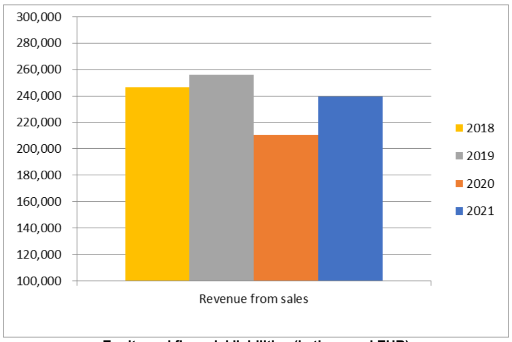
ANNUAL REPORT 2021

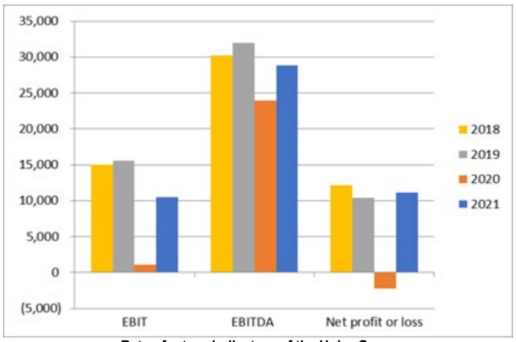
Key performance data of the UNIOR Group

(in thousand EUR)	2021	2020	2019	2018
Profit or loss				
Revenue from sales	239,699	210,240	255,994	246,453
EBIT	10,486	1,128	15,557	14,991
EBITDA	28,792	23,931	31,974	30,188
Net profit or loss	11,091	(2,196)	10,433	12,155
Financial situation				
Total assets	365,577	341,402	374,839	370,394
Total equity	176,323	162,852	172,897	166,446
Financial liabilities	114,817	106,428	123,346	124,762
Operating liabilities	63,550	61,301	66,413	67,346
Rate of return indicators				
EBIT margin (in %)	4.37	0.54	6.08	6.08
EBITDA margin (in %)	12.01	11.38	12.49	12.25
ROA – return on assets (in %)	3.14	(0.61)	2.80	3.31
ROE – return on equity (in %)	6.76	(1.30)	6.34	7.77
Financial reliability ratios				
Equity / total assets (in %)	48.23	47.70	46.13	44.94
Net financial liabilities / EBITDA	3.49	3.66	3.32	3.67
Productivity ratio				
Gross added value per employee (in EUR)	36,178	32,197	34,621	32,384
Employees				
Unior and subsidiaries – year-end	2,772	2,808	3,018	3,187

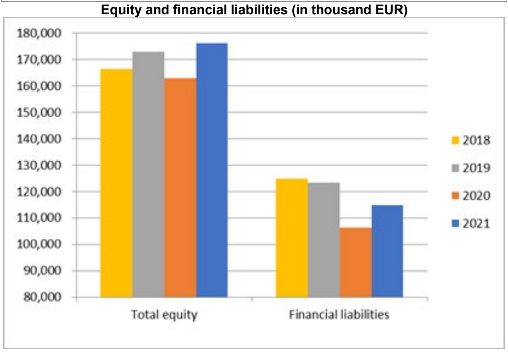
Revenue from sales (in thousand EUR)



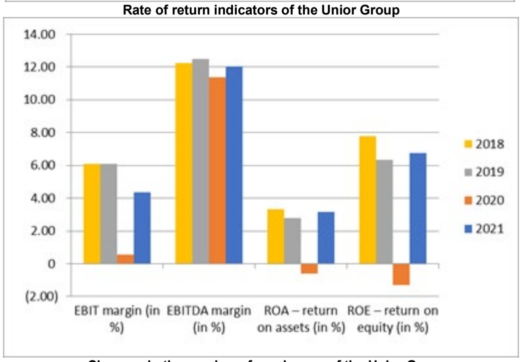
EBIT, EBITDA and net profit or loss (in thousand EUR)



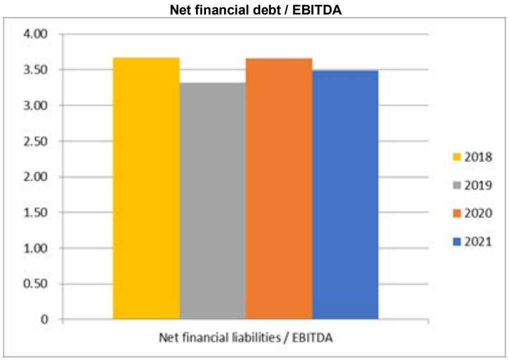
Equity and financial liabilities (in thousand EUR)



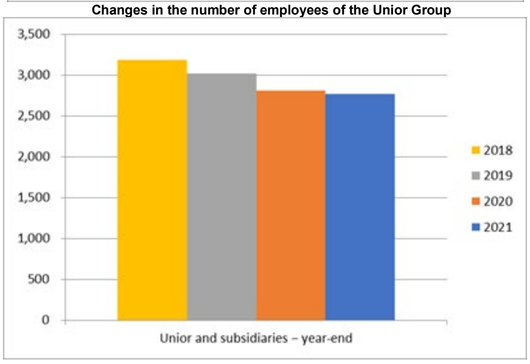
Rate of return indicators of the Unior Group



Net financial debt / EBITDA



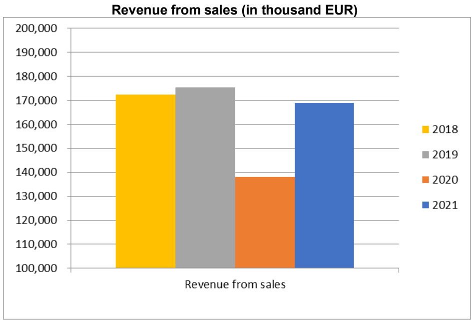
Changes in the number of employees of the Unior Group



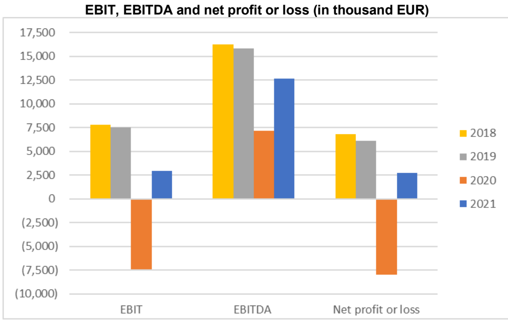
Key performance data of UNIOR d.d.

(in thousand EUR)	2021	2020	2019	2018
Profit or loss				
Revenue from sales	168,975	138,055	175,336	172,365
EBIT	2,943	(7,403)	7,526	7,795
EBITDA	12,663	7,148	15,859	16,274
Net profit or loss	2,746	(7,959)	6,124	6,795
Financial situation				
Total assets	236,189	221,730	251,492	252,105
Total equity	94,185	91,939	99,923	95,864
Financial liabilities	91,839	84,522	103,201	105,977
Operating liabilities	44,941	40,047	43,208	45,371
Rate of return indicators				
EBIT margin (in %)	1.74	(5.36)	4.29	4.52
EBITDA margin (in %)	7.49	5.18	9.04	9.44
ROA – return on assets (in %)	1.20	(3.36)	2.43	2.73
ROE – return on equity (in %)	2.99	(7.97)	6.46	7.63
Financial reliability ratios				
Equity / total assets (in %)	39.88	41.46	39.73	38.03
Net financial liabilities / EBITDA	7.10	11.41	6.14	6.14
Productivity ratio				
Gross added value per employee (in EUR)	37,720	32,195	37,337	36,374
Employees				
Employees – year-end	1,624	1,666	1,797	1,825

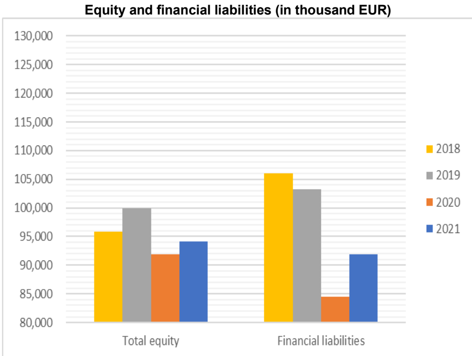
Revenue from sales (in thousand EUR)



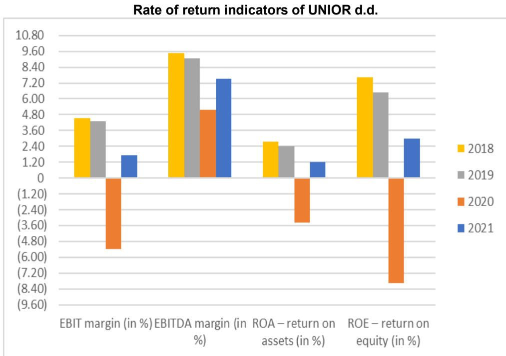
EBIT, EBITDA and net profit or loss (in thousand EUR)



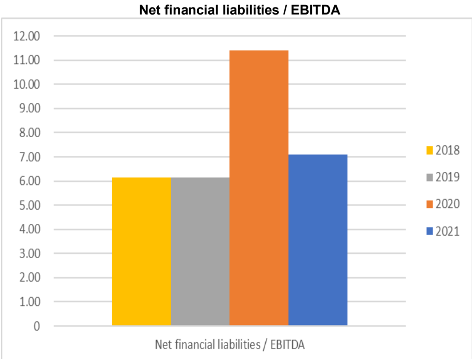
Equity and financial liabilities (in thousand EUR)



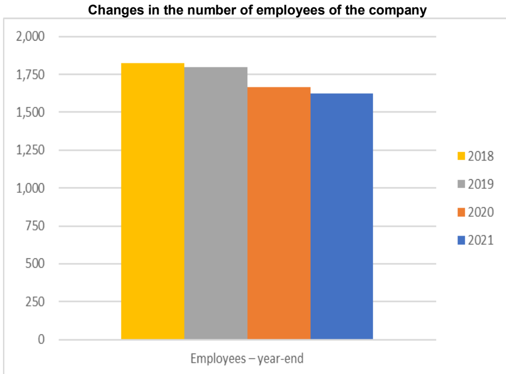
Rate of return indicators of UNIOR d.d.



Net financial liabilities / EBITDA



Changes in the number of employees of the company



CONTENTS

1 LETTER FROM THE PRESIDENT OF THE MANAGEMENT BOARD

Dear shareholders, business partners and colleagues,

In 2021, global economic activity was at a high level compared to 2020, a year characterised by the outbreak of the COVID-19 coronavirus disease pandemic. Nevertheless, the economic recovery and even more rapid economic growth were inhibited by a wide variety of supply chain issues and the spread of new coronavirus strains.

Growing demand and a strong rebound in global economic activity on the one hand and the re-introduction of stricter measures intended to contain the spread of the coronavirus on the other led to a shortage of production and transport capacities which, in turn, led to a significant shortage of raw materials and intermediate products. This shortage was the most pronounced in the automotive industry, as manufacturers were faced with a severe shortage of electronic built-in components, so-called semi-conductors or 'chips', which brought the production of vehicles during the second half of the year to a near halt. As a result, one of the industries most affected by the COVID-19 pandemic in 2020 was still unable to fully recover in 2021. This time round, it did not experience any issues with low customer demand, but with delayed vehicle deliveries, as a shortage of spare parts prevented automotive manufacturers from completing ordered cars that customers had to wait a minimum of six months and of a maximum of a whole year for.

Operations in 2021 were also characterised by unexpected soaring prices of materials and energy products, as increased industrial production and supply chain disruptions prevented raw materials supplied to the market from satisfying the extremely high demand. In the context of soaring costs, declining unemployment, a lack of qualified human resources and extreme gaps between supply and demand on the global markets, inflation and employee salary increase pressures were also on the rise.

In 2021, record high prices of steel scrap and alloy surcharges led to rising purchase prices of the most important raw materials for our company, steel and sheet metal, transferred with a time delay to our customers in compliance with sales agreements. It has been estimated that the above resulted in a profit of UNIOR d.d. and the whole UNIOR Group EUR 2.3 million or almost three million euros lower, respectively, than could have been generated at constant prices subject to the achieved sales volume. As early as at the beginning of the year, our tourism activity additionally negatively impacted the profit of the UNIOR Group by EUR 2.2 million on account of the loss of the entire winter season resulting from restricted operations of our tourism centres by reason of measures intended to prevent the spread of the COVID-19 diseases during the winter months. At the end of the year, a shortage of supply led to soaring prices of energy products, primarily electricity and natural gas. Nevertheless, owing to pre-acquired quantities, our 2021 costs were preserved at sustainable prices compared to the majority of other companies.

During the first half of 2021, the operations of the Forge Programme were characterised by an unexpected conjuncture at odds with the personal car market sales projections and trends. At the time, it was challenging to provide the required number of employees and input raw materials, primarily steel. In the autumn, primarily in October and November, the shortage of chips and other built-in components in the automotive industry used to assemble cars resulted in a sharp decrease of orders and business volume. The situation led to the first automotive industry crisis not caused by a shortage of demand but by a shortage of supply of both new and used vehicles on the market. It bodes well for us that we supply connecting rods for the automotive industry almost exclusively for petrol engines, which are also installed into hybrid vehicles which have been recording a consistent growth in sales. No trend of growing sales of electric vehicles in relation to a decrease in orders of our connecting rod assortment has been directly identified so far.

In 2021, the operations of the Hand Tools Programme were characterised by a significant and unexpected growth in revenue and a good financial result. A portion of exceptional orders resulted from the first fitting of recently opened bicycle repair workshops. However, these sales are only made once and at the beginning of operations of a bicycle repair workshop. The second portion was increased sales via regular sales channels as the closure of markets on account of the pandemic had led to reduced operations and inventories in 2020. In 2021, our production capacities operated at full capacity and, on average, experienced a very high volume of orders. A higher sales volume was also experienced in the industry segment of setting up metal packaging at the workplace.

2021 marked one of the toughest years in the history of the Special Machines Programme which experienced extremely negative repercussions of the complete halt of manufacturing in the automotive industry upon the outbreak of the coronavirus pandemic in 2020, when automotive manufacturers started to tread more carefully in ordering new capital goods. This manifested itself in a shortage of orders for Special Machines in 2021 which meant a too low scope of operations and, consequently, a poor financial result. In mid-2021, new equipment procurement needs resumed and our customers gradually began making their foreseen investments. In addition to an increased volume of obtained orders, it is also important to note that, on average, the sales prices could be maintained or increased. A strong downward pressure on prices has been exerted during the past two years of the pandemic for those rare projects on the market, leading to strong pressure on sales prices.

In terms of the achieved key indicators, UNIOR d.d. operated much better in 2021 than in incomparable 2020. However, indicator values are yet to achieve those achieved in the pre-COVID-19-pandemic years. It should be noted that the majority of economic trend analyses in the second half of 2020, before supply chain issues in the industry were to occur, predicted that the recovery of the industry would take a minimum of two years.

In 2021, UNIOR d.d. generated EUR 169 million in net revenue from sales, representing a EUR 31 million or 22.4 per cent increase compared to 2020 and exceeding our 2021 plan by 3 per cent. The 2021 financial year ended with EUR 2.7 million in profit, indicating a EUR 10.7 million better result than in 2020 when the negative effects of the coronavirus pandemic were accompanied by EUR 4.3 million in negative effects of revaluation upon the disposal of our investment property in Maribor; on the other hand, EUR 5.6 million in government grants were received in 2020 and EUR 241 thousand in 2021 to mitigate the effects of the pandemic in UNIOR d.d. in compliance with intervention legislation. The net profit in 2021 was also positively affected by EUR 0.8 million in deferred taxes which positively affected the net profit in 2020 in the amount of EUR 2.3 million. The net profit of 2021 is EUR 0.3 million lower than planned.

As early as at the beginning of 2021, the operations of the UNIOR Group were affected by the negative effect of the COVID-19 disease pandemic as the restrictive measures intended to prevent the spread of coronavirus infections brought the operations of the UNIOR Group tourism activity almost to a halt. During the first four months of the year, revenue from sales of Unitur d.o.o. operating in this industry was realised only within the limits of the rare allowed activities. All its operations were not allowed to resume until mid-June. During the second half of 2021, the situation improved. The tourism vouchers provided by the state to all citizens of Slovenia for tourism services in Slovenia had a beneficial effect on its operations. Unlike December 2020 when our tourism centres had to close again on account of the restrictive measures against the coronavirus, December 2021 experienced favourable weather conditions. As a result, Rogla was able to launch its skiing season as early as on 3/12/2021 and was thus able to partially compensate for the downtime at the beginning of the year.

Issues related to the shortage of semi-conductors or ‘chips’ for the automotive industry in the second half of 2021 did not affect only the Forge Programme in UNIOR d.d. but also Unior Vinkovci in Croatia and Ningbo Unior Forging in China which also forge forgings for the automotive industry.

In 2021, the UNIOR Group generated EUR 239.7 million in net revenue from sales, representing a EUR 29.5 million or 14 per cent increase compared to 2020 and exceeding our 2021 plan by 1.1 per cent. The 2021 financial year ended with EUR 11.1 million in profit, representing a EUR 13.3 million increase compared to 2020 when UNIOR d.d. was negatively affected not only by the coronavirus pandemic but also by EUR 4.3 million in negative revaluation of investment property. The UNIOR Group received EUR 7.8 million in government grants to mitigate the effects of the pandemic in 2020 and EUR 3.5 million EUR in 2021, of which EUR 3.1 million by the Group’s tourism activity.

In 2021, the financial liabilities of the UNIOR Group increased by EUR 8.4 million, primarily owing to the financing of increased current assets on account of an increased scope of operation, whereby all our commitments laid down in the Syndicated Credit Agreement of December 2016 towards banks were complied with on a regular basis without exception, in addition to regularly repaying the principals of loans as of June 2021 in compliance with the approved deferred repayment of our liabilities. Despite an increase in financial liabilities, we were able to somewhat decrease the net financial debt/EBITDA ratio compared to 2020 on account of an increased EBITDA, namely to 3.49.

The business plan for 2022 has been drawn up on the basis of data collected in December 2021. Our projections are subject to high risks in various areas, from a shortage of procured materials and components, broken regular supply chains, high prices of input raw materials, electricity, and petroleum products, bottlenecks or rising prices of intercontinental transport, extended delivery periods for machines and their components, and to, last but not least, an overall deficit of human resources irrespective of their level of education and know-how. The COVID-19 pandemic continues to affect our operations in terms of various disruptions, such as an increased incidence of sick leave, poor communication with our customers and suppliers resulting from hampered or restricted business trips, instability, and a generally higher level of dissatisfaction and insecurity on the automotive market. All of the above has resulted in a somewhat high level of prudence in planning our business results and development-investment activities in 2022.

In 2022, UNIOR d.d. plans to generate EUR 193.5 million in net revenue from sales, representing a EUR 24.5 million or 14.5 per cent increase compared to 2021. The planned revenue from sales is the highest in the history of UNIOR d.d. and also exceeds the revenue generated by the company when Unitur's tourism activity still constituted one of the company's programmes. The currently dynamic and insecure conditions in the procurement-sales chains are expected to calm down and stabilise by the end of the first half of the year. At the time of issue of this document, all three production programmes are experiencing a good volume of orders and, as such, improved operations of the entire company are expected as a result.

In volatile conditions, UNIOR d.d. expects to generate EUR 4.8 million in profit in 2022. Despite record high revenue from sales, the planned profit is EUR 1.4 million lower than the in the 2019 pre-coronavirus year, all on account of a sharp increase in input prices of steel and energy products, primarily electricity, and labour costs on account of a rise in average salaries resulting from the increase of the minimum wage during the past two years and promotions of employees allowing us to obtain and keep suitably qualified human resources.

Globally, in particular in the EU, the number of electric vehicles has been on the rise as, in order to mitigate the adverse effects of the coronavirus pandemic on the automotive industry, many countries offered grants to their citizens for the purchase of a new passenger car. However, most grants were intended only for the purchase of electrical cars. In 2021, the share of new battery electric vehicles sold in the European Union rose from 5.4 per cent the year before to 9.1 per cent. The share of sold plug-in and conventional hybrids also rose (from 5.1 to 8.9 per cent and from 11.9 to 19.6 per cent, respectively). However, in addition to internal combustion engines, these two groups of cars form part of the group of cars whose drive train requires a connecting rod manufactured by the UNIOR Group. In 2021, the total share of sold new engine-powered cars with connecting rods fell from 94.6 to 90.9 per cent.

The electric vehicle sales increase trends are also followed by UNIOR d.d., as ten per cent of revenue from sales of two programmes supplying the automotive industry in 2021 was generated from the sales of electric vehicles and plug-in hybrids. Their share is expected to rise to 15 per cent in 2022. The Forge Programme supplies conventional hybrids in compliance with their market share in sales, as these use the same engines and other forged parts as internal combustion engine vehicles. There is also an increasing number of projects for all-electric vehicles. The sales of forgings for electric and hybrid vehicles in the Forge Programme is expected to achieve a 10 to 12 per cent share in 2022. By launching mass forging of aluminium forgings, the share of products for electric vehicles in the programme is to increase further in the future. The Special Machines Programme is an important supplier of machine tools for battery box machining. For e-mobility purposes, machines machining rear axles, bearing brackets of front wheels and aluminium or steel battery boxes are also constructed. In 2021, the share of produced machines in Special Machines for this segment amounted to 22 per cent, whereas, in 2022, a whopping 44 per cent share of all projects of this programme for electric cars is planned.

In 2022, EUR 272 million net revenue from sales is planned for the UNIOR Group, amounting to 13.5 per cent more than the previous year and 29.4 per cent more than 2020. In 2022, EUR 11.5 million in profit and EUR 31.1 million in EBITDA are planned for the UNIOR Group.

In 2022, financial liabilities of the UNIOR Group will be decreased by EUR 11.9 million and the Net Financial Debt/EBITDA ratio will have been reduced to 2.85 by the end of 2022, continuing the trend of reducing the debt of the UNIOR Group.

At the beginning of 2022, UNIOR d.d. set out to draw up the Medium-Term Business Plan for the following five years until 2026. The business plan is to include the company and Group development strategy, the foreseen expansion of operations to new markets, and mastering new products and technologies. In addition, the foreseen growth of operations of both the company and Group for the five-year period will be carefully planned and the foreseen performance of both the company and Group assessed. The above will serve as the basis to include the Dividend policy of UNIOR d.d. for the entire duration of the Mid-Term Business Plan to be reconciled with the foreseen objectives and performance of both UNIOR d.d. and the UNIOR Group.

The most important projects for the operations of both UNIOR d.d. and the UNIOR Group are the crucial projects for our operations in the years to come. During the first half of 2022, the mass production of aluminium forgings will be launched, providing us with additional growth opportunities in the production of electric vehicle products. During Q1 of 2022, the future strategy of developing the activities of the Special Machines Programme will be selected on the basis of a study of further opportunities for its development. In addition, the automation of the production of forgings successfully launched in Vinkovci in 2020 will continue. The sales proceedings of Unitur d.o.o. were suspended by the COVID-19 pandemic during the phase of obtaining non-binding offers, heavily affecting the tourism activity. The reasonableness of continuing the sales proceedings will be deliberated on during Q1 of 2022 subject to the interest of potential buyers and the effects of the coronavirus pandemic on the tourism industry. It will be then decided whether the sales proceedings are to be resumed or discontinued. Projects will be launched to introduce sustainable operations and transition to low-carbon operations aimed at being ready for the green transition and carbon neutrality in compliance with EU guidelines on compliant operations during the following decades. Our performance and the attainment of our objectives will be also dependent on our ability to successfully obtain, recruit and retain suitably qualified human resources under the circumstances of an overall shortage of labour on the labour market.

Darko Hrastnik

President of the Management Board

2 REPORT BY THE SUPERVISORY BOARD

OPERATIONS OF THE SUPERVISORY BOARD

In 2021, 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 2021, five regular, one extraordinary, and one correspondent session of the Supervisory Board were convened. All relevant events and activities in the company as well as decisions made by the Management Board were promptly communicated to the Supervisory Board, in particular during uncertain times and changes to operating conditions triggered by the COVID-19 epidemic.

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 effects. The reports allowed the Management Board to indicate all the most important categories affecting the operation of 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. In addition to regular reports, the Management Board kept all Members of the Supervisory Board informed with e-reports and 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. On account of the COVID-19 epidemic and the times of crisis caused by the breaking of supply chains in the automotive industry resulting primarily from a shortage of chips, close attention was paid to the volume of orders, risk-reduction and cost-management measures and current liquidity management.

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

In January 2021, the Supervisory Board deliberated on and consented to the 2021 Business Plan and took note of the aluminium forging project status. At the same session, the Supervisory Board appointed the Appointment Committee.

At its correspondent session held in February, the Supervisory Board launched the appointment proceedings for Members of the SB of UNIOR d.d., before publishing a "Call for Candidates for Members of the Supervisory Board of UNIOR d.d." on the websites of Ljubljanska borza d.d. (The Ljubljana Stock Exchange), the Slovenian Directors' Association, and UNIOR d.d.

At its extraordinary session held in March, the Supervisory Board deliberated on the proceedings and activities of the company in relation to the received orders and decision of the Securities Market Agency.

In April 2021, the Supervisory Board took note of the 2020 annual inner audit report at its second regular session. It took note of the report of the Audit Committee on the audit of the audited UNIOR d.d. and the UNIOR Group 2020 Annual Report. It adopted a written report on the results of the audit of the audited

UNIOR d.d. and the UNIOR Group 2020 Annual Report and 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 2020 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 took note of the report of the HR Committee, on the criteria regarding variable remuneration of the Management Board for 2020 and adopted the decision not to pay out the variable remuneration of the Management Board of the company for the 2020 financial year. The Supervisory Board took note of the report of the Supervisory Board Appointment Committee, deliberated on the candidates for the four-year term of the Supervisory Board and drew up an appointment proposal for the General Meeting. It deliberated on and approved the agenda of the 25th General Meeting of UNIOR d.d. and proposed decisions for various items on the agenda. The Supervisory Board took note of the Diversity Policy of the Management and Supervisory Boards of UNIOR d.d. and the Corporate Governance Policy of UNIOR d.d. before approving and confirming the content of both documents in their proposed wording. The Supervisory Board evaluated the performance of the Supervisory Board of UNIOR d.d. The Supervisory Board took note of the sales proceedings of UNIOR FRANCE.

In May, the Supervisory Board deliberated on and approved the Non-Audited Interim Report for January-March 2021 for the UNIOR Group and UNIOR d.d. It deliberated on the initiative for amending the Market in Financial Instruments Act (ZTFI-1).

At its fourth regular session held in August, the Supervisory Board deliberated on and approved the Non-Audited Half-Yearly Report for 2021 for the UNIOR Group and UNIOR d.d. At the same session, the Supervisory Board also took note of the status of litigations between UNIOR d.d. and Rhydcon d.o.o. and the movement and status of treasury shares of UNIOR d.d.

The fifth regular session of the Supervisory Board was held in November when the Supervisory Board deliberated on and approved the Non-Audited Interim Report for January-September 2021 for the UNIOR Group and UNIOR d.d. It took note of the 2022 annual work plan of the internal audit department and consented to its implementation. At the same session, the Supervisory Board also took note of the guidelines of the 2022 UNIOR d.d. Business Plan and approved the 2022 Financial Calendar of Communications of UNIOR d.d. The Supervisory Board also deliberated on and approved amendments to the Rules of Procedure of the Supervisory Board, the Audit Committee of the Supervisory Board and the HR Committee of the Supervisory Board of UNIOR d.d.

The first regular session of its seventh term was convened in December. For the term from 13/12/2021 to 12/12/2025, the Supervisory Board appointed Mr. Franc Dover as its President and Mrs. Simona Razvornik Škofič as Deputy President. At the same session, the Supervisory Board created the Audit and HR Committees of the Supervisory Board. It also took note of the guidelines of the 2022 UNIOR d.d. Business Plan.

The Supervisory Board considers itself to have acted independently of the Management Board in 2021 and the work performed by its members not to have given rise to any conflict of interest.

The sessions were attended by all Members of the Supervisory Board. The President and Member of the Management Board were invited to all sessions of the Supervisory Board. Session materials provided Members of the Supervisory Board with high-quality information.

OPERATIONS OF THE SUPERVISORY BOARD COMMITTEES

Audit Committee

In 2021, seven regular sessions of the Audit Committee were convened.

The first three 2021 sessions focused on reviewing the (non-audited and audited) 2020 Annual Report of UNIOR d.d. and the UNIOR Group, discussions on the audit with the external auditors and their report. As the Annual Report was submitted in the ESEF electronic format for the first time, a lot of time was also spent on this task. The Audit Committee closely monitored the completed audit by the external auditors, reviewed the 2020 Annual Report and thus contributed to comprehensive financial reporting. All activities required for proposing the approval of the audited 2020 Annual Report of UNIOR d.d. and the UNIOR Group to the Supervisory Board were carried out.

The Audit Committee and external audit activities

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 2020 financial year. In 2021, the Audit Committee regularly and promptly communicated on audit plans, carried out pre-audit proceedings and findings of the external auditors.

The Audit Committee and internal audit activities

Throughout the year, 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 2020 and, at the end of the year, of the planned internal audits for 2022. An external quality audit of the internal audit department of UNIOR d.d. was performed in 2021. At its last session held in 2021, the Audit Committee took note of the report of the independent exterior quality auditor of the internal audit department of UNIOR d.d., an action plan for implementing the recommendations of the external quality auditor of the internal audit department of UNIOR d.d., and the measures and deadlines for their implementation. Following a whole year of supervising the work of the internal audit department and the external audit report, the work of the internal audit department was deemed excellent.

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 2020;
- took note of the list of Top 100 Slovenian suppliers of UNIOR d.d. that provide the company with more than 50 per cent of their annual turnover (materials or services).
- took note of the list of the most important sales products with the biggest customers of the Forge Programme and a customer loss risk assessment.

Throughout 2021, close attention was paid to the effects of the COVID-19 coronavirus disease on the performance and realisation of the company and a review of the activities and measures intended to ensure liquidity. In addition, it monitored the effects of disruptions to the supply chains on the automotive industry and, consequently, UNIOR d.d. and the UNIOR Group.

At the end of the year, it evaluated its work and the autonomy of its members in addition to adopting an annual plan of work for 2022.

HR COMMITTEE

Three sessions of the HR Committee of the Supervisory Board were convened in 2021.

On account of the end of term of the existing Members of the Supervisory Board of UNIOR d.d., it launched the initiative for commencing the appointment proceedings of Members of the Supervisory Board of UNIOR d.d. for the term from 13/12/2021 to 12/12/2025. The appointment of an appointment committee was proposed to the Supervisory Board of UNIOR d.d.

Subject to the criteria regarding the pay-out of variable remuneration of the Management Board for the 2020 financial year, the HR Committee took note of the calculated variable remuneration of the Management Board for 2020. Subject to criteria in force, the calculation was approved and the decision not to pay out the variable remuneration of the Management Board for 2020 proposed to the Supervisory Board.

The HR Committee deliberated on the amendments to the Rules of Procedure of the HR Committee and proposed the Supervisory Board deliberate on and approve the amended Rules of Procedure of the HR Committee of the Supervisory Board of UNIOR d.d.

2021 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 7.7 and 7.8 of the 2021 Annual Report. The Supervisory Board agrees therewith and hereby approves them.

ANNUAL REPORT

In 2021, the Audit Committee monitored the financial reporting proceedings and made its proposals to ensure its comprehensiveness, monitored the independence of the auditor of consolidated and separate financial statements (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. 2021 Annual Report and the report of the Ljubljana-based auditing company Deloitte revizija 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 31/12/2021, 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. 2021 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. 2021 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 company that, subject to the audited Income Statement, the net income of the year amounts to EUR 2,745,836. The net income shall be included in distributable profits in full, less non-current deferred development costs amounting to EUR 2,979,005.

The established distributable profits of the 2021 financial year subject to the audited annual financial statements of the parent company for 2021 amount to EUR 8,780,058. 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 2021 operations.

In forming the draft resolution on the allocation of profits of the parent company for the current year of 2021, 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 2021 financial year remain undistributed.

Chairman of the Supervisory Board:

Franc Dover, M.Sc.

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

HISTORY

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

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

In the nineteen-seventies, the plant with new visions was also given a new name: UNIOR 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.

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 COMPOSITION OF THE UNIOR GROUP

The UNIOR Group consists of 15 subsidiaries and four associates. Our subsidiaries and associates operate in fifteen countries all over the world.

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

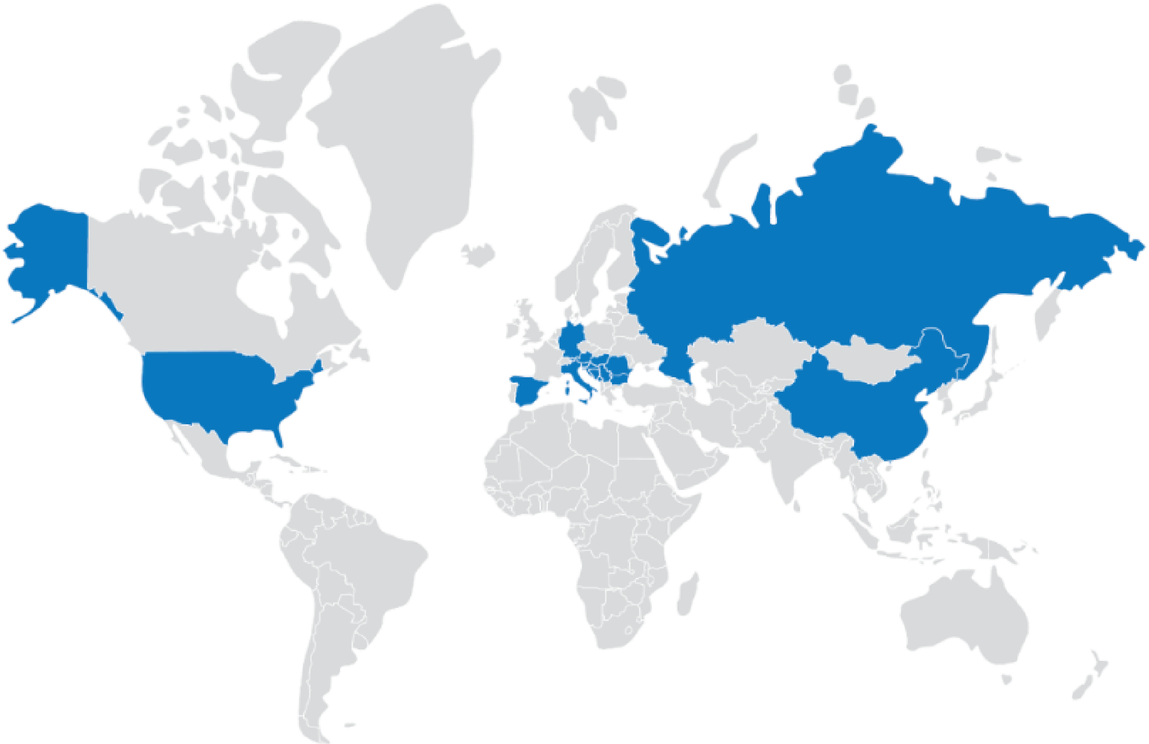
SUBSIDIARIES

Company name and activity	Headquarters	Share in %
UNITUR d.o.o. Tourism and other commercial activities	Zreče, Slovenia	100.00
ROGLA INVESTICIJE d.o.o. Real estate trading	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	95.00
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	55.00

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 HUNGARIA Kft. Sales of hand tools	Nagyrecse, Hungary	100.00
UNIOR – NORTH AMERICA Inc. Sales, procurement, and servicing activities	Novi (Michigan), USA	100.00

ASSOCIATES

Company name and activity	**Headquarters**	**Share in %**
ŠTORE STEEL d.o.o. The production of steel	Štore, Slovenia	29.25
UNIOR TEPID S. R. L. Sales of hand tools	Brasov, Romania	49.00
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	Beograd, Serbia	20.00



Consolidated financial statements of the UNIOR Group include all companies in which the parent company UNIOR d.d. holds a minimum 50 per cent shareholding allowing it to exercise dominating influence thereon.

The consolidated financial statements also include associates accounted for subject to the equity method. These companies are: Štore Steel d.o.o. in Slovenia and Unior Tepid S.R.L.; 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.

The France-based Unior France was sold on 30/6/2021 and no longer forms part of the UNIOR Group. The operations of the company are, nevertheless, still taken into account into the consolidated income statement of the UNIOR Group until the date of sale, whereas its assets and liabilities have been excluded from the financial position statement of the UNIOR Group.

3.2 PRESENTATION OF COMPANIES, INCLUDED IN THE CONSOLIDATED FINANCIAL STATEMENTS

3.2.1 SUBSIDIARIES

UNITUR d.o.o.

Company Address: Cesta na Roglo 15,
3214 ZREČE
Country: Slovenia
Telephone: +386 3 757 61 00
Fax: +386 3 576 24 46
URL: http://www.unitur.eu
E-mail: turizem@unitur.eu
Company activity: Tourism and other commercial activities
Number of employees: 325

ROGLA INVESTICIJE d.o.o.

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

SPITT d.o.o.

Company Address: Kovaška cesta 10,
3214 ZREČE
Country: Slovenia
Telephone: +386 3 757 81 00
Fax: +386 3 576 21 03
E-mail: spitt@unior.com
Company activity: Energy - steam and air conditioning supply
Number of employees: 0

UNIOR PRODUKTIONS- und HANDELS- GmbH

Company Address: Auengasse 9,
9170 FERLACH
Country: Austria
Telephone: +43 4227 35 14
Company activity: Sales of hand tools
Fax: +43 4227 35 15 18
URL: http://www.unior.at
E-mail: office@unior.at
Number of employees: 8

UNIOR DEUTSCHLAND GmbH

Company Address: Hertichstrasse 81,
71229 LEONBERG
Country: Germany
Telephone: +49 7152 381 1975
Fax: +49 7152 381 1975
URL: http://www.unior-deutschland.com
E-mail: unior@unior-deutschland.com
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
Fax: +39 02 99 04 3414
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
Fax: +34 948 46 42 48
URL: 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: N. Macedonia
Telephone: +389 2 243 20 57
Fax: +389 2 243 20 89
URL: http://www.uniormakedonija.mk
E-mail: info@uniormakedonija.mk
Company activity: Sales of hand tools
Number of employees: 6

UNIOR PROFESSIONAL TOOLS Ltd.

Company Address: Blagodatnaya str. 63, bld. 1,
D, 196105 SAINT PETERSBURG
Country: Russia
Telephone: +7 812 449 83 50
Fax: +7 812 449 83 51
URL: http://www.unior.ru
E-mail: sales@unior.ru
Company activity: Sales of hand tools
Number of employees: 55

UNIOR BULGARIA Ltd.

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

UNIOR COMPONENTS d.o.o.

Company Address: Kosovska 4,
34000 KRAGUJEVAC
Country: Serbia
Telephone: + 381 34 306 300
Fax: + 381 34 306 336
URL: http://www.unior-components.com
E-mail: contact@unior-components.com
Company activity: Production of machine tools
Number of employees: 159

NINGBO UNIOR FORGING Company Ltd.

Company Address: Xindongwu, Moushan, YUYAO, ZHEJIANG 315456
Country: China
Telephone: + 86 574 6249 6150
Fax: + 86 574 6249 6152
URL: http://www.unior.cn
E-mail: info@unior.cn
Company activity: The production of steel forgings for the automotive industry
Number of employees: 425

UNIOR VINKOVCI d.o.o.

Company Address: Ulica Kneza Mislava 42, 32100 VINKOVCI
Country: Croatia
Telephone: +385 32 323 999
Fax: +385 32 323 206
E-mail: kovacnica@unior.com
Company activity: The production of forgings
Number of employees: 153

UNIOR HUNGARIA Kft.

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

UNIOR – NORTH AMERICA Inc.

Company Address: 28213 Carlton Way Drive, 48377 NOVI (Michigan)
Country: USA
Telephone: +1 248 730 0060
Fax: +1 908 634 3044
URL: 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

3.2.2 ASSOCIATES

ŠTORE STEEL d.o.o.

Company Address: Železarska 3,
3220 ŠTORE
Country: Slovenia
Telephone: +386 3 780 51 00
Fax: +386 3 780 53 83
E-mail: info@store-steel.si
Company activity: The production of steel
Number of employees: 487
URL: http://www.store-steel.si

UNIOR TEPID S.R.L.

Company Address: str. Bruxelles, nr. 10,
507165 PREJMER, jud. BRASOV
Country: Romania
Telephone: +40 268 322 483
Fax: +40 268 317 786
URL: http://www.sculeserioase.ro
E-mail: tepid@tepid.ro
Company activity: Sales of hand tools
Number of employees: 61

UNIOR TEOS ALATI d.o.o.

Company Address: Subotička 23,
11000 BELGRADE
Country: Serbia
Telephone: +381 11 744 03 30
Fax: +381 11 744 08 05
URL: http://www.uniorteos.com
E-mail: office@uniorteos.com
Company activity: Sales of hand tools
Number of employees: 22

UNIOR TEHNA d.o.o.

Company Address: Bačići 58,
71000 SARAJEVO
Country: Bosnia and Herzegovina
Telephone: +387 33 776 376
Fax: +387 33 776 371
URL: www.uniortehna.ba
E-mail: info@uniortehna.ba
Company activity: Sales of hand tools
Number of employees: 32

3.3 PRESENTATION OF UNIOR d.d.

The parent company, UNIOR d.d., is organised in three programmes:

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

Our core competences and competitive edges are:

- extensive technical and technological knowledge,
- flexibility,
- identifying business opportunities in our key business segments,
- manufacturing state-of-art high-technology products,
- an appropriate value for money,
- programmes and companies in the UNIOR Group are the key global providers in their activities, and
- a global presence.

VISION OF THE PARENT COMPANY UNIOR d.d.

To be recognised as an innovative, forward-looking international company in the metalworking industry. To belong, in some areas of operation, among the leading companies in the world according to our market share or technical solutions. To develop, produce and market products and technical solutions with an increasing added value through our own innovative processes in collaboration with business partners and research organisations.

BASIC PARTICULARS OF THE PARENT COMPANY UNIOR d.d.

Company Address: Kovaška cesta 10, 3214 Zreče, Slovenia

Telephone number: +386 3 757 81 00

Website: www.unior.si

E-mail: unior@unior.com

Registration number: 5042437000

Tax number: 72461721

3.4 PROGRAMMES OF UNIOR d.d.

3.4.1 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 forgings in sales. To launch mass production of aluminium forgings, allowing us to establish an additional programme to not only increase the business volume in the following years but also to reduce the risk of an increased share of electric vehicles in recent times. To generate a gross added value per employee amounting to EUR 45 thousand.

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

- mass production of aluminium forgings;
- automation of forging and final control and provision of HR are pre-conditions for implementing the sales plan and shift to 4.0 Industry;
- implementation of investments in the automation of processes in particular;
- larger series and specialisation in the Forgings Processing Plant;
- digitalisation of production and business processes;
- potential additional expansion of production in China;
- in the event of unsuccessful sales of the Sinter plant, gradual decrease of the production volume and, at the right time, liquidation thereof.

The Forge Programme is the oldest programme on the basis of which today's Unior has developed. Despite a severe recession during the last quarter of 2021, caused by a lack of chips in the automotive industry, the Forge Programme was able to contribute more than 63 per cent of all revenue from sales of the company. UNIOR d.d. continues to constitute one of the largest local producers of forgings in the European supply chain whose quality and flexibility has been successfully withstood aggressive Asian competitors for several years.

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

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

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 OEM (original equipment manufacturer) and Tier 1 and Tier 2 supplier. 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.

Our development strategy is based on the following key assumptions: cost-effective and technologically competitive production in line with continuous growth in demand of hot-forged forgings.

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 2022, we will begin producing parts of steering mechanisms - aluminium forgings - which will help us preserve the position of the leading producer of this product segment. This will allow us to keep up with the widespread trend of automotive producers to reduce the weight of vehicles and, as a result, of CO_2 emissions.

Our planned sales volume will also be generated by increasing the share of machined forgings where we have been penetrating the market as a provider of these services with an increasing success. During recent years, great efforts have been made to obtain such projects but our price competitiveness has proved challenging to demonstrate. A rise in investments, improved cost control and simultaneous development of technologies have allowed us to become an interesting provider with machined forgings as demonstrated by the 2022 sales objective in this segment.

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

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

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

3.4.2 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 2022, UNIOR will become the leading world manufacturer of special-purpose tools in terms of sales revenue as well as one of the five largest manufacturers of general tools in the world. The Hand Tools Programme will exceed EUR 100 thousand in revenue from sales per employee and exceed EUR 40 thousand in gross added value per employee. Our market share in the global consumption of professional hand tools will increase from 1.7 to 2 percent as measured by purchase prices of wholesale distributors.

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

- accelerated development and growth of sales of specialised tools and pliers;
- optimisation of logistic processes in the Programme;
- digitalisation of production and business processes;
- growth of sales of the cold-forged line;
- rationalisation of sales channels, the sales network and logistics;
- optimisation of logistic processes in the Programme;
- rationalisation (reduction) of assortment and automation;
- increased productivity also with a reduced number of employees;
- greater level of specialisation by plant.

UNIOR Hand Tools stand for quality on a global level. Boasting a variety of more than 4,300 manufactured products, UNIOR Hand Tools are ranked among the top five most important European producers of hand tools. Its professionalism and development in the aforementioned market segment have been demonstrated by the fact that hand tools are produced by taking into account the state of the art and by adapting to new needs of users – also by utilising premium materials, such as chromium-vanadium steel, which guarantees an extremely long useful life. The programme uses materials which are less burdensome on the environment, are lighter and more energy efficient. It has been developing tools containing electrical, mechatronic, and electronic components. The strategy of development of the Hand Tools programme is based on a long-standing tradition of in-house production. During recent years, marketing has primarily expanded to new operating dimensions and activity development guidelines of the programme. Products thus continue to be developed with sustainability in mind. Quality is the driving force behind all our activities and we intend to continue operating the same way in the future.

The Hand Tools Programme is a reliable partner of everyone looking for a useful, efficient and safe tool with a long service life. In order to follow the trends as posed by the market and to meet the increasingly demanding wishes of our consumers, the programme has been recently primarily focusing on market niches or specialised tools of various industries. The latter represent 40 per cent of the total generated revenue from sales of the Hand Tools Programme and are set to reach 50 per cent in 2026.

UNIOR hand tools conform to stringent quality standard requirements, VDE IEC 6090 standard requirements, conform to the CE designation and many others. UNIOR tools exceed the requirements of the DIN standard. We operate in accordance with the EFQM Business Excellence Model engaging all our employees in quality improvement processes. Specific 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. Development is also being expanded to non-ferrous metals where the technology of forging asymmetric hollow products is being learnt.

Our development strategy 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. The basic strategic guidelines pursued by the programme are: accelerated development and growth of sales of specialised tools, digitalisation of the sales-marketing process, digitalisation of production processes, improved productivity, concern for the health and safety of our employees, concern for the environment, rationalisation of sales channels, the sales network, and optimisation of logistic processes in the programme.

3.4.3 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

The vision of Unior's Special Machines Programme is to become one of the Top ten 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. By 2022, to have generated EUR 55 thousand gross added value per employee.

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

- a stable sales volume without major oscillations;
- self-funding ability and stable profitability;
- uniform global distribution of sales among three main sales regions (EU, USA, China, in a ratio of 50: 25: 25), to extend sales 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;
- greater 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 relatively 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. In addition, the programme has been actively adapting to new special-purpose machine requirements that allow for electromobility, namely concerning batter housing and body parts of vehicles.

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.

3.5 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. Among other sectors our customers operate in, the craftsmen, repairers and end users who are of particular importance for the Hand Tools Programme are also worth mentioning.

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.

3.5.1 FORGE PROGRAMME

Similarly, to other programmes, EU is the most important market of both the Forge Programme and the Zreče forge where more than 95 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, Volvo, Škoda, Porsche, JLR) and their suppliers (ZF Friedrichshafen, THK, JTEKT, SEAC, GKN, Robert Bosch, Mahle).

We are the world's leading producer of steering mechanisms for passenger cars. Competitors from Asia (primarily from China and India) are increasingly present on our most important steering mechanism part markets. Chinese competitors in particular has made a great step towards reaching Europe within the last two years. In view of the foreclosure of the North American market (trade war), a lower conjuncture in China and its competitiveness, the supplier base of the Chinese-based automotive industry has further focused its efforts on the EU. 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. Many new projects have been obtained, allowing us to oust our competitors. We are also engaged in the development of engines that form a constituent part of hybrid vehicles. Europe-based competitors continue to be our biggest competitors in the segment.

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. Nevertheless, we continue to remain on the market with sintered products at this point in time.

3.5.2 HAND TOOLS PROGRAMME

The hand tools of the UNIOR brand are present on 120 markets. The highest revenue from sales of hand tools, as many as 70 per cent, continues to be generated in Europe. The programme collaborates closely with its customers and believes in long-term partnerships therewith.

2021 will undoubtedly bear the stamp of a challenging year, characterised by a sharp increase in orders. During the same year, we also witnessed surges in prices of input raw materials and outsourced services. The burden was alleviated in part by increasing sales prices on the market, and, in part, by optimising individual processes. Sales-marketing process digitalisation activities were undertaken. The B2B provides 24/7 access to information on available stock and shipments to our customers. In addition, the sales of a small portion of our assortment via our website was facilitated. An e-portal serving to educate our sales network on the advantages of our hand tools and a technical portal providing answers to the most frequent questions and facilitating claims and products that require repair were set up.

Special-purpose tools represent 40 per cent of the generated revenue from sales of the Hand Tools Programme. These specialised tools are intended for the automotive and cycling industry. They also include 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. One of the key steps in the aforementioned market segments is to consolidate the position of the programme in existing areas which aiming at us becoming a producer of cycling tools with the biggest market share in the world and one of the biggest producers of VDE-certified tools and metal packaging or products that provide for an orderly workplace in Europe.

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 are committed to creating sustainable value for our customers and other interested stakeholders. Both groups are informed of our activities and operating guidelines. Customers are satisfied by taking into consideration their requirements and expectations. Our customers are provided with tools with a long useful life which are less burdensome on the environment. New sales channels bringing us closer to the actual hand tool user are under development.

The programme has been expanding its sales network by penetrating new markets, recognising that, especially times like these, require agility and the willingness to change. Keeping pace with the times and trends set by the world remains our development motto during the years to come. The relationship with our customers is based on partnership-based development, knowledge, and innovations that also improve their performance.

3.5.3 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 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 costs, 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.

Strategically speaking, our programme is expected to be upgraded by entering important markets with our own brand or combined with a local machine tool producer, allowing us to simplify post-servicing activities, to reduce the origin risk, language barrier and local characteristics of customers. These developments are most likely expected outside the EU and more distant markets.

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 2021 IN THE UNIOR GROUP AND UNIOR d.d.

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

On 1/2/2021, the company announced that the sales proceedings of its 100 per cent ownership share in its UNITUR d.o.o. subsidiary, originally initiated in October 2019, would remain suspended due to the COVID-19 viral disease epidemic and that the sales proceedings would be foreseeably re-initiated by the end of 2021 or as soon as the conditions associated with the COVID-19 viral disease were to improve.

CALL FOR APPLICATIONS FOR THE APPOINTMENT OF MEMBERS OF THE SUPERVISORY BOARD OF UNIOR d.d.

On 8/. March 2021, the company published the Call for applications for the appointment of Members of the Supervisory Board of UNIOR d.d. subject to a decision by the Supervisory Board of UNIOR d.d., in which interested candidates were invited to apply for membership of the Supervisory Board of UNIOR d.d. – representatives of capital for a four-year term starting on 13/12/2021.

SALES OF THE UNIOR FRANCE S.A.S. SUBSIDIARY IN FRANCE

On 8/3/2021, UNIOR Kovaška industrija d.d., Zreče, Slovenia, and H.J.P. ROSIER HOLDING B.V., Alphen aan der Rijn, the Netherlands, signed an agreement on the sales of the 100-per cent shareholding in UNIOR FRANCE S.A.S., Melun, France, for the agreed purchase price of EUR 450,000.

The conditions for transferring the entire shareholding to the new owner were as follows:

- the entire purchase price of EUR 450,000 is transferred to the transaction account of UNIOR d.d. within a period of 30 days following the signature of the agreement;
- current and future outstanding receivables are secured through a tacit cession of receivables of Unior France and H.J.P. Rosier Holding, H:J.P. Rosier Holding immoveable property collateral, moveable property collateral (inventories held in Unior France and H.J.P. Rosier Holding) and H.J.P. shareholding collateral.

The purchase price of EUR 450,000 arrived to the transaction account of UNIOR d.d. on 26/3/2021, all collateral was definitively settled by 30/6/2021. Therefore, the ownership of the 100- per cent shareholding in Unior France S.A.S. was transferred to the buyer, H.J.P. Rosier Holding B.V.

On account of the sales of Unior France, the UNIOR Group generated a positive effect in its consolidated income statement for the period January–June 2021 from financial revenue from participating interests of EUR 755,820 and cash was increased by EUR 412,166 in the balance sheet. The financial effect of the disposal on the UNIOR Group is calculated on the date Unior d.d. no longer had control of the entity and the latter was removed from the Group. In the separate income statement of UNIOR d.d. for the period January–June 2021, UNIOR d.d. generated a positive effect from financial revenue from participating interests of EUR 450,000 and cash was increased in the financial position statement of UNIOR d.d. for the same amount.

RECEIPT OF AN OFFENCE DECISION OF THE SECURITIES MARKET AGENCY

On 10/3/2021, UNIOR d.d. made public that it had received a decision of the Securities Market Agency, subject to which the Agency had decided that UNIOR Kovaška industrija d.d. and its responsible person were responsible for an offence subject to Indent 3, paragraph one of Article 528 of the Market in Financial Instruments Act on the following grounds: the interim report which formed part of the Non-audited six-month report on the operations of UNIOR Kovaška industrija, d.d. and the UNIOR Group for the period between January and June 2019 or the first six months of the financial year, published on SEOnet on 30/8/2019, had not contained all data referred to in paragraph five of Article 137 of the Market in Financial Instruments Act, specifically concrete information on material types of risks and uncertainties related to the remaining six months of the 2019 financial year or a declaration that no such material risks existed. The breach, for which the aforementioned decision subject to an order of the Securities Market Agency, was remedied in compliance with the deadline and method specified in the order as early as 31/8/2020 by including a description of material types of risks and uncertainties related to the remaining six months of the current financial year in the Non-Audited six-month report on the operations of UNIOR d.d. and the UNIOR Group for the period between January and June 2020. Following the remedy of the breach above, UNIOR d.d. received a decision of the Securities Market Agency establishing that the identified breach of UNIOR d.d. had been remedied. On the basis of the decision of the Securities Market Agency, UNIOR d.d. settled the EUR 57,500 fine within the statutory period prescribed.

GOVERNANCE POLICY OF UNIOR d.d. and DIVERSITY POLICY OF THE MANAGEMENT AND SUPERVISORY BOARDS OF UNIOR d.d.

On 26/4/2021, the company published an amended Governance Policy of UNIOR d.d., as adopted by the Management and Supervisory Board at their VI (sixth)/21st regular session. At the same session, the Diversity Policy of the Management and Supervisory Boards of UNIOR d.d. was also adopted.

CONVENING NOTICE OF THE GENERAL MEETING OF SHAREHOLDERS

On 7/5/2021, the convening of the 25th 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. The General Meeting was held on 9/6/2021.

GENERAL MEETING OF SHAREHOLDERS

On 9/6/2021, the 25th General Meeting of Shareholders of UNIOR d.d. was held. At the meeting, the shareholders:

- took note of the Annual Report for the 2020 financial year and the written report of the Supervisory Board on approving the Annual Report, in addition to being informed on the remuneration of the Management and Supervisory Boards of the company paid out thereto for performing tasks in the company in the 2020 financial year;
- deliberated on the appropriation of the distributable profits of the 2020 financial year amounting to EUR 5,873,510.77 and decided it remain undistributed;
- deliberated on granting discharge to the Management and Supervisory Boards;
- Elected four new Members of the Supervisory Board (representatives of shareholders). For a four-year term, starting on 13/12/2021, the following individuals were appointed: Mrs. Simona Razvornik Škofič, Mrs. Andreja Potočnik, Mr. Boštjan Napast and Mr. Franc Dover, and
- amended the Articles of Association of UNIOR d.d.

OUTSOURCING THE FINISHED PRODUCT WAREHOUSE OF THE HAND TOOLS PROGRAMME

On 1/7/2021, the finished product warehouse of the Hand Tools Programme including the majority of its processes was outsourced to a logistics process specialist, Saubermacher Outsourcing d.o.o., Slovenia, whereby 30 employees were redeployed to the new employer. The activity shall remain at the same location, in Zreče, at the premises of UNIOR d.d. The change shall provide for development, sustainability, and excellence of hand tool logistic processes which have been experiencing fundamental change in recent years. Consequently, the Hand Tools Programme will be able to focus even more on the development of sales and new products and the optimisation of production processes. By transferring the activity, the following effects will be achieved: appropriate and timely servicing of the market and customers, a reduced need for investment funds, their diversion to our basic activities, cost optimisation and, last but not least, the development of the entire Hand Tools Programme.

COURT SETTLEMENT WITH RHYDCON d.o.o.

On 24/9/2021, UNIOR d.d. reached a court settlement with the applicant Rhydcon d.o.o. in the commercial dispute registered under reference I Pg 602/2019 before the District Court of Celje, agreeing to the payment of the final instalment of the consideration for treasury shares acquired by UNIOR d.d. on 19/12/2019, which was considered the fulfilment of UNIOR d.d.'s obligations subject to the judgements rendered by the High Court of Celje, reference Cpg 64/2019 of 24/9/2019 and the Supreme Court of the Republic of Slovenia, reference III Ips 48/2019 of 19/11/2019. On the basis of the aforementioned court settlement, UNIOR d.d. paid EUR 700,000 to the applicant Rhydcon d.o.o., thus fulfilling its obligations arising from the aforementioned commercial dispute. On the basis of the court settlement, the number of treasury shares owned by UNIOR d.d. remained unchanged.

SID BANKA, d.d. FINANCING THE NEW ALUMINIUM MOLDING PRODUCTION PROGRAMME DEVELOPMENT IN UNIOR d.d.

On 19/10/2021, UNIOR d.d. signed an agreement with the Slovenska izvozna in razvojna banka d.d. bank (hereinafter referred to as "SID banka, d.d."), whereby SID banka, d.d. granted a 12-year loan to UNIOR d.d., with a six-year moratorium on principal payments, amounting to EUR 5.7 million, intended to finance the development of a new aluminium moulding production programme.

UNIOR d.d. launched the development of the new aluminium moulding production programme in compliance with its business plan and the foreseen strategy. On the one hand, the launch of the new programme serves as a response to the accelerated development of electric and hybrid vehicles in recent years, and, on the other, it answers numerous initiatives and aluminium product inquiries from our existing customers, the most prestigious automotive industry companies.

The total investment required for establishing this new programme at the premises of our existing production plant owned by the company in Vitanje amounts to EUR 13.5 million. Financing obtained from SID banka, d.d. is intended to finance the first forging line with its related equipment, whose value amounts to EUR 7.6 million and which shall be completed in 2023. Investments in the second forging line will be made in 2025 and 2026. Projections show that, in 2027, when both forging lines are fully operational, EUR 17.9 million will be generated in revenue from sales.

NEW SUPERVISORY BOARD OF UNIOR d.d.

On 13/12/2021, the new Supervisory Board of UNIOR d.d. took office for a term until 12/12/2025. It consists of the following: President of the Supervisory Board, Mr. Franc Dover, Deputy President of the Supervisory Board, Mrs. Simona Razvornik Škofič, and Members: Mr. Boštjan Napast, Mrs. Andreja Potočnik, Mrs. Saša Koren and Mr. Boris Brdnik. The Supervisory Board of the company also created two Supervisory Board committees, namely the Audit and HR Committees.

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 31/12/2021, 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

	2021	2020	2019	2018
Total shares	2,838,414	2,838,414	2,838,414	2,838,414
Number of treasury shares	73,114	73,114	73,114	3,330
Number of shareholders	897	850	873	928
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	2,016	2,033	120

TREASURY SHARES

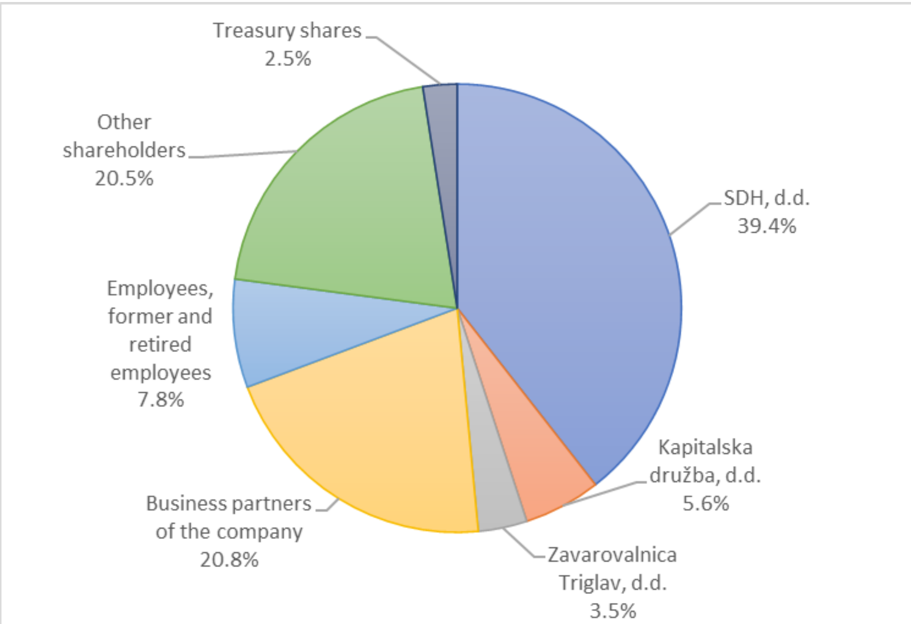
The UNIOR Group has a total of 73,114 treasury shares, out of which 3,330 shares of 0.12 per cent of the total shareholding are owned by Unior Deutschland GmbH, Leonberg and the Zreče-based SPITT, d.o.o. UNIOR d.d. owns 69,784 treasury shares or 2.46 per cent of the total shareholding. No treasury shares were acquired or disposed of in 2021. Neither the company nor any third party on behalf of the company pledged any treasury shares in 2021. UNIOR d.d. obtained treasury shares in 2019 subject to a judgement having the force of res judicata.

Ten largest shareholders as at 31/12/2021

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	126,756	4.47 %
ZAVAROVALNICA TRIGLAV, d.d.	100,000	3.52 %
Subotič Tomaž, Prague	88,056	3.10 %
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 %
Triglav vzajemni skladi - delniški Triglav (Triglav I	31,695	1.12 %
Total ten largest shareholders	**2,132,295**	**75.12 %**
Other shareholders	706,119	24.88 %
TOTAL	**2,838,414**	**100.00 %**

Ownership structure as at 31/12/2021

Shareholder	Number of shares	Shareholding
SDH, d.d.	1,119,079	39.43 %
Kapitalska družba, d.d.	157,572	5.55 %
Zavarovalnica Triglav, d.d.	100,000	3.52 %
Business partners of the company	589,731	20.78 %
Employees, former and retired employees	221,532	7.80 %
Other shareholders	580,716	20.46 %
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

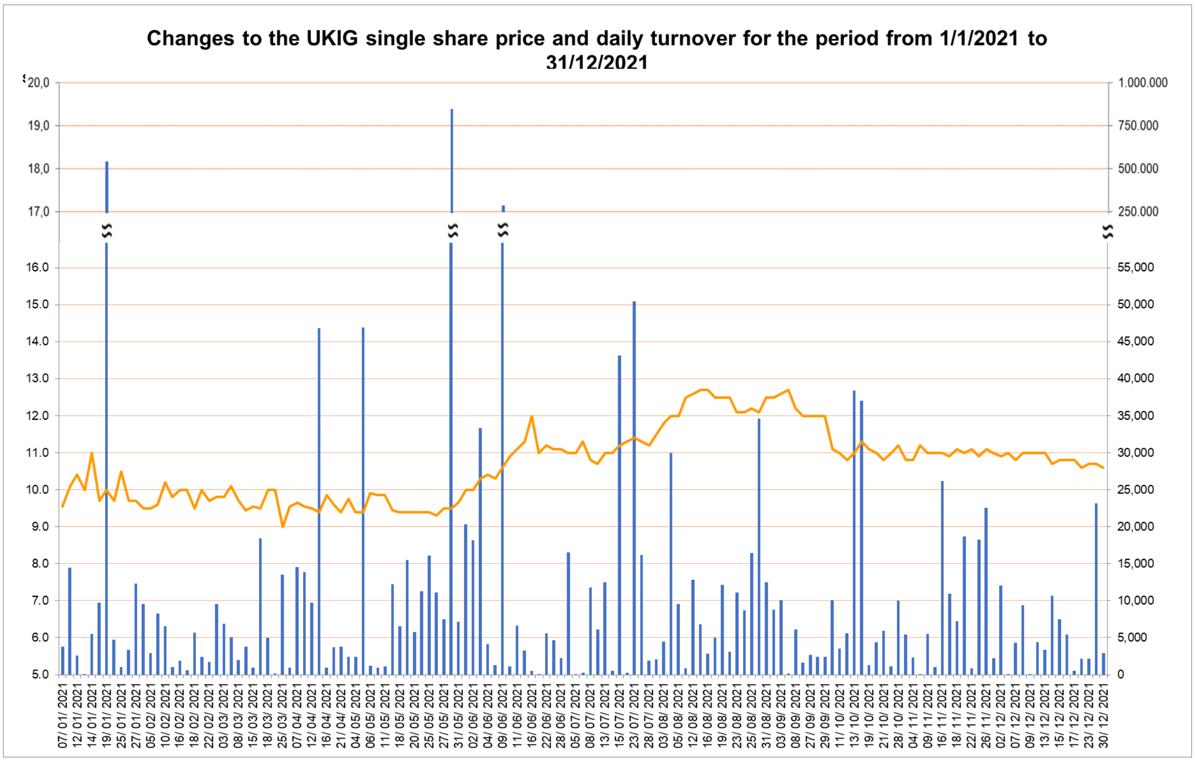
After its shares were admitted to quotation on the Ljubljana Stock Exchange, the Company has been following the practice of communicating with shareholders and new interested investors in compliance with the law and customary business practice through the SEOnet electronic notification system of the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

Performance indicators per share

	2021	2020	2019	2018
Earnings per share in EUR	0.97	(2.80)	2.16	2.39
Book value per share (in EUR)	33.18	32.39	35.20	33.77
Sales per share (in EUR)	59.53	48.64	61.77	60.73
Cash flow per share (in EUR)	4.07	0.34	5.43	5.23
Percentage of dividends disbursed	0 %	0 %	0 %	0 %

TRADING OF UKIG SHARES

On 30/12/2021 (closing share price for 2021), the market price of one UKIG share was EUR 10.60. Between 1/1/2021 and 31/12/2021, the trading turnover amounted to EUR 2,869,719.90. On 30/12/2021, the P/B (price-to-book) ratio per share was 0.32.



TRADING IN SHARES OF THE MANAGEMENT BOARD AND SUPERVISORY BOARD

In UNIOR, internal owners (employees and the Management Board) hold a 4.82 per cent participating share, out of which 0.06 per cent by the Management Board. Members of the Supervisory Board do not hold any shares of the company. In 2021, the number of shares and participating interests owned by the Management and Supervisory Board remained unchanged.

Trading in Shares of the Management Board and the Supervisory Board

	Ownership		Net procurement during the year
	31/12/2021	31/12/2020	
Darko Hrastnik	1,505	1,505	0
Branko Bračko	250	250	0
Management Board in total	**1,755**	**1,755**	**0**
Franc Dover, M.Sc.	0	0	0
Simona Razvornik Škofič	0	0	0
Boštjan Napast	0	0	0
Andreja Potočnik	0	0	0
Saša Koren	0	0	0
Boris Brdnik	0	0	0
Branko Pavlin, M.A.	0	0	0
Jože Golobič*	0	0	0
Rajko Stanković*	0	0	0
Supervisory Board in total	**0**	**0**	**0**
Total number of issued shares	**2,838,414**	**2,838,414**	

* Members of the Supervisory Board until 12/12/2021

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 refers to "development that meets the needs of the present without compromising those of future generations" *[The World Commission on Environment and Development: Our Common Future, 1987].* The objective of sustainability reporting is to disclose how the UNIOR Group contributes or wishes to contribute to sustainable development.

UNIOR d.d. acknowledges its role as a strategic development and welfare stakeholder 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. For this reason, the company has been strategically identifying opportunities and risks associated with sustainable development, climate change, a circular economy, meaning that it increasingly promotes sustainable management of the entire added value chain of its products and services.

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.

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.
- Delivery of successful operating results.
- Generation of favourable indirect effects on the economy.
- Provision of safe and high-quality jobs.

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.
- Contribution to a more inclusive labour market, provision of equal opportunities and high-quality jobs.
- Provision of safety to all participants in the value chain (suppliers, employees, customers).
- Operations in compliance with the law and high ethical standards.

Contributing to sustainability objectives of the UN until 2030

Learning for and throughout life

- Employee education and training.
- Connecting education institutions and the economy.
- Provision of study placements.
- Transfer of development and research findings to the economic environment.
- Promotion of lifelong learning.

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.

Contributing to sustainability objectives of the UN until 2030

High degree of cooperation

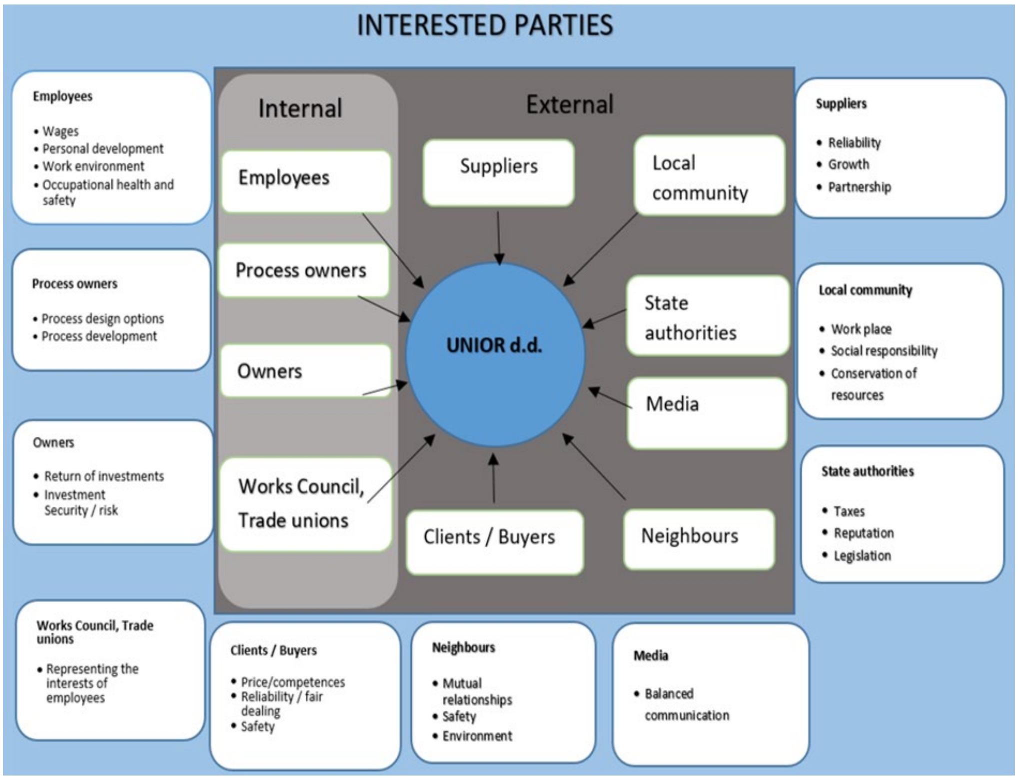
- Transparent and efficient operations.
- Multi-stakeholder dialogue and cooperation.
- Socially responsible projects and partnerships.

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. During the corona crisis, special attention was paid to the preservation of jobs and the health, safety and well-being of employees.

Employee details	**2021**	**2020**	**2019**	**2018**
Total number of employees	1,624	1,666	1,797	1,825
– Forge Programme	*892*	*906*	*974*	*1,007*
– Hand Tools Programme	*334*	*348*	*378*	*390*
– Special Machines Programme	*157*	*165*	*179*	*177*
– Joint services	*147*	*151*	*163*	*155*
– Maintenance,	*94*	*96*	*103*	*96*
Departures	196	165	110	161
New employees	154	34	82	193
Average length of service of employees	18.5	18.4	17.8	17.8
Average age	43.3	43.4	42.7	41.7
Average number of employees in terms of hours	1,592	1,675	1,756	1,780
Average absence from work (in hours)	153.9	136.9	149.9	130.2
Hours of training (in hours)	10,315	8,875	26,826	24,068
Training costs (in EUR)	63,317	53,626	194,624	201,441
Costs of company scholarships (in EUR)	88,405	114,117	107,991	78,147
Costs of part-time studies (in EUR)	2,856	6,854	7,559	9,337
Average salary (in EUR)	1,838	1,706	1,705	1,619

At the end of 2021, UNIOR d.d. employed 1,624 people, 42 less than the year before. Compared to 2020, the number of employees fell in all three programmes, Joint Services and Maintenance. The departure of 196 employees in total was observed, of which the majority due to terminations of employment agreements at the request of employees, on grounds of unfitness and expiration of fixed-term employment agreements. The company recruited 154 employees in total, the majority of which in the Forge and Hand Tools Programmes. On account of recruitment of new employees, the average age of employees fell slightly in 2021, namely to 43.3 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 2021, more than 92 per cent of all employees were in the possession of such an agreement.

The average monthly gross salary per employee in 2021 amounted to EUR 1,838, rising by 7.7 per cent compared to 2020. Accompanied by a 1.9 per cent rise of the consumer price index, the average salary is expected to rise by 5.7 per cent in real terms. During this period, the net salary increased by 6.7 per cent or by 4.7 per cent in real terms.

During severe disruptions on the market caused by the COVID-19 epidemic, UNIOR as a major employer sought to preserve as many jobs and as much of the invaluable know-how of its employees as possible.

EMPLOYMENT IN THE UNIOR GROUP

As at 31/12/2021, employed 2772 people or 1.3 per cent or 36 fewer 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.

Compared to the number of employees at the end of the preceding year, the number of employees in the forge activity fell by 33, in the hand tools activity by 26, in the special machines activity by 16 and in the tools and machinery production activity by one employee. In the tourism activity, the number of employees is 38 people higher compared to the end of 2020, when our tourism centres were closed for the most part on account of the restrictive measures to prevent coronavirus infections. In Joint Services and Maintenance in the parent company, the number of employees fell by six. 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 2021, the average number of employees in terms of hours worked amounted to 2,700 or 132 employees or 4.7 per cent less compared to 2020.

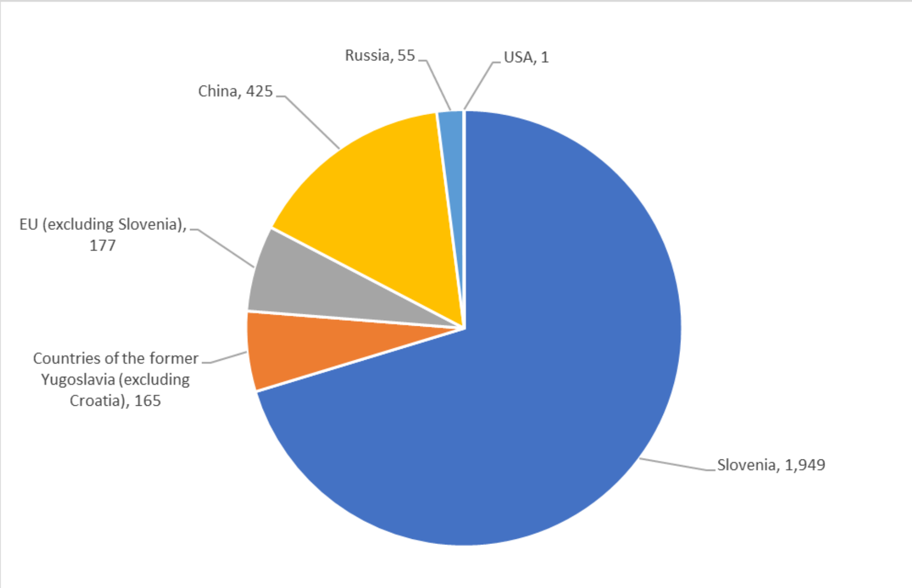
The average monthly gross salary per employee in the UNIOR Group in 2021 amounted to EUR 1,611, rising by 8.1 per cent compared to 2020.

Employees in the UNIOR Group by activity	2021	2020	2019	2018
Total number of employees	2,772	2,808	3,018	3,187
– Forgings production activity	*1,470*	*1,503*	*1,588*	*1,743*
– Hand Tools production activity	*415*	*441*	*478*	*490*
– Special Machines activity	*162*	*170*	*184*	*183*
– Tourism activity	*325*	*287*	*339*	*362*
– Production of machine tools activity	*159*	*160*	*163*	*158*
– Joint services departments in the parent	*147*	*151*	*163*	*155*
– Maintenance department in the parent	*94*	*96*	*103*	*96*
Average number of employees in terms of hours worked	2,700	2,832	3,001	3,112
Average gross salary (in EUR)	1,611	1,490	1,482	1,378

In most regions where UNIOR Group companies are located, the number of employees was downsized compared to the end of the preceding year. In Slovenia, the number of employees fell by four, in China by 17, in the EU by 11, in the countries of the former Yugoslavia excluding Croatia and Russia by two people each, whereas the number of employees in the USA remained unchanged.

GROUP EMPLOYEES BY REGION

Number of employees as at 31 December	2021	2020	2019	2018
Slovenia	1,949	1,953	2,136	2,187
Countries of the former Yugoslavia (excluding Croatia)	165	167	170	165
EU (excluding Slovenia)	177	188	200	229
China	425	442	451	546
Russia	55	57	60	59
USA	1	1	1	1
Total UNIOR Group	**2,772**	**2,808**	**3,018**	**3,187**



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.

Despite the changed circumstances caused by the COVID-19 epidemic, our employees were able to attend training courses on sustainable development, innovations, smart factories, the circular economy, carbon footprint management, technological procedures, lean manufacturing, quality, claims, project management, fire extinguishing, safe handling of hazardous chemicals, environmental protection, the new waste packaging regulation, occupational health and safety, technical regulations, and safety of machinery. 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.

To prevent the spread of COVID-19 infections, most training courses were held online. A development conference was organised. Employees were also able to attend online training on developing soft skills, managing suggestions, fraud in the company, quality, project management, and learning about Oracle modules. 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.

As the importance of employees, their planning, and life-long development are the primary focus of UNIOR, financing of part-time studies of our employees is also provided. Their acquired additional know-how and work can contribute to the quality of the working process and a successful performance in the long run. At the same time, 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. Unior establishes contact with potential future recruits through scholarships during their education process. Scholarships are a long-term process that creates a pool of young talent for the company. 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 2021, 10,315 hours of training took place in total. In 2021, EUR 63,317 was spent on training, EUR 2,856 on part-time studies, and EUR 88,405 on scholarships, or EUR 154,578 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 lower number of training hours and funds, co-financing of part-time studies and company scholarships, caused by adjustments to the COVID-19 epidemic. For employee health protection and cost management purposes, training was undertaken in a limited and adjusted form. More than in the past, UNIOR took advantage of free-of-charge online trainings which also contributed to a lower consumption of funds.

Education and training	2021	2020	2019	2018
Number of hours of training (in hours)	10,315	8,875	26,826	24,068
Costs of training (in EUR)	63,317	53,626	194,624	201,441
Costs of company scholarships (in EUR)	88,405	114,117	107,991	78,147
Costs of part-time studies (in EUR)	2,856	6,854	7,559	9,337

6.2.2 CONCERN FOR THE ORGANISATIONAL CULTURE

In 2021, 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 2021, 600 year-end reviews were carried out in total.

In 2021, the company completed its pilot introductory development interviews whose objective is to identify and recognise promising and committed employees who will be engaged in more frequent development activities, build their satisfaction and new joint opportunities.

Upon the declaration of the COVID-19 epidemic, our activities were primarily focused on building a culture promoting the protection of one's own health and the health of their co-workers. Several activities intended to prevent the spread of infections were carried out. A high proportion of activities also focused on boosting an innovative mindset.

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.si.

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 2021, 19.7 per cent of all employees had completed minimum vocational college. The share rose by 2.2 per cent compared to 2018. 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	31/12/2021	31/12/2020	31/12/2019	31/12/2018
I	Unskilled	263	275	311	322
II	Semi-skilled	126	130	132	132
IV	Skilled	524	540	595	603
V	Secondary vocational education	391	390	430	449
VI	Higher vocational education	113	112	113	112
VII/1	Graduate vocational education (1st Cycle Bologna Degree)	121	130	126	116
VII/2	University vocational education (2nd Cycle Bologna Degree)	73	76	77	78
VIII/1	Master's degree	12	12	12	12
VIII/2	PhD	1	1	1	1
TOTAL		**1,624**	**1,666**	**1,797**	**1,825**

6.2.4 TAKING CARE OF THE HEALTH OF EMPLOYEES

Unior recognises that investing in the occupational safety and health of its employees is not an expense, but 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 2021, most prevention activities were focused on COVID-19 measures and activities contained in the Occupational Health Promotion Programme. Our activities were aimed at preventing infections with COVID-19 in the company, 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 2021 amounted to 7.2 or 1 per cent more than in 2020 when it amounted to 6.2 per cent. The total incidence of sick leave of maximum 30 days in 2021 amounted to 3.5 or 0.9 per cent more than in 2020 when it amounted to 2.9 per cent. The total incidence of sick leave of more than 30 day was 0.4 per cent lower than in 2020 and amounted to 3.7 per cent. In 2020, sick leave of that length amounted to 3.3 per cent. In 2021, the incidence of sick leave was higher due to COVID-19 infections. However, a similar incidence of sick leave as in 2021 had already been experienced in 2019.

Sick leave	2021	2020	2019	2018
Sick leave (in per cent)	7,2	6,2	7	6,17

OCCUPATIONAL INJURIES

In 2021, there were 52 occupational injuries or 40.5 per cent more than in 2020, leading to the loss of 1,172 days or 23.5 per cent more than in 2020, constituting 22.5 days per injury in 2021 compared to 25.6 days per injury in 2020.

The two years (2021 and 2020) cannot be compared on account of a lower work volume in 2020. In 2020, 20.5 per cent less working hours were completed than in 2019 due to the reduced scale of operations and increased incidences of absence (temporary lay-offs) resulting from the COVID-19 epidemic. 2019 can be compared to 2021. In 2021, there were 32.4 per cent less injuries compared to 2019, meaning 52 injuries in 2021 and 77 in 2019 or 1,990 lost days, amounting to 25.8 days per injury in 2019 or a reduction of injuries by 14.6 per cent in 2021 compared to 2019.

Occupational injuries	2021	2020	2019	2018
Number of injuries	52	37	77	69

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

- measures intended to prevent the spread of the COVID-19 epidemic,
- 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 2021, a 0.8 per cent and, in 2020, a 1 per cent incidence of maternity leave was observed; in 2021, a 0.2 per cent incidence of paternity leave, and, in 2020, a 1 per cent incidence were observed.

6.2.5 DIALOGUE DURING THE CORONA CRISIS

UNIOR d.d. focuses on fostering a sustainability dialogue in the company marked by COVID-19 in 2021 as well. 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. Despite COVID-19-related challenges, inter-department cooperation 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 hierarchy of the company, from senior management down to all employees. Emphasis was given to structured content from working environments on LCD screens installed at the Forge Programme premises.

By promoting sustainable dialogue and activities, awareness was raised on and the value of health of co-workers was promoted. The value of creativity and innovation was promoted through two campaigns in March and October, the Development Conference and a Hackathon.

6.3 ONGOING PARTNERSHIPS WITH CUSTOMERS AND SUPPLIERS

UNIOR develops and strengthens permanent partnerships with customers, based on mutual and equal relationships. We are all aware that permanent value is created only through development-oriented cooperation. In several segments, 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 provide the best services to 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.

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 machines are delivered 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 their 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 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. passes on its management systems or the IATF, ISO, VDA standards to its suppliers as well. Approximately 70 per cent of its procurement volume is procured from local or Slovenian suppliers. Similarly, to the way our customers encourage us, we also encourage our suppliers to comply with sustainable development and circular economy rules.

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 and energy management systems.

6.4.1 MANAGEMENT SYSTEMS

UNIOR d.d. has introduced certified management systems in compliance with international standards, namely on quality management (ISO 9001, IATF 16949, VDA 6.4), environmental management (ISO 14001), occupational health and safety in compliance with the requirements of ISO 45001, at the end of 2020, the company was also awarded the ISO 50001 energy management system certificate. Operating in compliance with international management system standards is one of our commitments. For this reason, we continue to keep up-to-date with new developments, introduce them, have them periodically audited and re-certified; when 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 stakeholders 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 MANAGEMENT

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.

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, 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)

	0	Water consumption (in m3/year)		
	2021	2020	2019	2018
Potable water	71,818	54,782	59,734	58,138
Own catchment	477,614	494,832	475,212	327,720

An elevated volume of potable water in 2021 resulted from a defect in the water supply system that led to the deterioration of the water supply system in the lower and upper zones in Zreče. All defects were remedied in 2021.

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. Subject to the quantities and operational monitoring of non-potable, cooling and urban waste water, the licensed company calculates fixture units (FU) and compiles a projection for the water treatment levy. At other locations of UNIOR d.d., primarily urban and rain waste water are produced.

Waste water volume (in m³/year)

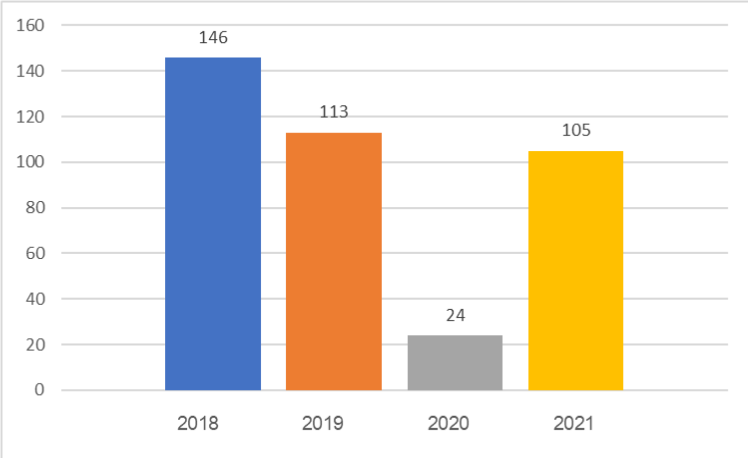
	2021	2020	2019	2018
Urban waste water	71,818	54,782	59,734	58,138
Industrial waste water	6,501	6,700	6,670	7,000
Waste water from cooling systems	330,699	348,100	304,030	156,600

The elevated volume of urban waste water in 2021 resulted from a defect in the water supply system that serves as the basis for calculating the urban waste water volume.

WASTE WATER LOAD

In 2021, the total fixture units for waste water fell by seven per cent compared to 2019. In 2020, the total fixture units for waste water fell considerably as a result of an improved effect of treatment performed at the Zreče Urban Waste Water Treatment Plant.

Total fixture units - waste water load

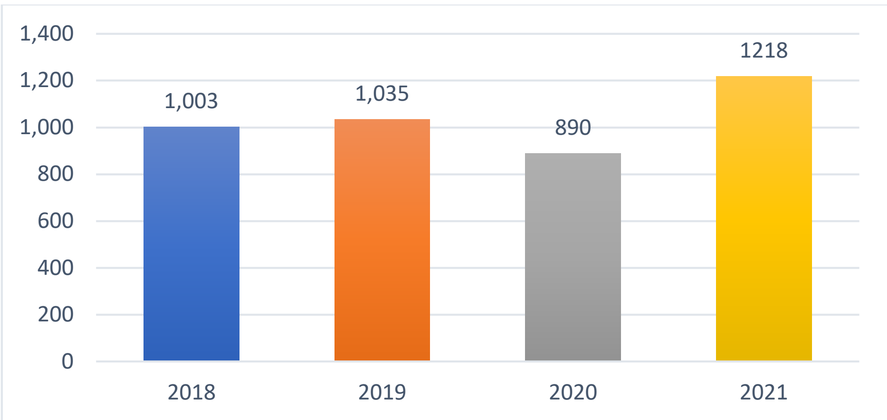


WASTE

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

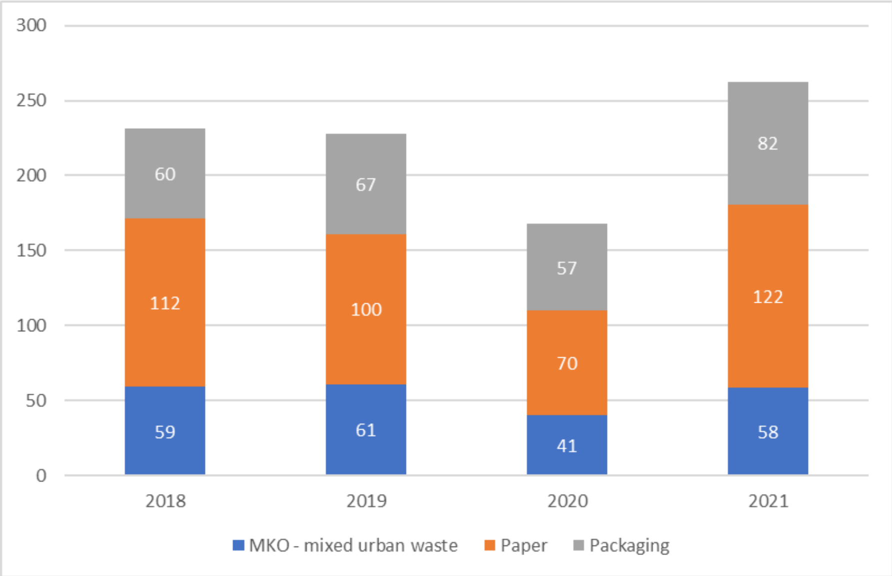
In 2021, the waste volume increased by 37 per cent compared to 2020 and by 18 per cent compared to 2019. As production was extremely hampered or partially shut down in 2020 on account of the COVID-19 epidemic, the waste volumes are compared to those of 2019.

Volume of generated waste (in tons)



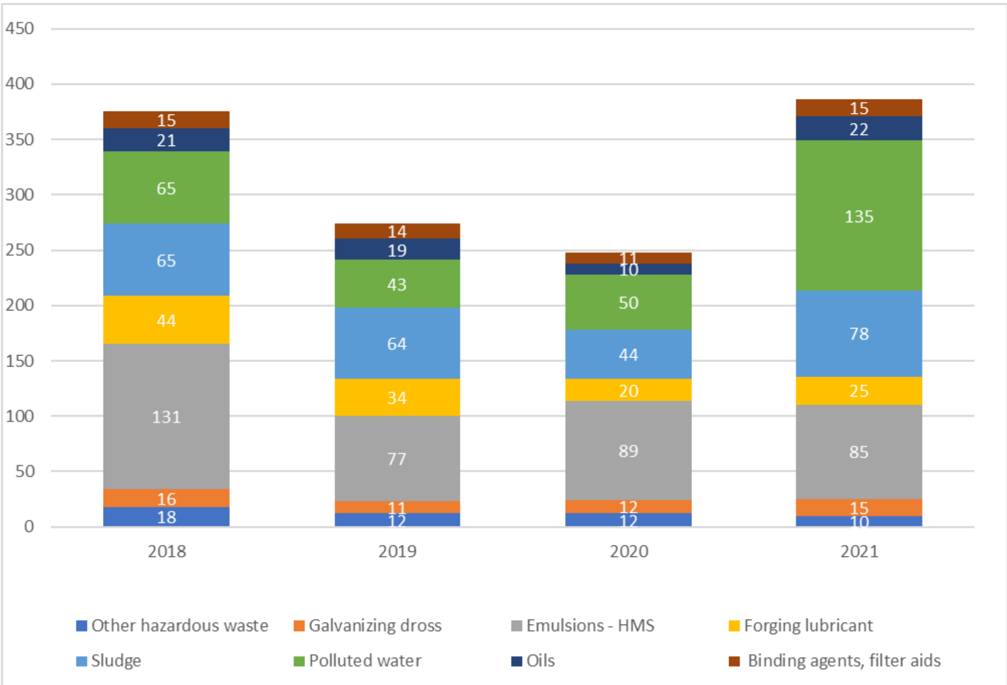
The total volume of waste does not include secondary waste (scrap).

Volume of non-hazardous waste by group (in tons)



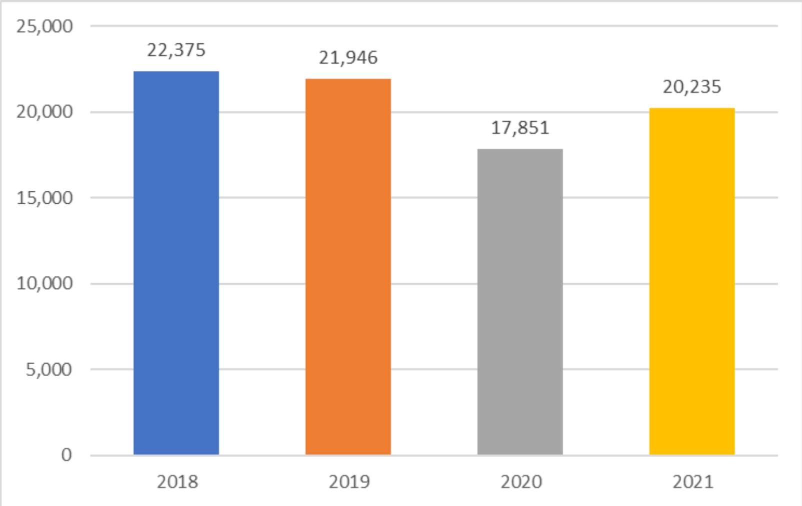
The volume of municipal waste fell by five per cent compared to 2019, which is a reflection of more effective separation of waste, which, however, results in higher volumes of packaging, paper, and some types of hazardous waste. Epidemic-related measures also contributed to higher volumes of packaging, paper, and municipal waste, as waste masks, disinfectant packaging, waste HAG rapid tests and packaging generated as a result must not be ignored.

Volume of hazardous waste by group (in tons)



In 2021, hazardous waste was dominated by contaminated waste water, sludge, HMS emulsions, and forging lubricants; oils, binding agents, filter aids, and other hazardous waste were found in smaller volumes. A significant increase in the volume of hazardous waste (contaminated water) results from the renovation of the foundations in Forge 2, a defect of the galvanic line and an increased production volume on the galvanic line by 19 per cent compared to 2019. The increased production volume also led to an increase in the volume of waste sludge, whereas the volume of waste forging lubricants fell.

Volume of secondary waste (in tons)



The volume of secondary waste fell in 2021 compared to 2019.

Secondary waste includes metal waste sold to waste collectors who recover or recycle the waste received, allowing for its reuse. In 2021, UNIOR recycled more than 98 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. The volume of disposed of waste fell by five per cent compared to 2019, which is a reflection of more effective separation of waste.

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

	2021	2020	2019	2018
Recycling	20,966	18,411	22,784	22,709
Composting, biological treatment	52	41	40	63
Incineration	135	105	130	122
Disposal	58	41	61	283
Other	242	141	123	199
Total	**21,454**	**18,740**	**23,138**	**23,376**

AIR EMISSIONS

In 2021, 25 legally required measurements of emissions to air at the following locations were performed: Zreče Processing Facility, Zreče Forge, Vitanje Forge, Vitanje Processing Facility and Sinter. It was determined that none of the measurements of emission concentrations of the prescribed parameters at all locations exceeded permissive air emission limit values.

NOISE

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

In 2021, measures related to having the environmental permit amended in relation to noise were completed. Said measures made it possible for us to reduce the noise within the range prescribed by the Environment Noise Level Reduction Projects.

CHEMICALS

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.

ENVIRONMENTAL COMPLAINTS

In 2021, no complaints by local residents were received.

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;
- for procuring energy products, services and equipment and the construction and restoration of 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.

In November 2021, UNIOR d.d. completed an audit subject to **ISO 50001: 2018** by the SIQ (Slovenian Institute of Quality and Metrology) certification body. 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. 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 which is planned to also be used to heat Terme Zreče in the summer months in the future. 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 galvanising tubs 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.

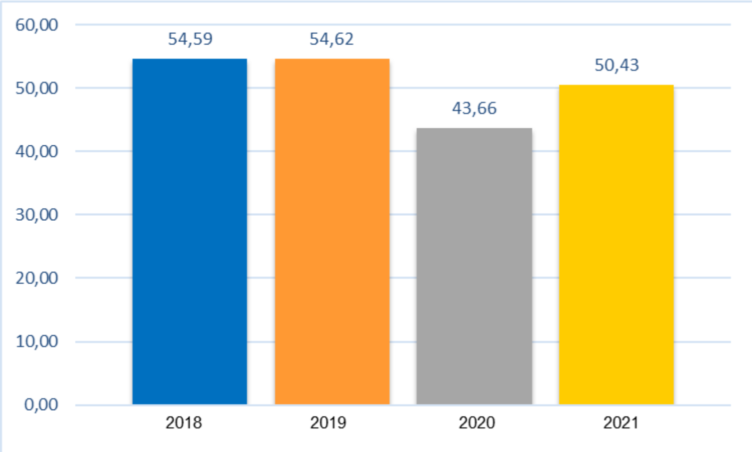
Our old lighting was replaced with new LED lighting, reducing lighting electricity consumption by 56 per cent and improving the illumination of our premises by 50 per cent.

A frequency-controlled compressor of a power of 355 kW and a new compressed air generation control system were installed in the compressor station, thus contributing to the reduction of specific use of electricity for generating compressed air and ensuring better consumption and loss control.

ENERGY CONSUMPTION

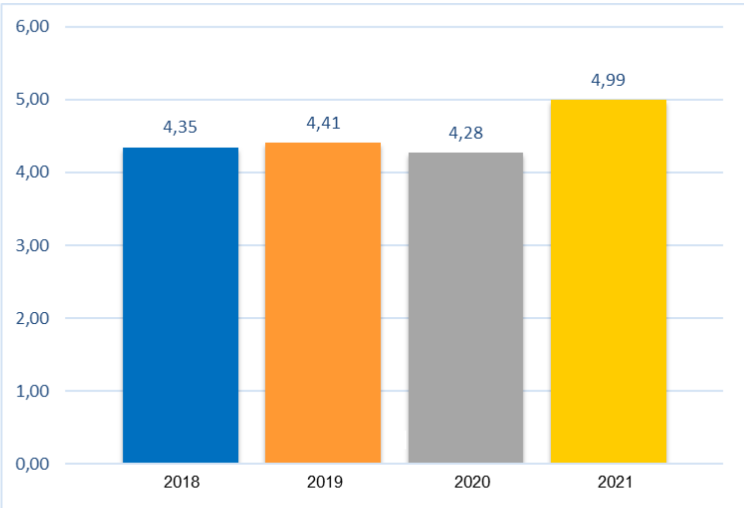
The most important energy products for our company are electricity and natural gas which are diligently managed and their consumption reduced on a long-term basis.

Electricity consumption (in million kWh)



Despite an increased production volume, the consumption of electricity has remained at an approximately same level. The specific consumption of electricity (kWh/kg) trend is negative. The graph illustrates the consumption of electricity during the last four years. A downward trend can be observed. A significant effect of the COVID-19 epidemic in 2020 can also be identified.

Consumption of natural gas (in millions m^3)



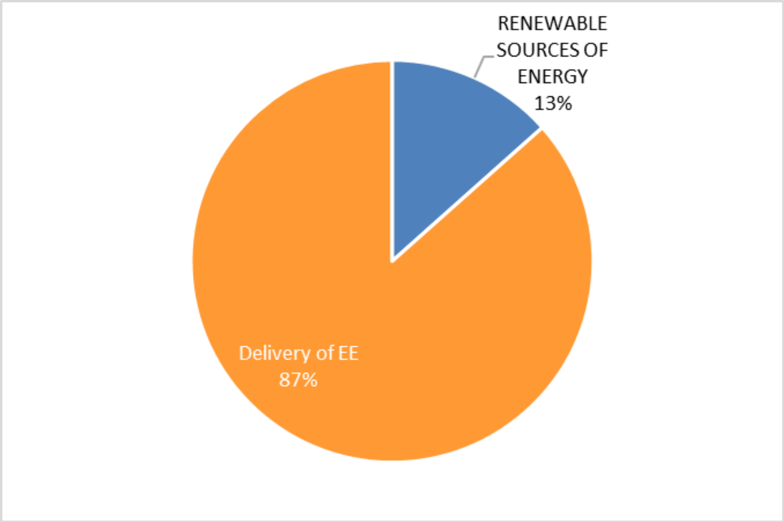
The consumption of natural gas rose slightly in 2021 on account of a longer winter, greater heating needs and, consequently, higher product thermal treatment needs.

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 kWel.

Generation of electricity from renewable sources of energy (OVE)

by total consumption of electricity (in per cent)

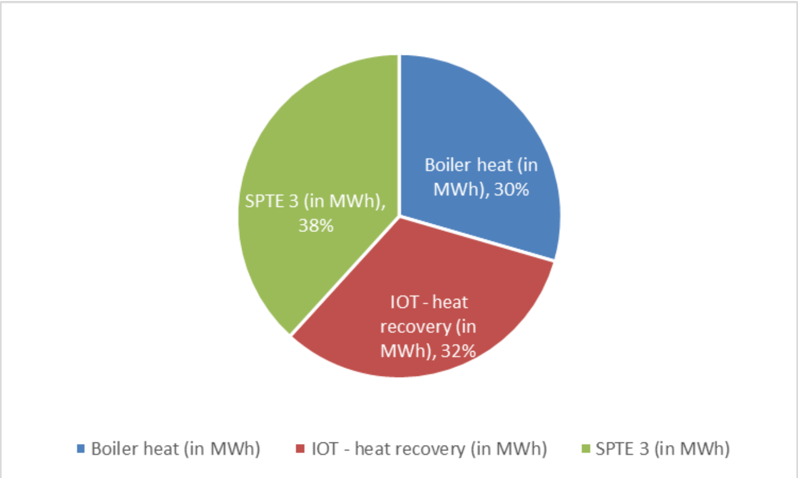


The share of our own-generated electric energy from renewable energy and generation with improved recovery compared to the total consumption of electricity.

THERMAL ENERGY GENERATION

By harnessing thermal energy from compressors and flue gases on annealing furnaces, UNIOR successfully generates 32 per cent of its required heat. The remaining heat is generated through the consumption of co-generated thermal energy (SPTE) and electricity (38 per cent) and from natural gas-powered boilers.

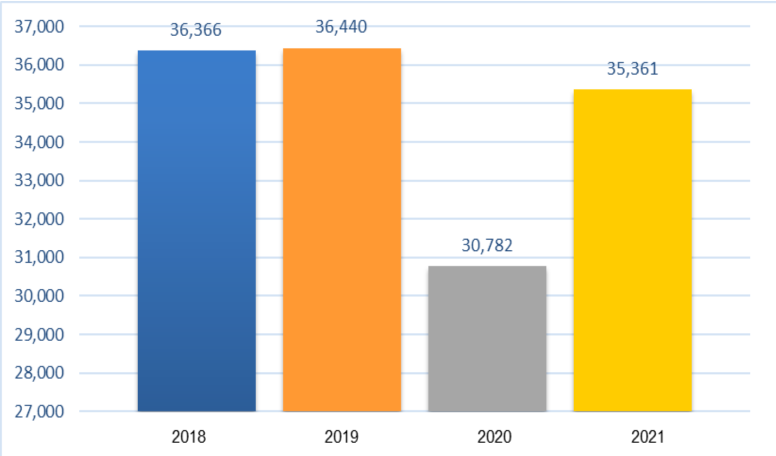
Thermal energy generation structure by resource (in per cent)



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 a lower consumption of energy caused by the COVID-19 epidemic, 2020 stands out.

CO_2 emissions (in tons)



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 2021 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).

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 2021 Annual Report.

In 2021, it launched a project intended to establish a comprehensive sustainable development management system. The project will comprehensively examine any additional climate change-related risks (transition and physical risks). 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.

As UNIOR d.d. is not obliged to trade with emission coupons, that part of the correlation with climate change has not been included in our financial statements. In compliance with statutory requirements, the 'Taxonomy' Regulation, GHG Protocol and achievement of environmental objectives, non-financial reporting shall be connected to financial reporting.

In compliance with 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)), which entered into force on 12/7/2020, and creating a classification system for environmentally sustainable economic activities, parameters for economic activities acceptable for taxonomy shall be reported on for the 2021 financial year in a separate report published on our website in compliance with the relevant provisions.

Reporting shall encompass two environmental objectives – to mitigate climate change and to adapt to climate change – for UNIOR d.d. The parameters shall be calculated subject to the definitions in the Annex to Regulation 2020/852 – Key KPIs of non-financial companies.

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. Despite the pandemic, UNIOR d.d. was able to generate EUR 500 thousand in economic benefits.

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

IMPORTANT R&D PROJECTS

The ROBKONCEL (Intelligent Integrated Production Quality Control System with a Reconfigurable Robot-Operated Control Cell and an Intelligent Process Control System) project, successfully completed in 2021, is seen as one of our most important R&D projects in 2021.

The Forge Programme focused on establishing aluminium forging conditions which constitutes a long-term sustainability-oriented programme focused on reducing the carbon footprint by reducing the weight and performing recycling of products. The project is currently in the production trial run phase. The project has been developing processes and procedures for producing and controlling aluminium forgings. Forge tools were manufactured by testing and implemented various sintered tool materials and new tool overlay welding materials, improving the durability of calibration and trimming tools for working in hot conditions by 50 per cent. In collaboration with a partner, a procedure allowing the visual inspection of forgings without the involvement of people has been developed as part of our efforts to develop automatic visual inspection procedures.

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.

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 2021, UNIOR d.d. had 30 active scholarship recipients being educated in programmes who significantly contributed to digitalisation and technological progress.

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, children received gifts in an adapted ceremony. Unfortunately, the ban on assembly prevented us from carrying out the "Blacksmith Picnic" and Family Day in UNIOR which has proven the most popular among employees and is known to be very important to us.

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 - tool worker 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.

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 form 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 standard 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 to 31 May 2024. This is his third term as President, he had been 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 to 14/11/2022. He is currently serving his second 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 Programme,
	2004-2007	Head of the Hand Tools Programme
	2002-2003	Member of the Management Board
	2000-2002	Executive Director of the Forge Programme,
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 Lorger, B.Sc. in Chemical Technology, Head of the Hand Tools Programme,
- Boštjan Leskovar, M.Sc., Head of the Special Machines Programme,
- Uroš Stropnik, M.Sc., 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, M.Sc., CIO,
- Marjan Adamič, M.Sc., 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 3rd Extraordinary General Meeting of the company held on 23/8/2017, a six-member Supervisory Board of Unior was elected for a four-year term from 13/12/2017 to 12/12/2021.

The representatives of capital within the Supervisory Board were:

- Branko Pavlin, M.A, President,
- Simona Razvornik Škofič, B.A. Ec. (Deputy President)
- Jože Golobič, B.A. Law
- Rajko Stanović, Senior administrative officer

The representatives of employees were:

- Boris Brdnik, B.A. Manag., and
- Saša Koren, B.A. Ec.

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

The Audit Committee operated in the following composition:

- Simona Razvornik Škofič, B.A. Ec. (President),
- Rajko Stanović, Senior administrative officer (Deputy President),
- Saša Koren, B.A. Ec.,
- and Blanka Vezjak, M.A., external member of the Audit Committee (since 15/2/2018).

The HR Committee operated in the following composition:

- Jože Golobič, B.A. Law (President),
- Branko Pavlin, M.A. (Deputy President), and
- Boris Brdnik, B.A. Man.

At the 25th General Meeting of the company held on 9/6/2021, a new six-member Supervisory Board of Unior was elected for a four-year term from 13/12/2021 to 12/12/2025.

The representatives of capital within the Supervisory Board are:

- Franc Dover, M.Sc. (President),
- Simona Razvornik Škofič, B.A. Ec. (Deputy President)
- Boštjan Napast, B.Sc. Mech. Engin., and
- Andreja Potočnik, M.A. Manag.

The representatives of employees are:

- Boris Brdnik, B.A. Manag., and
- Saša Koren, B.A. Ec.

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)
- Saša Koren, B.A. Ec.,
- and Blanka Vezjak, M.A., external member of the Audit Committee (since 27/1/2022).

The HR Committee operates in the following composition:

- Andreja Potočnik, M.A. Manag. (President),
- Franc Dover, M.Sc. (Deputy President),
- Boris Brdnik, B.A. Man.

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 2021, the convening notice of the General Meeting of Shareholders was published on 7/5/2021 on the websites of AJPES and the company and SEOnet. On 9/6/2021, the 25th General Meeting of Shareholders of UNIOR d.d. was held. At the meeting, the shareholders:

- took note of a presentation of the Annual Report and the Report of the Supervisory Board on the results of the audit of the Annual Report in addition to being informed of the remuneration of the Members of the Management and Supervisory Boards of the company,
- deliberated on the distributable profits of the 2020 financial year and on granting discharge to the Management and Supervisory Boards,
- deliberated on the election of four Members of the Supervisory Board – representatives of shareholders for a four-year term starting on 13/12/2021,
- deliberated on amending the Articles of Association of UNIOR d.d.

A notification of the decision adopted by the General Meeting was published on 9/6/2021 on SEOnet and the website of the company.

In 2022, the regular General Meeting of Shareholders is due to be held on 6/7/2022. 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 3/6/2022.

7.5 POLICY OF REMUNERATION 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 2021 Annual Report. At the 24th regular General Meeting of UNIOR d.d., held on 10/6/2020, the Policy of Remuneration of the Management and Supervisory Boards of UNIOR d.d. and the Policy of Remuneration of the Management Boards of the three biggest subsidiaries in the UNIOR Group for 2019 were presented. The presented policy forms part of the minutes of the 24th regular General Meeting of UNIOR d.d. compiled by the notary Gregor Kovač from Celje. As the Remuneration Policy did not change in 2020 and 2021, the policy presented in 2020 applied to remuneration in the 2021 financial year.

On 24/2/2021, the Act Amending the Companies Act (ZGD-1K) entered into force. ZGD-1K re-regulates the Remuneration Policy and Report. One of the substantial innovations of the aforementioned amendments is the introduction of two documents, namely the Remuneration Policy and Report. The provisions of ZGD-1K on formulating the Remuneration Policy and Report became applicable on 24/8/2021.

UNIOR d.d. shall, pursuant to the provision of Article 294a of ZGD-1, put its Remuneration Policy to the vote of the General Meeting for approval, as no such policy has been formulated hereto, the above shall be provided for during the first convened General Meeting of Shareholders after 24/8/2021, foreseeably on 6/7/2022, at the 26th regular General Meeting. The regular General Meeting of UNIOR d.d. had already been convened in 2021 prior to 24 August. For this reason, the General Meeting shall hold an advisory vote on the Remuneration Policy at the first General Meeting thereafter, i.e., at the 26th General Meeting.

By the deadline for submission of an audited Report for the 2021 financial year (April 2022) and the related Remuneration Report for the 2021 financial year, the provision of Article 294b of ZGD-1 had already entered into force. UNIOR d.d. shall disclose the Report on the Remuneration of Members of the Management and Supervisory Boards of UNIOR d.d. in the 2021 financial year and provide for its audit. The Report shall be put to an advisory vote of the regular General Meeting.

MANAGEMENT BOARD

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 2021. In 2021, 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 fixed gross salary and a variable remuneration component 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, if they are entitled thereto in terms of achieving the required criteria, on a proposal of the HR Committee and subject to a separate decision of the Supervisory Board adopted upon the approval of the audited Annual Report, the Members of the Management Board shall receive a variable performance operation remuneration for the previous year which shall amount to maximum 40 per cent of the annual basic gross salary during that particular financial year. Pre-determined and quantifiable performance criteria adopted by the Supervisory Board shall be used to specify the variable remuneration of the above. In compliance with 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 this 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 2021 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 2021 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.

The Management and Supervisory Boards of UNIOR Kovaška industrija d.d. hereby declare that the company complies with the provisions of the Management Code for Publicly Traded Companies of 27/10/2016 which came into force on 1/1/2017 (hereinafter referred to as the "Code") with certain derogations as clarified herein.

The Declaration of Compliance with the Provisions of the Code forms an integral part of the 2021 Annual Report and can also be accessed via the www.unior.si website for a minimum period of five years following its publication.

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

This Declaration applies to the 2021 financial year, i.e., from 1/1/2021 to 31/12/2021. No changes were introduced to the company's governance between the end of the financial year and the publication hereof.

Clarifications to derogations from individual provisions of the company 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 8.1: 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;
- Provision 28.3: 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;
- Provision 29.9.: in 2021, the company did not make the Rules of Procedure of the General Meeting public on its website. However, the Rules of Procedure of the General Meeting are available at all General Meetings.

Subject to Paragraph 5 of Article 70 of the Companies Act 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 31/12/2021, 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 2021, 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 2021, the General Meeting of Shareholders was convened once. The powers of the General Meeting and the rights of the shareholders are provided for by the law and are exercised in the manner laid down by the Company's Articles of Association, the Rules of Procedure of the General Meeting and the Chair of the General Meeting. The voting procedure at UNIOR General Meetings is clarified in detail in Section 7.4 of the 2021 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 2021 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 at www.unior.si.

COMPOSITION OF THE MANAGEMENT AND SUPERVISORY BOARDS AND THEIR REMUNERATION

The composition and organisation of the Management Board are presented in Section 7.1 of the 2021 Annual Report and, in compliance with Annex C to the Code, is 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 Hrastnik	President of the Management Board	Finances, HR, Sales, Production	17/08/12	31/05/24	male	Slovenian	1964	Bachelor's Degree in Metallurgical and Material Engineering	Management	-
Branko Bračko	Member of the Management Board	Procurement, Sales, Production	15/11/12	14/11/22	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 2021 Annual Report. In compliance with Annex C to the Code, 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
Branko Pavlin	President of the SB	13/12/2013	12/12/2021	Representative of capital	6/7	male	Slovenian	1950	Master's degree in Management	Management	YES	NO	President of the SB of the Supervisors' Association of Slovenia, Honorary President of the SB of the Supervisors' Association of Slovenia	HR Committee	Deputy President	3/3
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	YES	NO	External Member of the Audit Committee of NS LL Grosist d.o.o.	Audit Committee	President	7/7
Jože Golobič	Member of the SB	13/12/2017	12/12/2021	Representative of capital	5/7	male	Slovenian	1973	Bachelor's degree in Law	Legal Affairs	YES	NO	Member of the SB of Elektro Maribor, d.d.	HR Committee	President	2/3
Rajko Stanković	Member of the SB	13/12/2017	12/12/2021	Representative of capital	7/7	male	Slovenian	1968	Senior administrative officer	Corporate governance	YES	NO	Member of the SB and Audit Committee of Žito, d.o.o.	Audit Committee	Deputy President	7/7
Boris Brdnik	Member of the SB	13/12/2017	12/12/2025	Representative of employees	8/8	male	Slovenian	1972	Bachelor's Degree in Management of Organisations	Management	YES	NO	-	HR Committee	Member	3/3
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	YES	NO	-	Audit Committee	Member	7/7
Franc Dover	President of the SB	13/12/2021	12/12/2025	Representative of capital	1/1	male	Slovenian	1965	Master's degree in Industrial Sciences	Management	YES	NO	President of the SB of HSE, d.o.o. Member of the HR Committee of HSE, d.o.o.	HR Committee	Deputy President	0/0
Boštjan Napast	Member of the SB	13/12/2021	12/12/2025	Representative of capital	1/1	male	Slovenian	1971	Bachelor's Degree in Mechanical Engineering	Management	YES	NO	Member of the SB of Plinovodi, d.o.o.	-	-	-
Andreja Potočnik	Member of the SB	13/12/2021	12/12/2025	Representative of capital	1/1	female	Slovenian	1982	Master's degree in Management	Management	YES	NO	-	HR Committee Audit Committee	President Deputy President	0/0 1/1

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
Blanka Vezjak	Audit Committee	7/7	female	Slovenian	Master's degree in Economics	-	Auditing	External Member of the Audit Committee of the SB of Mariborski vodovod, d.d. External member of the Audit Committee of the MB of the University of Ljubljana External Member of the Audit Committee of the SB of Plinovodi, d.o.o. (until Aug. 2021).

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

In compliance with Annex C to the Code, 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 2021 Annual Report.

Remuneration to the management board

(in EUR)	Position	Fixed Remuneration	Variable Remuneration	Deferred Remuneration	mination bene	Bonuses Insurance	Bonuses Vehicle	Reimbursements Bonuses	Total gross	Total net	Reimbursements costs
Darko Hrastnik	President of the Management Board	168,975	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	5,657	9,847	0	**172,905**	**70,511**	**1,053**

Remuneration to the Supervisory Board

(in EUR)	Position	Remuneration for performance of duties	Meeting allowances SB and committees	Total gross	Total net	Transport costs
Branko Pavlin	President of the SB	17,279	2,264	**19,543**	**14,060**	351
Simona Razvornik Škofič	Deputy President of the SB	14,564	3,914	**18,478**	**13,286**	935
Jože Golobič	Member of the SB	13,577	2,415	**15,992**	**11,477**	351
Rajko Stankovič	Member of the SB	12,342	3,914	**16,256**	**11,670**	1,010
Saša Koren	Member of the SB	12,342	3,060	**15,402**	**11,049**	0
Boris Brdnik	Member of the SB	12,342	2,999	**15,341**	**11,005**	0
Blanka Vezjak	External member of the SB	2,468	1,491	**3,959**	**2,880**	91

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 Zreče, on 20/4/2022

President of the Management Board

Darko Hrastnik

Member of the Management Board

Branko Bračko

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

In compliance with the provisions of paragraph 12 of Articles 56 and 70.c of the Companies Act (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 2021 Annual Report and can also be accessed via the www.unior.si website for a minimum period of five years following its publication.

UNIOR d.d. is the parent company of the dynamic UNIOR Group operating in 15 countries of the world with its subsidiaries and associates and selling its services and products in all continents. For more information on the business model of the company, please refer to Section 3 of the 2021 Annual Report.

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/skupina/o-skupini-unior/korporativno-upravljanje/vodstvo-druzbe). 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. Our concern for the protection of the environment has been adapted to the requirements of the ISO 14001 standard obtained by most UNIOR Group production companies. As the quality of products and services has proven rewarding, we have been pursuing premium quality for our customers and business partners. Our objective is to achieve controlled premium results. For this reason, all areas of operation – from management, sales, R&D, procurement to production, logistics, processes, efficiency and performance and energy management – have introduced and are certified in the following systems: ISO 9001, IATF 16949, VDA 6.4., ISO 45001 and ISO 50001. 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. 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 Works Council and representative trade unions

Due diligence in all areas is carried out as an integral part of all systems managed by the Group. Heads of processes compile performance reports presented to the management at regular periodic meetings held on a minimum quarterly basis. The results and performance of individual areas are reviewed at these management reviews that result in various decisions addressing change and strive towards continuously improving the entire system.

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. For more information on risks, refer to Sections 7.8, 9.11 and 10.11 of the 2021 Annual Report.

Our conduct takes into consideration business ethics and builds an organisational culture promoting legal, transparent and ethical conduct of all Group employees. For this reason, a UNIOR Group fraud control system has been established and an authorised person for this person has been appointed by the Management Board of the company. The Code of Ethics of UNIOR d.d. has been adopted and 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/skupina/o-skupini-unior/korporativno-upravljanje/vodstvo-druzbe). The Code of Ethics of the UNIOR Groups 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. Societal culture on all levels is respected, human rights are observed. Each individual is treated respectfully. As a large employer, we ensure fair, safe and healthy working conditions of all 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. A toll-free anonymous hotline and a general e-mail address available to all at all times are available for any cases of identified fraud, theft, conflict of interest and other detrimental conduct for the company.

Key non-financial performance indicators are monitored by surveying and measuring organisational climate and satisfaction of employees; regular and proper communication with all employees as well as training and education of all employees are provided for. The full "Family-Friendly Company" certificate has also been obtained. For a detailed description of our relationship with all stakeholders of the company and Group, please refer to Section 6 of the 2021 Annual Report. Sections 9.8.5 and 10.8.4 of the 2021 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 2021 Annual Report, while Section 8.6 contains a disclosure of key performance indicators.

In Zreče, on 20/4/2022

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

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 2021 Annual Report. Specific risks for the UNIOR Group are shown separately below.

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 the countries where the UNIOR Group operates.

ENERGY PRODUCTS

A massive rise in prices of all energy products (primarily electricity and natural gas), heavily impacting the operations of energy-intense production companies, was identified on a global level. During the past year, the risk was lower as energy products had been procured at previous prices. In the future, we will continue to strive for optimum procurement of energy products and their rational use during our operations.

CHANGED MARKET CONDITIONS

Similarly, to UNIOR d.d., UNIOR Group companies also experienced a growth in prices of input raw materials. This risk is also managed by increasing the range of possible suppliers, emergency stocks, optional alternative materials, given the situation on the market at hand, also by ensuring more optimal planning subject to the order volume and payments.

Each 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 production of forgings operating in the mass production of semi-finished products for the automotive industry by managing orders, monitoring commissioned new projects, monitoring the situation on the market or vehicle sales developments – the global nature and dispersion of customers are key;
- reasons caused by the COVID-19 epidemic led to a decrease in orders and difficulties in obtaining new orders in the aviation industry;
- risks in our own 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;
- in addition, risks associated with longer payment deadlines than those experienced by independent distributors have also been identified in our trade network. These risks are reduced by progressively shortening payment deadlines;
- obsolete (low turnover) inventories in our own sales network are reduced with various sales promotions;
- the effect of operating costs in our own sales network is managed by progressively raising sales prices on the market and reorganising our sales network;
- our tourism activity has been managing the challenging operating environment by actively monitoring intervention activities on the national level to ensure contingency operations of the company, preserve jobs and implement 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.

FINANCIAL RISKS

Financial risks of the UNIOR Group have been disclosed in Section 9.11 of the 2021 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 Manager 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.

2021 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 measured contributed to a reduction in 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 status in UNIOR d.d. Improved in 2021. An added concern was the lack of chips in the supply chain of the automotive industry and the highly infectious Omicron virus strain towards the end of the year. The improved situational picture related to managing the effect of COVID-19 is also visible in our managed risks.

The most important risks in 2021 are summarised below.

STRATEGIC RISKS

RISK OF INCREASED NOISE LEVELS IN THE ENVIRONMENT

In 2020, UNIOR d.d. applied all technically, spatially and economically justified environment noise level reduction measures at its Zgornja Cona Zreče (Zreče Upper Zone) location as foreseen in our noise reduction projects, including absorption noise barriers, noise dampeners, soundproof windows and soundproofing booths. In 2021, passive noise mitigation measures continued to be applied. Solutions are sought in active cooperation with local residents and the local community. Any complaints of the local population are handled with due care. The Slovenian Environment Agency was presented with all the required documentation. On 23/11/2021, the amended environmental permit was received. In addition, the risk of increased noise levels in the environment was reduced, ensuring compliance with the law.

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 potential 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.

Given the COVID-19-related situation and the effect of various countries on the sales of electric cars (grants, lower taxes), a growth in sales volume of electric cars and hybrid vehicles is expected. Given the identified growth in sales of electric cars, there has been a higher simultaneous demand for forgings for these vehicles which are no longer tied to internal combustion engines. We have enough time at our disposal to prepare for structural production changes expected in the long run.

This risk is mitigated by a diverse variety of production, by looking for opportunities outside the automotive industry segment, by planning 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 are focusing on R&D of alternative forging materials. As such, the first production line used to press aluminium forgings that we consider to have great potential was set up in 2021.

OPERATING RISKS

THE EFFECTS OF THE COVID-19 EPIDEMIC ON THE PERFORMANCE OF UNIOR D.D. AND THE UNIOR GROUP

In light of restricted movement, a fall in the sales volume, reduced liquidity and resulting poorer performance of Group companies, customers and suppliers, the global COVID-19 pandemic can jeopardise the very existence of UNIOR d.d. and most Group companies. The scope and duration of the COVID-19 epidemic remain unclear. The expedited vaccination against COVID-19 and the fact that the Group has been successfully implementing measures intended to prevent the spread of infections make us feel more optimistic.

Measures implemented by the Group are focused on daily monitoring global developments, daily monitoring sales projections for the following three months, adaptability to customer requirements, event analyses and simulation of their effect on our performance, regular monitoring of legislative measures and aid, regular implementation and upgrading of the employee health and safety management system, weekly monitoring and daily management of our cash flow, appropriate communication with interested stakeholders, frequent video conferences with Group companies, optimum utilisation of state grants and flexibility of production and sales.

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 have made governance of Group companies more difficult.

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 and 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 in the countries of our Group companies and suppliers and the fact that Group companies have been managing measures intended to prevent the spread of infections fill us with greater optimism.

COVID-19 EPIDEMIC-RELATED CHANGES TO MARKET CONDITIONS AND BUSINESS VOLUME

This risk is 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 2021, the automotive industry was additionally affected by a supply chain crisis due to difficulties in supplying various components (such as chips) to the EU from suppliers from other parts of the world (such as Asia). This resulted in decreased production of cars of our important customers.

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 reduction 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 (such as producing aluminium), 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 reasonable prices, high quality, flexibility and innovation. Attention is paid to existing customers and markets with whom long-term development partnerships are built.

DEFICIT OF HUMAN RESOURCES

This risk constitutes a deficit of human resources with the relevant expertise and their resulting fluctuation. Our growth of operations, market conditions, and the situation on the Slovenian labour market exceed our capacities to recruit the appropriate human resources solely from Slovenia, which applies primarily to the Forge Programme. As a result, the recruitment of employees from abroad continued in 2021.

Numerous activities promoting shortage occupations (scholarships, expanded advertising of vacancies), human resources development activities and the introduction of working conditions improvement have been introduced to mitigate this risk.

If your human resources need continue to grow, the shortage of human resources on the labour market will result in increased labour costs. New appropriate human resources can be retained and provided only through additional incentive schemes.

FINANCIAL RISKS

The financial risks of UNIOR d.d. have been disclosed in Section 10.11 of the 2021 Annual Report.

OPERATIONAL RISKS

INFECTIONS WITH SERIOUS TRANSMISSIBLE DISEASES, COVID-19 EPIDEMIC

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 (raising awareness of employees on general self-help protective measures, avoiding close contact with individuals exhibiting symptoms of a transmissible disease, no touching of eyes, nose and mouth, that ill employees should stay at home, observing cough etiquette, regularly washing hands with soap and water, disinfecting hands, measuring temperature);
- additional measures (mandatory use of face masks, the importance of proper use of a mask, mandatory social distancing, maximum three employees in the smoking room, changes to the lunch break schedule, varied times of entering locker rooms, prohibition of non-urgent business visits, meetings, restricted movement within the company for all employees, additional control of compliance with the measures also via an external company, workplaces, computer mouses, telephones and keyboards are sanitised by each employee at their own workplace); collaboration with occupational medicine, the introduction of a “corona semaphore” with a list of the main measures applicable at the time, as of autumn 2021, all employees not meeting the RV (recovered-vaccinated) condition had to be tested at 48 hour interval, the testing option was also provided to RV-condition-meeting employees.
- travel on official duty restrictions (strict prohibition of travels on official duty, travels to red list countries subject to information published by official national institutions of countries in which Group companies operate;
- the introduction of fast antigen tests (FAT);
- security/logistics measures – delivery and shipping (obligatory completion of a Visitor Information Form prior to entry, drivers shall deliver goods by using face masks, mandatory control of persons arriving from a red list country, transfer of the contact flow and documentation to outer rings of companies, mandatory hand sanitising of all persons entering protected zones of companies, restricted movement of visitors in companies given the urgency of the visit, prohibition of group visits);
- measures in specific cases (heads shall reorganised and adapt the working process in order to reduce the number of employees in the working area - floating work times, shift work, installation of cardboard, plexiglass or metal physical barriers and obstacles);
- voluntary vaccination for employees was organised.

Measures, instructions of companies, recommendations of national public health national institutions (NIJZ) shall be communicated to employees via established communication channels and managers. At the beginning of 2021, infections with the new SARS-Cov-2 coronavirus were still present in UNIOR. Their incidence began to fall towards the middle of the year. In June 2021, hardly any infections were identified in UNIOR d.d. and even those identified did not lead to any downtime. The situation changed in October, when the incidence of infections began to rise again, and then, towards the end of the year, when the highly infectious new Omicron virus strain appeared. Measures, instructions, and recommendations are constantly evolving and being adjusted subject to the infection incidence and professional recommendations.

CONTINUOUS OPERATION OF IT

Sudden outages or failures of IT services results in direct business damage. The continuous operation of complex environments and processes has proven increasingly challenging. An efficient system ensuring continuous operations and (any) restoration following a catastrophe which restores operations also upon disasters and other unexpected outages or security incidents is a challenging task.

The set of mitigation measures includes a systematic approach by introducing an IT management system according to COBIT and ITIL recommendations; by introducing an equipment function control system, availability of resources, RPO (recovery point objective), RTO (Recovery Time Objective), location of a data copy, step-by-recovery process (identification of an incident, incident report, collection of data, situation assessment, incident notification, action, findings, conclusion of the state of emergency).

The current situation in the world caused by the new SARS-Cov-2 coronavirus has not affected continuous IT operations to any significant extent. Some additional measures have been introduced and attention has also been paid to this aspect in the event of an infection. These are focused on verifying the competences of employees, reviewing the replacement matrix, the use of remote working tools and stringent compliance with working rules in force in the current situation (distance between employees, mandatory face masks, working from home, restricted entry of external personnel to the company, restrictions to physical contacts and in-person meetings).

An increased incidence of threatened cyber-attacks has been observed. An increase in attacks has been observed on our firewall and e-mail server as attackers seek to obtain company data and suspend the operation of our e-mail server. The equipment and solutions used have been able to protect us against the threats and to stop the attackers. As we are aware that such attacks will continue to be on the rise, possible solutions are being sought. Even though our production is rather independent of IT operations, this is being changed by the introduction of digitalisation projects. This risk is connected to IT and cyber security, managed as a separate risk.

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 deliveries for customers.

In relation to the novel COVID-19 disease, 2021 continued the trend that had started during the last quarter of the preceding year, namely, that due to an increase in orders, some suppliers were unable to deliver in within the desired timelines. Delivery times were extended. Higher demand for specific products on the market also affected the rise in our procurement prices in part.

This risk is managed by increasing the range of possible suppliers, emergency stocks, optional alternative materials, given the situation on the market at hand, also by ensuring more optimal planning subject to the order volume and payments. Our procurement department has been spending much of its time coordinating between production and suppliers.

COMPLIANCE RISK

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.

At the beginning of 2021, there was a visible effect of legislation on the minimum wage in Slovenia which may be intensified during the coming years. This development will have an unfavourable effect on our competitive edge. However, in some areas, legislation has been increasingly tailored to company needs.

There continues to be a huge dynamic in terms of changes to legislation in particular in relation to the COVID-19 epidemic (the adopted anti-corona legislation or PKP) which had a favourable effect on the operations of UNIOR d.d. During the upcoming period, labour law legislation in particular shall be closely monitored.

8 BUSINESS REPORT

8.1 SITUATION OF THE ECONOMY AND THE AUTOMOTIVE INDUSTRY

Global economic activity was high in 2021 compared to 2020, a year characterised by the outbreak of the COVID-19 coronavirus disease pandemic. On a global level, gross domestic product (hereinafter referred to as "GDP") rose by 5.7 per cent, compared to 2020 when the global impact of the pandemic led to a 3.4 per cent real contraction of the global economy.

According to the OECD, the US experienced economic growth at 5.7 per cent in 2021. As indicated by Chinese Statistical Office, the Chinese GDP rose by 8.1 per cent in 2021. Recent Eurostat information of 1/4/2022 indicates that real GDP in both the Eurozone and the entire EU rose by 5.3 cent throughout 2021 compared to the year before. The GDP of the most important Slovenian trading partner, Germany, rose by 2.9 per cent in 2021. After a 4.2 per cent decline in Slovenian GDP in 2020, the Slovenian economy also rebounded in 2021. First estimates of the local Statistical Office indicate that the real Slovenian GDP rose by 8.1 per cent.

Macroeconomic indicators for key markets of UNIOR d.d.

	GDP annual growth rate		Unemployment rate	
(in %)	2020	2021	01/12/2020	01/12/2021
European Union	– 5.9	5.3	7.5	6.4
Eurozone	– 6.4	5.3	8.2	7.0
Germany	– 4.6	2.9	3.3	3.2
France	– 7.9	7.0	7.4	7.5
Slovenia	– 4.2	8.1	4.6	4.4

(Source: EUROSTAT database as at 01/04/2022)
Real GDP growth rate - volume [TEC00115] / Unemployment by sex and age – monthly data

In 2021, industrial output in the Eurozone rose by 7.8 per cent and in the entire EU by 8.2 per cent compared to 2020. In Slovenia, industrial output increased by 10.2 per cent compared to 2020. The industrial output of manufacturing activities rose by 11.7 per cent.

A more pronounced recovery and even faster economic growth was hindered by a great many issues in supply chains and the spread of new coronavirus strains. Growing demand and a strong rebound in global economic activity on one hand and the re-introduction of stricter measures intended to contain the spread of the coronavirus, on the other, led to a shortage of production and transport capacities in many activities, which, in turn, led to a significant shortage of raw materials and intermediate products. This resulted in unexpected soaring prices of materials, as increased industrial production and supply chain disruptions prevented raw materials supplied to the market from satisfying the extremely high demand. At year-end, soaring prices of energy products, primarily electricity and natural gas, were observed.

On account of excess demand and severe price pressure upon the fast recovery of the economy following the lifting of the strictest epidemiological measures and, subsequently, supply chain and geopolitical tension-related issues, Eurozone inflation rose to historically high levels at the end of the year and has continued to take off until July 2021 when its two-per-cent target was exceeded for the first time since the onset of the pandemic.

In December 2021, the annual inflation rate in the Eurozone amounted to 5 per cent (in 2020, there had been a 0.3 per cent deflation) and, in the entire EU, to 5.3 per cent (in the year before, there had been a 0.3 per cent inflation). In December, the annual inflation rate in Slovenia amounted to 4.9 per cent or 6 per cent more than in December 2020, when there was a 1.1. per cent deflation rate. The average annual inflation rate in 2021 in Slovenia amounted to 1.9 per cent. In 2020, there was a 0.1 per cent deflation rate on average.

THE AUTOMOTIVE INDUSTRY

Production of motor vehicles in the world

in million vehicles	2018	2019	2020	2021	Growth 21/20
EUROPE	**22.3**	**21.6**	**16.9**	**16.3**	**–3.6 %**
EU27 + Great Britain	18.6	18.0	13.8	13.1	–5.0 %
EU14 + Great Britain	14.3	13.6	10.2	9.6	–5.6 %
Germany	5.1	4.9	3.7	3.3	–11.6 %
Spain	2.8	2.8	2.3	2.1	–7.5 %
France	2.3	2.2	1.3	1.4	2.7 %
UK	1.6	1.4	1.0	0.9	–5.5 %
Rest of Europe	3.7	3.6	3.1	3.2	3.0 %
AMERICA	**20.8**	**20.1**	**15.7**	**16.2**	**2.9 %**
USA	11.3	10.9	8.8	9.2	3.9 %
Mexico	4.1	4.0	3.2	3.1	–1.0 %
Brasil	2.9	2.9	2.0	2.2	11.6 %
ASIA AND OCEANIA	**52.7**	**49.3**	**44.3**	**46.7**	**5.5 %**
China	27.8	25.8	25.2	26.1	3.4 %
Japan	9.7	9.7	8.1	7.8	–2.7 %
India	5.1	4.5	3.4	4.4	30.1 %
South Korea	4.0	4.0	3.5	3.5	–1.3 %
AFRICA	**1.1**	**1.1**	**0.8**	**0.9**	**16.4 %**
TOTAL	**96.9**	**92.2**	**77.7**	**80.2**	**3.1 %**

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

After three successive contraction years of the automotive industry, during which the production of vehicles in the world had been falling, and after it was one of the industries most affected by the COVID-19 pandemic in 2020, it experienced a slight recovery in 2021, as 80.2 million or 3.1 per cent more motor vehicles were produced globally than in 2020. The European automotive industry was hit the hardest by issues related to the supply of chips and other built-in components, as the production of vehicles in Europe fell by 3.6 per cent to 16.3 million vehicles or a 20.4 per cent global share. As far as the major producers of motor vehicles are concerned, the sharpest decline in production was experienced in

Germany, by as much as 11.6 per cent. With its 3.4 per cent growth and 26.1 million produced vehicles, China retained its position of the biggest vehicle producer in the world with a 32.5 per cent global share.

SALES OF PASSENGER CARS IN THE EU

According to the European Automobile Manufacturers' Association (ACEA), 9.7 million passenger cars or 0.2 million or 2.4 per cent more than in 2020 were registered for the first time in the EU in 2021.

During the first half of 2021, the sales of passenger cars in the EU exceeded the sales generated in the comparable period of the previous year by 25.2 per cent. Higher sales during that period resulted from a low comparable basis on account of the outbreak of the coronavirus pandemic during the first quarter of 2020. During the second half of 2021, the trend was negative as sales throughout 2021 were 2.4 per cent lower than in 2020 and were the lowest since the beginning of measuring these statistical data in 1990. The decline in sales resulted from a shortage of chips and other built-in components used to assemble cars as, predominantly during the second half of the year, automotive producers were unable to manufacture pre-ordered vehicles to their customers. The situation led to the first automotive industry crisis not caused by a shortage of demand but by a shortage of supply of both new and used vehicles on the market.

Globally, in particular in the EU, the number of electric vehicles has been on the rise as, in order to mitigate the adverse effects of the coronavirus pandemic on the automotive industry, many countries offered grants to their citizens for the purchase of a new passenger car. However, most grants were intended only for the purchase of electrical cars. In 2021, the share of new battery electric vehicles sold in the EU rose from 5.4 per cent the year before to 9.1 per cent. The share of sold plug-in and conventional hybrids also rose (from 5.1 to 8.9 per cent and from 11.9 to 19.6 per cent, respectively). However, in addition to internal combustion engines, these two groups of cars form part of the group of cars whose drive train requires a connecting rod manufactured by the UNIOR Group. In 2021, the total share of sold new engine-powered cars with connecting rods fell from 94.6 to 90.9 per cent.

(Source: ACEA - European Automobile Manufacturers' Association)

8.2 SALES

8.2.1 SALES OF THE UNIOR GROUP

In 2021, the UNIOR Group generated EUR 239.7 million in revenue from sales or 14 per cent or EUR 29.5 million more than the year before.

Predominantly during the second half of 2021, the production of the Forge Programme was characterised by a shortage of chips and other built-in components of the automotive industry, preventing car producers from manufacturing all pre-ordered vehicles, resulting in a decline in orders for some forgings produced by the UNIOR Group. All the same, revenue from sales of forgings in the Group in 2021 rose by 15.5. per cent compared to the previous year (2020) when the outbreak of the COVID-19 pandemic as of the second half of March already had a severe negative effect on sales in Europe and as of February 2020 in China.

Hand tools production was faced with a record volume of orders in 2021 resulting in a general conjuncture, primarily by the growth of the special-purpose hand tool segment and sales to newly obtained customers during the past years. For this reason, revenue from sales of the Hand Tools Programme rose by 29.6 per cent.

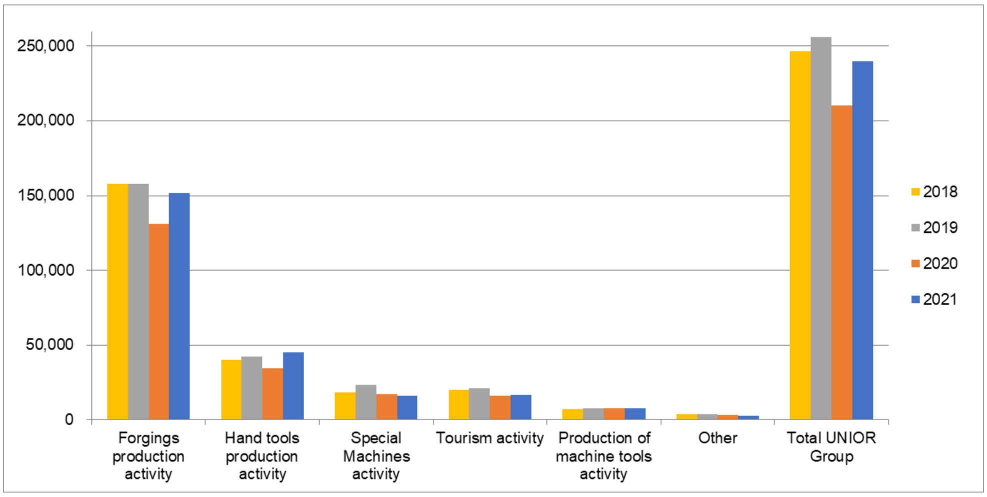
Special Machines generated 5.2 per cent less revenue from sales in 2021 due to the delays in the collection of machines by foreign buyers caused by the epidemic and a lower volume of obtained new projects in 2020 for the 2021 financial year, when automotive manufacturers started to tread more carefully in ordering new capital goods upon the outbreak of the coronavirus pandemic in 2020.

The operations of the Tourism Activity in the Group were strongly negatively affected by the impact of the COVID-19 epidemic at the beginning of 2021, when Terme Zreče and the Rogla Ski Resort were closed for practically four months with the exception of only a few allowed activities on account of the restrictive measures of the Government of the Republic of Slovenia intended to prevent the spread of coronavirus infections. The situation did not improve until the beginning of the summer, when its operations were positively affected also by tourism vouchers and favourable weather conditions for a fast start to the ski season at the beginning of December. As a result, revenue from sales in the Tourism Activity in the group exceeded the sales of 2020 by 0.8 per cent.

The reduction in sales of the machine tools production activity by 0.9 per cent in 2021 is also indirectly connected to restrictive travelling measures on account of the COVID-19 as these led to a fall in the volume of orders of one of this activity's customers, the aviation industry.

Revenue from sales of the UNIOR Group by activity

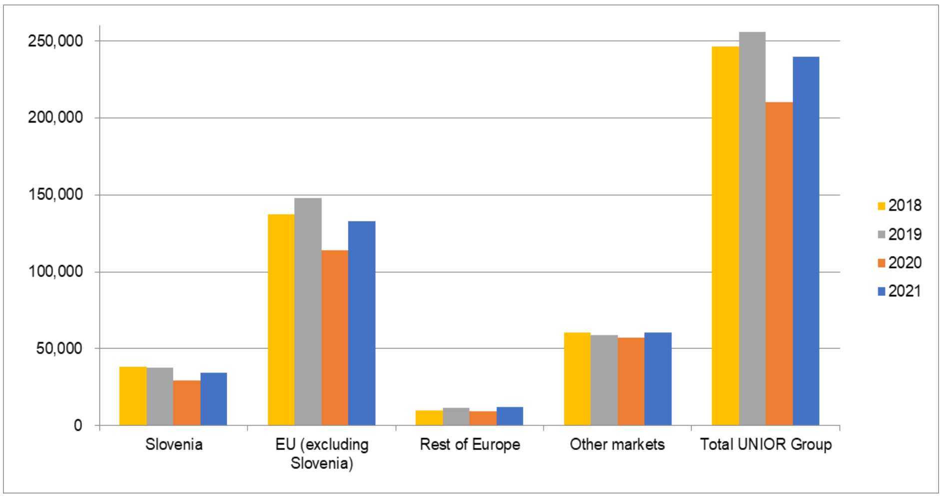
(in thousand EUR)	2021	2020	2019	2018
Forgings production activity	151,694	131,310	158,056	157,681
Hand tools production activity	45,006	34,734	42,005	40,161
Special Machines activity	16,154	17,045	23,205	18,011
Tourism activity	16,346	16,212	21,081	19,756
Production of machine tools activity	7,773	7,840	7,832	7,039
Other	2,726	3,099	3,815	3,805
Total UNIOR Group	**239,699**	**210,240**	**255,994**	**246,453**



The EU market plays the most important role in the operations of the UNIOR Group where it generated EUR 133 million in sales or a 55.5 per cent share in the sales structure. In 2021, sales on the EU market rose by 16.8 per cent. In Slovenia, the sales volume amounted to EUR 34.5 million, rising by 17.5 per cent. Slovenia and the rest of the EU represent a 69.9 per cent share in sales of the UNIOR Group. On remaining European markets which represent a 4.9 per cent share, sales rose by 24.2 per cent to EUR 11.9 million. The sales volume on other, non-European, markets rose by 5 per cent compared to the previous year, amounting to EUR 60.3 million or a 25.2 per cent share in the sales of the UNIOR Group.

Revenue from sales of the UNIOR Group by market

(in thousand EUR)	2021	2020	2019	2018
Slovenia	34,546	29,407	37,917	38,123
EU (excluding Slovenia)	133,004	113,878	147,679	137,587
Rest of Europe	11,859	9,552	11,731	10,124
Other markets	60,290	57,403	58,667	60,619
Total UNIOR Group	**239,699**	**210,240**	**255,994**	**246,453**

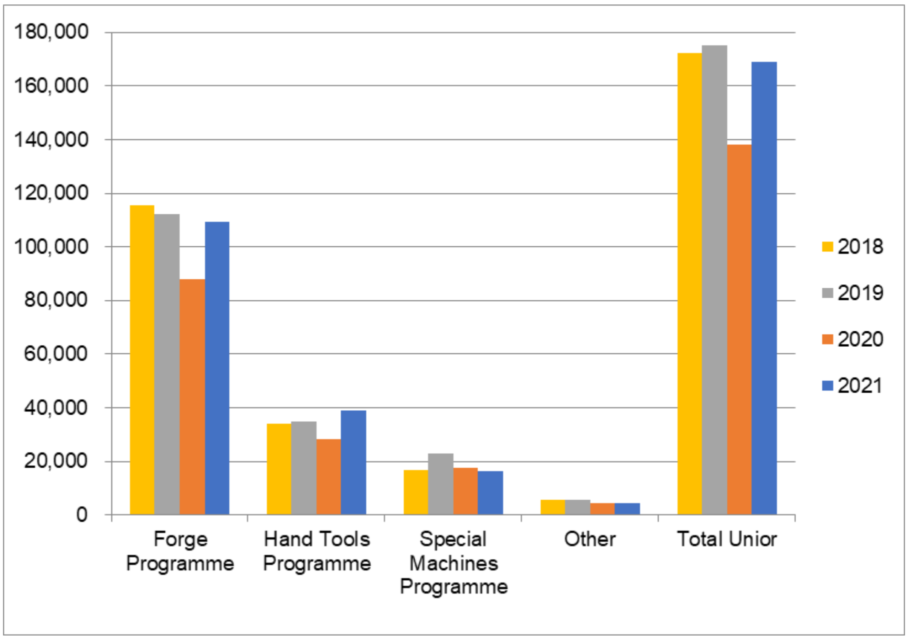


8.2.2 SALES OF UNIOR d.d.

In 2021, revenue from sales generated by UNIOR d.d. amounted to EUR 169 million or 22.4 per cent or EUR 30.9 million more than the year before. Both the Forge and Hand Tools Programmes generated a higher sales volume. The sales volume of the Forge Programme rose by 24.4 per cent and of the Hand Tools Programme by 38.4 per cent. Despite cancellations of orders during the last quarter on account of the crisis in the automotive industry caused by the supply chain of components required for manufacturing new cars, the Forge Programme generated a higher sales volume. The Hand Tools Programme experienced an exceptional sales volume and demand primarily for special-purpose hand tool programmes, predominantly in the bicycle programme. The Special Machines Programme did not experience any order cancellations from customers, however, its sales fell by 5.8 per cent due to delays in collections of machines by foreign customers caused by the COVID-19 epidemic and a lower scope of projects, obtained in 2020, to be completed in the 2021 financial year.

Revenue from sales by programme

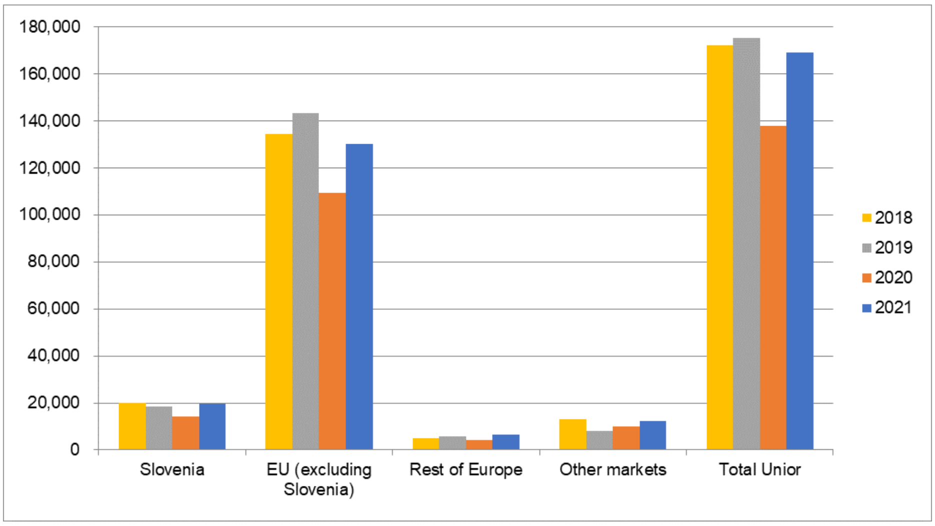
(in thousand EUR)	2021	2020	2019	2018
Forge Programme	109,208	87,821	112,128	115,566
Hand Tools Programme	39,102	28,244	34,837	34,233
Special Machines Program	16,431	17,441	22,751	16,932
Other	4,234	4,548	5,620	5,634
Total Unior	**168,975**	**138,055**	**175,336**	**172,365**



European markets represent a 92.6 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 22.2 per cent. Growth of 36.7 per cent was experienced in Slovenia and 20.4 per cent growth in EU markets excluding Slovenia. Other markets represent 7.4 per cent of our generated revenue. Our sales volume thereon rose by 25.5 per cent.

Revenue from sales by market

(in thousand EUR)	2021	2020	2019	2018
Slovenia	19,431	14,211	18,355	19,985
EU (excluding Slovenia)	130,366	109,550	143,489	134,287
Rest of Europe	6,695	4,345	5,601	4,998
Other markets	12,482	9,949	7,892	13,095
Total Unior	**168,975**	**138,055**	**175,336**	**172,365**



8.3 PRODUCTION AND SERVICES

8.3.1 PRODUCTION AND SERVICES OF THE UNIOR GROUP

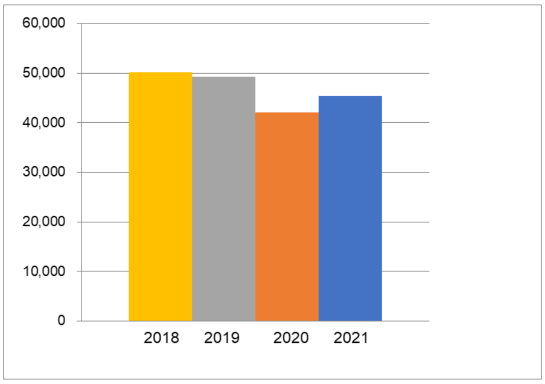
The UNIOR Group produces forgings in its forges in Zreče, Slovenia, in Vinkovci, Croatia, and Yuyau, China. Forgings are machined in Slovenske Konjice. Hand tools are produced at four locations in Slovenia, namely in Zreče, Vitanje, Lenart and Stari trg ob Kolpi. Special Machines takes place in Zreče, 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 2021 also resulted in a higher production volume of forgings and hand tools in the UNIOR Group compared to 2020. The UNIOR Group produced 45,358 tons of forgings of 8 per cent or 3,377 tons more than during the preceding year. The Hand Tools Programme produced 5.4 million pieces of hand tools or 38.2 per cent more than in the year before, whereas production in terms of product weight amounted to 3,460 tons or 53 per cent more than in 2020. The number of completed hours in 2021 in the Special Machines Programme and the machine tool production (where production is measured thereby) fell by 7.5 per cent compared to the year before. On account of the closure of tourism capacities at the beginning of 2021, when practically the entire winter season was lost in terms of guest accommodation capacities, overnight stays of guests of the Tourism Activity of the UNIOR Group fell by 10.2 per cent compared to 2020.

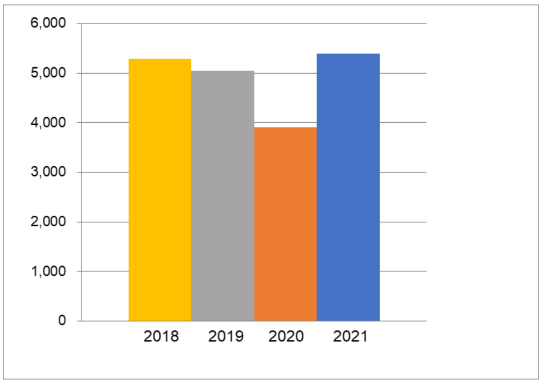
Production and services in the UNIOR Group by activity

	2021	2020	2019	2018
Production of forgings (in tons)	45,358	41,981	49,190	50,168
Production of forgings (in thousand units)	96,595	88,754	103,907	110,221
Production of hand tools (in tons)	3,460	2,262	2,798	2,931
Production of hand tools (in thousand units)	5,395	3,904	5,048	5,291
Special Machines and machine tools (worked hours)	370,889	400,893	437,984	396,470
Total overnight stays in Tourism	143,214	159,554	201,722	198,612

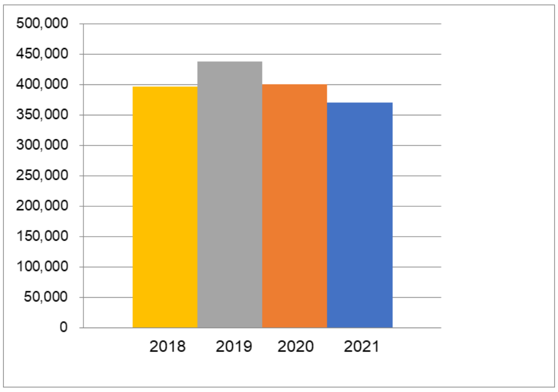
Forge Programme Production



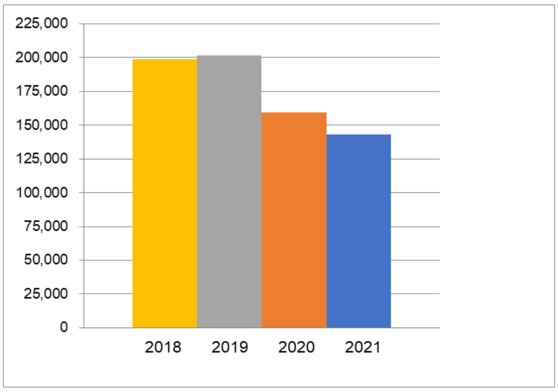
Hand Tools Programme Production



Special Machines and Production of Machine Tools



Total overnight stays in Tourism



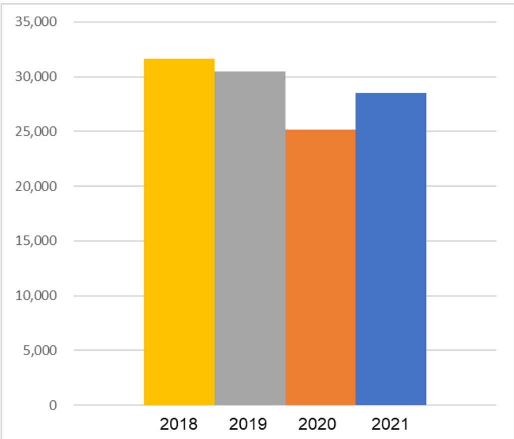
8.3.2 PRODUCTION AND SERVICES OF UNIOR d.d.

The increased sales volume in 2021 also led to an increased production volume compared to 2020. In 2021, the Forge Programme produced 13.3 per cent or 3,350 tons more forgings. In terms of pieces, production rose slightly more than that, namely by 15.8 per cent or 9.5 million pieces. The Hand Tools Programme produced 50.6 per cent more than in the year before in tons. In terms of pieces, production rose by 38.2 per cent. The number of completed hours in 2021 in the Special Machines Programme (where production is measured thereby) also fell by 13.5 per cent compared to the year before.

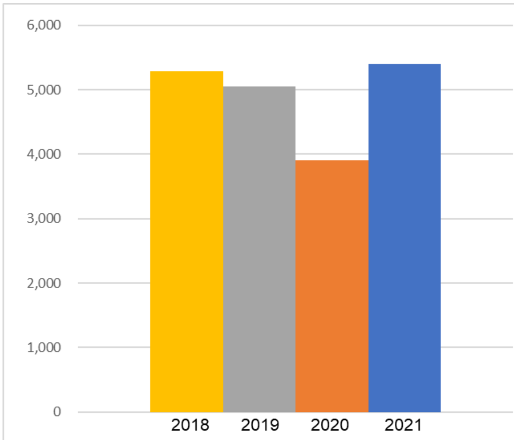
Production and services by programme

	2021	2020	2019	2018
Forgings (in tons)	28,510	25,160	30,486	31,662
Forgings (in thousand units)	69,703	60,169	73,988	79,516
Hand Tools (in tons)	3,460	2,262	2,798	2,931
Hand Tools (in thousand units)	5,395	3,904	5,048	5,291
Special Machines (hours worked)	174,190	201,430	216,887	176,290

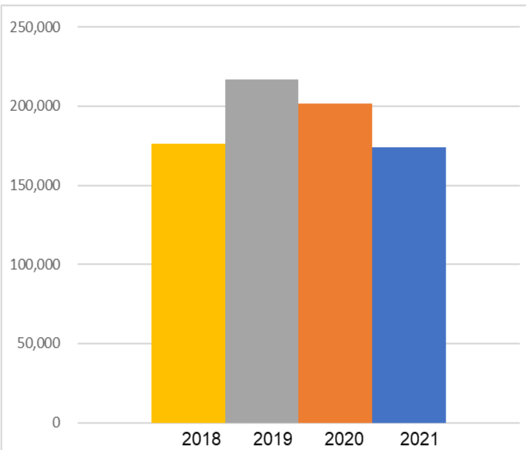
Forgings production



Hand Tools production



Special Machines Programme production



8.4 PROCUREMENT

8.4.1 PROCUREMENT OF THE UNIOR GROUP

In 2021, 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 final quarter of 2021 was characterised primarily by a surge in energy product (electricity and natural gas) prices. This resulted in a direct response of certain suppliers where energy represents a major share in their products. New price hike requirements began at the time of launching negotiations with our key suppliers of steel and steel metals on the quantities and prices for the upcoming year.

8.4.2 PROCUREMENT IN UNIOR d.d.

STEEL

Steel was delivered in 2021 without any major hiccups. Annual quantities and basic prices were agreed. Order volumes were adapted to the market situation. On account of a declining conjuncture during the last quarter of the year, part of the orders had to be cancelled or their delivery periods extended. In 2021, UNIOR procured 51,000 tons or 16 per cent more hot forging steel than in 2020. On average, the total price of steel was 25 per cent higher than the year before that. Higher prices have resulted from somewhat higher basic prices and a sharp hike of the price of scrap and alloy surcharges.

STEEL POWDER

In 2021, UNIOR procured 606 tons or 29 per cent more steel powder than in 2020. Prices went up. The increasing steel powder price was caused by an increase in the surcharge price (similarly to hot forging steel). During the second half of the year, delivery periods stabilised to currently two months on average.

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

In 2021, 19 tons of products from various non-ferrous metals were procured. Compared to 2020, 57 per cent more such products were procured in quantitative terms. The order of 8.5 tons of hot-pressing aluminium affects the increased quantity. A comparison between the years in real terms is not possible as a diverse array of materials and prices not repeated throughout the years are identified.

SHEET METAL

The procurement of sheet metal in 2021 was extremely specific and differed from the preceding years in many ways. The key element was the fact that prices rose at 14-day intervals during the first two quarters. At the same time, a severe shortage of sheet metal was experienced during the first quarter. Later, deadline periods returned to normal. In 2021, 1,257 tons of different types of sheet metal or 55 per cent more than in 2020 were consumed. This is a reflection of higher volumes of orders, primarily of cycle tool customers. Attention should be drawn to the fact that the sales of our sheet metal products had been extremely bad in 2020, further contributing to a high growth index in 2021. Compared to 2020, the price of sheet metal in 2021 was 45 per cent higher on average. Prices peaked at the end of the second quarter of 2021, before beginning to fall. Despite the constant slight falling of sheet metal prices due to market conditions, they are not expected to fully return to the levels prior to the sheet metal shortage period.

SANDING MATERIALS

In terms of the number of pieces, the consumption of sanding materials in 2021 fell by 24 per cent compared to 2020. On average, prices rose. Rising prices of sanding materials were identified during the second half of the year in particular. Prices were heavily affected by transport costs from the Far East, as most basic raw materials used for the production of sanding products are supplied from China.

CUTTING TOOLS

In terms of value, the consumption of cutting tools in 2021 rose by 28 per cent compared to the previous year of 2020, consistent with increased production. Consignment agreements have been concluded with most suppliers for our cutting tools, allowing for continuous supply of these materials.

CONSUMABLES

The consumption of consumables in 2021 increased both in terms of value and quantity. This is a result of a higher work volume. The consumption of consumables rose by as much as 60 per cent in terms of quantity and by 43 per cent in terms of value compared to the preceding year. In terms of prices, an average 1.1 per cent rise was identified in 2021 compared to 2020. Undisrupted deliveries proved the most challenging. This was caused by continuously extended delivery periods of up to one year by some suppliers.

CHEMICAL PRODUCTS

Compared to 2020, the procurement of chemical products in 2021 also proved challenging in many ways. We were most affected by delayed deliveries of oils and lubricants. This was caused by reduced production volumes of fuel derivatives, where base raw materials for the production of oils and other lubricants are generated as a by-product. Further delivery disruptions were caused by a shortage of packaging (primarily metal casks on the grounds of a shortage of sheet metal). Both led to daily prices in this procurement category and prices proved pretty much non-negotiable. In terms of quantity, trends remained the same as in 2020. In terms of value, the market situation led to a 15 per cent rise, of which 12 per cent was given rise by the price. Delivery periods in this procurement category extended by as much as ten times compared to the average delivery periods in the preceding years.

8.5 PERFORMANCE

8.5.1 PERFORMANCE OF THE UNIOR GROUP

In 2021, the UNIOR Group generated EUR 11.1 million in profit or a EUR 13.3 million increase compared to 2020 when both the Group and UNIOR d.d. were negatively affected not only by the coronavirus pandemic but also by EUR 4.3 million in negative revaluation of investment property. The UNIOR Group received EUR 7.8 million in government grants to mitigate the effects of the pandemic in 2020 and EUR 3.5 million EUR in 2021, out of which EUR 3.1 million by the tourism activity of the Group.

In 2021, the EBIT (Earnings Before Interest and Taxes) of the UNIOR Group amounted to EUR 10.5 million or EUR 9.4 million more than the preceding year. In 2021, the EBITDA (Earnings Before Interest, Taxes, Depreciation, and Amortization) amounted to EUR 28.8 million or EUR 4.9 or 20.3 per cent more than in 2020.

Even though higher operating expenses resulted in a 2.4 per cent lower EBITDA than planned, a higher financial revenue resulted in a 34.7 per cent higher net profit than planned.

SALES AND PROFITABILITY OF THE UNIOR GROUP

(in thousand EUR)	2021	2020	2019	2018
Revenue from sales	239,699	210,240	255,994	246,453
Operating costs	(241,345)	(219,043)	(246,531)	(242,455)
EBIT	10,486	1,128	15,557	14,991
EBITDA	28,792	23,931	31,974	30,188
Earnings before interest and taxes	11,260	(3,077)	12,651	14,776
Net profit or loss	11,091	(2,196)	10,433	12,155

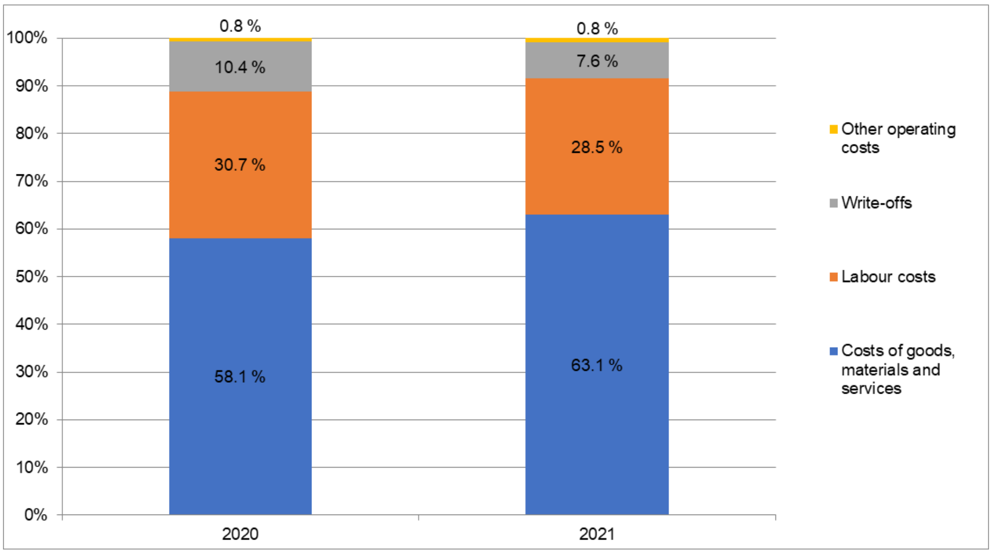
In 2021, characterised by great many issues in supply chains, surging procurement prices of materials and energy products, a shortage of suitably qualified human resources, and the spread of new coronavirus strains, the UNIOR Group complied with all the commitments towards banks as set out in the Syndicated Credit Agreement of December 2016.

OPERATING EXPENSES STRUCTURE OF THE UNIOR GROUP

In 2021, operating expenses of the UNIOR Group rose by 10.2 per cent. Compared to 2020, costs of goods, materials and services rose by 19.5 per cent and by more than operating revenue. In addition to a higher production volume of forgings and hand tools, such a high growth rate was affected by an increase in steel, sheet metal, and energy product prices on account of an extraordinary conjuncture at the beginning of the year in addition to a supply shortage and supply chain issues at the end of the year. Compared to 2020, labour costs rose by 2.4 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 promotions of employees aimed at recruiting and retaining high-quality and suitably qualified human resources. Write-offs including depreciation and operating expenses from revaluation fell by 19.7 per cent in 2021 as 2020 operating expenses from revaluation also included EUR 4.3 million in negative effects of revaluation of our property in Maribor to a fair value. Other operating expenses, which account for only a small share in the operating expenses structure, rose by 17.3 per cent.

Operating expenses structure in the UNIOR Group

(in thousand EUR)	2021	2020
Costs of goods, materials and services	(152,184)	(127,314)
Labour costs	(68,888)	(67,251)
Write-offs	(18,307)	(22,802)
Other operating costs	(1,966)	(1,676)
Total operating expenses	**(241,345)**	**(219,043)**



Compared to the previous year, the structure of expenses was changed due to the above; namely, costs of goods, materials and service rose by 5 per cent, whereas labour costs fell by 2.2 per cent and write-offs fell by 2.8 per cent as far as the structure thereof is concerned.

PRODUCTIVITY OF THE UNIOR GROUP

(in EUR)	2021	2020	2019	2018
Gross output per employee	93,271	77,744	87,334	82,727
Gross added value per employee	36,178	32,197	34,621	32,384

Productivity in the UNIOR Group is measured by gross operating profit by employee which rose by 20 per cent compared to 2020 and amounted to EUR 93.3 thousand per employee. The other indicator, gross added value per employee, rose by 12.4 per cent compared to the year before and amounted to EUR 36.2 thousand per employee. Higher productivity indicators are a reflection of an almost 14.4 per cent increase in the gross output and a 4.7 per cent decline in the number of employees in terms of hours worked.

8.5.2 PERFORMANCE OF UNIOR d.d.

In 2021, UNIOR d.d. generated a net result of EUR 2.7 million which is EUR 10.7 million more than compared to the previous year of 2020 when a negative net result of EUR 7.9 million had been generated. In addition to the mentioned negative impacts of the COVID-19 pandemic, the negative net result of 2020 also included EUR 4.3 million of negative effects of the revaluation of the property in Maribor to a fair value. In the last quarter of 2021, extremely negative effects of the European automotive industry crisis were observed, thus reducing the net operating result of the company which had proven promising during the first three quarters, suggesting our ability to attain the planned objectives. The above notwithstanding, all our measures enabled us to preserve a positive net result, as a result of which the net operating result generated lagged only 8.6 per cent behind the target value.

Our operating result improved by EUR 10.3 million – in 2021, EUR 2.9 million in operating profit was generated, compared to EUR 7.4 million in operating loss in 2019. The EBITDA generated in 2021 amounts to EUR 12.7 million, exceeding the EBITDA generated during the year before by EUR 5.5 million.

Sales volume and profitability of UNIOR d.d.

(in thousand EUR)	2021	2020	2019	2018
Revenue from sales	168,975	138,055	175,336	172,365
Operating costs	(171,219)	(152,768)	(175,099)	(173,255)
EBIT	2,943	(7,403)	7,526	7,795
EBITDA	12,663	7,148	15,859	16,274
Earnings before interest and tax	2,129	(10,302)	6,774	7,559
Net profit or loss	2,746	(7,959)	6,124	6,795

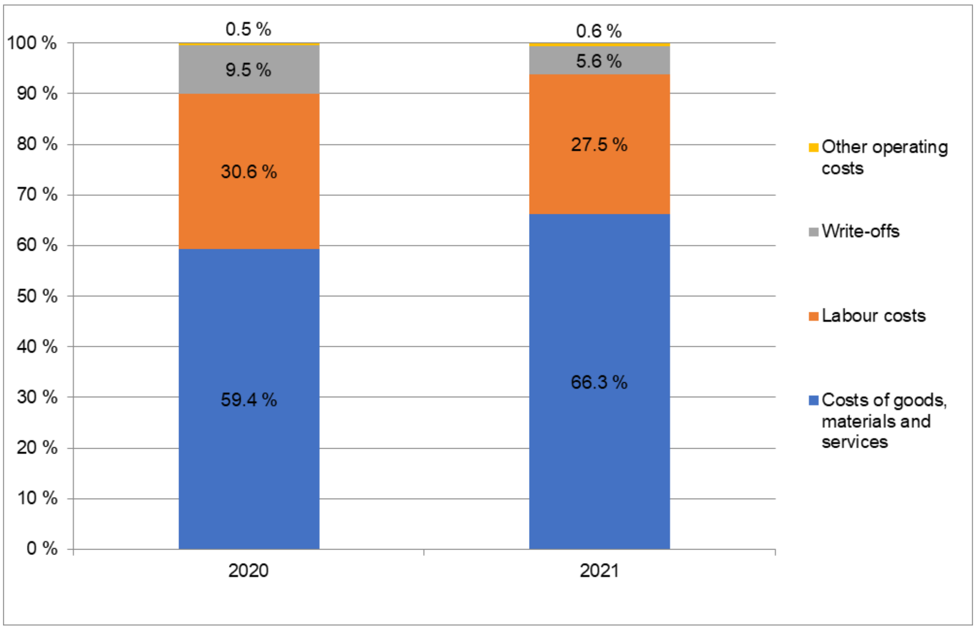
In the year still marked by the global COVID-19 epidemic, the most important objective of the company remained to protect its cashflow and ensure continuous liquidity with an emphasis on fulfilling its obligations towards its employees, business partners and banks. All commitments made to banks as specified in the Syndicated Credit Agreement of December 2016, were honoured by the company without any derogations even in 2021 when the situation proved to be far from normal.

OPERATING EXPENSES STRUCTURE

An increase in expenses resulted from extreme pressures exercised on material, raw material, and energy product prices both during the extraordinary conjuncture at the beginning of the year and during the last months of the year on account of restrictions, a shortage of materials, and logistic issues. Compared to 2020, labour costs rose by 1.3 per cent. Higher labour costs were mainly affected by the increase of the minimum wage as mandated by law and the resulting promotions of other employees aimed at preserving the payroll distribution and primarily at retaining high-quality and qualified human resources. Write-offs including depreciation and operating expenses from revaluation fell by 33.2 per cent as 2020 operating expenses from revaluation also included EUR 4.3 million negative effects of revaluation of our property in Maribor to a fair value. Other operating expenses rose by 31 per cent but these represent the smallest proportion in the structure of operating expenses.

Operating expenses structure

(in thousand EUR)	2021	2020
Costs of goods, materials and services	(114,208)	(90,813)
Labour costs	(47,387)	(46,778)
Write-offs	(9,720)	(14,551)
Other operating costs	(820)	(626)
Total operating expenses	**(172,135)**	**(152,768)**



Compared to the previous year, the structure of expenses was changed due to the above; namely, costs of goods, materials and service rose by 6.9 per cent, whereas labour costs fell by 3.1 per cent and write-offs fell by 3.9 per cent as far as the structure thereof is concerned.

PRODUCTIVITY

(in EUR)	2021	2020	2019	2018
Gross output per employee	109,974	86,785	104,001	101,714
Gross added value per employee	37,720	32,195	37,337	36,374

Productivity in the company is measured by gross operating profit by employee which rose by 26.7 per cent compared to 2020. The other indicator, gross added value per employee, also rose by 17.2 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.	
	2021	2020	2021	2020
Equity financing rate *(equity/liabilities)*	0.482	0.477	0.399	0.415
Long-term financing rate *((equity + non-current debt + non-current provisions) / (liabilities))*	0.733	0.770	0.690	0.764
Operating fixed assets rate *(Fixed assets at carrying amount / assets)*	0.504	0.529	0.394	0.415
Long-term assets rate *((Fixed assets at the carrying amount + investment properties + non-current financial investments + non-current operating receivables) / assets)*	0.566	0.589	0.535	0.567
Equity to operating fixed assets *(equity / fixed assets at carrying amount)*	0.956	0.902	1.013	1.000
Acid test *(liquid assets / current liabilities)*	0.113	0.202	0.026	0.057
Quick ratio *((liquid assets + current receivables) / current liabilities)*	0.639	0.722	0.453	0.462
Current ratio *(current assets / current liabilities)*	1.561	1.716	1.415	1.724
Operating efficiency ratio *(operating revenue / operating expenses)*	1.043	1.005	1.017	0.952
Net return on equity *(net profit of the financial year / average equity excluding net profit or loss of the reporting year)*	0.068	(0.013)	0.030	(0.080)
Dividend to share capital *(total dividends of the financial year / average share capital of the parent company)*	0,000	0,000	0,000	0,000

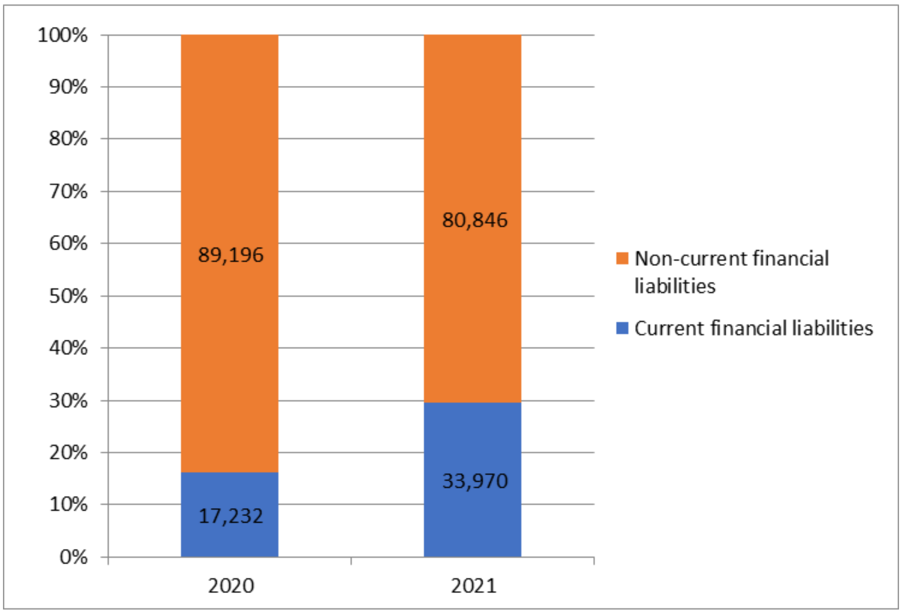
8.7 FINANCIAL SITUATION

8.7.1 FINANCIAL SITUATION OF THE UNIOR GROUP

At the end of 2021, total assets of the UNIOR Group amounted to EUR 365.6 million, rising by EUR 24.2 million or 7.1 per cent during the 2021 calendar year. Non-current assets amounted to EUR 213.4 million or EUR 6.7 million more than at the end of the preceding year. Property, plant and equipment rose by EUR 4.4 million on account of new investments exceeding the depreciation value. On the contrary, intangible assets fell by EUR 0.5 million on account of the depreciation of capitalised costs of development. Investment property increased by EUR 64 thousand on account of fair value changes. Non-current investments rose by EUR 2 million resulting from the valuation of associates on a one-line consolidation basis. Deferred tax assets rose by EUR 0.8 million to EUR 6.5 million. On the other hand, non-current operating receivables fell by three thousand euros. At the end of 2021, current assets amounted to EUR 152.2 million, rising by EUR 17.4 million or 12.9 per cent compared to the end of the year before. The inventory status rose by EUR 11.5 million compared to the year before. All types of inventories were increased. An increase in inventory is a result of an increase in procurement prices of materials and raw materials and a reduced sales volume of forgings during the last quarter of the year. Current investments rose by EUR 0.3 million due to higher deposits held with banks. Current operating receivables rose by EUR 10.4 million on account of a higher sales volume in December 2021 compared to December 2020 and high receivables of the Special Machines Programme with major shipments during the last quarter of 2021 and, consequently, higher receivables which are not yet due for payment on account of unfinished installation at the customers' premises. Cash fell by EUR 4.8 million compared to the beginning of the year.

As at 31/12/2021, the equity of the UNIOR Group amounted to EUR 176.3, rising by EUR 13.5 million as a result of EUR 11.1 million in profit of the 2021 financial year, an increase in fair value reserves amounting to EUR 0.9 million, an increased cumulative translation adjustment amounting to EUR 3.5 million, and being reduced in light of the disbursement of dividends to non-controlling interest owners amounting to EUR 0.8 million, the acquisition of treasury shares amounting to EUR 0.7 million and other changes in equity amounting to EUR 0.5 million. Non-current and current financial liabilities amount to EUR 114.8 million in total. During the current year, financial liabilities rose by EUR 8.4 million on account of higher utilisation of revolving credits and the final drawdown of loans approved during the epidemic with a state guarantee and the beginning of drawdown of the loan used for investing into a new aluminium moulding programme. During the second half of the year, all regular repayments of loan principals deferred by the UNIOR Group in agreement with all commercial banks, where possible in compliance with local intervention laws, for the period between June 2020 and May 2021, were made. A total of 70.4 per cent of financial liabilities of the UNIOR Group are of a non-current nature, whereas current liabilities represent utilised revolving loans and EUR 17.7 million in principals of non-current financial obligations maturing in 2022. As far as the interest rate is concerned, 94.4 per cent of all financial liabilities of the Group include a floating interest rate, out of which 51 per cent are subject to an interest rate swap until December 2022.

Maturity dates of financial liabilities of the Unior Group



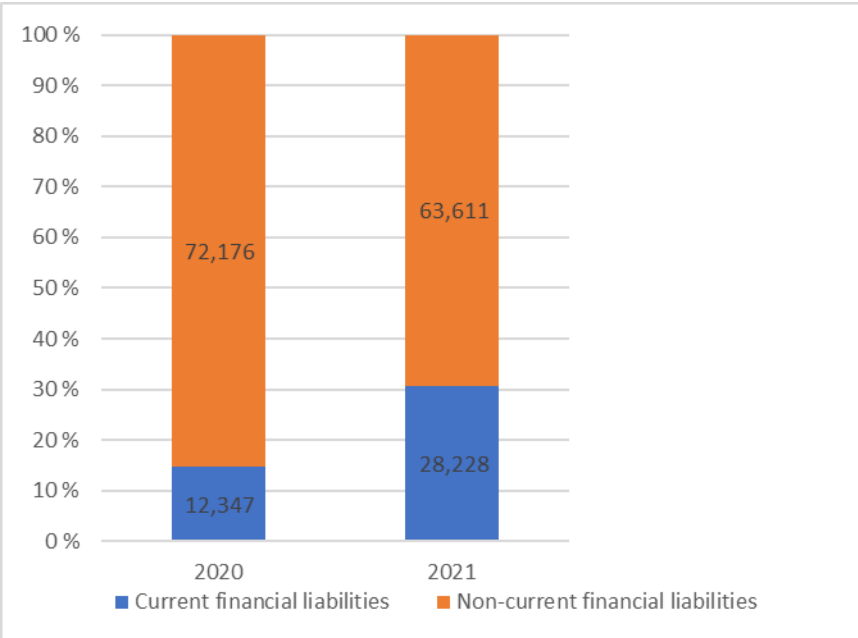
In 2021, operating liabilities of the UNIOR Group rose by EUR 2.2 million or 3.7 per cent and amount to EUR 63.6 million. Compared to the end of the preceding year, current trade payables rose by EUR 3.3 million, current bills of exchange payables fell by EUR 1.3 million and liabilities associated with advance payments received from customers fell by EUR 0.2 million. Other current operating liabilities rose by EUR 0.4 million in light of higher deferred revenue of the Special Machines Programme related to projects which are still pending shipment.

8.7.2 FINANCIAL POSITION OF UNIOR, d.d.

At the end of 2021, total assets of the company amounted to EUR 236.2 million, rising by EUR 14.5 million or 6.5 per cent during the 2021 calendar year. Non-current assets rose by EUR 1.3 million, of which property, plant and equipment by EUR 1.4 million and deferred tax assets by EUR 0.8 million. Intangible fixed assets fell by EUR 0.3 million. Non-current investments also fell by EUR 0.6 million on account of the repayment of non-current loans given and value adjustments of investments. Non-current operating receivables fell by EUR 74 thousand, whereas investment property rose by EUR 52 thousand. Current assets rose by EUR 13.2 million or 14.6 per cent. The inventory status rose by EUR 4.7 million in all types of inventories, except for work in progress. An increase in inventories is related to a rise in material and raw material prices and a fall in sales volume during the final quarter of the year. Current investments fell by EUR 0.5 million due to a lower loan balance due to Unitur d.o.o. Current operating receivables rose by EUR ten million primarily on account of higher current trade receivables resulting from a higher sales volume compared to the end of 2020 and high receivables of the Special Machines Programme with major shipments during the final quarter of 2021 and trade receivables are not yet due on the grounds of unfinished installation. Cash fell by EUR 1.1 million compared to the beginning of the year.

In 2021, the equity of the company fell by EUR 2.2 million, resulting from EUR 2.7 million in profit during the 2021 financial year and changes to reserves from revaluation at fair value and the value of treasury shares resulting from the court settlement concluded with Rhydcon d.o.o. Financial liabilities rose by EUR 7.3 million during the current year, namely falling on account of regular repayment of loan principals during the second half of the year (the company had reached an agreement on deferred repayment of principals for the period between June 2020 and May 2021 with all commercial banks in compliance with intervention laws) and on account of a higher utilisation of revolving credits and the final drawdown of loans approved during the COVID-19 epidemic with a state guarantee and the beginning of drawdown of the loan used for investing into a new aluminium moulding programme. A total of 69.3 per cent of financial liabilities of the company are of a non-current nature, whereas current liabilities represent the utilised revolving loan and EUR 14.7 million in principals of non-current financial obligations maturing in 2022. As far as the interest rate is concerned, 98.6 per cent of all financial liabilities of the company include a floating interest rate, out of which 52.4 per cent are subject to an interest rate swap until December 2022.

Maturity dates of financial liabilities of UNIOR d.d.



In 2021, operating liabilities rose by EUR 4.9 million or 12.2 per cent and amount to EUR 44.9 million. Current trade payables rose by EUR 3 million, liabilities to Group companies rose by EUR 0.1 million and liabilities associated with advance payments received from customers fell by EUR 0.1 million. Other current operating liabilities rose by EUR 1.9 million, out of which EUR 0.5 million deferred revenue of the Special Machines Programme related to projects which are still pending shipment.

8.8 INVESTMENTS

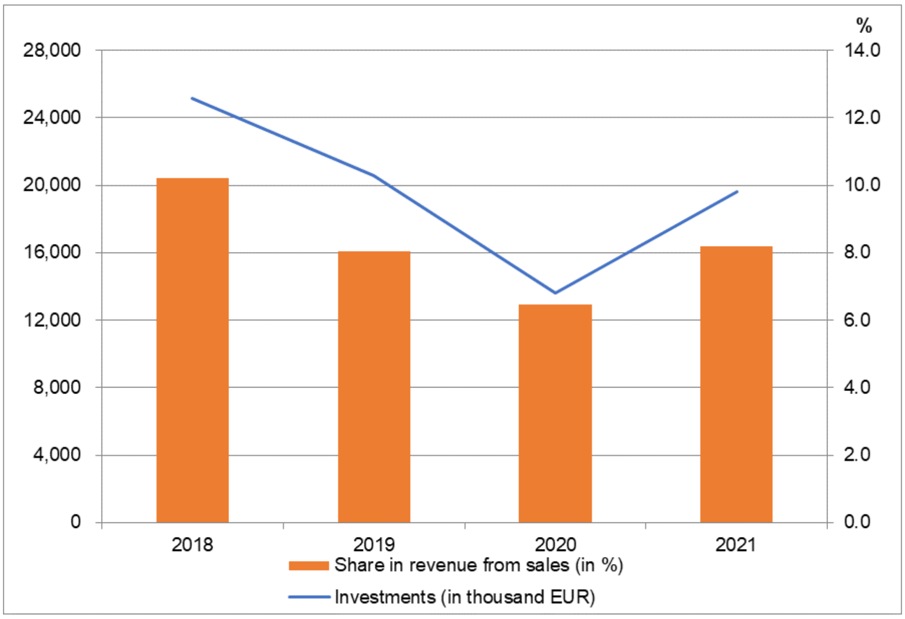
8.8.1 INVESTMENTS OF THE UNIOR GROUP

In 2021, the UNIOR Group invested EUR 19.6 million in fixed assets, out of which EUR 1.9 million were invested in the form of capitalised own products. Investments into intangible fixed assets amounted to EUR 1.2 million and investments into tangible fixed assets to EUR 18.4 million. EUR 18 million were invested in the metalworking activity and EUR 1.6 million in the tourism activity. The total value of investments rose by EUR 6.1 million compared to 2020.

EUR 3.8 million was invested in buildings, EUR 14.1 million in new equipment and EUR 0.5 million in the acquisition of new land. The highest investment was in the Vitanje plant where a new production programme used to press aluminium forgings was set up. Other sizeable investments include investments in the press needed by the Zreče forge, the automation and robotisation of the production of forgings, a CNC machining centre for forgings in Slovenske Konjice, a CNC broach processing grinder in Kragujevac, land in Lenart, robotisation of a forging line and ABP induction furnace in China, the expansion of the finished product warehouse in Vinkovci, the expansion and upgrading of the artificial snow-making system on Rogla and the renovation of the Vital Hotel in Zreče. In order to reduce negative effects on the environment, windows on the forge in Zreče as a measure intended to reduce noise emissions in the environment were replaced. Two solar panels were installed on the roof of the production hall in Kragujevac.

Investments in fixed assets and their share in revenue from sales of the UNIOR Group

	2021	2020	2019	2018
Investments (in thousand EUR)	19,645	13,593	20,546	25,135
Share in revenue from sales (in %)	8.20	6.47	8.03	10.20

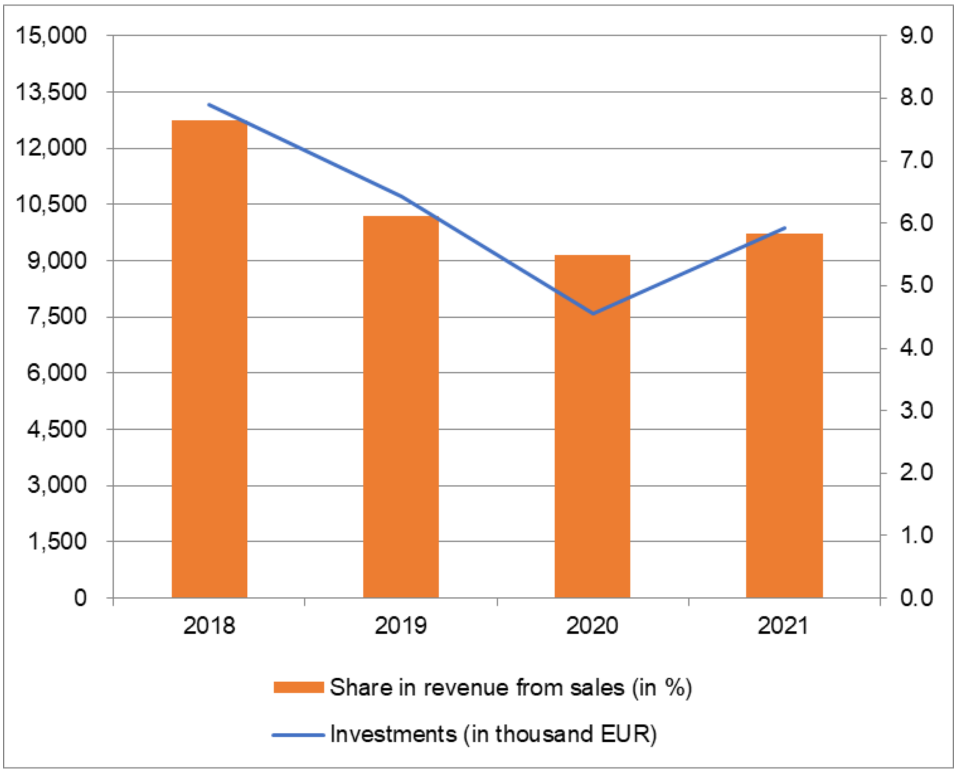


8.8.2 INVESTMENTS OF UNIOR d.d.

In 2021, UNIOR invested EUR 9.9 million in new fixed assets. EUR 1.9 million were invested in the form of capitalised own products. The total value of investments rose by EUR 2.3 million compared to 2020. UNIOR d.d. invested EUR two million in buildings and half a million euros was invested in acquiring land in Lenart. EUR 5.5 million was spent on upgrading and expanding our production machine capacities, the majority of which (EUR 4.1 million) for the Forge Programme and the launching of a new Aluminium production programme, for which the first aluminium moulding and presses needed by the Zreče forge were procured. 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

	2021	2020	2019	2018
Investments (in thousand EUR)	9,873	7,578	10,708	13,165
Share in revenue from sales (in %)	5.84	5.49	6.11	7.64



EUR 9.8 million were spent for paying investments in fixed assets in 2021. In 2021, payments were EUR 2.3 million higher than in the year before. EUR 1.6 million funds were also spent in 2021 to pay for investments of the year before (2020).

8.9 INTERNAL AUDIT IN THE PARENT COMPANY

The internal audit activity is performed on the basis of the Internal Audit Basic Charter. 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 compliance with the 2021 Annual Work Plan, eleven regular internal audits and one extraordinary internal audit were carried out. 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.

Pursuant to the provisions of the International Standards for the Professional Practice of Internal Auditing, an independent external quality audit of the operations of the Internal Audit Department was performed in 2021. The audit was performed in compliance with the International Standards for the Professional Practice of Internal Auditing, the Internal Auditor Professional Code of Ethics and the Internal Auditing Code. The external auditor provided an overall assessment of compliance with the standards in terms of overall compliance.

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

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

Pursuant to its Articles of Association of 17/02/2022, the ROGLA INVESTICIJE d.o.o. subsidiary, 100 per cent owned by UNIOR d.d., changed its commercial name to UNIOR IN, predelava kovanih in sintranih izdelkov d.o.o. on 28/02/2022. The company will be in charge of performing simple production, control, and service tasks. It is foreseen to convert into a sheltered workshop of the UNIOR Group.

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.

8.11.2 OTHER EVENTS AFTER THE REPORTING PERIOD

After the reporting period, the Russian invasion of Ukraine began on 24 February 2022, marking not only a military and geopolitical turning point but has also resulted in changes to economic conditions. The above affects not only short-term economic trends but also medium-term growth and welfare projections for countries with important customers. The escalation of the Russian-Ukrainian conflict and the outbreak of a war changed the economic conditions not only in the EU but also on a wider scale. Many sanctions were introduced against Russia. This will, among others, affect trade in goods and, therefore, the production and export transactions of the countries implementing them. Consequently, this will also affect the UNIOR Group and UNIOR d.d. which are both highly integrated into global economic cycles. On the one hand, these effects will be reflected on a reduced sales volume, and, on the other, on rising prices of materials and energy products and difficulties in their supply.

The effects of the Russian-Ukrainian conflict on the operations of the UNIOR Group are presented in Section 9.14, and on the operations of UNIOR d.d., in Section 10.15 of the 2021 Annual Report.

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 a public utility – generation and supply of thermal energy

(in EUR)	2021	2020
Revenue from supplying natural gas and electricity	754,531	391,126
Total revenue	**754,531**	**391,126**
Costs of goods, materials and services	(726,069)	(405,337)
Depreciation	(92,434)	(84,818)
Labour costs	(121,916)	(94,758)
Other operating expenses	(17,931)	(14,952)
Financial expenses from financial liabilities	(11,255)	(10,572)
Total operating costs	**(969,605)**	**(610,437)**
PROFIT OR LOSS	**(215,074)**	**(219,311)**

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).

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 – 45.4 per cent),
  (Thermal energy 508kW – 54.6 per cent);
- SPTE 2: CC 52200 (electricity 637 kW – 43.94 per cent),
  (Thermal energy 766kW – 56.51 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 represent 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 Deloitte revizija d.o.o. in the 2021.

8.13 2022 OBJECTIVES

The business plan for 2022 was drawn up on the basis of data collected in December 2021. It is based on fast and drastic changes taking place during the last quarter of the previous year, affecting primarily the automotive industry within the scope of which the UNIOR Group primarily falls. Our projections are subject to high risks in various areas, from a shortage of procured materials and components, broken regular supply chains, high prices of input raw materials, electricity, and petroleum products, bottlenecks or rising prices of intercontinental transport, extended delivery periods for machines and their components, and to, last but not least, an overall deficit of human resources irrespective of their level of education and know-how. The COVID-19 pandemic continues to affect our operations in terms of various disruptions, such as an increased incidence of sick leave, poor communication with our customers and suppliers resulting from hampered or restricted business trips, instability, and a generally higher level of dissatisfaction and insecurity on the automotive market. All of the above has resulted in a somewhat high level of prudence in planning our business results and development-investment activities in 2022.

8.13.1 2022 OBJECTIVES OF THE UNIOR GROUP

In 2022, EUR 272 million net revenue from sales is planned for the UNIOR Group, amounting to EUR 32.3 million or 13.5 per cent more than 2021 and 29.4 per cent more than 2020. Despite a continued gap between supply and demand on the global markets subject to soaring expenses, EUR 11.5 million in profit is planned for the UNIOR Group in 2022, which represents a 3.6 per cent or EUR 0.4 million improvement of the net operating result compared to the one generated in 2021. In 2022, the EBITDA of the UNIOR Group will increase by 8.1 per cent or EUR 2.3 million to EUR 31.1 million. All UNIOR Group companies will increase their sales volume in 2022 and, by and large, achieve better results than during the preceding year, in addition to continuing the trend of optimising the operations of subsidiaries and associates.

Planned sales and profitability of the UNIOR Group

(in thousand EUR)	2022 (plan)	2021 (realisation)
Revenue from sales	272,021	239,699
EBIT	12,572	10,486
EBITDA	31,112	28,792
Profit or loss	11,489	11,091

In 2022, financial liabilities of the UNIOR Group will be decreased by EUR 11.9 million and the Net financial debt/EBITDA ratio will have been reduced to 2.85 by the end of 2022, continuing the trend of reducing the debt of the UNIOR Group.

8.13.2 OBJECTIVES OF UNIOR d.d. FOR 2022

In 2022, UNIOR d.d. plans to generate EUR 193.5 million in net revenue from sales, representing a EUR 24.5 million or 14.5 per cent increase compared to 2021. The planned revenue from sales is the highest in the history of UNIOR d.d. and also exceeds the revenue generated by the company when Unitur's tourism activity still constituted one of the programmes of the company. The currently dynamic and insecure conditions in the procurement-sales chains are expected to calm down and stabilise by the end of the first half of the year. At the time of issue of this document, all three production programmes are experiencing a good volume of orders and, as such, improved operations of the entire company are expected as a result.

Planned sales volume and profitability of UNIOR d.d.

(in thousand EUR)	2022 (plan)	2021 (realisation)
Revenue from sales	193,452	168,975
EBIT	5,135	2,943
EBITDA	14,861	12,663
Profit or loss	4,753	2,746

In 2022, the Forge Programme is planning to generate EUR 114.5 million or an increase in sales volume compared to 2021. The higher planned sales volume in euros compared to the preceding year is bound to the planned better conjuncture resulting in a 13 per cent increase in quantities. Key to preserving the profitability of the programme and the Group as a whole will be to convince customers to agree to the planned sales prices resulting from growing material and energy costs. The sales plan is based on the existing order status and the projected conjuncture by our customers in 2022.

As far as the forging of aluminium is concerned, conditions for large-scale forging of aluminium will be established in Vitanje in 2022. Initially, the forging of two small-scale projects is foreseen. A lot of time will also be devoted to marketing the Aluminium Programme and the forging of sampling batches. EUR 200 thousand in sales volume is estimated to be generated in 2022. Primarily, new orders for sales during the following years will be commissioned.

In the Hand Tools Programme, in 2022, EUR 38 million in sales or a minimum reduction compared to 2021, characterised by an exceptional growth of revenue on account of transactions which cannot be fully repeated in 2022, as those were single major deliveries upon initially supplying new bicycle repair shops, are planned. In 2022, the sales of bicycle and motorcycle tool kits, pliers, pullers, and metal packaging will be accelerated. Unprofitable products, such as pipe cutters, sheet shears, clamps, and plastic hammers were removed from our product assortment.

In 2022, the Special Machines Programme is planning to generate EUR 20 million in sales volume, which is an increase compared to 2021 when the shortage of obtained orders from 2020, when customers trod more carefully before commissioning new capital goods on account of the outbreak of the SARS-Cov-2 pandemic. The sales strategy continues to diversify market management. We provide for a globally uniform distribution of sales, and our presence in the automotive and freight industry. The number of projects for UNIOR d.d. and the UNIOR Group will continue to be increased.

In 2022, EUR 4.8 million in profits or EUR 2.1 million more than in 2021 are planned for UNIOR d.d. Despite record high revenue from sales, the planned profit is EUR 1.4 million lower than the in the 2019 pre-coronavirus year, all on account of a sharp increase in input prices of steel and energy products, primarily electricity, and labour costs on account of a rise in average salaries resulting from the increase of the minimum wage during the past two years and promotions of employees allowing us to obtain and keep suitably qualified human resources. In 2022, the EBITDA (Earnings Before Interest, Taxes, Depreciation, and Amortization) amounting to EUR 12.7 million in 2021 will increase to EUR 14.9 million.

In 2022, UNIOR d.d. will make EUR 8.8 million in investments, of which EUR 1.6 million from our own funds. The most important investments will be to complete the completely robotised Forging Line 6 with a 2,000-ton press and the start-up of the line to be used for large-scale production of aluminium forgings in Vitanje. 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. If opportunities in terms of sufficient cashflow and additionally obtained sources of finance present themselves, we will be able to make or at least commence making remaining investments of up to EUR 11.8 million deemed of vital importance.

9 AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE UNIOR GROUP

9.1 AUDITED CONSOLIDATED FINANCIAL POSITION STATEMENT OF THE UNIOR GROUP AS AT 31/12/2021

(in EUR)	Item	Note	31/12/2021	31/12/2020
	ASSETS		**365,577,341**	**341,401,898**
A.	**NON-CURRENT ASSETS**		**213,404,405**	**206,672,731**
I.	**Intangible assets and other IA**	**9.7.2**	**7,807,422**	**8,333,468**
1	Non-current property rights		2,400,027	2,523,407
2	Goodwill		521,448	521,448
3	Non-current deferred development costs		3,947,203	4,259,356
4	Other intangible assets		61,947	90,859
5	Intangible assets being acquired		876,797	938,398
II.	**Property, plant and equipment**	**9.7.3**	**176,560,904**	**172,207,675**
1	Land and buildings		102,215,823	99,271,152
	a) Land		*30,070,639*	*27,492,923*
	b) Buildings		*72,145,184*	*71,778,229*
2	Plant and machinery		62,654,505	65,654,842
3	Other equipment and machinery, small tools and other property, plant and machinery		618,746	568,984
4	Property, plant and equipment being acquired		11,071,830	6,712,697
III.	**Investment property**	**9.7.4**	**1,986,461**	**1,922,524**
IV.	**Non-current investments**	**9.7.5**	**20,526,937**	**18,512,953**
1	Non-current investments, excluding loans		20,515,473	18,499,689
	a) Shares and participating interests in associates		*20,426,841*	*18,333,465*
	b) Other non-current investments		*88,632*	*166,224*
2	Non-current loans		11,464	13,264
V.	**Non-current operating receivables**	**9.7.8**	**28,963**	**32,192**
1	Non-current operating receivables		0	0
2	Non-current operating receivables from others		28,963	32,192
VI.	**Deferred tax assets**	**9.7.15**	**6,493,718**	**5,663,919**
B.	**CURRENT ASSETS**		**152,172,936**	**134,729,167**
I.	**Assets (groups for disposal) held for sale**	**9.7.6**	**120,000**	**120,000**
II.	**Inventories**	**9.7.7**	**86,540,690**	**75,000,399**
1	Materials		34,372,076	26,890,799
2	Work in progress		28,087,466	27,980,774
3	Products		18,375,645	14,611,493
4	Merchandise		5,705,503	5,517,333
III.	**Current investments**	**9.7.9**	**3,251,733**	**2,937,946**
1	Current investments, excluding loans		0	0
2	Current loans		3,251,733	2,937,946
IV.	**Current operating receivables**	**9.7.8**	**51,203,777**	**40,835,024**
1	Current trade receivables		36,709,130	24,943,436
2	Current operating receivables due from others		14,494,647	15,891,588
V.	**Cash and cash equivalents**	**9.7.10**	**11,056,736**	**15,835,798**

Audited consolidated financial position statement of the UNIOR Group as at 31/12/2021 (cont.)

(in EUR)	Item	Note	31/12/2021	31/12/2020
	LIABILITIES		**365,577,341**	**341,401,898**
A.	**EQUITY**	**9.7.11**	**176,322,704**	**162,852,381**
A1	**EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT**		**158,720,004**	**148,433,367**
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**		**40,220,660**	**40,155,331**
III.	**Reserves from profit**		**40,468,445**	**40,526,503**
1	Legal reserves		2,010,200	2,031,982
2	Reserves for treasury shares and own participating interests		2,723,119	2,016,459
3	Treasury shares and own participating interests (deduction item)		(2,723,119)	(2,016,459)
4	Statutory reserves		0	3,278,156
5	Other reserves from profit		38,458,245	35,216,365
IV.	**Fair value reserves**		**20,521,761**	**20,231,979**
V.	**Net profit brought forward**		**25,745,126**	**30,986,078**
VI.	**Net loss brought forward**		**0**	**0**
VII.	**Net profit of the financial year**		**8,973,951**	**0**
VIII.	**Net loss of the financial year**		**0**	**(4,471,502)**
IX.	**Translation adjustment of capital**		**(898,922)**	**(2,684,005)**
A2	**EQUITY ATTRIBUTABLE TO NON-CONTROLLING INTEREST**		**17,602,700**	**14,419,014**
B.	**PROVISIONS AND DEFERRED REVENUE**	**9.7.12**	**9,390,926**	**9,487,895**
1	Provisions for pensions and similar liabilities		6,700,968	6,613,268
2	Other provisions		2,490,453	2,649,702
3	Deferred revenue		199,505	224,925
C.	**NON-CURRENT LIABILITIES**		**82,356,570**	**90,528,420**
I.	**Non-current financial liabilities**	**9.7.13**	**80,846,487**	**89,196,301**
1	Non-current financial liabilities to banks		77,397,204	88,206,614
2	Non-current financial liabilities from bonds payable		0	0
3	Other non-current financial liabilities		3,449,283	989,687
II.	**Non-current operating liabilities**	**9.7.14**	**13,085**	**0**
1	Non-current trade payables		0	0
2	Non-current bills of exchange payable		0	0
3	Non-current operating liabilities from advance payments		0	0
4	Other non-current operating liabilities		13,085	0
III.	**Deferred tax liabilities**	**9.7.15**	**1,496,998**	**1,332,119**
D.	**CURRENT LIABILITIES**		**97,507,141**	**78,533,202**
I.	**Liabilities included in groups for disposal**		**0**	**0**
II.	**Current financial liabilities**	**9.7.16**	**33,970,018**	**17,232,094**
1	Current financial liabilities to banks		32,188,586	16,623,171
2	Current financial liabilities from bonds payable		0	0
3	Other current financial liabilities		1,781,432	608,923
III.	**Current operating liabilities**	**9.7.17**	**63,537,123**	**61,301,108**
1	Current operating liabilities to suppliers		38,134,558	34,847,756
2	Current bills of exchange payable		6,217,570	7,505,704
3	Current operating liabilities from advance payments		1,372,391	1,572,278
4	Other current operating liabilities		17,812,604	17,375,370

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

9.2 AUDITED CONSOLIDATED INCOME STATEMENT OF THE UNIOR GROUP FOR THE PERIOD BETWEEN 1/1/2021 AND 31/12/2021

(in EUR)	Item	Notes	January-December 2021	January-December 2020
A.	**Net revenue from sales**	**9.8.2**	**239,698,528**	**210,239,617**
1	Net revenue from sales on the domestic market		34,546,353	29,407,490
	a) Net revenue from sales of products and services		*24,345,511*	*22,715,866*
	b) Net revenue from sales of merchandise and materials		*10,200,842*	*6,691,624*
2	Net revenue from sales on foreign markets		205,152,175	180,832,127
	a) Net revenue from sales of products and services		*181,482,433*	*161,308,720*
	b) Net revenue from sales of merchandise and materials		*23,669,742*	*19,523,407*
B.	**Change in value of product inventories and work-in-progress**		**3,098,086**	**(2,938,186)**
C.	**Capitalised own products and services**	**9.8.3**	**1,914,226**	**2,393,779**
D.	**Other operating revenue**	**9.8.4**	**7,120,035**	**10,476,648**
I.	**GROSS OPERATING PROFIT**		**251,830,875**	**220,171,858**
E.	**Costs of goods, materials and services**	**9.8.5**	**(152,184,264)**	**(127,314,004)**
1	Cost of merchandise and materials sold		(9,284,848)	(9,197,592)
2	Costs of materials used		(109,871,763)	(89,429,483)
	a) Costs of materials		*(85,239,047)*	*(69,065,236)*
	b) Costs of energy		*(12,793,377)*	*(10,476,128)*
	c) Other costs of materials		*(11,839,339)*	*(9,888,119)*
3	Costs of services		(33,027,653)	(28,686,929)
	a) Transportation services		*(6,475,920)*	*(5,638,306)*
	b) Maintenance costs		*(3,564,121)*	*(3,088,285)*
	c) Lease payments		*(1,462,276)*	*(1,186,952)*
	d) Other costs of services		*(21,525,336)*	*(18,773,386)*
F.	**Labour costs**	**9.8.5**	**(68,888,209)**	**(67,251,069)**
1	Costs of salaries		(52,342,933)	(51,054,107)
2	Costs of pension insurances		(749,276)	(581,374)
3	Costs of other social insurances		(8,538,163)	(8,382,045)
4	Other labour costs		(7,257,837)	(7,233,543)
G.	**Write-offs**	**9.8.5**	**(18,306,686)**	**(22,802,453)**
1	Depreciation		(17,082,862)	(16,635,502)
2	Operating expenses from the revaluation of intangible fixed assets and property, plant and equipment		(162,450)	(4,862,743)
3	Operating expenses from the revaluation of operating current assets		(1,061,374)	(1,304,208)
H.	**Other operating expenses**	**9.8.5**	**(1,966,014)**	**(1,675,845)**
1	Provisions		(75,817)	(122,286)
2	Other costs		(1,890,197)	(1,553,559)
II.	**OPERATING PROFIT OR LOSS**		**10,485,702**	**1,128,487**
I.	**Financial revenue**	**9.8.6**	**4,382,820**	**917,539**
1	Financial revenue from participating interests		3,736,610	313,223
	a) Financial revenue from participating interests in associates		*2,841,678*	*312,923*
	b) Financial revenue from participating interests in other companies		*138,559*	*30*
	c) Financial revenue from other investments		*756,373*	*270*
2	Financial revenue from loans given		178,804	108,931
3	Financial revenue from operating receivables		467,406	495,385
J.	**Financial expenses**	**9.8.6**	**(3,608,851)**	**(5,122,545)**
1	Financial expenses from impairment and write-offs of investments		(49,042)	(268,389)
2	Financial expenses from financial liabilities		(3,158,632)	(3,616,779)
	a) Financial expenses from loans received from banks		*(3,010,872)*	*(3,364,760)*
	b) Financial expenses from bonds issued		*0*	*0*
	c) Financial expenses from other financial liabilities		*(147,760)*	*(252,019)*
3	Financial expenses from operating liabilities		(401,177)	(1,237,377)
	a) Financial exp. from trade payables and bills of exchange payable		*(125,887)*	*(378,065)*
	b) Financial expenses from other operating liabilities		*(275,290)*	*(859,312)*
III.	**PROFIT OR LOSS**		**11,259,671**	**(3,076,519)**
	Corporate income tax	**9.9**	**(1,006,007)**	**(1,573,281)**
	Deferred tax	**9.9**	**837,606**	**2,453,694**
	NET PROFIT OR LOSS OF THE ACCOUNTING PERIOD		**11,091,270**	**(2,196,106)**
	– Attributable TO EQUITY HOLDERS OF THE PARENT		8,973,951	(4,471,502)
	– Attributable to NON-CONTROLLING INTERESTS		2,117,319	2,275,396

	PROFIT OR LOSS FROM CONTINUING OPERATIONS	**9.8**	**11,053,280**	**(2,213,829)**
	PROFIT OR LOSS FROM DISCONTINUED OPERATIONS	**9.8**	**37,990**	**17,723**

Consolidated income statement of the UNIOR Group for the period between 1/1/2021 and 31/12/2021 (cont.)

(in EUR) Item	January-December 2021	January-December 2020
Share of holders of controlling interest in net profit (loss)	8,973,951	(4,471,502)
Share of holders of non-controlling interest in net profit (loss)	2,117,319	2,275,396
Net earnings (loss) per share of holders of controlling interest	3.16	(1.58)
Net earnings (loss) per share of holders of non-controlling interest	0.75	0.80
Net earnings (loss) per share from continuing operations	3.89	(0.78)
Net earnings (loss) per share from discontinued operations	0.01	0.01

Net earnings or loss per share are calculated by dividing the net profit/loss of the financial year in the income statement with the number of all shares issued by UNIOR d.d.

Notes to 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 1/1/2021 AND 31/12/2021

(in EUR)	Item	January-December 2021	January-December 2020
1.	**Net profit/loss of the financial year after tax**	**11,091,270**	**(2,196,106)**
2.	**Other comprehensive income of the accounting period, after tax**	**3,728,146**	**(6,770,374)**
2.1	**Items which will not be subsequently reclassified as profit or loss**	**204,735**	**(5,729,597)**
	Net profit/loss recognised in fair value reserves in respect of property, plant and equipment	864,480	(5,635,407)
	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	(659,745)	(94,190)
2.2	**Items which will be subsequently reclassified to profit or loss**	**3,523,411**	**(1,040,777)**
	Gains and losses arising from translation of financial statements of entities located abroad	3,523,411	(1,040,777)
3.	**Total comprehensive income of the financial year after tax**	**14,819,416**	**(8,966,480)**
	Total comprehensive income of the accounting period, attributable to equity holders of the parent	11,048,816	(10,763,516)
	Total comprehensive income of the accounting period, attributable to non-controlling interests	3,770,600	1,797,036

Notes to 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 2021 Annual Report.

9.4 AUDITED CONSOLIDATED CASH FLOW STATEMENT OF THE UNIOR GROUP FOR THE PERIOD BETWEEN 1/1/2021 AND 31/12/2021

(in EUR)	Item	Note	January-December 2021	January-December 2020
A.	***Cash flows from operating activities***			
a)	**Net profit or loss**		**11,091,270**	**(2,196,106)**
	Profit or loss before tax		11,259,671	(3,076,519)
	Income tax and other taxes not included in operating expenses	9.9	(168,401)	880,413
b)	**Adjustments for**		**19,029,123**	**25,759,560**
	Depreciation (+)	9.7.2, 9.7.3	17,082,862	16,635,502
	Operating revenues from revaluation associated with investment and financing items (-)	9.8.4	(566,230)	(528,163)
	Operating expenses from revaluation associated with investment and financing items (+)	9.8.5	162,450	4,862,743
	Allowances set up for receivables	9.7.8	52,493	368,917
	Allowances set up for inventories	9.7.7	1,008,881	935,291
	Formation and reversal of non-current provisions	9.7.12	(96,969)	22,256
	Financial revenue excluding financial revenue from operating receivables (-)	9.8.6	(1,822,038)	(422,154)
	Financial expenses excluding financial expenses from operating liabilities (+)	9.8.6	3,207,674	3,885,168
c)	**Changes in net current assets (and accruals and deferrals, provisions and deferred tax assets and liabilities) of operating items of the balance sheet**		**(21,383,009)**	**3,112,093**
	Opening less closing operating receivables	9.7.8	(10,418,017)	4,480,171
	Opening less closing deferred tax assets	9.7.15	(829,799)	(2,318,794)
	Opening – less closing assets (groups for disposal) held for sale	9.7.6	0	0
	Opening less closing inventories	9.7.7	(12,549,172)	7,447,103
	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	2,249,100	(5,112,144)
	Closing less opening deferred tax liabilities	9.7.15	164,879	(1,384,243)
d)	**Net cash from operating activities (a + b + c)**		**8,737,384**	**26,675,547**
B.	***Cash flows from investing activities***			
a)	**Cash proceeds from investing activities**		**4,888,874**	**10,034,933**
	Cash proceeds from interest and profit participations relating to investing activities	9.8.6	1,822,038	422,154
	Cash proceeds from disposal of intangible assets	9.7.2	80,795	41,777
	Cash proceeds from disposal of property, plant and equipment	9.7.3	2,901,831	710,958
	Cash proceeds from disposal of investment property	9.7.4	0	8,500,000
	Cash proceeds from disposal of non-current investments	9.7.5	79,400	333,558
	Cash proceeds from disposal of current investments	9.7.9	4,810	26,486
b)	**Cash repayments from investing activities**		**(22,170,346)**	**(14,454,416)**
	Cash repayments to acquire intangible assets	9.7.2	(1,180,949)	(2,034,370)
	Cash repayments to acquire tangible fixed assets	9.7.3	(18,577,416)	(11,558,780)
	Cash repayments to acquire investment property	9.7.4	0	0
	Cash repayments to acquire non-current investments	9.7.5	(2,093,384)	(427,344)
	Cash repayments to acquire current investments	9.7.9	(318,597)	(433,922)
c)	**Net cash from investing activities (a + b)**		**(17,281,472)**	**(4,419,483)**
C.	***Cash flows from financing activities***			
a)	**Cash proceeds from financing activities**		**44,901,634**	**15,602,084**
	Cash proceeds from paid-in capital	9.7.11	0	0
	Cash proceeds from increase in non-current financial liabilities	9.7.13	9,406,959	12,516,376
	Cash proceeds from increase in current financial liabilities	9.7.16	35,494,675	3,085,708
b)	**Cash repayments from financing activities**		**(41,136,608)**	**(36,759,982)**
	Interest paid on financing activities	9.8.6	(3,158,632)	(3,616,779)
	Cash repayments to acquire treasury shares	9.7.11	(700,000)	0
	Cash repayments of non-current financial liabilities	9.7.13	(41,009)	(7,881,159)
	Cash repayments of current financial liabilities	9.7.16	(36,472,515)	(24,638,797)
	Dividends and other profit shares paid	9.7.11	(764,452)	(623,247)
c)	**Net cash from financing activities (a + b)**		**3,765,026**	**(21,157,898)**
D.	***Closing balance of cash***	9.7.10	**11,056,736**	**15,835,798**
	Net cash flow for the period (sum of items Ac, Bc and Cc)		(4,779,062)	1,098,166
	Opening balance of cash		15,835,798	14,737,632

Notes to 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 31/12/2020 AND 31/12/2021

(in EUR)	I. Called-up capital	II. Capital reserves	III. Reserves from profit					IV. Reserves from revaluation at fair value	V. Net profit or loss brought forward	VI. Net operating profit or loss of the financial year	VII. Translation adjustment of capital	Total equity attributable to equity holders in the parent	Equity attributable to non-controlling interests	Total capital
	Share capital Equity		Legal reserves	Reserves Treasury shares	Own 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**	**(700,000)**	**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	(659,745)	0	0	0	(659,745)	0	(659,745)
Changes in reserves from valuation at fair value	0	0	0	0	0	0	0	949,527	0	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**

CHANGES IN EQUITY FOR THE PERIOD BETWEEN 31/12/2019 AND 31/12/2020

(in EUR)	I. Called-up capital	II. Capital reserves	III. Reserves from profit					IV. Reserves from revaluation at fair value	V. Net profit or loss brought forward	VI. Net operating profit or loss of the financial year	VII. Translation adjustment of capital	Total equity attributable to equity holders in the parent	Equity attributable to non-controlling interests	Total capital
	Share capital Equity		Legal reserves	Reserves Treasury shares	Own 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**	**2,030,695**	**2,032,777**	**(2,108,011)**	**2,884,949**	**34,854,331**	**25,961,576**	**23,918,936**	**8,175,248**	**(2,121,588)**	**159,473,227**	**13,423,963**	**172,897,190**
A.2 Opening balance of the reporting period	**23,688,983**	**40,155,331**	**2,030,695**	**2,032,777**	**(2,108,011)**	**2,884,949**	**34,854,331**	**25,961,576**	**23,918,936**	**8,175,248**	**(2,121,588)**	**159,473,227**	**13,423,963**	**172,897,190**
B.1 Changes in equity – transactions with owners	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**(276,344)**	**0**	**0**	**(276,344)**	**(801,985)**	**(1,078,329)**
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	(623,247)	(623,247)
Other changes in equity	0	0	0	0	0	0	0	0	(276,344)	0	0	(276,344)	(178,738)	(455,082)
B.2 Total comprehensive income of the reporting period	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**(5,729,597)**	**0**	**(4,471,502)**	**(562,417)**	**(10,763,516)**	**1,797,036**	**(8,966,480)**
Entry of operating profit/loss of the financial year	0	0	0	0	0	0	0	0	0	(4,471,502)	0	(4,471,502)	2,275,396	(2,196,106)
Entry of actuarial profit from termination benefit provisions	0	0	0	0	0	0	0	(97,615)	0	0	0	(97,615)	0	(97,615)
Changes in reserves from valuation at fair value	0	0	0	0	0	0	0	(5,635,407)	0	0	0	(5,635,407)	0	(5,635,407)
Other items of comprehensive income of the financial year	0	0	0	0	0	0	0	3,425	0	0	0	3,425	0	3,425
Gains and losses arising from translation of financial statements of entities located abroad	0	0	0	0	0	0	0	0	0	0	(562,417)	(562,417)	(478,360)	(1,040,777)
B.3 Changes in equity	**0**	**0**	**1,287**	**(16,318)**	**91,552**	**393,207**	**362,034**	**0**	**7,343,486**	**(8,175,248)**	**0**	**0**	**0**	**0**
Reallocation of the remaining part of the net profit from the comparative financial year to other equity items	0	0	0	0	0	0	0	0	8,175,248	(8,175,248)	0	0	0	0
Reserves for treasury shares and own participating interests	0	0	0	(16,318)	91,552	0	(75,234)	0	0	0	0	0	0	0
Other changes in equity	0	0	1,287	0	0	393,207	437,268	0	(831,762)	0	0	0	0	0
C. Closing balance of the 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**

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

9.6 NOTES TO AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE UNIOR GROUP

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

The consolidated financial statements include UNIOR d.d. and its subsidiaries, participating interests of the Group in associates and participating interests in joint ventures (hereinafter referred to as the UNIOR Group). Investments in subsidiaries are eliminated in the consolidated accounts of the UNIOR Group. A more detailed overview of the composition of the UNIOR Group is presented in Sections 3.1 and 3.2 of the 2021 Annual Report.

The consolidated financial statements of the UNIOR Group were compiled for the year ending on 31/12/2021.

9.6.1 STATEMENT OF COMPLIANCE

Financial statements of the Group have been drawn up in line with the Companies Act and International Financial Reporting Standards (IFRS) as adopted by the International Accounting Standards Board (IASB) and the interpretations adopted by the International Financial Reporting Standards Interpretations Committee (IFRSIC) and as adopted by the European Union.

As regards the process of standard confirmation by the European Union, there were no differences as at the 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. In conformity with the law, the company shall have financial statements audited by an independent auditor. The audit shall be limited to the required financial statements for general purposes ensuring conformity with the statutory audit requirement of mandatory financial statements. The audit shall cover the required financial statements as a whole and give no assurance as to individual line items, accounts or transactions. Solely audited financial statements shall not be deemed applicable by any party for making decisions regarding ownership, financing or any other specific transactions referring to Group companies. As a result, users of the mandatory financial statements may not rely solely on the financial statements and shall also conduct other appropriate procedures before making any decisions.

The Management Board of UNIOR d.d. approved the consolidated financial statements of the UNIOR Group on 20/4/2022.

9.6.2 BASES USED IN DRAWING UP FINANCIAL STATEMENTS

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 2021 financial year.

9.6.2.1 FAIR VALUE HIERARCHY

The assets and liabilities shown are valued at cost or amortised cost, with the exception of land and investment property which are valued at fair value; costs of interest rate swaps are recognised at fair value via the income statement. They are not estimated to differ from fair value considerably.

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 31/12/2021

(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**

Classification of assets and liabilities in relation to their fair value

as at 31/12/2020

(in EUR)	Level 1	Level 3	Total
Property, plant and equipment		**27,492,923**	**27,492,923**
– Land		*27,492,923*	*27,492,923*
Investment property		**1,922,524**	**1,922,524**
Non-current investments	**0**	**13,264**	**13,264**
– Quoted shares	*0*		*0*
– Non-current investments – long-term loans		*13,264*	*13,264*
Non-current operating receivables		**32,192**	**32,192**
Current investments		**2,937,946**	**2,937,946**
Current operating receivables		**40,835,024**	**40,835,024**
Non-current financial liabilities		**89,196,301**	**89,196,301**
Non-current operating liabilities		**0**	**0**
Current financial liabilities		**17,232,094**	**17,232,094**
Current operating liabilities		**61,301,108**	**61,301,108**

9.6.2.2 ACCOUNTING POLICIES USED

The same accounting policies as the previous year have been used.

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

- **Amendments to IFRS 9** – Financial Instruments; IAS 39 – Financial Instruments: Recognition and Measurement; IFRS 7 – Financial instruments: Disclosures, IFRS 4 – Insurance Contracts and IFRS 16 – Leases – Interest Rate Benchmark Reform – Phase 2, adopted by the EU on 13/1/2021, and effective for annual reporting periods beginning on or after 1/1/2021),
- **Amendment to IFRS 16** – Leases – COVID-19-Related Rent Concessions beyond 30/6/2021, adopted by the EU on 30/8/2021, and effective on 1/4/2021; for financial periods beginning on or after 1/1/2021),
- **Amendments to IFRS 4** – Insurance Contracts – Deferral of Effective Date of IFRS 9, adopted by the EU on 16/12/2020 (the temporary exemption was extended from 1/1/2021 to annual reporting periods beginning on or after 1/1/2023.

The adoption of these amendments to existing standards did not result in any material changes in the financial statements.

9.6.2.3 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 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 (hereinafter referred to as “ECB”) 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 ECB's balances reference exchange rate on the last day of the accounting period. Exchange rate differences are recognised in the profit or loss statement.

For the purpose of consolidation, separate financial statements indicating the financial position of subsidiaries that are not disclosed in euros were translated according to the closing mid-market reference exchange rate of the ECB as at 31/12/2021, whereas the income statements of the subsidiaries were translated using the average rate of the European Central Bank for 2021. The difference is disclosed under the translation equity adjustment in the consolidated financial statements of the UNIOR Group.

9.6.2.4 OPERATING PROFIT/LOSS

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

9.6.2.5 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. As the actual performance may diverge, they are subject to continuous verification and revision. Estimates and judgements are also made for financial investment impairment, receivables and inventory impairment purposes in addition to estimates of the useful life of fixed assets. As far as estimates and judgements of land are concerned, land is valued subject to CUT valuation methods.

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, and
- relief arising from unused tax loss.

For a more detailed presentation of deferred taxes, please refer to Section 9.7.15 of the 2021 Annual Report.

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.

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, 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. If the Group fails to have sufficient profits at its disposal, the disclosed amount of deferred tax assets is lowered accordingly.

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.

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

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 2021 Annual Report, namely in Section 9.11.

9.6.2.6 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND DISCLOSURES

Individual categories of prescribed disclosures and all material matters are presented in conformity with International Financial Reporting Standards. The accounting policies used as well as the nature and the materiality level of disclosures are defined in the internal acts of the parent company. 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.

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

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 at an interval of minimum every five years. The revaluation surplus is disclosed in the equity category as fair value reserves 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 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.

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 or that its useful life will be prolonged. 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 method used is examined at the end of each financial year. 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 applied by the Group:

	Lowest (in %)	Highest (in %)
Property, plant and equipment:		
Property:	0.3	20.0
Masonry buildings	0.3	13.6
Other buildings	2.0	20.0
Equipment:		
Production equipment	0.1	35.0
Computer and electrical equipment	0.6	50.0
Fork lifts and hoists	1.8	22.1
Cars and tractors	0.8	33.3
Cleaning and heating equipment	3.1	36.4
Measuring and control devices	3.4	43.6
Furniture – office and other	1.3	50.0
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.

LEASED ASSETS

Assets acquired through leases are recognised as right-of-use assets and lease liabilities. Right-of-use assets do not include 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 payments are discounted at the interest rate implicit in the lease or at the incremental borrowing rate of interest. 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 are depreciated from the commencement date to the end of the lease term. After the commencement date of the lease term, lease liability is increased by interest and decreased by lease payments. Lease modifications are subject to a re-measurement of the value of the liability or a calculation of a separate lease. 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. 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).

GOODWILL

Goodwill is valued at the fair value of the transferred purchase consideration, including the recognised value of any non-controlling interest in the acquiree less the net recognised value of the acquired assets and liabilities valued as at the acquisition date. The transferred purchase consideration includes the fair value of the transferred assets, liabilities to the previous owners of the acquiree and 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.

EMISSION COUPONS

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

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 estimated useful life of other intangible assets is 5 years.

Depreciation rates applied by the Group:

	Lowest (in %)	Highest (in %)
Intangible non-current fixed assets:	2.0	33.3

INVESTMENT PROPERTY

Investment property is held with the aim of generating lease payments or increasing the value of a non-current investment. Investment property is measured using the fair value method; the fair value is estimated subject to an appraisal of a licensed property appraiser. Changes in fair value are recognised in the income statement. Investment property is not depreciated.

INVESTMENTS

Investments in associates are accounted for in the consolidated financial statements using the equity method. 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

Financial instruments can be classified into classes, namely:

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

FINANCIAL INSTRUMENTS AT AMORTISED COST

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 are recognised in the profit or loss account upon elimination, modification or impairment.

FINANCIAL INSTRUMENTS 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.

FINANCIAL INSTRUMENTS MEASURES 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 impairment of receivables is formed on the basis of expected losses in respect of the risk that they will not be recovered. Historical, current and future-oriented recovery information is taken into account.

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 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 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. For finished products and work-in-progress, costs include a corresponding proportion of production costs during normal use of capital goods. 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.

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 value is set up,
- for inventories without any movement in two years, an additional allowance of 15 per cent of the inventories value is set up,
- for inventories without any movement in three years, an additional allowance of 10 per cent of the inventories value is set up,
- for inventories without any movement in four years, an additional allowance of 10 per cent of the inventories value set up,
- for inventories without any movement in five years or more, an additional allowance of 10 per cent of the inventories value is set up.

CASH AND CASH EQUIVALENTS

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.

EQUITY

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.

DIVIDENDS

Dividends are recognised in the financial statements of the Group as an obligation towards its shareholders 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 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 and 10.7.9 of the 2021 Annual Report.

PROVISIONS

In accordance with the corporate collective agreement and statutory provisions, the Group 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 the retirement age of 65 years for both women and men, the required length of service of 40 years, the discount rate of 0.7 per cent and annual wage growth of 2.2 per cent.

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.

SERVICE LEASE OBLIGATIONS

Subject to the IFRS 16 standard, fixed assets subject to long-term lease were allocated to equipment at the beginning of 2019 and are kept as right-of-use assets. The right-of-use of equipment is recognised as a non-current asset on the basis of concluded agreements. 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 Group (five years) and using a 1.2 per cent discount rate.

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 2021, as listed in Section 9.9 of the 2021 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. Revenue from services rendered is recognised using the percentage of completion method as at the financial position statement date. 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 from the sale of products, and materials 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. Items corresponding in materiality from previous periods are also disclosed among revenue from the sale of products, goods, materials and services rendered.

LEASE REVENUE

Lease revenue primarily comprises revenue from investment property, i.e., buildings and land leased out under operating leases. 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.

PROFIT OR LOSS

Profit or loss consists of the operating profit or loss plus financial revenue and less financial expenses.

IMPAIRMENT OF PROPERTY, PLANT AND EQUIPMENT

If there is any indication of potential impairment of an asset, its recoverable amount is estimated. 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 FINANCIAL ASSETS

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 an investment cease to exist, the reversal of the impairment of an investment disclosed at amortised cost is recognised in the profit or loss.

Upon initial recognition, investments measured at fair value are disclosed in profit or loss by taking into account transaction costs arising from the acquisition or issue.

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.

STATEMENT OF OTHER COMPREHENSIVE INCOME

The statement of other comprehensive income shows items (including potential adjustments for earlier transfers mad) not recognised in the profit or loss as required or permitted by other IFRS.

CASH FLOW STATEMENT

The Group reports cash flow from operating activities using the indirect method based on financial position statement items as at 31/12/2021 and 31/12/2020, the 2021 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 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.

9.6.2.7 ACTION SETTLEMENTS

During the settlement financial period, the UNIOR Group did not receive any relevant action. A court settlement was, however, concluded with Rhydcon d.o.o., presented in further detail in Section 4 of the 2021 Annual Report.

9.6.2.8 NEWS 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:

- **Amendments to IAS 16** – Property, Plant and Equipment — Proceeds before Intended Use, adopted by the EU on 28/6/2021, and effective for annual reporting periods beginning on or after 1/1/2022),
- **Amendments to IAS 37 – Provisions, Contingent Liabilities and Contingent Assets** – Onerous Contracts—Cost of Fulfilling a Contract, adopted by the EU on 28/6/2021, and effective for annual reporting periods beginning on or after 1/1/2022),
- **Amendments to IFRS 3 – Business Combinations** – Reference to the Conceptual Framework with amendments to IFRS 3, adopted by the EU on 28/6/2021, and effective for annual reporting periods beginning on or after 1/1/2022),
- **IFRS 17 – Insurance Contracts,** including amendments to IFRS 17, adopted by the EU on 19/11/2021 and effective for annual reporting periods beginning on or after 1/1/2023),
- **Amendments to various standards due to Annual Improvements to IFRSs 2018-2020 Cycle)** arising from the annual project to improve IFRSs (IFRS 1, IFRS 9, IFRS 16 and IAS 41) remedying incoherencies and text interpretations, adopted by the EU on 28/6/2021 (Amendments to IFRS 1, IFRS 9 and IAS 41 are effective for annual reporting periods beginning on or after 1/1/2022. The amendment to IFRS 16 refers only to the illustrative example. For this reason, no effective date is provided.)

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 31/12/2021 (the effective dates below apply to IFRS as issued by the IASB):

- **IFRS 14 – Regulatory Deferral Accounts** (effective for annual reporting periods beginning on or after 1/1/2016 – the European Commission decided not to launch the interim standard confirmation proceedings but to wait for its final version instead,
- **Amendments to IAS 1 – Presentation of Financial Statements** – Classification of Liabilities as Current or Non-current (effective for annual reporting periods beginning on or after 1/1/2023),
- **Amendments to IAS 1 – Presentation of Financial Statements** – Disclosure of Accounting Policies (effective for annual reporting periods beginning on or after 1/1/2023),
- **Amendments to IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors**– Definition of Accounting Estimates (effective for annual reporting periods beginning on or after 1/1/2023),
- **Amendments to IAS 12** – Income Taxes – 'Deferred Tax related to Assets and Liabilities arising from a Single Transaction (effective for annual reporting periods beginning on or after 1/1/2023),
- **Amendments to IFRS 10 – Consolidated Financial Statements and IAS 28 – Investments in Associates and Joint Ventures** – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture, and further amendments (date of entry into force suspended indefinitely until the research project on the equity method is concluded),
- **Amendments to IFRS 17** - Insurance Contracts – Initial Application of IFRS 17 and IFRS 9 – Comparative Information, effective for annual reporting periods beginning on or after 1/1/2023.

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 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.

The Group believes that the use of hedge accounting with respect to financial assets and liabilities in compliance with IAS 39 – Financial Instruments: Recognition and Measurement will not have any material effect on the financial statements of the company if applied on the financial position statement date.

9.7 DISCLOSURES TO THE AUDITED CONSOLIDATED FINANCIAL POSITION STATEMENT OF THE UNIOR GROUP

9.7.1 FINANCIAL POSITION STATEMENT BY DIVISION

(in EUR)	Item	Tourism act. 31/12/2021	Metalworking act. 31/12/2021	TOTAL 31/12/2021	Tourism act. 31/12/2020	Metalworking act. 31/12/2020	TOTAL 31/12/2020
	ASSETS	**61,397,899**	**304,179,442**	**365,577,341**	**60,649,801**	**280,752,097**	**341,401,898**
A.	**NON-CURRENT ASSETS**	**58,761,356**	**154,643,049**	**213,404,405**	**58,738,389**	**147,934,342**	**206,672,731**
I.	**Intangible assets and other IA**	**1,264,619**	**6,542,803**	**7,807,422**	**1,273,995**	**7,059,473**	**8,333,468**
1	Non-current property rights	1,227,385	1,172,642	2,400,027	1,273,995	1,249,412	2,523,407
2	Goodwill	0	521,448	521,448	0	521,448	521,448
3	Non-current deferred development costs	0	3,947,203	3,947,203	0	4,259,356	4,259,356
4	Other intangible assets	0	61,947	61,947	0	90,859	90,859
5	Intangible assets being acquired	37,234	839,563	876,797	0	938,398	938,398
II.	**Property, plant and equipment**	**57,044,791**	**119,516,113**	**176,560,904**	**57,023,955**	**115,183,720**	**172,207,675**
1	Land and buildings	50,671,686	51,544,137	102,215,823	50,928,799	48,342,353	99,271,152
2	Plant and machinery	5,044,197	57,610,308	62,654,505	5,858,792	59,796,050	65,654,842
3	Other equipment and machinery, small tools and other property, plant and machinery	8,632	610,114	618,746	8,303	560,681	568,984
4	Property, plant and equipment being acquired	1,320,277	9,751,553	11,071,830	228,061	6,484,636	6,712,697
III.	**Investment property**	**427,077**	**1,559,384**	**1,986,461**	**415,571**	**1,506,953**	**1,922,524**
IV.	**Non-current investments**	**12,519**	**20,514,418**	**20,526,937**	**12,519**	**18,500,434**	**18,512,953**
1	Non-current investments, excluding loans	12,519	20,502,954	20,515,473	12,519	18,487,170	18,499,689
2	Non-current loans	0	11,464	11,464	0	13,264	13,264
V.	**Non-current operating receivables**	**12,350**	**16,613**	**28,963**	**12,350**	**19,842**	**32,192**
1	Non-current operating receivables	0	0	0	0	0	0
2	Non-current operating receivables from others	12,350	16,613	28,963	12,350	19,842	32,192
VI.	**Deferred tax assets**	**0**	**6,493,718**	**6,493,718**	**0**	**5,663,919**	**5,663,919**
B.	**CURRENT ASSETS**	**2,636,543**	**149,536,393**	**152,172,936**	**1,911,412**	**132,817,755**	**134,729,167**
I.	**Assets (groups for disposal) held for sale**	**0**	**120,000**	**120,000**	**0**	**120,000**	**120,000**
II.	**Inventories**	**215,708**	**86,324,982**	**86,540,690**	**251,338**	**74,749,061**	**75,000,399**
1	Materials	207,233	34,164,843	34,372,076	242,429	26,648,370	26,890,799
2	Work in progress	0	28,087,466	28,087,466	0	27,980,774	27,980,774
3	Products	0	18,375,645	18,375,645	0	14,611,493	14,611,493
4	Merchandise	8,475	5,697,028	5,705,503	8,909	5,508,424	5,517,333
III.	**Current investments**	**0**	**3,251,733**	**3,251,733**	**0**	**2,937,946**	**2,937,946**
1	Current investments, excluding loans	0	0	0	0	0	0
2	Current loans	0	3,251,733	3,251,733	0	2,937,946	2,937,946
IV.	**Current operating receivables**	**1,262,995**	**49,940,782**	**51,203,777**	**1,435,904**	**39,399,120**	**40,835,024**
1	Current trade receivables	694,442	36,014,688	36,709,130	346,579	24,596,857	24,943,436
2	Current operating receivables due from others	568,553	13,926,094	14,494,647	1,089,325	14,802,263	15,891,588
V.	**Cash and cash equivalents**	**1,157,840**	**9,898,896**	**11,056,736**	**224,171**	**15,611,627**	**15,835,798**

Financial position statement by division (cont.)

(in EUR) Item		Tourism act. 31/12/2021	Metalworking act. 31/12/2021	TOTAL 31/12/2021	Tourism act. 31/12/2020	Metalworking act. 31/12/2020	TOTAL 31/12/2020
	LIABILITIES	**61,397,899**	**304,179,442**	**365,577,341**	**60,649,801**	**280,752,097**	**341,401,898**
A.	**EQUITY**	**30,572,075**	**145,750,629**	**176,322,704**	**29,108,573**	**133,743,808**	**162,852,381**
A1	**EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT**	**30,572,075**	**128,147,929**	**158,720,004**	**29,108,573**	**119,324,794**	**148,433,367**
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**	**28,810,731**	**40,220,660**	**11,409,929**	**28,745,402**	**40,155,331**
III.	**Reserves from profit**	**15,911,428**	**24,557,017**	**40,468,445**	**15,911,428**	**24,615,075**	**40,526,503**
1	Legal reserves	534,164	1,476,036	2,010,200	534,164	1,497,818	2,031,982
2	Reserves for treasury shares and own participating interests	0	2,723,119	2,723,119	0	2,016,459	2,016,459
3	Treasury shares and own participating interests (deduction item)	0	(2,723,119)	(2,723,119)	0	(2,016,459)	(2,016,459)
4	Statutory reserves	0	0	0	0	3,278,156	3,278,156
5	Other reserves from profit	15,377,264	23,080,981	38,458,245	15,377,264	19,839,101	35,216,365
IV.	**Fair value reserves**	**8,701,127**	**11,820,634**	**20,521,761**	**7,895,712**	**12,336,267**	**20,231,979**
V.	**Net profit brought forward**	**0**	**38,337,414**	**25,745,126**	**0**	**43,537,065**	**30,986,078**
VI.	**Net loss brought forward**	**(12,592,288)**	**0**	**0**	**(12,550,987)**	**0**	**0**
VII.	**Net profit of the financial year**	**658,086**	**8,315,865**	**8,973,951**	**0**	**0**	**0**
VIII.	**Net loss of the financial year**	**0**	**0**	**0**	**(41,301)**	**(4,430,201)**	**(4,471,502)**
IX.	**Translation adjustment of capital**	**0**	**(898,922)**	**(898,922)**	**0**	**(2,684,005)**	**(2,684,005)**
A2	**EQUITY ATTRIBUTABLE TO NON-CONTROLLING INTEREST**	**0**	**17,602,700**	**17,602,700**	**0**	**14,419,014**	**14,419,014**
B.	**PROVISIONS AND DEFERRED REVENUE**	**2,681,677**	**6,709,249**	**9,390,926**	**2,710,437**	**6,777,458**	**9,487,895**
1	Provisions for pensions and similar liabilities	725,945	5,975,023	6,700,968	650,574	5,962,694	6,613,268
2	Other provisions	1,955,732	534,721	2,490,453	2,059,864	589,838	2,649,702
3	Deferred revenue	0	199,505	199,505	0	224,925	224,925
C.	**NON-CURRENT LIABILITIES**	**21,273,355**	**61,083,215**	**82,356,570**	**22,751,866**	**67,776,554**	**90,528,420**
I.	**Non-current financial liabilities**	**12,757,046**	**68,089,441**	**80,846,487**	**14,430,952**	**74,765,349**	**89,196,301**
1	Non-current financial liabilities to banks	12,738,552	64,658,652	77,397,204	14,394,011	73,812,603	88,206,614
2	Non-current financial liabilities from bonds payable	0	0	0	0	0	0
3	Other non-current financial liabilities	18,494	3,430,789	3,449,283	36,941	952,746	989,687
II.	**Non-current operating liabilities**	**7,098,550**	**(7,085,465)**	**13,085**	**7,098,550**	**(7,098,550)**	**0**
1	Non-current trade payables	0	0	0	0	0	0
2	Non-current bills of exchange payable	0	0	0	0	0	0
3	Non-current operating liabilities from advance payments	0	0	0	0	0	0
4	Other non-current operating liabilities	7,098,550	(7,085,465)	13,085	7,098,550	(7,098,550)	0
III.	**Deferred tax liabilities**	**1,417,758**	**79,240**	**1,496,998**	**1,222,364**	**109,755**	**1,332,119**
D.	**CURRENT LIABILITIES**	**6,870,793**	**90,636,348**	**97,507,141**	**6,078,926**	**72,454,276**	**78,533,202**
I.	**Liabilities included in groups for disposal**	**0**	**0**	**0**	**0**	**0**	**0**
II.	**Current financial liabilities**	**2,144,034**	**31,825,985**	**33,970,018**	**2,580,179**	**14,651,915**	**17,232,094**
1	Current financial liabilities to banks	1,655,459	30,533,127	32,188,586	2,561,158	14,062,013	16,623,171
2	Current financial liabilities from bonds payable	0	0	0	0	0	0
3	Other current financial liabilities	488,574	1,292,858	1,781,432	19,021	589,902	608,923
III.	**Current operating liabilities**	**4,726,760**	**58,810,363**	**63,537,123**	**3,498,747**	**57,802,361**	**61,301,108**
1	Current operating liabilities to suppliers	2,359,636	35,774,922	38,134,558	1,778,861	33,068,895	34,847,756
2	Current bills of exchange payable	0	6,217,570	6,217,570	0	7,505,704	7,505,704
3	Current operating liabilities from advance payments	772,746	599,645	1,372,391	502,810	1,069,468	1,572,278
4	Other current operating liabilities	1,594,378	16,218,226	17,812,604	1,217,076	16,158,294	17,375,370

Additional information subject to the geographical area for the Group

(in EUR)	Revenue from sales 2021	Revenue from sales 2020	Total assets 2021	Total assets 2020	Net investments 2021	Net investments 2020
Slovenia	170,026,813	142,116,299	278,365,842	260,582,200	11,464,303	9,231,272
European Union	10,449,492	10,169,137	16,770,176	17,510,756	4,495,798	2,401,697
Rest of Europe	11,864,535	11,249,965	18,533,099	17,527,952	1,216,518	427,121
Other markets	47,357,688	46,704,216	51,908,224	45,780,990	2,467,919	1,533,059
Total	**239,698,528**	**210,239,617**	**365,577,341**	**341,401,898**	**19,644,538**	**13,593,150**

9.7.2 INTANGIBLE ASSETS

UNIOR GROUP (in EUR)	Goodwill	Deferred costs of development	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

UNIOR GROUP (in EUR)	Goodwill	Deferred costs of development	Investments in rights of intellectual property	Other intangible assets	Intangible non-current assets being acquired	Total
Cost						
Balance as at 31 December 2019	602,236	16,238,698	5,510,539	108,179	552,880	23,012,532
Direct increases – investments	0	978,156	111,421	6,395	938,398	2,034,370
Transfer from investments in progress	0	552,880	0	0	(552,880)	0
Decreases during the year	0	0	(22,696)	(23,715)	0	(46,411)
Other changes (fluctuations, currency exchange rates)	0	(54,031)	(30,158)	0	0	(84,189)
Balance as at 31 December 2020	602,236	17,715,703	5,569,106	90,859	938,398	24,916,302
Value adjustment						
Balance as at 31 December 2019	80,788	12,120,875	2,858,849	0	0	15,060,512
Depreciation during the year	0	1,380,264	198,715	0	0	1,578,979
Decreases during the year	0	0	(4,634)	0	0	(4,634)
Other changes (fluctuations, currency exchange rates)	0	(44,792)	(7,231)	0	0	(52,023)
Balance as at 31 December 2020	80,788	13,456,347	3,045,699	0	0	16,582,834
Current value as at 31 December 2020	**521,448**	**4,259,356**	**2,523,407**	**90,859**	**938,398**	**8,333,468**
Current value as at 31 December 2019	521,448	4,117,823	2,651,690	108,179	552,880	7,952,020

The UNIOR Group received emission coupons from the Ministry of the Environment and Spatial Planning, the Environmental Agency of the Republic of Slovenia during the past years. As at 1/1/2021, emission allowances amount to 12,751. Emission coupons are carried in the ledger at the value of 1 euro. In 2021, the Group did not receive any additional emission coupons. All 12,751 allowances were sold on the market. As at 31/12/2021, emission coupons are no longer disclosed as an intangible asset item.

Non-current deferred development costs of EUR 3,947,203 in total refer to deferred costs of development of machine tools in the Special Machines Programme amounting to EUR 2,979,005 and development costs in the Ningbo Unior Forging forge in China amounting to EUR 968,198.

Investments in intellectual property rights include software licences, investments in the Rogla running polygon (concession fee), rights on foreign fixed assets, the Unitur brand, research on thermal water intake and investments of the founder in the Terme Zreče development plan.

Goodwll 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 is reviewed on an annual basis whose operations did not result in any impairment requirements in 2021. For this reason, the goodwill of the Group was not impaired in 2021.

Among other intangible fixed assets, non-current deferred costs in the amount of EUR 61,947 are disclosed.

In 2021, intangible fixed assets fell by EUR 526,046, primarily on account of depreciation of non-current deferred development costs.

Financing investment costs for the acquisition of an intangible fixed asset until it reflects the enterprise are included in the cost of intangible assets.

The UNIOR Group has not pledged an intangible fixed assets as collateral for the repayment of its debts.

9.7.3 PROPERTY, PLANT AND EQUIPMENT

UNIOR GROUP (in EUR)	Land	Buildings	Production Equipment	Small tools	Fixed assets being acquired	Total
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

UNIOR GROUP (in EUR)	Land	Buildings	Production Equipment	Small tools	Fixed assets being acquired	Total
Cost						
Balance as at 31 December 2019	34,372,078	147,220,096	208,026,016	3,290,275	8,481,579	401,390,044
Direct increases – investments	53,736	23,782	744,895	146,805	10,589,562	11,558,780
Transfer from investments in progress	0	4,320,227	7,931,227	100,468	(12,351,922)	0
Decreases during the year	0	(363,569)	(4,210,737)	(157,315)	0	(4,731,621)
Revaluation	(6,918,044)	0	0	0	0	(6,918,044)
Other changes (changes in exchange rates)	(14,847)	(290,750)	(690,711)	(107,570)	(6,522)	(1,110,400)
Balance as at 31 December 2020	27,492,923	150,909,786	211,800,690	3,272,663	6,712,697	400,188,759
Value adjustment						
Balance as at 31 December 2019	0	75,153,372	139,677,787	2,709,937	0	217,541,096
Depreciation during the year	0	4,132,759	10,709,089	214,675	0	15,056,523
Decreases during the year	0	(90,960)	(3,790,234)	(139,469)	0	(4,020,663)
Other changes (changes in exchange rates)	0	(63,614)	(450,794)	(81,464)	0	(595,872)
Balance as at 31 December 2020	0	79,131,557	146,145,848	2,703,679	0	227,981,084
Current value as at 31 December 2020	**27,492,923**	**71,778,229**	**65,654,842**	**568,984**	**6,712,697**	**172,207,675**
Current value as at 31 December 2019	34,372,078	72,066,724	68,348,229	580,338	8,481,579	183,848,948

Among property, plant and equipment, the UNIOR Group as at 31/12/2021 discloses assets acquired through financial leasing at a cost of EUR 2,043,054 and at the present value of EUR 1,423,015.

Subject to IFRS 16, the UNIOR Group discloses leased fixed assets among property, plant and equipment amounting to EUR 3,973,735. Depreciation arising from these fixed assets in 2021 amounted to EUR 981,870 and interest on leases amounted to EUR 64,082, At the end of the year, lease liabilities amounted to EUR 3,785,039, out of which short-term lease liabilities EUR 944,550. 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 2021 Annual Report.

The highest new investment in 2021 was in the Vitanje plant where a new production programme used to press aluminium forgings was set up. Other sizeable investments include investments in the press needed by the Zreče forge, the automation and robotisation of the production of forgings, a CNC machining centre for forgings in Slovenske Konjice, a CNC broach processing grinder in Kragujevac, land in Lenart, robotisation of a forging line and ABP induction furnace in China, the expansion of the finished product warehouse in Vinkovci, the expansion and upgrading of the artificial snow-making system on Rogla and the renovation of the Vital Hotel in Zreče. In order to reduce negative effects on the environment, windows on the forge in Zreče as a measure intended to reduce noise emissions in the environment were replaced. Two solar panels were installed on the roof of the production hall in Kragujevac.

The UNIOR Group has pledged as collateral land and buildings at an estimated value of EUR 100,010,052 and plant, machinery and equipment at their present value of EUR 19,599,623.

Due to changes, land 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. 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. An estimate of costs of disposal was also taken into account in the valuation process.

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.

The value of revalued land at cost is EUR 8,445,663.

9.7.4 INVESTMENT PROPERTY

Investment property

(in EUR)	31/12/2021	31/12/2020
Land	1,176,603	1,113,286
Buildings	809,858	809,238
Total	**1,986,461**	**1,922,524**

Changes in investment property

(in EUR)	2021	2020
Opening balance as at 1 January	**1,922,524**	**14,786,211**
Acquisitions	0	0
Disposals	0	(12,845,777)
Fair value changes	63,317	(16,876)
Other changes (fluctuations, currency exchange rates)	620	(1,034)
Closing balance as at 31 December	**1,986,461**	**1,922,524**

Investment property comprises land and buildings intended for resale or leasing, namely at our premises in Zreče, Rogla and Kragujevac, Serbia. Land intended for sale and disclosed among investment property was valued by an appraiser 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. An estimate of costs of disposal was also taken into account in the valuation process. The effect of changing the fair value of investment property amounting to EUR 63,317 is included in the profit or loss of 2021.

Lease revenue in the 2021 financial year amounted to EUR 312,054. Future lease payments refer to lease payments for the lease of the production hall in Kragujevac and powder painting production line and lease payments received for leased out classrooms, apartment and parking spaces.

Minimum total of lease payments from operating leases – receivables

(in EUR)	2021	2020
Up to 1 year	290,559	305,529
From 2 to 5 years	1,162,240	1,152,960
More than 5 years	1,443,799	1,434,449
Total	**2,896,598**	**2,892,938**

9.7.5 NON-CURRENT INVESTMENTS

(in EUR)	Share	31/12/2021	31/12/2020
Investments in associates, in consolidation measured using the equity method			
Domestic:			
ŠTORE STEEL d.o.o. Štore	29.253	15,648,053	13,870,327
		15,648,053	13,870,327
Abroad:			
UNIOR TEPID S.R.L. Brasov, Romania	49.000	3,644,845	3,390,762
UNIOR TEHNA d.o.o. Sarajevo, Bosnia and Herzegowina	25.000	436,003	381,940
UNIOR TEOS ALATI d.o.o. Belgrade, Serbia	20.000	697,940	690,436
		4,778,788	4,463,138
Total associates		**20,426,841**	**18,333,465**
Financial assets, measured at fair value through profit or loss			
Investments in shares and participating interests in other companies and banks:			
BANKE		750	750
OTHER COMPANIES		87,882	165,474
Total in other companies and banks		**88,632**	**166,224**
Non-current investments in debt, measured at amortized value			
Long-term loans to others		13,272	15,544
Current portion of investments in liabilities		(1,808)	(2,280)
Total in debt		**11,464**	**13,264**
Total non-current investments excluding treasury shares		**20,526,937**	**18,512,953**

Investments in associates are accounted for in the consolidated financial statements using the equity method. 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.

In 2021 the impact of the valuation of associates under the equity method resulted in a positive effect of EUR 2,093,376, while in 2020 it had a positive impact of EUR 282,439.

Non-current loans are fully recoverable. Proceeds accruing from interest in 2021 amounted to EUR 178,804 and EUR 108,931 in 2020.

Changes in non-current investments in shares, participating interests and loans

(in EUR)	2021	2020
Balances of investments as at 1 January	**18,512,953**	**18,419,167**
Increases:		
Acquisition of shares and participating interests	0	144,905
Attribution of profit of associates using the equity method	2,093,376	282,439
Other increases – revaluation	8	0
Decreases:		
Sales of shares and participating interests	(28,550)	(62,874)
Repayments of long-term loans given	0	(15)
Current portion of investments	(1,808)	(2,280)
Other decreases – impairment	(49,042)	(268,389)
Balance as at 31 December	**20,526,937**	**18,512,953**

EUR 49,042 represents an impairment in 2021 related to a write-off of the investment in RRA Regionalna razvojna agencija Celje, d.o.o. Celje, owing to its bankruptcy. In 2021, our investment in the shares of Titan d.d. Kamnik amounting to EUR 12,640 was sold and a non-current deposit in France amounting to EUR 15,910 disposed of.

Changes in non-current investments in shares and participating interests in associates:

(in EUR)	2021	2020
Carrying amount as at 1 January	**18,333,465**	**18,235,239**
Acquisition of shares and participating interests	0	144,905
Profit/loss of associates	2,493,703	(43,015)
Payout of profit arising from equity interest	(748,302)	(30,484)
Foreign currency translation differences	(59,885)	(25,387)
Impairments of investments	0	(268,389)
Other changes	407,860	320,596
Carrying amount as at 31 December	**20,426,841**	**18,333,465**

Equity and profit or loss of related parties

Company name	Country Company	Percentage participating in equity	Size equity in EUR	Operating of the year in EUR	Audited financial statements
<u>Associates:</u>					
ŠTORE STEEL d.o.o.	Slovenia	29.253	65,601,368	5,955,539	YES
UNIOR TEPID S.R.L.	Romania	49.000	7,438,459	1,223,237	YES
UNIOR TEHNA d.o.o.	Bosnia and Herzegovina	25.000	1,744,012	216,253	YES
UNIOR TEOS ALATI d.o.o.	Serbia	20.000	3,489,699	490,351	NO

Detailed information on associates (company name, address, activity and number of employees) is disclosed in Section 3.2.2. of the 2021 Annual Report.

9.7.6 ASSETS (GROUPS FOR DISPOSAL) HELD FOR SALE

(in EUR)	31/12/2021	31/12/2020
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)	31/12/2021	31/12/2020
Materials	35,305,629	27,808,334
Work in progress	28,087,466	27,980,774
Products	19,953,023	16,481,082
Merchandise	5,903,547	5,991,423
Value adjustment	(2,708,975)	(3,261,214)
Total	**86,540,690**	**75,000,399**

Balance of value adjustment of inventories

(in EUR)	31/12/2021	31/12/2020
– materials	933,553	917,535
– finished products	1,577,378	1,869,589
– merchandise	198,044	474,090
Total	**2,708,975**	**3,261,214**

Change in allowances set up for inventories

(in EUR)	2021	2020
Balance of allowances set up for inventories as at 1 January	**3,261,214**	**2,556,509**
- Allowances set up for materials	16,018	224,204
- Allowances set up for finished products	0	477,941
- Allowances set up for merchandise	97,353	233,146
- Reversal of allowances and write-offs	(665,610)	(230,586)
Balance as at 31 December	**2,708,975**	**3,261,214**

In 2021, inventories increased by EUR 11,540,591, out of which the biggest share is represented by inventories of materials (by EUR 7,481,277) and of finished products (by EUR 3,764,152). On the one hand, an increase in inventories of materials results from a surge in prices in 2021 of primarily steel and sheet metal, and, on the other, from increased contingency inventories intended to minimise the risks of supply issues and further increases of procurement prices at the beginning of 2022. An increase of the inventories of finished products results from a higher production volume at the end of 2021 on account of a higher order volume at the beginning of 2022.

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 2021 amounted to EUR 552,239 less than at the end of 2020.

Inventories amounting to EUR 20 million are pledged in favour of banks as collateral for our financial liabilities.

Inventories 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)	31/12/2021	31/12/2020
Non-current operating receivables		
Non-current operating receivables from others	28,963	35,768
Value adjustment of non-current operating receivables	0	(3,576)
Total non-current operating receivables	**28,963**	**32,192**
Current operating receivables		
Current operating receivables due from associates	593,253	276,883
Current trade receivables, domestic	3,767,351	2,103,153
Current trade receivables, foreign	32,903,657	23,356,348
Current interest liabilities	15,590	0
VAT receivables	1,741,672	1,669,681
Advance payments	2,606,663	1,878,843
Other current operating receivables	10,130,722	12,343,064
Value adjustments of current operating receivables	(555,131)	(792,948)
Total current operating receivables	**51,203,777**	**40,835,024**

Non-current operating receivables of the UNIOR Group fell by EUR 3,229 as a result of repayments of trade receivables. A EUR 10,368,753 increase in current operating receivables is the result of a higher sales volume at the end of 2021 compared to the end of 2020. 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. The impairment of receivables is formed by the Group on the basis of expected losses in respect of the risk that they will not be recovered. Historical, current and future-oriented recovery information is taken into account. As all receivables are current, no discount rate is applied by the Group to their recovery.

In 2021, the UNIOR Group formed value adjustments of trade receivables amounting to EUR 52,493.

Changes in value adjustments of trade receivables

(in EUR)	2021	2020
Balance as at 1 January	**792,948**	**543,359**
Collected written-off receivables	(108,850)	(57,468)
Final write-off of receivables	(181,460)	(61,860)
Formation of value adjustment in the year:	52,493	368,917
Balance as at 31 December	**555,131**	**792,948**

Maturity of the Group's receivables as at 31/12/2021

(in EUR)	31/12/2021	31/12/2020
Receivables not yet due	41,888,173	34,860,746
Receivables overdue up to 90 days	5,900,601	2,886,659
Receivables from 91 to 180 days overdue	1,150,016	1,070,219
Receivables from 181 to 365 days overdue	1,337,834	1,509,493
Receivables more than 1 year overdue	927,153	507,907
Total	**51,203,777**	**40,835,024**

9.7.9 CURRENT INVESTMENTS

(in EUR)	31/12/2021	31/12/2020
Loans given		
– to others	5,038	4,059
Current investments in deposits	3,244,887	2,931,607
Short-term portion of non-current investments in liabilities	1,808	2,280
Total	**3,251,733**	**2,937,946**

Current investments of the Group 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)	2021	2020
Balance as at 1 January	**2,937,946**	**2,530,510**
Increases:		
Increase in short-term loans given to others	3,509	4,059
Increase of investments in deposits	313,280	427,583
Transfer of the current portion of non-current investments	1,808	2,280
Decreases:		
Decrease in short-term loans to others	(4,810)	(26,486)
Balance as at 31 December	**3,251,733**	**2,937,946**

9.7.10 CASH AND CASH EQUIVALENTS

(in EUR)	31/12/2021	31/12/2020
Cash in hand and cheques received	349,895	30,508
Cash at bank	10,706,841	15,805,290
Total	**11,056,736**	**15,835,798**

At the end of 2021, the cash balance is lower than at the end of the preceding year as, on account of lower income during the last quarter of 2021, cash was used to settle its liabilities. 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 31/12/2021, 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 2021 financial year. No dividend stocks were issued by the parent company. The parent company is not a member in another company for whose liabilities it would be liable without any restrictions.

Capital reserves amount to EUR 40,220,660 and are EUR 65,329 higher compared to the preceding year on account of increasing our participating interest in UNIOR Hungaria Kft. 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 3,977,907 and a general revaluation surplus in equity included into capital reserves upon shifting to International Financial Reporting Standards amounting to EUR 28,298,141.

Revenue reserves amounting to EUR 40,468,445 are intentionally retained revenue from previous years, mainly for the settlement of potential future losses. Compared to the balance at the end of 2020, they fell by EUR 58,058; the decrease thereof was due to the concluded court settlement with Rhydcon d.o.o. (by EUR 700,000) subject to which UNIOR d.d. agreed to pay the final instalment of the purchase price for treasury shares acquired by UNIOR d.d. on 19/12/2019, and an increase thereof on account of allocating net profit brought forward to revenue reserves. Reserves include reserves for treasury shares owned by UNIOR d.d. and treasury shares owned by its subsidiaries Unior Deutschland GmbH and SPITT d.o.o. amounting to EUR 2,723,119.

Reserves from revaluation at fair value amounting to EUR 20,521,761 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 20,231,979. The EUR 289,782 increase is composed of an EUR 1,127,768 increase from the revaluation of land at fair value and a EUR 659,745 decrease from the change in actuarial gains from calculated provisions subject to pension schemes and a EUR 178,241 impairment of surplus value.

Reserves from revaluation at fair value

(in EUR)	31/12/2021	31/12/2020
Land	25,471,609	24,343,841
Impairment of value surpluses	(4,052,597)	(3,874,356)
Termination benefits	(614,983)	(614,983)
Actuarial gains	(282,268)	377,477
Total	**20,521,761**	**20,231,979**

Changes in fair value reserves

(in EUR)	2021	2020
Balance as at 1 January	**20,231,979**	**25,961,576**
Decreases:		
– Land	0	(7,023,044)
– Actuarial gains	(659,745)	(97,615)
– Impairment of value surpluses	(188,925)	(51,740)
Increases:		
– Land	1,127,768	104,999
– Reversal of impairment of value surpluse:	10,684	1,337,803
Balance as at 31 December	**20,521,761**	**20,231,979**

Net profit brought forward totals EUR 25,745,126 and represents undistributed profit from previous years.

The net profit of the UNIOR Group in 2021 amounts to EUR 11,091,270 or EUR 8,345,434 more than the profit of the parent company. Differences arise from the operating results of subsidiaries, attributable to equity holders of the parent company, amounting to EUR 4,163,425, operating results of associates amounting to EUR 2,093,376, exclusions and adjustments at consolidation amounting to EUR 28,686, and profit attributable to non-controlling interest amounting to EUR 2,117,319.

Changes in equity attributable to equity holders of the parent company in the current year represent:

- the entry of a net operating result of 2021 attributable to equity holders of the parent amounting to EUR 8,973,951;
- a reduction of reserves from profit resulting from the court settlement to repay the final instalment of treasury shares acquired in 2019;
- 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 289,782,
- other changes in equity represent a reduction of EUR 62,179,

- net profit or loss brought forward decreased by EUR 4,471,502 from the loss brought forward from 2020 and by EUR 769,450 from to the transfer to other equity items and other changes in equity,
- equity adjustment from foreign currency translation increased by EUR 1,785,083 as the exchange rate of the local euro currency fell 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 represents a profit of EUR 2,117,319,
- the disbursement of dividends to owners of non-controlling interest reduced equity by EUR 764,452,
- a reduction of reserves from revaluation at fair value amounting to EUR 85,047 on account of changing reserves from the revaluation of land at fair value,
- other changes in equity represent an increase of EUR 177,538;
- equity adjustment from foreign currency translation increased by EUR 1,738,328 as the exchange rate of the local euro currency fell 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 2020	**6,613,268**	**288,171**	**2,361,531**	**224,925**	**9,487,895**
Formed provisions	1,062,915	6,485	0		1,069,400
Utilised provisions	(240,727)	(16,795)	(148,939)	(25,420)	(431,881)
Reversed provisions	(734,488)	0	0		(734,488)
Balance as at 31 December 2021	**6,700,968**	**277,861**	**2,212,592**	**199,505**	**9,390,926**

(in EUR)	Provisions for termination and jubilee benefits	Provisions for annuities	Donations received for fixed assets	Deferred revenue	Total
Balance as at 31 December 2019	**6,451,934**	**298,248**	**2,464,062**	**251,395**	**9,465,639**
Formed provisions	570,113	6,718	29,487	229	606,547
Utilised provisions	(162,498)	(16,795)	(132,018)	(26,699)	(338,010)
Reversed provisions	(246,281)	0	0	0	(246,281)
Balance as at 31 December 2020	**6,613,268**	**288,171**	**2,361,531**	**224,925**	**9,487,895**

Provisions for jubilee and termination benefits amounting to EUR 6,700,968 are formed in the amount of estimated future pay-outs 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 0.7 per cent and annual wage growth of 2.2 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.

Provisions for annuities are formed for employees sustaining occupational injuries that have resulted in permanent damage thereto. As at 31/12/2021, provisions for this purpose amount to EUR 277,861.

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. Provisions are utilised subject to the depreciation of co-financed fixed assets. Their balance as at 31/12/2021 amounts to EUR 2,212,592.

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 31/12/2021, provisions for this purpose amount to EUR 199,505.

There are no unfulfilled conditions or contingent liabilities associated with government grants.

9.7.13 NON-CURRENT FINANCIAL LIABILITIES

(in EUR)	Principal debt 01/01/2021	New loan in the year	Increase unpaid current portion	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	0	91,043,394	(15,847,704)	75,195,690
Loans received from banks abroad	2,502,964		0	0	2,502,964	(442,522)	2,060,442
Other creditors	404,697		0	0	404,697	(193,914)	210,783
Lease liabilities	568,741	3,220,733	0	(4,435)	3,785,039	(944,550)	2,840,489
Financial leases	810,907	51,824	0	(36,574)	826,157	(287,074)	539,083
Total loans taken out	**89,196,301**	**9,406,959**	**0**	**(41,009)**	**98,562,251**	**(17,715,764)**	**80,846,487**

(in EUR)	Principal debt 01/01/2020	New loan in the year	Increase unpaid current portion	Repayment in the year	Principal debt 31/12/2020	Part which falls due in 2021	Non-current portion
Bank or creditor							
Loans received from domestic banks	83,119,217	9,701,929	7,747,079	(7,528,576)	93,039,649	(8,130,657)	84,908,992
Loans received from banks abroad	1,064,972	1,841,643	0	(5,889)	2,900,726	(397,762)	2,502,964
Other creditors	513,150		0	0	513,150	(108,453)	404,697
Lease liabilities	783,020	341,918	0	(139,067)	985,871	(417,130)	568,741
Financial leases	727,606	630,886	0	(207,627)	1,150,865	(339,958)	810,907
Total loans taken out	**86,207,965**	**12,516,376**	**7,747,079**	**(7,881,159)**	**98,590,261**	**(9,393,960)**	**89,196,301**

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 + 2.3 per cent and the real interest rate ranges between 1.0 and 4.2 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 against any adverse fluctuations of the variable Euribor interest rate. Current interest rate swap costs are recognised through the income statement.

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 15,059 in 2021.

Maturity of non-current financial liabilities by year

(in EUR)	2021	2020
Maturity from 1 to 2 years	61,126,384	15,521,694
Maturity from 2 to 3 years	11,703,651	51,314,256
Maturity from 3 to 4 years	3,935,794	10,709,223
Maturity from 4 to 5 years	1,316,293	3,611,968
Maturity more than 5 years	2,764,365	8,039,160
Total	**80,846,487**	**89,196,301**

Collateral for non-current and current liabilities from financing activities consists of mortgages on immoveable and moveable property, investments and inventories at fair value amounting to EUR 149,150,090, as well as bills of exchange given. These amounts match the values of secured loan agreements. Collateral for non-current liabilities from financing activities in the past year amounted to EUR 153,855,790.

9.7.14 NON-CURRENT OPERATING LIABILITIES

(in EUR)	31/12/2021	31/12/2020
Non-current operating liabilities	39,255	0
Current portion of non-current operating liabilities	(26,170)	0
Total	**13,085**	**0**

Non-current operating liabilities are corporation tax liabilities in Serbia payable in 2023 in compliance with the rescheduling.

9.7.15 DEFERRED TAX ASSETS AND LIABILITIES

(in EUR)	31/12/2021	31/12/2020
Deferred non-current tax assets	9,110,627	8,297,982
Deferred non-current tax liabilities	(4,113,907)	(3,966,182)
Net deferred non-current tax assets	**6,493,718**	**5,663,919**
Net deferred non-current tax liabilities	**1,496,998**	**1,332,119**

Changes in deferred tax assets	2021	2020
Balance of deferred tax assets as at 1 January	**8,297,982**	**5,928,169**
Increases:	874,281	2,390,126
Decreases:	(61,636)	(20,313)
Balance of deferred tax assets as at 31 December	**9,110,627**	**8,297,982**
– Offset with deferred tax liabilities	2,616,909	2,634,063
Net deferred tax assets as at 31 December	**6,493,718**	**5,663,919**

Changes in deferred tax liabilities	2021	2020
Balance of deferred tax liabilities as at 1 January	**3,966,182**	**5,299,406**
Increases:	188,999	52,512
Decreases:	(41,274)	(1,385,736)
Balance of deferred tax liabilities as at 31 December	**4,113,907**	**3,966,182**
– Offset with deferred tax assets	2,616,909	2,634,063
Net deferred tax liabilities as at 31 December	**1,496,998**	**1,332,119**

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 and termination benefits, the impairment of trade receivables, the impairment of R&D investments 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 which is shown on the revaluation surplus and the surplus from revaluation of termination benefits. 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 as at Jan 2021 incl. the current portion of non-current liabilities	New loans in the year	Transfer of the non-repaid current portion to non-current liabilities	Repayments in the year 2021	Transfer of the current portion of non-current liabilities	Debt balance as at 31 Dec 2021
Bank or creditor						
Loans received from domestic banks	12,886,188	34,580,987	0	(34,707,175)	15,847,704	28,607,704
Loans received from banks abroad	3,397,025	145,349	0	(483,607)	442,522	3,501,289
Other creditors	191,793	0	0	(165,374)	193,914	220,333
Lease liabilities	417,130	24,282	0	(405,781)	944,550	980,181
Financial leases	339,958	0	0	(339,958)	287,074	287,074
Interest rate swaps	0	744,057	0	(370,620)	0	373,437
Total loans taken out	**17,232,094**	**35,494,675**	**0**	**(36,472,515)**	**17,715,764**	**33,970,018**

(in EUR)	Balance of liabilities as at Jan 2020 incl. the current portion of non-current liabilities	New loans in the year	Transfer of the non-repaid current portion to non-current liabilities	Repayments in the year 2020	Transfer of the current portion of non-current liabilities	Debt balance as at 31 Dec 2020
Bank or creditor						
Loans received from domestic banks	31,342,374	3,013,781	(7,747,079)	(21,853,545)	8,130,657	12,886,188
Loans received from banks abroad	4,289,617	0	0	(1,290,354)	397,762	3,397,025
Other creditors	152,190	0	0	(68,850)	108,453	191,793
Lease liabilities	922,849	71,927	0	(994,776)	417,130	417,130
Financial leases	431,272	0	0	(431,272)	339,958	339,958
Total loans taken out	**37,138,302**	**3,085,708**	**(7,747,079)**	**(24,638,797)**	**9,393,960**	**17,232,094**

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.

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 + 2.3 per cent and 1-month Euribor + 2.25 per cent.

Collateral for non-current and current liabilities from financing activities consists of mortgages on immoveable and moveable property, investments and inventories at fair value amounting to EUR 149,150,090, as well as bills of exchange given. These amounts match the values of secured loan agreements.

Fluctuations in foreign currency exchange rates increased current financial liabilities of the UNIOR Group by EUR 154,956 in 2021.

9.7.17 CURRENT OPERATING LIABILITIES

(in EUR)	31/12/2021	31/12/2020
Current operating liabilities due to associated companies		
Slovenia	7,184,308	6,771,558
Foreign	4,702	6,205
Current operating liabilities due to other suppliers:		
Slovenia	21,443,565	16,449,711
Foreign	9,475,813	11,620,282
Current operating liabilities due to the state	878,427	610,376
Current operating liabilities due to employees	5,219,271	5,516,678
Current operating liabilities from advance payments	1,372,391	1,572,278
Current interest payable	32,346	27,299
Current bills of exchange payable	6,217,570	7,505,704
Other current liabilities	11,682,560	11,221,017
Current portion of non-current operating liabilities	26,170	0
Total	**63,537,123**	**61,301,108**

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:

- current deferred revenue amounting to EUR 3,890,445, out of which current deferred revenue amounting to EUR 260,245 from IFRS 15 for goods dispatched to buyers at the end of 2021 which had not arrived to their premises during the 2021 financial year and current deferred revenue from projects implemented in the Special Machines Programme amounting to EUR 3,240,543 and current deferred revenue from the pre-sales of ski passes amounting to EUR 370,305,
- accrued costs amounting to EUR 3,296,092, which include accrued sales commission amounting to EUR 448,350, our liability from leaves unexpended in 2021 amounting to EUR 1,271,980, and other accrued costs amounting to EUR 1,575,762,
- VAT from given advances in the amount of EUR 24,184.

9.7.18 CONTINGENT LIABILITIES

(in EUR)	31/12/2021	31/12/2020
Given guarantees and sureties	6,886,767	7,362,604
Legal claims	0	754,938
Total	**6,886,767**	**8,117,542**

Sureties and guarantees given to affiliates amount to EUR 6,886,767 and fell by EUR 475,837 due to the regular repayment of liabilities for which guarantees have been given. Contingent liabilities no longer include actions referring to the received action from the District Court of Celje on the commercial dispute between Rhydcon d.o.o. and UNIOR d.d., as all liabilities of UNIOR d.d. related thereto were settled in 2021.

9.8 DISCLOSURES TO THE AUDITED CONSOLIDATED INCOME STATEMENT OF THE UNIOR GROUP

INCOME STATEMENT FROM DISCONTINUED OPERATIONS

(in EUR)	Item	January-December 2021	January-December 2020
A.	Net revenue from sales	1,474,144	2,498,321
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	5	40,659
I.	**GROSS OPERATING PROFIT**	**1,474,148**	**2,538,981**
E.	Costs of goods, materials and services	(1,284,590)	(2,118,737)
F.	Labour costs	(116,789)	(284,322)
G.	Write-offs	(12,654)	(56,844)
H.	Other operating expenses	(7,855)	(18,178)
II.	**OPERATING PROFIT OR LOSS**	**52,260**	**60,899**
I.	Financial revenue	0	0
J.	Financial expenses	(14,270)	(43,175)
III.	**PROFIT OR LOSS**	**37,990**	**17,723**
	Corporate income tax	0	0
	Deferred tax	0	0
	NET PROFIT OR LOSS OF THE ACCOUNTING PERIOD	**37,990**	**17,723**
	– Attributable TO EQUITY HOLDERS OF THE PARENT	37,990	17,723
	– Attributable to NON-CONTROLLING INTERESTS	0	0

The income statement from discontinued operations for 2021 and 2020 represents the operations of the French company UNIOR France S.A.S., as it was sold on 30/6/2021. Its operations are included in consolidated financial statements until the date of its sale. The same applies to the cash flow statement from discontinued operations.

CASH FLOW FROM DISCONTINUED OPERATIONS

(in EUR)	Item	January-December 2021	January-December 2020
A.	Net cash flow from operating activities	(484,901)	29,656
B.	Net cash flow from operating activities	379,104	0
C.	Net cash flow from financing activities	(1,872)	(12,047)
=	**Total net cash flow**	**(107,669)**	**17,609**

9.8.1 CONSOLIDATED INCOME STATEMENT BY DIVISION

(in EUR) Item		Tourism act. 2021	Metalworking act. 2021	Total 2021	Tourism act. 2020	Metalworking act. 2020	Total 2020
A.	**Net revenue from sales**	**16,346,404**	**223,352,124**	**239,698,528**	**16,211,699**	**194,027,918**	**210,239,617**
1	Net revenue from sales on the domestic market	16,346,404	18,199,949	34,546,353	16,211,699	13,195,791	29,407,490
2	Net revenue from sales on foreign markets	0	205,152,175	205,152,175	0	180,832,127	180,832,127
B.	**Changes in value of product inventories and work-in-progress**	**0**	**3,098,086**	**3,098,086**	**0**	**(2,938,186)**	**(2,938,186)**
C.	**Capitalised own products and services**	**0**	**1,914,226**	**1,914,226**	**0**	**2,393,779**	**2,393,779**
D.	**Other operating revenue**	**3,558,793**	**3,561,242**	**7,120,035**	**1,969,201**	**8,507,447**	**10,476,648**
I.	**GROSS OPERATING PROFIT**	**19,905,197**	**231,925,678**	**251,830,875**	**18,180,900**	**201,990,958**	**220,171,858**
E.	**Costs of goods, materials and services**	**(8,222,435)**	**(143,961,829)**	**(152,184,264)**	**(7,471,880)**	**(119,842,124)**	**(127,314,004)**
1	Cost of merchandise and materials sold	(13,648)	(9,271,200)	(9,284,848)	(7,919)	(9,189,673)	(9,197,592)
2	Costs of materials used	(3,755,731)	(106,116,032)	(109,871,763)	(3,374,734)	(86,054,749)	(89,429,483)
3	Costs of services	(4,453,055)	(28,574,598)	(33,027,653)	(4,089,227)	(24,597,702)	(28,686,929)
F.	**Labour costs**	**(7,402,743)**	**(61,485,466)**	**(68,888,209)**	**(7,298,001)**	**(59,953,068)**	**(67,251,069)**
1	Costs of salaries	(5,492,658)	(46,850,275)	(52,342,933)	(5,404,934)	(45,649,173)	(51,054,107)
2	Costs of pension insurances	(60,318)	(688,958)	(749,276)	(60,654)	(520,720)	(581,374)
3	Costs of other social insurances	(912,252)	(7,625,911)	(8,538,163)	(863,481)	(7,518,564)	(8,382,045)
4	Other labour costs	(937,515)	(6,320,322)	(7,257,837)	(968,932)	(6,264,611)	(7,233,543)
G.	**Write-offs**	**(2,670,970)**	**(15,635,716)**	**(18,306,686)**	**(2,550,287)**	**(20,252,166)**	**(22,802,453)**
1	Depreciation	(2,632,161)	(14,450,701)	(17,082,862)	(2,485,746)	(14,149,756)	(16,635,502)
2	Operating expenses from the revaluation of intangible fixed assets and property, plant and equipment	(7,947)	(154,503)	(162,450)	(11,110)	(4,851,633)	(4,862,743)
3	Operating expenses from the revaluation of operating current assets	(30,862)	(1,030,512)	(1,061,374)	(53,430)	(1,250,778)	(1,304,208)
H.	**Other operating expenses**	**(385,298)**	**(1,580,716)**	**(1,966,014)**	**(429,651)**	**(1,246,194)**	**(1,675,845)**
1	Provisions	(10,955)	(64,862)	(75,817)	(14,311)	(107,975)	(122,286)
2	Other costs	(374,343)	(1,515,854)	(1,890,197)	(415,340)	(1,138,219)	(1,553,559)
II.	**OPERATING PROFIT OR LOSS**	**1,223,752**	**9,261,950**	**10,485,702**	**431,082**	**697,405**	**1,128,487**
I.	**Financial revenue**	**248**	**4,382,572**	**4,382,820**	**2,861**	**914,678**	**917,539**
1	Financial revenue from participating interests	0	3,736,610	3,736,610	0	313,223	313,223
2	Financial revenue from loans given	0	178,804	178,804	2,851	106,080	108,931
3	Financial revenue from operating receivables	248	467,158	467,406	10	495,375	495,385
J.	**Financial expenses**	**(495,971)**	**(3,112,880)**	**(3,608,851)**	**(465,355)**	**(4,657,190)**	**(5,122,545)**
1	Financial expenses from impairment and write-offs of investments	0	(49,042)	(49,042)	0	(268,389)	(268,389)
2	Financial expenses from financial liabilities	(472,919)	(2,685,713)	(3,158,632)	(457,030)	(3,159,749)	(3,616,779)
3	Financial expenses from operating liabilities	(23,052)	(378,125)	(401,177)	(8,325)	(1,229,052)	(1,237,377)
III.	**PROFIT OR LOSS**	**728,028**	**10,531,643**	**11,259,671**	**(31,412)**	**(3,045,107)**	**(3,076,519)**
	Corporate income tax	**(63,472)**	**(942,535)**	**(1,006,007)**	**(9,167)**	**(1,564,114)**	**(1,573,281)**
	Deferred tax	**(6,470)**	**844,076**	**837,606**	**(721)**	**2,454,415**	**2,453,694**
	NET PROFIT OR LOSS OF THE ACCOUNTING PERIOD	**658,086**	**10,433,184**	**11,091,270**	**(41,301)**	**(2,154,805)**	**(2,196,106)**
	– Attributable TO EQUITY HOLDERS OF THE PARENT	658,086	8,315,865	8,973,951	(41,301)	(4,430,201)	(4,471,502)
	– Attributable to NON-CONTROLLING INTERESTS	0	2,117,319	2,117,319	0	2,275,396	2,275,396

Net revenue from sales of the UNIOR Group in 2021 rose by EUR 29,458,911 in total compared to 2020, out of which by EUR 29,324,206 in metalworking and EUR 134,705 in tourism. The higher volume of operations in 2021 increased the EBIT (Earnings Before Interest and Taxes) and the net operating result of both activities compared to 2020, whereby both activities generated profit, whereas the negative ramifications of the COVID-19 pandemic in 2020 led to a negative operating result in both activities.

9.8.2 NET REVENUE FROM SALES BY GEOGRAPHICAL AND BUSINESS SEGMENT

Net revenue from sales by geographical segment

(in EUR)	2021	2020
Slovenia	**34,546,353**	**29,407,490**
– associates	963,928	48,791
– other customers	33,582,425	29,358,699
Foreign	**205,152,175**	**180,832,127**
– associates	5,228,466	3,958,974
– other customers	199,923,709	176,873,153
Total	**239,698,528**	**210,239,617**

Subject to sales agreements of the Special Machines Programme amounting to a total of EUR 11,518,634, which remained unrealised as at 31/12/2021, EUR 2,819,626 will be recognised in revenue in future periods.

Net revenue from sales by business segment

(in thousand EUR)	2021	2020
Forgings production activity	151,694,293	131,309,637
Hand tools production activity	45,005,553	34,734,149
Special Machines activity	16,154,052	17,044,788
Tourism activity	16,346,404	16,211,699
Production of machine tools activity	7,772,516	7,839,695
Other	2,725,710	3,099,649
Total UNIOR Group	**239,698,528**	**210,239,617**

9.8.3 CAPITALISED OWN PRODUCTS AND SERVICES

Capitalised own products and own services are products made by the Company itself or the services provided by the company for its own needs included in either property, plant and equipment or intangible non-current fixed assets. Their value does not exceed the costs of their production or services rendered.

(in EUR)	2021	2020
Capitalised own products and services	1,914,226	2,393,779
Total	**1,914,226**	**2,393,779**

Capitalised own products and services disclose the value of capitalised development costs in the Special Machines Programme amounting to EUR 839,563 and own investments in Maintenance and Special Machines for the needs of other programmes amounting to EUR 1,062,932 including a complete restoration of machines in the Forge and of CNC machine tools.

9.8.4 OTHER OPERATING REVENUE

(in EUR)	2021	2020
Benefits for exceeding the quota of disabled employees	203,637	225,931
Paid receivables already included in the value adjustment	108,850	57,468
Damages received	90,925	187,131
Reversal of non-current provisions	1,214,248	664,226
Profit from the sale of fixed assets	502,913	153,391
Revaluation of investment property to fair value	63,317	0
Subsidies, grants and similar revenue	225,739	407,762
Receipt of emission allowances	6,395	6,671
Subsidies – temporary lay-offs (COVID-19)	618,404	4,190,554
Subsidies – exemption from payment of contributions (COVID-19)	0	2,421,103
Subsidies – reimbursement of sickness benefits of up to 30 days (COVID-19)	0	35,052
Subsidies – reimbursement of quarantine payments (COVID-19)	94,484	11,914
Subsidies – reimbursement of absence due to a force majeure (COVID-19)	56,390	52,739
Subsidies – reimbursement of the crisis allowance (COVID-19)	0	169,207
Subsidies – reimbursement of rapid test costs (COVID-19)	78,080	0
Subsidies – up to the minimum wage (COVID-19)	35,854	0
Subsidies – partial reimbursement of fixed costs (COVID-19)	1,138,350	426,924
Subsidies – to preserve jobs (COVID-19)	102,773	476,051
Subsidies – hazard pay (COVID-19)	406,824	0
Subsidies – holiday allowance financing aid (COVID-19)	264,431	0
Subsidies – compensation for income foregone for cable cars (COVID-19)	664,021	0
Other operating revenue	1,244,400	990,524
Total	**7,120,035**	**10,476,648**

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 property.

In compliance with the intervention laws adopted in countries in which it operates to mitigate the repercussions of the COVID-19 disease epidemic, the UNIOR Group received EUR 3,459,611 in state aid in 2021 in total. The purposes for which the funds were received are illustrated in the table above.

Other operating revenue amounting to EUR 1,244,400 include revenue generated from the sales of unused emission coupons and from the grants received for our development projects.

9.8.5 COSTS AND EXPENSES

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)
Costs of salaries	*(41,795,777)*	*(4,070,806)*	*(6,476,350)*	*(52,342,933)*
Costs of social insurances	*(6,755,690)*	*(744,697)*	*(1,037,776)*	*(8,538,163)*
Costs of pension insurances	*(634,983)*	*(34,633)*	*(79,660)*	*(749,276)*
Other labour costs	*(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)**

2020 (in EUR)	Production costs	Costs of selling	Costs of general activities	Total
Cost of merchandise and materials sold	(3,793,390)	(4,064,600)	(1,339,602)	(9,197,592)
Costs of materials	(78,685,674)	(5,214,467)	(5,529,342)	(89,429,483)
Costs of services	(16,466,513)	(5,545,106)	(6,675,310)	(28,686,929)
Costs of salaries	*(40,661,996)*	*(4,009,509)*	*(6,382,602)*	*(51,054,107)*
Costs of social insurances	*(6,602,053)*	*(738,348)*	*(1,041,644)*	*(8,382,045)*
Costs of pension insurances	*(494,871)*	*(23,502)*	*(63,001)*	*(581,374)*
Other labour costs	*(6,239,170)*	*(285,280)*	*(709,093)*	*(7,233,543)*
Total labour costs	(53,998,090)	(5,056,639)	(8,196,340)	(67,251,069)
Depreciation	(13,804,505)	(672,472)	(2,158,525)	(16,635,502)
Operating expenses from the revaluation of current operating assets	(186,914)	(1,063,023)	(54,271)	(1,304,208)
Expenses from the revaluation of intangible assets and property, plant and equipment	(460,656)	(7,603)	(4,394,484)	(4,862,743)
Other costs	(747,065)	(294,548)	(634,232)	(1,675,845)
Value adjustments due to changes in inventories	(2,938,186)	0	0	(2,938,186)
Total costs	**(171,080,993)**	**(21,918,458)**	**(28,982,106)**	**(221,981,557)**

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.

Costs of services of the UNIOR Group include disclosure of EUR 13,358 in costs of hiring workers through recruitment agencies representing 5 employees in relation to the hours worked.

Procurement of materials in associates is presented in Section 9.10.2 of the 2021 Annual Report.

As part of its other costs, the Group discloses:

(in EUR)	2021	2020
– Provisions for annuities	(6,486)	(6,718)
– Other provisions	(69,331)	(115,568)
– Ground exploitation fee	(285,376)	(296,096)
– Environmental protection expenditures	(208,676)	(128,346)
– Bonuses to pupils and students undergoing practical training	(548,339)	(292,271)
– Scholarships to pupils and students	(92,449)	(119,166)
– Damages paid to employees	(43,625)	(42,688)
– Financial aid – grants	(173,442)	(142,552)
– Other operating expenses	(538,290)	(532,440)
Total	**(1,966,014)**	**(1,675,845)**

Lease payments

Lease payments in 2021 amounted to EUR 1,462,276, whereas in 2020 they amounted to EUR 1,186,952. 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)	2021	2020
Up to 1 year	1,462,276	1,186,952
From 2 to 5 years	5,849,104	4,747,808
More than 5 years	7,311,380	5,934,760
Total	**14,622,760**	**11,869,520**

The costs of auditing the annual reports of the companies in the UNIOR Group amount to EUR 59,100. Contractual amounts for the provision of non-audit services by the Deloitte Group for the UNIOR Group amounted to EUR 8,300 in the 2021 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 relations with associates and the report on the remuneration of Members of the Management and Supervisory Boards of UNIOR d.d.

9.8.6 FINANCIAL REVENUE AND FINANCIAL EXPENSES

Financial revenue

(in EUR)	2021	2020
a) Financial revenue from participating interests		
Financial revenue from participating interests in associates	2,841,678	312,923
Financial revenue from participating interests in other companies	138,559	30
Financial revenue from other investments	756,373	270
Total	3,736,610	313,223
Financial revenue from loans given		
Financial revenue from loans given to others	178,804	108,931
Total	178,804	108,931
Financial revenue from operating receivables		
Financial revenue from operating receivables due from others	467,406	495,385
Total	467,406	495,385
Total financial revenue	**4,382,820**	**917,539**

Financial revenue from participating interests in associates comprises a positive effect from profit or loss of associates amounting to EUR 2,093,376 and the pay-out of profit in Unior Teos Alati d.o.o., Unior Tehna d.o.o., Unior Tepid S.R.L. and Štore Steel d.o.o.

Financial revenue from other investments includes the reporting of a positive effect resulting from the sale of UNIOR France S.A.S. amounting to EUR 755,820.

Financial expenses

(in EUR)	2021	2020
Financial expenses from impairment and write-offs of investments	49,042	268,389
Financial expenses from financial liabilities		
Financial expenses from loans received from banks	3,010,872	3,364,760
Financial expenses from other financial liabilities	147,760	252,019
Total	3,158,632	3,616,779
Financial expenses from operating liabilities		
Financial expenses from trade payables and bills of exchange payable	125,887	378,065
Financial expenses from other operating liabilities	275,290	859,312
Total	401,177	1,237,377
Total financial expenses	**3,608,851**	**5,122,545**

Financial expenses from impairment and write-offs of investments amounting to EUR 49,042 refer to the value adjustment of the investment in RRA Regionalna razvojna agencija Celje, d.o.o. Celje, owing to its bankruptcy. Financial interest payables due for loans from banks amounted to EUR 3,010,872 or 10.5 per cent less than in 2020.

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)	2021	2020
Corporate income tax	1,006,007	1,573,281
Deferred tax	(837,606)	(2,453,694)
Total	**168,401**	**(880,413)**

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

(in EUR)	2021	2020
Net profit or loss of the financial year before taxes	11,259,671	(3,076,519)
Corporate income tax in Slovenia (19 %)	2,139,337	(584,539)
Non-taxable revenue	1,369,987	948,921
Unrecognised tax expenses	2,582,278	2,998,524
Value adjustment of receivables	105,475	150,660
Formation of provisions	16,663	30,653
Tax relief for investments in R&D	159,517	174,927
Tax relief for investments	492,771	279,062
Other relief and adjustments of tax deductible expenses	(606,025)	(1,515,716)
Tax profit	8,126,101	(2,672,592)
Corporate income tax	168,401	(880,413)
Effective tax rate in %	1.5	28.6

Tax relief from unused tax losses which can be used in future periods in the UNIOR Group amounts to EUR 20,120,121.

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. Deferred tax liabilities relate to the recalculation of property - land to a fair value disclosed on the reserves from revaluation at fair value.

The effect of deferred taxes on net profits amounts to EUR 837,606, 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)	2021	2020
Associates		
Domestic:	**963,928**	**48,790**
ŠTORE STEEL d.o.o. Štore	963,928	36,041
RC SIMIT d.o.o. Kidričevo	0	12,749
Foreign:	**5,228,466**	**3,958,975**
UNIOR TEPID S.R.L. Brasov	3,515,138	2,335,406
UNIOR SINGAPORE Pte. Ltd. Singapore	0	1,982
UNIOR TEHNA d.o.o. Sarajevo	360,752	413,716
UNIOR TEOS ALATI d.o.o. Belgrade	1,352,576	1,207,871
Total associates	**6,192,394**	**4,007,765**

9.10.2 PROCUREMENT FROM RELATED PARTIES

(in EUR)	2021	2020
Associates		
Domestic:	**27,241,057**	**14,430,544**
ŠTORE STEEL d.o.o. Štore	27,241,057	14,430,544
Foreign:	**110,727**	**94,482**
UNIOR TEPID S.R.L. Brasov	10,733	17,757
UNIOR TEHNA d.o.o. Sarajevo	0	0
UNIOR TEOS ALATI d.o.o. Belgrade	99,994	76,725
Total associates	**27,351,784**	**14,525,026**

9.10.3 OPERATING RECEIVABLES DUE FROM RELATED PARTIES

(in EUR)	31/12/2021	31/12/2020
Associates		
Domestic:	**140,203**	**64,537**
ŠTORE STEEL d.o.o. Štore	140,203	64,537
Foreign:	**568,929**	**212,346**
UNIOR TEPID S.R.L. Brasov	440,053	132,072
UNIOR TEHNA d.o.o. Sarajevo	128,876	87,211
UNIOR TEOS ALATI d.o.o. Belgrade	0	(6,937)
Total associates	**709,132**	**276,883**

9.10.4 OPERATING LIABILITIES DUE TO RELATED PARTIES

(in EUR)	31/12/2021	31/12/2020
Associates		
Domestic:	**7,184,308**	**6,771,558**
ŠTORE STEEL d.o.o. Štore	7,184,308	6,771,558
Foreign:	**4,702**	**6,205**
UNIOR TEPID S.R.L. Brasov	0	1,761
UNIOR TEOS ALATI d.o.o. Belgrade	4,702	4,444
Total associates	**7,189,010**	**6,777,763**

9.10.5 RECEIVABLES AND LIABILITIES FROM LOANS AND INTEREST FROM ASSOCIATES

As at 31/12/2021, the UNIOR Group does not have any receivables and liabilities from loans and interest due from associates.

9.11 RISK MANAGEMENT IN THE UNIOR GROUP

The operating risks of UNIOR d.d. and the UNIOR Group are disclosed in Section 7.8.1 of the 2021 Annual Report. The financial risks of UNIOR d.d. are disclosed below.

FINANCIAL RISKS

CREDIT RISK

Credit risk refers to a risk that UNIOR Group companies will not be able to recover all their operating receivables and investments owed by its debtors within the agreed timeframe. 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 low.

(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	41,892,235	0.01	4,062	0	4,062	NO	41,888,173
Receivables overdue up to 90 days	5,930,252	0.50	29,651	0	29,651	NO	5,900,601
Receivables from 91 to 180 days overdue	1,161,632	1.00	11,616	0	11,616	NO	1,150,016
Receivables from 181 to 360 days overdue	1,358,207	1.50	20,373	0	20,373	NO	1,337,834
Receivables more than 360 days overdue	1,416,582	34.55	489,429	0	489,429	NO	927,153
Total	**51,758,908**		**555,131**	**0**	**555,131**		**51,203,777**

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 UNIOR Group, the movement of benchmark interest rates is continuously monitored. The risk is assessed as low, a stable low level of benchmark interest rates has been constantly present in recent years. The UNIOR Group has been able to reach an agreement with the consortium of banks for its Slovenia-based companies 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 UNIOR d.d. amounting to EUR 47.5 million and the EUR 7.8 million credit exposure of Unitur d.o.o. was protected with an interest rate swap for a period of five years. This has allowed us to manage and minimise the interest rate increase risk.

A Sensitivity Analysis of Financial Liabilities with Respect to Changes in Variable Interest Rates

Balance of liabilities linked to an individual variable interest rate in 2021

(in EUR)	Liability amount as at 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**

Balance of liabilities linked to an individual variable interest rate in 2020

(in EUR)	Liability amount as at 31/12/2020	Amount Interest rate	Hypothetical rise in interest rates by 15%	by 50 %	by 100 %
Interest rate type					
3-month EURIBOR	77,627,821	– 0.5380	62,646	208,819	417,638
6-month EURIBOR	25,121,465	– 0.5230	19,708	65,693	131,385
Total effect	**102,749,286**		**82,354**	**274,512**	**549,023**

As at 31/12/2021, the total financial liabilities of UNIOR d.d. amount to EUR 114,816,505. The difference amounting to EUR 6,414,312 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 Group companies within the agreed timeframe. 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 timeframe. 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. This risk was additionally lowered for the duration of the COVID-19 epidemic by successfully negotiating a deferral of payment of all loan principals with all banks for the period between June 2020 and May 2021 which had a positive effect on the cash flow and reduced the liquidity risk in uncertain times. The liquidity risk was further reduced in November 2020 when new liquidity was obtained by the parent company with two commercial banks to meet our ongoing current assets needs for a period of one year with a one-year moratorium. The funds were drawn in full also during the 2021 financial year. The company was granted a guarantee by the Republic of Slovenia for the taken-out loans in compliance with the Act Providing Additional Liquidity to the Economy to Mitigate the Consequences of the COVID-19 Epidemic. The risk is assessed as moderate.

9.12 REMUNERATION OF THE MANAGEMENT AND SUPERVISORY BOARDS

No additional remuneration was paid out to Members of the Management and Supervisory Board for performing their tasks in subsidiaries in 2021. The Policy of Remuneration of the Management and Supervisory Boards is disclosed in Section 7.5 and the Remuneration of the Management and Supervisory Boards in Section 10.12 of the 2021 Annual Report.

9.13 CLIMATE RISK ASSESSMENT AND THEIR EFFECT ON OUR FINANCIAL STATEMENTS

In its initial assessment, the UNIOR Group assesses that:

- climate change and conditions do not have a significant effect on the estimation of the expected useful lives of fixed assets,
- climate change has not led to the existence of indicators requiring the impairment of individual assets,
- climate change does not jeopardise the ability of Group companies to continue carrying on their business as going concern,
- Group companies have not changed their R&D policies on account of climate change,
- climate change has not led to the requirement to derecognise a significant portion of fixed assets,
- climate requirements pose no risks of having to shut down any plant or activity,
- climate change does not have a significant effect on the policy associated with setting up allowances for inventories or writing-off inventories,
- climate change does not have any effect on the tax treatment of accruals and that climate change has not led to the creation of any differences between tax bases and carrying amounts of assets that would require us to set up allowances for receivables or deferred tax liabilities,
- climate change does not have a significant effect on recognising and derecognising financial instruments,
- there are no potential liabilities associated with environmental damage restoration regulatory requirements or Group companies are not faced with the threat of additional environment-requirement-related duties or penalties.

UNIOR Group companies have not concluded any agreements which could lead to major and burdensome financial ramifications on account of the effect of climate change.

During next year, UNIOR Group companies are not planning any restructuring intended to attain climate-related objectives.

For additional emission coupon disclosure, please refer to Section 9.7.2.

9.14 EVENTS AFTER THE REPORTING PERIOD IN THE UNIOR GROUP

During the first quarter of 2022, all UNIOR Group activities experienced a good volume of orders, and the operations of all Group companies matched our business plans. For this reason, the planned operating result of the Group for the first quarter of 2022 is estimated to be exceeded.

However, the escalation of the Russian-Ukrainian conflict and the outbreak of war in Ukraine on 24 February 2022 changed the economic situation in the EU and broader which will significantly affect the operation of numerous activities.

The UNIOR Group has been continuously monitoring the developments associated with the war in Ukraine and, subject to our findings and feedback received from the market, continuously updating its risk management strategy. When required, additional risk-mitigating measures are taken. The currently dynamic and insecure conditions in the procurement-sales chains are expected to calm down and stabilise by the end of the first half of the year.

There is, however, a real risk that the war in Ukraine will reduce our order volume and, consequently, the sales volume of all activities the UNIOR Group is engaged in. Procurement has observed rising levels of supplier management issues that we have been increasingly exposed to during the past weeks. The deliverability of raw materials, energy, and materials has proven increasingly difficult. Their prices have been soaring. Unless the situation stabilises itself, these will have a negative effect on our operations during the months to come.

The highest risk of a reduced order volume is posed to the Forge Programme production activity as the repercussions of the war have led to the breaking of supplier chains and car manufacturing disruptions. Negative effects on our sales volume are expected until the end of the first half of the year primarily in Europe, whereas the sales volume in China is estimated to match our 2022 plans. On the other hand, steel and energy products are the highest in this particular activity. For this reason, the rising of prices of steel and energy will have the biggest negative effect on the operations of this particular activity.

The Hand Tools Programme, which has been experiencing an extremely high volume of orders, no decrease in sales volume on account of the developments in Ukraine is expected. Nevertheless, supplier chain issues and a rise in input raw material prices will also lead to a rise in operating expenses. The operations of our commercial company in Russia have been substantially hampered, its sales volumes are unstable. However, no great decline in sales has been experienced so far. Deliveries to Russia continue to be made and also payments for delivered goods have been arriving without any issues whatsoever. All potential deliveries in the future will be diligently reviewed from all sides, both in terms of safety and complying with sanctions, and will only be completed following received advance payments. The main challenge of the Russian company will be to enforce higher sales prices resulting from a sharp depreciation of the Russian rouble, as goods from all suppliers have been procured in this foreign currency.

Special Machines and the production of machine tools do not expect any declines in order volumes on a short-term basis. However, the effect of the war in Ukraine, if it were to continue until the autumn, could be reflected in the sales volume at the end of 2022 and primarily in new orders commissioned for 2023. In these two activities, rising prices of input raw materials will affect a rise in expenses but not to the same extent as in the Forge Programme.

In our Tourism Activity, the war in Ukraine has been affecting the travelling decision-making process of guests from other European countries who have been experiencing discomfort and fear in relation thereto. The highest effect thereof is expected on the Germanic markets, which represent 5 per cent of overnight stays, and for our Russian guests, which represent 1.8 per cent of overnight stays, whereby 30 per cent of the annual overnight stay plan of these groups of guests has already been realised. On the other hand, prices of food, energy prices, and other expenses have been on the rise. For this reason, numerous sales and marketing activities will have to be performed to mitigate their negative effects on operations.

On the UNIOR Group level, two scenarios of operations of the Group for 2022 have been drawn up, taking into consideration information currently at our disposal. These are the 'best-case' and 'worst-case' scenarios including assessed sales volumes of Group companies and projected trends of two of our main cost groups (costs of materials and costs of energy products) which have a significant effect on the operations of the Group together with labour costs. As forecasts are completely unclear, our estimates have been changing on a daily basis both in terms of any reductions in order volumes and their duration.

For simulation purposes, currently known sales prices, foreseen by the adopted business plans of Group companies, have been taken into consideration. If the upward procurement price and cost pressure continues within the volume of the estimated scenarios, Group companies will have to re-establish sales prices with their customers to include an agreed share of the increased input costs.

The estimated effects on the operating result as illustrated below do not take into consideration any rises in sales prices towards customers and measures taken to reduce fixed costs which would definitely be implemented within the entire Group in the event of both scenarios, of course, depending on the value of reduction of the production value and the effects of any successful enforcement of higher sales prices.

'BEST-CASE' SCENARIO	The 'best-case' scenario estimates that the sales volume of the UNIOR Group will match the planned 2022 sales volume. If the prices of our suppliers and energy were to increase, the 'best-case' scenario estimates a EUR 3.9 million negative effect on the operating result of the UNIOR Group compared to its plan. Subject to the use of these premises, the Group would generate around EUR 7.6 million in profit.

'WORST-CASE' SCENARIO	Following the received estimated sales volume, the 'worst-case' scenario foresees an approximately EUR 10.5 million lower sales volume of the UNIOR Group in 2022than planned. If the lower volume of sales were to be accompanied by increasing prices of our suppliers and energy, the 'worst-case' scenario foresees a EUR 11.3 million negative effect on the operating result of the Group compared to its plan. Subject to the use of these premises, the Group would generate around EUR 0.2 million in profit.

9.15 STATEMENT ON THE RESPONSIBILITY OF MEMBERS OF THE MANAGEMENT BOARD

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 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 company hereby adopts and confirms the financial statements including associated policies and notes of the UNIOR Group for the year 2021.

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 financial statements of the UNIOR Group give a true and fair view of the financial situation and operating results of the UNIOR Group in 2021.

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. It also confirms that the Financial Statements including notes are drawn up on the basis of going concern of the UNIOR Group 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 company is not aware of any circumstances which could give rise to this kind of material liability.

In Zreče, on 20/4/2022

President of the Management Board,

Darko Hrastnik, B.Sc. Met. (Metallurgical Engineering)

Member of the Management Board,

Branko Bračko, B.Sc. ME. (Mechanical Engineering)

9.16 INDEPENDENT AUDITOR'S REPORT

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

Financial statement audit report

Opinion

We have audited the consolidated financial statements of UNIOR d.d. and its subsidiaries (hereinafter the "Group"), composed of its consolidated financial position statement of 31 December 2021, the consolidated profit and loss statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended and explanatory notes to the consolidated financial statements, including a summary of essential accounting policies.

We believe that the consolidated financial statements give a true and fair view of the consolidated financial situation of the Group as at 31 December 2021, its consolidated profit and loss statement and consolidated cash flows for the year then ended in accordance with the International Financial Reporting Standards, as adopted by the European Union (hereinafter the "IFRS"').

Opinion grounds

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

Emphasis of matter

Attention is drawn to the clarification to 9.14 Events after the reporting period in the Unior Group in the financial statements describing an assessment of the management regarding the actual or potential impact of the effects of the military conflict between Ukraine and Russia on the Group. Our opinion has not been altered in light of this matter.

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Key audit matters

Key audit matters are those that are, in our expert valuation, the most essential for our professional in terms of our auditing of consolidated financial statements for the financial year, which ended on 31 December 2021. These matters were handled in the context of our audit of the consolidated financial statements as a whole and in forming our opinions about them. No separate opinions on these matters shall be made.

<table>
<tr><th>Key audit matter</th><th>Audit procedures used in addressing a key audit matter</th></tr>
<tr><td colspan="2">Recognition of revenue in financial statements</td></tr>
<tr><td>As clearly shown in the financial statements of the Group and notes to 9.8.2 Net revenue from sales by geographical and business segment, the Group generated net revenue from sales of merchandise and services on the domestic and foreign markets amounting to EUR 239,698,528 in the year ending on 31 December 2021.

As clarified in Section 9.62.6 Summary of significant accounting policies and disclosures (sections Revenue, Revenue from contracts with customers and revenue from the sale of products, goods and materials), revenue shall be recognised in different ways subject to the respective source of revenue, whereby a 5-step model in compliance with IFRS 15 shall be applied.

Revenue from sales is one of the key performance indicators of the Group. In light of its significance and complexity, in addition to risks associated with the adequacy of revenue from sales recording procedures, this area was established as a key audit matter.</td><td>Audit procedures included an assessment of the adequacy of the accounting policies of the Group associated with the recognition of revenue, their compliance with IFRS. The following audit procedures were performed:
• in the Forge and Hand Tools Programmes and the Tourism Activity, the design and implementation of internal controls related to recognising revenue in terms of adequacy and precision of its recording were reviewed. The performance of identified internal controls was tested in parts of the Group where that was deemed reasonable in relation to our audit.
• In the Special Machines activity, the design, implementation and operating efficiency of internal controls related to adequate recognising of revenue throughout the relevant period were reviewed.
• On the basis of the selected sample, the recording adequacy of recognised revenue in the Forge, Hand Tools, and Special Machines Programmes was reviewed in detail.
• On the basis of analysing contracts with customers, the recognising adequacy of revenue throughout the relevant period on the selected sample for the Special Machines Programme was reviewed.
• In the Tourism Activity, data were tested on the basis of an analytical assessment. All deviations were clarified.

Information in financial statements were reviewed, allowing us to assess the adequacy of disclosures related to net revenue from sales.</td></tr>
</table>

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Other information

The management 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 consolidated financial statements does not apply to other information and we do not express any kind of assurance regarding them.

Our responsibility with regard to the conducted audit of the consolidated financial statements is to read other information and estimate whether it is materially non-compliant with the consolidated financial statements, regulatory requirements or our knowledge, obtained during the audit of the company, or whether it indicates being materially incorrect in any other way. If work performed gives rise to the conclusion on the existence of significant misstatement of other information, these circumstances shall be reported. In relation thereto and on the basis of the described procedures, we hereby report that:

- in all material aspects, other information is aligned with the audited consolidated financial statements;
- other information is drawn up in accordance with the applicable laws and regulations, and
- on the basis of knowledge and understanding of the Group and its environment acquired during the audit, no relevant misstatements in connection with other information have been established.

Responsibility of the management and other competent persons responsible for managing consolidated financial statements

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

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

Competent management persons are responsible for monitoring the drawing up of financial statements of the Group and approving the audited 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 audit rules, 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 consolidated financial statements.

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

- Identify and assess the risks of material misstatements in the consolidated financial statements, whether due to fraud or error, form and perform audit procedures in response to the assessed risks and obtain sufficient and suitable audit evidence, which provide the basis for our opinion. The risk of not 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.
- 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. Nevertheless, subsequent events or circumstances may result in the winding up of the organisation 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.
- Obtain sufficient and appropriate audit evidence with regard to the financial information and business activities of the Group companies in order to be able to express an opinion on the consolidated financial statements. We are liable for guiding, controlling, and auditing the Group. We are solely liable for the auditor’s opinion.

Competent persons for the management of financial statements shall also be communicated about the planned scope and duration of the audit procedure and material findings of the audit, including weaknesses in internal controls established during the audit.

Competent persons for the management of financial statements 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, where applicable.

The most significant matters during the audit of consolidated financial statements were identified as key audit matters out of all matters which competent persons for the management of financial statements were notified of. The aforementioned matters shall be described in the Auditor’s Report, unless their public disclosure is prohibited by statutory or regulatory provisions.

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Report on other statutory and regulatory requirements

Report on the requirements of Regulation (EU) No. 537/2014 of the European Parliament and of the Council (Regulation EU no. 537/2014).

Naming the auditor and the duration of the transaction.

Deloitte revizija d.o.o., was named as the legal auditor of the company at the shareholder's meeting on 5 June 2019. Our performance of the trade has lasted fully and without interruptions for 10 years.

Confirmation for the Audit Committee

We confirm that our audit opinion on financial statements in this report complies with the additional report to the Audit Committee on 20/04/2022, in accordance with Article 11 of the Regulation (EU) no. 537/2014 of the European Parliament and Board.

Performance of non-auditing services

We declare that we have not performed any illegal non-auditing services from Article 5(1) of the Regulation (EU) no. 537/2014 of the European Parliament and the Council. In addition to the mandatory audit, no other services not disclosed in the annual report have been performed for the audited company or its subsidiaries.

Auditor's report on compliance of the financial statements in electronic format with the Delegated Regulation (EU) no. 2019/815 on the presentation of the annual report and audited consolidated financial statements in a single electronic reporting format (European Single Electronic Format - ESEF).

We provided a reasonable assurance engagement on whether the audited consolidated financial statement of the Unior group for the financial year ending on 31/12/2021 (hereinafter referred to as the "audited consolidated financial statements") 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 2021 (hereinafter referred to as "Delegated Regulation").

Responsibility of the management and other competent persons responsible for managing the financial statements

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.

Competent persons responsible for managing the financial statements are also responsible for controlling the drawing up of the audited consolidated financial statement 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.

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We acted in compliance with the independence requirements and ethical requirements of Regulation EU no. 537/2014 and the IESBA Code. 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 performed work

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,
    - reasonable assurance that the values and disclosures in the audited consolidated financial statements in the XHTML format are properly labelled and using the XBRL (IXBRL) technology allowing automatic reading to provide with full and correct information contained in the audited consolidated financial statements.

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 Unior group for the financial year ending on 31/12/2021 have been drawn up in compliance with the requirements of the Delegated Regulation in all material aspects.

On behalf of the auditing company Deloitte revizija d.o.o. the person responsible for the audit is Yuri Sidorovich.

Deloitte revizija d.o.o.

Dunajska cesta 165

1000 Ljubljana

Yuri Sidorovich

Certified auditor

Ljubljana, 20/04/2022

Handwritten signature
Signature illegible

Stamp with inscription:
Deloitte.
Deloitte revizija d.o.o.
Ljubljana, Slovenia 3

Deloitte.

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

10 AUDITED SEPARATE FINANCIAL STATEMENTS OF UNIOR d.d.

10.1 AUDITED SEPARATE FINANCIAL POSITION STATEMENT OF UNIOR d.d. AS AT 31/12/2021

(in EUR)	Item	Note	31/12/2021	31/12/2020
	ASSETS		**236,189,461**	**221,730,206**
A.	**NON-CURRENT ASSETS**		**132,658,596**	**131,388,160**
I.	**Intangible assets and other IA**	**10.7.1**	**4,462,617**	**4,783,148**
1	Non-current property rights		178,162	210,235
2	Goodwill		403,940	403,940
3	Non-current deferred development costs		2,979,005	3,139,716
4	Other intangible assets		61,947	90,859
5	Intangible assets being acquired		839,563	938,398
II.	**Property, plant and equipment**	**10.7.2**	**88,539,836**	**87,142,950**
1	Land and buildings		37,441,431	36,698,360
	a) Land		*12,199,681*	*10,749,105*
	b) Buildings		*25,241,750*	*25,949,255*
2	Plant and machinery		41,708,562	44,520,700
3	Other equipment and machinery, small tools and other property, plant and machinery		21,999	9,334
4	Property, plant and equipment being acquired		9,367,844	5,914,556
III.	**Investment property**	**10.7.3**	**749,527**	**697,716**
IV.	**Non-current investments**	**10.7.4**	**25,227,193**	**25,850,047**
1	Non-current investments, excluding loans		24,253,680	24,555,362
	a) Shares and participating interests in Group companies		*21,592,476*	*21,832,476*
	b) Shares and participating interests in associates		*2,612,335*	*2,612,335*
	c) Other non-current investments		*48,869*	*110,551*
2	Non-current loans		973,513	1,294,685
	a) Non-current loans to Group companies		*969,826*	*1,290,998*
	b) Non-current loans to others		*3,687*	*3,687*
V.	**Non-current operating receivables**	**10.7.6**	**7,270,632**	**7,344,838**
1	Non-current operating receivables due from Group companies		7,255,286	7,326,263
2	Non-current operating receivables		0	0
3	Non-current operating receivables from others		15,346	18,575
VI.	**Deferred tax assets**	**10.7.13**	**6,408,791**	**5,569,461**
B.	**CURRENT ASSETS**		**103,530,865**	**90,342,046**
I.	**Assets (groups for disposal) held for sale**		**0**	**0**
II.	**Inventories**	**10.7.5**	**68,468,019**	**63,741,199**
1	Materials		25,351,861	21,921,244
2	Work in progress		26,000,063	26,692,207
3	Products		14,138,659	12,238,941
4	Merchandise		2,977,436	2,888,807
III.	**Current investments**	**10.7.7**	**1,899,783**	**2,393,901**
1	Current investments, excluding loans		0	0
2	Current loans		1,899,783	2,393,901
	a) Current loans to Group companies		*1,898,172*	*2,389,368*
	b) Other current loans		*1,611*	*4,533*
IV.	**Current operating receivables**	**10.7.6**	**31,246,121**	**21,225,518**
1	Current operating receivables due from Group companies		5,737,342	5,247,555
2	Current trade receivables		20,962,031	11,319,006
3	Current operating receivables due from others		4,546,748	4,658,957
V.	**Cash and cash equivalents**	**10.7.8**	**1,916,942**	**2,981,428**

	Item (in EUR)	Note	31/12/2021	31/12/2020
	LIABILITIES		**236,189,461**	**221,730,206**
A.	**EQUITY**	**10.7.9**	**94,184,664**	**91,938,771**
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**	**20,660,288**
1	Legal reserves		1,417,442	1,417,442
2	Reserves for treasury shares and own participating interests		2,723,119	2,016,459
3	Treasury shares and own participating interests (deduction item)		(2,687,821)	(1,987,821)
4	Statutory reserves		0	0
5	Other reserves from profit		18,507,548	19,214,208
IV.	**Fair value reserves**		**8,499,295**	**8,299,239**
V.	**Net profit brought forward**		**9,013,227**	**16,972,710**
VI.	**Net loss brought forward**		**0**	**0**
VII.	**Net profit of the financial year**		**2,745,836**	**0**
VIII.	**Net loss of the financial year**		**0**	**(7,959,484)**
B.	**PROVISIONS AND DEFERRED REVENUE**	**10.7.10**	**5,224,489**	**5,222,641**
1	Provisions for pensions and similar liabilities		4,776,156	4,745,766
2	Other provisions		448,333	476,875
3	Deferred revenue		0	0
C.	**NON-CURRENT LIABILITIES**		**63,610,946**	**72,175,636**
I.	**Non-current financial liabilities**	**10.7.11**	**63,610,946**	**72,175,636**
1	Non-current financial liabilities to Group companies		0	0
2	Non-current financial liabilities to banks		62,598,210	70,735,646
3	Non-current financial liabilities from bonds payable		0	0
4	Other non-current financial liabilities		1,012,736	1,439,990
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**		**73,169,362**	**52,393,158**
I.	**Liabilities included in groups for disposal**			
II.	**Current financial liabilities**	10.7.14	**28,228,104**	**12,346,519**
1	Current financial liabilities to Group companies		398,732	465,530
2	Current financial liabilities to banks		27,031,837	11,320,521
3	Current financial liabilities to banks (transaction account overdraft)		0	0
4	Other current financial liabilities		797,535	560,468
III.	**Current operating liabilities**	10.7.15	**44,941,258**	**40,046,639**
1	Current operating liabilities due to Group companies		1,671,390	1,547,953
2	Current operating liabilities to suppliers		30,743,286	27,702,548
3	Current bills of exchange payable		0	0
4	Current operating liabilities from advance payments		756,053	895,384
5	Other current operating liabilities		11,770,529	9,900,754

10.2 AUDITED SEPARATE INCOME STATEMENT OF UNIOR d.d. FOR THE PERIOD BETWEEN 1/1/2021 AND 31/12/2021

(in EUR)	Item	Note	January-December 2021	January-December 2020
A.	**Net revenue from sales**	10.8.1	**168,974,628**	**138,054,639**
1	Net revenue from sales on the domestic market		19,431,130	14,210,611
	a) Net revenue from sales of products and services		*9,095,482*	*7,396,221*
	b) Net revenue from sales of merchandise and materials		*10,335,648*	*6,814,390*
2	Net revenue from sales on foreign markets		149,543,498	123,844,028
	a) Net revenue from sales of products and services		*135,155,169*	*113,827,691*
	b) Net revenue from sales of merchandise and materials		*14,388,329*	*10,016,337*
B.	**Change in value of product inventories and work-in-progress**		**915,362**	**(2,930,256)**
C.	**Capitalised own products and services**	10.8.2	**1,902,495**	**2,389,485**
D.	**Other operating revenue**	10.8.3	**3,285,430**	**7,851,001**
I.	**GROSS OPERATING PROFIT**		**175,077,915**	**145,364,869**
E.	**Costs of goods, materials and services**	10.8.4	**(114,207,879)**	**(90,813,303)**
1	Cost of merchandise and materials sold		(12,814,721)	(10,696,882)
2	Costs of materials used		(80,839,612)	(62,888,679)
	a) Costs of materials		*(62,276,081)*	*(48,597,443)*
	b) Costs of energy		*(7,862,697)*	*(5,729,687)*
	c) Other costs of materials		*(10,700,834)*	*(8,561,549)*
3	Costs of services		(20,553,546)	(17,227,742)
	a) Transportation services		*(4,422,397)*	*(3,621,724)*
	b) Maintenance costs		*(1,318,765)*	*(1,249,145)*
	c) Lease payments		*(1,221,305)*	*(988,564)*
	d) Other costs of services		*(13,591,079)*	*(11,368,309)*
F.	**Labour costs**	10.8.4	**(47,387,318)**	**(46,778,230)**
1	Costs of salaries		(35,048,678)	(34,531,899)
2	Costs of pension insurances		(463,815)	(476,925)
3	Costs of other social insurances		(6,033,372)	(5,914,647)
4	Other labour costs		(5,841,453)	(5,854,759)
G.	**Write-offs**	10.8.4	**(9,719,994)**	**(14,550,919)**
1	Depreciation		(8,616,746)	(8,376,407)
2	Operating expenses from the revaluation of intangible fixed assets and property, plant and equipment		(99,407)	(4,800,383)
3	Operating expenses from the revaluation of operating current assets		(1,003,841)	(1,374,129)
H.	**Other operating expenses**	10.8.4	**(819,560)**	**(625,698)**
1	Provisions		(17,587)	(75,528)
2	Other costs		(801,973)	(550,170)
II.	**OPERATING PROFIT OR LOSS**		**2,943,164**	**(7,403,281)**
I.	**Financial revenue**	10.8.5	**2,404,843**	**877,354**
1	Financial revenue from participating interests		2,149,444	682,956
	a) Financial revenue from participating interests in Group companies		*1,262,583*	*652,442*
	b) Financial revenue from participating interests in associates		*748,302*	*30,484*
	c) Financial revenue from participating interests in other companies		*138,559*	*30*
	d) Financial revenue from other investments		*0*	*0*
2	Financial revenue from loans given		116,788	146,456
	a) Financial expenses from loans given to Group companies		*99,176*	*136,784*
	b) Financial revenue from loans given to others		*17,612*	*9,672*
3	Financial revenue from operating receivables		138,611	47,942
	a) financial revenue from operating receivables due from Group companies		*31,890*	*1,092*
	b) financial revenue from operating receivables due from others		*106,721*	*46,850*
J.	**Financial expenses**	10.8.5	**(3,219,139)**	**(3,775,808)**
1	Financial expenses from impairment and write-offs of investments		(572,047)	(524,176)
2	Financial expenses from financial liabilities		(2,472,195)	(2,843,594)
	a) Financial expenses from loans received from Group companies		*(7,827)*	*(11,408)*
	b) Financial expenses from loans received from banks		*(2,450,186)*	*(2,815,199)*
	c) Financial expenses from bonds issued		*0*	*0*
	d) Financial expenses from other financial liabilities		*(14,182)*	*(16,987)*
3	Financial expenses from operating liabilities		(174,897)	(408,038)
	a) Financial expenses from operating liabilities due to Group companies		*(831)*	*(449)*
	b) Financial expenses from trade payables and bills of exchange payable		*(100,334)*	*(330,117)*
	c) Financial expenses from other operating liabilities		*(73,732)*	*(77,472)*
III.	**PROFIT OR LOSS**		**2,128,868**	**(10,301,735)**
	Corporate income tax	10.9	**(211,678)**	**0**
	Deferred tax	10.9	**828,646**	**2,342,252**
	NET PROFIT OR LOSS OF THE ACCOUNTING PERIOD		**2,745,836**	**(7,959,483)**

(in EUR) Item	Note	January-December 2021	January-December 2020
Net loss per share			(2.80)
Net earnings per share		0.97	

Net earnings or loss per share are calculated by dividing the net profit/loss of the financial year in the income statement with the number of all shares issued by UNIOR d.d.

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 1/1/2021 AND 31/12/2021

(in EUR)	Item	January-December 2021	January-December 2020
1	**Net profit/loss of the financial year after tax**	**2,745,836**	**(7,959,483)**
2	**Other comprehensive income of the accounting period, after tax**	**200,056**	**(25,028)**
2.1	**Items which will not be subsequently reclassified as profit or loss**	**200,056**	**(25,028)**
	Net profit/loss recognised in fair value reserves in respect of property, plant and equipment	771,622	53,259
	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	(571,566)	(78,287)
3	**Total comprehensive income of the financial year after tax**	**2,945,892**	**(7,984,511)**

10.4 AUDITED SEPARATE CASHFLOW STATEMENT OF UNIOR d.d. FOR THE PERIOD BETWEEN 1/1/2021 AND 31/12/2021

(in EUR)	Item	Note	January-December 2021	January-December 2020
A.	***Cash flows from operating activities***			
a)	**Net profit or loss**		**2,745,836**	**(7,959,483)**
	Profit or loss before tax		2,128,868	(10,301,735)
	Income tax and other taxes not included in operating expenses	10.9	616,968	2,342,252
b)	**Adjustments for**		**10,350,892**	**17,063,579**
	Depreciation (+)	10.7.1, 10.7.2	8,616,746	8,376,407
	Operating revenue from revaluation associated with investment and financing items (-)	10.8.3	(148,960)	(88,117)
	Operating expenses from revaluation associated with investment and financing items (+)	10.8.4	99,407	4,800,383
	Allowances set up for receivables	10.7.6	13,646	429,634
	Allowances set up for inventories	10.7.5	990,195	944,495
	Formation and reversal of non-current provisions	10.7.10	1,848	62,419
	Financial revenue excluding financial revenue from operating receivables (-)	10.8.4	(2,266,232)	(829,412)
	Financial expenses excluding financial expenses from operating liabilities (+)	10.8.4	3,044,242	3,367,770
c)	**Changes in net current assets (and accruals and deferrals, provisions and deferred tax assets and liabilities) of operating items of the balance sheet**		**(11,621,769)**	**5,231,125**
	Opening less closing operating receivables	10.7.6	(9,960,043)	5,735,496
	Opening less closing deferred tax assets	10.7.13	(828,646)	(2,342,252)
	Opening – less closing assets (groups for disposal) held for sale		0	0
	Opening less closing inventories	10.7.5	(5,717,015)	4,947,530
	Closing less opening operating liabilities	10.7.15	4,894,619	(3,161,389)
	Closing less opening deferred tax liabilities	10.7.13	(10,684)	51,740
d)	**Net cash from operating activities (a + b + c)**		**1,474,959**	**14,335,221**
B.	***Cash flows from investing activities***			
a)	**Cash proceeds from investing activities**		**5,091,358**	**17,013,550**
	Cash proceeds from interest and profit participations relating to investing activities	10.8.5	2,266,232	829,412
	Cash proceeds from disposal of intangible assets	10.7.1	0	23,715
	Cash proceeds from disposal of property, plant and equipment	10.7.2	1,019,734	88,117
	Cash proceeds from disposal of investment property	10.7.3	0	8,500,000
	Cash proceeds from disposal of non-current investments	10.7.4	321,172	62,874
	Cash proceeds from disposal of current investments	10.7.7	1,484,220	7,509,432
b)	**Cash repayments from investing activities**		**(11,775,503)**	**(12,685,436)**
	Cash repayments to acquire intangible assets	10.7.1	(887,193)	(1,073,530)
	Cash repayments to acquire tangible fixed assets	10.7.2	(9,015,203)	(6,958,380)
	Cash repayments to acquire investment property	10.7.3	0	0
	Cash repayments to acquire non-current investments	10.7.4	(883,005)	(174,763)
	Cash repayments to acquire current investments	10.7.7	(990,102)	(4,478,763)
c)	**Net cash from investing activities (a + b)**		**(6,684,145)**	**4,328,114**
C.	***Cash flows from financing activities***			
a)	**Cash proceeds from financing activities**		**41,450,152**	**11,933,760**
	Cash proceeds from paid-in capital		0	0
	Cash proceeds from increase in non-current financial liabilities	10.7.11	6,211,958	7,947,003
	Cash proceeds from increase in current financial liabilities	10.7.14	35,238,194	3,986,757
b)	**Cash repayments from financing activities**		**(37,305,452)**	**(33,456,129)**
	Interest paid on financing activities	10.8.5	(2,472,195)	(2,843,594)
	Cash repayments to acquire treasury shares	10.7.9	(700,000)	0
	Cash repayments of non-current financial liabilities	10.7.11	(30,733)	(7,782,979)
	Cash repayments of current financial liabilities	10.7.14	(34,102,524)	(22,829,556)
	Dividends and other profit shares paid		0	0
c)	**Net cash from financing activities (a + b)**		**4,144,700**	**(21,522,369)**
D.	***Closing balance of cash***		**1,916,942**	**2,981,428**
	Net cash flow for the period (sum of items Ac, Bc and Cc)		(1,064,486)	(2,859,034)
	Opening balance of cash		2,981,428	5,840,462

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 31/12/2020 AND 31/12/2021

(in EUR)	I. Called-up capital	II. Capital reserves	III. Reserves from profit				IV. Reserves from revaluation at fair value	V. Net profit or loss brought forward	VI. Net operating profit or loss of the financial year	Total
	Share capital		Legal reserves	Reserves for Treasury shares	Own shares (Deduction item)	Other reserves from profit				
A1. 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**
A2. 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**
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	(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**

CHANGES IN EQUITY FOR THE PERIOD BETWEEN 31/12/2019 AND 31/12/2020

(in EUR)	I. Called-up capital	II. Capital reserves	III. Reserves from profit				IV. Reserves from revaluation at fair value	V. Net profit or loss brought forward	VI. Net operating profit or loss of the financial year	Total
	Share capital		Legal reserves	Reserves for Treasury shares	Own shares (Deduction item)	Other reserves from profit				
A1. Balance at the end of the previous financial year	**23,688,983**	**30,277,035**	**1,417,442**	**2,032,777**	**(1,987,821)**	**19,197,890**	**8,324,267**	**10,848,985**	**6,123,725**	**99,923,283**
A2. Opening balance of the reporting period	**23,688,983**	**30,277,035**	**1,417,442**	**2,032,777**	**(1,987,821)**	**19,197,890**	**8,324,267**	**10,848,985**	**6,123,725**	**99,923,283**
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**	**(25,028)**	**0**	**(7,959,484)**	**(7,984,512)**
Entry of operating profit/loss of the financial year	0	0	0	0	0	0	0	0	(7,959,484)	(7,959,484)
Entry of actuarial profit from termination benefit provisions	0	0	0	0	0	0	(78,287)	0	0	(78,287)
Changes in reserves from valuation at fair value	0	0	0	0	0	0	53,259	0	0	53,259
B.3. Changes in equity	**0**	**0**	**0**	**(16,318)**	**0**	**16,318**	**0**	**6,123,725**	**(6,123,725)**	**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	6,123,725	(6,123,725)	0
Reserves for treasury shares and own participating interests	0	0	0	(16,318)	0	16,318	0	0	0	0
C. Closing balance of the 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**

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 of the going concern were compiled for the year ending on 31/12/2021.

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 Sections 3.1 and 3.2 of the 2021 Annual Report.

10.6.1 STATEMENT OF COMPLIANCE

All 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. In conformity with the law, the company shall have financial statements audited by an independent auditor. The audit shall be limited to the required financial statements for general purposes ensuring conformity with the statutory audit requirement of mandatory financial statements. The audit shall cover the required financial statements as a whole and give no assurance as to individual line items, accounts or transactions. Solely audited financial statements shall not be deemed applicable by any party for making decisions regarding ownership, financing or any specific transactions referring to the Company. As a result, users of the mandatory financial statements may not rely solely on the financial statements and shall also conduct other appropriate procedures before making any decisions.

The financial statements of UNIOR d.d. were confirmed by the Management Board of UNIOR d.d. on 20/4/2022.

10.6.2 BASES USED IN DRAWING UP FINANCIAL STATEMENTS

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 2021 financial year.

10.6.2.1 FAIR VALUE HIERARCHY

The assets and liabilities shown are valued at cost or amortised cost, with the exception of land and investment property which are valued at fair value; costs of interest rate swaps are recognised at fair value via the income statement. They are not estimated to differ from fair value considerably.

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 31/12/2021

(in EUR)	Level 1	Level 3	Total
Property, plant and equipment		**12,199,681**	**12,199,681**
– Land		*12,199,681*	*12,199,681*
Investment property		**749,527**	**749,527**
Non-current investments	**0**	**973,513**	**973,513**
– Quoted shares	*0*	*0*	*0*
– Non-current investments – long-term loans		*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**

Classification of assets and liabilities in relation to their fair value as at 31/12/2020

(in EUR)	Level 1	Level 3	Total
Property, plant and equipment		**10,749,105**	**10,749,105**
– Land		*10,749,105*	*10,749,105*
Investment property		**697,716**	**697,716**
Non-current investments	**0**	**1,294,685**	**1,294,685**
– Quoted shares	*0*	*0*	*0*
– Non-current investments – long-term loans		*1,294,685*	*1,294,685*
Non-current operating receivables		**7,344,838**	**7,344,838**
Current investments		**2,393,901**	**2,393,901**
Current operating receivables		**21,225,518**	**21,225,518**
Non-current financial liabilities		**72,175,636**	**72,175,636**
Non-current operating liabilities		**0**	**0**
Current financial liabilities		**12,346,519**	**12,346,519**
Current operating liabilities		**40,046,639**	**40,046,639**

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 2021 Annual Report.

10.6.2.2 ACCOUNTING POLICIES USED

The same accounting policies as the previous year have been used.

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

- **Amendments to IFRS 9** – Financial Instruments; IAS 39 – Financial Instruments: Recognition and Measurement; IFRS 7 – Financial instruments: Disclosures, IFRS 4 – Insurance Contracts and IFRS 16 – Leases – Interest Rate Benchmark Reform – Phase 2, adopted by the EU on 13/1/2021, and effective for annual reporting periods beginning on or after 1/1/2021),
- **Amendment to IFRS 16** – Leases – COVID-19-Related Rent Concessions beyond 30/6/2021, adopted by the EU on 30/8/2021, and effective on 1/4/2021; for financial periods beginning on or after 1/1/2021),
- **Amendments to IFRS 4** – Insurance Contracts – Deferral of Effective Date of IFRS 9, adopted by the EU on 16/12/2020 (the temporary exemption was extended from 1/1/2021 to annual reporting periods beginning on or after 1/1/2023.

The adoption of these amendments to existing standards did not result in any material changes in the financial statements.

10.6.2.3 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.

10.6.2.4 OPERATING PROFIT/LOSS

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

10.6.2.5 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. As the actual performance may diverge, they are subject to continuous verification and revision. Estimates and judgements are also made for financial investment impairment, receivables and inventory impairment purposes in addition to estimates of the useful life of fixed assets. As far as estimates and judgements of land are concerned, land is valued subject to CUT valuation methods.

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 2021 Annual Report.

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.

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. If the company fails to have sufficient profits at its disposal, the disclosed amount of deferred tax assets is lowered accordingly.

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.

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

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 2021 Annual Report, namely in Section 10.11.

10.6.2.6 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND DISCLOSURES

Individual categories of prescribed disclosures and all material matters are presented in conformity with International Financial Reporting Standards. The accounting policies used as well as the nature and the materiality level of disclosures are defined in the internal acts of the company. 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.

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

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 at an interval of minimum 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 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.

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 or that its useful life will be prolonged. 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 method used is examined at the end of each financial year. 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 applied by the company are as follows:

	Lowest (in %)	Highest (in %)
Property, plant and equipment:		
Property:		
Property	0.5	13.6
Masonry buildings	0.5	13.6
Other buildings	2.0	11.0
Equipment:		
Production equipment	0.6	50.0
Computer and electrical equipment	0.6	50.0
Fork lifts and hoists	1.8	20.1
Cars and tractors	10.0	25.0
Cleaning and heating equipment	3.3	20.6
Measuring and control devices	3.4	33.3
Furniture – office and other	1.3	21.3
Other equipment	33.3	50.2

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.

LEASED ASSETS

Assets acquired through leases are recognised as right-of-use assets and lease liabilities. Right-of-use assets do not include 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 payments are discounted at the interest rate implicit in the lease or at the incremental borrowing rate of interest. 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 are depreciated from the commencement date to the end of the lease term. After the commencement date of the lease term, lease liability is increased by interest and decreased by lease payments. Lease modifications are subject to a re-measurement of the value of the liability or a calculation of a separate lease. 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. 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).

GOODWILL

Goodwill is valued at the fair value of the transferred purchase consideration, including the recognised value of any non-controlling interest in the acquiree less the net recognised value of the acquired assets and liabilities valued as at the acquisition date. The transferred purchase consideration includes the fair value of the transferred assets, liabilities to the previous owners of the acquiree and 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.

EMISSION COUPONS

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

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 estimated useful life of other intangible assets is 5 years.

Depreciation rates applied by the company are as follows:

	Lowest (in %)	Highest (in %)
Intangible non-current fixed assets	3.3	33.3

INVESTMENT PROPERTY

Investment property is held with the aim of generating lease payments or increasing the value of a non-current investment. Investment property is measured using the fair value method; the fair value is estimated subject to an appraisal of a licensed property appraiser. Changes in fair value are recognised in the income statement. Investment property is not depreciated.

INVESTMENTS

Investments into subsidiaries, associates and joint ventures are valued at cost. The company assesses impairment signs. Valuations are performed where they are identified subject to future cash flows which serve as the basis for recording any impairment.

FINANCIAL INSTRUMENTS

Financial instruments can be classified into classes, namely:

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

FINANCIAL INSTRUMENTS AT AMORTISED COST

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 are recognised in the profit or loss account upon elimination, modification or impairment.

FINANCIAL INSTRUMENTS 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.

FINANCIAL INSTRUMENTS MEASURES 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 impairment of receivables is formed on the basis of expected losses in respect of the risk that they will not be recovered. Historical, current and future-oriented recovery information is taken into account.

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 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 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. For finished products and work-in-progress, costs include a corresponding proportion of production costs during normal use of capital goods. 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 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 value is set up,
- for inventories without any movement in two years, an additional allowance of 15 per cent of the inventories value is set up,
- for inventories without any movement in three years, an additional allowance of 10 per cent of the inventories value is set up,
- for inventories without any movement in four years, an additional allowance of 10 per cent of the inventories value set up,
- for inventories without any movement in five years or more, an additional allowance of 10 per cent of the inventories value is set up.

CASH AND CASH EQUIVALENTS

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.

EQUITY

SHARE CAPITAL

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

DIVIDENDS

Dividends are recognised in the financial statements of the company upon adoption of the respective dividend distribution decision by the General Meeting of Shareholders.

REDEMPTION OF TREASURY SHARES

In 2019, the company obtained treasury shares by virtue of a judgement becoming final. These are recognised in the financial statements as a deduction equity item. Shares are disclosed using the user-cost method. Reserves for treasury shares in the value of obtained treasury shares are established against other revenue reserves. The number of treasury shares is indicated in Sections 5 and 10.7.9 of the 2021 Annual Report.

PROVISIONS

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 the retirement age of 65 years for both women and men, the required length of service of 40 years, the discount rate of 0.7 per cent and annual wage growth of 2.2 per cent.

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.

SERVICE LEASE OBLIGATIONS

Subject to the IFRS 16 standard, fixed assets subject to long-term lease were allocated to equipment at the beginning of 2019 and are kept as right-of-use assets. The right-of-use of equipment is recognised as a non-current asset on the basis of concluded agreements. 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.

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 2021, as listed in Section 10.9 of the 2021 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. Revenue from services rendered is recognised using the percentage of completion method as at the financial position statement date. 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 from the sale of products, and materials 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. Items corresponding in materiality from previous periods are also disclosed among revenue from the sale of products, goods, materials and services rendered.

LEASE REVENUE

Lease revenue primarily comprises revenue from investment property, i.e., buildings and land leased out under operating leases. 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.

PROFIT OR LOSS

Profit or loss consists of the operating profit or loss plus financial revenue and less financial expenses.

IMPAIRMENT OF PROPERTY, PLANT AND EQUIPMENT

If there is any indication of potential impairment of an asset, its recoverable amount is estimated. 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 FINANCIAL ASSETS

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 an investment cease to exist, the reversal of the impairment of an investment disclosed at amortised cost is recognised in the profit or loss.

Upon initial recognition, investments measured at fair value are disclosed in profit or loss by taking into account transaction costs arising from the acquisition or issue.

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.

STATEMENT OF OTHER COMPREHENSIVE INCOME

The statement of other comprehensive income shows items (including potential adjustments for earlier transfers mad) not recognised in the profit or loss as required or permitted by other IFRS.

CASH FLOW STATEMENT

The company reports cash flow from operating activities using the indirect method based on financial position statement items as at 31/12/2021 and 31/12/2020, the 2021 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 increasing the net profit of the current year by all proceeds directly recognised in equity is included.

10.6.2.7 ACTION SETTLEMENTS

During the settlement financial period, UNIOR d.d. did not receive any relevant action. A court settlement was, however, concluded with Rhydcon d.o.o., presented in further detail in Section 4 of the 2021 Annual Report.

10.6.2.8 NEWS 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:

- **Amendments to IAS 16** – Property, Plant and Equipment — Proceeds before Intended Use, adopted by the EU on 28/6/2021, and effective for annual reporting periods beginning on or after 1/1/2022),
- **Amendments to IAS 37 – Provisions, Contingent Liabilities and Contingent Assets** – Onerous Contracts—Cost of Fulfilling a Contract, adopted by the EU on 28/6/2021, and effective for annual reporting periods beginning on or after 1/1/2022),
- **Amendments to IFRS 3 – Business Combinations** – Reference to the Conceptual Framework with amendments to IFRS 3, adopted by the EU on 28/6/2021, and effective for annual reporting periods beginning on or after 1/1/2022),
- **IFRS 17 – Insurance Contracts,** including amendments to IFRS 17, adopted by the EU on 19/11/2021 and effective for annual reporting periods beginning on or after 1/1/2023),
- **Amendments to various standards due to Annual Improvements to IFRSs 2018-2020 Cycle)** arising from the annual project to improve IFRSs (IFRS 1, IFRS 9, IFRS 16 and IAS 41) remedying incoherencies and text interpretations, adopted by the EU on 28/6/2021 (Amendments to IFRS 1, IFRS 9 and IAS 41 are effective for annual reporting periods beginning on or after 1/1/2022. The amendment to IFRS 16 refers only to the illustrative example. For this reason, no effective date is provided.)

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 31/12/2021 (the effective dates below apply to IFRS as issued by the IASB):

- **IFRS 14 – Regulatory Deferral Accounts** (effective for annual reporting periods beginning on or after 1/1/2016 – the European Commission decided not to launch the interim standard confirmation proceedings but to wait for its final version instead,
- **Amendments to IAS 1 – Presentation of Financial Statements** – Classification of Liabilities as Current or Non-current (effective for annual reporting periods beginning on or after 1/1/2023),
- **Amendments to IAS 1 – Presentation of Financial Statements** – Disclosure of Accounting Policies (effective for annual reporting periods beginning on or after 1/1/2023),
- **Amendments to IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors**– Definition of Accounting Estimates (effective for annual reporting periods beginning on or after 1/1/2023),
- **Amendments to IAS 12** – Income Taxes – 'Deferred Tax related to Assets and Liabilities arising from a Single Transaction (effective for annual reporting periods beginning on or after 1/1/2023),
- **Amendments to IFRS 10 – Consolidated Financial Statements and IAS 28 – Investments in Associates and Joint Ventures** – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture, and further amendments (date of entry into force suspended indefinitely until the research project on the equity method is concluded),
- **Amendments to IFRS 17** - Insurance Contracts – Initial Application of IFRS 17 and IFRS 9 – Comparative Information, effective for annual reporting periods beginning on or after 1/1/2023.

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.

The company believes that the use of hedge accounting with respect to financial assets and liabilities in compliance with IAS 39 – Financial Instruments: Recognition and Measurement will not have any material effect on the financial statements of the company if applied on the financial position statement date.

10.7 DISCLOSURES TO THE AUDITED SEPARATE FINANCIAL POSITION STATEMENT OF UNIOR d.d.

10.7.1 INTANGIBLE ASSETS

(in EUR)	Goodwill	Deferred costs of development	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
Impairment	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

(in EUR)	Goodwill	Deferred costs of development	Investments in rights of intellectual property	Other intangible assets	Intangible non-current assets being acquired	Total
Cost						
Balance as at 31 December 2019	484,728	14,092,823	2,090,551	108,179	552,880	17,329,161
Direct increases – investments	0	123,557	5,180	6,395	938,398	1,073,530
Transfer from investments in progress	0	552,880	0	0	(552,880)	0
Decreases during the year	0	0	0	(23,715)	0	(23,715)
Balance as at 31 December 2020	484,728	14,769,260	2,095,731	90,859	938,398	18,378,976
Value adjustment						
Balance as at 31 December 2019	80,788	10,594,691	1,848,394	0	0	12,523,873
Depreciation during the year	0	1,034,853	37,102	0	0	1,071,955
Impairment	0	0	0	0	0	0
Balance as at 31 December 2020	80,788	11,629,544	1,885,496	0	0	13,595,828
Current value as at 31 December 2020	**403,940**	**3,139,716**	**210,235**	**90,859**	**938,398**	**4,783,148**
Current value as at 31. December 2019	403,940	3,498,132	242,157	108,179	552,880	4,805,288

The company received emission coupons from the Ministry of the Environment and Spatial Planning, the Environmental Agency of the Republic of Slovenia during the past years. These coupons are carried in the ledger at the value of 1 euro. In 2021, the company did not receive any additional emission coupons. All 12,751 allowances were sold on the market. As at 31/12/2021, emission coupons are no longer disclosed as an intangible asset item.

In increase during the year is represented by non-current deferred development costs in the Special Machines Programme disclosed among intangible non-current intangible assets being acquired in the amount of EUR 839,563. Non-current development costs amounting to EUR 2,979,005 in total refer to deferred development costs in the Special Machines Programme. Among other intangible fixed assets in the amount of EUR 61,947, long-term deferred costs and accrued revenues are disclosed.

Goodwill arises from the merger by acquisition of Inexa Adria d.o.o. The recoverable amount of goodwill of cash-generating units is reviewed on an annual basis whose operations did not result in any impairment requirements in 2021. For this reason, the goodwill of the company was not impaired in 2021.

Financing investment costs for the acquisition of an intangible fixed asset until it reflects the enterprise are included in the cost 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 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

(in EUR)	Land	Buildings	Production Equipment	Small tools	Fixed assets being acquired	Total
Cost						
Balance as at 31 December 2019	10,590,369	64,107,834	144,069,776	591,101	3,940,051	223,299,131
Direct increases – investments	53,736	0	317,874	0	6,610,513	6,982,123
Transfer from investments in progress	0	928,752	3,698,102	9,154	(4,636,008)	0
Decreases during the year	0	(338,137)	(2,502,513)	(7,224)	0	(2,847,874)
Revaluation	105,000	0	0	0	0	105,000
Balance as at 31 December 2020	10,749,105	64,698,449	145,583,239	593,031	5,914,556	227,538,380
Value adjustment						
Balance as at 31 December 2019	0	37,194,551	97,557,828	589,492	0	135,341,871
Depreciation during the year	0	1,632,100	5,671,298	1,054	0	7,304,452
Decreases during the year	0	(77,457)	(2,166,587)	(6,849)	0	(2,250,893)
Balance as at 31 December 2020	0	38,749,194	101,062,539	583,697	0	140,395,430
Current value as at 31 December 2020	**10,749,105**	**25,949,255**	**44,520,700**	**9,334**	**5,914,556**	**87,142,950**
Current value as at 31. December 2019	10,590,369	26,913,283	46,511,948	1,609	3,940,051	87,957,260

Property, plant and equipment include the disclosure of assets acquired through financial leases at a cost of EUR 1,456,269 and at the present value as at 31/12/2021, EUR 990,215.

Subject to IFRS 16, the company discloses leased fixed assets among property, plant and equipment amounting to EUR 1,661,977. Depreciation arising from these fixed assets in 2021 amounted to EUR

285,220 and interest on leases amounted to EUR 14,183, At the end of the year, lease liabilities amounted to EUR 913,683, out of which short-term lease liabilities EUR 266,596. 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 2021 Annual Report.

Our main investments were intended for the modernisation and expansion of our production-required machine and premise capacities. The first aluminium moulding line and press needed by the Zreče forge were procured. Substantial investments were also made in further automation and robotisation of the Forge Programme production.

The company has pledged as collateral land and buildings at an estimated value of EUR 55,370,000 and plant, machinery and tools at their present value of EUR 17,224,459.

Due to changes, land 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. 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. An estimate of costs of disposal was also taken into account in the valuation process.

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.

The value of revalued land at cost is EUR 3,035,965.

10.7.3 INVESTMENT PROPERTY

Investment property

(in EUR)	31/12/2021	31/12/2020
Land	749,527	697,716
Buildings	0	0
Total	**749,527**	**697,716**

Changes in investment property

(in EUR)	31/12/2021	31/12/2020
Opening balance as at 1 Janua	**697,716**	**13,554,890**
Acquisitions	0	0
Disposals	0	(12,845,777)
Fair value changes	51,811	(11,397)
Closing balance as at 31 December	**749,527**	**697,716**

Investment property includes buildings and land intended for resale or being leased out at our Zreče premises. Land intended for sale and disclosed among investment property was valued by an appraiser 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. An estimate of costs of disposal was also taken into account in the valuation process. The effect of changing the fair value of investment property amounting to EUR 51,811 is included in the profit or loss of 2021.

Lease revenue in the 2021 financial year amounted to EUR 102,164. Future lease payments refer to lease payments for the powder painting production line and lease payments received for leased out classrooms, apartment and parking spaces.

Minimum total of lease payments from operating leases – receivables

(in EUR)	2021	2020
Up to 1 year	56,810	73,650
From 2 to 5 years	227,244	225,444
More than 5 years	275,054	275,054
Total	**559,108**	**574,148**

10.7.4 NON-CURRENT INVESTMENTS

Investments in subsidiaries, measured at cost

(in EUR)	Share	31/12/2021	31/12/2020
Domestic:			
ROGLA INVESTICIJE d.o.o. Zreče	100.000	385,368	385,368
SPITT d.o.o. Zreče	100.000	265,000	265,000
UNITUR d.o.o. Zreče	100.000	6,483,792	6,483,792
		7,134,160	7,134,160
Foreign:			
UNIOR Produktions- und Handels- GmbH Ferlach	99.550	510,000	510,000
UNIOR DEUTSCHLAND GmbH Leonberg	100.000	1,052,614	1,052,614
UNIOR ITALIA S.R.L. Limbiate	95.000	71,202	71,202
UNIOR ESPANA S.L. Uharte-Arakil	95.000	398,718	398,718
UNIOR MAKEDONIJA d.o.o. Skopje	97.360	80,000	320,000
UNIOR PROFESSIONAL TOOLS Ltd St. Petersburg	55.000	178,332	178,332
UNIOR COMPONENTS d.o.o. Kragujevac	100.000	4,908,158	4,908,158
NINGBO UNIOR FORGING Co.Ltd. Yuyao	50.000	1,983,530	1,983,530
UNIOR NORTH AMERICA Inc. Novi	100.000	81,480	81,480
UNIOR BULGARIA Ltd Sofia	77.310	2,000	2,000
UNIOR VINKOVCI d.o.o. Vinkovci	100.000	5,192,282	5,192,282
UNIOR HUNGARIA Kft. Nagyrecse	100.000	0	0
		14,458,316	14,698,316
Total subsidiaries		**21,592,476**	**21,832,476**

Investments in subsidiaries, measured at cost

(in EUR)	Share	31/12/2021	31/12/2020
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	765,075	765,075
UNIOR TEHNA d.o.o. Sarajevo	25.000	150,000	150,000
		1,338,075	1,338,075
Total associates		**2,612,335**	**2,612,335**

In 2021, the company repurchased the shares of other shareholders of UNIOR Hungaria Kft. for EUR 883,005, which would allow it to provide for its statutory liquidation options. At the same time, it also made a value adjustment of the same amount. UNIOR Hungaria Kft. repaid its non-current loan to UNIOR d.d., amounting to EUR 852,809. Monetary transactions related to the transactions with UNIOR Hungaria Kft. were performed in January 2022. As the agreements were valid in 2021, these events are reported for the 2021 financial year. In 2021, a EUR 240,000 value adjustment of our investment in UNIOR Makedonija d.o.o. was made. Non-current investments in our subsidiaries and associates were also reduced by the same amount in 2021.

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.

Group financial statements also includes subsidiaries where the company holds a minimum 50 per cent shareholding resulting in a dominant influence over it.

Financial assets, measured at fair value through profit or loss

(in EUR)	31/12/2021	31/12/2020
Other investments	48,869	110,551
Total in other companies and banks	**48,869**	**110,551**

Non-current investments in debt, measured at amortized value

(in EUR)	31/12/2021	31/12/2020
given to subsidiaries		
Long-term loan given to SPITT d.o.o.	82,126	100,376
Long-term loan given to UNIOR Vinkovci d.o.o.	1,068,750	1,430,000
Long-term loan given to UNIOR HUNGARIA Kft.	0	514,951
Long-term loan given to UNIOR ESPANA S.L.	188,872	255,544
Transfer to current investments	(369,922)	(1,009,873)
given to others:		
Long-term loan given to Jorgić Broker a.d.	762	762
Long-term loan given to Mr. Črešnar Primož	0	474
Long-term deposit for excise duties	2,925	2,925
Transfer to current investments	0	(474)
Total in debt	**973,513**	**1,294,685**
Total non-current investments excluding treasury shares	**25,227,193**	**25,850,047**

Other non-current debt investments are not secured by a pledged property. Disclosed non-current loans are fully recoverable.

Proceeds accruing from interests in 2021 amounted to EUR 98,539 and EUR 136,237 in 2020.

Changes in non-current investments in shares, participating interests and loans

(in EUR)	2021	2020
Balances of investments as at 1	**25,850,047**	**27,272,681**
Increases:		
Acquisition of shares and participating interests	883,005	144,905
Increase of investments in liabilities		29,858
Return of the current portion of investments	48,750	0
Decreases:		
Sales of shares and participating interests	(12,640)	(2,145)
Discontinuation		(200,000)
Current portion of investments	(369,922)	(1,010,347)
Impairment of investments	(1,172,047)	(384,905)
Balance as at 31 December	**25,227,193**	**25,850,047**

The repurchase of shares to provide for legal liquidation options of UNIOR Hungaria Kft. led to an EUR 883,005 increase in non-current investments.

Impairment in 2021 is represented by value adjustment of non-current investments, namely EUR 883,005 of our investment in UNIOR Hungaria Kft., EUR 240,000 of our investment in UNIOR Makedonija d.d. and the write-off of our investment in Regionalna razvojna agencija Celje, d.o.o. Celje, owing to its bankruptcy, amounting to EUR 49,042. In 2021, our investment in the shares of Titan d.d. Kamnik amounting to EUR 12,640, was also sold.

Equity and profit or loss of related parties

Company name	Country of the Company	Percentage interest in per cent	Equity in EUR	Operating result of the year in EUR
Subsidiaries				
UNITUR d.o.o.	Slovenia	100.000	30,572,075	658,086
ROGLA INVESTICIJE d.o.o.	Slovenia	100.000	442,284	1,703
SPITT d.o.o.	Slovenia	100.000	784,890	20,010
UNIOR Produktions- und Handels-GmbH	Austria	99.550	113,503	30,804
UNIOR DEUTSCHLAND GmbH	Germany	100.000	1,260,449	124,405
UNIOR ITALIA S.R.L.	Italy	95.000	128,505	1,388
UNIOR ESPANA S.L.	Spain	95.000	614,225	45,364
UNIOR MAKEDONIJA d.o.o.	N. Macedonia	97.363	67,179	422
UNIOR PROFESSIONAL TOOLS Ltd.	Russia	55.000	848,355	110,010
UNIOR BULGARIA Ltd.	Bulgaria	77.310	112,807	14,324
UNIOR HUNGARIA Kft.	Hungary	100.000	(861,326)	156,455
UNIOR COMPONENTS d.o.o.	Serbia	100.000	13,967,185	753,830
UNIOR - NORTH AMERICA Inc.	ZDA	100.000	172,446	28,213
NINGBO UNIOR FORGING Co. Ltd.	China	50.000	33,395,417	4,124,150
UNIOR VINKOVCI d.o.o.	Croatia	100.000	3,708,392	173,589
Associates:				
ŠTORE STEEL d.o.o.	Slovenia	29.253	65,601,368	5,955,539
UNIOR TEPID S.R.L.	Romania	49.000	7,438,459	1,223,237
UNIOR TEHNA d.o.o.	Bosnia and Her	25.000	1,744,012	216,253
UNIOR TEOS ALATI d.o.o.	Serbia	20.000	3,489,699	490,351

Detailed information on subsidiaries and associates (company name, address, activity and number of employees) is disclosed in Section 3.2 of the 2021 Annual Report.

10.7.5 INVENTORIES

(in EUR)	31/12/2021	31/12/2020
Materials	25,962,910	22,571,274
Work in progress	25,996,875	26,689,184
Products	15,742,140	14,232,322
Merchandise	3,131,866	3,283,277
Inventory surpluses	168,413	176,798
Inventory deficits	(219,103)	(471,150)
Value adjustment	(2,315,082)	(2,740,506)
Total	**68,468,019**	**63,741,199**

Balance of value adjustment of inventories

(in EUR)	31/12/2021	31/12/2020
– materials	602,629	539,700
– finished products	1,577,378	1,869,589
– merchandise	135,075	331,217
Total	**2,315,082**	**2,740,506**

Change in allowances set up for inventories

(in EUR)	2021	2020
Balance of allowances set up for inventories as at 1 January	**2,740,506**	**2,225,873**
– reconciliation from the previous year	0	(11,300)
– formation	0	756,519
- reversal of adjustment	(207,895)	0
– write-offs	(217,529)	(230,586)
Balance as at 31 December	**2,315,082**	**2,740,506**

In the 2021 financial year, inventories increased by EUR 4,726,820 in total, resulting from a higher production volume in December on account of higher order volumes at the beginning of the year and higher contingency inventories intended to minimise the risks of supply issues and further increases of procurement prices. In addition, the inventories increased on account of delayed deliveries to end customers, primarily in the Special Machines Programme, where the closure of the European automotive industry at the end of 2021 prevented it from making its deliveries.

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 2021 amounted to EUR 425,424 less than at the end of 2020.

Inventories amounting to EUR 20 million are pledged in favour of banks as collateral for our financial liabilities.

Inventories 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)	31/12/2021	31/12/2020
Non-current operating receivables		
Non-current operating receivables due from associates	7,255,286	7,326,263
Non-current operating receivables due from others	15,346	18,575
Value adjustment of non-current operating receivables	0	0
Total non-current operating receivables	**7,270,632**	**7,344,838**
Current operating receivables		
Current operating receivables due from subsidiaries	5,961,685	5,471,898
Current operating receivables due from associates	593,253	276,883
Current trade receivables, domestic	3,121,863	1,890,820
Current trade receivables, foreign	15,809,344	9,080,373
VAT receivables	1,680,292	1,399,193
Advance payments	1,499,306	331,680
Advance payments from subsidiaries	0	0
Other current operating receivables	2,866,456	3,259,764
Value adjustments	(61,735)	(260,750)
Value adjustments, subsidiaries	(224,343)	(224,343)
Total current operating receivables	**31,246,121**	**21,225,518**

Operating receivables were reduced by EUR 74,206 due to repayments by both subsidiaries and customers. Other current receivables include disclosed receivables from sold non-recourse factoring operating receivables, receivables from the distribution of profits of NIngbo Unior Forging Co. Ltd., receivables from refunds, current deferred costs and accrued revenue. Receivables shown in the table are fully recoverable. The impairment of receivables is formed on the basis of expected losses in respect of the risk that they will not be recovered. Historical, current and future-oriented recovery information is taken into account. All current trade receivables due from non-affiliated customers are secured. As all receivables are current, no discount rate is applied to their recovery.

In 2021, the company formed value adjustments of trade receivables amounting to EUR 13,646.

Changes in allowances set up for receivables

(in EUR)	2021	2020
Balance as at 1 January	**485,093**	**71,907**
Collected written-off receivables	(99,876)	(16,448)
Final write-off of receivables	(112,785)	0
Formation of value adjustment in the year	13,646	429,634
Balance as at 31 December	**286,078**	**485,093**

Maturity of receivables of the company	31/12/2021	31/12/2020
Receivables not yet due	22,577,102	15,878,040
Receivables overdue up to 90 days	5,803,223	3,016,058
Receivables from 91 to 180 days overdue	1,300,065	548,731
Receivables from 181 to 360 days overdue	770,038	1,407,041
Receivables more than 360 days overdue	795,693	375,648
Total	**31,246,121**	**21,225,518**

10.7.7 CURRENT INVESTMENTS

(in EUR)	31/12/2021	31/12/2020
Loans given		
– to subsidiaries	1,528,250	1,379,495
– to others	1,611	4,059
Short-term portion of long-term loans given to subsidiaries	369,922	1,009,873
Short-term portion of non-current investments in liabilities	0	474
Total	**1,899,783**	**2,393,901**

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)	2021	2020
Balance as at 1 January	**2,393,901**	**4,414,223**
Increases:		
Increase in short-term loans given to Group companies	4,032,940	4,474,704
Increase in short-term loans given to others	82	4,059
Transfer of the current portion of non-current investments	369,922	1,010,347
Decreases:		
Decrease in short-term loans given to Group companies	(4,894,058)	(7,486,140)
Decrease in short-term loans to others	(3,004)	(23,292)
Transfer to non-current investments	0	0
Balance as at 31 December	**1,899,783**	**2,393,901**

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 499,034 compared to the end of 2020. The balance of current investments in other Group companies is EUR 4,915 higher than one year ago.

10.7.8 CASH AND CASH EQUIVALENTS

Bank balances, cheques and cash

(in EUR)	31/12/2021	31/12/2020
Cash in hand and cheques received	580	580
Cash at bank	1,916,362	2,980,848
Total	**1,916,942**	**2,981,428**

The cash balance is lower than at the end of the preceding year as, on account of lower income during the last quarter of 2021, cash was used to settle its liabilities. 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 of the financial year.

As at 31/12/2021, 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 of shares as at 31/12/2021 amounts to EUR 33.18 per share and has increased by 2.4 per cent compared to the previous year due to the profit generated in the current year. The company does not hold any authorised capital. No contingent share capital increases were held in the 2021 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, primarily for the settlement of potential future losses. Compared to the balance at the end of 2020, they fell by EUR 700,000 due to the concluded court settlement with Rhydcon d.o.o. subject to which UNIOR d.d. agreed to pay the final instalment of the purchase price for treasury shares acquired by UNIOR d.d. on 19/12/2019. Reserves include reserves for treasury shares owned by UNIOR d.d. and treasury shares owned by its subsidiaries Unior Deutschland GmbH and SPITT d.o.o. amounting to EUR 2,687,821.

Reserves from revaluation at fair value amounting to EUR 8,499,295 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 8,299,239. The EUR 200,056 increase consists of a EUR 760,938 increase from the revaluation of land at fair value and the reversal of impairment of value surpluses by EUR 10,684 and a EUR 571,566 decrease 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)	31/12/2021	31/12/2020
Land	11,264,438	10,503,500
Impairment of value surpluses	(1,993,662)	(2,004,346)
Termination benefits	(529,466)	(529,466)
Actuarial gains	(242,015)	329,551
Total	**8,499,295**	**8,299,239**

Changes in fair value reserves

(in EUR)	2021	2020
Balance as at 1 January	**8,299,239**	**8,324,267**
Decreases:		
– Actuarial gains	(571,566)	(78,287)
– Impairment of value surpluses	0	(51,740)
Increases:		
– Land	760,938	104,999
– reversal of Impairment of value surpluse	10,684	0
Balance as at 31 December	**8,499,295**	**8,299,239**

The net operating result amounts to EUR 2,745,836, whereas, during the preceding year, a negative operating result, a loss amounting to EUR 7,959,483 was reported by the company.

Changes in equity in the current year represent:

- a reduction of reserves from profit resulting from the court settlement to repay the final instalment of treasury shares acquired in 2019;
- 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 200,056,
- net profits brought forward - profits fell from the transfer of the unallocated loss of the 2020 financial year amounting to EUR 7,959,484,
- the entry of net profit in 2021 amounts to EUR 2,745,836.

Balance sheet profits is a category referred to in the Companies Act.

Distributable profit/Distributable loss

(in EUR)	31/12/2021	31/12/2020
a) Profit/loss of the current year	2,745,836	(7,959,483)
b) Net profit brought forward	9,013,227	16,972,710
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	(2,979,005)	(3,139,716)
h) Distributable profit	**8,780,058**	**5,873,511**

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 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**

(in EUR)	Provisions for termination and jubilee benefits	Provisions for annuities	Donations received for fixed assets	Total
Balance as at 31 December 2019	**4,661,157**	**298,248**	**200,817**	**5,160,222**
Formed provisions	401,128	6,718	6,395	414,241
Utilised provisions	(133,691)	(16,795)	(18,508)	(168,994)
Reversed provisions	(182,828)	0	0	(182,828)
Balance as at 31 December 2020	**4,745,766**	**288,171**	**188,704**	**5,222,641**

Provisions for jubilee and termination benefits are formed in the amount of estimated future pay-outs 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 0.7 per cent and annual wage growth of 2.2 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.

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 31/12/2021, the balance of provisions amounts to EUR 170,472 and has been falling for several years.

There are no unfulfilled conditions or contingent liabilities associated with government grants.

10.7.11 NON-CURRENT FINANCIAL LIABILITIES

Changes in non-current financial liabilities

(in EUR)	Principal of the debt as at 1 Jan 2021	New loans in the year	Increase in the unpaid current portion	Repayments in the year	Principal of the debt as at 31 Dec 2021	Portion 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**

(in EUR)	Principal of the debt as at 1 Jan 2020	New loans in the year	Increase in the unpaid current portion	Repayments in the year	Principal of the debt as at 31 Dec 2020	Portion which falls due in 2021	Non-current portion
Bank or creditor							
Domestic banks	71,667,466	7,001,929	7,747,079	(7,528,576)	78,887,898	(8,152,252)	70,735,646
Lease liabilities	888,894	333,916	0	(52,687)	1,170,123	(304,126)	865,997
Financial leases	420,893	611,158	0	(201,716)	830,335	(256,342)	573,993
Total loans taken out	**72,977,253**	**7,947,003**	**7,747,079**	**(7,782,979)**	**80,888,356**	**(8,712,720)**	**72,175,636**

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 + 2.3 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 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.

Maturity of non-current financial liabilities by year

(in EUR)	2021	2020
Maturity from 1 to 2 years	50,411,578	13,202,430
Maturity from 2 to 3 years	9,756,493	49,013,637
Maturity from 3 to 4 years	2,831,231	8,292,617
Maturity from 4 to 5 years	2,967	1,666,952
Maturity more than 5 years	608,677	0
Total	**63,610,946**	**72,175,636**

Collateral for non-current and current liabilities from financing activities consists of mortgages on immoveable and moveable property, investments and inventories at fair value amounting to EUR 129,355,038, as well as bills of exchange given. These amounts match the values of secured loan agreements. Collateral for non-current liabilities from financing activities in the past year amounted to EUR 134,060,738.

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)	31/12/2021	31/12/2020
Deferred non-current tax assets	**8,402,453**	**7,573,807**
– provisions for jubilee and termination benefits	907,469	901,695
– impairment of trade receivables;	54,355	92,168
– Impairment of investments	666,060	443,371
– tax relief for investments	2,252,922	1,774,443
– R&D investments	995,653	836,136
– tax loss	3,525,994	3,525,994
Deferred non-current tax liabilities	**(1,993,662)**	**(2,004,346)**
– surplus from revaluation of land	(2,140,243)	(2,042,330)
– surplus from revaluation of termination benefits at retirement	146,581	37,984
Net deferred non-current tax assets	**6,408,791**	**5,569,461**

Changes in deferred tax assets	2021	2020
Balance of deferred tax assets as at 1 January	**7,573,807**	**5,231,555**
Decrease:		
– provisions for jubilee and termination benefits	0	0
– impairment of trade receivables;	(37,813)	0
– impairment of investments,	0	0
– tax relief for investments	0	0
– R&D investments	0	0
– tax loss	0	0
Increases:		
– provisions for jubilee and termination benefits	5,774	16,077
– impairment of trade receivables;	0	78,505
– impairment of investments,	222,689	99,593
– tax relief for investments	478,479	280,267
– R&D investments	159,517	174,927
– tax loss	0	1,692,883
Balance of deferred tax assets as at 31 December	**8,402,453**	**7,573,807**

Changes in deferred tax liabilities	2021	2020
Balance of deferred tax liabilities as at 1 January	**2,004,346**	**1,952,606**
Decrease	(10,684)	0
Increase	0	51,740
Balance of deferred tax liabilities as at 31 December	**1,993,662**	**2,004,346**

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 and termination benefits, the impairment of trade receivables, the impairment of R&D investments 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 which is shown on the revaluation surplus and the surplus from revaluation of termination benefits. The tax rate applied is 19 per cent.

10.7.14 CURRENT FINANCIAL LIABILITIES

Changes in current financial liabilities

(in EUR)	Balance of liabilities as at 1 Jan 2021 incl. the current portion of non-current liabilities	New loans in the year	Transfer of the non-repaid current portion to non-current liabilities	Repayments in the year	Transfer of the current portion of non-current liabilities	Debt balance as at 31 Dec 2021
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**

(in EUR)	Balance of liabilities 1 Jan 2021 incl. the current portion of non-current liabilities	New loans in the year	Transfer of the non-repaid current portion to non-current liabilities	Repayments in the year	Transfer of the current portion of non-current liabilities	Debt balance as at 31 Dec 2021
Bank or creditor						
Domestic banks	29,269,708	3,013,781	(7,747,079)	(21,368,141)	8,152,252	11,320,521
Related persons	466,530	901,944	0	(902,944)	0	465,530
Lease liabilities	234,882	71,032	0	(305,914)	304,126	304,126
Financial leases	252,557	0	0	(252,557)	256,342	256,342
Total loans taken out	**30,223,677**	**3,986,757**	**(7,747,079)**	**(22,829,556)**	**8,712,720**	**12,346,519**

Current financial liabilities include the disclosure of loan taken out from its affiliates Unior Deutschland GmbH, Rogla investicije d.o.o. and RC Simit d.o.o., a revolving loan with a consortium of commercial banks 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 to 6-month Euribor + 2.25 per cent, 3-month Euribor + 2.3 per cent and 1-month Euribor + 2.25 per cent.

Collateral for non-current and current liabilities from financing activities consists of mortgages on immoveable and moveable property, investments and inventories at fair value amounting to EUR 129,355,038, as well as bills of exchange given. These amounts match the values of secured loan agreements. Collateral for non-current liabilities from financing activities in the past year amounted to EUR 134,060,738.

10.7.15 CURRENT OPERATING LIABILITIES

Current operating liabilities

(in EUR)	31/12/2021	31/12/2020
Current operating liabilities due to associates		
Slovenia	69,213	73,417
Foreign	1,602,177	1,474,536
Current operating liabilities due to associated companies		
Slovenia	5,737,067	6,771,558
Foreign	1,154	6,205
Current operating liabilities due to other suppliers:		
Slovenia	19,096,243	14,772,936
Foreign	5,908,822	6,151,849
Current operating liabilities due to the state	801,175	593,366
Current operating liabilities due to employees	3,687,821	4,227,300
Current operating liabilities from advance payments	756,053	895,384
Current interest payable	19,307	19,812
Other current liabilities	7,262,226	5,060,276
Current portion of non-current operating liabilities	0	0
Total	**44,941,258**	**40,046,639**

Maturity dates of operating liabilities of the company

(in EUR)	31/12/2021	31/12/2020
Receivables not yet due	29,214,193	27,142,653
Receivables 90 days overdue	10,393,580	14,325,726
Receivables 91 up to 180 days overdue	438,413	1,501,330
Receivables 181 up to 360 days overdue	453	238,319
Receivables over 360 days overdue	0	0
Total	**40,046,639**	**43,208,028**

Other current liabilities disclosed include:

- accrued costs amounting to EUR 2,283,133, which include accrued sales commission amounting to EUR 448,350, our liability from leaves unexpended in 2021 amounting to EUR 935,168, and our liability for the 2021 audit amounting to EUR 25,800;
- the liability to settle the acquisition price of repurchased shares to provide for legal liquidation options of UNIOR Hungaria Kft. amounting to EUR 883,005,
- current deferred revenue amounting to EUR 260,245 from IFRS 15 for goods dispatched to buyers at the end of 2021 which had not arrived to their premises during the 2021 financial year and current deferred revenue from projects implemented in the Special Machines Programme amounting to EUR 3,240,543.

10.7.16 CONTINGENT LIABILITIES

Off-balance-sheet records – Contingent liabilities

(in EUR)	31/12/2021	31/12/2020
Given guarantees and sureties	6,886,767	7,362,604
Legal claims	0	754,938
Total	**6,886,767**	**8,117,542**

The given guarantees and guarantees given to related parties amount to EUR 6,886,767 and were decreased for the amount of EUR 475,837 due to the sale of the investment of RTC Krvavec, for which guarantees were given.

UNIOR d.d. issued a letter of support to UNIOR Vinkovci d.o.o. assuring them not to discontinue the operations of this subsidiary within the following twelve months and to provide financial support if required. No future liabilities are estimated to be incurred as a result thereof.

10.8 DISCLOSURES TO THE AUDITED SEPARATE INCOME STATEMENT OF UNIOR d.d.

10.8.1 NET REVENUE FROM SALES BY GEOGRAPHICAL AND BUSINESS SEGMENT

Net revenue from sales by geographical segment

(in EUR)	2021	2020
Slovenia	**19,431,131**	**14,210,611**
– subsidiaries	1,176,476	935,500
– associates	67,018	48,791
– other customers	18,187,637	13,226,320
Foreign	**149,543,497**	**123,844,028**
– subsidiaries	14,063,039	11,135,220
– associates	5,154,893	3,958,974
– other customers	130,325,565	108,749,834
Total	**168,974,628**	**138,054,639**

Net revenue from sales by business segment

(in EUR)	2021	2020
Forge	109,208,234	87,821,283
Hand Tools	39,101,682	28,243,785
Special Machines	16,430,592	17,441,258
Joint services	3,988,323	4,159,513
Maintenance	245,797	388,800
Total	**168,974,628**	**138,054,639**

Subject to sales agreements of the Special Machines Programme amounting to a total of EUR 11,518,634, which remained unrealised as at 31/12/2021, EUR 2,819,626 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. Their value does not exceed the costs of their production or services rendered.

Capitalised own products and services

(in EUR)	2021	2020
Capitalised own products and services	1,902,495	2,389,485
Total	**1,902,495**	**2,389,485**

Capitalised own products and services disclose the value of capitalised development costs in the Special Machines Programme amounting to EUR 839,563 and own investments in Maintenance and Special Machines for the needs of other programmes amounting to EUR 1,062,932 including a complete restoration of machines in the Forge and of CNC machine tools.

10.8.3 OTHER OPERATING REVENUE

(in EUR)	2021	2020
Benefits for exceeding the quota of disabled employees	166,338	188,335
Paid receivables already included in the value adjustment	99,876	29,289
Damages received	40,594	126,156
Reversal of non-current provisions	948,726	445,732
Profit from the sale of fixed assets	148,960	88,117
Revaluation of investment property to fair value	51,811	0
Subsidies, grants and similar revenue	28,472	1,579
Receipt of emission allowances	6,395	6,671
Subsidies – temporary lay-offs (COVID-19)	482	3,271,905
Subsidies – exemption from payment of contributions (COVID-19)	0	2,090,541
Subsidies – reimbursement of sickness benefits of up to 30 days (COVID-19)	0	33,368
Subsidies – reimbursement of quarantine payments (COVID-19)	90,461	10,513
Subsidies – reimbursement of absence due to a force majeure (COVID-19)	49,640	48,805
Subsidies – reimbursement of the crisis allowance (COVID-19)	0	158,376
Subsidies – reimbursement of rapid test costs (COVID-19)	66,760	0
Subsidies – up to the minimum wage (COVID-19)	33,383	0
Other operating revenue	1,553,532	1,351,614
Total	**3,285,430**	**7,851,001**

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 240,726 in state aid in 2021 and EUR 5,613,508 in 2020. The purposes for which the funds were received are illustrated in the table above.

Other operating revenue amounting to EUR 1,553,532 include revenue generated from the sales of unused emission coupons, revenue from technological and management commissions and from the grants received for our development projects.

10.8.4 COSTS AND EXPENSES

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)
Costs of salaries	(29,026,777)	(1,682,881)	(4,339,020)	(35,048,678)
Costs of social insurances	(5,041,979)	(281,756)	(709,637)	(6,033,372)
Costs of pension insurances	(397,651)	(14,610)	(51,554)	(463,815)
Other labour costs	(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	(395,384)	(45,221)	(378,954)	(819,559)
Value adjustments due to changes in inventories	915,362	0	0	915,362
Total costs	**(146,784,653)**	**(10,705,566)**	**(13,729,169)**	**(171,219,388)**

2020 (in EUR)	Production costs	Costs of selling	Costs of general activities	Total
Cost of merchandise and materials sold	(5,292,680)	(4,064,600)	(1,339,602)	(10,696,882)
Costs of materials	(61,052,682)	(544,912)	(1,291,085)	(62,888,679)
Costs of services	(12,351,163)	(2,261,100)	(2,615,479)	(17,227,742)
Costs of salaries	(28,473,646)	(1,711,076)	(4,347,177)	(34,531,899)
Costs of social insurances	(4,913,480)	(281,159)	(720,008)	(5,914,647)
Costs of pension insurances	(407,790)	(15,709)	(53,426)	(476,925)
Other labour costs	(5,111,852)	(186,772)	(556,135)	(5,854,759)
Total labour costs	(38,906,768)	(2,194,716)	(5,676,746)	(46,778,230)
Depreciation	(7,237,577)	(209,589)	(929,241)	(8,376,407)
Operating expenses from the revaluation of current operating assets	(327,345)	(1,042,231)	(4,553)	(1,374,129)
Expenses from the revaluation of intangible assets and property, plant and equipment	(426,556)	0	(4,373,827)	(4,800,383)
Other costs	(287,768)	(37,598)	(300,332)	(625,698)
Value adjustments due to changes in inventories	(2,930,256)	0	0	(2,930,256)
Total costs	**(128,812,795)**	**(10,354,746)**	**(16,530,865)**	**(155,698,406)**

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.

Costs of services include the disclosure of EUR 13,358 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 2021 Annual Report.

As part of its other costs, the company discloses:

(in EUR)	2021	2020
– Provisions for annuities	(6,486)	(6,718)
– Other provisions	(11,101)	(68,810)
– Ground exploitation fee	(187,332)	(192,077)
– Environmental protection expenditures	(66,898)	(28,126)
– Bonuses to pupils and students undergoing practical training	(241,004)	(52,952)
– Scholarships to pupils and students	(88,406)	(114,117)
– Damages paid to employees	(34,651)	(41,188)
– Financial aid – grants	(81,809)	(95,142)
– Other operating expenses	(101,873)	(26,568)
Total	**(819,560)**	**(625,698)**

Lease payments in 2021 amounted to EUR 1,221,305, whereas in 2020 they amounted to EUR 988,564. The increase results from server and computing capacities.

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)	2021	2020
Up to 1 year	306,471	572,773
From 2 to 5 years	1,225,885	2,291,091
More than 5 years	1,532,357	2,863,863
Total	**3,064,713**	**5,727,727**

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 25,000. The audit was performed by Deloitte Revizija d.o.o., Ljubljana. The contractual provision of non-audit services amounted to EUR 5,800 in the 2021 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.

10.8.5 FINANCIAL REVENUE AND FINANCIAL EXPENSES

Financial revenue

(in EUR)	2021	2020
Financial revenue from participating interests		
Financial revenue from participating interests in Group companies	1,262,583	652,442
Financial revenue from participating interests in associates	748,302	30,484
Financial revenue from participating interests in other companies	138,559	30
Total	2,149,444	682,956
Financial revenue from loans given		
Financial revenue from loans given to Group companies	99,176	136,784
Financial revenue from loans given to others	17,612	9,672
Total	116,788	146,456
Financial revenue from operating receivables		
Financial revenue from operating receivables due from Group companies	31,890	1,092
Financial revenue from operating receivables due from others	106,721	46,850
Total	138,611	47,942
Total financial revenue	**2,404,843**	**877,354**

Financial revenue from participating interests in Group companies includes a share of profits in Ningbo Unior Forging Co. Ltd., Unior Deutschland GmbH and profit from the sale of the UNIOR France S.A.S. affiliate. Financial revenue from participating interests in associates includes a share of profits in Unior Teos Alati d.o.o., Unior Tehna d.o.o., Unior Tepid S.R.L., and Štore Steel d.o.o.

Financial expenses

(in EUR)	2021	2020
Financial expenses from impairment and write-offs of investments	(572,047)	(524,176)
Financial expenses from financial liabilities		
Financial expenses from loans received from Group companies	(7,827)	(11,408)
Financial expenses from loans received from banks	(2,450,186)	(2,815,199)
Financial expenses from other financial liabilities	(14,182)	(16,987)
Total	(2,472,195)	(2,843,594)
Financial expenses from operating liabilities		
Financial expenses from operating liabilities due to Group companies	(831)	(449)
Financial expenses from trade payables	(100,334)	(330,117)
Financial expenses from other operating liabilities	(73,732)	(77,472)
Total	(174,897)	(408,038)
Total financial expenses	**(3,219,139)**	**(3,775,808)**

The investment in UNIOR Makedonija d.o.o. was impaired by EUR 240,000, the investment in UNIOR Hungaria Kft. by EUR 73,005, and the investment in RRA Regionalna razvojna agencija Celje, d.o.o., Celje, by EUR 49,042 owing to its bankruptcy, and by EUR 210,000 in a loan given to UNIOR Hungaria Kft. Financial interest payables due for loans from banks amounted to EUR 2,450,186 or 13 per cent less than in 2020.

10.9 CORPORATE INCOME TAX ACCOUNT AND DEFERRED TAXES

Corporate income tax

(in EUR)	2021	2020
Net profit or loss of the financial year before taxes	2,128,868	(10,301,735)
Corporate income tax in Slovenia 19%	(211,678)	0
Non-taxable revenue	967,346	611,905
Unrecognised tax expenses	1,870,302	2,037,041
Value adjustment of receivables	(37,813)	78,506
Value adjustment of investments	222,689	99,593
Formation of provisions	5,774	16,076
Tax relief for investments in research and development	159,517	174,927
Tax relief for investments	478,479	280,267
Tax relief for employing disabled persons	0	0
Tax relief for a voluntary supplementary pension scheme	0	0
TAX LOSS	0	1,692,883
Deferred tax	828,646	2,342,252
Effective tax rate in %	38.9	22.7

In 2021, the tax base was disclosed in the amount of EUR 3,011,073. The tax base is reduced in order to use the tax relief for employing disabled persons in the amount of EUR 1,352,734, for supplementary pension insurance EUR 463,815, and for donations in the amount of EUR 80,427. The tax base amounts to EUR 1,114,097. In 2021, our tax liability amounts to EUR 211,678. The monthly tax advance payment for 2022 amounts to EUR 17,640. Tax relief which can be utilised in subsequent periods amounts to a total of EUR 35,655,623, 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.

The effect of deferred taxes on net profits amounts to EUR 828,646, increasing the net profits of the current year.

10.10 RELATED-PARTY TRANSACTIONS OF UNIOR d.d.

All related-party transactions were performed under usual market conditions.

10.10.1 SALES TO RELATED PERSONS

(in EUR)	2021	2020
Subsidiaries		
Domestic:	**1,222,414**	**1,001,287**
UNITUR d.o.o. Zreče	1,199,343	973,096
SPITT d.o.o. Zreče	23,071	28,191
Foreign:	**14,107,539**	**11,139,511**
UNIOR Produktions- und Handels- GmbH Ferlach	2,905,155	2,567,319
UNIOR DEUTSCHLAND GmbH Leonberg	267,203	233,024
UNIOR ITALIA S.R.L. Limbiate	861,849	767,764
UNIOR ESPANA S.L. Uharte-Arakil	940,907	638,452
UNIOR MAKEDONIJA d.o.o. Skopje	183,997	182,895
UNIOR PROFESSIONAL TOOLS Ltd St. Petersburg	1,051,767	764,145
UNIOR BULGARIA Ltd. Sofia	198,370	174,663
UNIOR HUNGARIA Kft. Nagyrecse	66,340	154,903
UNIOR COMPONENTS d.o.o. Kragujevac	157,143	245,530
UNIOR NORTH AMERICA Inc. Novi	147,166	153,137
NINGBO UNIOR FORGING Co.Ltd. Yuyao	0	(55,986)
UNIOR VINKOVCI d.o.o. Vinkovci	7,327,642	5,313,665
Total subsidiaries	**15,329,953**	**12,140,798**
Associates		
Domestic:	**67,018**	**48,790**
ŠTORE STEEL d.o.o. Štore	67,018	36,041
RC SIMIT d.o.o. Kidričevo	0	12,749
Foreign:	**5,154,893**	**3,958,975**
UNIOR TEPID S.R.L. Brasov	3,515,138	2,335,406
UNIOR SINGAPORE Pte. Ltd. Singapore	0	1,982
UNIOR TEHNA d.o.o. Sarajevo	360,752	413,716
UNIOR TEOS ALATI d.o.o. Belgrade	1,279,003	1,207,871
Total associates	**5,221,911**	**4,007,765**
Total sales to related persons	**20,551,864**	**16,148,563**

10.10.2 PROCUREMENT FROM RELATED PARTIES

(in EUR)	2021	2020
Subsidiaries		
Domestic:	**213,051**	**227,068**
UNITUR d.o.o. Zreče	46,742	61,889
SPITT d.o.o. Zreče	166,309	165,179
Foreign:	**12,424,466**	**11,512,645**
UNIOR Produktions- und Handels- GmbH Ferlach	811,382	664,940
UNIOR DEUTSCHLAND GmbH Leonberg	1,136,618	1,716,088
UNIOR ITALIA S.R.L. Limbiate	21,994	18,378
UNIOR ESPANA S.L. Uharte-Arakil	0	1,759
UNIOR BULGARIA Ltd. Sofia	0	9
UNIOR COMPONENTS d.o.o. Kragujevac	620,274	689,513
UNIOR NORTH AMERICA Inc. Novi	216,398	660,064
NINGBO UNIOR FORGING Co.Ltd. Yuyao	0	0
UNIOR VINKOVCI d.o.o. Vinkovci	9,617,800	7,761,894
Total subsidiaries	**12,637,517**	**11,739,713**
Associates		
Domestic:	**19,401,581**	**14,430,544**
ŠTORE STEEL d.o.o. Štore	19,401,581	14,430,544
Foreign:	**94,422**	**94,482**
UNIOR TEPID S.R.L. Brasov	10,733	17,757
UNIOR TEHNA d.o.o. Sarajevo	0	0
UNIOR TEOS ALATI d.o.o. Belgrade	83,689	76,725
Total associates	**19,496,003**	**14,525,026**
Total procurement from related parties	**32,133,520**	**26,264,739**

10.10.3 OPERATING RECEIVABLES DUE FROM RELATED PARTIES

(in EUR)	31/12/2021	31/12/2020
Subsidiaries		
Domestic:	**7,101,432**	**7,101,115**
UNITUR d.o.o. Zreče	7,098,550	7,098,550
SPITT d.o.o. Zreče	2,882	2,565
Foreign:	**5,891,196**	**5,472,703**
UNIOR Produktions- und Handels- GmbH Ferlach	950,930	1,521,921
UNIOR DEUTSCHLAND GmbH Leonberg	7,476	63,081
UNIOR ITALIA S.R.L. Limbiate	281,885	292,151
UNIOR ESPANA S.L. Uharte-Arakil	324,362	267,205
UNIOR MAKEDONIJA d.o.o. Skopje	287,272	233,275
UNIOR PROFESSIONAL TOOLS Ltd St. Petersburg	629,504	439,377
UNIOR BULGARIA Ltd. Sofia	229,658	271,751
UNIOR HUNGARIA Kft. Nagyrecse	0	159,435
UNIOR COMPONENTS d.o.o. Kragujevac	0	0
UNIOR NORTH AMERICA Inc. Novi	14,155	20,071
NINGBO UNIOR FORGING Co.Ltd. Yuyao	0	0
UNIOR VINKOVCI d.o.o. Vinkovci	3,165,954	2,204,436
Total subsidiaries	**12,992,628**	**12,573,818**
Associates		
Domestic:	**24,324**	**64,537**
ŠTORE STEEL d.o.o. Štore	24,324	64,537
Foreign:	**568,929**	**212,346**
UNIOR TEPID S.R.L. Brasov	440,053	132,072
UNIOR TEHNA d.o.o. Sarajevo	128,876	87,211
UNIOR TEOS ALATI d.o.o. Belgrade	0	(6,937)
Total associates	**593,253**	**276,883**
Total operating receivables due from related parties	**13,585,881**	**12,850,701**

10.10.4 OPERATING LIABILITIES DUE TO RELATED PARTIES

(in EUR)	31/12/2021	31/12/2020
Subsidiaries		
Domestic:	**69,213**	**73,417**
SPITT d.o.o. Zreče	69,213	73,417
Foreign:	**1,602,177**	**1,474,536**
UNIOR Produktions- und Handels- GmbH Ferlach	320,055	67,929
UNIOR DEUTSCHLAND GmbH Leonberg	352,187	431,668
UNIOR ITALIA S.R.L. Limbiate	9,237	7,068
UNIOR BULGARIA Ltd. Sofia	0	0
UNIOR COMPONENTS d.o.o. Kragujevac	385,674	304,322
UNIOR NORTH AMERICA Inc. Novi	67,853	50,756
UNIOR VINKOVCI d.o.o. Vinkovci	467,171	612,793
Total subsidiaries	**1,671,390**	**1,547,953**
Associates		
Domestic:	**5,737,067**	**6,771,558**
ŠTORE STEEL d.o.o. Štore	5,737,067	6,771,558
Foreign:	**1,154**	**6,205**
UNIOR TEPID S.R.L. Brasov	0	1,761
UNIOR TEOS ALATI d.o.o. Belgrade	1,154	4,444
Total associates	**5,738,221**	**6,777,763**
Operating liabilities due to related parties	**7,409,611**	**8,325,716**

10.10.5 RECEIVABLES AND LIABILITIES FROM LOANS AND INTEREST FROM ASSOCIATES

Receivables from loans and interest due from associates

(in EUR)	31/12/2021	31/12/2020
Subsidiaries		
Domestic:	**755,056**	**1,441,235**
UNITUR d.o.o., Zreče	412,841	911,875
SPITT d.o.o., Zreče	342,215	529,360
Foreign:	**2,112,942**	**2,239,130**
UNIOR Makedonija d.o.o., Skopje	0	33,173
UNIOR VINKOVCI d.o.o., Croatia	1,070,773	1,434,802
UNIOR HUNGARIA Kft. Nagyrecse, Hungary	852,809	514,951
UNIOR ESPANA S.L. Uharte-Arakil	189,360	256,204
UNIOR BULGARIA Ltd, Bulgaria	0	0
Total subsidiaries	**2,867,998**	**3,680,365**

Liabilities from loans and interest due to associates

(in EUR)	31/12/2021	31/12/2020
Subsidiaries		
Domestic:	**69,928**	**68,172**
ROGLA INVESTICIJE d.o.o., Zreče	69,928	68,172
Foreign:	**328,804**	**397,358**
UNIOR DEUTSCHLAND Gmbh, Germany	328,804	397,358
Total subsidiaries	**398,732**	**465,530**

10.11 RISK MANAGEMENT IN UNIOR d.d.

Operating risks of UNIOR d.d. are disclosed in Section 7.9.2 of the 2021 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 low.

(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	22,578,728	0.01	1,626	0	1,626	NO	22,577,102
Receivables overdue up to 90 days	5,832,561	0.50	29,338	0	29,338	NO	5,803,223
Receivables from 91 to 180 days overdue	1,309,876	0.75	9,811	0	9,811	NO	1,300,065
Receivables from 181 to 360 days overdue	781,011	1.41	10,973	0	10,973	NO	770,038
Receivables more than 360 days overdue	1,030,023	22.75	234,330	0	234,330	NO	795,693
Total	**31,532,199**		**286,078**	**0**	**286,078**		**31,246,121**

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 is assessed as low, a stable low level of benchmark interest rates has been constantly present in recent years. The company has been able to reach an agreement with the consortium 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. This has allowed us to manage and minimise the interest rate increase risk.

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**

Balance of liabilities linked to an individual variable interest rate in 2020

(in EUR)	Liability amount as at 31/12/2020	Interest rate in %	Hypothetical rise in interest rates by 15%	by 50 %	by 100 %
Interest rate type					
3-month EURIBOR	64,534,821	-0.5380	52,080	173,599	347,197
6-month EURIBOR	18,351,680	-0.5230	14,397	47,990	95,979
Total effect	**82,886,501**		**66,476**	**221,588**	**443,177**

As at 31/12/2021, the total financial liabilities of UNIOR d.d. amount to EUR 91,839,050. The difference amounting to EUR 1,319,149 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. This risk was additionally lowered for the duration of the COVID-19 epidemic by successfully negotiating a deferral of payment of all loan principals with all banks for the period between June 2020 and May 2021 which had a positive effect on the cash flow and reduced the liquidity risk in uncertain times. The liquidity risk was further reduced in November 2020 when new liquidity was obtained with two commercial banks to meet our ongoing current assets needs for a period of one year with a one-year moratorium. The funds were drawn in full also during the 2021 financial year. The company was granted a guarantee by the Republic of Slovenia for the taken-out loans in compliance with the Act Providing Additional Liquidity to the Economy to Mitigate the Consequences of the COVID-19 Epidemic. The risk is assessed as moderate.

10.12 DISCLOSURE OF REMUNERATION IN COMPLIANCE WITH THE COMPANIES ACT

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.

	Gross values		Net values	
(in EUR)	2021	2020	2021	2020
Management Board of the company	357,409	323,400	142,975	138,668
Supervisory Board of the company	104,971	86,658	75,427	62,213
Employees employed on the basis of individual contracts of employment	3,900,492	3,877,272	2,169,213	2,181,733

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.

10.13 PROPOSED DISTRIBUTION OF BALANCE SHEET PROFIT OF THE CURRENT YEAR

The Management Board adopted the audited financial statements by its decision of 20/4/2022.

Established distributable profits of the 2021 financial year subject to the audited annual financial statements of the company for 2021 amount to EUR 8,780,058. The Management Board proposes that distributable profits remain undistributed.

Distributable profits of the 2021 financial year consist of net profits amounting to EUR 2,745,836, profit from previous years brought forward amounting to EUR 9,013,227 and is reduced by non-current deferred development costs amounting to EUR 2,979,005.

As UNIOR d.d. took out two loans with a guarantee of the Republic of Slovenia for 70 per cent of the borrowed amounts in 2020 at the outbreak of the COVID-19 epidemic so as to ensure continuous operations and liquidity of UNIOR d.d. upon a sudden drop of sales on account of complete closures of markets both in Europe and elsewhere abroad, the Management Board of UNIOR d.d. shall not propose the distribution of distributable profit in compliance with the Act Providing Additional Liquidity to the

Economy to Mitigate the Consequences of the COVID-19 Epidemic (ZDLGPE). In compliance with Article 14 of ZDLGPE, the company shall be prohibited from distributing its profit, paying out performance bonuses to Members of the Management Board, acquiring treasury shares and participating interest and paying out other financial liabilities owed to parent or subsidiary companies or owners for the entire duration of the period starting on the date it applies for a loan until the right of the bank to enforce the guarantee right expires (when the entire loan is repaid).

10.14 CLIMATE RISK ASSESSMENT AND THEIR EFFECT ON OUR FINANCIAL STATEMENTS

In its initial assessment, the company assesses that:

- it is non-materially exposed to material climate risks,
- climate change and conditions do not have a significant effect on the estimation of the expected useful lives of fixed assets,
- climate change has not led to the existence of indicators requiring the impairment of individual assets,
- climate change does not jeopardise the ability of the company to continue carrying on its business as a going concern,
- the company has not changed its R&D policy on account of climate change,
- climate change has not led to the requirement to derecognise a significant portion of fixed assets,
- climate requirements pose no risks of having to shut down any plant or activity,
- climate change does not have a significant effect on the policy associated with setting up allowances for inventories or writing-off inventories,
- climate change does not have any effect on the tax treatment of accruals and that climate change has not led to the creation of any differences between tax bases and carrying amounts of assets that would require us to set up allowances for receivables or deferred tax liabilities,
- climate change does not have a significant effect on recognising financial instruments,
- there are no potential liabilities associated with environmental damage restoration regulatory requirements or the company is not faced with the threat of additional environment-requirement-related duties or penalties.

The company has not concluded any agreements which could led to major and burdensome financial ramifications on account of the effect of climate change.

During next year, the company is not planning any restructuring intended to attain climate-related objectives.

For additional emission coupon disclosure, please refer to Section 10.7.1.

10.15 EVENTS AFTER THE REPORTING PERIOD IN UNIOR d.d.

UNIOR d.d. has been regularly and diligently monitoring the developments associated with the war in Ukraine and, subject to our findings and received feedback from the market, continuously updating its risk management strategy. When required, existing risk-mitigating measures are changed and additional ones taken. As at 1/4/2022, the currently dynamic and insecure conditions in the procurement-sales chains are expected to calm down and stabilise by the end of the first half of the year. All three production programmes experienced a good order volume, their operations matched our business plan and the planned operating result for the first quarter of 2022 is expected to be exceeded.

Our sales volume during the first quarter exceeded the planned sales volume by 7 per cent and the sales volume during the first quarter of the preceding year by 1 per cent. Based on the already realised sales volume of the first quarter and orders, the 'best-case' scenario estimates the planned sales volume by the end of the first half of the year. There is, however, a real risk that our order volume will be reduced as a result of the war in Ukraine in all three programmes, primarily our largest programme, Forge, where war repercussions have resulted in broken supplier chains and temporary car manufacturing stagnations. For more information, please refer to the 'worst-case' scenario below.

Similarly, to other industries, our procurement has observed rising levels of supplier management issues that we have been increasingly exposed to during the past weeks. For this reason, strategic analyses of needs by programme are currently underway to optimise procurement within the company and facilitate optimum procurement decisions subject to any given open procurement windows for our strategic materials. Suppliers of forging steel have been urging us to reduce our orders and seeking additional assurances that the ordered steel will in fact be collected, as, on the one hand, an overall shortage of steel has led to extremely high order volumes, and, on the other, they are afraid of a repeat of the corona crisis, when, on account of a sudden extreme fall in orders of our customers, existing steel orders were reduced and/or postponed overnight. Prices of steel scrap and alloys have been on the rise, leading to higher input prices whose effect on our customers is transferred with certain time lags. An increasing number of steel suppliers have already announced another rise in basic prices as of 1/4/2022, resulting from their increasing input prices and, primarily, high energy product prices. They have also proposed the introduction of an energy surcharge, some of them as of 1/4/2022. The above has presented a major challenge for us, as additional increases in procurement prices cannot be passed on our extremely demanding automotive industry customers in such a short period of time, given that we were able to, during the first two months of the year, make almost all of them agree to higher sales prices, resulting from rising basic steel prices during the last quarter of 2021, as of 1/1/2022,

There is a shortage of sheet metal on the market. It proved extremely challenging to procure sufficient quantities for 2 to 3 months of operations that also required the lease of additional premises. During the past few weeks, sheet metal prices have increased by 44 per cent.

There are also occasional disruptions of supply of various materials and raw materials, such as nickel (Ni), ammonia (NH_3), and the like. Diesel fuel prices have also been on the rise, resulting in approximately 5 per cent higher transport prices.

Electricity prices on the market continue to be extremely high, even though they have been slightly falling. These primarily affect energy-intensive companies, the majority of which have failed to procure energy in advance, including some steelworks.

UNIOR d.d. has already procured electricity at a pre-determined price for 2022. As a result, current changes in energy prices at commodity exchanges will not affect our electricity costs in 2022.

As the current deliverability of LPG is less risky than the deliverability of natural gas, we have set out to restart our existing old LPG-powered mixing station and set up LPG tanks and evaporation stations with major consumers of clean natural gas. This will allow us to compensate for the consumption of natural gas with LPG and for continuous production in the event of natural gas supply disruptions.

On the company, two scenarios of operations of the company have been drawn up, taking into consideration information currently at our disposal. These are the ‘best-case’ and ‘worst-case’ scenarios including the assessed sales volume and two of our main cost groups (costs of materials and costs of energy products) which have a significant effect on the operations of the company together with labour costs.

The discussed scenarios have also included simulations of the effect of the crisis spot in Ukraine on the operations of UNIOR d.d. in 2022. For simulation purposes, currently known sales prices, foreseen by the adopted business plan, have been taken into consideration. If the upward procurement price and cost pressure continues within the volume of the estimated scenarios, the company will have to re-establish sales prices with its customers to include an agreed share of the increased input costs. The estimated effects on the operating result do not take into consideration any rises in sales prices towards customers and measures taken to reduce fixed costs which would definitely be implemented within the entire company in the event of both scenarios, of course, depending on the value of reduction of the production value and the effects of any successful enforcement of higher sales prices.

‘BEST-CASE’ SCENARIO	According to estimated sales, the sales volume according to the discussed scenario will remain the same as the planned 2022 sales volume. If the prices of materials and energy in the discussed scenario were to increase, a EUR 3.2 million negative effect on the operating result of the company compared to its plan is estimated. Subject to the use of these premises, the company estimates to generate around EUR 1.6 million in profit.

'WORST-CASE' SCENARIO	According to estimated sales, the sales volume according to the discussed scenario will be EUR 9.9 million lower than the planned 2022 sales volume. The reduction of revenue has been assessed by programme: • Forge Programme: EUR 6.3 million lower sales volume than the planned 2022 sales volume. • Hand Tools Programme: EUR 1.6 million lower sales volume than the planned 2022 sales volume. • Special Machines Programme: EUR 2 million lower sales volume than the planned 2022 sales volume. If the lower volume of sales were to be accompanied by increasing prices of materials and energy, the discussed scenario foresees a EUR 8.7 million negative effect on the operating result of the company compared to its plan. Subject to the use of these premises, the company estimates to generate around EUR 3.9 million in loss.

10.16 STATEMENT ON THE RESPONSIBILITY OF MEMBERS OF THE MANAGEMENT BOARD

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 2021.

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 2021.

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 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 20/4/2022

President of the Management Board,

Darko Hrastnik, B.Sc. Met. (Metallurgical Engineering)

Member of the Management Board,

Branko Bračko, B.Sc. ME. (Mechanical Engineering)

10.17 INDEPENDENT AUDITOR'S REPORT

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

Separate financial statements' audit report

Opinion
We have audited the separate financial statements of UNIOR d.d., (hereinafter referred to as the "Company") including a separate statement of its financial situation as at 31 December 2021, a separate income statement, a separate other comprehensive income statement, a separate change in equity statement and a separate cash flow statement for the year then ended and notes to separate financial statements, including a summary of significant accounting policies.

We believe that the separate financial statements give a true and fair view of the financial situation of the company on 31 December 2021, its financial performance and cash flows for the year then ended in accordance with the international financial reporting standards, as adopted by the European Union (hereinafter the 'IFRS').

Emphasis of matter
Attention is drawn to the clarification to 10.15 Events after the reporting period in Unior d.d. in the financial statements describing an assessment of the management regarding the actual or potential impact of the effects of the military conflict between Ukraine and Russia on the company. Our opinion has not been altered in light of this matter.

Opinion grounds
The audit was carried out pursuant to the International Auditing Standards (IAS) and Regulation (EU) No. 537/2014 of European Parliament and the Council of 16 April 2014 on specific requirements regarding statutory audits of public-interest entities (the Regulation). Our responsibilities based on these standards are described in this report in the paragraph entitled Auditor's Responsibility for the Audit of Separate Financial Statements In accordance with the Code of Ethics for Professional Accountants (including international standards on independence), 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. We believe that the audit evidence obtained is sufficient and appropriate to provide a basis for our audit opinion.

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Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the separate financial statements of the financial year ending on 31 December 2021. These matters were handled in the context of our audit of the separate financial statements as a whole and in forming our opinions about them. No separate opinions on these matters shall be made.

<table>
<tr><th>Key audit matter</th><th>Audit procedures used in addressing a key audit matter</th></tr>
<tr><td colspan="2">Investments in subsidiaries</td></tr>
<tr><td>Investments in subsidiaries as at 31/12/2021 amount to EUR 21,592,476, and are measured at cost.

The management of the Company assesses their impairment signs on an annual basis. When required, annual impairment tests using the discounted future cash flow method.

The assessment of impairment signs requires a professional judgement and the use of subjective assumptions by the management.

In light of the material nature of judgements of the management in establishing impairment signs and the size of the item, this area was handled as a key audit matter.</td><td>Assessment by the management and judgements of investment impairment signs were reviewed. The emphasis of our audit procedures was on assessing and testing the key auditing assumptions, which the management used for identifying the signs of impairment and for assessing these impairments. These procedures included:
– a comparison between the net value of subsidiary assets and the value of the investment;
– a review of assumptions used to assess impairment signs and during impairment assessment procedures;
– a review of expected cash flows used in assessing impairments;
– Assessing the adequacy of disclosures in the financial statements.

Disclosures related to investments in subsidiaries are contained in clarifications to 10.6.2.6 Summary of significant accounting policies and disclosures and to 10.7.4 non-current investments.</td></tr>
<tr><td colspan="2"></td></tr>
<tr><td colspan="2">Recognition of revenue in financial statements</td></tr>
<tr><td>As clearly shown in the financial statements of the company and Notes to 10.8.1 The Company generated net revenue from sales by geographical and business segment of merchandise and services on the domestic and foreign markets amounting to EUR 168,974,628 in the year ending on 31 December 2021.

As clarified in Section 10.6.2.6 Summary of significant accounting policies and disclosures, revenue shall be recognised in different ways subject to the respective source of revenue, whereby a 5-step model in compliance with IFRS 15 shall be applied.</td><td>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 IFRS. The following audit procedures were performed:
• in the Forge and Hand Tools Programmes, the design, implementation and operating efficiency of internal controls related to recognising revenue in terms of adequacy and precision of its recording were reviewed.
• In the Special Machines activity, the design, implementation and operating efficiency of internal controls related to adequate recognising of revenue throughout the relevant period were reviewed.</td></tr>
</table>

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Revenue is one of the key performance indicators of the Company. In light of its significance and complexity, in addition to risks associated with the adequacy of revenue from sales recording procedures, this area was established as a key audit matter.	• On the basis of the selected sample, the recording adequacy of recognised revenue in the Forge, Hand Tools, and Special Machines Programmes was reviewed in detail. • On the basis of analysing contracts with customers, the recognising adequacy of revenue throughout the relevant period on the selected sample in the Special Machines Programme was reviewed. Information in financial statements was reviewed, allowing us to assess the adequacy of disclosures related to net revenue from sales.

Other information

The management 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 separate 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 separate 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 work performed gives rise to the conclusion on the existence of significant misstatement of other information, these circumstances shall be reported. In relation thereto and on the basis of the described procedures, we hereby report that:

- in all material aspects, other information is aligned with the audited separate financial statements;
- other information is drawn up in accordance with the applicable laws and regulations, and
- on the basis of knowledge and understanding of the company and its environment acquired the audit, no relevant misstatements in connection with other information have been established.

Responsibility of the management and other competent persons responsible for managing separate financial statements

The Management Board is responsible for drawing up and providing a fair view of these separate financial statements in accordance with the IFRS standards and for such internal control, in accordance with the decision of the Management Board, which shall enable the drawing up of separate financial statements which shall contain no significant misstatement due to fraud or error.

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

Competent management persons are responsible for monitoring the drawing up of separate financial statements and approving the audited annual report.

Auditor's responsibility for auditing the separate financial statements

Our objectives are to obtain reasonable assurance that the separate 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 audit rules, 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 the to a rule of auditing, we exercise professional judgement and maintain a professional distrust. We also:

- Identify and assess the risks of material misstatements in the separate financial statements, whether due to fraud or error, form and perform audit procedures in response to the assessed risks and obtain sufficient and suitable audit evidence, which provide the basis for our opinion. The risk of not 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 of material importance for the audit, namely with the aim of creating audit procedures suitable for the circumstances, but not with a view to express an opinion on the effectiveness of the Company’s internal controls.
- Estimate the suitability of the applied accounting policies and the acceptability of the accounting estimates and related disclosures of the management.
- On the basis of the acquired audit evidence of the existence of significant uncertainty regarding the events or circumstances, which raise doubts about the capacity of the Company 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 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. Nevertheless, subsequent events or circumstances may result in the winding up of the organisation as a going concern.
- We shall evaluate the general presentation, structure and content of the separate financial statements, including disclosures, and estimate whether the separate financial statements represent the respective business transactions and events in such a manner that ensures a fair view thereof.

Competent persons for the management of financial statements shall also be communicated about the planned scope and duration of the audit procedure and material findings of the audit, including weaknesses in internal controls established during the audit.

Competent persons for the management of financial statements 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, where applicable.

The most significant matters during the audit of consolidated financial statements were identified as key audit matters out of all matters which competent persons for the management of the separate financial statements were notified of. The aforementioned matters shall be described in the Auditor’s Report, unless their public disclosure is prohibited by statutory or regulatory provisions.

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Report on other statutory and regulatory requirements

Report on the requirements of Regulation (EU) No. 537/2014 of the European Parliament and of the Council (Regulation EU no. 537/2014).

Naming the auditor and the duration of the transaction.

Deloitte revizija d.o.o., was named as the legal auditor of the company at the shareholder's meeting on 5 June 2019. Our performance of the trade has lasted fully and without interruptions for 10 years.

Confirmation for the Audit Committee

We confirm that our audit opinion on the separate financial statements in this report complies with the additional report to the Audit Committee on 20/04/2022, in accordance with Article 11 of the Regulation (EU) no. 537/2014 of the European Parliament and Board.

Performance of non-auditing services

We declare that we have not performed any illegal non-auditing services from Article 5(1) of the Regulation (EU) no. 537/2014 of the European Parliament and the Council. In addition to the mandatory audit, no other services not disclosed in the annual report have been performed for the audited company.

On behalf of the auditing company Deloitte revizija d.o.o. the person responsible for the audit is Yuri Sidorovich.

Deloitte revizija d.o.o.

Dunajska cesta 165

1000 Ljubljana

Yuri Sidorovich

Certified auditor

Ljubljana, 20/04/2022

Handwritten signature
Signature illegible

Stamp with inscription:
Deloitte.
Deloitte revizija d.o.o.
Ljubljana, Slovenia 3

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