appraisal.

IMPAIRMENT OF INTANGIBLE ASSETS

Intangible assets are verified as at the reporting date for impairment purposes. Where the recoverable amount is lower than the carrying amount of an asset, the carrying amount is decreased to the asset's recoverable amount. This decrease is disclosed by the Group as an impairment loss and recorded as an operating expense from revaluation.

IMPAIRMENT OF INVENTORIES

Group companies set up an allowance according to their age, namely:

- for inventories without any movements in the current year, an allowance in the amount of 5 per cent of the inventories cost is set up,
- for inventories without any movement in two years, an additional allowance of 15 per cent of the inventories cost is set up,
- for inventories without any movement in three years, an additional allowance of 10 per cent of the inventories cost is set up,
- for inventories without any movement in four years, an additional allowance of 10 per cent of the inventories cost set up,
- for inventories without any movement in five years or more, an additional allowance of 10 per cent of the inventories cost is set up.

Impairment losses on inventories are recognised in the consolidated income statement. The Group does not impair its inventories of stamping dies and tools required for the manufacture of its products and its inventories in its spare part warehouse, as these inventories do not lose their value despite not showing any movement in a longer period of time.

IMPAIRMENT OF INVESTMENTS

At each reporting date, the Group performs tests the assessment of investment impairment subject to selected criteria defined in the Bookkeeping Rules in order to establish any objective evidence of potential impairment of the investment. If such reasons exist, the amount of impairment loss is calculated.

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

In terms of financial instruments measured at fair value in profit or loss, gains and losses arising from these are allocated to the income statement.

IMPAIRMENT OF OPERATING RECEIVABLES

The impairment of receivables or the formation of value adjustments are reviewed by the Group in compliance with IFRS 9 which lays down a simplified approach for non-financial entities in the sense that they do not have to establish on the date of the first day of reporting whether there has been a significant rise in the credit risk or not. For operating receivables, impairments shall be determined subject to the Expected Credit Loss, ECL, concept for the entire duration of operating receivables (lifetime expected credit loss) for which a provision matrix for expected credit loss is used subject to IFRS 9. The basis for value adjustments of receivables shall be the provision matrix by sales segment based on the customer default assessment subject to historical credit loss experience adjusted for any future factors from the economic environment excluding secured receivables. Expected Credit Loss (ECL) in compliance with IFRS 9 is shown in Section 9.11 of the 2022 Annual Report.

STATEMENT OF OTHER COMPREHENSIVE INCOME

The consolidated statement of other comprehensive income shows net profit or loss and other comprehensive income. This includes items to be transferred in the income statement in the future and items which will not be recognised in the income statement as required or permitted by other IFRS provisions.

CASH FLOW STATEMENT

The Group reports cash flow from operating activities using the indirect method based on consolidated financial position statement items as at 31/12/2022 and 31/12/2021, the 2022 consolidated income statement items and additional data required to adjust inflows and outflows.

STATEMENT OF CHANGES IN EQUITY

The consolidated statement of changes in equity shows the movement of the individual components of equity in the financial year (total revenue and expenses as well as transactions with owners in their capacity as owners), including the allocation of net profit or loss. The consolidated statement of comprehensive income increasing the net profit of the current year by all proceeds directly recognised in equity is included.

DISCONTINUED OPERATIONS

In compliance with IFRS 5, discontinued operations are disclosed in Group financial statements for subsidiaries disposed of from the Group and their operations in the reporting or preceding financial year are still included in the consolidated income statement, whereas their assets and resources are no longer disclosed in the financial position statement.

9.6.3.5 THE USE OF NEW AND REVISED IFRS AND INTERPRETATIONS OF IFRS

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

- **Amendments to IAS 16: Property, Plant and Equipment: Proceeds before Intended Use**
The amendments prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company will recognise such sales proceeds and related cost in profit or loss. This amendment is effective for annual periods beginning on or after 1 January 2022.
- **Amendments to IAS 37: Onerous Contracts — Cost of Fulfilling a Contract**
The changes specify that the 'cost of fulfilling' a contract comprises the 'costs that relate directly to the contract'. Costs that relate directly to a contract can either be incremental costs of fulfilling that contract (examples would be direct labour, materials) or an allocation of other costs that relate directly to fulfilling contracts (an example would be the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract). This amendment is effective for annual periods beginning on or after 1 January 2022.

- **Amendments to IFRS 3: Reference to the Conceptual Framework** These amendments update an outdated reference in IFRS 3 without significantly changing its requirements. This amendment is effective for annual periods beginning on or after 1 January 2022.
- **Annual Improvements to IFRSs 2018-2020 Cycle - IFRS 1, IFRS 9, IFRS 16 and IAS 41:**
IFRS 1 - the amendment permits a subsidiary that applies paragraph D16(a) of IFRS 1 to measure cumulative translation differences using the amounts reported by its parent, based on the parent's date of transition to IFRSs. IFRS 9 - the amendment clarifies which fees an entity includes when it applies the '10 per cent' test in paragraph B3.3.6 of IFRS 9 in assessing whether to derecognise a financial liability. IFRS 16 - the amendment to Illustrative Example 13 removed from the example of the illustration of the reimbursement of leasehold improvements by the lessor in order to resolve any potential confusion regarding the treatment of lease incentives. IAS 41 - the amendment removes the requirement in paragraph 22 of IAS 41 for entities to exclude taxation cash flows when measuring the fair value of a biological asset using a present value technique. All amendments are effective for annual periods beginning on or after 1 January 2022.

The adoption of these amendments to existing standards did not result in any material changes in the consolidated financial statements.

NEW STANDARDS AND INTERPRETATIONS THAT HAVE NOT ENTERED INTO FORCE YET

Standards and the amendments to existing standards issued by the IASB and adopted by the EU that do not yet apply

At the date of approval of these financial statements, the IASB issued the following standards adopted by the EU that do not yet apply:

- **IFRS 17 Insurance Contracts including amendments thereto:** IFRS 17 requires insurance liabilities to be measured at a current fulfilment value and provides a more uniform measurement and presentation approach for all insurance contracts. It is effective from annual reporting periods beginning on or after 1 January 2023. It also includes amendments to IFRS 17 adopted by the EU on 9 September 2022 and which are also effective from annual reporting periods beginning on or after 1 January 2023.
- **Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2 Making Materiality Judgements:** The amendments to IAS 1 require companies to disclose their material accounting policy information rather than their significant accounting policies. They are effective for annual reporting periods beginning on or after 1 January 2023.
- **Amendments to IAS 8: Definition of Accounting Estimates** The amendments replace the definition of a change in accounting estimates with a definition of accounting estimates. The amendments are effective for annual periods beginning on or after 1 January 2023.
- **Amendment to IAS 12 - Deferred tax related to assets and liabilities arising**

from a single transaction: The amendments clarify that the initial recognition exemption does not apply to transactions that, at the time of the transaction, give rise to equal and offsetting amounts of taxable and deductible temporary differences. They are effective for annual periods beginning on or after 1 January 2023.

New standards and amendments to existing standards issued by the IASB which have not been adopted by the EU as of yet

At present, IFRS as adopted by the EU do not fundamentally differ from those adopted by the International Accounting Standards Board (IASB) with the exception of the following new standards and amendments as at 31/12/2022 (the effective dates below apply to IFRS as issued by the IASB):

- **Amendment to IAS 1 – Classification of Liabilities as Current or Non-current (deferral of the effective date):** The amendment defers the effective date of the amendments from January 2020 for one year. As such, the amendments will be effective for companies for annual periods beginning on or after 1 January 2024. The amendment is yet to be approved for application in the EU.

- **Amendment to IFRS 10/IAS 28** — Sales or contributions of assets between an investor and its associate/joint venture; the amendment is yet to be approved for application in the EU.
- **Amendments to IFRS 16: Lease Liability in a Sale and Leaseback** The amendments clarify how a seller-lessee subsequently measures sale and leaseback transactions that satisfy the requirements in IFRS 15 to be accounted for as a sale. The amendments are yet to be approved for application in the EU.
- **Amendment to IAS 1 – Non-current Liabilities with Covenants** The amendments clarify how conditions with which an entity must comply within twelve months after the reporting period affect the classification of a liability. They are yet to be approved for application in the EU.

The Group foresees that the introduction of these new standards and amendments to existing standards during the initial period of application will not have a significant impact on the consolidated financial statements of the UNIOR Group.

Hedge accounting in relation to the portfolio of financial assets and liabilities, whose principles have not been adopted by the EU, remains unregulated.

9.7 DISCLOSURES TO THE AUDITED CONSOLIDATED FINANCIAL POSITION STATEMENT OF THE UNIOR GROUP

9.7.1 FINANCIAL POSITION STATEMENT BY DIVISION

The consolidated financial position statement of the UNIOR Group is divided into two business segments. Given the activity carried out by Group companies, the business segments can be usefully divided into:

- the metalworking activity (hereinafter the 'metalworking activity') and
- the tourism activity.

The tourism activity includes UNITUR d.o.o. generating revenue from the tourism activity at the Terme Zreče spa in Zreče and on the Rogla ski resort.

The metalworking activity includes all other UNIOR Group companies which generate revenue from the production and sales of forgings, hand tools, special machines, and the production of machine tools.

Consolidated financial position statement by business segment

(in EUR)	Tourism activity	Metalworking activity	TOTAL	Tourism activity	Metalworking activity	TOTAL
31/12/2022	31/12/2022	31/12/2022	31/12/2022	31/12/2021	31/12/2021	31/12/2021
ASSETS	64,112,135	316,999,281	381,111,416	61,397,899	304,179,442	365,577,341
A. NON-CURRENT ASSETS	59,219,594	151,806,796	211,026,390	58,761,356	154,643,049	213,404,405
I. Intangible assets and other IA	1,450,904	5,019,126	6,470,030	1,264,619	6,542,803	7,807,422
1. Non-current property rights	1,214,907	1,770,447	2,985,354	1,227,385	1,172,642	2,400,027
2. Goodwill	0	521,448	521,448	0	521,448	521,448
3. Non-current deferred development costs	0	2,588,191	2,588,191	0	3,947,203	3,947,203
4. Other intangible assets	0	47,133	47,133	0	61,947	61,947
5. Intangible assets being acquired	235,997	91,907	327,904	37,234	839,563	876,797
II. Property, plant and equipment	57,318,483	118,165,435	175,483,918	57,044,791	119,516,113	176,560,904
1. Land and buildings	50,744,550	52,249,631	102,994,181	50,671,686	51,544,137	102,215,823
2. Plant and machinery	4,512,827	58,497,175	63,010,002	5,044,197	57,610,308	62,654,505
3. Other equipment and machinery, small tools and other property, plant and machinery	11,096	639,093	650,189	8,632	610,114	618,746
4. Property, plant and equipment being acquired	2,050,010	6,779,536	8,829,546	1,320,277	9,751,553	11,071,830
III. Investment property	425,338	1,530,089	1,955,427	427,077	1,559,384	1,986,461
IV. Non-current investments	12,519	20,238,420	20,250,939	12,519	20,514,418	20,526,937
1. Non-current investments, excluding loans	12,519	20,229,514	20,242,033	12,519	20,502,954	20,515,473
2. Non-current loans	0	8,906	8,906	0	11,464	11,464
V. Non-current operating receivables	12,350	9,006	21,356	12,350	16,613	28,963
1. Non-current operating receivables	0	0	0	0	0	0
2. Non-current operating receivables from others	12,350	9,006	21,356	12,350	16,613	28,963
VI. Deferred tax assets	0	6,844,720	6,844,720	0	6,493,718	6,493,718
B. CURRENT ASSETS	4,892,542	165,192,484	170,085,026	2,636,543	149,536,393	152,172,936
I. Assets (groups for disposal) held for sale	0	120,000	120,000	0	120,000	120,000
II. Inventories	259,807	96,204,427	96,464,234	215,708	86,324,982	86,540,690
1. Materials	240,840	35,110,668	35,351,508	207,233	34,164,843	34,372,076
2. Work in progress	0	29,790,945	29,790,945	0	28,087,466	28,087,466
3. Products	0	23,939,959	23,939,959	0	18,375,645	18,375,645
4. Merchandise	18,968	7,362,854	7,381,822	8,475	5,697,028	5,705,503
III. Current investments	0	60,535	60,535	0	3,251,733	3,251,733
1. Current investments, excluding loans	0	0	0	0	0	0
2. Current loans	0	60,535	60,535	0	3,251,733	3,251,733
IV. Current operating receivables	1,302,655	49,443,744	50,746,399	1,262,995	49,940,782	51,203,777
1. Current trade receivables	951,156	31,812,313	32,763,469	694,442	36,014,688	36,709,130
2. Current operating receivables due from others	351,498	17,631,432	17,982,930	568,553	13,926,094	14,494,647
V. Cash and cash equivalents	3,330,079	19,363,779	22,693,858	1,157,840	9,898,896	11,056,736

Consolidated financial position statement by division (cont.)

(in EUR)	Tourism activity 31/12/2022	Metalworking activity 31/12/2022	TOTAL 31/12/2022	Tourism activity 31/12. 2021	Metalworking activity 31/12/2021	TOTAL 31/12/2021
LIABILITIES	64,112,135	316,999,281	381,111,416	61,397,899	304,179,442	365,577,341
A. EQUITY	31,144,364	153,500,818	184,645,182	30,572,075	145,750,629	176,322,704
A1 EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT	31,144,364	135,858,644	167,003,008	30,572,075	128,147,929	158,720,004
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	28,810,731	40,220,660
III. Reserves from profit	15,911,428	19,926,655	35,838,083	15,911,428	24,557,017	40,468,445
1. Legal reserves	534,164	1,417,442	1,951,606	534,164	1,476,036	2,010,200
2. Reserves for treasury shares and own participating interests	0	2,721,454	2,721,454	0	2,723,119	2,723,119
3. Treasury shares and own participating interests (deduction item)	0	(2,721,454)	(2,721,454)	0	(2,723,119)	(2,723,119)
4. Statutory reserves	0	0	0	0	0	0
5. Other reserves from profit	15,377,264	18,509,213	33,886,477	15,377,264	23,080,981	38,458,245
IV. Fair value reserves	8,765,523	11,547,534	20,313,057	8,701,127	11,820,634	20,521,761
V. Net profit brought forward	0	50,240,277	38,306,075	0	38,337,414	25,745,126
VI. Net loss brought forward	(11,934,202)	0	0	(12,592,288)	0	0
VII. Net profit of the financial year	507,893	7,934,078	8,441,971	658,086	8,315,865	8,973,951
VIII. Net loss of the financial year	0	0	0	0	0	0
IX. Translation adjustment of capital	0	(1,272,125)	(1,272,125)	0	(898,922)	(898,922)
A2 CAPITAL ATTRIBUTABLE TO NON-CONTROLLING INTEREST	0	17,642,174	17,642,174	0	17,602,700	17,602,700
B. PROVISIONS AND DEFERRED REVENUE	4,880,764	7,732,175	12,612,939	2,681,677	6,709,249	9,390,926
1. Provisions for pensions and similar liabilities	621,344	6,767,290	7,388,634	725,945	5,975,023	6,700,968
2. Other provisions	4,259,420	565,515	4,824,935	1,955,732	534,721	2,490,453
3. Deferred revenue	0	399,370	399,370	0	199,505	199,505
C. NON-CURRENT LIABILITIES	11,652,707	8,685,691	20,338,398	21,273,355	61,083,215	82,356,570
I. Non-current financial liabilities	3,149,598	15,287,000	18,436,598	12,757,046	68,089,441	80,846,487
1. Non-current financial liabilities to banks	3,149,598	11,809,927	14,959,525	12,738,552	64,658,652	77,397,204
2. Non-current financial liabilities from bonds payable	0	0	0	0	0	0
3. Other non-current financial liabilities	0	3,477,073	3,477,073	18,494	3,430,789	3,449,283
II. Non-current operating liabilities	7,098,550	(7,098,550)	0	7,098,550	(7,085,465)	13,085
1. Non-current trade payables	0	0	0	0	0	0
2. Non-current bills of exchange payable	0	0	0	0	0	0
3. Non-current operating liabilities from advance payments	0	0	0	0	0	0
4. Other non-current operating liabilities	7,098,550	(7,098,550)	0	7,098,550	(7,085,465)	13,085
III. Deferred tax liabilities	1,404,559	497,241	1,901,800	1,417,758	79,240	1,496,998
D. CURRENT LIABILITIES	16,434,301	147,080,596	163,514,897	6,870,793	90,636,348	97,507,141
I. Liabilities included in groups for disposal	0	0	0	0	0	0
II. Current financial liabilities	9,674,241	76,356,450	86,030,691	2,144,034	31,825,985	33,970,018
1. Current financial liabilities to banks	9,588,955	75,134,903	84,723,858	1,655,459	30,533,127	32,188,586
2. Current financial liabilities from bonds payable	0	0	0	0	0	0
3. Other current financial liabilities	85,286	1,221,547	1,306,833	488,574	1,292,858	1,781,432
III. Current operating liabilities	6,760,060	70,724,146	77,484,206	4,726,760	58,810,363	63,537,123
1. Current operating liabilities to suppliers	3,755,556	42,813,949	46,569,505	2,359,636	35,774,922	38,134,558
2. Current bills of exchange payable	0	9,801,933	9,801,933	0	6,217,570	6,217,570
3. Current operating liabilities from advance payments	1,232,369	2,681,015	3,913,384	772,746	599,645	1,372,391
4. Other current operating liabilities	1,772,135	15,427,249	17,199,384	1,594,378	16,218,226	17,812,604

Additional information for the UNIOR Group by geographical segment

(in EUR)	Revenue from sales		Total assets		Net investments	
	2022	2021	2022	2021	2022	2021
Slovenia	208,760,820	170,026,813	288,577,230	278,365,842	10,940,624	11,464,303
European Union	9,346,372	10,449,492	16,312,878	16,770,176	1,015,409	4,495,798
Rest of Europe	14,495,711	11,864,535	18,310,104	18,533,099	1,666,026	1,216,518
Other markets	55,049,968	47,357,688	57,911,204	51,908,224	2,837,708	2,467,919
Total	287,652,871	239,698,528	381,111,416	365,577,341	16,459,767	19,644,538

Additional information for the Group shows consolidated revenue from sales, consolidated assets, and net investments in relation to the geographical area where Group company are based.

9.7.2 INTANGIBLE ASSETS

UNIOR GROUP (in EUR)	Goodwill	Deferred costs development of	Investments in rights of intellectual property	Other intangible assets	Intangible non- current assets being acquired	Total
Cost						
Balance as at 31 December 2021	602,236	8,752,588	5,502,642	61,947	876,797	15,796,210
Direct increases – investments	0	93,434	371,468	0	327,904	792,806
Transfer from investments in progress	0	839,563	37,234	0	(876,797)	0
Decreases during the year	0	(3,461,607)	(64,314)	(14,814)	0	(3,540,735)
Other changes (fluctuations, currency exchange rates)	0	(1,567,051)	1,497,940	0	0	(69,111)
Balance as at 31 December 2022	602,236	4,656,927	7,344,970	47,133	327,904	12,979,170
Value adjustment						
Balance as at 31 December 2021	80,788	4,805,385	3,102,615	0	0	7,988,788
Depreciation during the year	0	1,323,812	774,737	0	0	2,098,549
Decreases during the year	0	(3,461,607)	(64,314)	0	0	(3,525,921)
Other changes (fluctuations, currency exchange rates)	0	(598,854)	546,578	0	0	(52,276)
Balance as at 31 December 2022	80,788	2,068,736	4,359,616	0	0	6,509,140
Current value as at 31 December 2022	521,448	2,588,191	2,985,354	47,133	327,904	6,470,030
Current value as at 31 December 2021	521,448	3,947,203	2,400,027	61,947	876,797	7,807,422

UNIOR GROUP (in EUR)	Goodwill	Deferred costs development of	Investments in rights of intellectual property	Other intangible assets	Intangible non- current assets being acquired	Total
Cost						
Balance as at 31 December 2020	602,236	17,715,703	5,569,106	90,859	938,398	24,916,302
Direct increases – investments	0	285,439	18,713	0	876,797	1,180,949
Transfer from investments in progress	0	920,670	0	0	(920,670)	0
Decreases during the year	0	(10,508,233)	(222,001)	(28,912)	(17,728)	(10,776,874)
Other changes (fluctuations, currency exchange rates)	0	339,009	136,824	0	0	475,833
Balance as at 31 December 2021	602,236	8,752,588	5,502,642	61,947	876,797	15,796,210
Value adjustment						
Balance as at 31 December 2020	80,788	13,456,347	3,045,699	0	0	16,582,834
Depreciation during the year	0	1,617,344	210,352	0	0	1,827,696
Decreases during the year	0	(10,508,233)	(187,846)	0	0	(10,696,079)
Other changes (fluctuations, currency exchange rates)	0	239,927	34,410	0	0	274,337
Balance as at 31 December 2021	80,788	4,805,385	3,102,615	0	0	7,988,788
Current value as at 31 December 2021	521,448	3,947,203	2,400,027	61,947	876,797	7,807,422
Current value as at 31 December 2020	521,448	4,259,356	2,523,407	90,859	938,398	8,333,468

Goodwill arises from merging Inexa Adria d.o.o. by acquisition with UNIOR d.d. in 2005 and from merging UNIOR Werkzeugmaschinen GmbH by acquisition to UNIOR Deutschland GmbH in 2010. The

recoverable amount of goodwill of cash-generating units whose operations did not result in any impairment requirements in 2022 subject to tested indicators is reviewed on an annual basis. For this reason, the goodwill of the Group was not impaired in 2022.

Non-current development costs amounting to EUR 2,588,191 in total refer to deferred development costs in the Special Machines activity. Development costs incurred are recognised as intangible assets if the Group can demonstrate the technical feasibility of completing the project so that it will be available for use or sale; the likelihood that the project will generate future economic benefits (the existence of a market for the output of the project or the project itself or, if the project is to be used by the Group, the usefulness of the project). The Group shall include the following among development costs recognised as an intangible asset: labour costs and costs of external services required for the development of new technological solutions, in the event of the creation of an asset arising from development, material costs related to the creation of the development asset shall also be capitalised as deferred development costs.

At the drawing up of the consolidated financial statements, an impairment test of material deferred development costs in terms of value was carried out. The estimated recoverable amount of deferred development cost exceeds their residual value as at 31/12/2022. As a result, no impairments of deferred development costs were recorded in the consolidated income statement for 2022.

In the 2022 financial year, the Group excluded EUR 3,461,607 in fully depreciated deferred development costs disclosed under intangible assets; whereby the amount of excluded depreciated non-current deferred development costs in 2021 amounted to EUR 10,508,223.

Intangible assets in 2022 increased as a result of EUR 699,372 spent on software licences, out of which one part amounting to EUR 327,904 is disclosed under intangible non-current intangible assets being acquired and EUR 93,434 amounted to capitalised development costs.

Among other intangible fixed assets in the amount of EUR 47,133, long-term deferred costs and accrued revenues are disclosed.

Goodwill is an intangible asset with an indefinite useful life, whereas all other intangible fixed assets have a definite useful life and are depreciated using a straight-line basis during their useful life. The depreciation of intangible assets is disclosed in the income statement under item *F. Value write-offs 1 Depreciation*. During the regular annual inventory of intangible fixed assets at the sites of UNIOR d.d. as at 31/10/2022 and of other Group companies as at 31/12/2022, no excess or shortage of intangible fixed assets was established.

Financing investment costs for the acquisition of an intangible asset until it reflects the enterprise are included in the cost of intangible assets. The gross carrying amount of fully depreciated intangible assets which are, as at 31/12/2022, still in use, is EUR 1,064,224. As at 31/12/2022, there are no outstanding obligations for the acquisition of intangible assets.

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

9.7.3 PROPERTY, PLANT AND EQUIPMENT

UNIOR GROUP	Land	Buildings	Production Equipment	Small tools	Fixed assets being acquired	Total
(in EUR)						
Cost						
Balance as at 31 December 2021	30,070,639	153,639,813	218,740,148	3,285,547	11,071,830	416,807,977
Direct increases – investments	319,218	1,415,370	2,192,030	174,703	12,144,407	16,245,728
Transfer from investments in progress	0	4,068,749	9,716,220	73,421	(13,858,390)	0
Decreases during the year	(40,370)	(1,383,406)	(5,404,845)	(521,165)	(525,071)	(7,874,857)
Revaluation	143,766	0	0	0	0	143,766
Other changes (changes in exchange rates)	1,378	26,321	(589,279)	8,370	(3,230)	(556,440)
Balance as at 31 December 2022	30,494,631	157,766,847	224,654,274	3,020,876	8,829,546	424,766,174
Value adjustment						
Balance as at 31 December 2021	0	81,494,629	156,085,643	2,666,801	0	240,247,073
Depreciation during the year	0	4,291,013	10,792,641	240,337	0	15,323,991
Decreases during the year	0	(536,286)	(4,728,704)	(539,469)	0	(5,804,459)
Other changes (changes in exchange rates)	0	17,941	(505,308)	3,018	0	(484,349)
Balance as at 31 December 2022	0	85,267,297	161,644,272	2,370,687	0	249,282,256
Current value as at 31 December 2022	30,494,631	72,499,550	63,010,002	650,189	8,829,546	175,483,918
Current value as at 31 December 2021	30,070,639	72,145,184	62,654,505	618,746	11,071,830	176,560,904

UNIOR GROUP	Land	Buildings	Production Equipment	Small tools	Fixed assets being acquired	Total
(in EUR)						
Cost						
Balance as at 31 December 2020	27,492,923	150,909,786	211,800,690	3,272,663	6,712,697	400,188,759
Direct increases – investments	271,935	3,766,496	2,581,906	262,474	12,930,817	19,813,628
Transfer from investments in progress	474,722	3,385,087	4,657,281	59,260	(8,576,350)	0
Decreases during the year	(21,975)	(4,557,841)	(2,858,788)	(410,267)	0	(7,848,871)
Revaluation	1,848,087	0	0	0	0	1,848,087
Other changes (changes in exchange rates)	4,947	136,285	2,559,059	101,417	4,666	2,806,374
Balance as at 31 December 2021	30,070,639	153,639,813	218,740,148	3,285,547	11,071,830	416,807,977
Value adjustment						
Balance as at 31 December 2020	0	79,131,557	146,145,848	2,703,679	0	227,981,084
Depreciation during the year	0	4,260,760	10,781,177	213,229	0	15,255,166
Decreases during the year	0	(1,927,981)	(2,687,558)	(331,501)	0	(4,947,040)
Other changes (changes in exchange rates)	0	30,293	1,846,176	81,394	0	1,957,863
Balance as at 31 December 2021	0	81,494,629	156,085,643	2,666,801	0	240,247,073
Current value as at 31 December 2021	30,070,639	72,145,184	62,654,505	618,746	11,071,830	176,560,904
Current value as at 31 December 2020	27,492,923	71,778,229	65,654,842	568,984	6,712,697	172,207,675

Among property, plant and equipment, the UNIOR Group as at 31/12/2022 discloses assets acquired through financial leasing at a cost of EUR 1,953,457 and at the present value of EUR 1,321,882.

Subject to IFRS 16, the UNIOR Group also posts right-of-use assets acquired subject to an operating lease at their present value amounting to EUR 3,618,769, whereby the cost amounts to EUR 5,802,854, and the value adjustment to EUR 2,184,085. The current value of leased equipment is EUR 3,601,645 and of land EUR 17,124. In 2022, leased equipment depreciation amounted to EUR 932,940, whereas

the reduction of value of leased land to EUR 9,791, as land is not depreciated. Lease interest amounts to EUR 58,383, out of which EUR 57,970 for equipment and EUR 413 for land. Lease obligations amounted to EUR 3,642,773 at the end of the year (EUR 3,627,200 for leased equipment and EUR 15,573 for leased land), out of which the current portion amounted to EUR 868,797 (EUR 862,797 for leased equipment and EUR 6,000 for leased land). Short-term lease expenses not recognised as fixed assets due to a shorter lease term and leases of assets whose value does not exceed the threshold of recognising assets as fixed assets are included among leases in Section 9.8.5 of the 2022 Annual Report.

During the regular annual inventory of property, plant and equipment at the sites of UNIOR d.d. as at 31/10/2022 and of other Group companies as at 31/12/2022, no excess or shortage of property, plant and equipment was established. However, the inventory committees proposed the exclusion of property, plant and equipment which have been destroyed or damaged to such an extent that repair is not worth it and they can no longer be used in the production process. During the regular annual inventory, the carrying amount of excluded property, plant and equipment in 2022 amounted to EUR 236,986.

The majority of investments were spent on modernising and expanding the machine and special capacities required for production. The first aluminium moulding line was completed. The total investment therein amounted to EUR 2,116,582 in the 2022 financial year. EUR 1,149,229 were spent on installing solar power plants in Serbia and China; EUR 696,782 in the expansion of the biomass distance heating system on Rogla; and EUR 239,597 in the district heating system to increase the utilisation of waste heat. Other major investments include the procurement of a machining centre required by maintenance amounting to EUR 720,630, a CNC cylindrical grinder amounting to EUR 515,000, a CNC machining centre amounting to EUR 495,000, to be used to produce machine tools, a press needed by the Zreče forge amounting to EUR 415,898, the robotisation of the forging line amounting to EUR 359,740 and the procurement of a machining centre needed by the tool shop amounting to EUR 250,076.

The main investment in 2022 in the tourism activity were the EUR 791,150 invested in beginning individual phases of the Park Mašinžaga - Phase 1 project to be completed in 2023. Other major investments include the procurement of the land next to the water storage for snow-making purposes amounting to EUR 315,000, and snow cannons amounting to EUR 159,785.

The Group has pledged as collateral land and buildings at the present value of EUR 79,260,867 and plant, machinery and equipment at their present value of EUR 16,285,386.

In compliance with IFRS 16, the following is disclosed:

- the UNIOR Group does not dispose of any temporarily idle property, plant and equipment as at 31/12/2022;
- The gross carrying amount (cost) of fully depreciated tangible fixed assets (property, plant and equipment) which are, as at 31/12/2022, still in use, is EUR 98,034,478.
- the Group does not dispose of any property, plant and equipment retired from active use which are classified as held for sale in compliance with IFRS 5;
- the fair value of property, plant and equipment, for which the company uses the cost value, does not diverge significantly from the carrying amount of property, plant and equipment;
- commitments of the Group to acquire property, plant and equipment as at 31/12/2022, liabilities of the Company for the acquisition of intangible fixed assets amount to EUR 1,573,286.

Our land in Serbia was revalued to its fair value subject to the balance as at 31/12/2022, on the basis of an appraisal report, compiled by an authorised real estate appraiser, entered into the Register of Certified Real Estate Appraisers of the Ministry of Justice of the Republic of Serbia. Due to changes, lands in Slovenia are revalued to their fair value on the basis of an appraisal report, compiled by an authorised real estate appraiser, entered into the Register of Authorised Real Estate Appraisers of the Slovenian Institute of Auditors according to the balance as at 31/12/2021. The land was valued by the two appraisers using the market comparison method indicating the value by comparing the valued property with equal or similar properties whose price was known. Subject to the sales prices achieved and the adjustments, an indicative price, which a comparable property would achieve on the market, was taken into account. Public utility charges were added to the land valuation, namely as a right attributed to the construction land where facilities with issued building permits are located. In order to verify the usability of land appraisals in Slovenia also for accounting reporting in 2022, the authorised real estate appraiser estimated subject to an analysis of the movement of prices of building land that the values posted in the appraisals according to the balance as at 31/12/2021 are also fit for use as at 31/12/2022. The previous valuation of land had been carried out according to the balance as at 31/12/2020.

Financing investment costs for the acquisition of an intangible fixed asset until it reflects the enterprise are included in the cost of property, plant and equipment.

There were no indicators requiring the impairment of property, plant and equipment in 2022.

The value of revalued land at cost is EUR 8,445,663.

9.7.4 INVESTMENT PROPERTY

Investment property

(in EUR)	31/12/2022	31/12/2021
Land	1,174,865	1,176,603
Buildings	780,562	809,858
Total	1,955,427	1,986,461

Changes in investment property

(in EUR)	2022	2021
Opening balance as at 1 January	1,986,461	1,922,524
Acquisitions	0	0
Disposals	0	0
Fair value changes	(32,070)	63,317
Other changes (fluctuations, currency exchange rates)	1,036	620
Closing balance as at 31 December	1,955,427	1,986,461

Investment property comprises land and buildings intended for resale or not used to perform the basic activity of the Group at our premises in Zreče and on Rogla or leased in Kragujevac, Serbia. Land and buildings disclosed among investment property were valued by two appraisers entered into the Register of Certified Real Estate Appraisers of the Slovenian Institute of Auditors and the Register of Certified Real Estate Appraisers of the Ministry of Justice of the Republic of Serbia using the market sales method indicating the value by comparing the valued property with equal or similar properties whose price was known. Subject to the sales prices achieved and the adjustments, indicative prices, which comparable property would achieve on the market, were taken into account. Public utility charges were added to the land valuation, namely as a right attributed to the construction land where facilities with issued building permits are located.

Investment property in Serbia was revalued to its fair value on the basis of an appraisal report, compiled by an authorised real estate appraiser, according to the balance as at 31/12/2022. The effect of changing the fair value of investment property amounting to EUR 63,317 is included in the profit or loss of 2022. Investment property in Slovenia was revalued to its fair value on the basis of an appraisal report, compiled by an authorised real estate appraiser, according to the balance as at 31/12/2021. In order to verify the usability of appraisals also for accounting reporting in 2022, the authorised real estate appraiser estimated subject to an analysis of the movement of prices of building land that the values posted in the appraisals according to the balance as at 31/12/2021 are also fit for use as at 31/12/2022.

The Group has pledged Investment property as security for the repayment of debt at a carrying amount of EUR 749,527.

Lease revenue in the 2022 financial year amounted to EUR 329,391. Future payments refer to leasing our production halls and office space in Kragujevac.

Minimum total of lease payments from operating leases – receivables

(in EUR)	2022	2021
Up to 1 year	196,336	211,951
From 2 to 5 years	785,344	847,804
More than 5 years	981,680	1,059,755
Total	1,963,360	2,119,510

Operating costs of investment property in 2022 amounted to EUR 32,289, whereas, in the preceding year, they had amounted to EUR 39,285.

9.7.5 NON-CURRENT INVESTMENTS
Changes in non-current investments in shares, participating interests and loans

(in EUR)	2022	2021
Balances of investments as at 1 January	20,526,937	18,512,953
Increases:		
Acquisition of shares and participating interests	0	0
Attribution of value of associates using the equity method	3,397,658	2,093,376
Other increases – revaluation	10	8
Decreases:		
Sales of shares and participating interests	(3,671,098)	(28,550)
Repayments of long-term loans given	0	0
Current portion of investments	(1,806)	(1,808)
Other decreases – impairment	(762)	(49,042)
Balance as at 31 December	20,250,939	20,526,937

An increase in non-current financial investments amounting to EUR 3,397,658 stems from the attribution of value of associates valued in the consolidated financial statements using the equity method, whereas the positive effect in 2021 had amounted to EUR 2,093,376. The profits and losses of the associates disclosed in the consolidated financial position statement either increase or decrease the value of non-current financial investments, whereas they increase financial revenue or expenses in the consolidated income statement. A decrease in non-current investments stems from the sales of our investment in UNIOR Tepid S.R.L. in Romania amounting to EUR 3,644,845.

Investments in associates, in consolidation measured using the equity method

(in EUR)	Share in %	31/12/2022	31/12/2021
Domestic:			
ŠTORE STEEL d.o.o. Štore	29.253	18,927,710	15,648,053
		<u>18,927,710</u>	<u>15,648,053</u>
Foreign:			
UNIOR TEPID S.R.L. Brasov, Romania	49.000	0	3,644,845
UNIOR TEHNA d.o.o. Sarajevo, Bosnia and Herzegovina	25.000	498,463	436,003
UNIOR TEOS ALATI d.o.o. Belgrade, Serbia	20.000	753,481	697,940
		<u>1,251,944</u>	<u>4,778,788</u>
Total associates		20,179,654	20,426,841

As Štore Steel d.o.o. also holds a 9.95% own share, the value of the investment in this associate in the consolidated financial statements of the UNIOR Group is valued at the re-calculated 32.487 per cent share, whereby the revaluation of buildings amounting to EUR 13,351,048 was excluded from the equity of the company on account of reconciling accounting policies.

The Group has pledged non-current investments as security for the repayment of debt at a carrying amount of EUR 18,927,710.

Equity and profit or loss of related parties

Company name	Country Company	Percentage participating in equity	Size capital in EUR	Operating of the year in EUR
Associates:				
ŠTORE STEEL d.o.o.	Slovenia	29.253	71,613,875	10,534,629
UNIOR TEHNA d.o.o.	Bosnia and Herzegovina	25.000	1,993,852	249,840
UNIOR TEOS ALATI d.o.o.	Serbia	20.000	3,767,404	520,647

Detailed information on associates (company name, address, activity and number of employees) is disclosed in Section 9.6.1.3 of the 2022 Annual Report.

Financial assets, measured at fair value through profit or loss

(in EUR)	31/12/2022	31/12/2021
Banks	750	750
Other companies	61,629	87,882
Total	62,379	88,632

The value of investments in financial assets, measured at fair value through profit or loss at historical cost, amounts to EUR 159,871, whereas the value of the value adjustment of investments in financial assets, measured at fair value through profit or loss, amounts to EUR 97,492.

Non-current investments in debt, measured at amortized value

(in EUR)	31/12/2022	31/12/2021
Long-term loans to others	10,712	13,272
Current portion of investments in liabilities	(1,806)	(1,808)
Total	8,906	11,464

Disclosed non-current loans are fully recoverable. The interest rate for non-current investments in financial debt varies between one-month Euribor + 3 per cent to 3-month Euribor + 3 per cent and the fixed interest rate is 3 per cent.

Receipts accruing from interests in 2022 amounted to EUR 127,206 and EUR 178,804 in 2021.

The Group assesses impairment signs. Valuations are performed for any investments where they are identified subject to future cash flows which serve as the basis for recording any impairment.

9.7.6 ASSETS (GROUPS FOR DISPOSAL) HELD FOR SALE

(in EUR)	31/12/2022	31/12/2021
Assets (groups for disposal) held for sale	120,000	120,000
Total	120,000	120,000

Assets (disposal groups) held for sale comprise bungalows on Mount Rogla.

9.7.7 INVENTORIES

(in EUR)	31/12/2022	31/12/2021
Materials	36,222,588	35,305,629
Work in progress	29,793,882	28,087,466
Products	24,077,727	19,953,023
Merchandise	7,456,322	5,903,547
Inventory surpluses	147,176	219,103
Inventory deficits	(181,122)	(219,103)
Value adjustment	(1,052,339)	(2,708,975)
Total	96,464,234	86,540,690

Balance of value adjustment of inventories

(in EUR)	31/12/2022	31/12/2021
– materials	821,123	933,553
– finished products	147,368	1,577,378
– merchandise	83,848	198,044
Total	1,052,339	2,708,975

Change in allowances set up for inventories

(in EUR)	2022	2021
Balance of allowances set up for inventories as at 1 January	2,708,975	3,261,214
– reconciliation from the previous year	0	0
- allowances set up	97,220	113,371
- reversal of adjustment	(167,872)	(448,081)
– write-offs	(1,585,984)	(217,529)
Balance as at 31 December	1,052,339	2,708,975

In the 2022 financial year, inventories increased by EUR 9,923,544 in total, resulting primarily from higher procurement prices, a higher production volume, higher production costs and higher contingency inventories intended to minimise the risks of supply issues and increases of procurement prices (primarily of steel and sheet metal).

The carrying amount of inventories equals the net realisable value. A value adjustment is formed for inventories not experiencing any movement in specific periods of time subject to the methodology contained in our accounting policies. The balance of value adjustments of inventories in 2022 amounted to EUR 1,656,636 less than at the end of 2021 on account of excluding inventories from our records as they were no longer fit for use. During the inventory of the inventories' status, EUR 147,176 in inventory surplus and EUR 181,122 in inventory deficit were established in total, meaning that the deficit exceeded the surplus by EUR 33,946.

The Group has pledged inventories as security for the repayment of debt at a carrying amount of EUR 20,000,000.

Inventories in the table above are shown in gross amounts as a result of a separate disclosure of value adjustments of inventories and their effects, arising from established changes during stocktaking. Inventories contained in the financial position statement are shown in net amounts.

9.7.8 OPERATING RECEIVABLES

(in EUR)	31/12/2022	31/12/2021
Non-current operating receivables		
Non-current operating receivables from others	21,356	28,963
Total non-current operating receivables	21,356	28,963
Current operating receivables		
Current operating receivables due from associates	259,184	709,132
Current trade receivables, domestic	3,729,457	3,651,472
Current trade receivables, foreign	29,472,916	32,903,657
Current interest liabilities	0	15,590
VAT receivables	1,207,050	1,741,672
Advance payments	2,891,660	2,606,663
Other current operating receivables	13,884,220	10,130,722
Value adjustments of current operating receivables	(698,088)	(555,131)
Total current operating receivables	50,746,399	51,203,777

Non-current operating receivables of the UNIOR Group fell by EUR 7,607 as a result of repayments of trade receivables. As all receivables are recoverable, no discount rate is applied by the Group to their recovery.

Other current receivables include disclosed receivables from sold non-recourse factoring operating receivables, receivables from refunds, current deferred costs and accrued revenue. Receivables shown in the table are fully recoverable. Expected Credit Loss (ECL) in compliance with IFRS 9 is shown in Section 9.11 of the 2022 Annual Report. All current trade receivables due from non-affiliated customers are 90 per cent collateralised by the Group.

The Group has pledged receivables as security for the repayment of debt amounting to EUR 3,368,562.

In 2022, the Group formed value adjustments of trade receivables amounting to EUR 236,916.

Changes in allowances set up for receivables

(in EUR)	2022	2021
Balance as at 1 January	555,131	792,948
Collected written-off receivables	(9,788)	(108,850)
Final write-off of receivables	(84,171)	(181,460)
Formation of value adjustment in the year:	236,916	52,493
Balance as at 31 December	698,088	555,131

Maturity of receivables

(in EUR)	31/12/2022	31/12/2021
Receivables not yet due	43,292,427	41,888,173
Receivables overdue up to 90 days	5,366,907	5,900,601
Receivables from 91 to 180 days overdue	1,028,467	1,150,016
Receivables from 181 to 365 days overdue	782,237	1,337,834
Receivables more than 1 year overdue	276,361	927,153
Total	50,746,399	51,203,777

9.7.9 CURRENT INVESTMENTS

(in EUR)	31/12/2022	31/12/2021
Loans given		
– to others	58,729	5,038
Current investments in deposits	0	3,244,887
Short-term portion of non-current investments in liabilities	1,806	1,808
Total	60,535	3,251,733

Current investments have not been pledged as collateral. The UNIOR Group discloses current investments at amortised cost. Current loans are not secured but are believed to be fully recoverable. Interest on loans given is being repaid.

Changes in non-current investments

(in EUR)	2022	2021
Balance as at 1 January	3,251,733	2,937,946
Increases:		
Increase in short-term loans given to others	53,494	3,509
Increase of investments in deposits	0	313,280
Transfer of the current portion of non-current investments	1,806	1,808
Decreases:		
Decrease in short-term loans to others	(1,611)	(4,810)
Decrease in investments in deposits	(3,244,887)	0
Balance as at 31 December	60,535	3,251,733

Current investments fell by EUR 3,191,198, primarily due to the expiration of bank deposits with foreign banks. The cash balance increased as a result.

9.7.10 CASH AND CASH EQUIVALENTS

Bank balances, cheques and cash

(in EUR)	31/12/2022	31/12/2021
Cash in hand and cheques received	18,954	349,895
Cash at bank	22,674,904	10,706,841
Total	22,693,858	11,056,736

The cash balance as at 31/12/2022 was EUR 11,637,122 higher than at the end of the preceding year. The cash balance is represented by the balance of cash on accounts with commercial banks and cash in hand.

9.7.11 EQUITY

The equity of the UNIOR Group comprises called-up capital, capital reserves, revenue reserves, reserves from revaluation at fair value and the net loss or profit brought forward of the financial year and translation adjustment of capital.

As at 31/12/2022, the share capital of the parent company is registered in the amount of EUR 23,688,983 as disclosed in the financial position statement. It is divided into 2,838,414 no-par value shares. The parent company does not hold any authorised capital. No contingent share capital increases were held in the 2022 financial year. The parent company and other Group companies did not issue any dividend bonds and are not a partner in any other company for whose debt they would have unrestricted liability.

Capital reserves amount to EUR 41,686,964 and are composed of a paid-in capital surplus from capital increases amounting to EUR 7,944,612; excess of the sales value over the carrying amount of sold treasury shares amounting to EUR 3,977,906 and a general revaluation surplus in equity included into capital reserves upon shifting to International Financial Reporting Standards amounting to EUR 29,764,445.

Revenue reserves amounting to EUR 35,838,083 are intentionally retained revenue from previous years, mainly for the settlement of potential future losses. Reserves include reserves for treasury shares held by UNIOR d.d. and treasury shares held by its subsidiaries UNIOR Deutschland GmbH and SPITT d.o.o. amounting to EUR 2,721,454. UNIOR d.d. holds 69,784 treasury shares. The subsidiaries UNIOR Deutschland GmbH and SPITT d.o.o. hold 3,300 shares of the parent company in total.

Reserves from revaluation at fair value amounting to EUR 20,313,057 represent reserves from the revaluation of land at fair value and losses and actuarial gains from actuarial calculations of termination benefits at retirement. In the past year, provisions due to fair value measurements amounted to EUR 20,521,761. The EUR 208,704 decrease consists of a EUR 1,046,785 decrease from the revaluation of land at fair value and the increased impairment of value surpluses related to deferred tax liabilities

amounting to EUR 172,723, and a EUR 1,010,804 increase from changes to actuarial gains generated during the calculation of termination benefit provisions subject to retirement schemes.

Reserves from revaluation at fair value

(in EUR)	31/ 12/ 2022	31/ 12/ 2021
LAND	24,424,824	25,471,609
Impairment of value surpluses	(4,225,320)	(4,052,597)
Termination benefits	(614,983)	(614,983)
Actuarial gains	728,536	(282,268)
TOTAL	20,313,057	20,521,761

Changes in fair value reserves

(in EUR)	2022	2021
Balance as at 1 January	20,521,761	20,231,979
Decreases:		
– Land	(1,500,134)	0
– Actuarial gains	0	(659,745)
– Impairment of value surpluses	(172,723)	(188,925)
Increases:		
– Land	453,349	1,127,768
– Actuarial gains	1,010,804	0
– reversal of impairment of value surpluses	0	10,684
Balance as at 31 December	20,313,057	20,521,761

Net profit brought forward totals EUR 38,306,075 and represents undistributed profit from previous years.

The net operating result of the UNIOR Group in year 2022 amounts to EUR 10,232,462, whereas, during the preceding year, an operating result amounting to EUR 11,091,270 was reported by the Group. The net profit of the UNIOR Group was EUR 5,157,066 higher than the profit of the parent company. Differences arise from the operating results of subsidiaries, attributable to equity holders of the parent company, amounting to EUR 3,482,877, changes in value of associates amounting to EUR 517,888, exclusions and adjustments at consolidation amounting to EUR 634,190, and profit attributable to non-controlling interest amounting to EUR 1,790,491.

Net earnings per share in 2022 amounted to EUR 3.70. In the 2021 financial year, they had amounted to EUR 4.01 per share. Net earnings or loss per share are calculated by dividing the accounting period net loss or profit which belongs to the owners by the weighted average number of ordinary shares whereby ordinary shares held by the Group shall be excluded. The weighted average number of potential ordinary shares, taken into account in the calculation of the net earnings per share in the 2021

and 2022 financial years amounted to 2,765,300 shares. The diluted net earnings per share in the 2021 and 2022 financial years was equal to the net earnings per share.

The total comprehensive income of the financial year per share amounted to EUR 3.37 in the 2022 financial year and to EUR 5.36 per share in the 2021 financial year. The total comprehensive income of the financial year per share is calculated by dividing the total comprehensive income of the financial year attributable to owner by the weighted average number of ordinary shares whereby ordinary shares held by the Group shall be excluded. The weighted average number of potential ordinary shares, taken into account in the calculation of the total comprehensive income of the financial year per share in the 2021 and 2022 financial years amounted to 2,765,300 shares. The diluted total comprehensive income of the financial year per share for the 2021 and 2022 financial years was equal to the total comprehensive income of the financial year.

Changes in equity attributable to equity holders of the parent company in the current year represent:

- the entry of a net operating result of 2022 attributable to equity holders of the parent amounting to EUR 8,441,971;
- a decrease of reserves from the valuation at fair value resulting from changes in reserves from the revaluation of land at fair value and from the actuarial gains generated during the calculation of termination benefit provisions amounting to EUR 208,704,
- other changes in equity represent an increase of EUR 422,940;
- equity adjustment from foreign currency translation decreased by EUR 373,203 as the exchange rate of the local euro currency rose compared to the exchange rate of currencies in some countries where some subsidiaries of the UNIOR Group are based.
- The other change in equity represents the redistribution among groups of reserves in subsidiaries in compliance with the requirements of local law of countries where our subsidiaries are located.

Movements in equity attributable to non-controlling interest in the current year are as follows:

- The net profit of the financial year attributable to the owners of non-controlling interest accounts for an increase amounting to EUR 1,790,491,
- the disbursement of dividends to owners of non-controlling interest reduced equity by EUR 747,465,
- other changes in non-controlling interest represent a decrease of EUR 673,120;
- equity adjustment from foreign currency translation decreased by EUR 330,432 as the exchange rate of the local euro currency rose compared to the exchange rate of currencies in some countries where some subsidiaries of the UNIOR Group are based.

9.7.12 NON-CURRENT PROVISIONS AND DEFERRED REVENUE

(in EUR)	Provisions for termination and jubilee benefits	Provisions for annuities	Donations received for fixed assets	Deferred revenue	Total
Balance as at 31 December 2021	6,700,968	277,861	2,212,592	199,505	9,390,926
Formed provisions	2,148,434	1,366	2,468,137	228,721	4,846,658
Utilised provisions	(239,401)	(16,916)	(118,105)	(28,856)	(403,277)
Reversed provisions	(1,221,367)	0	0	0	(1,221,367)
Balance as at 31 December 2022	7,388,634	262,311	4,562,624	399,370	12,612,939

(in EUR)	Provisions for termination and jubilee benefits	Provisions for annuities	Donations received for fixed assets	Deferred revenue	Total
Balance as at 31 December 2020	6,613,268	288,171	2,361,531	224,925	9,487,895
Formed provisions	1,062,915	6,485	0	0	1,069,400
Utilised provisions	(240,727)	(16,795)	(148,939)	(25,420)	(431,881)
Reversed provisions	(734,488)	0	0	0	(734,488)
Balance as at 31 December 2021	6,700,968	277,861	2,212,592	199,505	9,390,926

Provisions for jubilee and termination benefits amounting to EUR 7,388,634 are set up in the amount of estimated future payouts of jubilee and termination benefits discounted at the financial position statement date. The main parameters taken into account in the calculation are the retirement age of 65 years for both women and men, the required length of service of 40 years, the discount rate of 3.87 per cent and long-term annual wage growth of 3.5 per cent. Turnaround is taken into account subject to the age group distribution of employees, namely for employees of up to 30 years of age - 11 per cent, for employees between 31 and 40 years of age - 4 per cent, for employees between 41 and 50 years of age - 3 per cent, and for employees, older than 51 years, one per cent. Provisions are reversed due to different assumptions used to calculate provisions and for all employees for whom provisions had been formed in the past but who are no longer employed at Unior.

The analysis of sensitivity of changes to actuarial assumptions to the amount of provisions set up for retirement allowances and jubilee benefits of a significant portion of provisions in the UNIOR Group referring to UNIOR d.d. and UNITUR d.o.o. and which accounts for 83.7 per cent of all provisions set up for retirement allowances and jubilee benefits is shown in the table below.

(in EUR)	Deviation from items	Provisions for termination benefits	Provisions for jubilee benefits	Total
Balance as at 31 December 2022		4,578,813	1,602,819	6,181,633
Wage growth in the Company	+ 0.50%	151,421	0	151,421
	- 0.50%	(122,150)	0	(122,150)
Wage growth nationally	+ 0.50%	180,041	0	180,041
	- 0.50%	(147,793)	0	(147,793)
Turnaround	+ 0.50%	(290,315)	(53,475)	(343,790)
	- 0.50%	314,036	56,997	371,033
Retirement age	+ 1 year	(225,972)	28,300	(197,672)
	- 1 year	221,975	(58,470)	163,505
Pensionable service	+ 1 year	(45,383)	9,682	(35,701)
	- 1 year	26,541	(34,007)	(7,465)
Discount rate	+ 0.50%	(286,005)	(57,336)	(343,341)
	- 0.50%	311,694	61,515	373,209

Provisions for annuities are formed for employees sustaining occupational injuries that have resulted in permanent damage thereto. As at 31/12/2022, provisions for this purpose amount to EUR 262,311.

Non-current provisions for donations received disclose funds received from the Ministry of the Economy for co-financing development projects and investments in the reconstruction and development of tourism facilities in Zreče and on Rogla, for the restoration of the spa after a fire, co-financing the construction of the Atrij Hotel in Zreče and funds received for co-financing investments in the development of entrepreneurship in Serbia granted by the Development Fund of the Republic of Serbia. The received grant from the Ministry of Economic Development and Technology co-financing the Park Mašinžaga (Phase 1) operation amounting to EUR 2,375,516 constitutes an increase in 2022. Provisions are utilised subject to the depreciation of co-financed fixed assets. Their balance as at 31/12/2022 amounts to EUR 4,562,624.

Non-current deferred revenue also includes the disclosure of the funds received for co-financing the boiler room connected to a remote heating network (biomass) on Rogla. As at 31/12/2022, provisions for this purpose amount to EUR 399,370.

There are no unfulfilled conditions or contingent liabilities associated with government grants in relation to their repayment.

9.7.13 NON-CURRENT FINANCIAL LIABILITIES

Changes in non-current financial liabilities

(in EUR)	Principal debt 1/1/2022	New loan in the year	repayment in the year	Principal debt 31/12/2022	part which falls due in 2023	Non-current portion
Bank or creditor						
Loans received from domestic banks	75,195,690	2,173,891	(1,659)	77,367,922	(64,790,546)	12,577,376
Loans received from banks abroad	2,060,442	679,514	0	2,739,956	(425,558)	2,314,398
Other creditors	210,783	426,451	0	637,234	(230,935)	406,299
Lease liabilities	2,840,489	804,123	(14,521)	3,630,091	(856,115)	2,773,976
Financial leases	539,083	142,253	(49,594)	631,742	(267,193)	364,549
Total loans taken out	80,846,487	4,226,232	(65,774)	85,006,945	(66,570,347)	18,436,598

(in EUR)	Principal debt 1/1/2021	New loan in the year	repayment in the year	Principal debt 31/12/2021	part which falls due in 2022	Non-current portion
Bank or creditor						
Loans received from domestic banks	84,908,992	6,134,402	0	91,043,394	(15,847,704)	75,195,690
Loans received from banks abroad	2,502,964		0	2,502,964	(442,522)	2,060,442
Other creditors	404,697		0	404,697	(193,914)	210,783
Lease liabilities	568,741	3,220,733	(4,435)	3,785,039	(944,550)	2,840,489
Financial leases	810,907	51,824	(36,574)	826,157	(287,074)	539,083
Total loans taken out	89,196,301	9,406,959	(41,009)	98,562,251	(17,715,764)	80,846,487

Interest rates on long-term loans range from 6-month Euribor + 0.45 per cent to 6-month Euribor + 3.22 per cent and from 3-month Euribor + 0.5 per cent to 3-month Euribor + 2.5 per cent. The UNIOR Group has taken out long-term loans with a 3-month and 6-month Euribor benchmark interest rate. In 2017, an interest rate swap for a period of five years was concluded for EUR 47.5 million in long-term loans of UNIOR d.d. and EUR 7.8 million of UNITUR d.o.o. securing the UNIOR Group for a period of five years until December 2022 against any adverse fluctuations of the variable Euribor interest rate. Current interest rate swap costs are recognised through the income statement. As at 31/12/2022, the Company has no concluded derivative contracts.

A new current loan received from domestic banks in 2022 amounting to EUR 2,173,891 is the utilisation of the approved loan for establishing a new aluminium moulding production programme. New loans with foreign banks amounting to EUR 679,514 and with other creditors amounting to EUR 426,451 are intended for financing investments in fixed assets. Lease liabilities increased by EUR 804,123. These include newly concluded long-term commercial lease contracts. Increases to financial lease liabilities amounting to EUR 142,253 constitute newly concluded leasing agreements for the procurement of company cars. A portion of financial lease liabilities also refers to liabilities to banks.

Fluctuations in foreign currency exchange rates increased non-current financial liabilities of the UNIOR Group by EUR 19,490 in 2022.

In the financial year 2020, the UNIOR Group took out two loans with a guarantee by the Republic of Slovenia amounting to 70 per cent of the taken out loans in compliance with the Act Providing Additional Liquidity to the Economy to Mitigate the Consequences of the COVID-19 Epidemic (ZDLGPE) as a result of which the company is prohibited from distributing profits, paying out performance bonuses to Members of the Management Board, acquiring treasury shares or shareholdings, and paying out other financial liabilities to the parent, associates or owners. The aforementioned prohibition shall apply pursuant to Article 14 of the ZDLGPE for the entire period between the submission of a loan application and the extinction of the right of the bank to exercise the guarantee right which shall expire upon the final repayment of the loan. The balance of the loans taken out in compliance with the ZDLGPE as at 31/12/2022, amounts to EUR 8,866,667, with final maturity in 2025. The loans received with a guarantee by the Republic of Slovenia are reimbursable grants.

For the existing non-current syndicated loan, whose outstanding balance as at 31/12/2022 amounts to 60,576,092, the UNIOR Group shall meet Group performance indicators with commercial banks, namely two indicators have been laid out - the net financial debt to EBITDA ratio and the percentage of capital in the structure of liabilities. Both indicators were met by the Group also in the 2022 financial year without any derogations. Given our planned future operations, the risk of non-compliance with our commitments is minimal.

As at 31/12/2022, the UNIOR Group also transferred a portion of non-current financial liabilities maturing in 2023, namely in the amount of EUR 66,570,347, to current financial liabilities. After the end of the financial year, the Group concluded re-financing of outstanding liabilities in 2023 for a period of 7 years with the commercial banks syndicate. As a result, EUR 10,236,747 in financial liabilities shall be payable in 2023 instead of the EUR 66,570,347 of the current portion of non-current financial liabilities as at 31/12/2022

Maturity of non-current financial liabilities by year

(in EUR)	2022	2021
Maturity from 1 to 2 years	6,747,092	61,126,384
Maturity from 2 to 3 years	4,210,336	11,703,651
Maturity from 3 to 4 years	1,158,479	3,935,794
Maturity from 4 to 5 years	1,671,883	1,316,293
Maturity more than 5 years	4,648,808	2,764,365
Total	18,436,598	80,846,487

Collateral for non-current and current liabilities from financing activities amounting to EUR 81,293,392 consists of mortgages on immovable and moveable property, non-current investments and inventories at fair value amounting to EUR 104,212,265, as well as bills of exchange given.

9.7.14 NON-CURRENT OPERATING LIABILITIES

(in EUR)	31/12/2022	31/12/2021
Non-current operating liabilities	13,102	39,255
Current portion of non-current operating liabilities	(13,102)	(26,170)
Total	0	13,085

Non-current operating liabilities related to the payment of corporate income tax in Serbia shall be payable in 2023, as per the reprogramming, as these were transferred in full to current operating liabilities.

9.7.15 DEFERRED TAX ASSETS AND LIABILITIES

(in EUR)	31/12/2022	31/12/2021
Deferred non-current tax assets	9,741,408	9,110,627
– Provisions for jubilee and termination benefits	1,115,483	976,434
– impairment of trade receivables;	186,285	142,216
– Impairment of investments	681,260	666,060
– tax relief for investments	2,997,182	2,564,719
– R&D investments	995,653	995,653
– tax loss	3,765,545	3,765,545
Offset with deferred tax liabilities	(2,896,688)	(2,616,909)
Net deferred tax assets as at 31 December	6,844,720	6,493,718
Deferred non-current tax liabilities	(4,798,488)	(4,113,907)
– surplus from revaluation of land	(4,628,382)	(4,206,898)
– surplus from revaluation of termination benefits at retirement	(21,916)	172,231
– other deferred tax liabilities	(148,190)	(79,240)
Offset with deferred tax assets	2,896,688	2,616,909
Net deferred non-current tax assets	(1,901,800)	(1,496,998)

Changes in deferred tax assets	2022	2021
Balance of deferred tax assets as at 1 January	9,110,627	8,297,982
Increases:	643,158	874,281
Non-current provisions for jubilee and termination benefits	148,986	12,934
- impairment of trade receivables;	46,509	662
- impairment of investments,	15,200	222,689
– tax relief for investments	432,463	478,479
– R&D investments	0	159,517
Decreases:	(12,377)	(61,636)
Non-current provisions for jubilee and termination benefits	(9,937)	0
– reversal of impairment of trade receivables;	(2,440)	(37,813)
– reversal of tax relief for investments	0	(23,823)
Balance of deferred tax assets as at 31 December	9,741,408	9,110,627

Changes in deferred tax liabilities	2022	2021
Balance of deferred tax liabilities as at 1 January	4,113,907	3,966,182
Increases:	698,285	188,999
Decreases:	(13,704)	(41,274)
Balance of deferred tax liabilities as at 31 December	4,798,488	4,113,907

Deferred tax is determined using the financial position statement liability method, taking into account temporary differences between the carrying amounts of assets and liabilities used for financial and tax reporting purposes. Deferred tax is recognised in the amount that is expected to be paid when the temporary differences are reversed subject to laws that have been enacted or substantively enacted as at the reporting date.

When performing the consolidation, temporary differences can appear in the tax burden that arise from the differences between the official financial statements of a subsidiary and its financial statements adjusted to the financial reporting regulations applying to the parent company.

Deferred tax assets arise from the calculated provisions for jubilee awards and severance pay, the impairment of trade receivables, the impairment of investments, tax relief for investments, tax relief for investments into research and development and the disclosed tax loss. The tax rates used for all items comply with tax legislation in the individual countries in which Group companies operate, varying between 9.0 and 33.825 per cent.

Non-current deferred tax liabilities relate to the recalculation of property - land to a fair value disclosed on the surplus from revaluation. The tax rates used for all items comply with tax legislation in the individual countries in which Group companies operate, varying between 9.0 and 33.825 per cent.

9.7.16 CURRENT FINANCIAL LIABILITIES

Changes in current financial liabilities

(in EUR)	Balance of liabilities	New loan in the year	repayment in the year 2022	Transfer current portion of the non-current liabilities	Balance of liabilities 31/12/2022
	1/1/2022 with the current portion non-current liability				
Bank or creditor					
Loans received from domestic banks	28,607,704	35,061,983	(45,864,826)	64,790,546	82,595,407
Loans received from banks abroad	3,501,289	8,033	(1,879,751)	425,558	2,055,129
Other creditors	220,333	0	(207,103)	230,935	244,165
Lease liabilities	980,181	4,938	(972,437)	856,115	868,797
Financial leases	287,074	0	(287,074)	267,193	267,193
Interest rate swaps	373,437	0	(373,437)	0	0
Total loans taken out	33,970,018	35,074,954	(49,584,628)	66,570,347	86,030,691

(in EUR)	Balance of liabilities	New loan in the year	repayment in the year 2021	Transfer current portion of the non-current liabilities	Balance of liabilities 31/12/2021
	1/1/2021 with the current portion non-current liability				
Bank or creditor					
Loans received from domestic banks	12,886,188	34,580,987	(34,707,175)	15,847,704	28,607,704
Loans received from banks abroad	3,397,025	145,349	(483,607)	442,522	3,501,289
Other creditors	191,793	0	(165,374)	193,914	220,333
Lease liabilities	417,130	24,282	(405,781)	944,550	980,181
Financial leases	339,958	0	(339,958)	287,074	287,074
Interest rate swaps	0	744,057	(370,620)	0	373,437
Total loans taken out	17,232,094	35,494,675	(36,472,515)	17,715,764	33,970,018

Current financial liabilities disclosed by the UNIOR Group include short-term loans with banks and foreign development funds, a short-term project-financing loan with a commercial bank and the current portion of the loan taken out from Petrol d.d. A portion of financial lease liabilities also refers to liabilities to banks. All other financial liabilities are non-current.

The interest rate for taken out short-term loans is 2.0 to 5.24 per cent fixed and 6-month Euribor + 0.5 per cent to 6-month Euribor + 3.22 per cent, 3-month Euribor + 2.5 per cent and 1-month Euribor + 2.25 per cent.

Newly taken out current loans in the 2022 financial year constituted the utilisation of the approved current revolving loans for the provision of current liquidity which were repaid in full during the current year.

For the existing current revolving loan taken out from the commercial banks syndicate whose outstanding balance as at 31/12/2022 amounts to 10,900,000, the UNIOR Group shall meet Group performance indicators with commercial banks, namely two indicators have been laid out - the net

financial debt to EBITDA ratio and the percentage of capital in the structure of liabilities. Both indicators were met by the Group also in the 2022 financial year without any derogations. Given our planned future operations, the risk of non-compliance with our commitments is minimal.

The UNIOR Group also concluded a re-financing of the existing loans payable in 2023 amounting to EUR 66,570,347 with the commercial banks syndicate. As at 31/12/2022, these were transferred to current financial liabilities for a period of 7 years. Actual repayments of non-current financial liabilities in 2023 shall amount to EUR 10,236,747 and not EUR 66,570,347 of the original non-current financial liabilities transferred to current financial liabilities as at 31/12/2022

Collateral for non-current and current liabilities from financing activities amounting to EUR 81,293,392 consists of mortgages on immoveable and moveable property, non-current investments and inventories at fair value amounting to EUR 104,212,265, as well as bills of exchange given.

9.7.17 CURRENT OPERATING LIABILITIES

Current operating liabilities

(in EUR)	31/12/2022	31/12/2021
Current operating liabilities due to associated companies		
Slovenia	10,974,306	7,184,308
Foreign	35,570	4,702
Current operating liabilities due to other suppliers:		
Slovenia	23,635,525	21,443,565
Foreign	11,911,002	9,475,813
Current operating liabilities due to the state	1,145,765	878,427
Current operating liabilities due to employees	5,369,900	5,219,271
Current operating liabilities from advance payments	3,913,384	1,372,391
Current interest payable	47,637	32,346
Current bills of exchange payable	9,801,933	6,217,570
Other current liabilities	10,636,082	11,682,560
Current portion of non-current operating liabilities	13,102	26,170
Total	77,484,206	63,537,123

Maturity dates of operating liabilities of the company

(in EUR)	31/12/2022	31/12/2021
Receivables not yet due	57,322,720	50,426,511
Receivables 90 days overdue	19,407,820	12,524,054
Receivables 91 up to 180 days overdue	577,433	225,667
Receivables 181 up to 360 days overdue	65,880	183,720
Receivables over 360 days overdue	110,353	177,171
Total	77,484,206	63,537,123

The Current liabilities to the State item only disclose liabilities to the state of Slovenia, whereas liabilities of foreign companies to the states in which they operate are disclosed under other current liabilities.

Other current liabilities disclosed include:

- accrued costs amounting to EUR 4,539,300, which include accrued sales commission amounting to EUR 439,063, our liability from leaves unexpended in 2022 amounting to EUR 1,492,869, pre-accrued costs associated with Special Machines activity projects amounting to EUR 1,468,318, our liability for the 2022 audit amounting to EUR 34,000; and other pre-accrued costs amounting to EUR 1,105,050;
- current deferred revenue amounting to EUR 1,147,773, out of which current deferred revenue arising from contracts with customers from IFRS 15 for goods dispatched to buyers at the end of 2022 which had not arrived to their premises during the 2022 financial year amounting to EUR 149,932 and current deferred revenue from projects implemented in the Special Machines activity amounting to EUR 437,442 and current deferred revenue from the pre-sales of ski passes amounting to EUR 549,565,

9.7.18 CONTINGENT LIABILITIES

Off-balance-sheet records – Contingent liabilities

(in EUR)	31/12/2022	31/12/2021
Given guarantees and sureties	6,290,807	6,886,767
Legal claims	0	0
Total	6,290,807	6,886,767

The given guarantees and guarantees for related parties amount to EUR 6,290,807 and were decreased for the amount of EUR 595,960 as result of regular repayments of obligations for which guarantees were given.

The UNIOR d.d. parent company issued a letter of support to its subsidiaries UNIOR Vinkovci d.o.o. and UNITUR d.o.o. assuring them that it shall not discontinue the operations of both subsidiaries within the following twelve months and that it shall provide them with financial support if required. No future liabilities are estimated to be incurred as a result thereof.

During the reporting period no material claims were received by the UNIOR Group for settling purposes.

9.8 DISCLOSURES TO THE AUDITED CONSOLIDATED INCOME STATEMENT OF THE UNIOR GROUP

INCOME STATEMENT FROM DISCONTINUED OPERATIONS

(in EUR)		January-December	January-December
Item		2022	2021
A.	Net revenue from sales	0	1,588,871
B.	Change in value of product inventories and work-in-progress	0	0
C.	Capitalised own products and services	0	0
D.	Other operating revenue	11,742	324,418
I.	GROSS OPERATING PROFIT	11,742	1,913,289
D.	Costs of goods, materials and services	(9,128)	(1,419,464)
E.	Labour costs	(13,459)	(169,984)
F.	Write-offs	(459)	(65,530)
G.	Other operating expenses	(6,499)	(8,596)
II.	OPERATING PROFIT OR LOSS	(17,803)	249,715
H.	Financial revenue	27,647	8,559
I.	Financial expenses	(5,508)	(54,309)
III.	PROFIT OR LOSS	4,336	203,964
	Corporate income tax	(608)	(9,520)
	Deferred tax	0	0
	NET PROFIT OR LOSS OF THE ACCOUNTING PERIOD	3,728	194,445
	– Attributable TO EQUITY HOLDERS OF THE PARENT	3,728	194,445
	– Attributable to NON-CONTROLLING INTERESTS	0	0

The income statement from discontinued operations in 2021 and 2022 includes the operations of the Hungarian company UNIOR Hungaria Kft in 2022 and 2021 and the French company UNIOR France S.A.S. In 2021. UNIOR Hungaria was liquidated on 2/12/2022 and UNIOR France had been sold on 30/6/2021. Their operations are included in consolidated financial statements of the UNIOR Group until their winding-up date. The same applies to the cash flow statement from discontinued operations.

CASH FLOW FROM DISCONTINUED OPERATIONS

(in EUR)		January-December	January-December
Item		2022	2021
A.	Net cash flow from operating activities	(17,766)	(855,855)
B.	Net cash flow from operating activities	11,451	892,541
C.	Net cash flow from financing activities	5,812	(148,198)
=	Total net cash flow	(503)	(111,511)

9.8.1 CONSOLIDATED INCOME STATEMENT BY DIVISION

The consolidated financial position statement of the UNIOR Group is divided into two business segments. Given the activity carried out by Group companies, the business segments can be usefully divided into the metalworking activity (hereinafter the 'metalworking activity') and the tourism activity.

The tourism activity includes UNITUR d.o.o. generating revenue from the tourism activity at the Terme Zreče spa in Zreče and on the Rogla ski resort.

The metalworking activity includes all other UNIOR Group companies which generate revenue from the production and sales of forgings, hand tools, special machines, and the production of machine tools.

(in EUR)	Tourism activity 2022	Metalworking activity 2022	Total 2022	Tourism activity 2021	Metalworking activity 2021	Total 2021
A. Net revenue from sales	23,139,037	264,513,834	287,652,871	16,346,404	223,352,124	239,698,528
1. Net revenue from sales on the domestic market	23,139,037	19,842,848	42,981,885	16,346,404	18,199,949	34,546,353
2. Net revenue from sales on foreign markets	0	244,670,986	244,670,986	0	205,152,175	205,152,175
B. Changes in value of product inventories and work-in-progress	0	6,026,777	6,026,777	0	3,098,086	3,098,086
C. Capitalised own products and services	0	1,238,986	1,238,986	0	1,914,226	1,914,226
D. Other operating revenue	382,159	3,534,202	3,916,361	3,558,793	3,561,242	7,120,035
I. GROSS OPERATING PROFIT	23,521,196	275,313,799	298,834,995	19,905,197	231,925,678	251,830,875
D. Costs of goods, materials and services	(11,011,700)	(181,455,522)	(192,467,222)	(8,222,435)	(143,961,829)	(152,184,264)
1. Cost of merchandise and materials sold	0	(11,120,004)	(11,120,004)	(13,648)	(9,271,200)	(9,284,848)
2. Costs of materials used	(5,193,086)	(138,705,484)	(143,898,570)	(3,755,731)	(106,116,032)	(109,871,763)
3. Costs of services	(5,818,614)	(31,630,034)	(37,448,648)	(4,453,055)	(28,574,598)	(33,027,653)
E. Labour costs	(8,361,027)	(67,755,429)	(76,116,456)	(7,402,743)	(61,485,466)	(68,888,209)
1. Costs of salaries	(6,035,818)	(50,773,042)	(56,808,860)	(5,492,658)	(46,850,275)	(52,342,933)
2. Costs of pension insurances	(63,094)	(755,740)	(818,834)	(60,318)	(688,958)	(749,276)
3. Costs of other social insurances	(981,776)	(8,319,029)	(9,300,805)	(912,252)	(7,625,911)	(8,538,163)
4. Other labour costs	(1,280,339)	(7,907,618)	(9,187,957)	(937,515)	(6,320,322)	(7,257,837)
F. Write-offs	(2,625,591)	(15,521,414)	(18,147,005)	(2,670,970)	(15,635,716)	(18,306,686)
1. Depreciation	(2,461,428)	(14,961,112)	(17,422,540)	(2,632,161)	(14,450,701)	(17,082,862)
2. Operating expenses from the revaluation of intangible fixed assets and property, plant and equipment	(98,840)	(291,489)	(390,329)	(7,947)	(154,503)	(162,450)
3. Operating expenses from the revaluation of operating current assets	(65,324)	(268,812)	(334,136)	(30,862)	(1,030,512)	(1,061,374)
G. Other operating expenses	(580,361)	(1,403,671)	(1,984,032)	(385,298)	(1,580,716)	(1,966,014)
1. Provisions	(24,871)	(72,298)	(97,169)	(10,955)	(64,862)	(75,817)
2. Other costs	(555,490)	(1,331,373)	(1,886,863)	(374,343)	(1,515,854)	(1,890,197)
II. OPERATING PROFIT OR LOSS	942,517	9,177,764	10,120,280	1,223,752	9,261,950	10,485,702
H. Financial revenue	31,099	6,034,814	6,065,913	248	4,382,572	4,382,820
1. Financial revenue from participating interests	0	4,768,375	4,768,375	0	3,736,610	3,736,610
2. Financial revenue from loans given	30,499	96,707	127,206	0	178,804	178,804
3. Financial revenue from operating receivables	600	1,169,732	1,170,332	248	467,158	467,406
I. Financial expenses	(451,019)	(5,115,755)	(5,566,774)	(495,971)	(3,112,880)	(3,608,851)
1. Financial expenses from the impairment and write-offs of investments	0	(1,144,845)	(1,144,845)	0	(49,042)	(49,042)
2. Financial expenses from financial liabilities	(413,413)	(2,780,724)	(3,194,137)	(472,919)	(2,685,713)	(3,158,632)
3. Financial expenses from operating liabilities	(37,606)	(1,190,186)	(1,227,792)	(23,052)	(378,125)	(401,177)
III. PROFIT OR LOSS	522,596	10,096,823	10,619,419	728,028	10,531,643	11,259,671
Corporate income tax	(43,008)	(925,880)	(968,888)	(63,472)	(942,535)	(1,006,007)
Deferred tax	28,304	553,627	581,931	(6,470)	844,076	837,606
NET PROFIT OR LOSS OF THE ACCOUNTING PERIOD	507,893	9,724,569	10,232,462	658,086	10,433,184	11,091,270
– Attributable TO EQUITY HOLDERS OF THE PARENT	507,893	7,934,078	8,441,971	658,086	8,315,865	8,973,951
– Attributable to NON-CONTROLLING INTERESTS	0	1,790,491	1,790,491	0	2,117,319	2,117,319

Net revenue from sales of the UNIOR Group in 2022 rose by EUR 47,954,343 in total compared to 2021, out of which by EUR 41,161,710 in metalworking and EUR 6,792,633 in tourism. Despite a higher trade volume in 2022, both activities generated a lower operating result compared to 2021 on account of increasing costs of materials, energy, and labour.

9.8.2 NET REVENUE FROM SALES OF THE UNIOR GROUP BY GEOGRAPHICAL AND BUSINESS SEGMENT

Consolidated net revenue from sales of the UNIOR Group by geographical segment

(in EUR)	2022	2021
Slovenia	42,981,885	34,546,353
– associates	1,312,350	963,928
– other customers	41,669,535	33,582,425
Foreign	244,670,986	205,152,175
– associates	3,494,154	5,228,466
– other customers	241,176,832	199,923,709
Total UNIOR Group	287,652,871	239,698,528

Consolidated net revenue from sales of the UNIOR Group by business segment

(in EUR)	2022	2021
Forgings production activity	183,180,582	151,694,293
Hand tools production activity	51,657,496	45,005,553
Special Machines activity	17,996,266	16,154,052
Tourism activity	23,139,037	16,346,404
Production of machine tools activity	8,411,591	7,772,516
Other	3,267,899	2,725,710
Total UNIOR Group	287,652,871	239,698,528

Subject to sales agreements of the Special Machines activity amounting to a total of EUR 2,677,212, which remained unrealised as at 31/12/2022, EUR 556,512 will be recognised in revenue in future periods.

9.8.3 CAPITALISED OWN PRODUCTS AND SERVICES

Capitalised own products and own services are products made by any Group company itself or the services provided by the company for its own needs and which have been capitalised in either property, plant and equipment or intangible non-current fixed assets. Capitalised own products and services include the disclosure of our investments by the Maintenance Department and the Special Machines

Programme of the parent company in other programmes within the parent company as needed, including a general restoration of machinery in the Forge and of CNC machines.

Their value does not exceed the costs of their production or services rendered.

Capitalised own products and services

(in EUR)	2022	2021
Capitalised own products and services	1,238,986	1,914,226
TOTAL	1,238,986	1,914,226

9.8.4 OTHER OPERATING REVENUE

(in EUR)	2022	2021
Benefits for exceeding the quota of disabled employees	199,438	203,637
Paid receivables already included in the value adjustment	9,788	108,850
Damages received	67,171	90,925
Reversal of non-current provisions	680,051	1,214,248
Profit from the sale of fixed assets	252,402	502,913
Revaluation of investment property to fair value	0	63,317
Subsidies, grants and similar revenue	441,297	225,739
Receipt of emission allowances	0	6,395
Subsidies – temporary lay-offs (COVID-19)	0	618,404
Subsidies – reimbursement of quarantine payments (COVID-19)	70,700	94,484
Subsidies – reimbursement of absence due to a force majeure (COVID-19)	18,089	56,390
Subsidies – reimbursement of rapid test costs (COVID-19)	56,965	78,080
Subsidies – up to the minimum wage (COVID-19)	0	35,854
Subsidies – partial reimbursement of fixed costs (COVID-19)	0	1,138,350
Subsidies – to preserve jobs (COVID-19)	0	102,773
Subsidies – hazard pay (COVID-19)	0	406,824
Subsidies – holiday allowance financing aid (COVID-19)	0	264,431
Subsidies – compensation for income foregone for cable cars (COVID-19)	0	664,021
Other operating revenue	2,120,460	1,244,400
Total	3,916,361	7,120,035

The write-off of non-current provisions includes the reversal of provisions from retained contributions for the employment of disabled persons above the prescribed quota and the reversal of non-current provisions from the actuarial calculation of termination and jubilee benefits, whereas profits from the sales of fixed assets represents a positive effect of the sale of non-essential land.

In compliance with intervention law adopted to mitigate the repercussions of the COVID-19 disease epidemic, the UNIOR Group received EUR 145,754 in state aid in 2022, namely EUR 128,252 for the metalworking activity and EUR 17,502 for the tourism activity. In 2021, the Group received EUR 3,459,611 in state aid, out of which EUR 343,500 for the metalworking activity and EUR 3,116,113 for the tourism activity. The purposes for which the funds were received are illustrated in the table above.

The Group has no special conditions to meet related to the state aid received to mitigate the repercussions of the COVID-19 epidemic. The received state aid are grants.

Other operating revenue amounting to EUR 2,120,460 includes revenue arising from the derecognition of the value adjustment of inventories set up in the previous years amounting to EUR 1,794,334 and revenue arising from grants received for development projects.

9.8.5 COSTS AND EXPENSES

2022				
(in EUR)	Production costs	Costs of selling	Costs of general activities	Total
Cost of merchandise and materials sold	(4,074,541)	(5,247,902)	(1,797,561)	(11,120,004)
Costs of materials	(128,930,495)	(6,436,490)	(8,531,585)	(143,898,570)
Costs of services	(22,910,691)	(6,613,470)	(7,924,487)	(37,448,648)
<i>Costs of salaries</i>	(45,286,481)	(4,459,719)	(7,062,660)	(56,808,860)
<i>Costs of social insurances</i>	(7,354,118)	(812,783)	(1,133,904)	(9,300,805)
<i>Costs of pension insurances</i>	(695,340)	(37,388)	(86,106)	(818,834)
<i>Other labour costs</i>	(7,837,873)	(388,091)	(961,993)	(9,187,957)
Total labour costs	(61,173,812)	(5,697,981)	(9,244,663)	(76,116,456)
Depreciation	(14,607,807)	(649,679)	(2,165,054)	(17,422,540)
Operating expenses from the revaluation of current operating assets	(185,985)	(60,791)	(87,360)	(334,136)
Expenses from the revaluation of intangible assets and property, plant and equipment	(332,984)	(17,085)	(40,260)	(390,329)
Other costs	(971,093)	(376,514)	(636,425)	(1,984,032)
Value adjustments due to changes in inventories	6,026,777	0	0	6,026,777
Total costs	(227,160,631)	(25,099,912)	(30,427,395)	(282,687,938)

2021				
(in EUR)	Production costs	Costs of selling	Costs of general activities	Total
Cost of merchandise and materials sold	(2,663,692)	(5,182,231)	(1,438,925)	(9,284,848)
Costs of materials	(98,127,128)	(4,920,390)	(6,824,245)	(109,871,763)
Costs of services	(19,351,235)	(6,171,239)	(7,505,179)	(33,027,653)
<i>Costs of salaries</i>	(41,795,777)	(4,070,806)	(6,476,350)	(52,342,933)
<i>Costs of social insurances</i>	(6,755,690)	(744,697)	(1,037,776)	(8,538,163)
<i>Costs of pension insurances</i>	(634,983)	(34,633)	(79,660)	(749,276)
<i>Other labour costs</i>	(6,277,123)	(305,675)	(675,039)	(7,257,837)
Total labour costs	(55,463,573)	(5,155,811)	(8,268,825)	(68,888,209)
Depreciation	(14,238,389)	(632,765)	(2,211,708)	(17,082,862)
Operating expenses from the revaluation of current operating assets	(878,854)	(166,406)	(16,114)	(1,061,374)
Expenses from the revaluation of intangible assets and property, plant and equipment	(132,600)	45,081	(74,931)	(162,450)
Other costs	(871,365)	(309,022)	(785,627)	(1,966,014)
Value adjustments due to changes in inventories	3,098,086	0	0	3,098,086
Total costs	(188,628,750)	(22,492,783)	(27,125,554)	(238,247,087)

Other labour costs comprise holiday allowance, meal allowance, travel allowance, jubilee and termination benefits above the formed provision and certain other remuneration paid out to employees.

Individual total costs also show by historic categories costs related to R&D activities, on which the Group spent EUR 3,907,754 in the financial year 2022 or 1.36 per cent of generated net revenue from sales. In the 2021 financial year, the Group had spent EUR 2,937,396 on R&D activities or 1.23 per cent of generated net revenue from sales.

Costs of services of the Group include the disclosure of EUR 38,143 in costs of hiring workers through recruitment agencies representing five employees in relation to hours worked.

As part of its other costs, the Group discloses:

(in EUR)	2022	2021
– Provisions for annuities	(1,367)	(6,486)
– Other provisions	(95,802)	(69,331)
– Ground exploitation fee	(255,788)	(285,376)
– Environmental protection expenditures	(175,257)	(208,676)
– Bonuses to pupils and students undergoing practical training	(677,352)	(548,339)
– Scholarships to pupils and students	(99,552)	(92,449)
– Damages paid to employees	(49,061)	(43,625)
– Financial aid – grants	(130,508)	(173,442)
– Other operating expenses	(499,345)	(538,290)
Total	(1,984,032)	(1,966,014)

The most important items disclosed by the Group among other costs include benefits for university and high school students for completing mandatory placements and scholarships paid out, amounting to EUR 776,904, the compensation for use of construction land amounting to EUR 255,788 and environmental protection expenses amounting to EUR 175,275.

The contractual costs of auditing the annual reports of UNIOR Group companies amount to EUR 73,756. Mazars d.o.o. Ljubljana carried out the audit in UNIOR d.d. And UNITUR d.o.o. in Slovenia and Mazars Cinotti Audit d.o.o. in UNIOR Vinkovci d.o.o. in Croatia. Contractual amounts for the provision of non-audit services by Mazars for the UNIOR Group amounted to EUR 12,000 in the 2022 financial year and include the verification of the accuracy of the calculation of financial commitments for the needs of banks, the verification of the criteria for allocating revenue generated through the provision of a public utility, a review of the report on the remuneration of Members of the Management and Supervisory Boards of UNIOR d.d., a review of the report of transactions with related parties, an audit of the IT migration and a review of the correctness of the electronic format of consolidated financial statements and notes.

Lease payments

Lease payments in 2022 amounted to EUR 1,456,931, whereas in 2021 they amounted to EUR 1,462,276. Lease payments rose on account of renting additional server and computing capacities.

The UNIOR Group makes the following lease payments: for commercial and storage facilities used by our hand tools' distributors abroad; for leasing a production hall in China; for leasing commercial and storage facilities needed by the Special Machines Programme; for leasing the Pesek Hut and the parking facilities next to the Forgings Machining Plant in Slovenske Konjice, for renting server and computer capacities in addition to leasing work clothes used by all employees of the parent company.

Minimum total of lease payments from operating leases – liabilities

(in EUR)	2022	2021
Up to 1 year	1,456,931	1,462,276
From 2 to 5 years	5,827,724	5,849,104
More than 5 years	7,284,655	7,311,380
Total	14,569,310	14,622,760

9.8.6 FINANCIAL REVENUE AND FINANCIAL EXPENSES

Financial revenue

(in EUR)	2022	2021
Financial revenue from participating interests		
Financial revenue from participating interests in associates	4,766,725	2,841,678
Financial revenue from participating interests in other companies	386	138,559
Financial revenue from other investments	1,264	756,373
Total	4,768,375	3,736,610
Financial revenue from loans given		
Financial revenue from loans given to others	127,206	178,804
Total	127,206	178,804
Financial revenue from operating receivables		
Financial revenue from operating receivables due from others	1,170,332	467,406
Total	1,170,332	467,406
Total financial revenue	6,065,913	4,382,820

Financial revenue from participating interests in associates comprises a positive effect from profit or loss of associates amounting to EUR 3,397,658 and the distribution of profits in UNIOR Teos Alati d.o.o. and Štore Steel d.o.o.

Financial expenses

(in EUR)	2022	2021
Financial expenses from the impairment and write-offs of investments	(1,144,845)	(49,042)
	0	0
Financial expenses from financial liabilities	0	0
Financial expenses from loans received from banks	(3,078,167)	(3,010,872)
Financial expenses from other financial liabilities	(115,970)	(147,760)
Total	(3,194,137)	(3,158,632)
Financial expenses from operating liabilities		
Financial expenses from trade payables and bills of exchange payable	(260,031)	(125,887)
Financial expenses from other operating liabilities	(967,761)	(275,290)
Total	(1,227,792)	(401,177)
Total financial expenses	(5,566,774)	(3,608,851)

Financial expenses from impairment and write-offs of investments amounting to EUR 1,144,845 refer to the negative effect of the sales of a 49 per cent shareholding in UNIOR Tepid in Romania, valued in the consolidated financial statements of the UNIOR Group using the equity method, amounting to EUR 3,644,845, whereas the purchase price received amounted to EUR 2.5 million. Financial interest payables due for loans from banks amounted to EUR 3,078,167 or 2.2 per cent more than in 2021.

9.9 CORPORATE INCOME TAX ACCOUNT AND DEFERRED TAXES

Corporate income tax is accounted for subject to legislation in force in countries where UNIOR Group subsidiaries are based.

(in EUR)	2022	2021
Corporate income tax	(968,888)	(1,006,007)
Deferred tax	581,931	837,606
Total	(386,957)	(168,401)

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

(in EUR)	2022	2021
Net profit or loss of the financial year before taxes	10,619,419	11,259,671
Corporation tax (levied at a rate of 19%)	(2,017,690)	(2,139,337)
Tax on non-taxable revenue	634,397	260,297
Tax on non-taxable expenses	(690,396)	(490,633)
Tax on tax relief	1,048,231	803,805
Other relief and adjustments of tax deductible revenue/expenses	(9,284)	411,760
Effects of tax differentials of foreign companies	65,853	148,101
Deferred tax	581,931	837,606
Corporate income tax	(386,957)	(168,401)
Effective tax rate in %	3.6	1.5

The net profit or loss of the financial year before taxes for 2022 amounts to EUR 10,619,419. Tax relief which can be utilised in subsequent periods amounts to a total of EUR 38,816,294, out of which a tax loss of EUR 19,818,658.

DEFERRED TAX

Profits established subject to tax legislation differ from the profits established subject to accounting rules and the IFRS. The deferral of taxes is accounted for only for temporary differences in the tax burden between the business accounts and financial statements, i.e. for those reconciled in the defined period. The tax rates used comply with tax legislation in the individual countries in which Group companies operate, varying between 9.0 and 33.825 per cent.

Deferred tax assets are calculated using the temporary difference in non-current provisions formed for termination and jubilee benefits, the impairment of trade receivables, unused tax relief and tax losses, as well as from temporary differences in the tax burden that arise from differences between the official financial statements of a subsidiary and its financial statements adjusted for consolidation purposes. Deferred tax liabilities relate to the recalculation of land to a fair value disclosed on the reserves from revaluation at fair value.

A similar structure of deferred tax assets and liabilities and the movement of deferred tax assets are presented in Section 9.7.15 of the 2022 Annual Report.

The effect of deferred taxes on net profits amounts to EUR 581,931, increasing the net profits of the current year.

9.10 RELATED-PARTY TRANSACTIONS OF THE UNIOR GROUP

All related-party transactions were performed under usual market conditions.

9.10.1 SALES TO RELATED PERSONS

(in EUR)	2022	2021
Associates		
Domestic:	1,312,350	963,928
ŠTORE STEEL d.o.o. Štore	1,312,350	963,928
Foreign:	3,494,154	5,228,466
UNIOR TEPID S.R.L. Brasov	1,476,213	3,515,138
UNIOR TEHNA d.o.o. Sarajevo	410,511	360,752
UNIOR TEOS ALATI d.o.o. Belgrade	1,607,430	1,352,576
Total associates	4,806,504	6,192,394

As at 31/12/2022, UNIOR Tepid is no longer an associate. Sales to that company is recognised in the table above only until 15/6/2022 when the shareholding was sold. Sales to related parties is net revenue from sales generated by Group companies by selling to associates.

9.10.2 PROCUREMENT FROM RELATED PARTIES

(in EUR)	2022	2020
Associates		
Domestic:	34,850,894	27,241,057
ŠTORE STEEL d.o.o. Štore	34,850,894	27,241,057
Foreign:	313,558	110,727
UNIOR TEPID S.R.L. Brasov	7,754	10,733
UNIOR TEHNA d.o.o. Sarajevo	0	0
UNIOR TEOS ALATI d.o.o. Belgrade	305,804	99,994
Total associates	35,164,452	27,351,784

Procurement from the UNIOR Tepid associate is taken into account in the table above only until 15/6/2022 when the shareholding was sold.

9.10.3 OPERATING RECEIVABLES DUE FROM RELATED PARTIES

(in EUR)	31/12/2022	31/12/2021
Associates		
Domestic:	173,915	140,203
ŠTORE STEEL d.o.o. Štore	173,915	140,203
Foreign:	85,269	568,929
UNIOR TEPID S.R.L. Brasov	0	440,053
UNIOR TEHNA d.o.o. Sarajevo	85,269	128,876
UNIOR TEOS ALATI d.o.o. Belgrade	0	0
Total associates	259,184	709,132

Operating receivables due from related parties are outstanding receivables arising from revenue from sales generated by Group companies by selling to associates.

9.10.4 OPERATING LIABILITIES DUE TO RELATED PARTIES

(in EUR)	31/12/2022	31/12/2021
Associates		
Domestic:	10,974,306	7,184,308
ŠTORE STEEL d.o.o. Štore	10,974,306	7,184,308
Foreign:	35,570	4,702
UNIOR TEPID S.R.L. Brasov	0	0
UNIOR TEHNA d.o.o. Sarajevo	0	0
UNIOR TEOS ALATI d.o.o. Belgrade	35,570	4,702
Total associates	11,009,876	7,189,010

9.10.5 RECEIVABLES AND LIABILITIES FROM LOANS AND INTEREST FROM ASSOCIATES

As at 31/12/2022, the UNIOR Group does not have any receivables and liabilities from loans and interest due from associates.

9.10.6 TRANSACTIONS WITH OWNERS AND THEIR RELATED PARTIES

The largest individual owner of UNIOR d.d., which is the parent company of the UNIOR Group, is Slovenski državni holding, d.d., which owns a 39.43 per cent shareholding. Together with Kapitalska družba, d.d., which owns a 5.55 per cent shareholding, and Zavarovalnica Triglav, d.d., which owns a 3.52 per cent shareholding, the Republic of Slovenia indirectly owns a 48.50 per cent shareholding.

Companies related to owners are companies wherein the Republic of Slovenia and Slovenski državni holding, d.d. directly hold a minimum 20 per cent shareholding. The list of these companies is published on the website of Slovenski državni holding, d.d. (<https://www.sdh.si/sl-si/upravljanje-nalozb/seznam-nalozb>).

Total value of transactions with owners and their related parties

(in EUR)	2022	2021
Revenue from sales (in the period from 1/ 1/ to 31/ 12/)	1,513,599	976,125
Procurement (in the period from 1/ 1/ to 31/ 12/)	10,098,966	7,610,785
Operating receivables (as at 31/ 12/)	122,057	198,064
Operating liabilities (as at 31/ 12/)	2,372,767	2,243,073

All transactions with owners and their related parties were performed in all UNIOR Group companies under usual market conditions.

9.11 RISK MANAGEMENT IN THE UNIOR GROUP

Operating risks of the UNIOR Group have been disclosed in Section 7.8.1 of the 2022 Annual Report. The financial risks of the UNIOR Group are disclosed below.

FINANCIAL RISKS OF THE GROUP

CREDIT RISK OF THE GROUP

Credit risk refers to a risk that UNIOR Group companies will not be able to recover all their operating receivables and investments owed by its debtors within the agreed time frame. Credit risks are managed through regular monitoring of the business operations and financial position of all existing and new business partners, by limiting exposure to individual business partners and through an active process of collecting receivables. The ever-changing macroeconomic environment can cause changes to the credit rating and solvency of our customers. Therefore, despite diligent management of receivables, defaults in payment or insolvency are possible. By regularly monitoring outstanding receivables due from customers, age structure of receivables and average payment deadlines, the UNIOR Group preserves its credit exposure within acceptable limits. Most trade receivables, with the exception of receivables due from associates, have also been secured with an insurance company since 1/10/2014. During the COVID-19 epidemic, all enforcement and discontinuation of deliveries' proceedings in the event of outstanding payments due from customers were extended by 30 days, as agreed with the insurance company. Credit risks are closely monitored in all areas of the operation. The risk is assessed as moderate.

Analysis of the age of trade receivables as at the reporting date

(in EUR)	Gross value	Average loss amount in %	ECL adjustment	Individual adjustment for an increased credit risk	Total adjustment	Increased credit risk	Net value
Receivables not yet due	25,337,832	0.11	28,335	0	28,335	NO	25,309,497
Receivables overdue up to 90 days	5,399,876	0.61	32,969	0	32,969	NO	5,366,907
Receivables from 91 to 180 days overdue	1,074,596	4.29	46,129	0	46,129	NO	1,028,467
Receivables from 181 to 360 days overdue	870,153	10.10	87,916	0	87,916	NO	782,237
Receivables more than 360 year overdue	779,100	64.53	502,739	0	502,739	NO	276,361
Total	33,461,557		698,088	0	698,088		32,763,469

INTEREST RATE RISK OF THE GROUP

The interest rate risk refers to the risk of financial loss due to unfavourable interest rate movements. As changes in the interest rate can materially reduce the economic benefits of the UNIOR Group, the movement of benchmark interest rates is continuously monitored. The risk has been assessed as high on account of changes to the reference interest rate by the European Central Bank and any potential expected future increases. The UNIOR Group has been able to reach an agreement with the trade union of banks for its Slovenia-based companies to have interest margins set up subject to a margin

scale until 2023 subject to the performance of the UNIOR Group. In December 2017, the credit exposure of UNIOR d.d. amounting to EUR 47.5 million and the EUR 7.8 million credit exposure of UNITUR d.o.o., both repayable in 2023, was protected with an interest rate swap for a period of five years (until the end of 2022). This has allowed us to manage and minimise the interest rate increase risk.

The re-financing of the existing syndicate payable in 2023 was concluded on 25/4/2023 following the conclusion of an agreement with banks, whereby the parent company shall assess the suitability of the available reference interest rate hedging methods. In the meantime, the interest margin will be bound by the margin scale also in the future, all in line with the performance of UNIOR d.d. and the UNIOR Group.

A Sensitivity Analysis of Financial Liabilities with Respect to Changes in Variable Interest Rates of the Group

Balance of liabilities linked to an individual variable interest rate in 2022

(in EUR)	Liability 31/12/2022	Amount Interest rate	Hypothetical rise in interest rates		
			by 15%	by 50%	by 100%
Interest rate type					
1-month EURIBOR	3,000,000	1.8980	8,541	28,470	56,940
3-month EURIBOR	71,914,250	2.2020	237,533	791,776	1,583,552
6-month EURIBOR	22,692,290	2.7520	93,674	312,246	624,492
Total effect	97,606,540		339,748	1,132,492	2,264,984

Balance of liabilities linked to an individual variable interest rate in 2021

(in EUR)	Liability 31/12/2021	Amount Interest rate	Hypothetical rise in interest rates		
			by 15%	by 50%	by 100%
Interest rate type					
1-month EURIBOR	2,000,000	-0.5940	1,782	5,940	11,880
3-month EURIBOR	79,773,073	-0.5710	68,326	227,752	455,504
6-month EURIBOR	26,629,120	-0.5440	21,729	72,431	144,862
Total effect	108,402,193		91,837	306,123	612,246

As at 31/12/2022, the total financial liabilities of UNIOR d.d. amount to EUR 104,467,289. The difference amounting to EUR 6,860,749 to the disclosed balance regarding the sensitivity of the interest rate represents financial liabilities with a fixed interest rate.

LIQUIDITY RISK OF THE GROUP

The liquidity risk refers to the risk of shortage in liquid assets to repay operating and financial liabilities of the Group companies within the agreed time frame. The liquidity risk includes risks associated with the shortage in financial resources available and, as a result, with the inability of Group companies to settle its liabilities within the agreed time frame. Financial solvency largely depends on effective money management on the one hand, receivables and payables management and cash flow-adapted

investment dynamics on the other. Significant attention is paid to drawing up and monitoring the cash flow plan including the foreseen inflows and required outflows. Successful planning enables us to optimally manage any current surpluses or deficits of liquid assets - current imbalance is regulated by drawing on the approved revolving credit line with commercial banks. The UNIOR d.d. parent company and the UNITUR d.o.o. subsidiary which required more than 90 per cent of all financing required by the UNIOR Group at the end of 2022, concluded, on 25/4/2023, a refinancing agreement for the existing debt repayable in 2023 with the bank syndicate. At the same time, the parent company of the UNIOR Group obtained an additional liquidity reserve in the form of a new revolving loan. The latter is seen as a positive contribution to managing the liquidity risk of the Group which, however, continues to be assessed as high despite all carried out activities on account of uncertain economic and financial conditions.

THE RISK OF FAILING TO MEET THE FINANCIAL COMMITMENTS OF THE GROUP

The risk of failing to meet the financial commitments of the Group is related to UNIOR d.d. and UNITUR d.o.o. potentially having to repay early the non-current loans approved in 2016 on the basis of the syndicated loan agreements concluded with the commercial bank syndicate. The financial commitments are laid down in the loan agreements. The UNIOR Group shall meet the net financial debt to EBITDA ratio and the percentage of capital in the structure of liabilities set by the banks. Financial commitments are reviewed on an annual basis on the basis of the audited consolidated financial statements of the UNIOR Group subject to approval of the certified auditor auditing the consolidated financial statements of the UNIOR Group. In the previous years and in 2022, our commitments were honoured without exception. The Business Plans of the UNIOR Group also foresee the honouring of financial commitments in the future. The risk is assessed as low.

9.12 GROSS REMUNERATION OF GROUPS OF PERSONS

In compliance with Indent 3 of Paragraph 3 of Article 69 of the Companies Act (ZGD-1) and IAS 12, UNIOR hereinafter discloses the remuneration received by Members of the Management Board, other company employees employed under an individual contract of employment for which the tariff part of the collective agreement does not apply and Members of the Supervisory Board for performing their tasks in the UNIOR Group. No additional remuneration was paid out to Members of the Management and Supervisory Boards of the parent company for performing their tasks in subsidiaries in 2022.

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

2022 (in EUR)	Gross values						Gross total:	Net values					Net total
	Short-term employee benefits	Post-employment benefits	Other long-term employee benefits	Termination benefits	Share-based payments	Short-term employee benefits		Post-employment benefits	Other long-term employee benefits	Termination benefits	Share-based payments		
Management Board of the parent company	392,571	0	0	0	0	392,571	168,177	0	0	0	0	168,177	
Supervisory Board of the parent company	118,104	0	0	0	0	118,104	85,084	0	0	0	0	85,084	
Group employees employed on the basis of individual contracts of employment	6,820,622	0	0	0	0	6,820,622	4,058,414	0	0	0	0	4,058,414	

2021 (in EUR)	Gross values						Gross total:	Net values					Net total
	Short-term employee benefits	Post-employment benefits	Other long-term employee benefits	Termination benefits	Share-based payments	Short-term employee benefits		Post-employment benefits	Other long-term employee benefits	Termination benefits	Share-based payments		
Management Board of the parent company	357,409	0	0	0	0	357,409	142,975	0	0	0	0	142,975	
Supervisory Board of the parent company	104,971	0	0	0	0	104,971	75,427	0	0	0	0	75,427	
Group employees employed on the basis of individual contracts of employment	6,155,845	0	0	0	0	6,155,845	3,621,985	0	0	0	0	3,621,985	

9.13 ENVIRONMENTAL/CLIMATE RISK ASSESSMENT AND THEIR EFFECT ON OUR FINANCIAL STATEMENTS

Environmental management is increasingly associated in the UNIOR Group not only with environmental/climate impacts but also with financial resources. By ensuring compliance with all statutory and environment-protection objectives, the Group strives in the long run to rationalise the consumption of primary resources, increase the consumption of RES, their re-use from the viewpoint of circular economy and by substituting existing methods, technologies, and materials with a higher impact on the environment with more optimal ones whenever feasible and rational. The management of environmental/climate impacts is also understood as an opportunity to generate revenue. Such activities are prioritised in Slovenia in UNIOR d.d. and UNITUR d.o.o. good practices will gradually be also introduced into UNIOR Group companies outside of Slovenia.

Environmental/climate impact management costs in the UNIOR Group in 2022

Type of cost	(in EUR)
Waste management	392,597
Water - consumption	272,670
Water - waste water treatment, operation of our own waste water treatment plant	146,051
Water - installation of the Vitanje biological waste water treatment plant	32,005
Energy products, emissions	16,555,223
Costs of wood chips used for biomass heating	134,303
Depreciation and financing of other environment-friendly investments	57,889
Environment management-related labour costs	647,937
Environment awareness training costs - internal training has not been evaluated	13,980
Environmental tax, water treatment levy	114,034
Total costs of environment-related external contractors	111,692
TOTAL COSTS	18,478,381

Type of investment	(in EUR)
Co-investment in a district heating network to increase the recovery of waste heat	239,597
Investments in biomass district heating	696,782
Investments in solar power plants	1,149,229
Other environment-impact-reducing investments	50,947
TOTAL COSTS	2,136,555

The UNIOR Group incurred the following costs in managing environmental climate impacts in 2022: EUR 18,478,381. Energy products account for the majority thereof (EUR 16.6 million), whereas RES energy product costs amounted to EUR 134,303.

Environment management-related labour costs amounted to EUR 647,937, whereas EUR 111,692 were spent on services provided by environment-related external contractors. EUR 564,760 were spent

on comprehensive water management - from the consumption of water, the treatment of waste water to the water treatment levy. Waste management also accounted for EUR 392,597 in important costs.

In 2022, the UNIOR Group invested the following in reducing its environmental/climate impacts: EUR 2,136,555. EUR 1,149,229 were spent on installing solar power plants, EUR 696,782 in the expansion of the biomass district heating system; and EUR 239,597 in the district heating system to increase the utilisation of waste heat. These investments will generate energy savings and resulting lower energy costs in the future.

Revenue related to environmental/climate impacts in the UNIOR Group in 2022

Type of revenue related to environmental/climate impacts	(in EUR)
Sales of waste - secondary raw material	14,143,973
RES - sales of electricity	470,412
Other environmental management revenue	16,436
TOTAL	14,630,821

The recyclability of the used resources has great potentials for realising revenue from secondary raw materials. The UNIOR Group generated EUR 14,143,973 in revenue in this area in 2022. By selling electricity generated from RES, the Group generated EUR 470,412 in revenue, whereby other environmental management revenue amounted to EUR 16,436.

The revenue is not consolidated.

9.14 EVENTS AFTER THE REPORTING PERIOD IN THE UNIOR GROUP

CONCLUSION OF A NEW SYNDICATED LOAN AGREEMENT

On 25/4/2023, UNIOR d.d. and UNITUR d.o.o. concluded new syndicated loan agreements for a period of 7 years with a syndicate of four commercial banks. This established a long-term stable balance between non-current and current financial liabilities which was destroyed as at the balance on 31/12/2022 on account of the fact that the financial liabilities refinanced in 2016 became repayable on 30/6/2023 and the Group posted most of its financial liabilities as current. As a result, the actual repayments of non-current financial liabilities in the 2023 financial year will thus amount to EUR 10,236,747 instead of EUR 66,570,347 as posted in the consolidated financial position statement and the notes to the statement in this Annual Report drawn up for the 2022 financial year as at 31/12/2022. By signing both syndicated loan agreements, the Group obtained additional required liquidity sources to optimise its working capital needs and provided for financing of investments in restorations and increasing production capacities required in the future periods. Subject thereon, the Group has provided for the basic pre-conditions for growth and development in compliance with the targets set.

ENERGY AID FOR THE ECONOMY

Pursuant to the Act Determining the Aid to the Economy to Mitigate the Consequences of the Energy Crisis (ZPGOPEK), the parent company of the UNIOR Group is foreseen to receive EUR 1.3 million in state grants in the 2023 financial year. The Act stipulates that any eligible company which has availed itself of the aid to the economy shall notify the competent authority within two months of any disbursement of dividends that has been carried out within the respective company from the entry of the Act into force in 2023 or for 2023. In that event, the received aid shall be reimbursed within 30 days following the service of the respective decision issued by the competent authority in addition to statutory interest.

ACCRUALS AFTER THE REPORTING PERIOD

After the reporting period, there were no significant accruals which would have a material impact on the consolidated financial statements of the UNIOR Group for 2022 or which would have required additional disclosure.

9.15 STATEMENT ON THE RESPONSIBILITY OF MEMBERS OF THE MANAGEMENT BOARD

The Management Board of the parent company shall be responsible for drawing up the UNIOR Group Annual Report and the consolidated financial statements of the Group so that they present a true and fair view of the financial standing and operating results of the UNIOR Group in 2022 to the interested public.

In compliance with Article 134 of the Market in Financial Instruments Act (ZTFI-1), the Management Board of the parent company declares to the best of its knowledge that the Financial Statement of the UNIOR Group has been drawn up in compliance with International Financial Reporting Standards as adopted by the European Union and gives a true and fair view of the financial situation and operating results of the UNIOR Group as a whole and that the Business Report of the UNIOR Group includes a fair review of the developments and operating results and financial position of the UNIOR Group including a description of material types of risks the UNIOR Group as a whole is exposed to.

The Management Board of the parent company hereby adopts and confirms the financial statements including associated policies and notes of the UNIOR Group for the year 2022.

The Management Board of the parent company hereby confirms to have diligently applied the appropriate accounting policies, that accounting estimates have been made subject to the fair value, precautionary and due diligence principles and that the consolidated financial statements of the UNIOR Group give a true and fair view of the financial situation and operating results of the UNIOR Group in 2022.

The Management Board of the parent company is also responsible for adequate accounting, adopting corresponding decisions to safeguard its property and other assets and for the prevention and detection of fraud and other irregularities or illegal acts. It also confirms that the consolidated financial statements including notes are drawn up on the basis of going concern of UNIOR Group companies and in compliance with the legislation in force and International Financial Reporting Standards as adopted by the European Union.

At any time within a period of five years following the lapse of the year in which taxes shall be levied, the tax authorities may audit the operations of the Group companies which may consequently result in additional tax liabilities, default interest and penalties arising from corporate income tax or other taxes and levies. The Management Board of the parent company is not aware of any circumstances which could give rise to this kind of material liability.

In Zreče, on 26/4/2023

President of the Management Board

Darko Hrastnik



Member of the Management Board:

Branko Bračko



9.16 INDEPENDENT AUDITOR'S REPORT



Independent Auditor's Report on the Financial Statements

To the owners of UNIOR d.d.

Opinion

We have audited the financial statements of UNIOR d.d., including the statement of its financial situation as at 31 December 2022, its income statement, its other comprehensive income statement, its change in equity statement and its cash flow statement for the then finished year, including a summary of significant accounting policies and other explanatory information.

We believe that the financial statements give a true and fair view of the financial situation of UNIOR d.d. on 31 December 2022, its profit and loss statement and cash flows for the year then ended in accordance with the international financial reporting standards, as adopted by the European Union.

Grounds for our opinion

The audit was carried out pursuant to the International Auditing Standards (IAS) and Regulation (EU) No. 537/2014 of European Parliament and the Council of 16 April 2014 on specific requirements regarding statutory audits of public-interest entities ("the Regulation (EU) No. 537/2014 of European Parliament and the Council"). Our responsibilities based on these standards are described in this report in the paragraph Auditor's responsibility for auditing the financial statements. In accordance with the Code of Ethics for Professional Accountants, issued by the International Ethics Standards Board for Accountants (Code IESBA), and ethical requirements relating to the auditing of financial statements in Slovenia, we confirm our independence from the Company and our compliance with all other ethical obligations in accordance herewith and the IESBA Code.

The audit evidence obtained is believed to be sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of matter

As at 31/12/2022, the Company discloses an excess of current liabilities over current assets of the company of EUR 13,149, resulting from the transfer of a portion of non-current financial liabilities to current financial liabilities to banks taken into account the loan agreement applicable on 31/12/2022. As disclosed in the financial statements of the Annual Report of the Company in Note 10.15 "Events after the reporting period in UNIOR d.d.", the Company concluded a new non-current loan agreement on the refinancing of the financial liabilities of the Company with creditor banks on 25/4/2023 which has a positive impact on the maturity, the repayment of financial liabilities and the financing of the working capital of the Company. Our opinion has not been modified in light of this matter.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were taken into account while auditing the financial statements as a whole and in forming our opinion about them. No separate opinions on these matters shall be made. In addition to the matter described in the "Emphasis of matter" paragraph, the matters described below have been identified as key audit matters.

The auditor has met all the obligations described in the "Auditor's responsibility for auditing the financial statements" paragraph including all obligations related to these matters. As a result, the audit included the performance of procedures laid down on the basis of our assessment of risk of a material misstatement in the financial statements. The results of our audit procedures including the procedures performed in relation to the matters listed below serve as the basis for our audit opinion on the enclosed financial statements.


Non-current investments in subsidiaries

<p>As at 31/12/2022, the value of non-current investments in subsidiaries amounts to EUR 21,041 and accounts for 9 per cent of total assets of the Company. In the financial statements, non-current investments in subsidiaries are measured at cost less the accumulated impairment losses.</p> <p>The Management Board of the Company draws up the financial statements by assessing the existence of indicators of any impairment of investments in subsidiaries subject to internal and external sources of information which could suggest their potential impairment. The impairments of investments in subsidiaries in the 2022 financial year amounting to EUR 642 thousand are recorded among financial expenses from impairment and write-offs of investments.</p> <p>The existence of impairment indicators of investments in subsidiaries, the performed impairment tests, and the assessment of the recoverable value of non-current investments in subsidiaries were material for our audit as they require material assessments and estimates. On account of the materiality of non-current investments in subsidiaries in the total assets of the Company and the integrated degree of subjectivity while assessing the existence of indicators of impairment of non-current investments in subsidiaries and performed impairment tests, this was identified as a key audit matter.</p>	<p>Audit procedures included an assessment of the adequacy of the accounting policies of the company associated with the assessment of the existence of impairment indicators of non-current financial investments in subsidiaries and their compliance with the International Financial Reporting Standards. The following audit procedures were performed among others:</p> <ul style="list-style-type: none"> the design and performance of control procedures by the Management Board, on the basis of which impairment tests and the assessment of the existence of indicators of impairment of investments in subsidiaries are carried out, was assessed; the appropriateness of internal and external sources of information which constitute the basis for the assessment of the Management Board on the existence of indicators of impairment of investments in subsidiaries was assessed; the performed impairment tests of investments in subsidiaries were tested and the appropriateness of the assumptions used in recoverable amount assessments was verified; an audit expert (accredited company valuer) was included in the auditing team to provide assistance in assessing the appropriateness of the assessed recoverable value of financial investments in subsidiaries; The completeness and appropriateness of the disclosures in the Annual Report of the Company related to non-current investments in subsidiaries as presented by the Management Board of the Company in the financial statements of the Annual Report in Section 10.7.4 "Non-current investments" were reviewed.
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Land measured at fair value

<p>The value of land measured at fair value in line with the used accounting policy of the Company as at 31/12/2022 amounts to EUR 12,588 and accounts to 5 per cent of total Company assets.</p> <p>While drawing up the financial statements for the 2022 financial year, the Management Board of the Company assessed the arising of circumstances in the 2022 financial year which could have a material impact on the assessed fair value of land for financial reporting purposes as at 31/12/2021. An audit expert (accredited real estate appraiser) of the Management Board assessed on the basis of a performed market analysis of change in value of comparable land in 2022 that the assessed fair value of land as at 31/12/2021 constitute the appropriate basis for the disclosed fair value of land in the financial statements of the Company as at 31/12/2022.</p> <p>The assessment of the Management Board on the arising of circumstances which could have a material impact on the assessed fair value of land was material for our audit.</p>	<p>The appropriateness of the accounting policies used by the Company in relation to measuring the fair value of land, their consistency with IAS 16 (Property, Plant and Equipment) and IFRS 13 (Fair Value Measurement) was assessed as part of our performance of audit procedures and the following audit procedures were performed among others:</p> <ul style="list-style-type: none"> the appropriateness of the assessment of the Management Board on the arising of circumstances in the 2022 financial year which could have a material impact on the disclosed fair value of land as at 31/12/2022 was assessed; an audit expert (accredited real estate appraiser) was included in the auditing team to provide assistance in assessing the appropriateness of the disclosed book fair value of land as at 31/12/2022 and of the performed market analysis of change in value of comparable land in the 2022 financial year; the appropriateness of the used assumptions, value assessment methods and
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<p>audit as it requires material assessments and estimates. On account of the materiality of the assessed fair value of land in the total assets of the Company and the integrated degree of subjectivity in the assessments made by the Management Board, it was identified as a key audit matter</p>	<p>input data on which the assessed opening fair value of land for financial reporting purposes as at 31/12/2021 is based was assessed;</p> <ul style="list-style-type: none"> the completeness and appropriateness of the disclosures in the Annual Report of the Company related to land measured at fair value as presented by the Management Board of the Company in the financial statements of the Annual Report in Section 10.7.2 "Property, plant and equipment".
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Net revenue from sales

<p>Net revenue from sales for the 2022 financial year amount to EUR 204.557 thousand and increased by 21 per cent compared to the preceding year. As noted in Section 10.6.2.4 "Summary of Significant Accounting Policies and Disclosures, revenue by business segment (Forge, Hand Tools and Special Machines) are recognised differently, by taking into account IFRS 15 (Revenue from Contracts with Customers) and a 5-step recognition model.</p> <p>Net revenue from sales is one of the key performance indicators of the Company. On account of the materiality of this accounting item, the complex generated revenue recognition method by business segment in compliance with IFRS 15 and the risks related to its appropriate recording, recognising revenue from sales has been identified as a key audit matter.</p>	<p>Audit procedures included an assessment of the adequacy of the accounting policies of the company associated with the recognition of revenue and their compliance with the International Financial Reporting Standards. The following audit procedures were performed among others:</p> <ul style="list-style-type: none"> an understanding of accounting policies used in relation to recognising revenue generated by business segment in compliance with IFRS 15 was obtained. the design and implementation of internal controls related to recognising revenue generated by business segment with an emphasis on key controls were learnt and assessed; the operating efficiency of key controls material for recognising revenue generated by business segment was tested; data testing analytical procedures related to revenue generated by all business segments were performed; a detailed test on a selected sample of revenue generated by business segment was performed; the completeness and appropriateness of the relevant disclosures in the financial statements related to net revenue from sales presented by the Management Board in the financial statements of the Annual Report in Section 10.8.1. "Net revenue from sales by geographical and business segment" were reviewed.
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Other information

The Management Board is liable for other information. Other information comprises information in the Annual Report, with the exception of financial statements and the auditor's report on the latter,

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

Our responsibility with regard to the conducted audit of the financial statements is to read other information and estimate whether it is significantly non-compliant with the financial statements, regulatory requirements or our knowledge, obtained during the audit of the Company, or whether it indicates being significantly incorrect any other way. If the work performed gives rise to the conclusion that there is significant misstatement of other information, such circumstances shall be reported. With regard to the stated and on the basis of the described procedures, it is hereby reported that:

- other information is, in all material respects, consistent with the audited separate financial statements;
- other information is drawn up in accordance with the applicable laws and regulations, and;

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Share capital: EUR 15,957.45 EUR | Registration number: 3959023000 | Tax number: SI 8105571

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- on the basis of knowledge and understanding of the Company and its environment obtained during the audit, no material misstatements in connection with other information have been established.

Responsibility of the Management and Supervisory Board for the financial statements

The Management Board is responsible for drawing up and providing a fair view of these financial statements in accordance with the International Financial Reporting Standards as adopted by the EU and for such internal control, in accordance with the decision of the Management Board, which shall enable the drawing up of financial statements which shall no significant misstatement due to fraud or error.

When drawing up the financial statements of the Company, the Management Board's responsibility is to estimate the ability of the Group to continue as a going concern, to disclose matters related to the going concern and to use the assumption of the going concern as a basis for accounting, unless the Management Board of the Company intends to liquidate the Company or suspend business operations or has no other possibility than to perform one or the other.

The Supervisory Board is responsible for monitoring the drawing up of financial statements and approving the audited annual report.

Auditor's responsibility for auditing the financial statements

Our objectives are to obtain reasonable assurance that the financial statements as a whole do not contain any material misstatements due to fraud or error and to compile the auditor's report which includes our opinion. Reasonable assurance is a high level of assurance, but not a guarantee, that the audit, conducted in accordance with the IAS and Regulation (EU) No. 537/2014 of the European Parliament and Council, always establishes a material misstatement, if it exists. Misstatements may arise from fraud or error and are considered as material if it is reasonable to expect that they would individually or jointly affect the economic decisions of the users adopted on the basis of these financial statements.

During the conduct of the audit in accordance with IAS and Regulation (EU) No. 537/2014 of the European Parliament and Council, 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 error or fraud, form and perform audit procedures in response to the assessed risks and obtain sufficient and suitable audit evidence, which provide the basis for our opinion. The risk of not identifying a material misstatement arising from fraud is higher than the risk associated with an error, as fraud can also include collusive arrangements, counterfeiting, deliberate omission, misinterpretation or evasion of internal controls;
- secure an understanding of internal controls in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal controls of the Company;
- estimate the suitability of the applied accounting policies and the acceptability of the accounting estimates and related disclosures of the Management Board;
- On the basis of the acquired audit evidence of the existence of significant uncertainty regarding the events or circumstances, which raise doubts about the capacity of the organisation to continue as a going concern, we adopt a decision on the suitability of the Management Board's use of the going concern assumption as a basis for the accounting. If we conclude that a material uncertainty exists, we are required to adjust our opinion. The auditor's conclusions are based on the audit evidence obtained up to the date of the issuance of the auditor's report. However, future events or conditions may cause the organisation to cease to continue as a going concern,
- we shall evaluate the general presentation, structure and content of the financial statements, including disclosures, and estimate whether the financial statements represent the respective business transactions and events in such a manner that ensures a fair view thereof.
- The Audit Committee and the Supervisory Board shall also be notified of the planned scope and duration of the audit procedure and material findings of the audit, including weaknesses in internal controls established during the audit.

The Audit Committee and the Supervisory Board also received our declaration of compliance with all ethical independence requirements and were notified of all relations and other matters which could be reasonably considered to impact our independence. Related measures were also reported.

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Share capital: EUR 15,957.45 EUR | Registration number: 3959023000 | Tax number: SI 8105571

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The most significant matters during the audit of the financial statements of the current period were identified as key audit matters out of all matters which the Audit Committee and the Supervisory Board were notified of. Unless the law or regulations prevent their public disclosure and save in the rare and extraordinary circumstance when it can be reasonably expected that the harmfulness of the aftermath of reporting in a specific matter would override public interest, these matters are described in the Auditor's Report.

Report on other statutory and regulatory requirements

Other reporting requirements *in compliance with* Regulation (EU) No. 537/2014 of the European Parliament and Council

Appointment and confirmation of the auditor

We were appointed the statutory auditor of the parent company and Group for the first time by the owners of the Company for the 2022, 2023, and 2024 financial years at the General Meeting of Shareholders held on 6/7/2022.

Consistency with the additional report to the Audit Committee

Our opinion on the financial statements herein is consistent with the additional report to the Audit Committee of the Company issued on the same day at the Auditor's Report.

Provision of Non-audit Services

We hereby declare that no prohibited non-audit services referred to in the Article 5(1) of Regulation (EU) No. 537/2014 of the European Parliament and the Council were provided and our independence from the audited company was ensured.

In addition to the mandatory audit and services disclosed in the Annual Report and the Financial Statements, no other services were provided for the audited company or its subsidiaries.

Auditor's report on the compliance of the financial statements in electronic format with the requirements of the Delegated Regulation 2019/815 on a single electronic reporting format

We provided a reasonable assurance engagement on whether the audited consolidated financial statement of UNIOR d.d. for the financial year ending on 31/12/2022 were drawn up in compliance with the requirements of the Commission Delegated Regulation (EU) 2019/815 of 17 December 2018 supplementing Directive 2004/109/EC of the European Parliament and of the Council with regard to regulatory technical standards on the specification of a single electronic reporting format, applicable for 2022 (hereinafter referred to as "Delegated Regulation").

Responsibility of the Management and Supervisory Board

The Management Board is responsible for the drawing up and correct presentation of the audited financial statements in electronic format in accordance with the requirements of the Delegated Regulation and for internal control, in accordance with the decision of the Management Board, to enable the preparation of the financial statements in electronic format in a way that they contain no significant misstatements due to fraud or error.

The Supervisory Board is responsible for controlling the drawing up of the audited financial statements in electronic format in compliance with the requirements of the Delegated Regulation.

Responsibility of the auditor

The auditor is responsible for providing reasonable assurance engagement and reaching a conclusion on whether the audited financial statements have been drawn up in compliance with the requirements of the Delegated Regulation. Our reasonable assurance engagement was provided in compliance with the International standard on assurance engagements 'Assurance engagements other than audits or reviews of historical financial information' - 3000 (ISAE, 3000) issued by the International Auditing and Assurance Standards Board (IAASB). Subject to this standard, the transaction shall be planned and implemented in a way that allows us to obtain reasonable assurance for our conclusion.

The auditor performed their work in compliance with independence and ethical requirements of the Code of Ethics for Professional Accountants issued by the International Ethics Standard Board for Accountants. The Code has been designed on the basic principles of integrity, objectivity, professional competence and required due diligence, confidentiality and professional conduct. Our company operates in compliance with the International Standard on Quality Management (ISQM) 1 subject to which it maintains a comprehensive quality management system, included documented policies and procedures in respect of ethical requirements, professional standards and legal and regulatory requirements in force.

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Summary of performed work

The following procedures of an auditing nature were performed as part of our work:

- the risk of material non-compliance of the audited financial statements with the requirements of the Delegated Regulation due to fraud or error was recognised and assessed,
- an understanding of internal controls required for the assurance engagement transaction was obtained allowing us to establish proper procedures in the given circumstances without providing an opinion on the level of effectiveness of internal controls;
- it was assessed whether the received audited financial statements comply with the requirements of the Delegated Regulation effective at the reporting date;
- reasonable assurance that the audited financial statements of the issuer are presented in the correct XHTML electronic format was provided.

The obtained evidence is believed to serve as a sufficient and adequate basis for our conclusion.

Conclusion

On the basis of performed procedures and obtained evidence, it is our view that the audited financial statements of UNIOR d.d. for the financial year ending on 31/12/2022 have been drawn up in compliance with the requirements of the Delegated Regulation in all material aspects.

In Ljubljana, done on 26 April 2023

MAZARS, družba za revizijo, d.o.o.

Jure Marko

Certified auditor

handwritten signature

signature illegible

MAZARS. Družba za revizijo d.o.o., Verovškova ulica 55A, 1000 Ljubljana | T: +386 59 049 500 | info@mazars.si www.mazars.si

Business account with SKB SI56 0310 3100 0699 386 | District Court of Ljubljana, SRG 2011/15129

Share capital: EUR 15,957.45 EUR | Registration number: 3959023000 | Tax number: SI 8105571

10 AUDITED SEPARATE FINANCIAL STATEMENTS OF UNIOR d.d.

10.1 AUDITED SEPARATE FINANCIAL POSITION STATEMENT OF UNIOR d.d. AS AT 31/12/2022

(in EUR)				
	Item	Note	31/12/2022	31/12/2021
	ASSETS		241,025,132	236,189,461
A.	NON-CURRENT ASSETS		129,790,157	132,658,596
I.	Intangible assets and other IA	10.7.1	3,270,996	4,462,617
1/	Non-current property rights		139,826	178,162
2/	Goodwill		403,940	403,940
3/	Non-current deferred development costs		2,588,190	2,979,005
4/	Other intangible assets		47,133	61,947
5/	Intangible assets being acquired		91,907	839,563
II.	Property, plant and equipment	10.7.2	87,879,579	88,539,836
1/	Land and buildings		38,692,967	37,441,431
	a) Land		12,587,912	12,199,681
	b) Buildings		26,105,055	25,241,750
2/	Plant and machinery		42,752,389	41,708,562
3/	Other equipment and machinery, small tools and other property, plant and machinery		35,789	21,999
4/	Property, plant and equipment being acquired		6,398,434	9,367,844
III.	Investment property	10.7.3	749,527	749,527
IV.	Non-current investments	10.7.4	23,953,409	25,227,193
1/	Non-current investments, excluding loans		22,937,004	24,253,680
	a) Shares and participating interests in Group companies		21,040,875	21,592,476
	b) Shares and participating interests in associates		1,847,260	2,612,335
	c) Other non-current investments		48,869	48,869
2/	Non-current loans		1,016,405	973,513
	a) Non-current loans to Group companies		1,013,480	969,826
	b) Non-current loans to others		2,925	3,687
V.	Non-current operating receivables	10.7.6	7,222,397	7,270,632
1/	Non-current operating receivables due from Group companies		7,214,658	7,255,286
2/	Non-current operating receivables		0	0
3/	Non-current operating receivables from others		7,739	15,346
VI.	Deferred tax assets	10.7.13	6,714,249	6,408,791
B.	CURRENT ASSETS		111,234,975	103,530,865
I.	Assets (groups for disposal) held for sale		0	0
II.	Inventories	10.7.5	78,832,340	68,468,019
1/	Materials		27,879,333	25,351,861
2/	Work in progress		27,656,306	26,000,063
3/	Products		18,609,870	14,138,659
4/	Merchandise		4,686,831	2,977,436
III.	Current investments	10.7.7	637,266	1,899,783
1/	Current investments, excluding loans		0	0
2/	Current loans		637,266	1,899,783
	a) Current loans to Group companies		637,266	1,898,172
	b) Other current loans		0	1,611
IV.	Current operating receivables	10.7.6	28,513,244	31,246,121
1/	Current operating receivables due from Group companies		6,059,272	5,737,342
2/	Current trade receivables		17,144,639	20,962,031
3/	Current operating receivables due from others		5,309,333	4,546,748
V.	Cash and cash equivalents	10.7.8	3,252,125	1,916,942

(in EUR)				
	Item	Note	31/12/2022	31/12/2021
	LIABILITIES		241,025,132	236,189,461
A.	KAPITAL	10.7.9	100,332,136	94,184,664
I.	Called-up capital		23,688,983	23,688,983
1/	Share capital		23,688,983	23,688,983
2/	Uncalled-up capital (deduction item)		0	0
II.	Capital reserves		30,277,035	30,277,035
III.	Reserves from profit		19,960,288	19,960,288
1.	Legal reserves		1,417,442	1,417,442
2.	Reserves for treasury shares and own participating interests		2,721,454	2,723,119
3.	Treasury shares and own participating interests (deduction item)		(2,687,821)	(2,687,821)
4.	Statutory reserves		0	0
5/	Other reserves from profit		18,509,213	18,507,548
IV.	Fair value reserves		9,571,371	8,499,295
V.	Net profit brought forward		11,759,063	9,013,227
VI.	Net loss brought forward		0	0
VII.	Net profit of the financial year		5,075,396	2,745,836
VIII.	Net loss of the financial year		0	0
B.	PROVISIONS AND DEFERRED REVENUE	10.7.10	5,981,235	5,224,489
1/	Provisions for pensions and similar liabilities		5,560,289	4,776,156
2/	Other provisions		420,946	448,333
3/	Deferred revenue		0	0
C.	NON-CURRENT LIABILITIES		10,328,213	63,610,946
I.	Non-current financial liabilities	10.7.11	10,328,213	63,610,946
1/	Non-current financial liabilities to Group companies		0	0
2/	Non-current financial liabilities to banks		9,495,529	62,598,210
3/	Non-current financial liabilities from bonds payable		0	0
4/	Other non-current financial liabilities		832,684	1,012,736
II.	Non-current operating liabilities	10.7.12	0	0
1/	Non-current operating liabilities due to Group companies		0	0
2/	Non-current trade payables		0	0
3/	Non-current bills of exchange payable		0	0
4/	Non-current operating liabilities from advance payments		0	0
5/	Other non-current operating liabilities		0	0
III.	Deferred tax liabilities	10.7.13	0	0
D.	CURRENT LIABILITIES		124,383,548	73,169,362
I.	Liabilities included in groups for disposal			
II.	Current financial liabilities	10.7.14	73,826,378	28,228,104
1/	Current financial liabilities to Group companies		284,181	398,732
2/	Current financial liabilities to banks		73,079,773	27,031,837
3/	Current financial liabilities to banks (transaction account overdraft)		0	0
4/	Other current financial liabilities		462,424	797,535
III.	Current operating liabilities	10.7.15	50,557,170	44,941,258
1/	Current operating liabilities due to Group companies		1,472,563	1,671,390
2/	Current operating liabilities to suppliers		37,091,008	30,743,286
3/	Current bills of exchange payable		0	0
4/	Current operating liabilities from advance payments		2,299,162	756,053
5.	Other current operating liabilities		9,694,437	11,770,529

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

10.2 AUDITED SEPARATE INCOME STATEMENT OF UNIOR d.d. FOR THE PERIOD BETWEEN 1/1/2022 AND 31/12/2022

(in EUR)			January-December 2022	January-December 2021
	Item	Note		
A.	Net revenue from sales	10.8.1	204,557,463	168,974,628
1/	Net revenue from sales on the domestic market		21,476,994	19,431,130
	a) Net revenue from sales of products and services		9,428,793	9,095,482
	b) Net revenue from sales of merchandise and materials		12,048,201	10,335,648
2/	Net revenue from sales on foreign markets		183,080,469	149,543,498
	a) Net revenue from sales of products and services		164,411,124	135,155,169
	b) Net revenue from sales of merchandise and materials		18,669,345	14,388,329
B.	Change in value of product inventories and work-in-progress		4,697,445	915,362
C.	Capitalised own products and services	10.8.2	1,237,331	1,902,495
D.	Other operating revenue	10.8.3	3,323,324	3,285,430
I.	GROSS OPERATING PROFIT		213,815,563	175,077,915
D.	Costs of goods, materials and services	10.8.4	(147,895,934)	(114,207,879)
1.	Cost of merchandise and materials sold		(17,104,479)	(12,814,721)
2.	Costs of materials used		(106,546,497)	(80,839,612)
	a) Costs of materials		(80,244,551)	(62,276,081)
	b) Costs of energy		(10,646,196)	(7,862,697)
	c) Other costs of materials		(15,655,750)	(10,700,834)
3.	Costs of services		(24,244,958)	(20,553,546)
	a) Transportation services		(5,797,692)	(4,422,397)
	b) Maintenance costs		(1,394,726)	(1,318,765)
	c) Lease payments		(1,197,151)	(1,221,305)
	d) Other costs of services		(15,855,389)	(13,591,079)
E.	Labour costs	10.8.4	(52,299,054)	(47,387,318)
1.	Costs of salaries		(37,923,837)	(35,048,678)
2.	Costs of pension insurances		(478,084)	(463,815)
3.	Costs of other social insurances		(6,470,668)	(6,033,372)
4.	Other labour costs		(7,426,465)	(5,841,453)
F.	Write-offs	10.8.4	(9,183,690)	(9,719,994)
1.	Depreciation		(8,878,787)	(8,616,746)
2.	Operating expenses from the revaluation of intangible fixed assets and property, plant and equipment		(196,362)	(99,407)
3.	Operating expenses from the revaluation of operating current assets		(108,541)	(1,003,841)
G.	Other operating expenses	10.8.4	(705,622)	(819,560)
1.	Provisions		(19,296)	(17,587)
2.	Other costs		(686,326)	(801,973)
II.	OPERATING PROFIT OR LOSS		3,731,263	2,943,164
H.	Financial revenue	10.8.5	4,935,400	2,404,843
1/	Financial revenue from participating interests		4,390,612	2,149,444
	a) Financial revenue from participating interests in Group companies		1,286,234	1,262,583
	b) Financial revenue from participating interests in associates		3,103,992	748,302
	c) Financial revenue from participating interests in other companies		386	138,559
	d) Financial revenue from other investments		0	0
2/	Financial revenue from loans given		80,942	116,788
	a) Financial expenses from loans given to Group companies		41,095	99,176
	a) Financial revenue from loans given to others		39,847	17,612
3/	Financial revenue from operating receivables		463,846	138,611
	Financial revenue from operating receivables due from Group companies		45,547	31,890
	a) Financial revenue from operating receivables due from others		418,299	106,721
I.	Financial expenses	10.8.5	(3,799,698)	(3,219,139)
1.	Financial expenses from the impairment and write-offs of investments		(642,101)	(572,047)
2.	Financial expenses from financial liabilities		(2,613,844)	(2,472,195)
	a) Financial expenses from loans received from Group companies		(36,425)	(7,827)
	b) Financial expenses from loans received from banks		(2,565,329)	(2,450,186)
	c) Financial expenses from bonds issued		0	0
	d) Financial expenses from other financial liabilities		(12,090)	(14,182)
3.	Financial expenses from operating liabilities		(543,753)	(174,897)
	a) Financial expenses from operating liabilities due to Group companies		0	(831)
	b) Financial expenses from trade payables and bills of exchange payable		(251,139)	(100,334)
	c) Financial expenses from other operating liabilities		(292,614)	(73,732)
III.	PROFIT OR LOSS		4,866,965	2,128,868
	Corporate income tax	10.9	(348,501)	(211,678)
	Deferred tax	10.9	556,932	828,646
	NET PROFIT OR LOSS OF THE ACCOUNTING PERIOD		5,075,396	2,745,836

(in EUR)			January-December	January-December
	Item	Note	2022	2021
	Net loss per share			
	Net earnings per share in EUR		1.84	0.99

Net earnings or loss per share are calculated by dividing the accounting period net loss or profit which belongs to the shareholders by the weighted average number of ordinary shares whereby ordinary shares owned by the Company or Group shall be excluded. Notes to financial statements form an integral part of the financial statements.

10.3 AUDITED SEPARATE STATEMENT OF OTHER COMPREHENSIVE INCOME OF UNIOR d.d. FOR THE PERIOD BETWEEN 1/1/2022 AND 31/12/2022

(in EUR)			January-December	January-December
	Item		2022	2021
1/	Net profit/loss of the financial year after tax		5,075,396	2,745,836
2.	Other comprehensive income of the accounting period, after tax		1,072,076	200,056
2.1	Items which will not be subsequently reclassified as profit or loss		1,072,076	200,056
	Net profit/loss recognised in fair value reserves in respect of property, plant and equipment		367,213	771,622
	Net profit/loss recognised in fair value reserves in respect of intangible fixed assets		0	0
	Actuarial net profit/loss for retirement benefit plans and changes to deferred taxes recognised in retained profit/loss		704,863	(571,566)
3.	Total comprehensive income of the financial year after tax		6,147,472	2,945,892

(in EUR)			January-December	January-December
	Item		2022	2021
	Total comprehensive income of the financial year after tax per share		2.22	1.07

Total comprehensive income of the financial year after tax per share is calculated by dividing the accounting period total comprehensive income which belongs to the shareholders by the weighted average number of ordinary shares whereby ordinary shares owned by the the Company or Group shall be excluded. Notes to financial statements form an integral part of the financial statements.

10.4 AUDITED SEPARATE CASHFLOW STATEMENT OF UNIOR d.d. FOR THE PERIOD BETWEEN 1/1/2022 AND 31/12/2022

(in EUR)			January-December	January-December
	Item	Note	2022	2021
A.	Cash flows from operating activities			
a)	Net profit or loss		5,075,396	2,745,836
	Profit or loss before tax		4,866,965	2,128,868
	Income tax and other taxes not included in operating expenses	10.9	208,431	616,968
b)	Adjustments for		9,320,297	10,350,892
	Depreciation (+)	10.7.1, 10.7.2	8,878,787	8,616,746
	Operating revenue from revaluation associated with investment and financing items (-)	10.8.3	(109,393)	(148,960)
	Operating expenses from revaluation associated with investment and financing items (+)	10.8.4	196,362	99,407
	Allowances set up for receivables	10.7.6	31,766	13,646
	Allowances set up for inventories	10.7.5	76,775	990,195
	Formation and reversal of non-current provisions	10.7.10	1,461,609	1,848
	Financial revenue excluding financial revenue from operating receivables (-)	10.8.4	(4,471,554)	(2,266,232)
	Financial expenses excluding financial expenses from operating liabilities (+)	10.8.4	3,255,945	3,044,242
c)	Changes in net current assets (and accruals and deferrals, provisions and deferred tax assets and liabilities) of operating items of the balance sheet		(2,381,296)	(11,621,769)
	Opening less closing operating receivables	10.7.6	2,749,346	(9,960,043)
	Opening less closing deferred tax assets	10.7.13	(556,933)	(828,646)
	Opening – less closing assets (groups for disposal) held for sale		0	0
	Opening less closing inventories	10.7.5	(10,441,096)	(5,717,015)
	Closing less opening operating liabilities	10.7.15	5,615,912	4,894,619
	Closing less opening deferred tax liabilities	10.7.13	251,475	(10,684)
d)	Net cash from operating activities (a + b + c)		12,014,397	1,474,959
B.	Cash flows from investing activities			
a)	Cash proceeds from investing activities		8,092,769	5,091,358
	Cash proceeds from interest and profit participations relating to investing activities	10.8.5	2,736,629	2,266,232
	Cash proceeds from disposal of intangible assets	10.7.1	0	0
	Cash proceeds from disposal of property, plant and equipment	10.7.2	126,310	1,019,734
	Cash proceeds from disposal of investment property	10.7.3	0	0
	Cash proceeds from disposal of non-current financial investments	10.7.4	2,870,684	321,172
	Cash proceeds from disposal of current financial investments	10.7.7	2,359,146	1,484,220
b)	Cash repayments from investing activities		(8,473,680)	(11,775,503)
	Cash repayments to acquire intangible assets	10.7.1	(91,907)	(887,193)
	Cash repayments to acquire tangible fixed assets	10.7.2	(6,781,068)	(9,015,203)
	Cash repayments to acquire investment property	10.7.3	0	0
	Cash repayments to acquire non-current investments	10.7.4	(504,076)	(883,005)
	Cash repayments to acquire current investments	10.7.7	(1,096,629)	(990,102)
c)	Net cash from investing activities (a + b)		(380,911)	(6,684,145)
C.	Cash flows from financing activities			
a)	Cash proceeds from financing activities		37,577,473	41,450,152
	Cash proceeds from paid-in capital		0	0
	Cash proceeds from increase in non-current financial liabilities	10.7.11	2,504,165	6,211,958
	Cash proceeds from increase in current financial liabilities	10.7.14	35,073,308	35,238,194
b)	Cash repayments from financing activities		(47,875,776)	(37,305,452)
	Interest paid on financing activities	10.8.5	(2,613,844)	(2,472,195)
	Cash repayments to acquire treasury shares	10.7.9	0	(700,000)
	Cash repayments of non-current financial liabilities	10.7.11	(49,561)	(30,733)
	Cash repayments of current financial liabilities	10.7.14	(45,212,371)	(34,102,524)
	Dividends and other profit shares paid		0	0
c)	Net cash from financing activities (a + b)		(10,298,303)	4,144,700
D.	Closing balance of cash		3,252,125	1,916,942
	Net cash flow for the period (sum of items Ad, Bc and Cc)		1,335,183	(1,064,486)
	Opening balance of cash		1,916,942	2,981,428

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

10.5 AUDITED SEPARATE STATEMENT OF CHANGES IN EQUITY OF UNIOR d.d.

Changes in equity for the period between 31/12/2021 and 31/12/2022

(in EUR)	I. Called-up capital	II. Capital reserves	III. Reserves from profit				IV. Reserves from valuation at fair value	V. Retained net profit/loss	VI. Net operating profit or loss of the financial year	Total
	Share capital		Legal reserves	Reserves Treasury shares	Treasury shares (deduction item)	Other reserves from 18,507,548				
A.1 Balance at the end of the previous financial year	23,688,983	30,277,035	1,417,442	2,723,119	(2,687,821)	18,507,548	8,499,295	9,013,227	2,745,836	94,184,664
A.2 Opening balance of the reporting period	23,688,983	30,277,035	1,417,442	2,723,119	(2,687,821)	18,507,548	8,499,295	9,013,227	2,745,836	94,184,664
B.1 Changes in equity – transactions with owners	0	0	0	0	0	0	0	0	0	0
B.2 Total comprehensive income of the reporting period	0	0	0	0	0	0	1,072,076	0	5,075,396	6,147,472
Entry of operating profit/loss of the financial year	0	0	0	0	0	0	0	0	5,075,396	5,075,396
Entry of actuarial profit from termination benefit provisions	0	0	0	0	0	0	704,863	0	0	704,863
Changes in reserves from valuation at fair value	0	0	0	0	0	0	367,213	0	0	367,213
B.3 Changes in equity	0	0	0	(1,665)	0	1,665	0	2,745,836	(2,745,836)	0
allocation of a part of the net profit from the comparative financial year to other equity items	0	0	0	0	0	0	0	2,745,836	(2,745,836)	0
Reserves for treasury shares and own participating interests	0	0	0	(1,665)	0	1,665	0	0	0	0
C. Closing balance of the financial year	23,688,983	30,277,035	1,417,442	2,721,454	(2,687,821)	18,509,213	9,571,371	11,759,063	5,075,396	100,332,136

Changes in equity for the period between 31/12/2020 and 31/12/2021

(in EUR)	I. Called-up Equity	II. Capital reserves	III. Reserves from profit				IV. Reserves from revaluation at fair value	V. Retained net profit/loss	VI. Net operating profit or loss of the financial year	Total
	Share capital		Legal reserves	Reserves for own participating interests shares	Treasury shares (Deduction item)	Other reserves from profit				
A.1 Balance at the end of the previous financial year	23,688,983	30,277,035	1,417,442	2,016,459	(1,987,821)	19,214,208	8,299,239	16,972,710	(7,959,484)	91,938,771
A.2 Opening balance of the reporting period	23,688,983	30,277,035	1,417,442	2,016,459	(1,987,821)	19,214,208	8,299,239	16,972,710	(7,959,484)	91,938,771
B.1 Changes in equity – transactions with owners	0	0	0	0	(700,000)	0	0	0	0	(700,000)
Acquired treasury shares and shareholdings	0	0	0	0	(700,000)	0	0	0	0	(700,000)
B.2 Total comprehensive income of the reporting period	0	0	0	0	0	0	200,056	0	2,745,836	2,945,892
Entry of operating profit/loss of the financial year	0	0	0	0	0	0	0	0	2,745,836	2,745,836
Entry of actuarial profit from termination benefit provisions	0	0	0	0	0	0	(571,566)	0	0	(571,566)
Changes in reserves from valuation at fair value	0	0	0	0	0	0	771,622	0	0	771,622
B.3 Changes in equity	0	0	0	706,660	0	(706,660)	0	(7,959,484)	7,959,484	0
allocation of a part of the net profit from the comparative financial year to other equity items	0	0	0	0	0	0	0	(7,959,484)	7,959,484	0
Reserves for treasury shares and own participating interests	0	0	0	706,660	0	(706,660)	0	0	0	0
C. Closing balance of the financial year	23,688,983	30,277,035	1,417,442	2,723,119	(2,687,821)	18,507,548	8,499,295	9,013,227	2,745,836	94,184,664

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

10.6 NOTES TO AUDITED SEPARATE FINANCIAL STATEMENTS OF UNIOR d.d.

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

The financial statements were compiled for the year ending on 31/12/2022

A list of all companies in which UNIOR d.d. holds at least a 20 per cent participating interest as well as all particulars thereof are disclosed in Section 9.6.1 of the 2022 Annual Report.

Explanatory information is included in the report so as to clarify those accruals and transactions relevant to the understanding of changes to the financial position and operating result of UNIOR d.d. during the 2022 financial year.

10.6.1 STATEMENT OF COMPLIANCE

Separate financial statements have been drawn up in line with International Financial Reporting Standards (IFRS) as adopted by the International Accounting Standards Board (IASB) and interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC).

As regards the process of standard confirmation by the European Union, there were no differences as at the financial position statement date between the accounting policies used by UNIOR d.d., and the International Financial Reporting Standards (IFRS) adopted by the European Union. These mandatory financial statements have been compiled to comply with legal requirements.

The financial statements of UNIOR d.d. were confirmed by the Management Board of UNIOR d.d. on 26/4/2023.

10.6.2 MEASUREMENT BASES FOR THE FINANCIAL STATEMENTS OF UNIOR d.d.

The financial statements were drawn up using the assumption of going concern of the company meaning that assets are acquired and sold and that liabilities are settled as part of normal operations.

Consolidated financial statements were drawn up taking into account historical cost except for land, investment property, financial assets valued at fair value through profit or loss and financial instruments at fair value through other comprehensive income in addition to derivatives where the fair value has been taken into account. The methods used to measure fair value are described in Section 10.6.2.1 of the 2022 Annual Report.

10.6.2.1 LEVELS OF THE FAIR VALUE HIERARCHY

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. All assets and liabilities measured or disclosed in the financial statements at fair value are categorised into different levels of the fair value hierarchy in the level of the lowest level input that is significant to the entire measurement.

Assets and liabilities measured or disclosed at fair value are classified into a fair value hierarchy consisting of the following levels:

- Level 1: assets valued using the stock exchange quotation on the last day of the accounting period;
- Level 2: unquoted assets whose value can be monitored for the entire tenor thereof;
- Level 3: assets whose value cannot be obtained from market data; this category discloses land and investment property measured at fair value and at fair value disclosed plant and equipment valued at cost subject to verification of signs of impairment. This level also includes fair value disclosures of non-current investments valued at cost less impairment and operating liabilities, whereas current investments and liabilities are valued at amortised cost.

Classification of assets and liabilities in relation to their fair value as at 31/12/2022

(in EUR)	Level 1	Level 3	Total
Property, plant and equipment		12,587,912	12,587,912
– Land		12,587,912	12,587,912
Investment property		749,527	749,527
Non-current investments	0	1,016,405	1,016,405
– Quoted shares	0	0	0
– Non-current investments – long-term loans		1,016,405	1,016,405
Non-current operating receivables		7,222,397	7,222,397
Current investments		637,266	637,266
Current operating receivables		28,513,244	28,513,244
Non-current financial liabilities		10,328,213	10,328,213
Non-current operating liabilities		0	0
Current financial liabilities		73,826,378	73,826,378
Current operating liabilities		50,557,170	50,557,170

Classification of assets and liabilities in relation to their fair value as at 31/12/2021

(in EUR)	Level 1	Level 3	Total
Property, plant and equipment		12,199,681	12,199,681
– <i>Land</i>		12,199,681	12,199,681
Investment property		749,527	749,527
Non-current investments	0	973,513	973,513
– <i>Quoted shares</i>	0	0	0
– <i>Non-current investments – long-term loans</i>		973,513	973,513
Non-current operating receivables		7,270,632	7,270,632
Current investments		1,899,783	1,899,783
Current operating receivables		31,246,121	31,246,121
Non-current financial liabilities		63,610,946	63,610,946
Non-current operating liabilities		0	0
Current financial liabilities		28,228,104	28,228,104
Current operating liabilities		44,941,258	44,941,258

Land and investment property are valued at fair value established by valuation, non-current investments are disclosed at cost less impairment, whereas operating liabilities, current investments and liabilities at amortised cost.

The methodology used for estimated values is disclosed by category in Section 10.7 of the 2022 Annual Report.

10.6.2.2 FUNCTIONAL AND REPORTING CURRENCY

All financial statements and notes thereto are drawn up and presented in euros (EUR) or the functional currency in Slovenia and the functional currency of the company without cents and are rounded to the nearest whole number. When using addition, rounding errors may occur.

Transactions denominated in a foreign currency are translated into euros according to the reference exchange rate of the European Central Bank as at the day of the transaction. Cash and non-cash and liabilities denominated in foreign currencies as at the financial position statement date are translated into functional currency using the European Bank balances reference exchange rate on the last day of the accounting period. Exchange rate differences are recognised in the profit or loss statement.

10.6.2.3 SIGNIFICANT ESTIMATES AND JUDGEMENTS

In accordance with the International Financial Reporting Standards, estimates, judgements and assumptions affecting the application of policies and the disclosed values of assets and liabilities, revenue and expenses are made by the Management Board of the company for financial statement compilation purposes. Estimates are made subject to experience from previous years and expectations in the reporting period. The methods of forming estimates and accompanying assumptions and uncertainties are disclosed in notes to individual items.

Estimates include establishing the useful life and other values of property, plant and equipment and intangible non-current assets, revenue from contracts with customers, value adjustments of inventories and receivables, impairments of investments and goodwill, relevant assumptions for the actuarial calculation of some earnings of employees, assumptions included in the calculation of any provisions set up for actions, the assessed duration of leases and the used interest rate and the assessment of usage options of deferred tax assets. Estimates, assessments, and assumptions are reviewed regularly. As the actual performance may diverge, they are subject to continuous verification and revision. Changes to accounting estimates are recognised in the period for which estimates are changed or for all future periods the change will impact.

Highlights of critical uncertainty assessments and material assessments drawn up by the company in the accounting policy implementation process and which have the biggest impact on the amounts in the financial statements are described below:

ASSESSMENT OF THE IMPAIRMENT OF PROPERTY, PLANT AND EQUIPMENT

The existence of any impairment indications for property, plant and property shall be assessed by the company in compliance with IAS 36. The company shall assess at the date of each reporting if there are any such indications (significant technological change, market change, obsolescence or physical state of any tangible asset) that an asset may be impaired. If such an indication is identified, the recoverable amount shall be estimated by the company. Assets shall be impaired if their carrying amount exceeds their recoverable amount. The recoverable amount is the higher of the two items: fair value less costs to sell and its value in use.

As far as estimates and judgements of land are concerned, land is valued subject to CUT valuation methods.

GOODWILL IMPAIRMENT ASSESSMENT

Every year, the company shall assess the recoverable amount of goodwill based on its value in use upon drawing up its financial statements. The determination of the current value of future cash flows shall require an estimate of the expected cash flows of the cash-generating unit to which goodwill is allocated and the determination of the appropriate discount rate and other material items.

ASSESSMENTS OF THE APPROPRIATENESS OF THE USEFUL LIVES OF DEPRECIABLE ASSETS

The useful life of depreciable assets is assessed by taking into account the expected physical use, technical obsolescence, economic obsolescence and expected statutory as well as other restrictions on their use. In addition, the company shall review the useful life of material assets; e.g. in the event of a change in circumstances or if a change to the useful life and the resulting revaluation of depreciation costs is required. Notes 10.7.1, 10.7.2, and 10.7.3 to the 2022 Annual Report.

INVESTMENTS

The company has classified investments into investments measured at cost, investments measured at fair value through profit or loss and investments at amortised cost. The company shall assess investments by assessing impairment indications and for investments, where these exist (the value of the investment exceeds the value of the proportionate holding of capital in the company), carry out a valuation of investments subject to future cash flows or using the income approach through the recoverable amount of value in use or the recoverable amount arising from fair value less costs of sales. Investments in debt, measured at amortized value, shall be assessed by the company subject to the rating of the debtors and regularity of repayment subject to depreciation plans. Notes 10.7.4 and 10.7.7 to the 2022 Annual Report.

ASSESSMENT OF IMPAIRMENT OF INVENTORIES

At the end of the year, the company verifies the inventories without any movements in the current year and impairs them to their enforceable value. Value adjustments shall be formed by the company subject to the age of inventories. Note 10.7.5 to the 2022 Annual Report.

ASSESSMENT OF THE APPROPRIATENESS OF RECOGNISING REVENUE FROM CONTRACTS WITH CUSTOMERS

The company posts and discloses net revenue in compliance with IFRS 15. Revenue from contracts with customers shall be recognised subject to the provisions of the individual sales contract with the customer, thus the control over goods and services is transferred to the customer in the amount that reflects the compensation that the company expects to be entitled to.

The company uses the percentage of completion method as at the financial position statement date to recognise revenue from sales generated by the Special Machines programme; whereas revenue from the sales of products, goods and material is generated by Hand Tools and Forge is measured at selling prices stated in invoices and other documents, less discounts and rebates approved either when the sale is made or subsequently, including those granted for early payment. For a more detailed note, please refer to Section 10.6.2.4 of the 2022 Annual Report.

TESTING THE IMPAIRMENT OF INVESTMENTS

Financial statements shall be drawn up by the company by setting up value adjustments or impairments of receivables for which it assumes that they won't be recovered in full are reported or not at all. The value adjustment calculation shall be based on the methodology on the probability or assessment of default by the customer.

PROVISIONS

The Management Board of the company confirms the content and the amount of the provisions formed on the basis of:

- the calculation of provisions for jubilee awards and termination benefits;
- the estimate of the potential expected amount of damages communicated by the legal department of the company or an external attorney subject to existing lawsuits and tort claims.

ASSESSMENT OF PROVISIONS SET UP FOR RETIREMENT ALLOWANCES AND JUBILEE BENEFITS

The current value of retirement allowances and jubilee benefits are recorded as part of obligations to pay out certain post-employment and other benefits. These shall be recognised on the basis of an actuarial calculation. The actuarial calculation is based on the assumptions and estimates in force at the time of the calculation, which may differ from the actual assumptions that will apply at payment due to future changes. This primarily refers to the determination of the discount rate, estimates of employee fluctuations, mortality estimates and estimates of wage growth. Due to the complexity of the actuarial calculation and long-term character of the item, benefit liabilities for certain remuneration are sensitive to changes in those estimates.

The amounts of the provisions formed constitute the best estimate of future expenditure. Note 10.7.10 to the 2022 Annual Report.

ASSESSMENT OF THE SETTING UP ANNUITY PROVISIONS

A provision is recognised when the Company has legal or constructive obligations arising from past events, which can be reliably assessed, and when it is likely that an outflow of resources embodying economic benefits will be required to settle the liability.

The Management Board confirms the content and the amount of the provisions formed on the basis of the estimate of the potential expected amount of damages communicated by the legal department of the company or an external attorney subject to existing lawsuits and tort claims.

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

Contingent liabilities are not recognised in the financial statements, as their amount could not be estimated reliably or their actual existence will be confirmed by the occurrence or non-occurrence of events only in the unforeseeable future that the company has no control over.

The Management Board of the Company shall regularly check whether an outflow of funds allowing economic benefits is likely to be fulfilled in order to settle a contingent liability. If it becomes likely, a provision shall be set up in the financial statements.

DEFERRED TAX

Based on the estimate that there will be sufficient profits available in the future, deferred tax assets have been formed for the following:

- provisions for jubilee awards and termination benefits at retirement;
- impairment of trade receivables;
- impairment of investments,
- relief for investments in research and development,
- relief arising from unused tax loss.

For a more detailed presentation of deferred taxes, please refer to Section 10.7.13 of the 2022 Annual Report.

ASSESSMENT OF THE POSSIBILITY TO USE DEFERRED TAX ASSETS

The company has adopted and approved a strategic business plan for the following five years which show future taxable profit. For tax planning purposes, the company has drawn up a plan of utilising tax deductions in the upcoming five-year-period indicating that deferred tax assets shall be utilised, namely the tax deductible for investing in R&D in the upcoming four years, whereas the tax deductible for investments in the upcoming five years. The recorded tax losses shall have an unlimited duration of use.

Deferred tax assets recognised as part of provisions formed for jubilee awards and termination benefits, are decreased by appropriate amounts through the uptake of provisions formed and increased by appropriate amounts with respect to the newly formed provisions.

As the impairment of investments and trade receivables is not recognised as a deductible tax expense when set up, the company has set up deferred tax assets equivalent to the difference between the tax and book value of trade receivables and investments. Deferred tax assets shall be derecognised by the company upon the disposal or derecognition of investments, whereas trade receivables upon recovery or definite write-off.

Deferred tax assets for unutilised deductibles for fixed assets shall be recognised in the amount of 40 per cent of the invested amount in equipment and intangible assets for the last five years. These assets shall be derecognised in the period and in the amount when the tax basis shall be reduced in the tax return as a result of utilising tax deductibles.

The tax rate used for the calculation of deductible temporary differences is 19 per cent. Based on the conditions set out in the IAS 12 and the Business Plan for the coming period, taxable profits will be available to cover the unused tax losses in the coming years.

Disclosed deferred tax liabilities arise from taxable temporary differences from the revaluation of land to a higher value and from the revaluation of termination benefits.

In the financial position statement, the company discloses offset deferred tax assets and liabilities; in more detailed disclosures, these are expressed in gross terms.

As at the reporting date, the disclosed amount of deferred tax assets and deferred tax liabilities is disclosed. Deferred tax assets shall be recognised in the event of a likely net profit available in the future to which the deferred tax assets may be debited in the future. If the company fails to have sufficient profits at its disposal, the disclosed amount of deferred tax assets is lowered accordingly. Note 10.7.13 to the 2022 Annual Report.

RISKS

In compliance with IFRS 7, financial risks (credit risk, interest rate risk and liquidity risk) are disclosed and presented in detail in the financial part of the 2022 Annual Report, namely in Section 10.11.

MATERIALITY

The company shall post, value and disclose items by taking into account the materiality principle. The nature and degree of materiality are defined in compliance with IAS 1 and IAS 8. In financial statements, items are material if they could, individually or collectively, influence the economic decisions that users make on the basis of the financial statements. Materiality was defined by the company taking into account qualitative and quantitative factors. All items denoted by Roman numerals in the financial position statement are deemed material and the same applies to items in capital letters in the income statement. Within these items, material are all amounts exceeding 10 per cent of the explanatory category in the financial statements (quantitative criterion) or information that the Management Board deems useful for users of accounting information (qualitative criterion).

Individual categories of prescribed disclosures and all material matters are presented in conformity with International Financial Reporting Standards. Comparative information from the previous period has also been disclosed and the said information included the quantitative and descriptive sections for all material disclosed amounts in the financial statements. The comparative figures have been adjusted to equate the presentation of the information in the current year.

10.6.2.4 SUMMARY OF ACCOUNTING POLICIES USED AND DISCLOSURES

The company uses the same accounting policies for all periods presented in the enclosed financial statements. The accounting policies and calculation methods used have remained the same as during the last annual reporting, with the exception of those which have resulted from newly adopted standards and notes.

PROPERTY, PLANT AND EQUIPMENT

Land is valued subject to the revaluation model based on the appraisal of a licensed appraiser in conformity with international valuation standards. Valuation shall be carried out at least every five years. The revaluation surplus is disclosed in the equity category as a fair value reserve and does not directly affect the profit or loss.

Building construction and buildings, plant and equipment are measured using the cost model. An asset is disclosed at cost less the accumulated depreciation adjustment and any accumulated impairment losses. The manner and methods used for the valuation of assets for impairment are described below under the heading "Impairment of Property, Plant and Equipment." The cost of an item of property, plant and equipment is the cash price equivalent at the recognition date. The cost of an item of property, plant and equipment comprises: its purchase price, including import duties and non-refundable purchase taxes, after deducting trade discounts and rebates; any costs directly attributable to bringing the asset to the location and restoring it to the condition required for it to be capable of operating in the manner intended by the management and the initial estimate of the costs of dismantling and removing the item and restoring the site where it was located. The company undertakes this obligation either upon acquisition or as a consequence of having used the item during a particular period for purposes other than to produce inventories during that period.

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

BORROWING COSTS

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset increase the value of that asset. The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when the expenditures, borrowing costs and the activities necessary to prepare the asset for its intended use arise. Borrowing costs shall be capitalised for qualifying assets. When the asset is transferred, borrowing costs shall no longer be capitalised. Borrowing costs, capitalised during the period, shall not exceed borrowing costs incurred during the same period.

SUBSEQUENT COSTS

The subsequent costs associated with the replacement of an item of property, plant and equipment increases its cost. Other subsequent expenditures associated with an item of property, plant and equipment increase its cost if it is likely that its future economic benefits will exceed the originally estimated one. All other expenditures are recognised as expenses when they arise.

DEPRECIATION

The amount of depreciation in each period is recognised in the profit or loss. The depreciation of an asset begins when it is available for use. Fixed assets are depreciated according to the straight-line depreciation method taking into account the estimated useful life of each item of property, plant and equipment. The depreciation period and method for a depreciable asset with a finite useful life are reviewed at least at the end of each financial year. If the expected useful life of the asset differs from previous estimates, the depreciation period is changed accordingly subject to the remaining expected useful life of the asset. The residual value of an asset is only taken into account for material items by also taking into account the costs of the liquidation of the item of property, plant and equipment. Land and works of art are not depreciated.

Depreciation rates used by the company have not changed considerably compared to the previous year and amount to:

	Lowest (in %)	Highest (in %)
Property, plant and equipment:		
Property:		
Property	0.6	13.6
Masonry buildings	0.6	13.6
Other buildings	2.0	10.9
Equipment:		
Production equipment	0.4	50.0
Computer and electrical equipment	0.6	50.0
Fork lifts and hoists	0.4	22.1
Cars and tractors	10.0	25.0
Cleaning and heating equipment	3.3	20.6
Measuring and control devices	1.5	33.3
Furniture – office and other	1.3	21.3
Other equipment	33.3	50.6

DERECOGNITION

The recognition of the carrying amount of individual items of property, plant and equipment is reversed upon disposal or if no future economic benefits are expected from its use or disposal. Gains or losses arising from the derecognition of an item of property, plant and equipment are included in the profit or loss when any of the conditions are met.

APPROPRIATENESS OF USEFUL LIVES

The useful life of assets is assessed by taking into account the expected physical use, technical obsolescence, economic obsolescence and expected statutory as well as other restrictions on their use. In addition, the company shall review the useful life of material assets; e.g. in the event of a change in circumstances or if a change to the useful life and the resulting revaluation of depreciation costs is required.

CAPITALISED OWN PRODUCTS

Capitalised own products and services are products and services generated by the company and subsequently includes them in property, plant and equipment. The cost of intangible fixed assets completed in the company includes costs related directly thereto and general costs of production attributable to the particular asset. Capitalised own products also include own produced investments which cause an increase in the cost of an already qualified tangible fixed asset.

LEASES

When an agreement is concluded, the company assesses if it is a lease contract or if the contract contains a lease. The contract shall contain a lease if the right to control the use of an identified asset throughout the period of use is transferred in return for a consideration. The company shall determine the lease term as the non-cancellable period of a lease, together with both

- a) periods covered by an option to extend the lease if the lessee is reasonably certain to exercise that option; and
- b) periods covered by an option to terminate the lease if the lessee is reasonably certain not to exercise that option.

RIGHT-OF-USE ASSETS

In compliance with IFRS 16, the company shows contracts which include lease as a right-of-use asset. The scope of IFRS 16 includes leases of all assets, with some exceptions. The company has decided to apply exemptions for short-term (up to 1 year) and low-value leases (leased assets of up to EUR 5,000 in value). Asset values are recognised in the current value of unpaid lease payments. Lease rights are also calculated by taking into account any initial direct costs and an estimate of costs incurred in removing or restoring the asset. The incremental borrowing rate is laid down subject to the interest rate used for risk-free government bonds and a credit spread.

Right-of-use assets are measured using the cost model. The initial value of rights-of-use assets over their useful life is decreased by depreciation and loss from impairment and adjusted for any remeasurement of the lease liability. Right-of-use assets shall be depreciated by the company on a straight-line basis over the shorter of the estimated lease term or useful life of the asset.

LEASE LIABILITIES

At the commencement date of the lease, the company shall measure the lease liability at the present value of future lease payments to be made in the estimated lease term. Lease payments included in measuring lease liabilities shall include fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate. Lease payments shall also include amounts expected to be payable by the company under residual value guarantees. Lease liability shall also include the exercise price of a purchase option if the company is reasonably certain to exercise that option and payments of penalties for terminating the lease, if the lease term reflects the company exercising an option to terminate the lease. Variable lease payments not included in the measurement of the lease liability in the period in which the event or condition that triggers those payments occurs shall be recognised by the company after the commencement date of the lease in profit or loss.

If the lease duration was not specified (lease of indefinite duration), the agreement was restricted to the duration of the medium-term business plan of the company (five years) and using a 1.2 per cent discount rate; in the case of new contracts from 2022, a 3.9 discount rate was used.

After the commencement date of the lease term, lease liability is increased by accrued interest and decreased by lease payments. The carrying amount of lease liability shall be re-measured in the event of a change to the lease term, to the lease payments or to the assessment of the purchase option of the leased asset.

Right-of-use assets and lease liabilities are disclosed as separate items in the statement of financial position.

INTANGIBLE ASSETS

Intangible assets are valued using the cost model. They are initially recognised at cost equalling fair value. After the initial recognition, intangible assets are disclosed at cost less the amortisation adjustment and the eventual impairment loss.

CAPITALISED DEVELOPMENT COSTS

Development costs incurred are recognised as intangible assets if the company can demonstrate the following: the technical feasibility of completing the project so that it will be available for use or sale; its intention to complete the project and use or sell it; its ability to use or sell the project; the likelihood that the project will generate future economic benefits (the existence of a market for the output of the project or the project itself or, if the project is to be used internally, the usefulness of the project); the availability of technical, financial and other resources to complete the development and to use or sell the project, and its ability to reliably measure the expenditure attributable to the intangible asset during its development (capitalisation of costs). The Company shall include the following among development costs recognised as an intangible asset: labour costs and costs of external services required for the development of new technological solutions, in the event of the creation of an asset arising from

development, material costs related to the creation of the development asset shall also be capitalised as deferred development costs.

GOODWILL

Goodwill shall be recognised at business combinations and the valuation of the acquisition. Goodwill is valued at the fair value of the transferred purchase consideration, including the recognised value of any non-controlling interest in the acquiree less the net recognised value of the acquired assets and liabilities valued as at the acquisition date. The transferred purchase consideration includes the fair value of the transferred assets, liabilities to the previous owners of the acquiree and participating interest issued by the company. After initial recognition, goodwill is measured at cost less accumulated impairment. The impairment is reviewed once a year for each item the goodwill refers to. After the initial recognition, the company shall review the existence of factors which could negatively impact the future cash flows of the cash-generating unit acquired at the business combination. The reduction of the value of the cash-generating unit shall be recognised in the financial statements as an impairment of goodwill or the cash-generating unit, debited to the current profit or loss.

SUBSEQUENT COSTS

Subsequent costs of items of property, plant and equipment are recognised in the carrying amount of this item, if it is probable that the future economic benefits embodied with this asset will flow to the company and the cost of the item can be measured reliably. All other costs shall be recognised in the profit or loss as costs for the period.

DEPRECIATION

Depreciation begins when an asset is available for use, i.e. when it is at the location and in the condition necessary for it to function as planned. The carrying amount of an intangible asset is decreased according to the straight-line depreciation method over the asset's useful life. The depreciation period and method for an intangible asset with a finite useful life are reviewed at least at the end of each financial year. If the expected useful life of the asset differs from previous estimates, the depreciation period is changed accordingly.

The useful life of an intangible asset that arises from contractual or other legal rights does not exceed the period of validity of contractual or other legal rights, but may be shorter, depending on the period in which the asset is expected to be used.

The amount of depreciation in each profit or loss is debited to the profit or loss.

Depreciation rates used by the company have not changed considerably compared to the previous year and amount to:

	Lowest (in %)	Highest (in %)
Capitalised costs of investments in fixed assets	20.0	20.0
Deferred development costs	10.0	22.6
Property rights	3.3	33.4
Other intangible non-current assets	3.3	33.4

APPROPRIATENESS OF USEFUL LIVES

The company shall assess the useful life of intangible assets with a definite useful life by taking into account the expected utility arising from software procurement contracts or the utility or the likelihood of disposal of projects arising from capitalised non-current deferred development costs. Goodwill has an indefinite useful life. In the event of changes to the circumstances applicable at the assessment of the useful life, the useful life shall be changed and depreciation costs revalued.

DERECOGNITION

An intangible asset shall be derecognised when the asset is disposed of or retired as no economic benefit is expected from its use or disposal.

INVESTMENT PROPERTY

Investment property is held with the aim of generating lease payments or increasing the value of a non-current investment. Initially, investment property shall be measured at cost, consisting of the purchase price and costs attributable directly to the purchase. Investment property shall be measured subsequently using the fair value method; the fair value shall be estimated subject to an appraisal of a licensed property appraiser. Valuation shall be carried out at least every five years. Changes in fair value are recognised in the income statement.

DERECOGNITION

Investment property is not depreciated. Investment property shall be derecognised when the investment property is disposed of or retired as no economic benefit is expected from its use or disposal. The difference between the price of disposal and the carrying amount shall be debited to the profit or loss.

INVESTMENTS IN SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

Investments into subsidiaries, associates and joint ventures are valued at cost. At the end of the year, the Company assesses if there is any objective evidence that an investment is impaired. If there are any indications of an impairment, it carries out a valuation subject to future cash flows. The impairment of investments is recognised in the profit and loss statement.

FINANCIAL INSTRUMENTS

In compliance with IFRS 9, financial assets shall be classified and measured subject to the business model for managing the assets and the assets' contractual cash flow characteristics (depending on the fact if these are solely payments of principal and interest on the principal amount outstanding). When a financial asset is first recognised, it is classified into one of the following business models:

1. the asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows (measurement at amortised cost),
2. the asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets (measurement at fair value through other comprehensive income),
3. the asset is held within another model (measurement at fair value through profit or loss).

The business model may be changed only in exceptional cases.

MODEL FOR COLLECTING CONTRACTUAL CASH FLOWS - FINANCIAL INSTRUMENTS AT AMORTISED COST

Financial assets held within the business model used to acquire contractual cash flows and provided that the cash flows represent only payments of principal and interest on the principal amount outstanding (loans, receivables and unlisted debt securities)) are allocated to these financial instruments. A financial instrument is recognised at fair value increased by costs directly attributable to the transaction. Profit and loss is recognised in the profit or loss account upon elimination, modification or impairment.

MODEL FOR SELLING AND COLLECTING CONTRACTUAL CASH FLOWS - FINANCIAL INSTRUMENTS MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

This category has been formed for equity securities which could be preserved in our portfolio for a longer period of time upon the decision to recognise them. These equity securities are not held for trading purposes. Upon initial recognition, equity securities are measured at fair value by taking into account transaction costs arising from the acquisition of the financial asset. Gains and losses arising from these financial instruments are never allocated to the statement of profit or loss. Dividends from financial instruments allocated to this category are recognised as financial revenue in the statement of profit or loss.

OTHER MODELS - FINANCIAL INSTRUMENTS MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS

Financial instruments allocated to this category are those intended for trading purposes and those who need to be measured at their fair value by the company. Gains and losses arising from these financial instruments are allocated to the statement of profit or loss. Dividends from financial instruments allocated to this category are recognised as financial revenue in the statement of profit or loss.

OPERATING RECEIVABLES

Non-current and current trade receivables, receivables due from the state and employees are recorded separately in the ledger. Interest receivable on the above is also recognised in the operating receivables category. Non-current and current operating receivables are disclosed at transaction value. Operating receivables denominated in foreign currencies on the last day of the financial year are translated to the domestic currency according to the reference exchange rate of the European Central Bank. The suitability of the disclosed individual receivable is established at the end of the reporting period based on informed evidence regarding expected repayment cash flows.

The receivables impairment method is described in Section 10.6.2.3 of the 2022 Annual Report, "Impairment of Assets".

COMMODITY LOANS

The company extends commodity loans to Group companies and associates as required for their operations. Commodity loans are recognised among non-current operating receivables. Interest on commodity loans can also be accrued. Value adjustments for commodity loans given are made given any expected losses in respect of the risk that outstanding receivables may not be recovered.

LOANS GIVEN

Upon initial recognition, loans given are recognised at fair value less costs by taking into account the effective yield method. Depending on their maturity date, they are classified as non-current or current assets as at the settlement date. Subject to the rating of the borrower, the credit risk is managed by laying down the maturity of the loan and the repayment method secured by standard collateral. Collateral is liquidated in the event of default of the borrower as per agreement. The loan repayment ability is assessed by using the cash flow availability and the method of assessing the net value of assets the creditor disposes of serving as the basis of repayment of the loans given.

LOANS RECEIVED

Upon initial recognition, loans received are valued at fair value less costs by taking into account the effective yield method. The structure of loans received is dominated by bank loans with the repayment of the principal on the expiry of the loan agreement. Depending on their maturity, they are classified as non-current or current financial liabilities upon recognition. On the last day of the year, all financial liabilities that fall due within the next year are transferred to current financial liabilities. Loans received are secured with blank bills of exchange, receivables, stocks and mortgages on movable and immovable property.

ASSETS HELD FOR SALE

Assets (groups for disposal) for sale are non-current assets intended for sale whose value will be recovered through their sale within the next twelve months and not through their use. Non-current assets are reclassified as assets held for sale at a time when their sales are highly probable and IFRS 5 conditions are met, meaning that there are a known buyer and a preliminary contract or contract for their sale has been signed. Assets are reclassified to assets held for sale at the lower of their carrying amount or fair value less costs to sell as previously disclosed among non-current assets irrespective of the expected purchase price for a particular asset. Assets held for sale are not depreciated.

INVENTORIES

Inventories of materials are measured at the lower of cost and net realisable value. The net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and sale. The unit of quantity price of an item held in inventory includes costs incurred when acquiring inventories and bringing them to their present location and condition.

Inventories of work in progress and finished products shall be valued at production costs. The consumption of inventories is disclosed according to the weighted average cost method. At the end of the year, the company verifies the inventories without any movements in the current year and impairs them to their realisable value.

The inventories impairment method is described in Section 10.6.2.3 of the 2022 Annual Report, "Impairment of Assets".

CASH

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

CAPITAL

SHARE CAPITAL

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

DIVIDENDE

Dividends are recognised in the financial statements of the company upon adoption of the respective dividend distribution decision by the General Meeting of Shareholders.

REDEMPTION OF TREASURY SHARES

In 2019, the company obtained treasury shares by virtue of a judgement becoming final. These are recognised in the financial statements as a deduction equity item. Shares are disclosed using the user-cost method. Reserves for treasury shares in the value of obtained treasury shares are established against other revenue reserves. The number of treasury shares is indicated in Sections 5 and 10.7.9 of the 2022 Annual Report.

PROVISIONS

Provisions are recognised when the Company has legal or constructive obligations arising from past events, which can be reliably assessed, and when it is likely that an outflow of resources embodying economic benefits will be required to settle the liability. The required provisions shall be laid down by the company by using a discount rate which shall be a pre-tax rate of expected future cash flows that reflects current market assessments of the time value of money and the risks specific to the liability.

PROVISIONS FOR JUBILEE BENEFITS AND RETIREMENT ALLOWANCES

In accordance with the corporate collective agreement and statutory provisions, the company is required to account for and pay out jubilee and termination benefits at retirement. These types of earnings are measured using simplified accounting method requiring the valuation of actuarial liabilities in accordance with the expected growth in salaries from the date of valuation up to the envisaged retirement of an employee. This means the accrual of earnings in proportion to the work performed. The estimated liability is recognised in the amount of the present value of expected future expenditures. Measurements also include an estimate of the projected increase in salaries and staff turnover.

The calculation serves as the basis for recognising gains or losses in the current year in the income statement. The main parameters taken into account in the calculation are disclosed in further detail in Section 10.7.10 of the 2022 Annual Report.

GOVERNMENT GRANTS

Government grants are recognised at fair value, but not until UNIOR d.d. provides reasonable assurance that conditions related thereto shall be met and the aid is in fact received. Government grants are recognised as income over the periods necessary to match them with the related costs which they are intended to compensate. If a government grant relates to a particular asset, it is recognised as deferred income recognised by UNIOR d.d. in the income statement in the period of the expected useful life of the asset in equal annual instalments.

FINANCIAL LIABILITIES

Financial liabilities are initially recognised at fair value including transaction costs incurred. In subsequent periods, financial liabilities are measured at their amortised cost using the effective interest rate method. Any difference between proceeds (excluding transaction costs) and liabilities is recognised in the income statement throughout the entire period of financial liability.

FINANCIAL DERIVATIVES

Financial derivatives recognised in the consolidated financial position statement shall be measured by the company at fair value through profit or loss. Gains and losses arising from these financial instruments are allocated to the statement of profit or loss in the current period.

CORPORATE INCOME TAX

Corporate income tax is levied in accordance with the Corporate Income Tax Act. Corporate income tax is levied on the basis of gross profit plus fiscally unrecognised costs and less legally permitted tax relief. The corporate income tax liability is calculated from the resulting base amount. A tax base is disclosed for 2022, as listed in Section 10.9 of the 2022 Annual Report.

DEFERRED TAX

In order to disclose an appropriate profit or loss in the reporting period, deferred taxes were also levied. These are disclosed as deferred tax assets and deferred tax liabilities. Deferred taxes were levied using the financial position statement liability method. The carrying amounts of assets and liabilities were compared to their tax base, and the difference between the two values was defined as a permanent or temporary difference. Temporary differences were divided into taxable and deductible. Taxable temporary differences increased taxable amounts and deferred tax liabilities. Deductible temporary differences decreased our taxable amounts and increased deferred tax assets.

REVENUE

REVENUE FROM CONTRACTS WITH CUSTOMERS (PRIMARILY FOR THE SPECIAL MACHINES PROGRAMME)

Operating revenue is recognised when it is reasonable to expect that they will lead to proceeds unless realised upon inception or they can be measured reliably – in that case, a five-step model in conformity with IFRS 15 is applied. The company shall recognise revenue from services rendered by using the percentage of completion method as at the financial position statement date, meaning that the company shall recognise revenue by using an output method based on the milestones achieved from sales agreements with customers. This method is used to recognise revenue in the reporting period in which services were rendered. The amounts of each material category of revenue recognised in the period and generated revenue on domestic and foreign markets are disclosed. Revenue on the domestic market is revenue generated in Slovenia and foreign markets include EU Member States and third

countries. During the sales process, UNIOR acts as the principal. As a rule, contractual arrangements do not include any material variable arrangements.

REVENUE FROM THE SALE OF PRODUCTS, GOODS AND MATERIALS (PRIMARILY FOR THE FORGE AND HAND TOOLS PROGRAMMES)

Revenue shall be recognised when the control over products, goods, and materials is transferred to the customer in the amount that reflects the compensation that the company expects to be entitled to in return. Revenue from contracts with customers at fair value of the received repayment or receivable less discounts granted at the time of or post-sale. In the case of recovery, the company shall issue a credit to the customer which shall be recorded as a reduction of trade receivables at the time of recovery, whereby claim procedures shall be, as a rule, resolved at the time of sale.

The sales of products, goods, and materials shall be recognised dependent on the provisions of the purchase and sale agreement. As a rule, the control over the goods shall be transferred to the customer as soon as the goods are collected by the customer and the recovery of related receivables is reasonably certain.

Items corresponding in materiality from previous periods are also disclosed among revenue from the sale of products, goods, materials and services rendered.

A contract asset is a right to consideration in exchange for goods or services that the entity has transferred to a customer. Contract assets shall also include accrued revenue from the delivery of goods and services to customers. A receivable shall constitute the right of the company to a consideration that is unconditional, i.e., a payment that matures within a fixed term.

A contract liability shall constitute the liability to transfer products, goods, materials, or services to the customer in exchange for a consideration received by the company from the customer. Contract liabilities from contracts with customers shall include liabilities for customer advances received. A contract liability shall be recognised as revenue when the company satisfies its performance obligation subject to the contract.

LEASE REVENUE

Lease revenue includes revenue from leasing apartments, classrooms, and parking spaces. The company allocates lease revenue to operating revenue.

OTHER OPERATING REVENUE INCLUDING OPERATING REVENUE FROM REVALUATION

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

FINANCIAL REVENUE AND FINANCIAL EXPENSES

Financial revenue comprises revenue from interest payable on the loans given, dividend revenue, revenue from the disposal of available-for-sale financial assets and from exchange rate gains. Revenue

from interest payable on loans given is initially recognised using the effective interest rate method. Dividend revenue is disclosed in the profit or loss when the right of redemption is exercised.

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

GROSS OPERATING PROFIT

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

EXPENSES – COSTS

Costs are recognised as expenses in the period in which they incur. They are classified by nature. They are disclosed by nature within the scope of the company's three-digit chart of accounts. Expenses are recognised if the decrease in economic benefits in the reporting period is associated with decreases in assets or increases in debt and if this decrease can be reliably measured.

OPERATING PROFIT/LOSS

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

PROFIT OR LOSS

Profit or loss consists of the operating profit or loss plus financial revenue and less financial expenses.

IMPAIRMENT OF ASSETS

IMPAIRMENT OF PROPERTY, PLANT AND EQUIPMENT

If there is any indication of potential impairment of an asset, its recoverable amount is estimated subject to IAS 36. If the asset's recoverable amount cannot be estimated, the company determines the recoverable amount of the cash-generating unit the asset belongs to. Impairment is disclosed in the income statement and, in the event of revaluation of land, the previously built-up capital revaluation surplus is initially decreased. Impairment losses need to be reversed in the event of changes to the estimates used to determine the recoverable amount of the assets. The loss due to the impairment of the asset is reversed only up to the amount that does not entail the increased carrying amount of an asset exceeding the carrying amount that would have been determined after the deduction of the depreciation write-off, if the impairment loss was not recognised as an asset in prior years. The reversal

of a loss is recognised in the profit or loss as revenue. A capital revaluation surplus is built up to reverse the reversal of land impairment. Fair value of land is established by appraisal.

IMPAIRMENT OF INTANGIBLE ASSETS

Intangible assets are verified as at the reporting date for impairment purposes. Where the recoverable amount is lower than the carrying amount of an asset, the carrying amount is decreased to the asset's recoverable amount. This decrease is disclosed by the company as an impairment loss and recorded as an operating expense from revaluation.

IMPAIRMENT OF INVENTORIES

The company sets up an allowance according to their age, namely:

- for inventories without any movements in the current year, an allowance in the amount of 5 per cent of the inventories cost is set up,
- for inventories without any movement in two years, an additional allowance of 15 per cent of the inventories cost is set up,
- for inventories without any movement in three years, an additional allowance of 10 per cent of the inventories cost is set up,
- for inventories without any movement in four years, an additional allowance of 10 per cent of the inventories cost set up,
- for inventories without any movement in five years or more, an additional allowance of 10 per cent of the inventories cost is set up.

Impairment losses on inventories are recognised in the income statement. The company does not impair its inventories of stamping dies and tools required for the manufacture of its products and its inventories in its spare part warehouse, as these inventories do not lose their value despite not showing any movement in a longer period of time.

IMPAIRMENT OF INVESTMENTS

At each reporting date, the company performs tests the assessment of investment impairment subject to selected criteria defined in the Bookkeeping Rules in order to establish any objective evidence of potential impairment of the investment. If such reasons exist, the amount of impairment loss is calculated.

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

If the Company makes the judgement that an impairment of investments in subsidiaries and associates is required, the amount of the impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows (or using any other method) discounted at the current market rate of return for a similar financial asset. The impairment loss shall be recognised in the profit or loss as a financial expense.

In terms of financial instruments measured at fair value in profit or loss, gains and losses arising from these are allocated to the income statement.

IMPAIRMENT OF OPERATING RECEIVABLES

The impairment of receivables or the formation of value adjustments are reviewed by the Company in compliance with IFRS 9 which lays down a simplified approach for non-financial entities in the sense that they do not have to establish on the date of the first day of reporting whether there has been a significant rise in the credit risk or not. For operating receivables, impairments shall be determined subject to the Expected Credit Loss, ECL, concept for the entire duration of operating receivables (lifetime expected credit loss) for which a provision matrix for expected credit loss is used subject to IFRS 9. The basis for value adjustments of receivables shall be the provision matrix by sales segment based on the customer default assessment subject to historical credit loss experience adjusted for any future factors from the economic environment excluding secured receivables. Expected Credit Loss (ECL) in compliance with IFRS 9 is shown in Section 10.11 of the 2022 Annual Report.

STATEMENT OF OTHER COMPREHENSIVE INCOME

The statement of other comprehensive income shows net profit or loss and other comprehensive income. This includes items to be transferred in the income statement in the future and items which will not be recognised in the income statement as required or permitted by other IFRS provisions.

CASH FLOW STATEMENT

The company reports cash flow from operating activities using the indirect method based on financial position statement items as at 31/12/2022 and 31/12/2021, the 2022 income statement items and additional data required to adjust inflows and outflows.

STATEMENT OF CHANGES IN EQUITY

The statement of changes in equity shows the movement of the individual components of equity in the financial year (total revenue and expenses as well as transactions with owners in their capacity as owners), including the allocation of net profit or loss. The statement of comprehensive income increases the net profit of the current year by all proceeds directly recognised in equity is included.

10.6.2.5 THE USE OF NEW AND REVISED IFRS AND INTERPRETATIONS OF IFRS

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

- **Amendments to IAS 16: Property, Plant and Equipment: Proceeds before Intended Use**
The amendments prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company will recognise such sales proceeds and related cost in profit or loss. This amendment is effective for annual periods beginning on or after 1 January 2022.
- **Amendments to IAS 37: Onerous Contracts — Cost of Fulfilling a Contract** The changes specify that the 'cost of fulfilling' a contract comprises the 'costs that relate directly to the contract'. Costs that relate directly to a contract can either be incremental costs of fulfilling that contract (examples would be direct labour, materials) or an allocation of other costs that relate directly to fulfilling contracts (an example would be the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract). This amendment is effective for annual periods beginning on or after 1 January 2022.
- **Amendments to IFRS 3: Reference to the Conceptual Framework** These amendments update an outdated reference in IFRS 3 without significantly changing its requirements. This amendment is effective for annual periods beginning on or after 1 January 2022.
- **Annual Improvements to IFRSs 2018-2020 Cycle - IFRS 1, IFRS 9, IFRS 16 and IAS 41:**
IFRS 1 - the amendment permits a subsidiary that applies paragraph D16(a) of IFRS 1 to measure cumulative translation differences using the amounts reported by its parent, based on the parent's date of transition to IFRSs. IFRS 9 - the amendment clarifies which fees an entity includes when it applies the '10 per cent' test in paragraph B3.3.6 of IFRS 9 in assessing whether to derecognise a financial liability. IFRS 16 - the amendment to Illustrative Example 13 removed from the example of the illustration of the reimbursement of leasehold improvements by the lessor in order to resolve any potential confusion regarding the treatment of lease incentives. IAS 41 - the amendment removes the requirement in paragraph 22 of IAS 41 for entities to exclude taxation cash flows when measuring the fair value of a biological asset using a present value technique. All amendments are effective for annual periods beginning on or after 1 January 2022.

The adoption of these amendments to existing standards did not result in any material changes in the financial statements.

NEW STANDARDS AND INTERPRETATIONS THAT HAVE NOT ENTERED INTO FORCE YET

Standards and the amendments to existing standards issued by the IASB and adopted by the EU that do not yet apply

At the date of approval of these financial statements, the IASB issued the following standards adopted by the EU that do not yet apply:

- **IFRS 17 Insurance Contracts including amendments thereto:** IFRS 17 requires insurance liabilities to be measured at a current fulfilment value and provides a more uniform measurement and presentation approach for all insurance contracts. It is effective from annual reporting periods beginning on or after 1 January 2023. It also includes amendments to IFRS 17 adopted by the EU on 9 September 2022 and which are also effective from annual reporting periods beginning on or after 1 January 2023.
- **Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2 Making Materiality Judgements:** The amendments to IAS 1 require companies to disclose their material accounting policy information rather than their significant accounting policies. They are effective for annual reporting periods beginning on or after 1 January 2023.
- **Amendments to IAS 8: Definition of Accounting Estimates** The amendments replace the definition of a change in accounting estimates with a definition of accounting estimates. The amendments are effective for annual periods beginning on or after 1 January 2023.
- **Amendment to IAS 12 - Deferred tax related to assets and liabilities arising**

from a single transaction: The amendments clarify that the initial recognition exemption does not apply to transactions that, at the time of the transaction, give rise to equal and offsetting amounts of taxable and deductible temporary differences. They are effective for annual periods beginning on or after 1 January 2023.

New standards and amendments to existing standards issued by the IASB which have not been adopted by the EU as of yet

At present, IFRS as adopted by the EU do not fundamentally differ from those adopted by the International Accounting Standards Board (IASB) with the exception of the following new standards and amendments as at 31/12/2022 (the effective dates below apply to IFRS as issued by the IASB):

- **Amendment to IAS 1 – Classification of Liabilities as Current or Non-current (deferral of the effective date):** The amendment defers the effective date of the amendments from January 2020 for one year. As such, the amendments will be effective for companies for annual periods beginning on or after 1 January 2024. The amendment is yet to be approved for application in the EU.
- **Amendment to IFRS 10/IAS 28** — Sales or contributions of assets between an investor and its associate/joint venture; the amendment is yet to be approved for application in the EU.
- **Amendments to IFRS 16: Lease Liability in a Sale and Leaseback** The amendments clarify how a seller-lessee subsequently measures sale and leaseback transactions that satisfy the requirements in IFRS 15 to be accounted for as a sale. The amendments are yet to be approved for application in the EU.
- **Amendment to IAS 1 – Non-current Liabilities with Covenants** The amendments clarify how conditions with which an entity must comply within twelve months after the reporting period affect the classification of a liability. They are yet to be approved for application in the EU.

The company foresees that the introduction of these standards and changes to existing standards during the initial period of application will not have a significant impact on the financial statements of UNIOR d.d.

Hedge accounting in relation to the portfolio of financial assets and liabilities, whose principles have not been adopted by the EU, remains unregulated.

10.7 DISCLOSURES TO THE AUDITED SEPARATE FINANCIAL POSITION STATEMENT OF UNIOR d.d.

10.7.1 INTANGIBLE ASSETS

(in EUR)	Goodwill	Deferred costs development costs	Investments in rights of intellectual property	Other intangible assets	Intangible non-current assets being acquired	TOTAL
Cost						
Balance as at 31 December 2021	484,728	6,841,449	2,101,003	61,947	839,563	10,328,690
Direct increases – investments	0	93,434	0	0	91,907	185,341
Transfer from investments in progress	0	839,563	0	0	(839,563)	0
Decreases during the year	0	(3,117,519)	(64,314)	(14,814)	0	(3,196,647)
Balance as at 31 December 2022	484,728	4,656,927	2,036,689	47,133	91,907	7,317,384
Value adjustment						
Balance as at 31 December 2021	80,788	3,862,444	1,922,841	0	0	5,866,073
Depreciation during the year	0	1,323,812	38,336	0	0	1,362,148
Decreases during the year	0	(3,117,519)	(64,314)	0	0	(3,181,833)
Balance as at 31 December 2022	80,788	2,068,737	1,896,863	0	0	4,046,388
Current value as at 31 December 2022	403,940	2,588,190	139,826	47,133	91,907	3,270,996
Current value as at 31 December 2021	403,940	2,979,005	178,162	61,947	839,563	4,462,617

(in EUR)	Goodwill	Deferred costs development costs	Investments in rights of intellectual property	Other intangible assets	Intangible non-current assets being acquired	TOTAL
Cost						
Balance as at 31 December 2020	484,728	14,769,260	2,095,731	90,859	938,398	18,378,976
Direct increases – investments	0	42,358	5,272	0	839,563	887,193
Transfer from investments in progress	0	920,670	0	0	(920,670)	0
Decreases during the year	0	(8,890,839)	0	(28,912)	(17,728)	(8,937,479)
Balance as at 31 December 2021	484,728	6,841,449	2,101,003	61,947	839,563	10,328,690
Value adjustment						
Balance as at 31 December 2020	80,788	11,629,544	1,885,496	0	0	13,595,828
Depreciation during the year	0	1,123,739	37,345	0	0	1,161,084
Decreases during the year	0	(8,890,839)	0	0	0	(8,890,839)
Balance as at 31 December 2021	80,788	3,862,444	1,922,841	0	0	5,866,073
Current value as at 31 December 2021	403,940	2,979,005	178,162	61,947	839,563	4,462,617
Current value as at 31 December 2020	403,940	3,139,716	210,235	90,859	938,398	4,783,148

Goodwill arises from the merger by acquisition of Inexa Adria d.o.o. The recoverable amount of goodwill of the cash-generating unit whose operations did not result in any impairment requirements in 2022 subject to tested indicators is reviewed on an annual basis. For this reason, the goodwill of the company was not impaired in 2022.

Non-current development costs amounting to EUR 2,588,190 in total refer to deferred development costs in the Special Machines Programme. Development costs incurred are recognised as intangible assets if the Company can demonstrate the technical feasibility of completing the project so that it will be available for use or sale; the likelihood that the project will generate future economic benefits (the existence of a market for the output of the project or the project itself or, if the project is to be used by the Company, the usefulness of the project). The Company shall include the following among development costs recognised as an intangible asset: labour costs and costs of external services required for the development of new technological solutions, in the event of the creation of an asset arising from development, material costs related to the creation of the development asset shall also be capitalised as deferred development costs.

At the drawing up of the financial statements, an impairment test of material deferred development costs in terms of value was carried out. The estimated recoverable amount of deferred development cost exceeds their residual value as at 31/12/2022. As a result, no impairments of deferred development costs were recorded in the 2022 income statement.

Among other intangible fixed assets in the amount of EUR 47,133, long-term deferred costs and accrued revenues are disclosed. In the 2022 financial year, the Company excluded EUR 3,117,519 in fully depreciated deferred development costs disclosed under intangible assets whereby the amount of excluded depreciated non-current deferred development costs in 2021 amounted to EUR 8,890,839.

An increase during the year is represented by the acquisition of software disclosed among intangible non-current intangible assets being acquired in the amount of EUR 91,907.

Goodwill is an intangible asset with an indefinite useful life, whereas all other intangible fixed assets a definite useful life and are depreciated using a straight-line basis during their useful life. The depreciation of intangible assets is disclosed in the income statement under item *F. Value write-offs 1 Depreciation*.

During the regular annual inventory of intangible assets at the sites of UNIOR d.d. as at 31/10/2022, no excess or shortage of intangible assets was established.

Financing investment costs for the acquisition of an intangible asset until it reflects the enterprise are included in the cost of intangible assets.

The gross carrying amount of fully depreciated intangible assets which are, as at 31/12/2022, still in use is EUR 556,620.

As at 31/12/2022, there are no outstanding obligations for the acquisition of intangible assets.

The company has not pledged any intangible fixed assets as collateral for the repayment of its debts.

10.7.2 PROPERTY, PLANT AND EQUIPMENT

(in EUR)	Land	Buildings	Production equipment	Small tools	Fixed assets being acquired	Total
Cost						
Balance as at 31 December 2021	12,199,681	65,572,280	146,447,036	614,018	9,367,844	234,200,859
Direct increases – investments	4,218	0	105,640	0	7,436,149	7,546,007
Transfer from investments in progress	0	2,599,287	7,263,372	31,581	(9,894,240)	0
Decreases during the year		(15,601)	(4,230,784)	(1,550)	(511,319)	(4,759,254)
Revaluation	399,614	0	0	0	0	399,614
Balance as at 31 December 2022	12,587,912	68,171,567	149,585,264	644,049	6,398,434	237,387,226
Value adjustment						
Balance as at 31 December 2021	0	40,330,530	104,738,474	592,019	0	145,661,023
Depreciation during the year	0	1,735,982	5,763,624	17,033	0	7,516,639
Decreases during the year	0	0	(3,669,223)	(792)	0	(3,670,015)
Balance as at 31 December 2022	0	42,066,512	106,832,875	608,260	0	149,507,647
Current value as at 31. December 2022	12,587,912	26,105,055	42,752,389	35,789	6,398,434	87,879,579
Current value as at 31 December 2021	12,199,681	25,241,750	41,708,562	21,999	9,367,844	88,539,836

(in EUR)	Land	Buildings	Production equipment	Small tools	Fixed assets being acquired	Total
Cost						
Balance as at 31 December 2020	10,749,105	64,698,449	145,583,239	593,031	5,914,556	227,538,380
Direct increases – investments	221,985	0	3,200	0	10,110,941	10,336,126
Transfer from investments in progress	474,722	3,075,037	3,085,194	22,700	(6,657,653)	0
Decreases during the year	(7,069)	(2,201,206)	(2,224,597)	(1,713)	0	(4,434,585)
Revaluation	760,938	0	0	0	0	760,938
Balance as at 31 December 2021	12,199,681	65,572,280	146,447,036	614,018	9,367,844	234,200,859
Value adjustment						
Balance as at 31 December 2020	0	38,749,194	101,062,539	583,697	0	140,395,430
Depreciation during the year	0	1,681,289	5,766,050	8,322	0	7,455,661
Decreases during the year	0	(99,953)	(2,090,115)	0	0	(2,190,068)
Balance as at 31 December 2021	0	40,330,530	104,738,474	592,019	0	145,661,023
Current value as at 31 December 2021	12,199,681	25,241,750	41,708,562	21,999	9,367,844	88,539,836
Current value as at 31 December 2020	10,749,105	25,949,255	44,520,700	9,334	5,914,556	87,142,950

Property, plant and equipment include the disclosure of assets acquired through financial leases at a cost of EUR 1,427,556 and at the present value as at 31 12/2022, EUR 926,458.

Subject to IFRS 16, the Company also posts right-of-use assets acquired subject to an operating lease amounting to EUR 1,784,741, whereby EUR 1,767,617 for leased equipment, and EUR 17,124 for leased land. In 2022, leased equipment depreciation amounted to EUR 254,007, whereas the reduction of value of leased land to EUR 9,791, as land is not depreciated. Lease interest amounts to EUR 12,031, out of which EUR 11,618 for equipment and EUR 413 for land. Lease obligations amounted to EUR 756,256 at the end of the year (EUR 740,683 for leased equipment and EUR 15,573 for leased land), out of which the current portion amounted to EUR 271,223 (EUR 265,223 for leased equipment and EUR 6,000 for leased land). Short-term lease expenses not recognised as fixed assets due to a shorter lease term and leases of assets whose value does not exceed the threshold of recognising assets as fixed assets are included among leases in Section 10.8.4 of the 2022 Annual Report.

During the regular annual inventory of property, plant and equipment at the sites of UNIOR d.d. as at 31/10/2022 no excess or shortage of property, plant and equipment was established. However, the inventory committees proposed the exclusion of property, plant and equipment which have been destroyed or damaged to such an extent that repair is not worth it and they can no longer be used in

the production process. During the regular annual inventory, the carrying amount of excluded property, plant and equipment in 2022 amounted to EUR 174,398.

The majority of investments were spent on modernising and expanding the machine and spacial capacities required for production. The first aluminium moulding line was completed. The total investment therein amounted to EUR 2,116,582 in the 2022 financial year. Other major investments include the procurement of a machining centre required by maintenance amounting to EUR 720,630, a press needed by the Zreče forge amounting to EUR 415,898, the robotisation of the forging line amounting to EUR 359,740, the procurement of a machining centre needed by the tool shop amounting to EUR 250,076 and the construction of connecting district heating (including the Dobrava boiler room from where the thermal energy supply public utility in the Zreče Centre Development in the ZN or building plan center Zreče is carried out) to recover waste heat generated during the manufacture of forgings amounting to EUR 208,864.

The company has pledged as collateral land and buildings at the present value of EUR 36,981,101 and plant, machinery and tools at their present value of EUR 15,007,770.

In compliance with IFRS 16, the following is disclosed:

- the Company does not dispose of any temporarily idle property, plant and equipment as at 31/12/2022;
- The gross carrying amount (cost) of fully depreciated tangible fixed assets (property, plant and equipment) which are, as at 31/12/2022, still in use, is EUR 62,380,810.
- the Company does not dispose of any property, plant and equipment retired from active use which are classified as held for sale in compliance with IFRS 5;
- the fair value of property, plant and equipment, for which the company uses the cost value, does not diverge significantly from the carrying amount of property, plant and equipment;
- as at 31/12/2022, liabilities of the Company for the acquisition of intangible fixed assets amount to EUR 1,226,735.

Due to changes, lands are revalued to their fair value on the basis of an appraisal report, compiled by an authorised real estate appraiser, entered into the Register of Certified Real Estate Appraisers of the Slovenian Institute of Auditors according to the balance as at 31/12/2021. The land was valued by an appraiser using the market comparison method indicating the value by comparing the valued property with equal or similar properties whose price was known. Subject to the sales prices achieved and the adjustments, an indicative price, which a comparable property would achieve on the market, was taken into account. Public utility charges were added to the land valuation, namely as a right attributed to the construction land where facilities with issued building permits are located. In order to verify the usability of appraisals also for accounting reporting in 2022, the authorised real estate appraiser estimated subject to an analysis of the movement of prices of building land that the values posted in the appraisals according to the balance as at 31/12/2021 are also fit for use as at 31/12/2022. The previous valuation of land had been carried out according to the balance as at 31/12/2020.

Financing investment costs for the acquisition of an intangible fixed asset until it reflects the enterprise are included in the cost of property, plant and equipment.

There were no indicators requiring the impairment of property, plant and equipment in 2022.

The value of revalued land at cost is EUR 3,035,965.

10.7.3 INVESTMENT PROPERTY

Investment property

(in EUR)	31/12/2022	31/12/2021
LAND	749,527	749,527
Buildings	0	0
TOTAL	749,527	749,527

Changes in investment property

(in EUR)	31/12/2022	31/12/2021
Opening balance as at 1 January	749,527	697,716
Acquisitions	0	0
Disposals	0	0
Fair value changes	0	51,811
Closing balance as at 31 December	749,527	749,527

Investment property includes land intended for resale or not being used to perform the basic activity of the Company at our Zreče premises. Land intended for sale and disclosed among investment property was valued by an appraiser entered into the Register of Certified Real Estate Appraiser of the Slovenian Institute of Auditors using the market sales method indicating the value by comparing the valued property with equal or similar properties whose price was known. Subject to the sales prices achieved and the adjustments, an indicative price, which a comparable property would achieve on the market, was taken into account. Public utility charges were added to the land valuation, namely as a right attributed to the construction land where facilities with issued building permits are located. Investment property was revalued to its fair value on the basis of an appraisal report, compiled by a certified real estate appraiser, according to the balance as at 31/12/2021/In order to verify the usability of appraisals also for accounting reporting in 2022, the authorised real estate appraiser estimated subject to an analysis of the movement of prices of building land that the values posted in the appraisals according to the balance as at 31/12/2021 are also fit for use as at 31/12/2022/

The company has pledged Investment property as security for the repayment of debt at a carrying amount of EUR 749,527.

10.7.4 NON-CURRENT INVESTMENTS

Changes in non-current investments in shares, participating interests and loans

(in EUR)	2022	2021
Balances of investments as at 1 January	25,227,193	25,850,047
Increases:		
Acquisition of shares and participating interests	90,500	883,005
Increase of investments in liabilities	459,529	0
Return of the current portion of investments	0	48,750
Decreases:		
Sales of shares and participating interests	(765,075)	(12,640)
Write-offs of investments	(762)	
Current portion of investments	(415,875)	(369,922)
Impairment of investments	(642,101)	(1,172,047)
Balance as at 31 December	23,953,409	25,227,193

The acquisition of shareholdings in UNIOR Italia S.R.L. and UNIOR Professional Tools Ltd. and an increase of the non-current loan given to the SPITT d.o.o. subsidiary to ensure a own share in expanding the biomass heating capacity on Rogla (the procurement of a boiler and the expansion of the district heating network) account for an increase in non-current investments.

Value adjustments set up for non-current investments in UNIOR Makedonija d.o.o. and UNIOR Vinkovci d.o.o. amounting to EUR 642,101 in total account for impairments in 2022. An appraisal was commissioned for UNIOR Vinkovci in compliance with IAS 36 and IVS 1. The certified business appraiser established that the estimated value of the investment as a value in use exceeds the estimated fair value of the investment less sales costs. As a result, the default value in use was used as recoverable value of the investment in the 100 per cent shareholding as at 31/12/2022 which is below the carrying amount of the investment. As a result, the investment was impaired. The following assumptions were used in the appraisal: operations in the last five years and a plan for the following five years on a going concern basis with operating volumes arising from the available capacities and approved operating plans of the subsidiary. The appraisal took into account the required 2.6 per cent rate of return on equity, 5.5 per cent capital surcharge, 5.1 per cent cost of debt capital, 5 per cent discount for lack of marketability and 2 per cent cost of sales. The sales of our investment in the UNIOR Tepid S.R.L. associate amounting to EUR 765,875 also constitutes a decrease. EUR 415,875 were transferred by the Company to the current portion of investments which, however, do not constitute the repayment of principals of non-current investments in 2023.

The Company has pledged non-current investments as security for the repayment of debt at a carrying amount of EUR 7,758,052.

Investments in subsidiaries, measured at cost

(in EUR)	Share	31/12/2022	31/12/2021
Domestic:			
UNIOR IN d.o.o. Zreče	100.000	385,368	385,368
SPITT d.o.o. Zreče	100.000	265,000	265,000
UNITUR d.o.o. Zreče	100.000	6,483,792	6,483,792
		<u>7,134,160</u>	<u>7,134,160</u>
Foreign:			
UNIOR Produktions- und Handels- GmbH Ferlach	99.545	510,000	510,000
UNIOR DEUTSCHLAND GmbH Leonberg	100.000	1,052,614	1,052,614
UNIOR ITALIA S.R.L. Limbiate	100.000	77,702	71,202
UNIOR ESPANA S.L. Uharte-Arakil	95.000	398,718	398,718
UNIOR MAKEDONIJA d.o.o. Skopje	97.360	0	80,000
UNIOR PROFESSIONAL TOOLS Ltd St. Petersburg	70.300	262,332	178,332
UNIOR COMPONENTS d.o.o. Kragujevac	100.000	4,908,158	4,908,158
NINGBO UNIOR FORGING Co.Ltd. Yuyao	50.000	1,983,530	1,983,530
UNIOR NORTH AMERICA Inc. Novi	100.000	81,480	81,480
UNIOR BULGARIA Ltd Sofia	77.310	2,000	2,000
UNIOR VINKOVCI d.o.o. Vinkovci	100.000	4,630,181	5,192,282
UNIOR HUNGARIA Kft. Nagyrecse	100.000	0	0
		<u>13,906,715</u>	<u>14,458,316</u>
Total subsidiaries		<u>21,040,875</u>	<u>21,592,476</u>

The value of investments in subsidiaries, measured at historical cost, amounts to EUR 28,949,136, whereas the value of the value adjustment of investments in subsidiaries, measured at fair value, amounts to EUR 7,908,261.

Equity and profit or loss of related parties

Company name	Country Company	Percentage participating in equity	Size capital in EUR	Operating of the year in EUR
<u>Subsidiaries</u>				
UNITUR d.o.o.	Slovenia	100.000	31,144,364	507,893
UNIOR IN d.o.o.	Slovenia	100.000	421,457	(20,827)
SPITT d.o.o.	Slovenia	100.000	824,272	39,383
UNIOR Produktions- und Handels-GmbH	Austria	99.545	168,621	55,118
UNIOR DEUTSCHLAND GmbH	Germany	100.000	1,204,948	94,499
UNIOR ITALIA S.R.L.	Italy	100.000	123,973	(4,532)
UNIOR ESPANA S.L.	Spain	95.000	627,512	13,288
UNIOR MAKEDONIJA d.o.o.	N. Macedonia	97.363	9,584	(45,598)
UNIOR PROFESSIONAL TOOLS Ltd.	Russia	70.300	1,579,150	496,949
UNIOR BULGARIA Ltd.	Bulgaria	77.310	162,911	50,104
UNIOR COMPONENTS d.o.o.	Serbia	100.000	13,851,469	485,313
UNIOR - NORTH AMERICA Inc.	USA	100.000	241,859	59,498
NINGBO UNIOR FORGING Co. Ltd.	China	50.000	34,207,616	3,263,632
UNIOR VINKOVCI d.o.o.	Croatia	100.000	3,972,970	274,921
<u>Associates:</u>				
ŠTORE STEEL d.o.o.	Slovenia	29.253	71,613,875	10,534,629
UNIOR TEHNA d.o.o.	Bosnia and Herzegovina	25.000	1,993,852	249,840
UNIOR TEOS ALATI d.o.o.	Serbia	20.000	3,767,404	520,647

Detailed information on subsidiaries and associates (company name, address, activity and number of employees) is disclosed in Section 9.6.1 of the 2022 Annual Report.

Investments in subsidiaries, measured at cost

(in EUR)	Share	31/12/2022	31/12/2021
Domestic:			
ŠTORE STEEL d.o.o. Štore	29.253	1,274,260	1,274,260
		1,274,260	1,274,260
Foreign:			
UNIOR TEOS ALATI d.o.o. Belgrade	20.000	423,000	423,000
UNIOR TEPID, S.R.L. Brasov	49.000	0	765,075
UNIOR TEHNA d.o.o. Sarajevo	25.000	150,000	150,000
		573,000	1,338,075
Total associates		1,847,260	2,612,335

The value of investments in associates measured at cost amounts to EUR 1,847,260.

In 2022, the Company acquired a 5 per cent shareholding in UNIOR Italia S.R.L. for EUR 6,500, thus ensuring a 100 per cent shareholding. In 2022, the Company also redeemed a 15.3 per cent shareholding in UNIOR Professional Tools Ltd. from Russia for EUR 84,000.

The company assesses impairment signs. Valuations are performed for any investments where they are identified subject to future cash flows which serve as the basis for recording any impairment.

In 2022, our investment in UNIOR Makedonija d.o.o. was impaired by EUR 80,000 and our investment in UNIOR Vinkovci d.o.o. by EUR 562,101. In 2022, our investment in our UNIOR Tepid S.R.L. associate with a carrying amount of EUR 765,075 was sold for EUR 2.5 million.

The company assesses impairment signs. Valuations are performed for any investments where they are identified subject to future cash flows which serve as the basis for recording any impairment.

Financial assets, measured at fair value through profit or loss

(in EUR)	31/ 12/ 2022	31/ 12/ 2021
Other investments	48,869	48,869
Total in other companies and banks	48,869	48,869

The value of investments in financial assets, measured at fair value through profit or loss at historical cost, amounts to EUR 146,361, whereas the value of the value adjustment of investments in financial assets, measured at fair value through profit or loss, amounts to EUR 97,492.

Non-current investments in debt, measured at amortized value

(in EUR)	31/ 12/ 2022	31/ 12/ 2021
given to subsidiaries		
Long-term loan given to SPITT d.o.o.	523,405	82,126
Long-term loan given to UNIOR Vinkovci d.o.o.	783,750	1,068,750
Long-term loan given to UNIOR HUNGARIA Kft.	0	0
Long-term loan given to UNIOR ESPANA S.L.	122,200	188,872
Transfer to current investments	(415,875)	(369,922)
given to others:		
Long-term loan given to Jorgić Broker a.d.	0	762
Long-term loan given to Mr. Črešnar Primož	0	0
Long-term deposit for excise duties	2,925	2,925
Transfer to current investments	0	0
Total in debt	1,016,405	973,513

Non-current investments in liabilities are not secured by a pledged property, whereas our non-current loans given to UNIOR Vinkovci d.o.o. and UNIOR Espana S.L. are secured by pledged receivables and inventories. The disclosed non-current loans have been repaid in full. The payable interest rate for non-current investments in financial debt varies between one-month Euribor + 3 per cent to 6-month Euribor + 3 per cent and the fixed interest rate is 3 per cent.

Receipts accruing from interests in 2022 amounted to EUR 40,963 and EUR 98,539 in 2021.

10.7.5 INVENTORIES

(in EUR)	31/12/2022	31/12/ 2021
Materials	28,494,064	25,962,910
Work in progress	27,659,242	25,996,875
Products	18,747,639	15,742,140
Merchandise	4,680,384	3,131,866
Inventory surpluses	139,563	168,413
Inventory deficits	(170,834)	(219,103)
Value adjustment	(717,718)	(2,315,082)
TOTAL	78,832,340	68,468,019

Balance of value adjustment of inventories

(in EUR)	31/12/2022	31/12/2021
– materials	567,451	602,629
– finished products	147,368	1,577,378
– merchandise	2,899	135,075
TOTAL	717,718	2,315,082

Change in allowances set up for inventories

(in EUR)	2022	2021
Balance of allowances set up for inventories as at 1 January	2,315,082	2,740,506
– reconciliation from the previous year	0	0
– formation	0	0
- reversal of adjustment	(87,220)	(207,895)
– write-offs	(1,510,144)	(217,529)
Balance as at 31 December	717,718	2,315,082

In the 2022 financial year, inventories increased by EUR 10,364,321 in total, resulting primarily from higher procurement prices, a higher production, higher production costs and higher contingency inventories intended to minimise the risks of supply issues and increases of procurement prices (primarily of steel and sheet metal).

The carrying amount of inventories equals the net realisable value. A value adjustment is formed for inventories not experiencing any movement in specific periods of time subject to the methodology contained in our accounting policies. The balance of value adjustments of inventories in 2022 amounted to EUR 1,597,364 less than at the end of 2021 on account of excluding inventories from our records as they were no longer fit for use. During the inventory of the inventories' status, EUR 139,563 in inventory surplus and EUR 170,834 in inventory deficit were established in total, meaning that the deficit exceeded the surplus by EUR 31,271.

The company has pledged inventories as security for the repayment of debt at a carrying amount of EUR 20,000,000.

Inventories in the table above are shown in gross amounts as a result of a separate disclosure of value adjustments of inventories and their effects, arising from established changes during stocktaking. Inventories contained in the financial position statement are shown in net amounts.

10.7.6 OPERATING RECEIVABLES

Operating receivables

(in EUR)	31/ 12/ 2022	31/ 12/ 2021
Non-current operating receivables		
Non-current operating receivables due from associates	7,214,658	7,255,286
Non-current operating receivables from others	7,739	15,346
Value adjustment of non-current operating receivables	0	0
Total non-current operating receivables	7,222,397	7,270,632
Current operating receivables		
Current operating receivables due from subsidiaries	6,283,615	5,961,685
Current operating receivables due from associates	90,241	593,253
Current trade receivables, domestic	2,758,488	3,121,863
Current trade receivables, foreign	12,575,987	15,809,344
VAT receivables	1,014,433	1,680,292
Advance payments	1,805,661	1,499,306
Advance payments from subsidiaries	0	0
Other current operating receivables	4,294,900	2,866,456
Value adjustments	(85,738)	(61,735)
Value adjustments - subsidiaries	(224,343)	(224,343)
Total current operating receivables	28,513,244	31,246,121

Operating receivables were reduced by EUR 48,235 due to repayments by both subsidiaries and customers. A non-current operating receivable amounting to EUR 7,098,550 is established towards UNITUR d.o.o. as a result of investments made by UNIOR d.d. in the Natura Hotel and the Rogla running polygon. As all receivables are current, no discount rate is applied to their recovery.

Other current receivables include disclosed receivables from sold non-recourse factoring operating receivables, receivables from the distribution of profits of Ningbo UNIOR Forging Co. Ltd., receivables from refunds, current deferred costs and accrued revenue. Receivables shown in the table have been repaid in full. Expected Credit Loss (ECL) in compliance with IFRS 9 is shown in Section 10.11 of the

2022 Annual Report. All current trade receivables due from non-affiliated customers are 90 per cent collateralised by the Company.

In 2022, the company formed value adjustments of trade receivables amounting to EUR 31,766.

The Company has pledged receivables as security for the repayment of debt amounting to EUR 3,368,562.

Changes in allowances set up for receivables

(in EUR)	2022	2021
Balance as at 1 January	286,078	485,093
Collected written-off receivables	(5,229)	(99,876)
Final write-off of receivables	(2,535)	(112,785)
Formation of value adjustment in the year	31,766	13,646
Balance as at 31 December	310,080	286,078

Maturity of receivables

Maturity of receivables of the company	31/12/2022	31/12/2021
Receivables not yet due	21,687,488	22,577,102
Receivables overdue up to 90 days	6,177,758	5,803,223
Receivables from 91 to 180 days overdue	401,571	1,300,065
Receivables from 181 to 360 days overdue	246,427	770,038
Receivables more than 360 year overdue	0	795,693
Total	28,513,244	31,246,121

10.7.7 CURRENT INVESTMENTS

(in EUR)	31. 12. 2022	31. 12. 2021
Loans given		
– to subsidiaries	221,391	1,528,250
– to others	0	1,611
Current portion of non-current loans given to subsidiaries	415,875	369,922
Short-term portion of non-current investments in liabilities	0	0
TOTAL	637,266	1,899,783

Current investments have not been pledged as collateral.

The company discloses current investments at amortised cost.

Current loans are not secured but are believed to be fully recoverable. Interest on loans given is being repaid.

Changes in non-current investments

(in EUR)	2022	2021
Balance as at 1 January	1,899,783	2,393,901
Increases:		
Increase in short-term loans given to Group companies	312,482	4,032,940
Increase in short-term loans given to others	0	82
Transfer of the current portion of non-current investments	415,875	369,922
Decreases:		
Decrease in short-term loans given to Group companies	(1,989,263)	(4,894,058)
Decrease in short-term loans to others	(1,611)	(3,004)
Transfer to non-current investments	0	0
Balance as at 31 December	637,266	1,899,783

A reduction of non-current investments represents a lower loan stock of the loan given to our subsidiary UNITUR d.o.o. The loan stock fell by EUR 346,425 compared to the end of 2021. UNIOR Hungaria Kft. also repaid its loan amounting to EUR 852,809 in 2022.

10.7.8 CASH AND CASH EQUIVALENTS

Bank balances, cheques and cash

(in EUR)	31/12/2022	31/12/2021
Cash in hand and cheques received	581	580
Cash at bank	3,251,544	1,916,362
TOTAL	3,252,125	1,916,942

The cash balance was higher than at the end of the preceding year. The cash balance is represented by the balance of cash on accounts with commercial banks and cash in hand.

10.7.9 EQUITY

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

As at 31/12/2022, the share capital of the parent company is registered in the amount of EUR 23,688,983 as disclosed in the financial position statement. It is divided into 2,838,414 no-par value shares. The book value per share is calculated by dividing the total equity of the Company by the weighted average number of ordinary shares whereby ordinary shares owned by the Company or the Group shall be excluded. The book value per share, as at 31. 12/2022 amounts to EUR 36.28 per share and has increased by 6.5 per cent compared to the previous year due to the profit generated in the current year and higher reserves from revaluation at fair value. The company does not hold any authorised capital. No contingent share capital increases were held in the 2022 financial year. No dividend stocks were issued. The company is not a member in another company for whose liabilities it would be liable without any restrictions.

Capital reserves amount to EUR 30,277,035 and did not change compared to the previous year. Capital reserves are composed of a paid-in capital surplus from capital increases amounting to EUR 7,944,612; excess of the sales value over the carrying amount of sold treasury shares amounting to EUR 3,977,906 and a general revaluation surplus in equity included into capital reserves upon shifting to International Financial Reporting Standards amounting to EUR 18,354,517.

Revenue reserves amounting to EUR 19,960,288 are intentionally retained revenue from previous years, mainly for the settlement of potential future losses. Their balance did not change compared to the end of 2021. Reserves include reserves for treasury shares held by UNIOR d.d. and treasury shares held by its subsidiaries UNIOR Deutschland GmbH and SPITT d.o.o. amounting to EUR 2,721,454. UNIOR d.d. holds 69,784 treasury shares. The subsidiaries UNIOR Deutschland GmbH and SPITT d.o.o. hold 3,300 shares of the parent company.

Reserves from revaluation at fair value amounting to EUR 9,571,371 represent reserves from the revaluation of land at fair value and losses and actuarial gains from actuarial calculations of termination benefits at retirement. In the past year, provisions due to fair value measurements amounted to EUR 8,499,295. The EUR 1,072,076 increase is composed of a EUR 453,349 increase from the revaluation of land at fair value and a EUR 870,202 increase from the change in actuarial gains from calculated provisions subject to pension schemes and an increase of impairment of surplus value for deferred tax liabilities amounting to EUR 251,475.

Reserves from revaluation at fair value

(in EUR)	31/12/2022	31/12/2021
LAND	11,641,860	11,264,438
Impairment of value surpluses	(2,169,210)	(1,993,662)
Termination benefits	(529,466)	(529,466)
Actuarial gains	628,187	(242,015)
TOTAL	9,571,371	8,499,295

Changes in fair value reserves

(in EUR)	2022	2021
Balance as at 1 January	8,499,295	8,299,239
Decreases:		
– Actuarial gains	0	(571,566)
– Impairment of value surpluses	(251,475)	0
Increases:		
LAND	453,349	760,938
– Actuarial gains	870,202	
– reversal of impairment of value surplus	0	10,684
Balance as at 31 December	9,571,371	8,499,295

The net operating result of the financial year amounts to EUR 5,075,396, whereas, during the preceding year, a profit amounting to EUR 2,745,836 was reported by the company.

Net earnings per share in 2022 amounted to EUR 1.84. In the 2021 financial year, they had amounted to EUR 0.99 per share. Net earnings or loss per share are calculated by dividing the accounting period net loss or profit which belongs to the owners by the weighted average number of ordinary shares whereby ordinary shares held by the Company or Group shall be excluded. The weighted average number of potential ordinary shares, taken into account in the calculation of the net earnings per share in the 2021 and 2022 financial years amounted to 2,765,300 shares. The diluted net earnings per share in the 2021 and 2022 financial years was equal to the net earnings per share.

The total comprehensive income of the financial year per share amounted to EUR 2.22 in the 2022 financial year and to EUR 1.07 per share in the 2021 financial year. The total comprehensive income of the financial year per share is calculated by dividing the total comprehensive income of the financial year attributable to owner by the weighted average number of ordinary shares whereby ordinary shares held by the Company or Group shall be excluded. The weighted average number of potential ordinary shares, taken into account in the calculation of the total comprehensive income of the financial year per share in the 2021 and 2022 financial years amounted to 2,765,300 shares. The diluted total comprehensive income of the financial year per share for the 2021 and 2022 financial years was equal to the total comprehensive income of the financial year.

Changes in equity in the current year represent:

- An increase of reserves from the valuation at fair value resulting from changes in reserves from the revaluation of land at fair value and from the actuarial gains generated during the calculation of termination benefit provisions amounting to EUR 1,076,076,
- net profits brought forward - profits increased from the transfer of the unallocated profit for the financial year 2021 amounting to EUR 2,745,836,
- changes in reserves for treasury shares and other reserves from profit on account of reconciling the reserves for treasury shares with the market price of shares for shares owned by the UNIOR Deutschland GmbH and SPITT d.o.o. subsidiaries amounting to EUR 1,665,
- the entry of net profit in 2022 amounts to EUR 5,075,396.

Balance sheet profits is a category referred to in the Companies Act.

Distributable profit/Distributable loss

(in EUR)	31/12/2022	31/12/2021
a) Profit/loss of the current year	5,075,396	2,745,836
b) Net profit brought forward	11,759,063	9,013,227
c) Net loss brought forward	0	0
d) Decrease in capital reserves	0	0
e) Decrease in revenue reserves	0	0
f) Increase in revenue reserves	0	0
g) Non-current deferred development costs	(2,588,190)	(2,979,005)
h) Distributable profit	14,246,269	8,780,058

10.7.10 NON-CURRENT PROVISIONS AND DEFERRED REVENUE

(in EUR)	Provisions for termination and jubilee benefits	Provisions for annuities	Donations received for fixed assets	TOTAL
Balance as at 31 December 2021	4,776,156	277,861	170,472	5,224,489
Formed provisions	1,984,694	1,366	0	1,986,060
Utilised provisions	(138,357)	(16,916)	(11,837)	(167,110)
Reversed provisions	(1,062,204)	0	0	(1,062,204)
Balance as at 31 December 2022	5,560,289	262,311	158,635	5,981,235

(in EUR)	Provisions for termination and jubilee benefits	Provisions for annuities	Donations received for fixed assets	TOTAL
Balance as at 31 December 2020	4,745,766	288,171	188,704	5,222,641
Formed provisions	811,833	6,485	0	818,318
Utilised provisions	(129,344)	(16,795)	(18,232)	(164,371)
Reversed provisions	(652,099)	0	0	(652,099)
Balance as at 31 December 2021	4,776,156	277,861	170,472	5,224,489

Provisions for jubilee and termination benefits are formed in the amount of estimated future payouts of jubilee and termination benefits discounted at the financial position statement date. The main parameters taken into account in the calculation are the retirement age of 65 years for both women and men, the required length of service of 40 years, the discount rate of 3.87 per cent and annual wage growth of 3.5 per cent. Turnaround is taken into account subject to the age group distribution of employees, namely for employees of up to 30 years of age - 11 per cent, for employees between 31 and 40 years of age - 4 per cent, for employees between 41 and 50 years of age - 3 per cent, and for employees, older than 51 years, 1 per cent. Provisions are reversed due to different assumptions used to calculate provisions and for all employees for whom provisions had been formed in the past but who are no longer employed at Unior.

The analysis of sensitivity of changes to actuarial assumptions to the amount of provisions set up for retirement allowances and jubilee benefits is shown in the table below.

(in EUR)	Deviation from items	Provisions for termination of benefits	Provisions for jubilee benefits	TOTAL
Balance as at 31 December 2022		4,184,302	1,375,987	5,560,289
Wage growth in the Company	+0.50%	144,062	0	144,062
	- 0.50%	(116,370)	0	(116,370)
Wage growth nationally	+0.50%	159,800	0	159,800
	- 0.50%	(130,066)	0	(130,066)
Turnaround	+0.50%	(265,539)	(46,328)	(311,867)
	- 0.50%	287,252	49,404	336,656
Retirement age	+ 1 year	(203,735)	22,068	(181,667)
	- 1 year	198,998	(47,552)	151,446
Pensionable service	+ 1 year	(41,140)	7,820	(33,320)
	- 1 year	23,581	(31,321)	(7,740)
Discount rate	+0.50%	(261,695)	(49,582)	(311,277)
	- 0.50%	285,217	53,219	338,436

Provisions for annuities are formed for employees sustaining occupational injuries that have resulted in permanent damage thereto.

Non-current provisions, deferred revenue also includes a disclosure of funds received from the Ministry of Economy for co-financing development projects. Provisions are utilised subject to the depreciation of the co-financed fixed assets. As at 31/12/2022, the balance of provisions amounts to EUR 15,635 and has been falling for several years.

There are no unfulfilled conditions or contingent liabilities associated with government grants in relation to their repayment.

10.7.11 NON-CURRENT FINANCIAL LIABILITIES

Changes in non-current financial liabilities

(in EUR)	Principal debt 1 Jan 2022	New loan in the year	Increase unpaid current portion	repayment in the year	Principal debt 31 Dec 2022	part which falls due in 2023	Non-current portion
Bank or creditor							
Domestic banks	62,598,210	2,173,891	0	(1,659)	64,770,442	(55,274,913)	9,495,529
Lease liabilities	647,087	124,066	0	(14,897)	756,256	(271,223)	485,033
Financial leases	365,649	122,208	0	(33,005)	454,852	(191,201)	263,651
Other non-current financial liabil	0	84,000	0	0	84,000	0	84,000
Total loans taken out	63,610,946	2,504,165	0	(49,561)	66,065,550	(55,737,337)	10,328,213
(in EUR)	Principal debt 1 Jan 2021	New loan in the year	Increase unpaid current portion	repayment in the year	Principal debt 31 Dec 2021	part which falls due in 2022	Non-current portion
Bank or creditor							
Domestic banks	70,735,646	6,134,402	0	0	76,870,048	(14,271,838)	62,598,210
Lease liabilities	865,997	52,121	0	(4,435)	913,683	(266,596)	647,087
Financial leases	573,993	25,435	0	(26,298)	573,130	(207,481)	365,649
Total loans taken out	72,175,636	6,211,958	0	(30,733)	78,356,861	(14,745,915)	63,610,946

Interest rates on long-term loans range from 6-month Euribor + 0.45 per cent to 6-month Euribor + 2.12 per cent and from 3-month Euribor + 0.5 per cent to 3-month Euribor + 2.5 per cent. The company has taken out long-term loans with a 3-month and 6-month Euribor benchmark interest rate. In 2017, the company concluded an interest rate swap for a period of five years until December 2022 for long-term loans in the amount of EUR 47.5 million and thereby secured the company against any adverse effects of the movement of the variable Euribor interest rate. Current interest rate swap costs are recognised through the income statement. As at 31/12/2022, the Company has no concluded derivative contracts.

A new current loan in 2022 amounting to EUR 2,173,891 is the utilisation of the approved loan for establishing a new aluminium moulding production programme. Lease liabilities increased by EUR 124,066. These include newly concluded long-term commercial lease contracts. Increases to financial lease liabilities amounting to EUR 122,208 constitute newly concluded leasing agreements for the procurement of company cars. The obligation to pay the acquisition price for obtaining a 9 per cent shareholding in UNIOR Professional Tools Ltd. accounts for a EUR 84,000 increase in other non-current liabilities.

In the 2020 financial year, UNIOR d.d. took out two loans with a guarantee by the Republic of Slovenia amounting to 70 per cent of the taken out loans in compliance with the Act Providing Additional Liquidity to the Economy to Mitigate the Consequences of the COVID-19 Epidemic (ZDLGPE) as a result of which the company is prohibited from distributing profits, paying out performance bonuses to Members of the Management Board, acquiring treasury shares or shareholdings, and paying out other financial liabilities to the parent, associates or owners. The aforementioned prohibition shall apply pursuant to Article 14 of the ZDLGPE for the entire period between the submission of a loan application and the extinction of the right of the bank to exercise the guarantee right which shall expire upon the final repayment of the loan. The balance of the loans taken out in compliance with the ZDLGPE as at 31/12/2022, amounts to EUR 8,866,667, with final maturity in 2025. The loans received with a guarantee by the Republic of Slovenia are reimbursable grants.

For the existing non-current syndicated loan, whose outstanding balance as at 31/12/2022 amounts to 50,529,354, the Company shall meet UNIOR Group performance indicators with commercial banks, namely two indicators have been laid out - the net financial debt to EBITDA ratio and the percentage of capital in the structure of liabilities. Both indicators were met by the Company also in the 2022 financial year without any derogations. Given our planned future operations, the risk of non-compliance with our commitments is minimal.

As at 31/12/2022, the UNIOR Group also transferred a portion of non-current financial liabilities maturing in 2023, namely in the amount of EUR 55,737,227, to current financial liabilities. After the end of the financial year, the Company concluded re-financing of outstanding liabilities in 2023 for a period of 7 years with the commercial banks syndicate. As a result, EUR 7,636,096 in financial liabilities shall be payable in 2023 instead of the EUR 55,737,337 of the current portion of non-current financial liabilities as at 31/12/2022.

Maturity of non-current financial liabilities by year

(in EUR)	2022	2021
Maturity from 1 to 2 years	4,593,026	50,411,578
Maturity from 2 to 3 years	2,875,917	9,756,493
Maturity from 3 to 4 years	50,972	2,831,231
Maturity from 4 to 5 years	259,976	2,967
Maturity more than 5 years	2,548,322	608,677
TOTAL	10,328,213	63,610,946

Collateral for non-current and current liabilities from financing activities amounting to EUR 64,770,442 consists of mortgages on immovable and moveable property, non-current investments and inventories at fair value amounting to EUR 83,865,012, as well as bills of exchange given.

10.7.12 NON-CURRENT OPERATING LIABILITIES

In its financial position statement, the company does not report any liabilities arising from non-current operating liabilities.

10.7.13 DEFERRED TAX ASSETS AND LIABILITIES

(in EUR)	31/12/2022	31/12/2021
Deferred non-current tax assets	8,959,386	8,402,453
– Provisions for jubilee and termination benefits	1,056,455	907,469
– impairment of trade receivables;	58,924	54,355
– Impairment of investments	681,260	666,060
– tax relief for investments	2,641,100	2,252,922
– R&D investments	995,653	995,653
– tax loss	3,525,994	3,525,994
Deferred non-current tax liabilities	(2,245,137)	(1,993,662)
– surplus from revaluation of land	(2,226,380)	(2,140,243)
– surplus from revaluation of termination benefits at retirement	(18,757)	146,581
Net deferred non-current tax assets	6,714,249	6,408,791

Changes in deferred tax assets	2022	2021
Balance of deferred tax assets as at 1 January	8,402,453	7,573,807
Decrease:		
Non-current provisions for jubilee and termination benefits	0	0
– reversal of impairment of trade receivables;	0	(37,813)
– impairment of investments,	0	0
– tax relief for investments	0	0
– R&D investments	0	0
– tax loss	0	0
Increases:		
Non-current provisions for jubilee and termination benefits	148,986	5,774
– impairment of trade receivables;	4,569	0
– impairment of investments,	15,200	222,689
– tax relief for investments	388,178	478,479
– R&D investments	0	159,517
– tax loss	0	0
Balance of deferred tax assets as at 31 December	8,959,386	8,402,453

Changes in deferred tax liabilities	2022	2021
Balance of deferred tax liabilities as at 1 January	1,993,662	2,004,346
Decrease	0	(10,684)
Increase	251,475	0
Balance of deferred tax liabilities as at 31 December	2,245,137	1,993,662

Deferred tax is determined using the financial position statement liability method, taking into account temporary differences between the carrying amounts of assets and liabilities used for financial and tax reporting purposes. Deferred tax is recognised in the amount that is expected to be paid when the temporary differences are reversed subject to laws that have been enacted or substantively enacted as at the reporting date.

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

Non-current deferred tax liabilities relate to the recalculation of property - land to a fair value disclosed on the surplus from revaluation. The tax rate applied is 19 per cent.

10.7.14 CURRENT FINANCIAL LIABILITIES

Changes in current financial liabilities

(in EUR)	Balance of liabilities	New loan	Transfer	repayment	Transfer	Balance debt
	1 Jan 2022		unpaid		current	
	with the short-term portion of non-current liabilities	in the year	short-term portion to non-current liabilities	in the year	portion of the non-current liabilities	
Bank or creditor						
Domestic banks	27,031,837	35,061,983	0	(44,288,960)	55,274,913	73,079,773
Related persons	398,732	6,387	0	(120,938)	0	284,181
Lease liabilities	273,329	4,938	0	(278,267)	271,223	271,223
Financial leases	207,481	0	0	(207,481)	191,201	191,201
Interest rate swaps	316,725	0	0	(316,725)	0	0
Total loans taken out	28,228,104	35,073,308	0	(45,212,371)	55,737,337	73,826,378

(in EUR)	Balance of liabilities	New loan	Transfer	repayment	Transfer	Balance debt
	1 Jan 2021		unpaid		current	
	with the short-term portion of non-current liabilities	in the year	short-term portion to non-current liabilities	in the year	portion of the non-current liabilities	
Bank or creditor						
Domestic banks	11,320,521	34,580,987	0	(33,141,509)	14,271,838	27,031,837
Related persons	465,530	7,827	0	(74,625)	0	398,732
Lease liabilities	304,126	17,831	0	(315,224)	266,596	273,329
Financial leases	256,342	0	0	(256,342)	207,481	207,481
Interest rate swaps	0	631,549	0	(314,824)	0	316,725
Total loans taken out	12,346,519	35,238,194	0	(34,102,524)	14,745,915	28,228,104

Current financial liabilities include the disclosure of loans taken out from its affiliates UNIOR Deutschland GmbH and UNIOR IN d.o.o. and a revolving loan and short-term project financing. All other financial liabilities are non-current.

The interest rate for taken out current loans is 2.0 to 4.0 per cent fixed and from 6-month Euribor + 1.8 per cent, 3-month Euribor + 2.5 per cent and 1-month Euribor + 2.25 per cent.

Newly taken out current loans in the 2022 financial year constituted the utilisation of the approved current revolving loans for the provision of current liquidity which were repaid in full during the current year.

For the existing current revolving loan taken out from the commercial banks syndicate whose outstanding balance as at 31/12/2022 amounts to 10,900,000, the Company shall meet UNIOR Group performance indicators with commercial banks, namely two indicators have been laid out - the net financial debt to EBITDA ratio and the percentage of capital in the structure of liabilities. Both indicators were met by the Company also in the 2022 financial year without any derogations. Given our planned future operations, the risk of non-compliance with our commitments is minimal.

The Company also concluded a re-financing of the existing loans payable in 2023 amounting to EUR 55,737,337 with the commercial banks syndicate. As at 31/12/2022, these were transferred to current financial liabilities for a period of 7 years. Actual repayments of non-current financial liabilities in 2023 shall amount to EUR 7,636,096 and not EUR 55,737,337 of the original non-current financial liabilities transferred to current financial liabilities as at 31/12/2022

Collateral for non-current and current liabilities from financing activities amounting to EUR 64,770,442 consists of mortgages on immoveable and moveable property, non-current investments and inventories at fair value amounting to EUR 83,865,012, as well as bills of exchange given.

10.7.15 CURRENT OPERATING LIABILITIES

Current operating liabilities

(in EUR)	31/12/2022	31/12/2021
Current operating liabilities due to associates		
Slovenia	133,423	69,213
Foreign	1,339,140	1,602,177
Current operating liabilities due to associated companies		
Slovenia	8,534,771	5,737,067
Foreign	35,570	1,154
Current operating liabilities due to other suppliers:		
Slovenia	20,140,177	19,096,243
Foreign	8,380,490	5,908,822
Current operating liabilities due to the state	1,134,018	801,175
Current operating liabilities due to employees	3,742,446	3,687,821
Current operating liabilities from advance payments	2,299,162	756,053
Current interest payable	35,707	19,307
Other current liabilities	4,782,266	7,262,226
Current portion of non-current operating liabilities	0	0
TOTAL	50,557,170	44,941,258

Maturity dates of operating liabilities of the company

(in EUR)	31/12/2022	31/12/2021
Receivables not yet due	33,673,323	33,150,336
Receivables 90 days overdue	16,557,093	11,450,277
Receivables 91 up to 180 days overdue	252,134	136,265
Receivables 181 up to 360 days overdue	53,664	183,380
Receivables over 360 days overdue	20,956	21,000
TOTAL	50,557,170	44,941,258

Other current liabilities disclosed include:

- accrued costs amounting to EUR 3,603,110, which include accrued sales commission amounting to EUR 288,160, our liability from leave unexpended in 2022 amounting to EUR 1,148,303, pre-accrued costs associated with the Special Machines Programme projects amounting to EUR 1,468,318, and our liability for the 2022 audit amounting to EUR 25,000;
- current deferred revenue amounting to EUR 149,932 arising from contracts with customers subject to IFRS 15 for goods dispatched to buyers at the end of 2022 which had not arrived to

their premises during the 2022 financial year and current deferred revenue from projects implemented in the Special Machines Programme amounting to EUR 437,442.

10.7.16 CONTINGENT LIABILITIES

Off-balance-sheet records - Contingent liabilities

(in EUR)	31/12/2022	31/12/2021
Given guarantees and sureties	6,290,807	6,886,767
Legal claims	0	0
TOTAL	6,290,807	6,886,767

The given guarantees and guarantees for related parties amount to EUR 6,290,807 and were decreased for the amount of EUR 595,960 as result of regular repayments of obligations for which guarantees were given.

UNIOR d.d. issued a letter of support to its subsidiaries UNIOR Vinkovci d.o.o. and UNITUR d.o.o. assuring them that it shall not discontinue the operations of both subsidiaries within the following twelve months and that it shall provide them with financial support if required. No future liabilities are estimated to be incurred as a result thereof.

During the reporting period no material claims were received by UNIOR d.d. for settling purposes.

10.8 DISCLOSURES TO THE AUDITED SEPARATE INCOME STATEMENT OF UNIOR d.d.

10.8.1 NET REVENUE FROM SALES FROM CONTRACTS WITH CUSTOMERS BY GEOGRAPHICAL AND BUSINESS SEGMENT

Net revenue from sales by geographical segment

(in EUR)	2022	2021
Slovenia	21,476,994	19,431,131
– subsidiaries	1,485,542	1,176,476
– associates	20,139	67,018
– other customers	19,971,313	18,187,637
Foreign	183,080,469	149,543,497
– subsidiaries	17,301,534	14,063,039
– associates	3,302,334	5,154,893
– other customers	162,476,601	130,325,565
TOTAL	204,557,463	168,974,628

Net revenue from sales by business segment

(in EUR)	2022	2021
Forge	137,110,424	109,208,234
Hand Tools	44,203,861	39,101,682
Special Machines	18,095,184	16,430,592
Joint services	5,065,783	3,988,323
Maintenance	82,211	245,797
TOTAL	204,557,463	168,974,628

Subject to sales agreements of the Special Machines Programme amounting to a total of EUR 2,677,212, which remained unrealised as at 31/12/2022, EUR 556,512 will be recognised in revenue in future periods.

10.8.2 CAPITALISED OWN PRODUCTS AND SERVICES

Capitalised own products and own services are products made by the Company itself or the services provided by the company for its own needs included in either property, plant and equipment or intangible non-current fixed assets. Capitalised own products and services include the disclosure of our investments by the Maintenance Department and the Special Machines Programme in other programmes as needed, including a general restoration of machinery in the Forge and of CNC machines.

Their value does not exceed the costs of their production or services rendered.

Capitalised own products and services

(in EUR)	2022	2021
Capitalised own products and services	1,237,331	1,902,495
TOTAL	1,237,331	1,902,495

10.8.3 OTHER OPERATING REVENUE

(in EUR)	2022	2021
Benefits for exceeding the quota of disabled employees	164,186	166,338
Paid receivables already included in the value adjustment	5,229	99,876
Damages received	23,734	40,594
Reversal of non-current provisions	497,788	948,726
Profit from the sale of fixed assets	109,393	148,960
Revaluation of investment property to fair value	0	51,811
Subsidies, grants and similar revenue	12,008	28,472
Receipt of emission allowances	0	6,395
Subsidies – temporary lay-offs (COVID-19)	0	482
Subsidies – exemption from payment of contributions (COVID-19)	0	0
Subsidies – reimbursement of sickness benefits of up to 30 days (COVID-19)	0	0
Subsidies – reimbursement of quarantine payments (COVID-19)	62,948	90,461
Subsidies – reimbursement of absence due to a force majeure (COVID-19)	4,523	49,640
Subsidies – reimbursement of the crisis allowance (COVID-19)	0	0
Subsidies – reimbursement of rapid test costs (COVID-19)	47,900	66,760
Subsidies – up to the minimum wage (COVID-19)	0	33,383
Other operating revenue	2,395,615	1,553,532
TOTAL	3,323,324	3,285,430

The write-off of non-current provisions includes the reversal of provisions from retained contributions for the employment of disabled persons above the prescribed quota and the reversal of non-current provisions from the actuarial calculation of termination and jubilee benefits, whereas profits from the sales of fixed assets represents a positive effect of the sale of non-essential land.

In compliance with intervention law adopted by the Republic of Slovenia to mitigate the repercussions of the COVID-19 epidemic, the company received EUR 115,371 in state aid in 2022 and EUR 240,726 in 2021. The Company received EUR 62,948 in reimbursement of costs resulting from labour costs for employees who tested positive to the coronavirus tested during the mandatory quarantine period. The Company received EUR 4,523 in reimbursement of labour costs resulting from absences caused by a force majeure. A EUR 47,900 grant was intended to cover the costs of rapid antigen tests for Company employees during the period of recommended testing of employees without a valid COVID certificate. The Company has no special conditions to meet related to the state aid received to mitigate the repercussions of the COVID-19 epidemic. The received state aid are grants.

Other operating revenue amounting to EUR 2,395,615 includes revenue arising from the technological and management commission amounting to EUR 520,600, the derecognition of the value adjustment of inventories set up in the previous years amounting to EUR 1,784,428 and revenue arising from grants received for development projects.

10.8.4 COSTS AND EXPENSES

2022				
(in EUR)	Production costs	Costs of selling	Costs of general activities	TOTAL
Cost of merchandise and materials sold	(10,059,016)	(5,247,902)	(1,797,561)	(17,104,479)
Costs of materials	(103,855,403)	(269,195)	(2,421,899)	(106,546,497)
Costs of services	(17,971,896)	(2,977,211)	(3,295,851)	(24,244,958)
<i>Costs of salaries</i>	(31,308,380)	(1,892,696)	(4,722,761)	(37,923,837)
<i>Costs of social insurances</i>	(5,394,003)	(311,087)	(765,578)	(6,470,668)
<i>Costs of pension insurances</i>	(409,827)	(15,598)	(52,659)	(478,084)
<i>Other labour costs</i>	(6,408,177)	(258,672)	(759,616)	(7,426,465)
Total labour costs	(43,520,387)	(2,478,053)	(6,300,614)	(52,299,054)
Depreciation	(7,748,962)	(187,041)	(942,784)	(8,878,787)
Operating expenses from the revaluation of current operating assets	(76,350)	(25,627)	(6,564)	(108,541)
Expenses from the revaluation of intangible assets and property, plant and equipment	(187,926)	(991)	(7,445)	(196,362)
Other costs	(406,343)	(48,528)	(250,751)	(705,622)
Value adjustments due to changes in inventories	4,697,445			4,697,445
Total costs	(179,128,838)	(11,234,548)	(15,023,469)	(205,386,855)

2021				
(in EUR)	Production costs	Costs of selling	Costs of general activities	TOTAL
Cost of merchandise and materials sold	(6,193,565)	(5,182,231)	(1,438,925)	(12,814,721)
Costs of materials	(78,347,885)	(322,487)	(2,169,240)	(80,839,612)
Costs of services	(14,771,039)	(2,708,606)	(3,073,901)	(20,553,546)
<i>Costs of salaries</i>	(29,026,777)	(1,682,881)	(4,339,020)	(35,048,678)
<i>Costs of social insurances</i>	(5,041,979)	(281,756)	(709,637)	(6,033,372)
<i>Costs of pension insurances</i>	(397,651)	(14,610)	(51,554)	(463,815)
<i>Other labour costs</i>	(5,147,332)	(182,448)	(511,673)	(5,841,453)
Total labour costs	(39,613,739)	(2,161,695)	(5,611,884)	(47,387,318)
Depreciation	(7,420,030)	(184,024)	(1,012,692)	(8,616,746)
Operating expenses from the revaluation of current operating assets	(840,737)	(161,132)	(1,972)	(1,003,841)
Expenses from the revaluation of intangible assets and property, plant and equipment	(117,636)	59,830	(41,601)	(99,407)
Other costs	(395,385)	(45,221)	(378,954)	(819,560)
Value adjustments due to changes in inventories	915,362	0	0	915,362
Total costs	(146,784,653)	(10,705,566)	(13,729,169)	(171,219,389)

Other labour costs comprise holiday allowance, meal allowance, travel allowance, jubilee and termination benefits above the formed provision and certain other remuneration paid out to employees.

Individual total costs also show by historic categories costs related to R&D activities, on which the Company spent EUR 2,641,172 in the financial year 2022 or 1.29 per cent of generated net revenue from sales. In the 2021 financial year, the Company had spent EUR 1,821,602 on R&D activities or 1.08 per cent of generated net revenue from sales.

Costs of services include the disclosure of EUR 38,143 in costs of hiring workers through recruitment agencies representing 5 employees in relation to hours worked.

Procurement of materials in associates is presented in Section 10.10.2 of the 2022 Annual Report.

The most important items disclosed by the Company among other costs include benefits for university and high school students for completing mandatory placements and scholarships paid out, amounting to EUR 323,971 and the compensation for use of construction land amounting to EUR 150,861.

Lease payments in 2022 amounted to EUR 1,197,151, whereas in 2021 they amounted to EUR 1,221,305.

The company pays leases for its commercial and storage facilities needed by the Special Machines Programme, for parking facilities at the Forgings Machining Plant in Slovenske Konjice and for renting working clothes for all employees.

Minimum total of lease payments from operating leases – liabilities

(in EUR)	2022	2021
Up to 1 year	269,095	306,471
From 2 to 5 years	1,076,381	1,225,885
More than 5 years	1,345,477	1,532,357
TOTAL	2,690,953	3,064,713

The contractual amount spent for the audit of the Annual Report of Unior d.d. and the consolidated annual report for the UNIOR Group is EUR 30,000. The audit was performed by Mazars d.o.o. Ljubljana. The contractual provision of non-audit services amounted to EUR 7,000 in the 2022 financial year and include the accuracy verification of the financial commitments' calculation for the needs of banks, the verification of criteria for allocating revenue generated through the provision of a public utility, and the review of a report on the remuneration of Members of the Management and Supervisory Boards of UNIOR d.d., in addition to a review of the correctness of the electronic form of the consolidated financial statements with notes.

10.8.5 FINANCIAL REVENUE AND FINANCIAL EXPENSES
Financial revenue

(in EUR)	2022	2021
Financial revenue from participating interests		
Financial revenue from participating interests in Group companies	1,286,234	1,262,583
Financial revenue from participating interests in associates	3,103,992	748,302
Financial revenue from participating interests in other companies	386	138,559
TOTAL	4,390,612	2,149,444
Financial revenue from loans given		
Financial revenue from loans given to Group companies	41,095	99,176
Financial revenue from loans given to others	39,847	17,612
TOTAL	80,942	116,788
Financial revenue from operating receivables		
Financial revenue from operating receivables due from Group companies	45,547	31,890
Financial revenue from operating receivables due from others	418,299	106,721
TOTAL	463,846	138,611
Total financial revenue	4,935,400	2,404,843

Financial revenue from shares in Group companies includes profits in the companies Ningbo Unior Forging Co. Ltd., UNIOR Deutschland GmbH and UNIOR Components d.o.o. Financial revenue from participating interests in associates includes of profits in UNIOR Teos Alati d.o.o. and Štore Steel d.o.o. and the positive effects arising from the sales of the 49 per cent shareholding in UNIOR Tepid in Romania in June.

Financial expenses

(in EUR)	2022	2021
Financial expenses from impairment and write-offs of investments		
Financial expenses from impairment and write-offs of investments	(642,101)	(572,047)
TOTAL	(642,101)	(572,047)
Financial expenses from financial liabilities		
Financial expenses from loans received from Group companies	(36,425)	(7,827)
Financial expenses from loans received from banks	(2,565,329)	(2,450,186)
Financial expenses from other financial liabilities	(12,090)	(14,182)
TOTAL	(2,613,844)	(2,472,195)
Financial expenses from operating liabilities		
Financial expenses from operating liabilities due to Group companies	0	(831)
Financial expenses from trade payables	(251,139)	(100,334)
Financial expenses from other operating liabilities	(292,614)	(73,732)
TOTAL	(543,753)	(174,897)
Total financial expenses	(3,799,698)	(3,219,139)

An impairment of the investment in UNIOR Vinkovci d.o.o. amounting to EUR 562,101 was formed; an impairment of the investment in UNIOR Makedonija d.o.o. amounting to EUR 80,000 was formed. Financial interest payables due for loans from banks amounted to EUR 2,565,329 or 4.7 per cent more than in 2021.

10.9 CORPORATE INCOME TAX ACCOUNT AND DEFERRED TAXES

Corporate income tax

(in EUR)	2022	2021
Corporate income tax	(348,501)	(211,678)
Deferred tax	556,932	828,646
TOTAL	208,431	616,968

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

(in EUR)	2022	2021
Net profit or loss of the financial year before taxes	4,866,965	2,128,868
Corporate income tax in Slovenia 19%	(348,501)	(211,678)
Non-taxable revenue	2,792,015	967,346
Unrecognised tax expenses	2,810,470	1,870,302
Value adjustment of receivables	4,569	(37,813)
Value adjustment of investments	15,200	222,689
Formation of provisions	148,985	5,774
Tax relief for investments in research and development	0	159,517
Tax relief for investments	388,178	478,479
Tax relief for employing disabled persons	0	0
Tax relief for a voluntary supplementary pension scheme	0	0
TAX LOSS	0	0
Deferred tax	556,932	828,646
Effective tax rate in %	11.4	38.9

In 2022, the tax base was disclosed in the amount of EUR 4,957,344. The tax base is reduced in order to use the tax relief for investments in the amount of 1,932,045, for employing disabled persons in the amount of EUR 631,817, for supplementary pension insurance EUR 478,083, and for donations in the amount of EUR 81,182. The tax base amounts to EUR 1,834,217. In 2022, our tax liability amounts to EUR 348,501. The monthly tax advance payment for 2023 amounts to EUR 29,042. Tax relief which can be utilised in subsequent periods amounts to a total of EUR 35,766,619, out of which a tax loss of EUR 18,557,862.

DEFERRED TAX

Profits established subject to tax legislation differ from the profits established subject to accounting rules and the IFRS. The deferral of taxes is accounted for only for temporary differences in the tax burden between the business accounts and financial statements, i.e. for those reconciled in the defined period.

Deferred tax assets are calculated using the temporary difference in non-current provisions for termination and jubilee benefits, the impairment of trade receivables, unutilised tax relief and tax losses. A similar structure of deferred tax assets and liabilities and the movement of deferred tax assets are presented in Section 10.7.13 of the 2022 Annual Report.

The effect of deferred taxes on net profits amounts to EUR 556,932, increasing the net profits of the current year.

10.10 TRANSACTIONS OF UNIOR d.d. OF UNIOR d.d.

All related-party transactions were performed under usual market conditions.

10.10.1 SALES TO RELATED PERSONS

(in EUR)	2022	2021
Subsidiaries		
Domestic:	1,554,341	1,222,414
UNITUR d.o.o. Zreče	1,523,470	1,199,343
UNIOR IN d.o.o. Zreče	6,355	0
SPITT d.o.o. Zreče	24,516	23,071
Foreign:	17,326,500	14,107,539
UNIOR Produktions- und Handels- GmbH Ferlach	2,273,735	2,905,155
UNIOR DEUTSCHLAND GmbH Leonberg	176,891	267,203
UNIOR ITALIA S.R.L. Limbiate	748,455	861,849
UNIOR ESPANA S.L. Uharte-Arakil	380,637	940,907
UNIOR MAKEDONIJA d.o.o. Skopje	265,252	183,997
UNIOR PROFESSIONAL TOOLS Ltd St. Petersburg	1,154,625	1,051,767
UNIOR BULGARIA Ltd. Sofia	316,950	198,370
UNIOR HUNGARIA Kft. Nagyrecse	0	66,340
UNIOR COMPONENTS d.o.o. Kragujevac	175,069	157,143
UNIOR NORTH AMERICA Inc. Novi	1,107,625	147,166
NINGBO UNIOR FORGING Co.Ltd. Yuyao	239,500	0
UNIOR VINKOVCI d.o.o. Vinkovci	10,487,761	7,327,642
Total subsidiaries	18,880,841	15,329,953
Associates		
Domestic:	38,798	67,018
ŠTORE STEEL d.o.o. Štore	38,798	67,018
Foreign:	3,302,334	5,154,893
UNIOR TEPID S.R.L. Brasov	1,476,213	3,515,138
UNIOR TEHNA d.o.o. Sarajevo	410,511	360,752
UNIOR TEOS ALATI d.o.o. Belgrade	1,415,610	1,279,003
Total associates	3,341,132	5,221,911
Total sales to related persons	22,221,973	20,551,864

As at 31/12/2022, UNIOR Hungaria Kft. is no longer a subsidiary. Sales to the UNIOR Tepid associate is taken into account in the table above only until 15/6/2022 when the shareholding was sold. Sales to related parties is net revenue from sales generated by the parent company by selling to subsidiaries.

10.10.2 PROCUREMENT FROM RELATED PARTIES

(in EUR)	2022	2021
Subsidiaries		
Domestic:	315,999	213,051
UNITUR d.o.o. Zreče	129,242	46,742
UNIOR IN d.o.o. Zreče	18,152	0
SPITT d.o.o. Zreče	168,605	166,309
Foreign:	17,269,650	12,424,466
UNIOR Produktions- und Handels- GmbH Ferlach	1,135,515	811,382
UNIOR DEUTSCHLAND GmbH Leonberg	1,725,130	1,136,618
UNIOR ITALIA S.R.L. Limbiate	58,971	21,994
UNIOR COMPONENTS d.o.o. Kragujevac	298,588	620,274
UNIOR NORTH AMERICA Inc. Novi	441,795	216,398
UNIOR VINKOVCI d.o.o. Vinkovci	13,609,651	9,617,800
Total subsidiaries	17,585,649	12,637,517
Associates		
Domestic:	27,863,429	19,401,581
ŠTORE STEEL d.o.o. Štore	27,863,429	19,401,581
Foreign:	292,532	94,422
UNIOR TEPID S.R.L. Brasov	7,754	10,733
UNIOR TEOS ALATI d.o.o. Belgrade	284,778	83,689
Total associates	28,155,961	19,496,003
Total procurement from related parties	45,741,610	32,133,520

Procurement from the UNIOR Tepid associate is taken into account in the table above only until 15/6/2022 when the shareholding was sold.

10.10.3 OPERATING RECEIVABLES DUE FROM RELATED PARTIES

(in EUR)	31/12/2022	31/12/2021
Subsidiaries		
Domestic:	7,325,738	7,101,432
UNITUR d.o.o. Zreče	7,314,929	7,098,550
UNIOR IN d.o.o. Zreče	7,676	0
SPITT d.o.o. Zreče	3,133	2,882
Foreign:	5,948,192	5,891,196
UNIOR Produktions- und Handels- GmbH Ferlach	637,255	950,930
UNIOR DEUTSCHLAND GmbH Leonberg	41,331	7,476
UNIOR ITALIA S.R.L. Limbiate	198,178	281,885
UNIOR ESPANA S.L. Uharte-Arakil	14,821	324,362
UNIOR MAKEDONIJA d.o.o. Skopje	328,270	287,272
UNIOR PROFESSIONAL TOOLS Ltd St. Petersburg	442,245	629,504
UNIOR BULGARIA Ltd. Sofia	193,803	229,658
UNIOR NORTH AMERICA Inc. Novi	383,732	14,155
UNIOR VINKOVCI d.o.o. Vinkovci	3,708,557	3,165,954
Total subsidiaries	13,273,930	12,992,628
Associates		
Domestic:	4,971	24,324
ŠTORE STEEL d.o.o. Štore	4,971	24,324
Foreign:	85,269	568,929
UNIOR TEPID S.R.L. Brasov	0	440,053
UNIOR TEHNA d.o.o. Sarajevo	85,269	128,876
Total associates	90,240	593,253
Total operating receivables due from related parties	13,364,170	13,585,881

Operating receivables due from related parties are outstanding receivables arising from revenue from sales generated by the parent company by selling to subsidiaries.

10.10.4 OPERATING LIABILITIES DUE TO RELATED PARTIES

(in EUR)	31/12/2022	31/12/2021
Subsidiaries		
Domestic:	133,423	69,213
UNITUR d.o.o. Zreče	9,148	0
UNIOR IN d.o.o. Zreče	20,146	0
SPITT d.o.o. Zreče	104,129	69,213
Foreign:	1,339,140	1,602,177
UNIOR Produktions- und Handels- GmbH Ferlach	238,720	320,055
UNIOR DEUTSCHLAND GmbH Leonberg	488,435	352,187
UNIOR ITALIA S.R.L. Limbiate	9,869	9,237
UNIOR COMPONENTS d.o.o. Kragujevac	111,021	385,674
UNIOR NORTH AMERICA Inc. Novi	178,604	67,853
UNIOR VINKOVCI d.o.o. Vinkovci	312,491	467,171
Total subsidiaries	1,472,563	1,671,390
Associates		
Domestic:	8,534,771	5,737,067
ŠTORE STEEL d.o.o. Štore	8,534,771	5,737,067
Foreign:	35,570	1,154
UNIOR TEOS ALATI d.o.o. Belgrade	35,570	1,154
Total associates	8,570,341	5,738,221
Operating liabilities due to related parties	10,042,904	7,409,611

10.10.5 RECEIVABLES AND LIABILITIES FROM LOANS AND INTEREST FROM ASSOCIATES

Receivables from loans and interest due from associates

(in EUR)	31/12/2022	31/12/2021
Subsidiaries		
Domestic:	742,583	755,056
UNITUR d.o.o., Zreče	66,416	412,841
SPITT d.o.o., Zreče	676,167	342,215
Foreign:	908,163	2,112,942
UNIOR VINKOVCI d.o.o., Croatia	785,490	1,070,773
UNIOR HUNGARIA Kft. Nagyrecse, Hungary	0	852,809
NINGBO UNIOR FORGING Co. Ltd., China	0	0
UNIOR ESPANA S.L. Uharte-Arakil	122,673	189,360
UNIOR BULGARIA Ltd, Bulgaria	0	0
Total subsidiaries	1,650,746	2,867,998

As at 31/12/2022, UNIOR Hungaria Kft. is no longer a subsidiary.

Liabilities from loans and interest due to associates

(in EUR)	31/12/2022	31/12/2021
Subsidiaries		
Domestic:	62,232	69,928
UNIOR IN d.o.o., Zreče	62,232	69,928
Foreign:	221,949	328,804
UNIOR DEUTSCHLAND GmbH, Germany	221,949	328,804
Total subsidiaries	284,181	398,732

10.10.6 TRANSACTIONS WITH OWNERS AND THEIR RELATED PARTIES

The largest individual owner of UNIOR d.d. is Slovenski državni holding, d.d., which owns a 39.43 per cent shareholding. Together with Kapitalska družba, d.d., which owns a 5.55 per cent shareholding, and Zavarovalnica Triglav, d.d., which owns a 3.52 per cent shareholding, the Republic of Slovenia indirectly owns a 48.50 per cent shareholding.

Companies related to owners are companies wherein the Republic of Slovenia and Slovenski državni holding, d.d. directly hold a minimum 20 per cent shareholding. The list of these companies is published on the website of Slovenski državni holding, d.d. (<https://www.sdh.si/sl-si/upravljanje-nalozb/seznam-nalozb>).

Total value of transactions with owners and their related parties

(in EUR)	2022	2021
Revenue from sales (in the period from 1/ 1/ to 31/ 12/)	1,302,133	813,750
Procurement (in the period from 1/ 1/ to 31/ 12/)	9,366,803	7,064,751
Operating receivables (as at 31/ 12/)	85,836	170,824
Operating liabilities (as at 31/ 12/)	2,265,810	2,147,745

All transactions with owners and their related parties were performed under usual market conditions.

10.11 RISK MANAGEMENT IN UNIOR d.d.

Operating risks of UNIOR d.d. are disclosed in Section 7.8.2 of the 2022 Annual Report. Financial risks of UNIOR d.d. are disclosed below.

FINANCIAL RISKS

CREDIT RISK

Credit risk refers to a risk that the company will not be able to recover all its operating receivables and investments owed by its debtors within the agreed time frame. Credit risks are managed through regular monitoring of the business operations and financial position of all existing and new business partners, by limiting exposure to individual business partners and through an active process of collecting receivables. The ever-changing macroeconomic environment can cause changes to the credit rating and solvency of our customers. Therefore, despite diligent management of receivables, defaults in payment or insolvency are possible. By regularly monitoring outstanding receivables due from customers, age structure of receivables and average payment deadlines, the company preserves its credit exposure within acceptable limits. All current trade receivables, with the exception of receivables due from associates, have also been secured with an insurance company since 1/10/2014. During the COVID-19 epidemic, all enforcement and discontinuation of deliveries' proceedings in the event of outstanding payments due from customers were extended by 30 days, as agreed with the insurance company. Credit risks are closely monitored in all areas of the operation. The risk is assessed as moderate.

Analysis of the age of trade receivables as at the reporting date

(in EUR)	Gross value	Average loss amount in %	ECL adjustment	Individual adjustment for an increased credit risk	Total adjustment	Increased credit risk	Net value
Receivables not yet due	14,572,493	0.14	20,912	0	20,912	NO	14,551,581
Receivables overdue up to 90 days	6,177,758	0.52	31,826	0	31,826	NO	6,145,932
Receivables from 91 to 180 days overdue	401,571	3.81	15,283	0	15,283	NO	386,289
Receivables from 181 to 360 days overdue	422,789	8.61	36,381	0	36,381	NO	386,407
Receivables more than 360 year overdue	249,827	100.00	249,827	0	249,827	NO	0
TOTAL	21,824,438		354,229	0	354,229		21,470,209

INTEREST RATE RISK

The interest rate risk refers to the risk of financial loss due to unfavourable interest rate movements. As changes in the interest rate can materially reduce the economic benefits of the company, the movement of benchmark interest rates is continuously monitored. The risk has been assessed as high on account of changes to the reference interest rate by the European Central Bank and any potential expected future increases. The company has been able to reach an agreement with the trade union of banks to have interest margins formed subject to a margin scale until 2023 subject to the performance of the UNIOR Group. In December 2017, the credit exposure of the company amounting to EUR 47.5 million

or one part of loan B due in 2023 was protected with an interest rate swap for a period of five years (until the end of 2022). This has allowed us to manage and minimise the interest rate increase risk.

The re-financing of the existing syndicate payable in 2023 was concluded on 25/4/2023 following the conclusion of an agreement with banks, whereby the Company shall assess the suitability of the available reference interest rate hedging methods. In the meantime, the interest margin will be bound by the margin scale also in the future, all in line with the performance of UNIOR d.d.

Balance of liabilities linked to an individual variable interest rate in 2022

(in EUR)	Liability amount as at 31/ 12/ 2022	Interest rate in %	Hypothetical rise in interest rates		
			by 15%	by 50 %	by 100 %
Interest rate type					
1-month EURIBOR	3,000,000	1.8980	8,541	28,470	56,940
3-month EURIBOR	61,867,512	2.2020	204,348	681,161	1,362,323
6-month EURIBOR	18,162,642	2.7520	74,975	249,918	499,836
Total effect	83,030,154		287,865	959,549	1,919,099

Balance of liabilities linked to an individual variable interest rate in 2021

(in EUR)	Liability amount as at 31/ 12/ 2021	Interest rate in %	Hypothetical rise in interest rates		
			by 15%	by 50 %	by 100 %
Interest rate type					
1-month EURIBOR	2,000,000	-0.5940	1,782	5,940	11,880
3-month EURIBOR	68,267,334	-0.5710	58,471	194,903	389,806
6-month EURIBOR	20,252,567	-0.5440	16,526	55,087	110,174
Total effect	90,519,901		76,779	255,930	511,860

As at 31/12/2022, the total financial liabilities of UNIOR d.d. amount to EUR 84,154,591. The difference amounting to EUR 1,124,437 to the disclosed balance regarding the sensitivity of the interest rate represents financial liabilities with a fixed interest rate.

LIQUIDITY RISK

The liquidity risk refers to the risk of shortage in liquid assets to repay operating and financial liabilities of the company within the agreed time frame. The liquidity risk includes risks associated with the shortage in financial resources available and, as a result, with the inability of the company to settle its liabilities within the agreed time frame. Financial solvency largely depends on effective money management on the one hand, receivables and payables management and investment dynamics on the other. The liquidity risk is managed by the company by monitoring and managing the liquidity of assets (receivables and inventories) liabilities and cash flows from operating activities and investments in a centralised manner. Significant attention is paid to drawing up and monitoring the cash flow plan including the foreseen inflows and required outflows. Successful planning enables us to optimally manage any current surpluses or deficits of liquid assets - current imbalance is regulated by drawing on the approved revolving credit line with the commercial banks trade union. On 25/4/2023, the

company concluded a refinancing agreement for the existing debt repayable in 2023 with the bank syndicate. At the same time, it obtained an additional liquidity reserve in the form of a new revolving loan. The liquidity risks continue to be assessed as high despite all carried out activities on account of uncertain conditions in the economic and financial environments.

THE RISK OF FAILING TO MEET FINANCIAL COMMITMENTS

The risk of failing to meet financial commitments by the Company is related to potentially having to repay early the non-current loan approved on 7/12/2016 on the basis of the syndicated loan agreement concluded with the commercial bank syndicate. The financial commitments are laid down in the loan agreement. The UNIOR Group shall meet the net financial debt to EBITDA ratio and the percentage of capital in the structure of liabilities set by the banks. Financial commitments are reviewed on an annual basis on the basis of the audited consolidated financial statements of the UNIOR Group subject to approval of the certified auditor auditing the consolidated financial statements of the UNIOR Group. In the previous years and in 2022, our commitments were honoured without exception. The Business Plans of the UNIOR Group also foresee the honouring of financial commitments in the future. The risk is assessed as low.

10.12 GROSS REMUNERATION OF GROUPS OF PERSONS

In compliance with Indent 3 of Paragraph 3 of Article 69 of the Companies Act (ZGD-1) and IAS 12, UNIOR hereinafter discloses the remuneration received by Members of the Management Board, other company employees employed under an individual contract of employment for which the tariff part of the collective agreement does not apply and Members of the Supervisory Board.

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

REMUNERATION OF THE MEMBERS OF THE MANAGEMENT BOARD

2022 (in EUR)	Position	Fixed remuneration	Variable remuneration		Total	Deferred remuneration	Termination benefits	Bonuses - insurance	Vehicle	Paying back of bonuses	Gross total:	Net total:	Cost reimbursements
			quantitative criteria	qualitative criteria									
Darko Hrastnik	President of the Management Board	189,189	0	0	0	0	0	5,734	8,147	0	203,070	85,347	534
Branko Bračko	Member of the Management Board	175,884	0	0	0	0	0	5,638	7,979	0	189,501	82,830	2,431

2021 (in EUR)	Position	Fixed remuneration	Variable remuneration		Total	Deferred remuneration	Termination benefits	Bonuses - insurance	Vehicle	Paying back of bonuses	Gross total:	Net total:	Cost reimbursements
			quantitative criteria	qualitative criteria									
Darko Hrastnik	President of the Management Board	168,975	0	0	0	0	0	5,753	9,776	0	184,504	72,464	66
Branko Bračko	Member of the Management Board	157,401	0	0	0	0	0	5,657	9,847	0	172,905	70,511	1,053

REMUNERATION OF THE MEMBERS OF THE SUPERVISORY BOARD AND THE COMMITTEES OF THE SUPERVISORY BOARD

2022		Basic salary for the performance of duties	Remuneration for the performance of duties		Total	SB and committee meeting allowances	Gross total:	Net total:	Travel expenses
(in EUR)	Position		Additional remuneration for special duties	tasks					
	Branko Pavlin	531	88	0	619	0	619	450	0
	Simona Razvornik Škofič	12,068	4,114	0	16,182	5,025	21,207	15,289	1,169
	Jože Golobič	354	133	0	487	0	487	354	0
	Rajko Stankovič	354	88	0	442	0	442	322	0
	Saša Koren	10,971	2,743	0	13,714	3,957	17,671	12,716	0
	Boris Brdnik	10,057	2,514	0	12,571	2,650	15,221	10,934	0
	Franc Dover	15,926	2,654	0	18,580	3,424	22,004	15,868	297
	Andreja Potočnik	10,388	6,064	0	16,452	5,824	22,276	16,066	1,712
	Boštjan Napast	10,617	0	0	10,617	1,644	12,261	8,782	0
	Milan Potočnik	914	229	0	1,143	503	1,646	1,197	0
	Blanka Vezjak	0	2,425	0	2,425	1,845	4,270	3,106	274

2021		Basic salary for the performance of duties	Remuneration for the performance of duties		Total	SB and committee meeting allowances	Gross total:	Net total:	Travel expenses
(in EUR)	Position		Additional remuneration for special duties	tasks					
	Branko Pavlin	14,811	2,468	0	17,279	2,264	19,543	14,060	351
	Simona Razvornik Škofič	10,861	3,703	0	14,564	3,914	18,478	13,286	935
	Jože Golobič	9,874	3,703	0	13,577	2,415	15,992	11,477	351
	Rajko Stankovič	9,874	2,468	0	12,342	3,914	16,256	11,670	1,010
	Saša Koren	9,874	2,468	0	12,342	3,060	15,402	11,049	0
	Boris Brdnik	9,874	2,468	0	12,342	2,999	15,341	11,005	0
	Blanka Vezjak	0	2,468	0	2,468	1,491	3,959	2,880	91

REMUNERATION OF EMPLOYEES EMPLOYED ON THE BASIS OF INDIVIDUAL CONTRACTS OF EMPLOYMENT

2022 (in EUR)	Gross values					Gross total:	Net values					Net total
	Short-term employee benefits	Post-employment benefits	Other long-term employee benefits	Termination benefits	Share-based payments		Short-term employee benefits	Post-employment benefits	Other long-term employee benefits	Termination benefits	Share-based payments	
Employees employed on the basis of individual contracts of employment	4,389,017	0	0	0	0	4,389,017	2,492,765	0	0	0	0	2,492,765

2021 (in EUR)	Gross values					Gross total:	Net values					Net total
	Short-term employee benefits	Post-employment benefits	Other long-term employee benefits	Termination benefits	Share-based payments		Short-term employee benefits	Post-employment benefits	Other long-term employee benefits	Termination benefits	Share-based payments	
Employees employed on the basis of individual contracts of employment	3,900,492	0	0	0	0	3,900,492	2,169,213	0	0	0	0	2,169,213

10.13 PROPOSED DISTRIBUTION OF BALANCE SHEET PROFIT OF THE CURRENT YEAR

The Management Board adopted the audited financial statements by its decision of 26/4/2023.

Established distributable profits of the 2022 financial year subject to the audited annual financial statements of the company for 2022 amount to EUR 14,246,269. The Management Board proposes that distributable profits remain undistributed.

Distributable profits of the 2022 financial year consist of net profits amounting to EUR 5,075,396, profit from previous years brought forward amounting to EUR 11,759,063 and is reduced by non-current deferred development costs amounting to EUR 2,588,190.

10.14 ENVIRONMENTAL/CLIMATE RISK ASSESSMENT AND THEIR EFFECT ON OUR FINANCIAL STATEMENTS

Environmental management is increasingly associated in UNIOR d.d. not only with environmental/climate impacts but also with financial resources. By ensuring compliance with all statutory and environment-protection objectives, the Group strives in the long run to rationalise the consumption of primary resources, increase the consumption of RES, their re-use from the viewpoint of circular economy and by substituting existing methods, technologies, and materials with a higher impact on the environment with more optimal ones whenever feasible and rational. The management of environmental/climate impacts is also understood as an opportunity to generate revenue. Such activities are prioritised in Slovenia in UNIOR d.d.

Environmental/climate impact management costs in UNIOR d.d. in 2022

Type of cost	(in EUR)
Waste management	253,834
Water - consumption	149,499
Water - waste water treatment, operation of our own waste water treatment plant	146,051
Water - installation of the Vitanje biological waste water treatment plant	32,005
Energy products, emissions	10,496,696
Co-investment in a district heating network to increase the recovery of waste heat	208,864
Depreciation and financing of other environment-friendly investments	24,163
Environment management-related labour costs	647,937
Environment awareness training costs - internal training has not been evaluated	6,990
Environmental tax, water treatment levy	48,824
Total costs of environment-related external contractors	111,692
TOTAL	12,126,555

Environmental/climate impact management costs in UNIOR d.d. in 2022 amounted to EUR 12,126,555. Energy products account for the majority thereof (EUR 10.5 million). In 2022, the Company co-invested EUR 208,864 in the district heating network to increase the recovery of waste heat. This investment will generate energy savings and consequently lower energy costs in the future.

Environment management-related labour costs amounted to EUR 647,937, whereas EUR 111,692 were spent on services provided by environment-related external contractors. EUR 376,379 were spent on comprehensive water management - from the consumption of water, the treatment of waste water to the water treatment levy. Waste management also accounted for EUR 253,834 in important costs. For a more detailed description of our environmental impacts, please refer to Section 6.4.

Revenue related to environmental/climate impacts in UNIOR d.d. in 2022

Type of revenue related to environmental/climate impacts	(in EUR)
Sales of waste - secondary raw material	8,546,542
RES - sales of electricity	470,412
TOTAL	9,016,954

The recyclability of the used resources has great potentials for realising revenue from secondary raw materials. UNIOR d.d. generated EUR 8,546,542 in revenue in this area in 2022. By selling electricity generated from RES, the Company generated EUR 470,412 in revenue.

10.15 EVENTS AFTER THE REPORTING PERIOD IN UNIOR d.d.

CONCLUSION OF A NEW SYNDICATED LOAN AGREEMENT

On 25/4/2023, UNIOR d.d. concluded a new syndicated loan agreement for a period of 7 years with a syndicate of four commercial banks. This established a long-term stable balance between non-current and current financial liabilities which was destroyed as at the balance on 31/12/2022 on account of the fact that the financial liabilities of the Company refinanced in 2016 became repayable on 30/6/2023 and the Company posted most of its financial liabilities as current. As a result, the actual repayments of non-current financial liabilities in the 2023 financial year will thus amount to EUR 7,636,096 instead of EUR 55,737,337 as posted in the financial position statement and the notes to the statement in this Annual Report drawn up for the 2022 financial year as at 31/12/2022. By signing the syndicated loan agreement, the Company obtained additional required liquidity sources to optimise its working capital needs and provided for financing of investments in restorations and increasing production capacities required in the future periods. Subject thereon, the Company has provided for the basic pre-conditions for growth and development in compliance with the targets set.

ENERGY AID FOR THE ECONOMY

Pursuant to the Act Determining the Aid to the Economy to Mitigate the Consequences of the Energy Crisis (ZPGOPEK), UNIOR d.d. is foreseen to receive EUR 1.3 million in state grants in the 2023 financial year. The Act stipulates that any eligible company which has availed itself of the aid to the economy shall notify the competent authority within two months of any disbursement of dividends that has been carried out within the respective company from the entry of the Act into force in 2023 or for 2023. In that event, the received aid shall be reimbursed within 30 days following the service of the respective decision issued by the competent authority in addition to statutory interest.

ACCRUALS AFTER THE REPORTING PERIOD

After the reporting period, there were no significant accruals which would have a material impact on the financial statements of UNIOR d.d. for 2022 or which would have required additional disclosure.

10.16 STATEMENT ON THE RESPONSIBILITY OF MEMBERS OF THE MANAGEMENT BOARD

The Management Board of the Company shall be responsible for drawing up the UNIOR d.d. Annual Report and its financial statements so that they present a true and fair view of the financial standing and operating results of UNIOR d.d. in 2022 to the interested public.

In compliance with Article 134 of the Market in Financial Instruments Act (ZTFI-1), the Management Board of the company declares to the best of its knowledge that the Financial Statement of UNIOR d.d. has been drawn up in compliance with International Financial Reporting Standards as adopted by the European Union and gives a true and fair view of the financial situation and operating results of UNIOR d.d. as a whole and that the Business Report of UNIOR d.d. includes a fair review of the developments and operating results and financial position of UNIOR d.d., including a description of material types of risks UNIOR d.d. as a whole is exposed to.

The Management Board of the company hereby adopts and confirms the financial statements including associated policies and notes of the company for the year 2022.

The Management Board hereby confirms to have diligently applied the appropriate accounting policies, that accounting estimates have been made subject to the fair value, precautionary and due diligence principles and that its financial statements give a true and fair view of the financial situation and operating results of the company in 2022.


The Management Board is also responsible for adequate accounting, adopting corresponding decisions to safeguard its property and other assets and for the prevention and detection of fraud and other irregularities or illegal acts. The Management Board also confirms that the Financial Statements including notes are drawn up on the basis of going concern of the company and in compliance with the legislation in force and International Financial Reporting Standards as adopted by the European Union.

At any time within a period of five years following the lapse of the year in which taxes shall be levied, the tax authorities may audit the operations of the company which may consequently result in additional tax liabilities, default interest and penalties arising from corporate income tax or other taxes and levies. The Management Board of the company is not aware of any circumstances which could give rise to this kind of material liability.

In Zreče, on 26/4/2023

President of the Management Board

Darko Hrašnik



Member of the Management Board:

Branko Bračko



10.17 INDEPENDENT AUDITOR'S REPORT



Independent Auditor's Report on the Consolidated Financial Statements

To the owners of UNIOR d.d.

Opinion

We have audited the consolidated financial statements of **UNIOR d.d.**, its subsidiaries (hereinafter referred to as the "Group") including the consolidated statement of financial position as at 31 December 2022, consolidated income statement, consolidated other comprehensive income statement, consolidated change in equity statement and consolidated cash flow statement for the year then ended and notes to financial statements, including a summary of significant accounting policies and other explanatory information.

We believe that the enclosed consolidated financial statements give a true and fair view of the financial situation of the Group on 31 December 2022, its profit and loss statement and cash flows for the year then ended in accordance with the international financial reporting standards, as adopted by the European Union, in all material respects.

Grounds for our opinion

The audit was carried out pursuant to the International Auditing Standards (IAS) and Regulation (EU) No. 537/2014 of European Parliament and the Council of 16 April 2014 on specific requirements regarding statutory audits of public-interest entities ("Regulation (EU) No. 537/2014 of the European Parliament and Council). Our responsibilities based on these standards are described in this report in the paragraph entitled Auditor's Responsibility for the Audit of Consolidated Financial Statements. In accordance with the Code of Ethics for Professional Accountants, issued by the International Ethics Standards Board for Accountants (Code IESBA), and ethical requirements relating to the auditing of the consolidated financial statements in Slovenia, we confirm our independence from the Company and our compliance with all other ethical obligations in accordance herewith and the IESBA Code.

The audit evidence obtained is believed to be sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of matter

As at 31/12/2022, the Group discloses current liabilities to banks amounting to EUR 84,651, resulting primarily from the transfer of a portion of non-current financial liabilities to current financial liabilities to banks taking into account the loan agreement applicable on 31/12/2022. As disclosed in the financial statements of the Annual Report of the Group in Note 9.14 "Events after the reporting period in the UNIOR Group", the parent company and an important subsidiary in Slovenia concluded a new non-current loan agreement on the refinancing of the financial liabilities of the parent company and the important subsidiary in Slovenia with creditor banks on 25/4/2023 which has a positive impact on the maturity, the repayment of financial liabilities and the financing of the working capital of the Group. Our opinion has not been modified in light of this matter.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were taken into account while auditing the consolidated financial statements as a whole and in forming our opinion about them. No separate opinions on these matters shall be made. In addition to the matter described in the "Emphasis of matter" paragraph, the matters described below have been identified as key audit matters.

The auditor has met all the obligations described in the "Auditor's responsibility for auditing the financial statements" paragraph including all obligations related to these matters. As a result, the audit included the performance of procedures laid down on the basis of our assessment of risk of a material misstatement in the consolidated financial statements. The results of our audit procedures including the procedures performed in relation to the matters listed below serve as the basis for our audit opinion on the enclosed consolidated financial statements.

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Non-current investments in subsidiaries

<p>As at 31/12/2022, the value of non-current investments in subsidiaries amounts to EUR 21,041 and accounts for 9 per cent of total assets of the Company. In the financial statements, non-current investments in subsidiaries are measured at cost less the accumulated impairment losses.</p> <p>The Management Board of the Company draws up the financial statements by assessing the existence of indicators of any impairment of investments in subsidiaries subject to internal and external sources of information which could suggest their potential impairment. The impairments of investments in subsidiaries in the 2022 financial year amounting to EUR 642 thousand are recorded among financial expenses from impairment and write-offs of investments.</p> <p>The existence of impairment indicators of investments in subsidiaries, the performed impairment tests, and the assessment of the recoverable value of non-current investments in subsidiaries were material for our audit as they require material assessments and estimates. On account of the materiality of non-current investments in subsidiaries in the total assets of the Company and the integrated degree of subjectivity while assessing the existence of indicators of impairment of non-current investments in subsidiaries and performed impairment tests, this was identified as a key audit matter.</p>	<p>Audit procedures included an assessment of the adequacy of the accounting policies of the company associated with the assessment of the existence of impairment indicators of non-current financial investments in subsidiaries and their compliance with the International Financial Reporting Standards. The following audit procedures were performed among others:</p> <ul style="list-style-type: none"> the design and performance of control procedures by the Management Board, on the basis of which impairment tests and the assessment of the existence of indicators of impairment of investments in subsidiaries are carried out, was assessed; the appropriateness of internal and external sources of information which constitute the basis for the assessment of the Management Board on the existence of indicators of impairment of investments in subsidiaries was assessed; the performed impairment tests of investments in subsidiaries were tested and the appropriateness of the assumptions used in recoverable amount assessments was verified; an audit expert (accredited company valuer) was included in the auditing team to provide assistance in assessing the appropriateness of the assessed recoverable value of financial investments in subsidiaries; The completeness and appropriateness of the disclosures in the Annual Report of the Company related to non-current investments in subsidiaries as presented by the Management Board of the Company in the financial statements of the Annual Report in Section 10.7.4 "Non-current investments" were reviewed.
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Land measured at fair value

<p>The value of land measured at fair value in line with the used accounting policy of the Company as at 31/12/2022 amounts to EUR 12,588 and accounts to 5 per cent of total Company assets.</p> <p>While drawing up the financial statements for the 2022 financial year, the Management Board of the Company assessed the arising of circumstances in the 2022 financial year which could have a material impact on the assessed fair value of land for financial reporting purposes as at 31/12/2021. An audit expert (accredited real estate appraiser) of the Management Board assessed on the basis of a performed market analysis of change in value of comparable land in 2022 that the assessed fair value of land as at 31/12/2021 constitute the appropriate basis for the disclosed fair value of land in the financial statements of the Company as at 31/12/2022.</p> <p>The assessment of the Management Board on the arising of circumstances which could have a material impact on the assessed fair value of land was material for our audit.</p>	<p>The appropriateness of the accounting policies used by the Company in relation to measuring the fair value of land, their consistency with IAS 16 (Property, Plant and Equipment) and IFRS 13 (Fair Value Measurement) was assessed as part of our performance of audit procedures and the following audit procedures were performed among others:</p> <ul style="list-style-type: none"> the appropriateness of the assessment of the Management Board on the arising of circumstances in the 2022 financial year which could have a material impact on the disclosed fair value of land as at 31/12/2022 was assessed; an audit expert (accredited real estate appraiser) was included in the auditing team to provide assistance in assessing the appropriateness of the disclosed book fair value of land as at 31/12/2022 and of the performed market analysis of change in value of comparable land in the 2022 financial year; <p>the appropriateness of the used assumptions, value assessment methods and</p>
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<p>audit as it requires material assessments and estimates. On account of the materiality of the assessed fair value of land in the total assets of the Company and the integrated degree of subjectivity in the assessments made by the Management Board, it was identified as a key audit matter</p>	<p>input data on which the assessed opening fair value of land for financial reporting purposes as at 31/12/2021 is based was assessed;</p> <ul style="list-style-type: none"> the completeness and appropriateness of the disclosures in the Annual Report of the Company related to land measured at fair value as presented by the Management Board of the Company in the financial statements of the Annual Report in Section 10.7.2 "Property, plant and equipment".
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Net revenue from sales

<p>Net revenue from sales for the 2022 financial year amount to EUR 204.557 thousand and increased by 21 per cent compared to the preceding year. As noted in Section 10.6.2.4 "Summary of Significant Accounting Policies and Disclosures, revenue by business segment (Forge, Hand Tools and Special Machines) are recognised differently, by taking into account IFRS 15 (Revenue from Contracts with Customers) and a 5-step recognition model.</p> <p>Net revenue from sales is one of the key performance indicators of the Company. On account of the materiality of this accounting item, the complex generated revenue recognition method by business segment in compliance with IFRS 15 and the risks related to its appropriate recording, recognising revenue from sales has been identified as a key audit matter.</p>	<p>Audit procedures included an assessment of the adequacy of the accounting policies of the company associated with the recognition of revenue and their compliance with the International Financial Reporting Standards. The following audit procedures were performed among others:</p> <ul style="list-style-type: none"> an understanding of accounting policies used in relation to recognising revenue generated by business segment in compliance with IFRS 15 was obtained. the design and implementation of internal controls related to recognising revenue generated by business segment with an emphasis on key controls were learnt and assessed; the operating efficiency of key controls material for recognising revenue generated by business segment was tested; data testing analytical procedures related to revenue generated by all business segments were performed; a detailed test on a selected sample of revenue generated by business segment was performed; <p>the completeness and appropriateness of the relevant disclosures in the financial statements related to net revenue from sales presented by the Management Board in the financial statements of the Annual Report in Section 10.8.1. "Net revenue from sales by geographical and business segment" were reviewed.</p>
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Other information

The Management Board is liable for other information. Other information comprises information in the Annual Report, with the exception of financial statements and the auditor's report on the latter,

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

Our responsibility with regard to the conducted audit of the financial statements is to read other information and estimate whether it is significantly non-compliant with the financial statements, regulatory requirements or our knowledge, obtained during the audit of the Company, or whether it indicates being significantly incorrect any other way. If the work performed gives rise to the conclusion that there is significant misstatement of other information, such circumstances shall be reported. With regard to the stated and on the basis of the described procedures, it is hereby reported that:

- other information is, in all material respects, consistent with the audited separate financial statements;
- other information is drawn up in accordance with the applicable laws and regulations, and;

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Share capital: EUR 15,957.45 EUR | Registration number: 3959023000 | Tax number: SI 8105571



- on the basis of knowledge and understanding of the Group and its environment obtained during the audit, no material misstatements in connection with other information have been established.

Responsibility of the Management and Supervisory Board for the consolidated financial statements

The Management Board is responsible for drawing up and providing a fair view of these consolidated financial statements in accordance with the International Financial Reporting Standards as adopted by the EU and for such internal control, in accordance with the decision of the Management Board, which shall enable the drawing up of consolidated financial statements which shall no significant misstatement due to fraud or error.

When drawing up the consolidated financial statements of the Group, the Management Board's responsibility is to estimate the ability of the Group to continue as a going concern, to disclose matters related to the going concern and to use the assumption of the going concern as a basis for accounting, unless the Management Board of the Company intends to liquidate the Company or suspend business operations or has no other possibility than to perform one or the other.

The Supervisory Board is responsible for monitoring the drawing up of the consolidated financial statements and approving the audited consolidated annual report.

Auditor's responsibility for auditing consolidated financial statements

Our objectives are to obtain reasonable assurance that the consolidated financial statements as a whole do not contain any material misstatements due to fraud or error and to compile the auditor's report which includes our opinion. Reasonable assurance is a high level of assurance, but not a guarantee, that the audit, conducted in accordance with the IAS and Regulation (EU) No. 537/2014 of the European Parliament and Council, always establishes a material misstatement, if it exists. Misstatements may arise from fraud or error and are considered material if it is reasonable to expect that they would individually or jointly affect the economic decisions of the users adopted on the basis of these consolidated financial statements.

During the conduct of the audit in accordance with IAS and Regulation (EU) No. 537/2014 of the European Parliament and Council, we exercise professional judgement and maintain a professional distrust. We also:

- identify and assess the risks of material misstatements in the consolidated financial statements, whether due to error or fraud, form and perform audit procedures in response to the assessed risks and obtain sufficient and suitable audit evidence, which provide the basis for our opinion. The risk of not identifying a material misstatement arising from fraud is higher than the risk associated with an error, as fraud can also include collusive arrangements, counterfeiting, deliberate omission, misinterpretation or evasion of internal controls;
- we gain an understanding of internal controls which are important for the audit, namely with the aim of creating audit procedures suitable for the circumstances, but not with a view to express an opinion on the effectiveness of the Group's internal controls.
- estimate the suitability of the applied accounting policies and the acceptability of the accounting estimates and related disclosures of the Management Board;
- on the basis of the acquired audit evidence of the existence of significant uncertainty regarding the events or circumstances, which raise doubts about the capacity of the Group to continue as a going concern, we adopt a decision on the suitability of the managements 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 material noted disclosures in the consolidated financial statements in the auditor's report, or, if such disclosures are inadequate, adjust our opinion. The auditor's conclusions are based on the audit evidence obtained up to the date of the issuance of the auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern; we shall evaluate the general presentation, structure and content of the consolidated financial statements, including disclosures, and estimate whether the consolidated financial statements represent the respective business transactions and events in such a manner that ensures a fair view thereof;
- during the audit of the Group, obtain sufficient and appropriate audit evidence with regard to the financial information and business activities of the Group in order to be able to express an opinion on the consolidated financial statements. We are liable for appropriate guiding, controlling, and auditing the Group. At the same time, we are solely liable for our auditor's opinion;
- the Audit Committee and the Supervisory Board shall also be notified of the planned scope and duration of the audit procedure and material findings of the audit, including weaknesses in internal controls established during the audit.

The Audit Committee and the Supervisory Board also received our declaration of compliance with all ethical independence requirements and were notified of all relations and other matters which could be reasonably considered to impact our independence. Related measures were also reported.

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The most significant matters during the audit of the consolidated financial statements of the current period were identified as key audit matters out of all matters which the Audit Committee and the Supervisory Board were notified of. Unless the law or regulations prevent their public disclosure and save in the rare and extraordinary circumstance when it can be reasonably expected that the harmfulness of the aftermath of reporting in a specific matter would override public interest, these matters are described in the Auditor's Report.

Report on other statutory and regulatory requirements

Other reporting requirements in compliance with Regulation (EU) No. 537/2014 of the European Parliament and Council

Appointment and confirmation of the auditor

We were appointed the statutory auditor of the parent company and Group for the first time by the owners of the Company for the 2022, 2023, and 2024 financial years at the General Meeting of Shareholders held on 6/7/2022.

Consistency with the additional report to the Audit Committee

Our opinion on the consolidated financial statements herein is consistent with the additional report to the Audit Committee of the Group issued on the same day at the Auditor's Report.

Provision of Non-audit Services

We hereby declare that no prohibited non-audit services referred to in the Article 5(1) of Regulation (EU) No. 537/2014 of the European Parliament and the Council were provided to Group companies and our independence from the audited Group companies was ensured.

In addition to the mandatory audit and services disclosed in the Annual Report and the Consolidated Financial Statements, no other services were provided for Group companies.

Auditor's report on the compliance of the consolidated financial statements in electronic format with the requirements of the Delegated Regulation 2019/815 on a single electronic reporting format

We provided a reasonable assurance engagement on whether the audited consolidated financial statement of the Group for the financial year ending on 31/12/2022 were drawn up in compliance with the requirements of the Commission Delegated Regulation (EU) 2019/815 of 17 December 2018 supplementing Directive 2004/109/EC of the European Parliament and of the Council with regard to regulatory technical standards on the specification of a single electronic reporting format, applicable for 2022 (hereinafter referred to as "Delegated Regulation").

Responsibility of the Management and Supervisory Board

The Management Board is responsible for the preparation and correct presentation of the audited consolidated financial statements in electronic format in accordance with the requirements of the Delegated Regulation and for internal control, in accordance with the decision of the Management Board, to enable the preparation of the consolidated financial statements in electronic format in a way that they contain no significant misstatements due to fraud or error.

The Supervisory Board is responsible for controlling the drawing up of the audited consolidated financial statements in electronic format in compliance with the requirements of the Delegated Regulation.

Responsibility of the auditor

The auditor is responsible for providing reasonable assurance engagement and reaching a conclusion on whether the audited consolidated financial statements have been drawn up in compliance with the requirements of the Delegated Regulation. Our reasonable assurance engagement was provided in compliance with the International standard on assurance engagements 'Assurance engagements other than audits or reviews of historical financial information' - 3000 (ISAE, 3000) issued by the International Auditing and Assurance Standards Board (IAASB). Subject to this standard, the transaction shall be planned and implemented in a way that allows us to obtain reasonable assurance for our conclusion.

The auditor performed their work in compliance with independence and ethical requirements of the Code of Ethics for Professional Accountants issued by the International Ethics Standard Board for Accountants. The Code has been designed on the basic principles of integrity, objectivity, professional competence and required due diligence, confidentiality and professional conduct. Our company operates in compliance with the International Standard on Quality Management (ISQM-1) subject to which it maintains a comprehensive quality management system, included documented policies and procedures in respect of ethical requirements, professional standards and legal and regulatory requirements in force.



Summary of the performed work

The following procedures of an auditing nature were performed as part of our work:

- the risk of material non-compliance of the audited consolidated financial statements with the requirements of the Delegated Regulation due to fraud or error was recognised and assessed,
- an understanding of internal controls required for the assurance engagement transaction was obtained allowing us to establish proper procedures in the given circumstances without providing an opinion on the level of effectiveness of internal controls;
- it was assessed whether the received audited consolidated financial statements comply with the requirements of the Delegated Regulation effective at the reporting date;
- reasonable assurance that the audited consolidated financial statements of the issuer are presented in the correct XHTML electronic format was provided,

The obtained evidence is believed to serve as a sufficient and adequate basis for our conclusion.

Conclusion

On the basis of performed procedures and obtained evidence, it is our view that the audited consolidated financial statements of the Group for the financial year ending on 31/12/2022 have been drawn up in compliance with the requirements of the Delegated Regulation in all material aspects.

In Ljubljana, done on 26 April 2023

MAZARS, družba za revizijo, d.o.o.

Jure Marko
Certified auditor
handwritten signature
signature illegible