Annual report 2011

European manufacturer
Since 1919

UNIOR®

We Lend a Good Ear

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Letter from the President of the Management Board

Dear shareholders, business partners and associates!

The last year has been a truly challenging one.

The global economy grew at the beginning of 2011, but economic trends deteriorated significantly in the final months of the year. The GDP declined in the European Union over the previous quarter by 0.3 per cent and some countries, including Slovenia, slipped back into recession.
Industrial production in Slovenia initially increased in 2011 with respect to the previous year, but after the relatively brief recovery period at the beginning of the year, the growth of production stopped. The crisis engulfed all industries and is no longer only present in the construction and other services industries. The forecasts are pessimistic, austerity measures have been adopted and difficulties accessing the sources of funding are still negatively affecting the dynamics of the recovery.
The prices of raw materials peaked in the first quarter of 2011, but later fell because of the poorer conditions on the demand side.

The challenges that the crisis has presented us with have thoroughly changed our fundamental objectives. Growth and achieving the highest profitability of operations were less important again in 2011 than protecting the cash flow and ensuring the continuous solvency of the Company with an emphasis on the regular settlement of liabilities to employees, business partners and banks. The Company's Management Board continued implementing the plan prepared at the end of 2008, whereby they limited investment activity, introduced savings measures in the area of the costs of materials and labour, decreased inventories and receivables and strived to maintain the highest possible level of sales revenues.

In 2011, we generated EUR 154.6 million in revenue, which is 23.2 per cent more than in the previous year. The Company's operating profit came in at EUR 5 million. The financial portion of the operations affected the operating profit or loss negatively. The biggest portion was the impairments of the investment in the companies Rimske terme d.o.o. and Starkom d.o.o. The net profit achieved was thus EUR 1.3 million. Amortisation and depreciation came in at EUR 9.3 million. This enabled the Company to generate EUR 10.6 million in positive accumulation, which is EUR 3.5 million more than in the previous year.

The number of employees at the end of 2011 was higher by 23 persons than at the end of 2010. The average gross salary at the Company was 3.8 per cent higher than in the same period of 2010 and amounted to EUR 1,295. The average net salary grew by 3 per cent compared to 2010 and amounted to EUR 883.

In these modern times, companies must develop systematically and constantly, they must be quick yet judicious in introducing new business models, organisational solutions and innovative products; they must also master new business links and strengthen their capacity of innovation.

Investments in 2011 came in at EUR 14 million, which is 0.5 million less than in 2010 and 6 per cent less than planned. The largest investments were the construction of an annex for a hotel, 25 per cent of which was financed with European funds. In Vitanje, we continued and completed the construction of a production hall for forging activities.
We allocated EUR 670,000 to the increase in capital and the acquisition of ownership stakes in associated companies in 2011. The capital injection was made in the Sinter a.d. company in Serbia. We re-acquired ownership stakes in the companies Unior Savjetovanje d.o.o. and Unior Tehna d.o.o. in Bosnia, while in Slovenia, the companies included Rogla Investicije d.o.o. in Zreče and RC Simit d.o.o. in Kidričevo.

We also continued implementing the strategy of selling off investments in companies whose activities are not directly tied to the activity of UNIOR. We thus sold a 25.1% stake in the Štore Steel d.o.o. company in 2011 and a 25% stake in the Unior Formingtools d.o.o. company in Serbia.
We devoted special attention to investments into research and development at the Unior company as well as at other companies, including RC Simit d.o.o. Today, companies the world over must develop continuously and systematically, they need to introduce new business models and organisational solutions deliberately and rapidly, manage new business ties and markets, and also bolster their innovation capabilities. It is only in this way that they can compete in the global environment or even be one step ahead of the competition. This involves boosting the managerial, organisational and technological capabilities that help a company retain or strengthen its competitive advantages.
For 2012, we are planning to achieve a growth in sales revenues of 9.3% so that they reach EUR 169 million, as well as an end-of-year profit of EUR 3 million.

The Unior Group ended the 2011 year with EUR 226 million worth of consolidated sales revenues and generated EUR 8 million in operating profit as well as a net profit of EUR 260,000. The decrease in revenues of 6.1% is the result of the sale of a 25.1% stake in the Štore Steel company, which is no longer a controlled company. The sales would have otherwise increased by 23.1% and would have amounted to EUR 295 million.
We extend our gratitude to our associates and members of the Supervisory Board for their conscientious and responsible realisation of the objectives and thank our buyers, shareholders and others for their trust and confidence.

Gorazd Korošec
President of the Management Board

From Tradition to Modernisation

We live in times of huge social, economic, cultural, conceptual and political change. By updating our manufacturing processes and corporate structure and by managing high-tech projects, we manage to lead the Company with great success.

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Report of the Supervisory Board

The Supervisory Board oversaw the operations of the Unior d.d. company and of its subsidiaries in 2011 within the scope of the authorisation laid down by the law, the Company's Articles of Association and the Rules of Procedure of the Supervisory Board. Up until the convening of the extraordinary General Meeting, the Supervisory Board operated with five members: Matej Golob Matzele as President, Dr. Karl Kuzman as Deputy President, Emil Kolenc as member (all three are representatives of the owners) and Marjan Adamič and Stanko Šrot as members (both are representatives of the employees). At the extraordinary General Meeting of Shareholders of Unior d.d. held on 13 April 2011, Rok Vodnik, MSc, was appointed as an alternate member of the Supervisory Board. He is a representative of the owners. At the session held on 29 December 2011, the Deputy President, Dr. Karl Kuzman, submitted his resignation upon the appointment of the alternate Supervisory Board member.

The dynamics of the Company's operations were reflected in 2011 in the various programmes and in the search for new development and market opportunities. Despite the positive trends that resulted from an increased scope of orders in the first half of 2011 and primarily occurring in the Forge Parts and Sinter Programmes, all areas of operations saw the application of operation rationalisation measures in terms of the comprehensive management of all types of costs. This was especially exhibited in the last quarter of the year when forecasts of deteriorating operating conditions began materialising and the possibility of a new wave of the crisis began to appear.

The deterioration of operating conditions and the drop in orders affected the Sinter Programme the most, while the drop in the general purchasing power of the population was also reflected in the Tourism Programme. The operations of the Forge Parts Programme are more encouraging as the programme represents the core of the activities of Unior d.d. Another silver lining is the improvement in the amount of orders for the Special Machines Programme, where the results will be evident in 2012 because of the dynamics of the production cycles. The Hand Tools Programme remains an important pillar of the Company's operations and will need a lot of attention devoted to it in the future as well.

At the beginning of 2011, the Supervisory Board confirmed the Unior Strategy for the 2011–2014 period. All the key department managers and experts of the Unior Group participated in drafting the Strategy and they engaged a large number of their associates in this preparation. The Supervisory Board also took part in preparing the Strategy. The Strategy was prepared in the spirit of the strategic thinking concept and represents an upgrade of the conventional strategic planning. Based on a strategic analysis, the Unior Group defined the mission and vision of the Unior Group, the Unior d.d. company and of the latter's programmes. The strategic orientations, objectives and indicators were defined at all levels according to the Balanced Scorecard tool. Strategic projects were also defined. The Management Board regularly reports to the Supervisory Board on the realisation of the Strategy.

2011 was marked by the listing of the shares of Unior, d.d. on the Ljubljana Stock Exchange. By listing the shares on the stock exchange, the Company realised the decision of the shareholders of Unior d.d. from 2010. Despite low trading volumes, the listing of the Company's shares is positively affecting the Company's image and reputation, as well as the transparency of its operations.

In the beginning of 2011, the Company's Supervisory Board has confirmed the Unior Group's Business Strategy for the 2011 – 2014 Period.

The Work of the Supervisory Board

In 2011, the Supervisory Board held nine regular sessions and completed four correspondence sessions. The Supervisory Board was given information on all the important decisions of the Company's Management Board concurrently.

The Management Board regularly reported on the operations of the Unior d.d. company to the Supervisory Board and communicated quarterly reports on the operations of the Unior Group as well. The reporting of the Management Board to the Supervisory Board enabled the proper performance of the latter's supervisory role. The reports of the Management Board were usually prepared by specific areas and separately for all the Company's five production programmes with a concise review of all the business effects. In its reports, the Management Board reported all the major categories that affect the operations of the public limited company. These categories are the balance sheet, profit or loss, sales, costs, cash flows and other economic and technical indicators. Comparative statements for the previous year were added to the statements for 2011, as were statements on the plans for the current year.

The Supervisory Board continuously monitored the conditions on the market based on the estimates provided by the Management Board. The Supervisory Board paid special attention to the volume of orders for individual production programmes and the Company's subsidiaries, as well as the movement of the prices of materials, raw materials, energy products and other factors affecting the Company's business. The supervisors received current and ongoing information about the execution of the two larger investments in the Tourism Programme, namely the construction of the Atrij Hotel in Zreče and the running course on Mount Rogla.

The Supervisory Board considered the financial reports at its regular sessions for each quarter of 2011 and was informed about the current operations and presented with an assessment of the operations for the following short-term periods. The Board also devoted a lot of attention to opportunities for the further development and orientation of the Unior Group. At the beginning of 2011, it thus confirmed the Strategy for the Development and Orientation of the Company and the Unior Group Until 2014 with defined strategic objectives. At the end of the year, it also confirmed the Company's Business Plan for the 2012 financial year with an emphasis on the following segments of operations: decreasing the Company's indebtedness, increasing the profitability of operations, rationalising the operations with an emphasis on managing the cost of goods, materials and services, employment, the operations of the subsidiaries and the process of handling key and promising staff.

In January, the Supervisory Board held two sessions, a regular one and a correspondence one. There, it was informed of the appointment of a Nomination Board for the appointment of an alternate Supervisory Board member and appointed Mr Emil Kolenc as the alternate member of the Supervisory Board's Audit Committee.

The Supervisory Board also held two sessions in February. The first was intended for the consideration of the Company's Business Plan for 2011, which was accepted and confirmed in its proposed version, which was cautiously optimistic. The Board was further familiarised with the assessment of the operations of Unior d.d. for 2010 and the report of the Supervisory Board's Audit Committee on the performed pre-audit assessment. The Supervisory Board was informed by the Management Board about the activities associated with the options provided by NLB d.d. for the shares of Unior d.d. and the guarantee of the Štore Steel d.o.o. company. At the second meeting in February, the Supervisory Board confirmed the Strategy of the Operations of the Unior Group for the 2011–2014 Period, which it also helped prepare.

At the correspondence session held in March, the Supervisory Board adopted the decision on convening an extraordinary General Meeting with a proposal to appoint Rok Vodnik, MSC, as

"Another important event marking the year 2011 was the first listing of Unior d.d. (PLC) at the Ljubljana Stock Exchange. By listing the shares at the stock exchange, the Company has implemented the decision taken by Unior d.d.'s shareholders in 2010."

the alternate member of the Supervisory Board. At the regular meeting held in March, it considered the statistical data for 2010 and granted its consent to the proposal of the Management Board on the allocation of the loss for 2010. At the proposal of the Management Board, the Supervisory Board granted its consent to the letter of intent and the sale of a 25.1% stake of the Unior d.d. company in the Štore Steel d.o.o. company. In doing so, they tasked the Management Board with coming to a prior agreement on mutual long-term commercial trading conditions with the Štore Steel d.o.o. company.

At its regular meeting in June, the Supervisory Board approved the Audited Annual Report of Unior d.d. for 2010 and the Audited Consolidated Annual Report of the Unior Group for 2010 on the basis of the report and proposal of the Supervisory Board's Audit Committee. The Board considered and endorsed the agenda of the 15th General Meeting and confirmed the proposed resolutions. The Board members also familiarised themselves with the report on the operations of the Unior Group for Q1 of 2011 and the information on the current operations with an emphasis on the optimum management of operating costs in order to achieve the objectives set by the plan. At that meeting, the Supervisory Board authorised the Supervisory Board's HR Committee to prepare a project for evaluating the efficiency of the Supervisory Board and adopted a decision to leave the remuneration to the members of the Supervisory Board unchanged until further notice. On account of the change in the ownership structure of NLB d.d., it decided that the Management Board should obtain a legal opinion on whether the provisions of the Act Governing the Remuneration of the Managers of Companies with a Majority Ownership Held by the Republic of Slovenia or Self-Governing Local Communities (ZPPOGD) apply to the Unior d.d. company. The Supervisory Board was also appraised of the Prospectus for listing the shares of Unior d.d. on the organised market, the detailed operation of the Ljubljana Stock Exchange and the Corporate Governance Code for Joint Stock Companies. The Management Board appraised the Supervisory Board about the letter from the Štore Steel d.o.o. company relating to the lawsuit of NLB d.d. and the Management Board's notes regarding the issue. The Supervisory Board granted its consent to the establishment of the companies Unior Svetovanje BiH d.o.o. and RC Simit d.o.o.

In August, the Supervisory Board held their 5th correspondence session, in which they familiarised themselves with the financial report of the Company and the Unior Group for the January-June 2011 period.

At the regular session in September, the Supervisory Board learned the details of the operations of the Unior Group in the first half of 2011 and the current operations of the Company. The Supervisory Board expressed the need for the more efficient management of operating costs in terms of achieving higher profitability in programmes and higher value added. The Supervisory Board also received information on the findings of the Ministry of the Economy regarding the applicability of the provisions of the ZPPOGD to the Unior d.d. company following the change of the ownership structure of NLB, d.d. In accordance with the provisions of this Act, the Supervisory Board harmonised the contracts signed with the President and the member of the Management Board of Unior d.d., including their remuneration. It then sent the new contracts to the Ministry of the Economy. The Supervisory Board was appraised of the commencement of trading in the Unior d.d. shares on the organised securities market.

At its regular session held in October, the Supervisory Board received information on the current operations of the Company. Considering the operating results achieved and the forecasts of renewed deterioration in the economic conditions in the narrower and global environments, it again expressed the need for the comprehensive management of all operating costs, the efficient management of inventories and receivables, as well as the need to decrease in-

debtedness. It recommended that the Management Board takes into account the forecasts within the framework for drafting the Business Plan for 2012. At that session, the Supervisory Board adopted the Act on Determining the Criteria for the Payout of a Variable Remuneration to the Management Board. It was also informed of the Management Board's decision for Unior d.d. not to take part in the capital increase at the Rimske Terme d.o.o. company.

In November, the Supervisory Board again held two sessions, a regular one and a correspondence one. At the correspondence session, it was familiarised with the guidelines of the Business Plan of Unior d.d. for 2012.

At the regular session in November, the Supervisory Board was informed of the business report of the Unior Group for the January–September 2011 period and received detailed information on the current operations. It devoted special attention to the management of inventories, receivables, adequate liquidity, cash flow, the decrease in the credit exposure and capital adequacy. This is why the Supervisory Board charged the Management Board with preparing measures for the optimisation and rationalisation of the Company's operations, which should pertain to the management of costs, business processes and the improvement of the liquidity and financial position, simultaneously with the drafting of the Business Plan for 2012. In that session, the Supervisory Board was appraised of the report on the implementation of the strategy of the Unior Group in the March–November 2011 period and adopted a financial calendar for the 2012 financial year. The Supervisory Board also familiarised itself with the report of the Supervisory Board's Audit Committee and the obligations of the Company under the Transparency of Financial Relations and the Maintenance of Separate Accounts for Different Activities Act and the Integrity and Prevention of Corruption Act.

At its last session in December, the Supervisory Board appraised itself of the current operations of the individual programmes and the Company as a whole, as well as the reports of the Management Board and executive directors on the measures for the optimisation and rationalisation of the operations of Unior d.d. They confirmed the Business Plan for 2012. As regards risk management, they tasked the Management Board with evaluating the effects of the measures for improving all segments of operations with an emphasis on cost effectiveness. At that session, the Supervisory Board learned about the policy of the management, valuation and write-downs of the Company's inventories and issued its consent to sell a 49% stake of Unior d.d. in the Starkom d.o.o. company. It also learned of the resignation of the external member of the Supervisory Board's Audit Committee, whereby the resignation was submitted at the session by the Deputy President of the Supervisory Board, Dr. Karl Kuzman.

The Supervisory Board estimates that it functioned independently of the Management Board in 2011 and that there was no conflict of interest in the work of the Supervisory Board members.

> *The Supervisory Board estimates that in 2011, its operation in relation to the Board of Directors was independent and that there was no conflict of interest in the activities of the Supervisory Board's members.*

With the exception of infrequent justified absences, all the members participated in the sessions. The President and member of the Management Board were invited to all the sessions of the Supervisory Board and the CEO's of programmes were invited as appropriate. The documentary materials for the sessions were prepared with a high level of quality and ensured that the members of the Supervisory Board were provided with quality information.

Annual Report

The Supervisory Board's Audit Committee reviewed the Company's Annual Report and the audit report compiled by Ernst & Young d.o.o. from Ljubljana and prepared the draft report on the verification for the Supervisory Board.
Based on the review of the Annual Report and the Consolidated Annual Report, the Auditor's Report and the Report of the Supervisory Board's Audit Committee, the Supervisory Board finds that the Annual Report and the Consolidated Annual Report for 2011 provide a fair presentation of the financial position of Unior d.d. and the Unior Group in all respects as well as of the profit or loss and cash flows of Unior d.d. and the Unior Group – all in accordance with the International Financial Reporting Standards and the requirements of the Companies Act relating to the preparation of financial statements. The Supervisory Board has no objections to the Report and accepts it.

The Findings and the Proposal for the Allocation of the Profit from the Current Year

The Supervisory Board considered the proposal of the Management Board on the allocation of profit from 2011 and agreed with it.
The established accumulated loss from the 2011 financial year is EUR 6,947,184.08 and is composed of the net profit for the financial year in the amount of EUR 1,310,353.59, net loss brought forward in the amount of EUR 8,258,726.73 and the profit from undistributed dividends from previous periods brought forward in the amount of EUR 1,189.06. The accumulated loss shall remain uncovered and shall be brought forward to the following year.
The Supervisory Board proposes to the General Meeting that they grant a discharge to the Management Board and the Supervisory Board for operations in 2011.

In formulating the draft decision concerning the allocation of profit for 2011, the Management and Supervisory Boards shall observe the applicable provisions of the Companies Act and the Articles of Association of Unior d.d. Because the Company still has uncovered accumulated loss in the current year, the Management and Supervisory Boards propose that dividends shall not be paid out in 2012.
The report was prepared by the Supervisory Board in accordance with the provisions of Article 282 of the Companies Act (ZGD-1) and is intended for the General Meeting.

President of the Supervisory Board:

Matej Golob Matzele

Presentation of the Company

History

The beginnings of Unior reach back to 1919, when the Štajerska železo-industrijska družba company was founded, though the roots of the blacksmith trade in Zreče stretch even further back. In 1950, the plant was renamed Tovarna kovanega orodja Zreče (Zreče Forged Tools Factory) and was nationalized. In the nineteen-seventies, with new forms of development, the company got a new name - Unior Tovarna kovanega orodja Zreče. The company transformed into a public limited company in 1997.

UNIOR Today

The UNIOR public limited company is organised in five programmes:

- Forge Parts,
- Sinter,
- Hand Tools,
- Special Machines,
- Tourism.

Mission

We are a development partner in metal manufacturing, forming and processing and an ally to nature and the people.

Values

Our values are: responsibility, loyalty, partnership, innovation, excellence, honesty, courtesy and perseverance. Our core skills are: broad technical and technological knowledge, diligence and the ability to identify business opportunities in our key business segments. Our core capabilities provide us with the following competitive advantages: a global presence, certain programmes or companies within the Group being among the key players in certain market segments or markets, as well as flexibility and competitiveness in terms of the price and quality.

> *Our corporate values are: responsibility, belonging, partnership, spirit of innovation, excellence, honesty, respect and perseverance.*

Vision

We have set highly ambitious goals with our vision. In 2014, we shall be known as a progressive international company in metal processing and tourism activities. By employing our own innovation process in collaboration with the buyers, suppliers, related companies and research organisations, we shall develop, manufacture and market solutions with an ever increasing added value. Our gross added value per employee shall be EUR 34,000 and shall equal at least the Slovenian average for industrial companies. Our sales shall be worth EUR 183 million. We shall achieve positive economic value added (EVA) and shall guarantee the safety of the investments of our owners with a return on equity (ROE) of no less than 6.6%. We shall further guarantee a good future for our employees. We shall be an integrative link within a dynamic Group that shall use its synergies and together achieve a total of EUR 440 million in sales, a return on equity (ROE) of 7.3% and provide employment for 4,216 people.

UNIOR Group

The UNIOR Group is composed of twenty subsidiaries and twelve associated companies in nineteen countries around the world.

Company	Country	Continent
RC SIMIT	Slovenia	Europe
RHYDCON	Slovenia	Europe
ROBOTEH	Slovenia	Europe
ROGLA INVESTICIJE	Slovenia	Europe
RTC KRVAVEC	Slovenia	Europe
STARKOM	Slovenia	Europe
ŠTORE STEEL	Slovenia	Europe
UNIOR BIONIC	Slovenia	Europe
UNIOR PRODUKTIONS- UND HANDELSGESELLSCHAFT	Austria	Europe
UNIOR BULGARIA	Bulgaria	Europe
UNIOR SAVJETOVANJE I TRGOVINA	Bosnia and Herzegovina	Europe
UNIOR TEHNA	Bosnia and Herzegovina	Europe
UNIOR FRANCE	France	Europe
UNIOR HELLAS	Greece	Europe
UNIDAL	Croatia	Europe
UNIOR ITALIA	Italy	Europe
UNIOR KOMERC	Macedonia	Europe
UNIOR DEUTSCHLAND	Germany	Europe
UNIOR COFRAMA	Poland	Europe
UNIOR TEPID	Romania	Europe
SOLION	Russia	Europe
UNIOR PROFESSIONAL TOOLS	Russia	Europe
SINTER	Serbia	Europe
UNIOR COMPONENTS	Serbia	Europe
UNIOR FORMINGTOOLS	Serbia	Europe
UNIOR TEOS ALATI	Serbia	Europe
UNIOR ESPANA	Spain	Europe
UNIOR INTERNATIONAL	Great Britain	Europe
UNIOR AUSTRALIA TOOL	Australia	Australia
NINGBO UNIOR FORGING	China	Asia
UNIOR SINGAPORE	Singapore	Asia
UNIOR USA CORPORATION	USA	North America

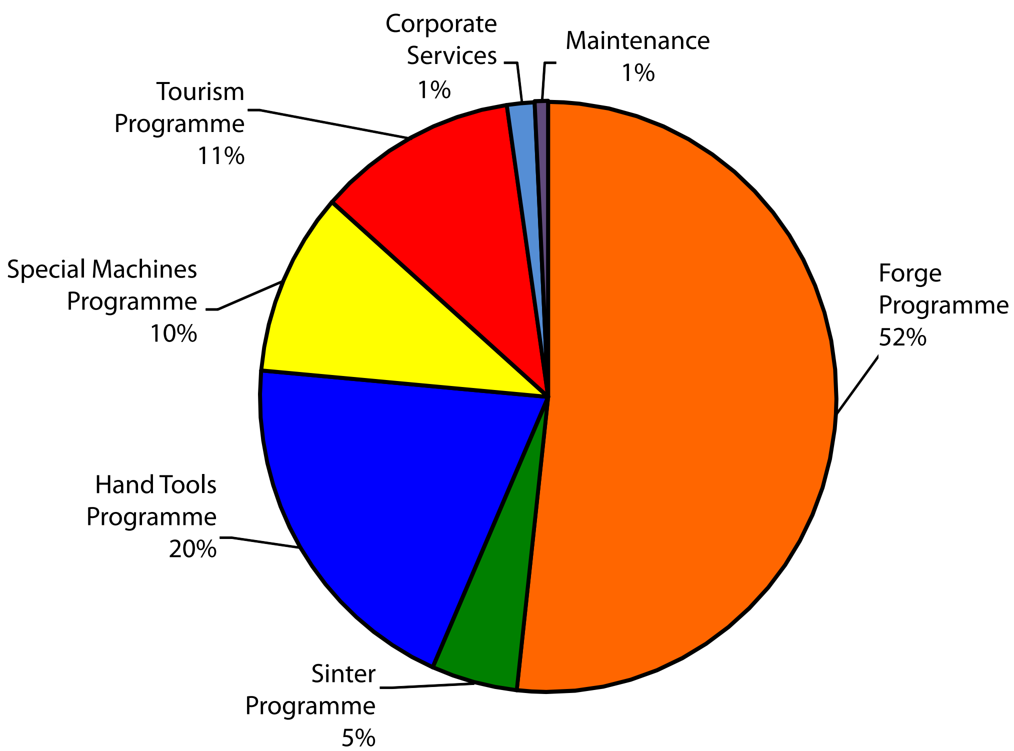
Multidimensional Approach to the Best Partnerships around the World

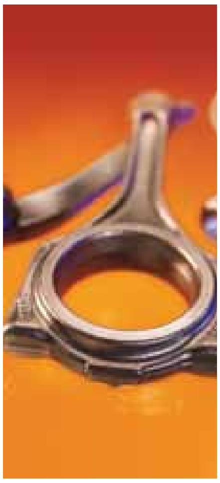
We build on creating new value for our customers from around the world. We ensure the Company's global stability by relying on our wide international business network of associated companies, which allows us to enhance the Unior brand. We build on multidimensional developmental and expert alliance and integration; we export to over one hundred countries around the globe.

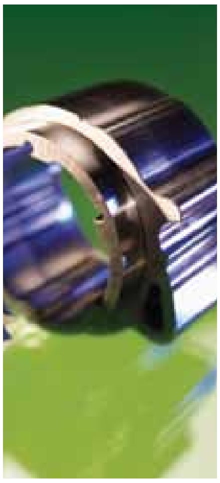
UNIOR®

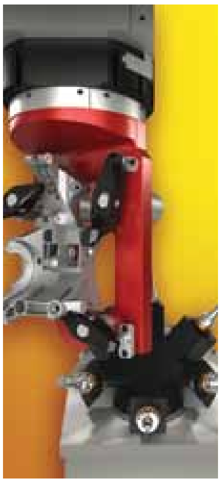
We Lend a Good Ear

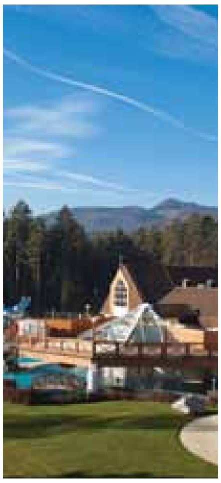
Company's Programmes and Activities











Forge Programme

The Forge Programme develops, forges and processes forgings and assemblies for the automotive industry and other buyers.

The vision for 2014 envisages sales in the amount of EUR 72 million, 13 million of which are to come from processed forgings. We shall produce 10 million connecting rods. A growing proportion of sales shall be achieved outside the automotive industry and shall reduce our dependence on major buyers. The gross value added per employee shall be EUR 33,000. The key strategic objectives are: to increase the added value of forgings by processing, cost control, automation and adaptation to the market (the search for new markets, market opportunities, and the development of alternative technologies).

The Forge Programme is the oldest programme and the foundation from which UNIOR evolved to the company it is today. In 2011, it contributed 52% to the total sales revenues of the Company. We exclusively supply manufacturers from the automotive industry (80 percent of our sales goes to this industry) with demanding forgings that comply with the high safety requirements. These are primarily parts of the steering mechanism for cars, load-bearing parts of the chassis, connecting rods and other forged parts that are not axisymmetric. A small part of the programme includes forgings for the Hand Tools Programme within the scope of the Company.

We operate as a development supplier on the market and, together with our customers, are developing and optimising particular forgings for later use. We are a tier 1 and tier 2 supplier so we supply part of the production range directly to the automotive industry assembly line (for VW, Audi, Renault, Ferrari) and part to their sub-suppliers who subsequently process these pieces and supply them as part of a larger assembly.

As a supplier to the automotive industry, we are committed to observing the most stringent quality standards. To this end, we have acquired the ISO / TS 16949 standard and our buyers also regularly monitor and control the quality of our products.

Co-ownership of the Štore Steel d.o.o. steelworks, which is an important supplier of high quality steel, and our own plant for tool- and machine-building allow us to comprehensively monitor all the requirements stipulated by our buyers for aspects ranging from steel to the finished forged part.

Sinter Programme

The Sinter Programme is a reliable partner in the development of metal powder compaction and sintering technology.

The vision for 2014 promises a fast-growing programme that is attractive for employment and various partnerships with buyers and suppliers in the automotive and other industries. In 2014, we shall generate EUR 12 million worth of sales at the Zreče location. The gross value added per employee shall be EUR 38,000. The key strategic orientations are: the expansion of operations, cost management and the automation of production.

The production of sintered parts (made of metal powder) places the UNIOR company among the most important suppliers of the automotive systems industry. Our products comply with the most stringent quality requirements and standards. They are installed into the BMW, Audi, VW, Volvo and other car makes. The main products of this programme are parts of steering mechanisms for cars and parts for the fittings of builder's joinery, sliders, rotors and casings for oil pumps, self-lubricating slide bearings and sleeves, gears and parts for braking mechanisms. They are used in engines, gearboxes, steering wheels and other car parts, power tools for outdoor use, builder's joinery and household appliances, small household appliances and similar products.
Using mechanical and hydraulic CNC presses, we can produce products featuring either simple or complex shapes. For products requiring high density, we use double sintering or hot pressing procedures. The main production processes are supported by secondary processes such as machining, surface protection application, smoothing and sandblasting, heat treatment and hardening directly by sintering, oil impregnation and steam treatment.

The Sinter Programme is designed in line with the ISO 9001 international quality management standard, the ISO/TS 16949 quality management standard in the automotive industry and the ISO 14001 environmental management standard, for which we have obtained certificates. The Company fully adapts to the customer requirements and carries out frequent control inspections of the manufacturing processes and products, which are either performed by the buyers themselves or they may choose to rely on the assigned standards.

Hand Tools Programme

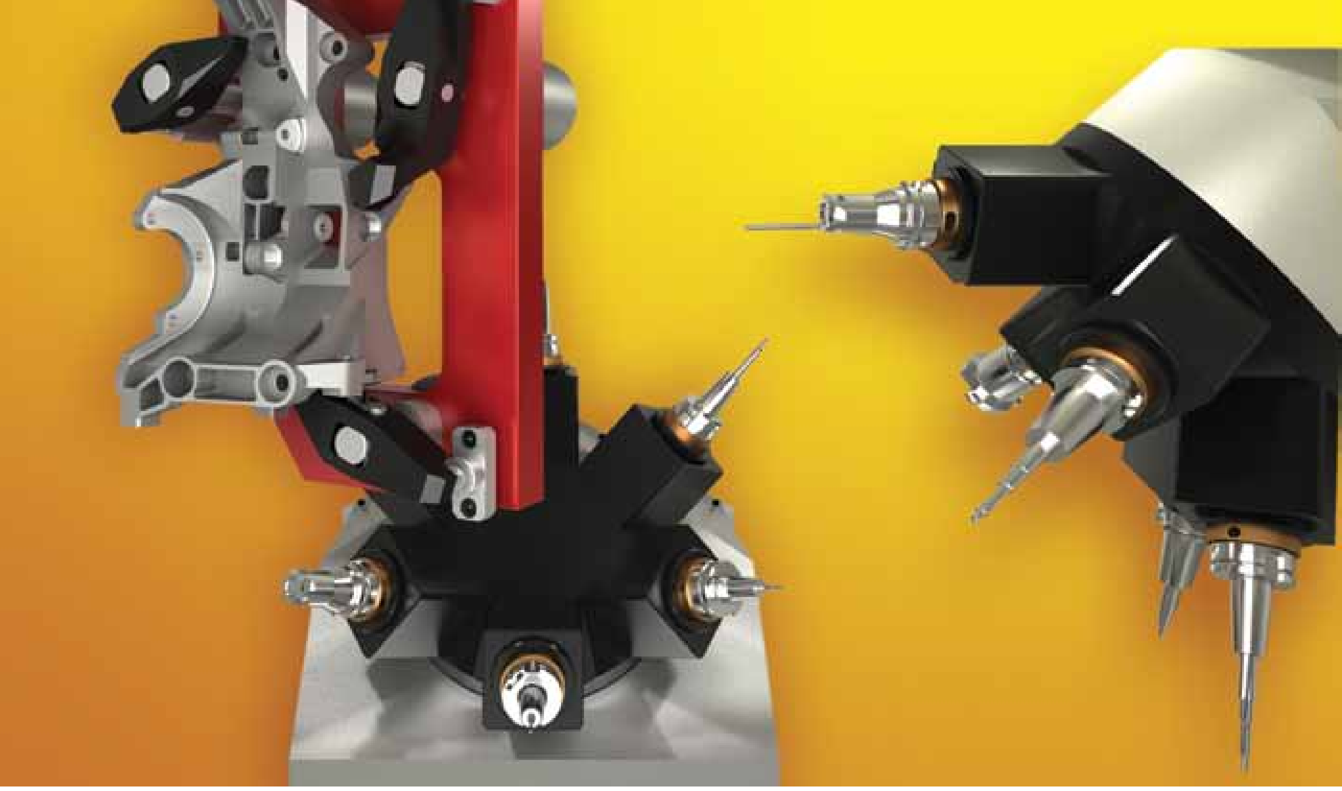
We create sophisticated hand tools within the scope of the Hand Tools Programme.

The vision for 2014 stipulates a global presence and a focus on products and services with increasingly higher value for the buyers, which enables the achievement of EUR 32,000 worth of gross value added per employee. We will be successful in the development, manufacture and sale of special tools (cycling, automotive, motorcycle, VDE DP), within the scope of which we shall achieve 30% of our total realisation. The cold Forge Programme will enable us to generate EUR 6 million of realisation. The key strategic orientations include: the reorganisation of sales and the sales network, the development and marketing of specialised tools, the expansion of production and sales of cold forging products, lean manufacturing, production and inventory planning and the computerization of the operations performed through the sales network – B2B.

The hand tools production and sales programme encompasses 5,500 products, the most important of which are: wrenches, pliers, socket wrenches and accessories, metal packaging, removers, hammers, spanners, clamps, scissors, plumbing tools, tools for electricians, electronics repairers, roofers and special-purpose tools for servicing bicycles and cars.

We focus on the development, manufacture and marketing of high quality, functional hand tools with a long service life that are intended for professional users. A special feature of the UNIOR tools is an attractive relationship between superior quality and affordable price. The tools are made with state-of-the-art computer controlled machines for the thermal, mechanical and surface treatment of materials, which enables us to closely adapt to the needs of our customers.

Our hand tools are available to users worldwide. A widespread network of distributors is responsible for their sale. UNIOR hand tools meet the demanding global and European DIN standards. Tools for work under high voltage have been VDE-certified since 1991. All employees are engaged in the processes of designing quality improvements and mutual learning.



Special Machines Programme

The Special Machines Programme enables competitiveness thanks to the latest machines and individual technological solutions.

In the vision for 2014, we defined our objective to achieve an annual realization of EUR 20 million and a gross added value of EUR 48,000 per employee. We strive to establish ties within the scope of equitable and quality strategic partnerships, which will ensure the necessary stability and further development. We shall be the leader in the field of deep-drilling and recognised as a reliable and responsible engineering company. The key strategic orientations include: human resources development, technical development, the effective implementation of projects and project marketing.

The Special Machines Programme specializes in the development and manufacture of complex purpose-built machining centres, such as flexible machines with a rotary table, flexible manufacturing cells, machines for deep drilling, five-axis machining centres and flexible welding cells. Our machining centres are used in the automotive industry for working engine and chassis components (elbow shaft, cam shaft, gearbox axles and peripheral units)

We incorporate the latest achievements in the construction of machinery and technology for cutting materials into our solutions. Our programme is based on development as each product is a prototype tailored to the customers' requirements and the specificities of the product, which is processed on the machine.

The operations of the Special Machines Programme are based on the international quality standards because of our own needs and the requirements of our buyers. We currently hold certificates for ISO 9001, ISO 14001 and, most importantly, the VDA 6.4 standard. Focus on the customer, respect for contractual obligations and a high degree of organisation ensure that all the requirements stipulated by the certificates are met.

Tourism Programme

The Tourism Programme offers natural and healthy living to our guests.

The vision for 2014 shows a shift towards increasing the quality of services for demanding guests, which will create EUR 25 million in annual turnover and 230,000 overnight stays per year. The gross value added per employee shall be EUR 33,000. We shall be recognizable for specialised health services and shall be included in the network of global training camp centres for top-level athletes. The key strategic orientations are: quality of services, growth on foreign markets, the development of new tourism products and operational efficiency.
The construction of the new Atrij hotel and the change of the business concept of the Zdravilišče Terme Zreče thermal spa resort have enabled specialised targeted marketing of the health and wellness tourism segments on the international market. Thanks to the products it offers, the Terme Zreče spa resort can easily compete with the other Slovenian health resorts that completed their modernisation programmes prior to 2010. Similarly to Terme Zreče, we have begun specialised marketing for the Rogla centre, where the current limitation is the relatively obsolete accommodation infrastructure, while the capacities for the organisation of seminars and training camps for athletes meet the most stringent of criteria.
We will continue marketing active holidaymaking for both families and the active population, whom we managed to include in the strategy for the development of Slovenian tourism up to 2018, both for the Rogla centre and the Terme Zreče spa resort. The Term Zreče thermal spa resort continues to focus on marketing specialised health programmes on foreign markets and preventative programmes for the treatment of back problems on the domestic market.
In cooperation with the Olympic Committee of Slovenia and the Mediterranean Committee, we are preparing activities aimed at boosting visits from top-level athletes, individuals and groups, and have obtained EU funds for the development of a centre for the organisation of athlete training camps and rehabilitation programmes for top-level athletes. The project, which will provide 85% of the funding needs of two associates for three years, will also provide 25% of the funding for the labour cost of another five full-time employees at Unior Tourism.

On Mount Rogla, UNIOR has developed an attractive tourist offer for all seasons. In the winter, guests can enjoy well-arranged ski slopes with two four-seater chair lifts, eleven T-bar lifts and artificial snowmaking, all of which ensures one hundred days of winter fun. In summer, Rogla is a friendly destination for cycling, hiking and mushrooming enthusiasts, as well as for those who enjoy other forms of recreation. UNIOR is also the owner of the Krvavec ski resort and co-owner of the Rimske Toplice thermal spa. Tourism activity generated 15% of all the sales revenues of the Company in 2011.

Unitur®
HOTELS & RESORTS

Major Events in 2011

- In April, we successfully tendered our bid in the public tender for co-financing operations aimed at increasing the efficiency of electricity consumption in the economy in the 2011–2013 period, the UREE1. By replacing internal lighting fixtures, we will realise savings of 855.8 MWh/per annum and consume 68 per cent less electricity. The replacement of external lighting will also enable us to realise electricity consumption savings of 80% or 192.07 MWh/per annum. The amount of the eligible costs of the project is nearly EUR 215,000, while the amount of co-financing is slightly less than EUR 65,000.

- On 13 April 20121, an extraordinary General Meeting of Shareholders of Unior d.d. was held and Rok Vodnik, MSc was appointed a new member of the Supervisory Board whose term of office shall be until 12 December 2013. He replaced the current Supervisory Board member, Mr Blaž Brodnjak, who tendered his resignation.

- On 14 April 2011, we sold a 25% stake in UNIOR Formingtools d.o.o. in Serbia, which was acquired by the current member of the UNIOR Components a.d. Serbia-based company. The new ownership stake of UNIOR d.d. is 49%.

- On 18 April 2011, we sold a 25.1% stake in Štore Steel d.o.o. The stake was acquired by the existing company members. This brought the stake of UNIOR d.d. to 29.253%.

- On 20 April 2011, the RC SIMIT d.o.o. development centre was registered. We hold a 20% stake in the company. The development centre represents cooperation between several Slovenian companies, namely: Talum, Cimos, UNIOR, Iskra ISD, LTH Ulitki, SwatyComet, Amit, Ortotip, Roboteh, TC Livarstvo, HTS IC, Tecos, Zavod za livarstvo, Telkom-OT, Inštitut za kovinske materiale and the Jožef Stefan Institute.

- On 22 April 2011, we acquired a 100% stake in the Rogla Investicije d.o.o. company that owns land on Rogla.

- On 3 May 2011, we received a decoration in Innsbruck within the Interalpin international skiing and ski lift equipment fair, namely in the categories for the best offer for children and the arrangement of ski runs, as well as a decoration for the quality of the wellness offer. We are especially proud of the decoration in the Fun & Action category, where the Rogla Fun Park received the golden award for imaginative design and construction, quality maintenance and well-received and attended events.

- On 4 May 2011, the Petrol and UNIOR companies handed over the completed new unit for the co-generation of heat and electricity at Zreče. The companies are thus continuing

their long-standing and productive cooperation in the field of energy supply to the Zreče Municipality and simultaneously their care for the environment.

- We have obtained the AEO certificate and thereby the status of an authorised economic entity. The AEO certificate was presented to the President of the Management Board, Mr Gorazd Korošec, on 16 June 2011 by the Deputy Director of the Celje Customs Office, Mr Boris Kastelic.

- On 1 July 2011, we established the UNIOR Savjetovanje i trgovina d.o.o. company in Sarajevo. Our ownership stake in the company is 80%. The company will pursue the business of consulting, production, bidding in tenders, project management and cooperation in joint projects that we will implement in various fields in the energy generation industry in the Federation of Bosnia and Herzegovina.

- On 20 July 2011, the 15th regular session of the General Meeting was held, at which the shareholders:
    - considered the information regarding the Annual Report, the auditor's opinion and the written report of the Supervisory Board regarding the Annual Report,
    - decided on the accumulated loss and granting a discharge to the Management and Supervisory Boards,
    - amended and supplemented the wording of the Company's Articles of Association, and
    - appointed an auditing company for 2011.

- On 18 August 2011, the shares of UNIOR d.d. began trading on the standard market of the Ljubljana Stock Exchange. This was the realisation of the decision from the 14th regular session of the Company's General Meeting, which adopted the decision on 21 July 2010 for

"By 2014, we expect to strengthen our renown of an innovative international company in both the metal processing and tourism sectors."

the shares of UNIOR d.d. to be floated on the organised securities market of the Ljubljana Stock exchange. On 13 July 2011, the Company obtained a decision from the Securities Market Agency with ref. No. 40200-10/2011-6. The Prospectus was published on 16 August 2011 and the shares were listed on the Ljubljana Stock Exchange as of 18 August 2011. The first trading day was 22 August 2011.

- On 7 September, the Manager magazine published the rankings of the biggest and most active scholarship providers where UNIOR d.d. was named the "Second Largest Scholarship Provider in the Country" in terms of the nominal amounts of scholarships as well as the second place in terms of the share of scholarships within total labour costs. By providing scholarships, the Company is primarily striving to secure students and pupils from professions with a shortage of practitioners, such as professionals in the hospitality industry, mechanical engineering and physiotherapy.

- On 17 October 2011, the opening of the UNIOR Savjetovanje in trgovina BH d.o.o. subsidiary was held in Sarajevo. UNIOR d.d. holds an 80% stake in the company that will pursue the activities of consulting, production, bidding in public tenders, project management and cooperation in joint projects in the energy generation, mining and other industries.

- On 17 and 18 December 2011, Rogla hosted a World Cup competition in ski running for women and men – the Rogla Open 2011. This was the second World Cup competition organised by UNIOR d.d., which placed Rogla on the World Cup race calendar so that it will host races every two years.

- On 23 December 2011, UNIOR d.d. acquired a 25% stake in BS Tehna d.o.o. in Sarajevo with the aim of selling hand tools in Bosnia and Herzegovina through that company. The company was renamed UNIOR Tehna d.o.o.

- The new Atrij hotel in Zreče was commissioned for use in December. We thus gained an additional 100 beds in the superior category (****), which will enable us to satisfy even the most demanding guests. The project also brought us a new restaurant and the Idila Wellness & Spa Centre.

The Most Important Markets and Buyers

UNIOR is a supplier to the automotive industry, which is why developments in this industry are crucial for our business. Our major buyers include all the most prominent manufacturers: Volkswagen, Audi, BMW, Renault, Dacia, Peugeot, ZF Lemforder & ZF Lenksysteme, Volvo, Bosch Siemens Group, Daimler, JTEKT, GKN, Arvin Meritor, General Motors and Cimos. Among the other sectors, in which our buyers operate, it is also worth mentioning the craftsmen, repairers and end users who are important primarily for the Hand Tools Programme.

Our main market is the European Union, where we export 90 per cent of all products in the field of metal manufacturing and processing, which means that we generate 80 percent of all sales revenues through sales on this market. Among the other markets that are most important for us are the European markets outside the EU and the Asian markets.

Forge Programme

Like other programmes, the EU market is also the most important for forgings from the Zreče forge and the Croatian Unidal company since we generate 97 per cent of all sales revenues on this market – somewhat over 5% of these revenues are generated in Slovenia. The majority of the products (90 per cent) are intended directly for the automotive industry (the buyers include VW, Audi, Renault, Dacia, and BMW) and their sub-suppliers (ZF Friedrichshafen AG, TRW, JTEKT, SEAC, GKN, and Meritor).

In 2011, we managed to attract several strategically important buyers and projects (contracts), which we strived to secure in recent years.

We have thus consolidated our position in the field of connecting rods. We have obtained new contracts from the VW Group (EA 211, EA 888) that will enable us to maintain the number of connecting rods produced at the level of 10 to 11 million over the next couple of years. In addition to the above contract, we have obtained a new strategic project from Renault for a completely new generation of engines. We have managed to obtain the contracts in the area of connecting rods for two development projects with a “new buyer”, BMW, that will help us reduce our dependence on the VW Group.

We also take part in the development of engines built into hybrid vehicles. Our strongest competitors on the most important markets are European manufactures such as Mahle-Brockhaus, STP, Kanca and Ateliers des Janves.

In the area of steering mechanisms, we have managed to retain our share of supply to the ZF Group. We have significantly strengthened our position with TRW, where we secured 4 new strategic projects in 2011 that will enable our further healthy growth. SEAC remains a stable buyer with the programme for Toyota. We have recorded significant growth and secured new contracts for the project of the JTEKT company, where the share of processing is becoming increasingly important with a realisation of more than EUR 3 million.

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

Sinter Programme

The principal market for the Sinter Programme is the European Union, where the domestic (Slovenian) market accounted for 13.2 per cent of all revenues generated from sales in the EU in 2011. We generate by far the largest portion of revenues from sales to the automotive industry (80 per cent for passenger cars and 8 per cent for trucks). Our buyers also come from other industries, namely small household appliances (8 per cent) and the construction industry (4 per cent). Our largest buyers include ZF Lenksysteme Nacam, ZF Lemforder Schaltungsysteme, Willi Elbe, the BPW Group and Roto Lož. We are facing competition from all over the world. Those warranting special mention are the American company GKN, the Austrian company Miba Group, and the French company Federal Mogul.

It is becoming increasingly evident in the Sinter Programme that practically no product or service can ensure a lasting competitive advantage.

The providers of sintered products include both larger multinationals and smaller and more adaptable (niche) manufacturers.

The larger global manufacturers are attempting to corner the entire purchasing chain and the automation of production has increased significantly, which is putting smaller niche manufacturers at a disadvantage. They are nevertheless still present and successful as the key buyers (automotive industry and increasingly also other industries) support the existence of competition and the adaptability of providers.

Hand Tools Programme

The EU market is also the most important one for hand tools because we generate two-thirds of all our revenue on that market and another 17 per cent on other European markets. The largest (40 per cent) share of sales revenues is generated with the sales of tools to craftsmen, repairers and other end customers. The rest include companies from the automotive, aviation, petrochemical, steel, electricity and construction industries.

Our strongest competitors on the most important markets are European hand tools manufacturers such as Facom, Knipex, Gedore, Stahlwille and the like. Recently, however, the Chinese manufacturers are increasingly entering the market and offering tools at very low prices.

In 2011, there was a slight improvement in the economic situation on the markets that are crucial for the programme. Marked improvements are evident in the Russian Federation, Romania, Austria and France as well. This year, more than seventy per cent of our buyers increased their purchases of our products. We are also recording impressive results on the markets of Saudi Arabia and Africa. Domestic sales have increased by 22%, largely due to the company turnaround of our largest buyer Merkur and the increase in the sales of other distributors.
Equally worrisome is the decline in sales to Greece, which is the result of the local economic and political situation there.

Special Machines Programme

Since the intense entry into the automotive industry, our single biggest market is Germany where we generate the majority of all sales revenues. Products are sold exclusively to the automotive industry, whereby our largest buyers are: Volkswagen, BMW, Daimler and General Motors. However, the bulk of our buyers' investments go to their subsidiaries outside Europe's borders so more than 70% of the exports of capital goods are expected to go to countries outside Europe in the future, whereby the focus is on the Chinese and Asian markets. This change will occur especially in 2012. Our biggest competitors on the most important markets are the German companies Elha and Licon and the Spanish company Etxetar.

In 2010, we began intensively building our partnerships with the GROB and Heller companies that are not based on capital ties. We expect this to bring us a long-term stabilization of operations as well as continuous orders. Both companies rank among the leading global builders of machines for our industry. Within the scope of the development conferences, we have identified additional activities mainly linked to increasing the intensity of marketing and communications with key buyers, as well as the search for new market opportunities.

Through the selection of buyers and market segmentation, we have introduced a new sales policy, with which we aim to attract certain strategic suppliers to today's end consumers. By focusing our efforts on foundries for aluminium and grey cast iron, as well as forges, we will have to partially modify our products. We expect that the development of flexible machines that we have carried out so far will meet the needs of new buyers, but we will need to make a step forward in lowering the prices of implementation and the prices paid by end users on account of the impact of the competition.

Tourism Programme

The most important markets for our tourism services are Slovenia, Croatia, Italy, Austria, Germany and Hungary. We expect our activities on the Russian market and the markets of the Middle East, Turkey and northern Africa to bring an increase in visits of specialized guests (groups and individuals coming for sports- and health-related activities). We are not counting on guests from Great Britain in the short-term because of the impact of the crisis, while we will market our new accommodation capacities more actively on the markets of the former Yugoslavia.

In 2011, the number of overnight stays at our centres declined due to interruptions to the operations of the Terme Zreče resort, which closed down its Klasik hotel for more than a month. This was coupled with our inability to market MICE tourism for more than 6 months because of the renovation. By intensifying our marketing activities aimed at health-related tourism, hospitality and wellness services, we managed to offset a large portion of the shortfall in overnight stays, thus managing to keep the decline of revenues compared to the previous year at only 2%.
On Mount Rogla, the declining number of overnight stays continued in 2011, which was partly due to the extremely bad weather in the winter and in the major holiday month of June. We were also unable to offset this shortfall in the off-season despite the truly good results in August and September.

In 2011, we completed the construction of the hotel portion of the Terme Zreče complex, but the construction crews fell behind by three months due to complications, which was in turn reflected in the planned turnover. The wellness centre within the scope of the Atrij hotel has not yet been completed, which is why marketing and sales activities could not be initiated in the second half of the year. Despite this, we hosted very demanding guests from the Middle East and Russia in the second half of the year who were pleased with the above-standard programmes on offer.
On Mount Rogla, we constructed and enclosed the sporting facility of the Rogla hotel within the scope of the running course project. We used the facility with great success for the World Cup ski running competition. The World Cup competition was organised in December under extremely unfavourable conditions, but we received compliments and praise for the organisation both at home and abroad, including from the FIS. We covered the costs of the race with sponsorship funds and the contribution from FIS MAG and INFRONT. In 2011, we became a full member of the network of global centres for top-level athlete training camps (the only one in central Europe).

With Synergy to Perfection

The synergy in the managing of our five programmes allows us to increase added value and guarantee perfection when it comes to our products and services.





UNIOR®

We Lend a Good Ear

Shares, Capital Increase and Listing on the Stock Exchange

Upon the establishment of the Unior public limited company, 2,138,200 shares were issued with a face value of EUR 8.35. Since then, the Company has carried out two capital increases. The first was performed on 1 December 1999 when an additional 200,214 shares were issued, and the second on 1 February 2010 when 500,000 new shares were issued. UNIOR thus had 2,838,414 shares as at 31 December 2011, which have been registered as no-par value shares since 2006. They are issued in dematerialized (book-entry) form and registered as of 21 January 2000 in the Central Securities Register maintained by the KDD - Central Securities Clearing Corporation, d. d., in Ljubljana.

Significant data on shares

	2011	2010	2009	2008
Total number of shares	2.838.414	2.838.414	2.338.414	2.338.414
Number of treasury shares	2.330	71.245	71.245	68.915
Number of shareholders	1.320	1.319	1.207	1.190
Dividends per share	-	-	-	0,32
Value of treasury shares in the balance sheet (in thousands of EUR)	100	2.719	2.719	2.619

Treasury Shares

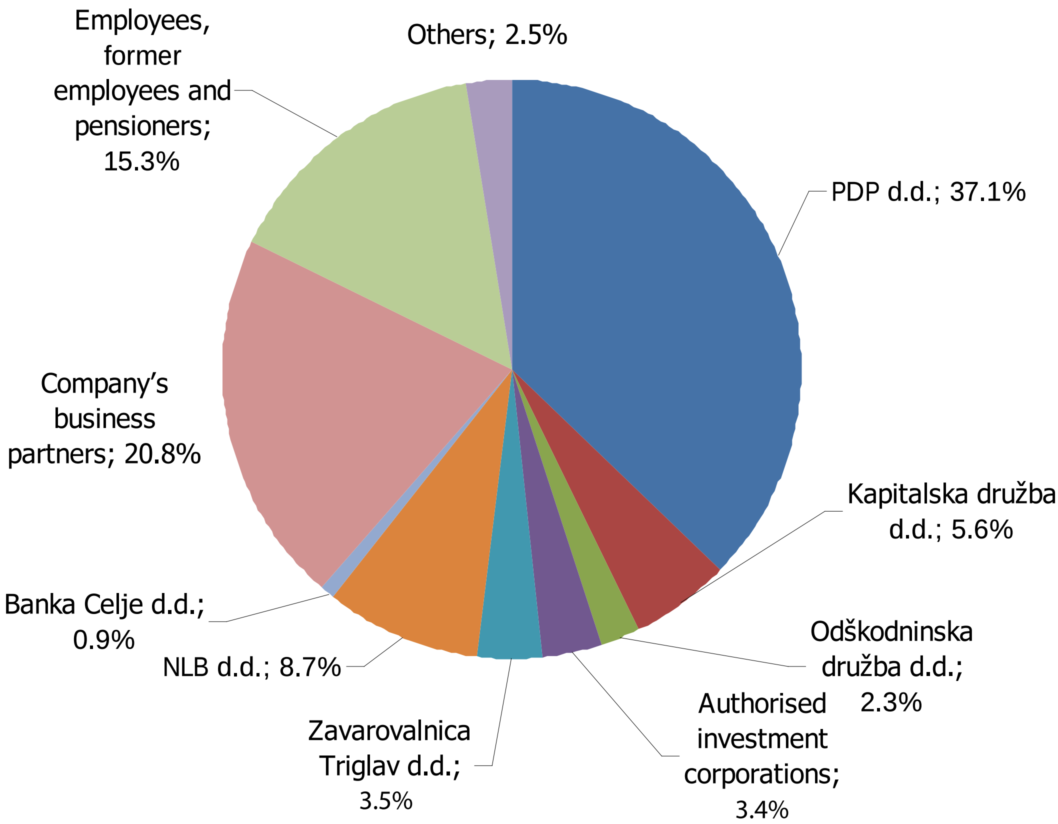
The Unior Group has a total of 2,330 of treasury shares representing 0.08 per cent of the total equity capital. The shares are owned by Unior Deutschland GmbH, Remseck.

Ownership Structure

Ownership Structure on 31. December 2011

Shareholder	Number of shares	Ownership stake (%)
PDP d.d.	1,053,418	37.1%
Kapitalska družba d.d.	157,572	5.6%
Odškodninska družba d.d.	65,661	2.3%
Authorised investment corporations	96,051	3.4%
Zavarovalnica Triglav d.d.	100,000	3.5%
NLB d.d.	245,689	8.7%
Banka Celje d.d.	25,000	0.9%
Company's business partners	590,162	20.8%
Employees, former employees and pensioners	433,606	15.3%
Others	71,255	2.5%
TOTAL	**2,838,414**	**100.0%**

The prospectus was made public on the 16th of August 2011; on the 18th of August 2011, the shares were listed in the stock market of the Ljubljana Stock Exchange. The first day of trade was the 22nd of August 2011.



Listing of the Shares on the Stock Exchange

At the 14th regular session of the Company's General Meeting held on 21 July 2010, the decision was taken for the shares of UNIOR d.d. to be listed on the organised securities market of the Ljubljana Stock exchange. On 13 July 2011, the Company obtained a decision from the Securities Market Agency with ref. No. 40200-10/2011-6. The Prospectus was published on 16 August 2011 and the shares were listed as of 18 August 2011 on the Ljubljana Stock Exchange. The first trading day was 22 August 2011.

Notification of Shareholders

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

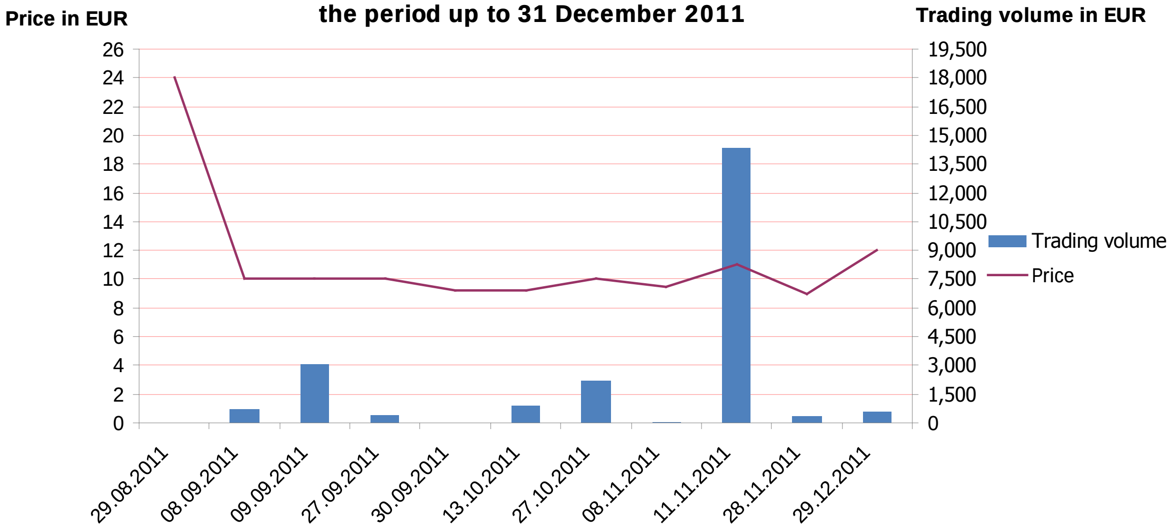
Performance indicators per share

	2011	2010	2009	2008
Earnings per share	0,46	-0,98	-4,18	0,61
Book value per share (in EUR)	42,82	41,77	45,64	49,81
Sales per share (in EUR)	54,47	44,23	47,64	65,52
Cash flow per share (in EUR)	5,05	4,48	1,46	6,92
Pay-out ratio	0%	0%	0%	52%

Trading in UKIG Shares

The stock market price of an UKIG share as at 29 December 2011 (closing price) was EUR 12.00. The total turnover generated following the listing of the share on the organised market amounted to EUR 22,755.90 since 31 December 2011. The price-to-book value ratio of the share as at 31 December 2011 was 0.28.

Changes in the average price per UKIG share and trading volume of the share for the period up to 31 December 2011



Social Responsibility

Sustainable development is one of the main development orientations of the Company and the UNIOR Group, and represents an important factor of the Company's performance together with social responsibility. Long-term goals can only be realized through good relationships that start at the Company and continue with a responsible attitude towards the social and natural environments.

Employees

At the end of the year, there were 2,223 employees working at Unior. Their number increased during the course of the year by 1 per cent. In line with the situation in the area of orders, the number of employees increased in production programmes, which recorded the largest increases in sales. Most of the new employments are fixed-term as the number of fixed-term employees increased by 89. The number of employees in support services (Joint Service and Maintenance) has decreased in line with the rationalisation of operations.

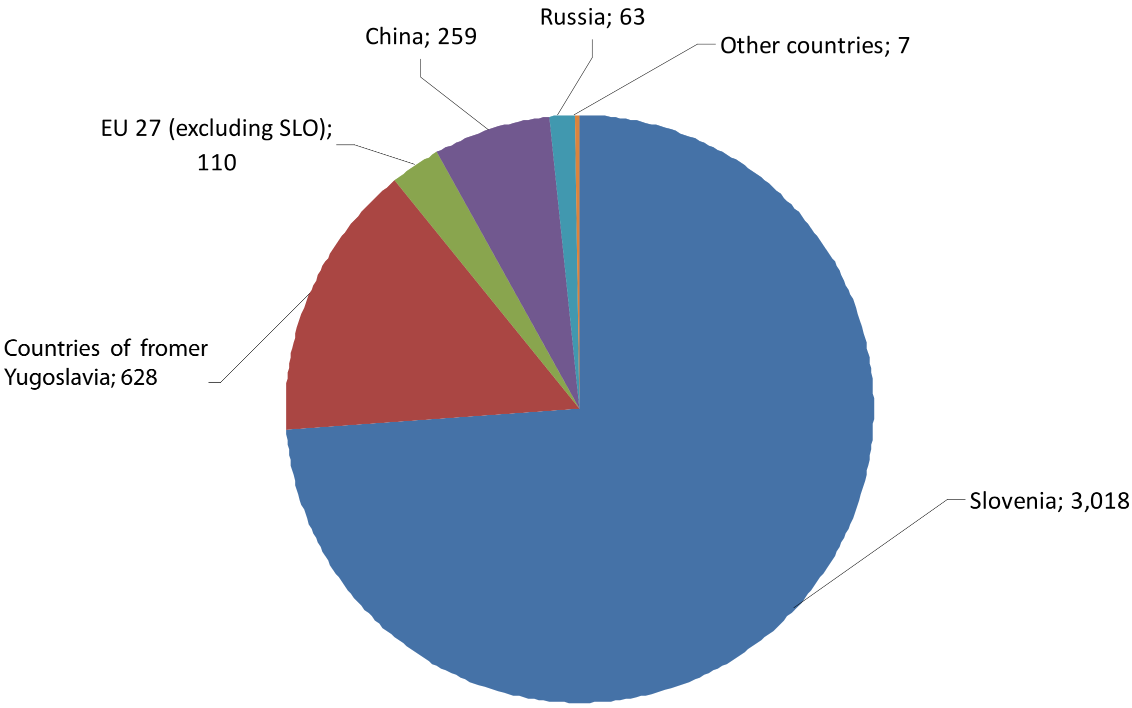
Data on employees

	2011	2010	2009	2008
Total number of employees	2.223	2.200	2.169	2.352
Forge Programme	837	809	776	781
- Sinter Programme	118	122	117	82
- Hand Tools Programme	427	446	411	554
- Special Machines Programme	153	135	139	186
- Tourism Programme	461	460	485	503
- Joint services	125	130	142	143
- Maintenance	102	98	99	103
No. of employees leaving the Company	203	170	245	459
New employees	226	201	62	200
Average years of service at the Company	16,5	18,5	20,5	19,6
Average age	40,5	40,8	40,7	39,8
Average number of employees from hours worked	2.098	2.057	1.991	2.356
Average absence from work (in hours)	141,0	148,7	129,3	159,3
Cost of education and training (in EUR)	379.824	493.410	628.051	661.015
Average wage (in EUR)	1.295	1.248	1.139	1.183

All of the employees who left the Company did so consensually, whereby the majority of these employees were retired. New employees are the workers at the Forge Programme and hospitality industry workers in the Tourism Programme who were hired specifically for the winter season. Because of the sizable number of retirements and employment of young people, the average length of service at the Company decreased and the average age of all employees remained at nearly the same level.

Structure of employees by county (UNIOR Group)

	Number of employees
Slovenia	3,018
Countries of former Yugoslavia	628
EU 27 (excluding SLO)	110
China	259
Russia	63
Other countries	7
TOTAL	**4,085**



Sick Leave and Injuries At Work

The cost of sick leave at Unior is relatively high, which is the result of the specificity of the Company's metal processing activity and the high average age of employees. Despite this, however, the number of sick leave hours due to illness or injury (excluding maternity leave) decreased by 5% in 2011.

In 2011, we had 139 injuries at work, which is 5.3 per cent more than in 2010. The measures in the area of health and safety at work have primarily been directed towards prevention:

- training of the leadership in responsibility from the point of view of safe work,
- training of workers regarding the hazards in the workplace and the obligations regarding safe work (314 people underwent regular training, 170 training sessions for individuals and 181 trained students),
- preventative medical examinations of employees (481 employees underwent preventative medical examinations),
- implementation of regular maintenance work, inspections of the working and safety equipment from the standpoint of safety and elimination of deficiencies,
- systematic treatment of accidents and elimination of deficiencies,
- revision of the instructions for the safe handling of work equipment and fire safety,
- preventative drills for the evacuation from the facilities in case of fire,
- risk assessment review,
- introduction of the occupational health and safety system in accordance with the requirements of the OHSAS 18001 standard.

Education and Training

Employees are provided with the opportunities for continuous professional training at Unior. We co-finance part-time studies of our key staff that show an interest in continuing their education. We recruit new employees by way of a system of scholarships for pupils and students. Even in the time of the economic crisis, we did our best to provide our employees with access to new knowledge. It was thus that we allocated EUR 380,000 for education and training in 2011, which is less than a year ago. We achieved savings in other forms of education and training and did not enter into any new contracts on the co-financing of part-time studies. We also reduced the number of new contracts for student and pupil scholarships.

According to Education

	Level of qualification	31. 12. 2011	31. 12. 2010
I	Unskilled	513	547
II	Semi-skilled	156	154
IV	Skilled	761	756
V	Secondary vocational education	498	480
VI	Higher vocational education	118	105
VII/1	Graduate vocational education	90	80
VII/2	University vocational education	80	68
VIII/1	Master's degree	7	10
VIII/2	PhD	0	0
SKUPAJ		**2.223**	**2.200**

Average Salaries and Wages

The average monthly gross salary per employee in 2011 amounted to EUR 1,295 and was higher by 3.8% YOY, while it was higher by 9.6% during this period last year. With a 1.8% rise in consumer prices, this represents a 1.9% real increase in average salaries. The net salary increased during this period by 3% or by 1.2% in real terms.

The salaries increased because of the 2% salary adjustment made in April as well as because of the increased scope of overtime work and work in the third (night) shift.

Provision of Information to Employees

The provision of information to employees is arranged systematically and conducted using different tools: with an internal quarterly newspaper and, as appropriate, a newsletter, regular notices on notice boards and via the intranet. The Company encourages interpersonal communication that takes place hierarchically according to a time schedule for communication of the works council, trade unions, the Management Board, the Executive Committee, the expanded college, workers assemblies and sectoral meetings. The company is striving to promote interpersonal communication of employees with various social events as well.

The Company

We are aware at Unior of the importance of an active and responsible engagement in the wider social environment. By providing funding and awareness-building, we are trying to help individual organizations and societies to carry out various activities. We responsibly participate in the development of the Zreče Municipality by investing in tourism development and do our very best to find ways to contribute even more to a better quality of life of our fellow residents and to the development of the region. We allocate sponsorship and donation funs for the current initiatives and event organisation to various societies and organizations. We support many cultural, sporting and humanitarian projects through annual sponsorship and donations.

In the area of sports, we allocate funds to the Zreče Football Club, the Zreče Volleyball Club, and the Unior Celje Ski Club. We also make provisions for the health and recreation of our employees by way of supporting the Unior Sports Club, in which more than a half of our employees are members.

In the area of culture, we support various events in the town of Zreče and its surroundings. We provide sponsorships and donations to culture through our involvement in various foundations, and we also support the programme activities of the municipality.

When it comes to humanitarian activity, we take part in various charitable campaigns. We have contributed funds for the acquisition of equipment for community healthcare centres and hospitals.

Environmental Protection

In 2011, UNIOR d.d. successfully maintained an environmental management system in accordance with the ISO14001 standards. The environmental management system was certified by the Bureau Veritas certification company. The audit found certain non-compliances that we rectified within the agreed upon deadline. Certain recommendations were also issued that we are gradually introducing into our environmental management system. Because of the increase in cooling waste water from the forge plant, we submitted an application in December for the change of the environmental permit, but have not received a reply in 2011. We monitored the environmental indicators such as emissions into water and air, consumption of energy products, natural resources, chemicals and the waste generated, as well as waste disposal activities and the generation of noise pollution. Based on these environmental indicators and the identified environmental aspects, legal and other requirements, the results of monitoring activities, information received from employees, stakeholders, neighbours and buyers, we have set up programs and determined the objectives for the coming years.

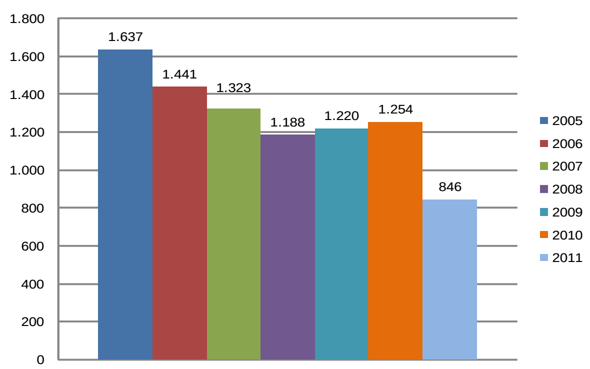
Energy Consumption, Energy Efficiency

We monitor the consumption of drinking and process water and take appropriate action (elimination of leakage, introduction of solutions to reduce consumption). We build our employees' awareness of the need to conserve energy – the closing of valves for water and air, switching off lights during breaks and the like. We monitor energy consumption and take action when it exceeds the set targets. We have installed meters on every major energy consumer, which measure the energy products consumed and the quantities produced. Alongside the continuous monitoring of these data, we are able to detect when a machine is poorly utilized or in need of major repair. We started the project for the utilization of waste heat. We are performing the automation of the process water pumping station with the installation of frequency-controlled pumps.

Waste Water

The Company uses sanitary and process water. Before releasing waste water into the environment (sewers, into watercourses or on land), we carry out continuous internal and external measurements of water quality depending on the quantity and type of waste water. Based on the external measurements, an authorised company calculates the water loading units and compiles a projection for the calculation of the environmental charges for the loading of water with pollutants. The considerable drop in the loading of waste water is reflected in the lower quantities of potable and process water and thereby the lower quantities of waste water. More efficient control has enabled us to improve the quality of waste water and the measurement results as compared to the previous years. We pay the environmental charges based on the calculated total waste water loading units. Because of the decrease in the loading of waste water with pollutants, will pay 30% less in 2012 in environmental charges for environmental pollution caused by waste water discharge.

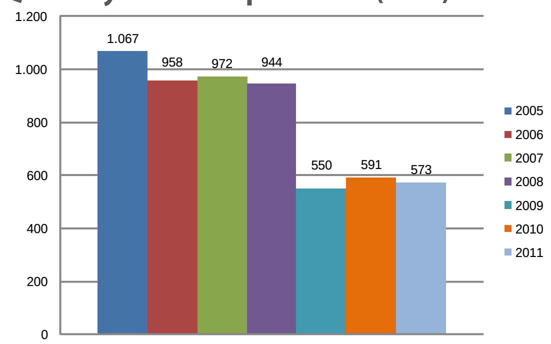
Loading of the environment with waste water (Load unit)



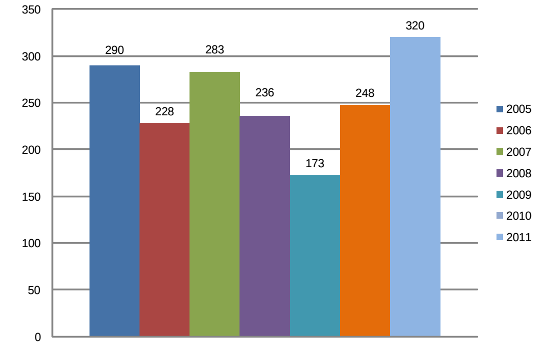
Waste

The diagrams below show that the quantities of municipal waste are decreasing, which is the result of the more efficient waste separation. They have now been brought in line with the legislative requirements and the principle of good environmental practice. Because of the decrease in the quantities of mixed municipal waste, the quantities of separated fractions (packaging and paper) have increased. These separated fractions do not represent a cost for the Company because they are further heat treated or processed. As regards hazardous waste, the legislation is becoming increasingly more stringent, which is why the quantity of hazardous waste is on the increase. The increase in the quantities of hazardous waste is also the result of us having replaced the entire quantity of the chromium electrolyte in 2011. The quantities of waste oils and emulsions are a reflection of the increased volume of production as compared to 2010.

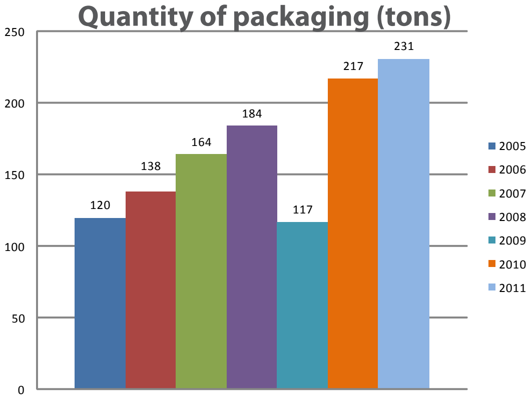
Quantity of municipal waste (tons)



Quantity of hazardous waste (tons)



Quantity of packaging (tons)



Air Emissions

We performed 16 measurements of emissions into the air, which are prescribed by the law. These were performed 2011 and we did not exceed the limits at any measurement location.

Noise

Noise measurements were performed in 2011 within the scope of the study for the mitigation of noise. It was found within the scope of the study that the limit values for the category IV noise protection area have not been exceeded, which is in line with the amendment of the Decree on limit values for environment noise indicators. This amendment has set a transitional period, in which we have to lower the noise levels to below the limit value so that we are currently not in breach of statutory provisions as regards noise.

Chemicals

We have developed an electronic register of chemicals with links to safety data sheets, which is available on the new intranet and accessible to all employees with access to the intranet. Provided that the technological processes allow this, we replace more dangerous chemicals with less dangerous ones.

In Harmony with the People, the Society and the Environment

The above has been the Company's motto since 1919 – and we follow it proudly, hand in hand, in the direction of sustainable development. Our creative, positive atmosphere and responsibility towards the environment are the source of new technical and technological challenges that lead us to new values that maintain our competitive edge.

UNIOR®

We Lend a Good Ear

Corporate Governance

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

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

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

The Management Board

The Company has a two-member Management Board. The President of the Management Board is Mr Gorazd Korošec who was appointed to the position on 12 December 2007, whereby his term of office expires on 11 December 2012. He is discharging the function of the President of the Management Board for the second time, while before that, he acted as the Deputy President of the Management Board. Darko Hrastnik was appointed to the position of Management Board member on 1 June 2009, whereby his term of office expires on 31 May 2014. He is discharging the function of Management Board member for the second time.

Information on the Work and Leadership Experience of Management Board Members

GORAZD KOROŠEC, President of the Management Board
Education: Bachelor of Economics
Work and leadership experience:

1993– Unior
- 2007– President of the Management Board
- 2002–2007 President of the Management Board
- 1997–2002 Deputy President of the Management Board
- 1996–1997 Assistant to the General Manager for Business Administration
- 1993–1996 Director of the Financial and Accounting Division

1982–1993 Comet Zreče
- Director of the Ekonomski biro company
- Director of the AOP division
- Head of the Planning and Analyses Service

1980–1982 Unior
- 1981–1982 Analyst at the Planning and Analyses Department
- 1980–1980 Trainee

DARKO HRASTNIK, member of the Management Board
Education: Bachelor of Metallurgical Engineering
Work and leadership experience:

2000– Unior
- 2009– Member of the Management Board
- 2007–2009 Executive Director of the Hand Tools Programme
- 2004–2007 Director of the Hand Tools Programme
- 2002–2003 Member of the Management Board
- 2000–2002 Assistant to the Director of the Forge Programme responsible for the following areas: sintering, forging part processing at Slovenske Konjice, cold forging and the most demanding project assignments

1999–2008 Higher Vocational College in Celje, associate lecturer for the Business Adminis tration and Management course

1996–2000 MPP Livarna, d.o.o., Maribor, General Manager

1994–1996 TAM Metalurgija, d.o.o., Marketing Director

1994–1994 Livarna Ferralit, d.o.o., Žalec, Head of Production

1989–1993 Livarna, d.o.o., Štore
- 1992–1993 Technical Director
- 1989–1992 Development Department

The Executive Board

The Executive Board is composed of the members of the Management Board, Executive Directors, the Director of the Financial Accounting Sector, the Director of Purchasing and the Director of Controlling. The main tasks of the Executive Board are the independent management of each individual programme or service. The Board works closely with the Management Board and executes its functions at the strategic and operational levels, and also functions as a consulting body for the Management Board.

The Executive Board is composed of:

- Gorazd Korošec, BSc (Econ.), President of the Management Board;
- Darko Hrastnik, BSc (Metallurgical Engineering), member of the Management Board, Executive Director of the Hand Tools Programme;
- Robert Ribič, BSc (Mechanical Engineering), Executive Director of the Forge Programme
- Andrej Purgaj, BSc (Mechanical Engineering), Executive Director of the Special Machines Programme;
- Boštjan Slapnik, MSc, Executive Director of the Sinter Programme;
- Damjan Pintar, professor of sports education, Executive Director of the Tourism programme;
- Marjan Korošec, MBA and BSc (Mechanical Engineering), Executive Director of general Affairs
- Bogdan Polanec, BSc (Econ.), Director of the Financial Accounting Sector;
- Zdenko Kovačec, MSc, Purchasing Director;
- Zlatko Zobovič, BSc (Econ.), Director of Controlling.

The Supervisory Board

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

At the 13th General Meeting held on 22 July 2009, a new six-member Supervisory Board was elected for a period of four years, namely from 13 December 2009 to 12 December 2013. Mr Rok Vodnik was appointed alternate member of the Board at the extraordinary session held on 13 April 2011.

The representatives of the owners within the Supervisory Board are:

- Matej Golob Matzele, BSc (Econ.), President;
- Prof. Dr. Karl Kuzman, Deputy;
- Emil Kolenc, BSc (Econ.) and
- Rok Vodnik, MSc.

The representatives of employees are:

- Marjan Adamič, BSc (Mechanical Engineering) and
- Stanko Šrot.

The General Meeting of Shareholders

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

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

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

On 20 July 2011, a regular session of the General Meeting was held and the shareholders:
- considered the information regarding the Annual Report, the auditor's opinion and the written report of the Supervisory Board regarding the Annual Report,
- decided on the accumulated loss and the granting of a discharge to the Management and Supervisory Boards,
- amended and supplemented the wording of the Company's Articles of Association.

As may be foreseen, the regular session of the General Meeting in 2012 will be held on 18 July 2012. The notification of the convening of the General Meeting with the envisaged content of decisions, place, time and the conditions for participation and voting will be published in the Delo newspaper, the SEOnet information system and on the Company's website no less than thirty days prior to the session.

Remuneration to the Management Board and the Supervisory Board

(in thousands of EUR)	Gross values		Net values	
	2011	**2010**	**2011**	**2010**
Gorazd Korošec	128	146	63	72
Darko Hrastnik	121	120	55	53
Total for the Management Board	**249**	**266**	**118**	**125**
Matej Golob Matzele	4	3	3	2
Dr. Karl Kuzman	4	2	3	1
Blaž Brodnjak **	0	2	0	2
Rok Vodnik **	1	0	1	0
Emil Kolenc	3	2	3	1
Stanko Šrot	3	2	2	2
Marjan Adamič	3	2	3	2
Katarina Praznik *	0	1	0	1
Primož Klemen *	0	1	0	1
Total for the Supervisory Board	**18**	**15**	**15**	**12**

* members of the Supervisory Board's committees
** Blaž Brodnjak up to 30 November 2010, RokVodnik from 13 April 2011

The Management Board

Both members of the Management Board received fixed remuneration under an employment contract concluded with the Company's Supervisory Board for their work in 2011. The members did not receive any variable remuneration and were not rewarded with options, as this was not provided for under the contract. They have not received any session attendance fees either, which would result from membership in the supervisory boards of subsidiaries. Since 1 September 2011, the remuneration amounts to the Management Board have been adjusted to comply with the Act Governing the Remuneration of Managers of Companies with Majority Ownership Held by the Republic of Slovenia or Self-Governing Local Communities. All employees working under an individual employment contract have had their salaries reduced by up to 10%, depending on the performance of an individual programme or the Company as a whole.

The Supervisory Board

The members of the Supervisory Board receive session attendance fees for their work. The members of special committees within the Supervisory Board receive an additional session attendance fee for their work in such committees. In addition to the above, they also receive per diems and have their travel expenses reimbursed in accordance with the regulations. The Supervisory Board is also entitled to a share of the profits provided the profits are appropriated for distribution to the shareholders. The total amount of remuneration may not exceed 3 per cent of the amount allocated for dividends decreased by the total amount of annual session attendance fees in the previous year. The receipts of an individual member of the Supervisory Board paid out as a reward for the profits achieved by the Company may not exceed EUR 15,000. In 2011, the reward was not paid out. The payment of session attendance fees to the Supervisory Board is consistent with the position of the Government of the Republic of Slovenia with respect to the mitigation of the impact of the financial crisis.

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

The internal owners (employees, the Management Board and the Supervisory Boards) at Unior together hold an 8.76 per cent interest, whereby the Management Board holds 0.7% and the Supervisory Board 0.3% of the Company's shares. In 2011, the number of shares and participating interests owned by the Management Board and the Supervisory Board did not change.

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

	Holding		Neto acquisition during the year	
	2011	**2010**	**2011**	**2010**
Gorazd Korošec	18.347	18.347	0	750
Darko Hrastnik	1.505	1.505	0	575
Total for the Management Board	**19.852**	**19.852**	**0**	**1.325**
Matej Golob Matzele	0	0	0	0
dr. Karl Kuzman	570	570	0	0
Blaž Brodnjak*	0	0	0	0
Rok Vodnik*	0	0	0	0
Emil Kolenc	0	0	0	0
Marjan Adamič	5.154	5.154	0	0
Stanko Šrot	3.887	3.887	0	1.787
Total for the Supervisory Board	**9.611**	**9.611**	**0**	**1.787**
Total number of issued shares	**2.838.414**	**2.838.414**		

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

Statement on the Management of the Company and on the Compliance of the Company's Management with the Provisions of the Corporate Governance Code for Joint Stock Companies

The Management Board and the Supervisory Board of UNIOR Kovaška industrija d.d. hereby declare that the governance of the Company in the period of the 2011 financial year complied with the provisions of the Companies Act, the Financial Instruments Market Act, the Rules of the Ljubljana Stock Exchange and other applicable regulations in force.

The statement on the governance of the Company forms an integral part of the 2011 Annual Report and shall be available on the Company's website at www.unior.si for no less than five years following its publication.

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

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

Notes According to the Companies Act

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

1. **Description of the main characteristics of the internal controls and risk management systems at the Company in relation to the financial reporting procedure.**

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

The internal controls systems comprises procedures that ensure that:

- business events are recorded based on authentic bookkeeping documents, which serve for the correct and honest recording of these events and provide a guarantee that the Company disposes of its assets fairly and honestly,
- business events are recorded and financial statements are compiled in accordance with the applicable legislation in force,
- eventual unauthorised acquisitions, uses and disposals of the Company's assets that could materially affect the financial statements are prevented or detected in time.

The Finance and Accounting and the Controlling divisions of the Company perform the internal controls. These two divisions are responsible for the keeping of books of account and the compilation of financial statements in accordance with the applicable accounting, tax and other regulations in force. The appropriacy of the functioning of internal controls is verified annually within the scope of the information system by certified external auditors.

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

The data on the achievement of a qualified holding as laid down by the Takeovers Act are published concurrently in the electronic notification system of the Ljubljana Stock Exchange and communicated to the Securities Market Agency. The holder of the qualifying holding (which is laid down by the Takeovers Act) at UNIOR d.d. as at 31 December 2011 was the company PDP, Posebna družba za podjetniško svetovanje, d.d. with an equity stake of 1,053,418 shares or 37.1%.

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

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

4. **Notes on all voting right limitations.**

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

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

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

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

Unior d.d. did not have the authorisation for the issuance and repurchase of treasury shares in 2011.

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

The General Meeting met twice in 2011. The competencies of the General Meeting and the rights of the shareholders are provided for by the law and are exercised in a manner laid down by the Company's Articles of Association, the Rules of Procedure of the General Meeting and the President of the General Meeting. The course of the voting at the General Meeting of the UNIOR public limited company is explained in greater detail in chapter 9.4 (entitled The General Meeting) of the 2011 Annual Report.

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

A comprehensive presentation of the management and supervisory bodies and their respective committees is provided in chapter 9 (entitled Corporate Governance) of the 2011 Annual Report.

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

The Management Board and the Supervisory Board of UNIOR Kovaška industrija d.d. hereby declare that the Company observes the provisions of the Corporate Governance Code for Joint Stock Companies dated 8 December 2009, which entered into force on 1 January 2010 (hereinafter referred to as: the Code), with certain deviations that do not affect good governance practices and that are explained herein.

The Statement of Compliance with the Code forms an integral part of the 2011 Annual Report and shall be available on the Company's website at www.unior.si for no less than five years following its publication.

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

The Statement relates to the period of the 2011 financial year, i.e. from 1 January 2011 to 31 December 2011. There were no changes in the Company's management from the end of the financial year to the publication of the Statement.

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

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

- Provision 2: the management of the Company is geared towards the meeting of objectives defined in the UNIOR Group Strategy for the Period Up to 2014. The Strategy was confirmed by the Company's Supervisory Board at its session held on 18 February 2011. The Company's Management Board and Supervisory Board did not adopt a special document entitled Company Management Policy.

- Provision 5.2: by collecting authorisations for the General Meeting in an organised manner, the Company provides for the publication of this information, namely by publishing the list of authorised persons and their contact details, deadlines for the collection and the authorisation form sheet, while it does not publish as at the day of the General Meeting session all of the costs incurred by the Company in relation to the organised collection of authorisations.

- Provision 7: the provision stating that the procedure for the selection of candidates who are to serve as Supervisory Board members and for the formulation of a proposal for the General Meeting decision on the appointment of Supervisory Board members should be transparent and defined in advance has not been fully observed because we do not have the procedure for the selection of candidates arranged, nor do we have a description of the roles and expertise, experience and skills necessary for the discharge of the Supervisory Board member function (Supervisory Board member profile) prepared in advance.

- Provision 8: all Supervisory Board members have signed a special statement, in which they stated their position regarding the fulfilment of every independence criterion in line with the Code and indicated that they consider themselves independent if they meet all of the criteria and dependent if they do not meet the said criteria. They further expressly stated that they are professionally qualified for the work within the Supervisory Board and that they possess sufficient experience and knowledge for such work. These statements are, however, not published on the Company's website.

- Provision 8.7: the Rules of Procedure of the Supervisory Board do not have provisions governing the communication with the public with regard to the decisions adopted at sessions. Public communications take place through the President of the Supervisory Board, while the more important decisions of the Supervisory Board are published on the website of the Ljubljana Stock Exchange, the SEOnet, and on the Company's website.

- Provision 11: the Supervisory Board has no Supervisory Board Secretary, and all of the tasks of a Supervisory Board Secretary are performed by the Executive Director of General Affairs.

- Provision 19: the Company has an effective internal controls system set up that also provides for the quality risk management. The Company, together with the Audit Committee, also provides for a substantive, periodical and unbiased oversight over the internal control system that is adapted to the Company's activity and scope of operations. Several professional services are responsible for the abovementioned tasks, which has proved to be an effective operating practice that was also confirmed by the external auditors, which is why we do not have an internal auditing service organised as a separate service within the Company. Using a uniform financial reporting policy, a uniform controlling system and IT solutions, we carry out systematic internal controls at the companies within the UNIOR Group, which we also supervise via regular monthly reports.

- Provision 20: the Company does not have a specifically defined communication strategy as a component part of the Company's governance policy and the rules on the limitation of trading in the Company's shares. Professional services are charged with implementing the Company's communications and providing for the transparency of the Company's operations by observing the provisions of the Code. A list of persons with access to internal information has also been compiled in line with the provisions of the decision of the Securities Market Agency on the special rules for the communication of internal information and investment recommendations.

- Provision 21.3: the Company does not publish its communications in the foreign language that is usually used in international financial circles, but does draw up its Annual Report in a foreign language.

Zreče, 23. april 2012

President of the Management Board	President of the Supervisory Board	President of the Management Board
Gorazd Korošec	**Matej Golob Matzele**	**Darko Hrastnik**

Operational Risks

We include the following risks among our operational risks: the risks from the area of development processes, available production capacities, supplier reliability, environmental protection, information sources, employees, safety and health of employees at work and the protection of property.

Development Process Risk

Because the final product has to be of high quality, safe, efficient and environmentally friendly, we are introducing processes that reduce – already in the early stages of development – the risk that the product will have negative characteristics. We, therefore, introduce new development methods and mitigate those risks with our own knowledge and experience. We focus on the management of risks that can lead to a recall of products that have our own products incorporated into them. We mitigate product risks with development and quality assurance systems within the scope of manufacturing and sales processes, and with the insurance of producer's product liability and the insurance of the costs of product recall from the market.

Area of the risk	Description of the risk	Management method	Exposure
Development process	The risk that a developed product will not have suitable characteristics.	Supervision of the development and production processes	Moderate
Availability of production capacities	Disruptions in production, unplanned stoppages	Regular preventative maintenance, investment into new equipment.	Moderate
Reliability of suppliers	The possibility of irregular, inadequate supplies and non-competitive prices	Analysis of individual suppliers and taking appropriate action in case of inadequate cooperation	Moderate
Environmental protection	The risk of incidents with a damaging impact on the environment	Internal regulations for emergencies	Low
Sources of information	The risk of disruptions to business processes due to disturbances in information sources	Security inspections and measures aimed at eliminating disturbances in information sources	Moderate
Employees	The risk in keeping key personnel, lack of professionally qualified personnel, dialogue with employees	Human resources development, education and training, systematic work with key personnel, reward systems, annual performance appraisal interviews	Moderate
Occupational safety and health	The risk of accidents and injuries in the workplace	Technological process verification, assessment of the risk inherent in individual positions of employment	Moderate
Protection of property	The threat of theft, destruction and damage to property	Drawn up security plan	Moderate

Availability of Production Capacities

Quality, reliable and safe functioning of production facilities is ensured through the regular maintenance of production equipment and energy infrastructure. The education and training system involving the honing of the skills of technical staff contributes to the mitigation of the risk.

Reliability of Suppliers

The important raw materials for production are supplied by a limited number of suppliers. This ensures safe, high quality and competitive supplies. Suppliers are analysed and these analyses serve as the basis for coming to an agreement with our business partners as to the measures required.

Environmental Protection

We have a constructive role in raising the awareness of the local and broader community. We also work with environmental organizations and on various projects. You can learn more about environmental protection in the chapter devoted to the issue.

Sources of Information

The risks arising from the information system involve significant risks of potential disruptions in the functioning of applications and the system software, hardware, and communication and network connections in the system. We further devote attention to the risks related to information security.

We manage the effects of these risks by way of:
- IT management (master document);
- the security forum;
- the elementary security policies according to BS 7799-2:2002;
- the procedures-controls;
- the risk assessment according to PSIST BS 7799.

Employees

In the area of HR operational risks, we pay particular attention to the social dialogue with employees, lack of professionally qualified personnel and the loss of key personnel. Such risks are mitigated through the performance of annual performance appraisal interviews with colleagues, education and training, a suitable reward system as well as other measures. On account of the absences from work, we are faced with managing the risk of potential disruptions to business processes. We strive to avoid these risks by including employees in health-prevention programmes and by observing good practices for occupational health and safety.

Occupational Safety and Health

We perform regular assessments of the risks inherent in individual positions of employment resulting from individual technological processes.

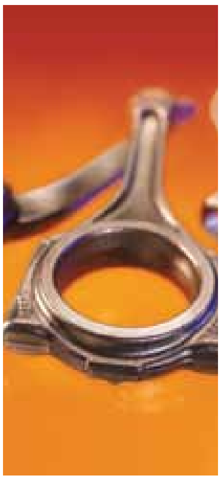
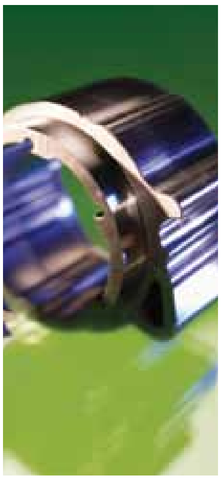
Protection of Property

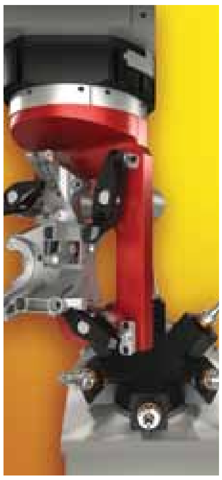
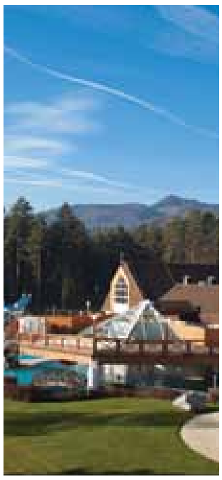
A security plan has been drawn up to manage the security of property. A risk assessment was performed of the individual facilities at risk. The assessment took into account the likelihood of a particular event materialising, the probability of timely detection and the possibility of eliminating the consequences.

Property and Liability Insurance

By way of property insurance, Unior ensures that it will receive financial compensation for:

- the damage to property resulting from the effects of natural forces, technical charac teristics of the products and the human factor,
- damage from the activities of employees and visitors of the tourist centres,
- damage arising from the producer's liability for products that are manufactured by the Forge Programme, Sinter and Hand Tools Programmes.

Through Lifelong Learning and Creativity to Discovering New Challenges

Our strategic business approach encompasses the protection and upgrading of knowledge. We manage our know-how with the goal of ensuring the productivity and innovation of Unior's employees and, consequently, the Company's competitive advantages.

UNIOR®

We Lend a Good Ear

Business report

Conditions in the Economy and in the Automotive Industry

The global economy grew at the beginning of 2011 primarily as a result of the rapid growth of emerging countries, but the growth slowed in the second quarter because of the overheating caused by higher inflation, increased uncertainty regarding the consolidation of public finances in certain Eurozone countries and the US, the weak labour market in the majority of the developed world economies as well as the consequences of the catastrophic earthquake in Japan.

In the last few months of 2011, economic trends deteriorated significantly, the growth dynamics have ceased, and the GDP in the European Union declined as compared to the previous quarter by 0.3 per cent. Some countries, including Slovenia, slipped back into recession. Slovenia's GDP declined by 0.2 per cent in 2011. Despite the 3 per cent economic growth in Germany, the GDP in the EU increased by only 1.5 per cent, while the US economy recorded a growth of 1.7 per cent. The highest growth was recorded by China with a 9.2% GDP growth and India with 7.3%.

Macroeconomic indicators of Unior's key markets

	EU	Eurozone	Germany	France	Spain	Slovenia
GDP growth	1.5%	1.4%	3.0%	1.7%	0.7%	-0.2%
Unemployment rate	9.7%	10.2%	5.9%	9.7%	21.7%	8.1%

Industrial production in Slovenia increased by 3.2 per cent in 2011 as compared to the previous year, however, following the relatively short-lived recovery at the beginning of the year, the growth of production stopped and declined by the end of the year to below the level from December of 2010. Trade found itself in a similar position, while the construction industry saw its activity curtailed by more than a fifth. It was only tourism that recorded a five per cent increase in the number of overnight stays. Pessimistic signals are being received from the international environment as the adopted austerity measures, difficulties in accessing sources of funding and the high prices of raw materials are still negatively affecting the dynamics of the recovery. This is why rapid and radical measures are urgently needed, primarily those aimed at bringing relief to the economy and the establishment of conditions for more competitive operations conditioned by the market.

The prices of raw materials peaked in the first quarter of 2011, but later fell because of the poorer conditions on the demand side. The prices of raw materials increased on average by 29.9 when compared to 2010, and were higher by as much as 110 per cent as compared to the period prior to the crisis (December 2008), which was primarily due to the prices of oil. The prices of non-energy raw materials increased on average by 20.7% in 2011, but began decreasing in the second half of the year after the initial rapid rise, which was due to the concerns regarding global demand and partially the appreciation of the dollar against the euro. The total annual inflation in the Eurozone thus came in at 2.7 per cent, while average annual inflation in Slovenia was 1.8 as compared to the previous year, and 2.0 per cent on a year-over-year basis.

The projections of economic growth in the beginning of 2012 are not favourable. The uncertainty in the international environment remains elevated and is curbing the growth of foreign demand. Analysts are projecting a mild recession with a 0.3 per cent contraction of the GDP in the Eurozone, and economic stagnation and zero growth on the EU level. Forecasts for 2012 for Germany, France and Italy as the drivers of the European economy are a growth of 0.6% for Germany and 0.4% for France, while an economic contraction of 1.3% is projected for Italy.

The Automotive Industry

Following the dramatic fall of global automotive production to 61.7 million vehicles in 2009 that was brought on by the crisis, growth has slowly returned to the sector. There were a total of 80.1 million motor vehicles produced in 2011 around the world, which is 3.2 per cent more than in the previous year and represents the highest output to date. By far the largest global producer in the automotive industry is China with a production of 18.4 million vehicles. It is followed by the US with 8.7 million, Japan with 8.4 million and Germany with 6.3 million of motor vehicles produced.
The scope of motor vehicle production in Europe reached 21.1 million units in 2011, whereby production in the European Union increased by 3.5 per cent to 17.7 million units, which was still less than in 2008 when the financial crisis struck. Of the above amount of produced vehicles, production plants in EU countries churned out 15.7 million personal vehicles, which represents growth of 2.7 per cent, while production of cargo vehicles and buses recorded a 9.8 per cent growth and reached the number of 2 million vehicles produced.

Global production of motor vehicles

In millions					Annual growth			
	2007	**2008**	**2009**	**2010**	**2011**	**2008**	**2009**	**2010**	**2011**
EUROPE	22,9	21,8	17,0	19,8	21,1	-4,7%	-22,1%	16,8%	6,6%
EU27	19,7	18,4	15,2	17,1	17,7	-6,6%	-17,5%	12,5%	3,5%
EU15	16,7	15,2	12,2	13,8	14,3	-9,1%	-19,3%	12,9%	3,5%
Germany	6,2	6,0	5,2	5,9	6,3	-2,8%	-13,8%	13,4%	6,9%
Spain	2,9	2,5	2,2	2,4	2,4	-12,0%	-14,6%	10,0%	-1,4%
France	3,0	2,6	2,0	2,2	2,3	-14,8%	-20,3%	8,9%	2,9%
Great Britain	1,8	1,6	1,1	1,4	1,5	-5,8%	-33,9%	27,8%	5,1%
Rest of Europe	3,1	3,3	1,8	2,7	3,4	6,7%	-47,3%	54,5%	26,2%
AMERICA	19,2	16,9	12,6	16,4	17,8	-11,9%	-25,6%	30,3%	8,7%
ASIA & OCEANIA	30,7	31,3	31,8	40,9	40,6	1,9%	1,5%	28,9%	-0,7%
AFRICA	0,5	0,6	0,4	0,5	0,5	7,0%	-29,1%	23,7%	5,9%
TOTAL	**73,3**	**70,5**	**61,7**	**77,6**	**80,1**	**-3,7%**	**-12,5%**	**25,8%**	**3,2%**

Source: OICA - Organisation Internationale des Constructeurs d'Automobiles

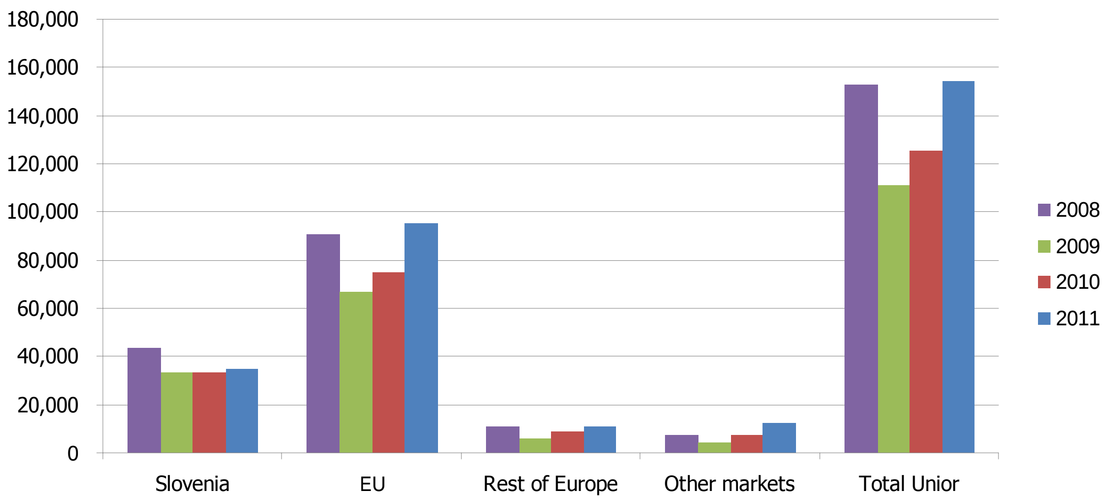
Sales

Unior's sales revenues in 2011 came in at EUR 154.6 million and increased by 23.2 per cent within a period of one year. The recovery of the global automotive industry contributed the most to this result as this industry is the biggest buyer of the Forge Programme and Sinter Programmes.

Non-European markets account for fifteen per cent of our revenues. We recorded the largest growth in percentage terms on these markets last year, namely 67%. Within the structure of sales, EU markets account for 85% of the sales and remain the most important for us. We recorded growth of sales in these markets, namely 4.5% in Slovenia and 27.5 on the markets of the rest of Europe.

Sales revenues by market

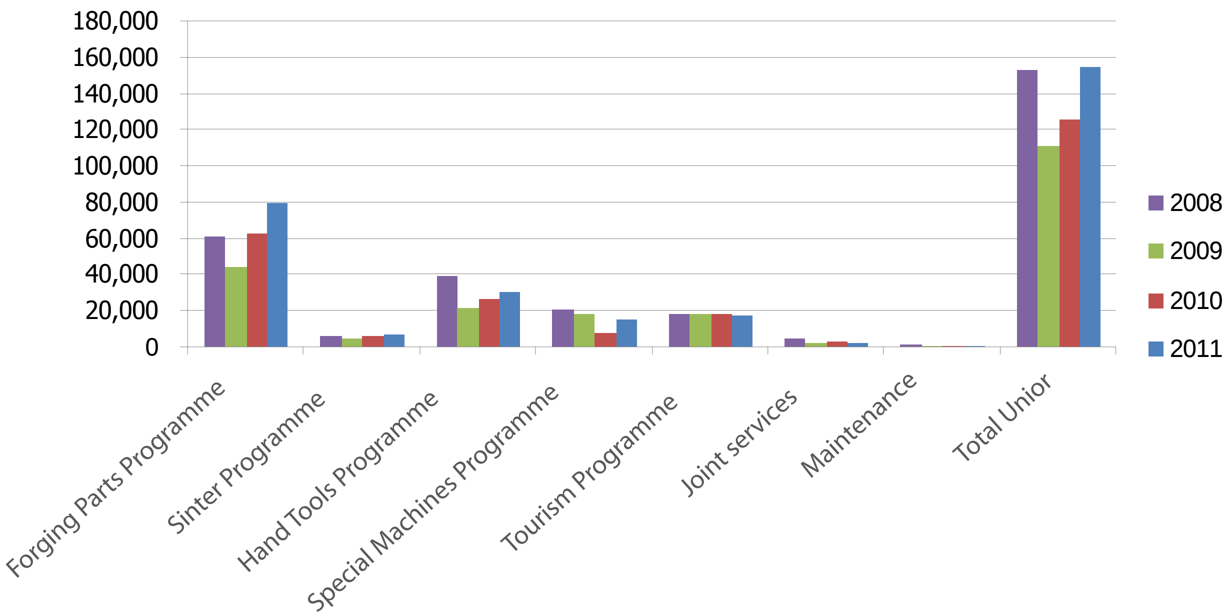
(in thousands of EUR)	2011	2010	2009	2008
Slovenia	35.292	33.783	33.612	43.762
EU	95.806	75.125	67.083	90.808
Rest of Europe	10.938	9.107	6.100	11.028
Other markets	12.581	7.517	4.615	7.620
Total Unior	**154.617**	**125.532**	**111.410**	**153.218**



The sales revenues of the Forge Programme increased by 28%, which also represents an increase of EUR 17.3 million in absolute terms. Increases in the sales were also recorded by the Sinter, Hand Tools and Special Machines Programmes. The Tourism Programme saw its sales revenues fall by 4% over the previous year on account of the effects of the crisis, the unfavourable weather conditions in both the summer and winter season, as well as the construction of the Atrij hotel in Zreče.

Sales revenues by programmes:

(in thousands of EUR)	2011	2010	2009	2008
Forge Programme	80.008	62.655	44.276	61.270
Sinter Programme	7.481	6.702	4.518	6.132
Hand Tools Programme	30.683	26.479	21.635	39.383
Special Machines Programme	15.519	7.686	18.812	21.056
Tourism Programme	17.359	18.165	18.677	18.946
Joint services	2.414	2.873	2.725	4.685
Maintenance	1.154	970	767	1.746
Total Unior	**154.617**	**125.532**	**111.410**	**153.218**



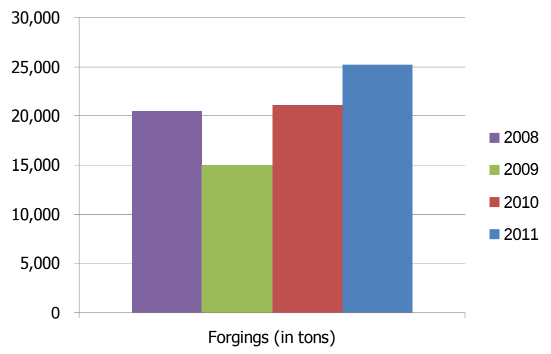
Production and Services

Production of all programmes increased as compared to the previous year. We recorded a minimum drop in the Tourism Programme where production is measured in the number of realised overnight stays. Production is not measured for the Special Machines Programme because there is no suitable way of measuring it because of the nature of the Programme (project work, production of unique one-off pieces).

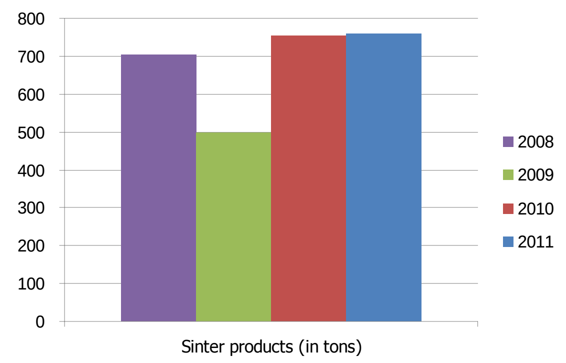
Production and services by programmes:

	2011	2010	2009	2008
Forgings (in tons)	25.303	21.130	15.074	20.477
Forgings (in thousands of pieces)	55.840	48.229	35.381	50.635
Sinter products (in tons)	760	754	500	706
Sinter products (in thousands of pieces)	18.346	18.947	14.711	20.205
Hand tools (in tons)	2.464	2.177	1.390	3.289
Hand tools (in thousands of pieces)	5.147	4.812	3.113	7.611
Number of overnight stays within the Tourism Programme	181.598	200.107	201.427	219.859

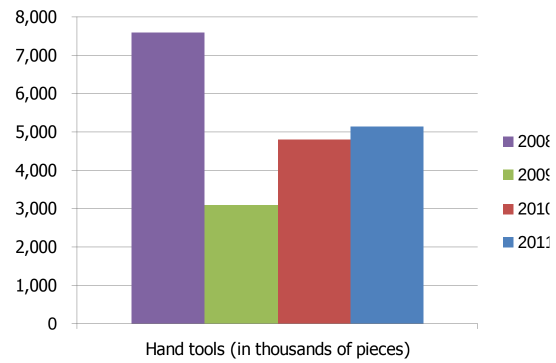
Production of forgings



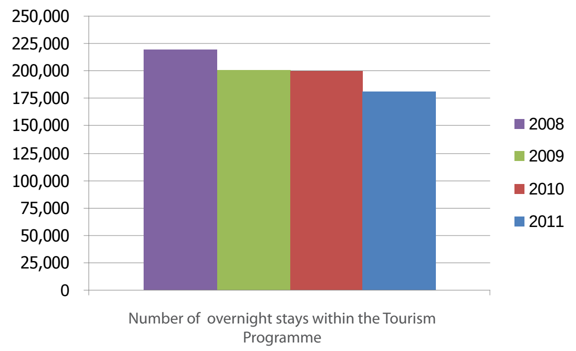
Production of sintered products



Production of hand tools



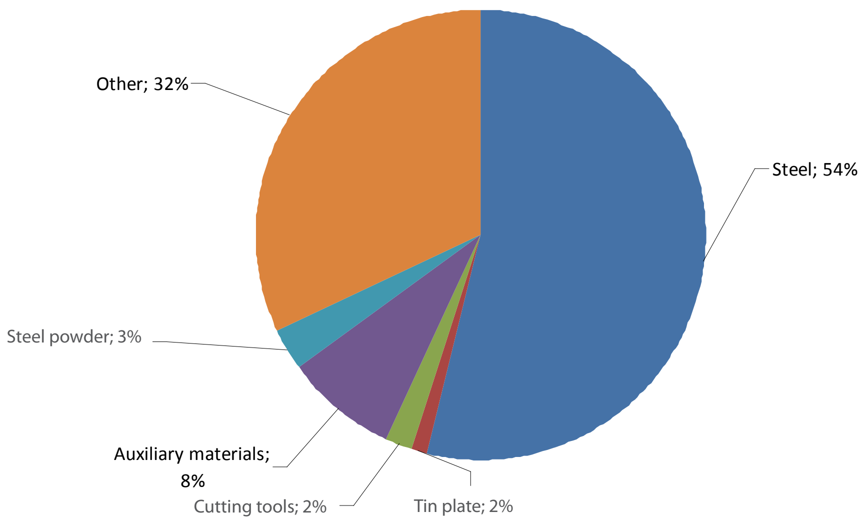
Overnight stays within the Tourism Programme



Purchasing

The recovery of the global economy and the expected economic growth were reflected in 2011 in the pressures to raise the prices of raw materials and materials. We thus recorded an increase as compared to 2010 and also required greater quantities of raw materials. The impact on the costs was therefore greater and saw the costs increase by 30% over the previous year.

The share of raw materials in the Company's cost of materials



Steel

Because of the expected growth in the area of ferrous metallurgy, the situation changed materially for us in the first half of 2011 as all of the manufacturers had their capacities fully booked and the supply schedules were extended drastically. Consequently, the pressure on the rising basic prices of steel was extremely strong in 2011 (even up to 70 EUR/t). The result of the final negotiations is the increase in the basic prices of steel by EUR 25 per ton, which we assess as a positive one.

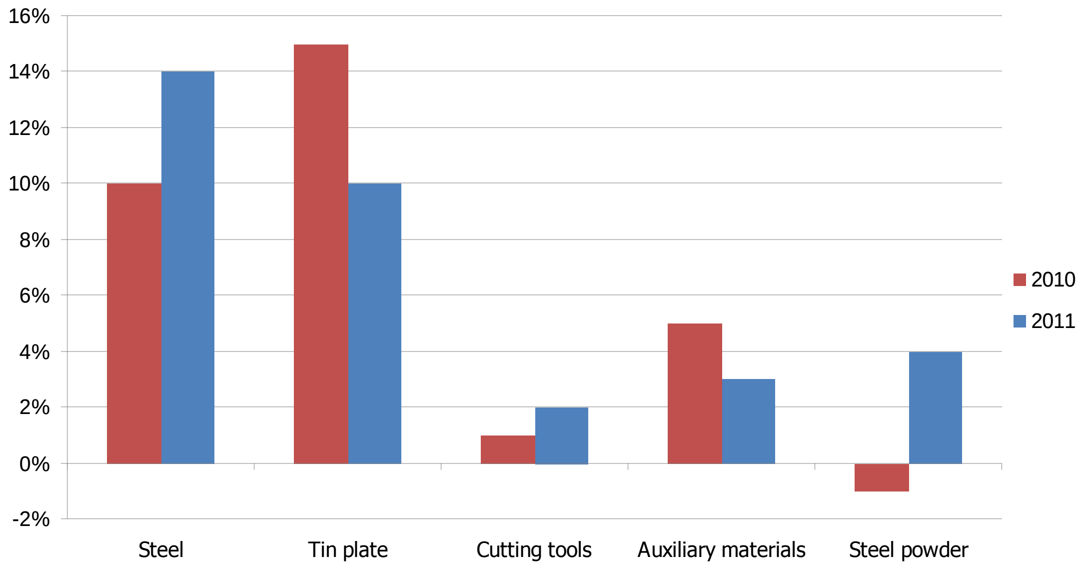
In 2011, Unior purchased 43,719 tons of steel at an average price (weighted) price of 890 EUR/t. A year earlier, we purchased 36,908 tons, whereby the average price was 778 EUR/t. This represents an increase in the quantity of steel purchased of 18.4% in 2011. The large increase in production also increased the inventories that came in at 6,473 tons at the end of 2011.

The purchase price of steel is set as the basic price increased by two items: the steel scrap supplement and the alloying supplement. The supplements strongly influence the determination of the final price of steel. The value of the steel scrap supplement in 2011 ranged between 249 and 299 EUR/t and was significantly higher than the year before (the average in 2010 was 201 EUR/t and 283 EUR/t in 2011). The weighted value of the alloying supplement was also higher for the types of steel we use in the manufacture of forgings (the weighted value in the structure of the purchase price ranges from 19 EUR/t to 30 EUR/t). The prices of both supplements are formed according to the current monthly market conditions, over which we do not have any influence. These factors affected the achieved weighted cost of steel, which was higher by 79 EUR/t in 2011 than planned.

Tin Plate

The consumption of tin plate decreased by 4.4% in 2011, especially in the third quarter. The price of tin plate increased by 9.9% as compared to the previous year as the conditions on the tin plate market were similar to those of the other ferrous metallurgy markets (the figure includes all tin plate – alloy and structural, but without the Special Machines Programme where we order tin plate together with the service of cutting).

Changes in the prices of Unior's most important raw materials



Cutting Tools

The use of cutting tools increased in terms of quantity with respect to 2010 because of the higher production volume, while in terms of value, the purchasing cost per unit was within the plan. We additionally introduced consignment sales, namely for the Forge Programme (location of the machine building plant at Zreče). The pressure from the suppliers to raise the prices of cutting tools was strong (even up to 10%), which we, however, managed to mitigate and agree with the suppliers on a lower increase in the prices (approximately 2%). On account of the monopoly or stock market elements required in the production of hard metal, we expect additional pressures to raise the prices of cutting tools.

Steel Powder

The average price of steel powder increased by 3.8 per cent in 2011 as compared to the average price in 2010. Alloying elements had the biggest impact on the change in the prices, the most notable of which was copper, which saw an upward trend throughout 2011. The total quantity of powder purchased in 2011 was 951 tons, which represents a 4.4% increased over 2010.

Auxiliary Material and Protective Equipment

The value of auxiliary material per employee as well as the total value are decreasing, which is, however, not the result of lower prices as these were 3% higher than in 2010, but rather the reduced use of auxiliary material. The use per employee has been falling for the second consecutive year.

Operating Performance

In 2011, Unior generated a net operating profit of EUR 1.3 million, while in 2010, we recorded a loss in the amount of EUR 2.8 million. The main reason for the improvement was the increase in the revenues and sales as well as the fact that the growth of costs lagged behind the growth of the generated gross profit.

Sales and the profitability of the Unior Company

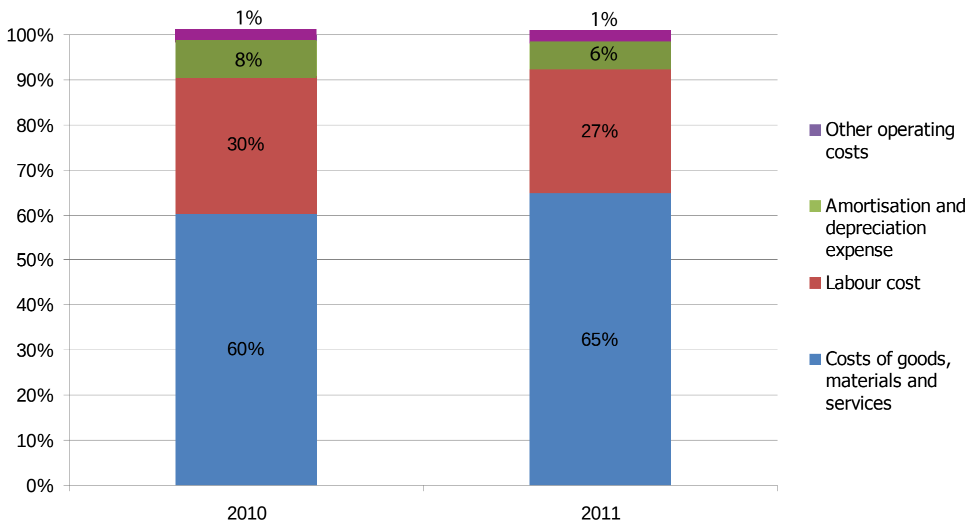
(in thousands of EUR)	2011	2010	2009	2008
Sales revenues	154.617	125.532	111.410	153.218
Operating cost	161.821	133.987	118.057	162.749
EBIT	5.032	1.683	(6.815)	5.581
EBITDA	15.039	11.585	3.411	16.172
Net profit or loss	1.310	(2.780)	(9.766)	1.436

The challenges that the crisis has presented us with have thoroughly changed our fundamental objectives. Growth and the achievement of the highest profitability of operations were less important again in 2011 than protecting the cash flow and ensuring the continuous solvency of the Company with an emphasis on the regular settlement of liabilities to employees, business partners and the banks. The Company's Management Board continued implementing the plan prepared at the end of 2008, whereby they limited the investment activity, introduced savings measures in the area of the costs of materials and labour, decreased inventories and receivables and strived to maintain the highest possible level of sales revenues. You can read a detailed explanation of the events on our key markets and the changes in sales revenues in the chapters of this Annual Report entitled Sales and The Most Important Markets and Buyers.

The Structure of Operating Expenses

Operating expenses rose by 20.8 per cent last year and thus followed the increase in sales revenues, but lagged behind the growth in the gross profit. The structure of expenditures by type changed very little as compared to the previous year, whereby the cost of materials and services saw an increase as a result of the larger production volumes.

(in thousands of EUR)	2011	2010
Cost of goods, materials and services	105.245	80.961
Labour cost	44.357	40.779
Amortisation and depreciation expense	10.007	10.543
Other operating costs	2.212	1.705
Total operating expenses	**161.821**	**133.987**



The cost of goods, materials and services was higher by 30% The increase could be attributed almost entirely to the increased production volumes; however, it could also be partly attributed to the impact of price increases. The labour costs were also higher by 8.8%. The main reason for the increase in the labour costs was the increase in production volume and the reintroduction of overtime work at the Forge Programme .

The favourable trends in operating revenues and expenses were also reflected in the operating result (EBIT), which went from EUR 1.7 million in 2010 to a profit of EUR 5.0 million in 2011.

The net finance expense in 2011 came in at EUR 4.1 million, which was a decrease of EUR 2.0 million that resulted from the greater increase in finance income (by EUR 6.7 million) than in finance expense (by EUR 4.6 million). Such increases were recorded in the sales revenues resulting from the sale of a stake in the Štore Steel d.o.o. company, while this occurred on the expenditures side because of the impairment of financial assets held in the Starkom d.o.o. and Rimske Terme d.o.o. companies.

Productivity

(in EUR)	2011	2010	2009	2008
Gross profit per employee	79.530	65.955	56.317	71.447
Gross value added per employee	28.311	25.768	21.145	26.191

Productivity is measured by the Company using the gross profit per employee indicator, which increased as compared to 2010 by 20.6% and thus even exceeded the Company's previous record year. The trend of growth (growth of 9.9%) is also shown by another indicator, namely the gross value added per employee, which also exceeded the figure from 2008 – the year before the onset of the global economic crisis.

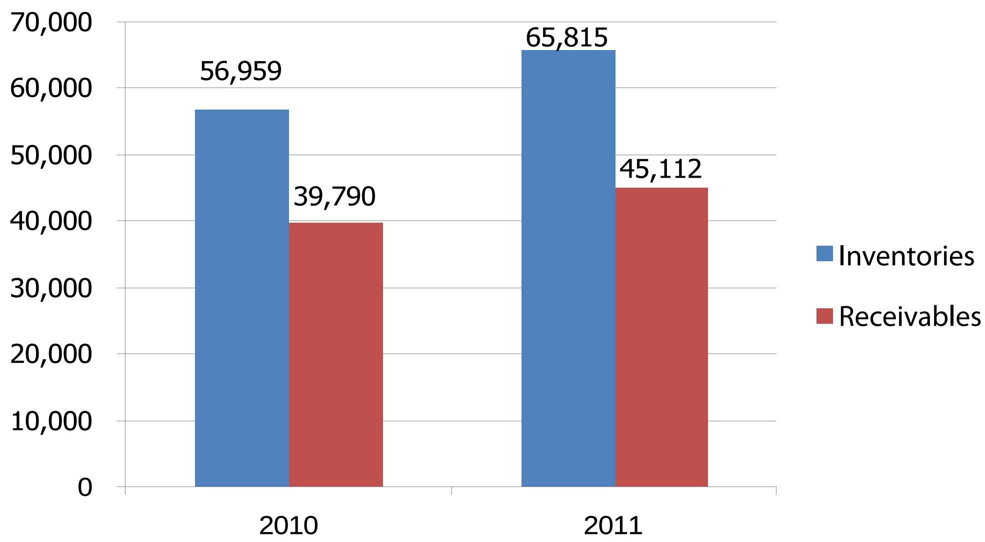
Activity Ratios

	Unior d.d.		The Unior Group	
	2011	2010	2011	2010
Equity financing rate (equity / liabilities)	0,380	0,391	0,392	0,378
Long-term financing rate (equity + long-term debt + long-term provisions) / liabilities))	0,644	0,642	0,642	0,630
Operating fixed assets rate (fixed assets according to carrying amount/assets)	0,487	0,489	0,527	0,578
Long-term assets rate (fixed assets according to carrying amount/long-term financial assets + long-term operating receivables)/assets)	0,643	0,675	0,625	0,654
Equity to operating fixed assets (equity/fixed assets according to carrying amount)	0,780	0,798	0,744	0,653
Immediate solvency ratio (liquid assets / short-term liabilities)	0,003	0,002	0,028	0,025
Quick ratio ((liquid assets / short-term liabilities)/ short-term liabilities)	0,404	0,371	0,433	0,401
Current ratio (short-term assets/short-term liabilities)	1,015	0,913	1,062	0,947
Operating efficiency ratio (operating revenues/operating expenses)	1,031	1,013	1,034	1,019
Net return on equity ratio (ROE) (net profit for the financial year/average equity – excluding net profit or loss for the reporting year)	0,011	(0,024)	0,002	(0,010)
Dividend to share capital ratio (total dividends paid out in the financial year/average share capital)	0,000	0,000	0,000	0,000

Financial Position

The Company's total assets increased in 2011 by 5.3 per cent or EUR 16.1 million. Long-term assets increased by EUR 0.7 million, while short-term assets increased by EUR 15.4 million.

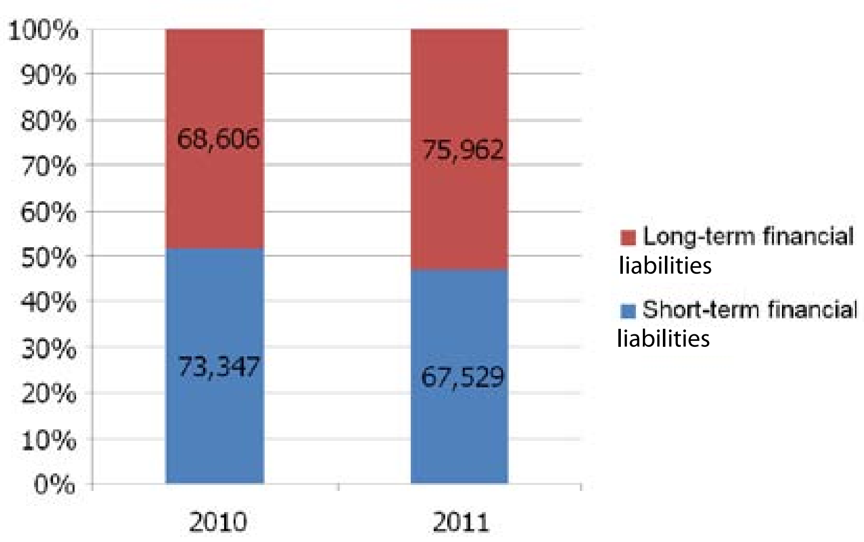
Changes in the Company's inventories and receivables (in thousands of EUR)



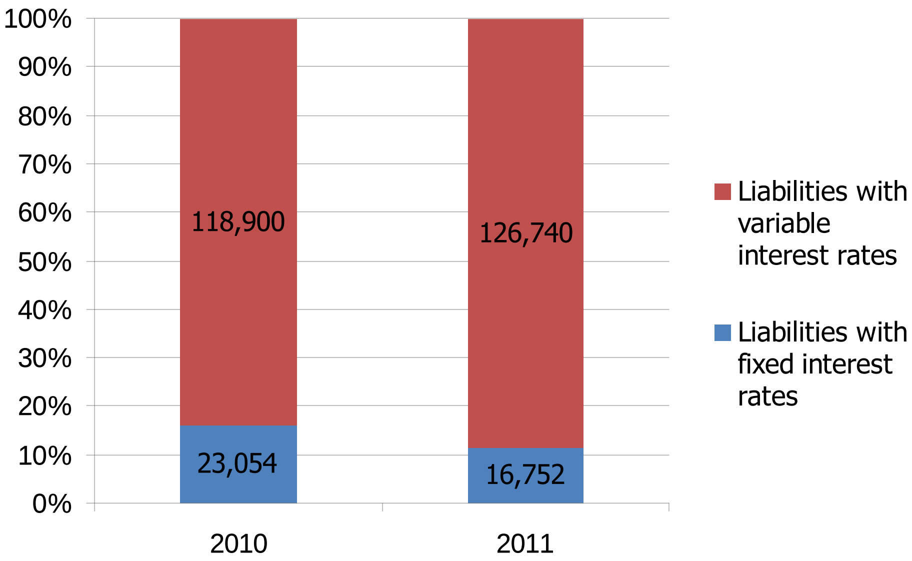
The Company's capital increased by EUR 3 million in 2010 , which was the result of the revaluation of land and the profit for the financial year. The share of capital thus increased within the scope of the Company's liabilities by 1.1 percentage points and amounted to 38% of the liabilities.

The financial liabilities increased during the year by EUR 1.5 million. The total increase represents an increase in the liabilities to banks for the loans obtained, whereby the structure of the loans changed favourably in terms of maturity. In 2010, short-term loans represented 52% of all of the loans the Company obtained, while in 2011, this percentage was only 47%. In terms of the type of interest rate, the loans with a fixed interest rate represent 11.7% of all of the loans obtained.

Ageing structure of financial liabilities



Structure of financial liabilities with respect to interest rate variability



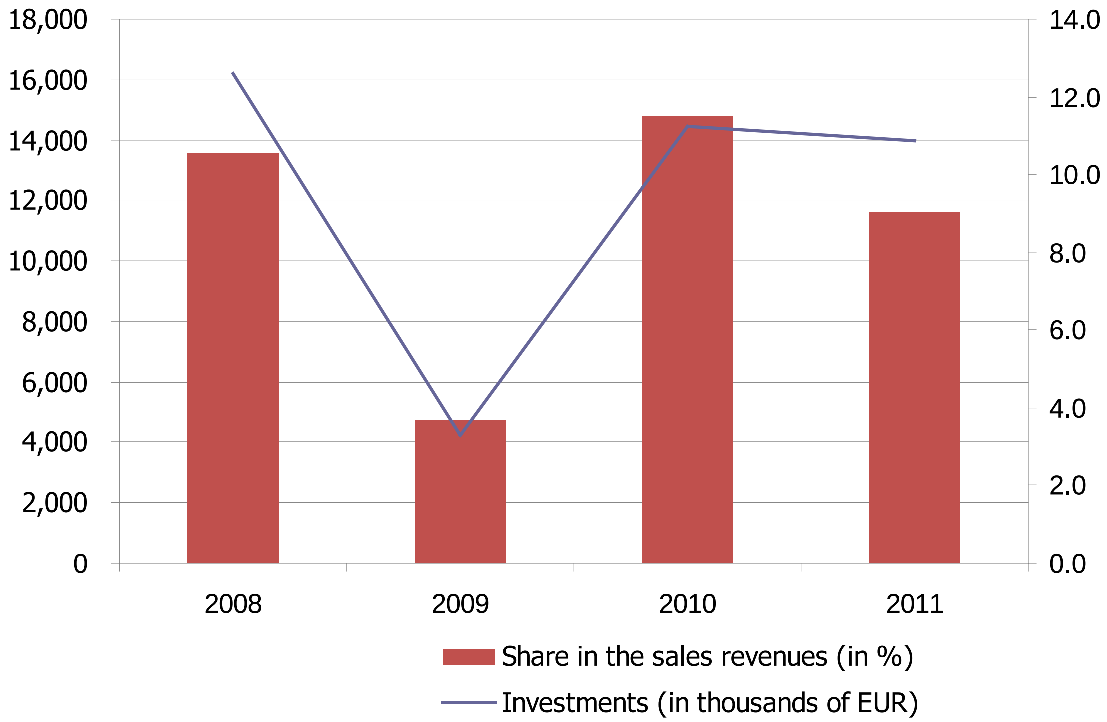
Operating liabilities increased as well because of the increased scope of operations, namely by EUR 10.5 million or 30.3%. The reasons are the larger purchases and the corresponding scope of production. Despite this increase, we settled our trade payables within the same deadlines as in previous years. Individual extensions of the above deadlines were only made in agreement with the suppliers. We did not extend the deadlines unilaterally and were not late in effecting payments.

Investments

In 2011, we invested EUR 14 million in new fixed assets, EUR 3.6 million of which went for our own products. The total value of investments as compared to 2010 increased by EUR 0.5 million. In 2011, we continued making new investments as the achievement of good sales results would otherwise have been compromised. Investments in the Tourism Programme (construction of a hotel in Zreče and a running course on Mount Rogla) were also funded with the grant from the EU, namely 25% in Zreče and 50% on Rogla. We realized all of our planned investments worth EUR 14.9 million in 2011, but with slightly lower expenditures than planned. The largest investment in 2011 was the completion of the construction of the Atrij hotel in Zreče, which was worth EUR 4.9 million.

Investments into fixed assets and their share in the Company's sales revenues

	2008	2009	2010	2011
Investments (in thousands of EUR)	16.221	4.217	14.471	13.988
Share in the sales revenues (in %)	10,59	3,70	11,53	9,05



Investments into fixed assets broken down by UNIOR's programmes

(in thousands of EUR)	2011	2010
Forge Programme	1.981	3.996
Sinter Programme	251	699
Hand Tools Programme	1.185	392
Special Machines Programme	2.392	661
Tourism Programme	6.492	6.612
Joint services	1.524	2.079
Maintenance	163	32
TOTAL	13.988	14.471

In 2011, we allocated EUR 15.2 million for the payment of investments, which is EUR 2.2 million more than in the previous year. The payments were by EUR 1.2 million higher than the value of the investments because the payment deadlines for investments initiated at the end of 2010 were rescheduled to 2011 by agreement.

In 2012, we are planning to slow our investment activity and are thus planning to allocate EUR 6.5 million for investments into new fixed assets. The largest among them will be:
- the installation of two new forging production lines at the Forging Plant of the Forge Programme ,
- the Mori Siki machining centre and the Unior FPZ centre for the processing of forgings within the scope of the Forge Programme ,
- the MS Hidraulik press at the Cold Forging plant of the Hand Tools Programme,
- completion of the running course on Mount Rogla within the scope of the Tourism Programme.

Investments in Associated Companies

We allocated EUR 670,000 to the increase in capital and the acquisition of ownership stakes in associated companies in 2011. The capital injection was made in the Sinter a.d. company in Serbia. We re-acquired ownership stakes in the companies Unior Savjetovanje d.o.o. and Unior Tehna d.o.o. in Bosnia, while in Slovenia, the companies included Rogla Investicije d.o.o. in Zreče and RC Simit d.o.o. in Kidričevo.

We also carried on with the strategy of selling off investments in the companies whose activities are not directly tied to the activity of UNIOR. We thus sold a 25.1% stake in the Štore Steel d.o.o. company in 2011 as well as a 25% stake in the Unior Formingtools d.o.o. company in Serbia.

In 2012, we are planning to carry out investments into associated companies worth EUR 665,000, namely within the scope of the Hand Tools Programme.

Goals for 2012

For 2012, we are planning to achieve growth in sales revenues of 9.3% so that they reach EUR 169 million, as well as end-of-year profit of EUR 3 million. The situation regarding the orders for the Forge Programme is encouraging so we are planning on a 5.6% growth in sales. There will be no negative impact of the increasing prices of materials that we witnessed in 2011. The Sinter Programme is recording a slight crisis with a 9.2% drop in sales, however, we are seeing better prospects in 2013. We are planning on a 10.7% growth in the sale of the products from the Hand Tools Programme and a 27.4% growth in the sales of the Special Machines Programme, whereby all of the contracts with the buyers have already been signed. As regards the Tourism Programme, we are expecting to see the effects of the new Atrij hotel and a better winter season, and are thus planning on a 16% growth in sales.

Sales and the profitability of the Unior company

(in thousands of EUR)	2012 (plan)	2011 (realisation)
Sales revenues	169,001	154,617
EBIT	9,878	5,032
EBITDA	19,658	15,039
Net profit or loss	3,020	1,310

Forge Programme

We are planning to sell EUR 73.8 million worth of products from the Forge Programme , which is a 5.6% increase in sales over the previous year. The sales plan was elaborated based on real assumptions and envisages similar economic growth to the one we had in the second half of 2011. The value of sales is projected in line with the assumption of unchanged selling prices under the condition that the basic prices of steel and the supplement for steel scrap remain on the same level as in 2011 (238 EUR/t). In the area of hot forging, we will achieve EUR 64.9 million worth of sales, which will represent growth of 4%, while even higher growth is limited because our capacities are already fully utilized. We see continued turnover growth generated by the new projects with our largest buyers (ZF, Audi, VW, and Rege). However, because of the too great dependence on the ZF Group, we are planning to decrease the share of our sales to that group of companies. Our sales to their competitors (TRW, SEAC, and JTEKT) on the other hand are growing, which is an integral part of our strategy. We will continue to grow the sales of our connecting rod programme (Rege). The F9 project with Renault is winding down, while the new project is set to commence in 2013 so that we may see a slight drop in turnover on the French market in 2012. As regards the processing of forgings, we are planning sales in the amount of EUR 8.8 million, which is an increase of 18.7% over the previous year. The increase will primarily be achieved with newer projects with existing buyers (VW, ZF), whereby the growth in sales to ZF Lenksysteme is important as we expect to increase the share of machined forks. The situation with the Schaeffler company is uncertainty and we are projecting a drop in sales to that partner on account of their difficulties in selling their hydraulic cylinder heads.

Sinter Programme

We are planning to sell EUR 6.5 million worth of products from the Sinter Programme, which is a 9.2% decrease over the previous year. At the of 2011, orders from our largest buyer, ZF Lenksysteme, already began declining because their end customer, BMW, is decreasing the production series of the car, which our products are built into. This car model will be replaced by a new one, however, our direct customer, ZF Lenksysteme, unfortunately did not win the contract for this model, which in turn reflects on our Sinter Programme that will see a drop in the sales to ZF Lenksysteme of approximately 45%. We are, however, starting new projects for this buyer, but the start of production of trial series cannot be expected before the second half of 2012, while the production of larger quantities is expected only in 2013. The result of the crisis in recent years are also felt by our largest buyer, BPW, whose orders were stable in 2011, but are certain to decline in 2012 as the demand for braking mechanisms has decreased significantly. BMW and Audi, which are the end customers of our buyers, Mitec and PTC, began reducing orders for oil pumps and are set to stop ordering all of the components for oil pumps by 2016. The replacement of these pumps is reflected at our new buyer, Mahle, with which we nevertheless expect increased cooperation in development projects. We will not be able to replace the serial production orders in 2012 despite the new orders that we received for sample sintered pieces from M+S Hidraulic, Bosch, Mahle, Magna Steyr, SFS Intec, Ixetic and Audi, with which we began developing a product without sales intermediaries. In 2012, we are set to master the projects that were not completed in 2011 and will at the same time attract new customers on global markets. The sales strategy involves stabilisation with timely and quality servicing of the needs of our permanent customers in combination with proactive management of the sales on new markets. We will strive to increase our presence on the Russian market and will boost our activities aimed at finding a new buyer for oil pumps. We also wish to increase our market share in the supply of parts for steering and transmission mechanisms. Despite the competition increasing in Poland, the Czech Republic, Romania, as well as in the Far East, we will try to take advantage of our strengths that we have in the automotive industry. We will achieve this because we are a certified supplier with a good price to quality ratio, tradition and identity, timely technical development, flexibility, favourable geographical position, and our own production of tools, which we have achieved by merging with the "SIOR" tool plant.

Hand Tools Programme

We are planning for the sales of the Hand Tools Programme to generate EUR 33.75 million, which is an increase of 10.7% over the previous year. The planned realisation in the sales of hand tools is EUR 30.5 million, which is 7% higher than it was in 2011. We are planning to achieve growth of 70.2% in cold forging, 63% in industrial marketing and 42.9% in the sale of merchandise from offsetting operations. The global decline in the use of hand tools is the result of the decline in the use of general hand tools in construction because investment activities slumped significantly in most of the countries where we sell our hand tools. The conditions on the hand tools market are very tight, because our competition is lowering their selling prices on individual markets with discounts. We are expecting additional problems with receivables as the liquidity situation is deteriorating on individual markets. The sales plan for 2012 entails the raising of prices by 3.5% for the products from the sales catalogue that will be carried out between 1 January and 1 April, and the total increase in the prices of 3.3% on an annual basis – all of which is in line with the assumption that the economic conditions around the world will not deteriorate as compared to 2011. There are no indications at the moment that the sales plan will not be achieved, which is why we estimate that the objectives for 2012 were set realistically.

Special Machines Programme

We are planning to achieve annual sales of EUR 18.9 million within the scope of the Special Machines Programme, representing a 27.4% increase over the previous year that is the result of the favourable trends in the area of orders in 2011. Contracts have already been concluded for the orders that are almost entirely coming from the automotive industry. These orders are now in the project preparation phase. This volume of sales will bring us the required viability of the programme provided that the conditions in the area of purchasing prices remain the same. We assess the situation in the area of orders to be favourable as compared to recent years (2010–2011). The strategic restructuring of the production programme from the classic purpose-built machines for mass production to the machining of elbow shafts and deep drilling machines as a medium-term developmental orientation contributed to this. We are encountering unfair competition on the market that is attempting to drive us from the market despite the favourable economic trends. This was primarily evident in recent months when we lost the opportunity to obtain numerous contracts for 2013 in negotiations or just before the negotiations started. Our competitors are also getting more favourable financing for projects and are aided by banks, which provides them with better long-term prospects for obtaining contracts, which is especially important in case there is a new onset of the expected crisis. Irrespective of the currently favourable situation in terms of orders, we are intensively working with the strategic partners of the largest global machine builders (Grob and Heller), whereby our aim is to ensure long-term and stable operations of the programme.

Tourism Programme

We are planning to realise sales worth EUR 22.3 million within the scope of the Tourism Programme, which is an increase of 16% over the previous year.
We are planning to grow the operations at the Terme Zreče spa resort primarily from the completed investment in the construction of the new Atrij hotel, which does not only represent new quality accommodation capacities but also an overhauled business concept that will enable us to separate target groups and to implement targeted marketing activities.
For the first time in its history, the Terme Zreče spa resort will be able to stand side-by-side with the other Slovenian health resorts and attract demanding foreign guests as the new investment has allowed for the completely separate operations in the fields of health care, wellness and business tourism. On the Rogla mountain resort, we completed a complex installation for snow-making, the starting and finish line and a new football pitch in 2011 within the scope of the project for the construction of a running course that was co-financed by the EU. In 2012, we will continue with the work to complete the second phase, i.e. the entrance building with a restaurant, wellness centre and a part of the accommodation capacities. The investment will allow us to market new sporting activities that will help us fill the capacities in the off-seasons in line with the plan. The plan for the sales is optimistic because of the above and because we expect normal weather conditions in both the winter and summer seasons that will allow us to increase capacity utilisation and further raise the number of visits. Taking into account the expected trend of a slight drop in the arrivals of domestic guests that is the result of the crisis, we have geared our activities towards the foreign markets of SE and W Europe and will pay special attention to the new markets in the Middle East and the Persian Gulf. We expect the realisation of external facilities to be on the level of 2011, while marketing will see a 10% increase in the funds allocated to it. The sales plan for 2012 was drawn up based on the assumption that there will be no changes in the prices of services for the existing capacities, while accommodation at the new Atrij hotel will cost 30% more.

FINANCIAL REPORT

Financial Statements

Balance Sheet as at 31 December 2011

(in EUR)

	Item	Note	31 Dec 2011	31 Dec 2010
	ASSETS		**319.720.883**	**303.608.998**
A.	**NON-CURRENT ASSETS**		**205.619.845**	**204.931.194**
I.	**Intangible assets and long-term deferred costs and accrued revenues**	**1**	**4.462.820**	**5.516.760**
1.	Long-term property rights		428.069	649.861
2.	Goodwill		403.940	403.940
3.	Advances for intangible assets		0	0
4.	Long-term deferred development expenses		3.616.151	4.270.140
5.	Other long-term deferred costs and accrued revenues		14.660	192.819
II.	**Property, plant and equipment**	**2**	**151.269.311**	**143.094.644**
1.	Land and buildings		87.695.089	85.727.004
	a) Land		34.103.054	32.140.229
	b) Buildings		53.592.035	53.586.775
2.	Production plant and machinery		44.744.049	42.538.137
3.	Other plant and equipment, consumables and other tangible fixed assets		38.486	69.911
4.	Property, plant and equipment being acquired		18.791.687	14.759.592
	a) Property, plant and equipment under construction and in production		18.277.062	14.116.649
	b) Advances for the acquisition of property, plant and equipment		514.625	642.943
III.	**Investment property**	**3**	**15.025.172**	**16.054.047**
IV.	**Long-term financial assets**	**4**	**29.092.466**	**34.102.165**
1.	Long-term financial assets, excluding loans		24.731.870	30.415.476
	a) Shares and stakes in Group companies		14.623.596	17.493.566
	b) Shares and stakes in associated companies		4.008.090	4.066.077
	c) Other shares and stakes		6.100.184	8.855.833
	d) Other long-term financial assets		0	0
2.	Long-term loans		4.360.596	3.686.689
	a) Long-term loans to Group companies		3.564.919	3.683.490
	b) Long-term loans to others		795.677	3.199
	c) Long-term unpaid called-up share capital		0	0
V.	**Long-term operating receivables**	**6**	**5.770.076**	**6.163.578**
1.	Long-term operating receivables due from Group members		5.276.533	5.140.154
2.	Long-term trade receivables		948	510.894
3.	Long-term operating receivables due from others		492.595	512.530
VI.	**Deferred tax assets**		**0**	**0**
B.	**CURRENT ASSETS**		**114.101.038**	**98.677.804**
I.	**Assets (disposal groups) held for sale**		**0**	**0**
II.	**Inventories**	**5**	**65.814.578**	**56.959.198**
1.	Materials		21.488.432	17.786.668
2.	Work-in-progress		22.322.307	19.151.463
3.	Products		16.978.842	15.349.401
4.	Merchandise		4.390.989	3.514.139
5.	Advances for inventories		634.008	1.157.527
III.	**Short-term financial assets**	**7**	**2.889.531**	**1.670.158**
1.	Short-term financial assets, excluding loans		0	0
	a) Shares and stakes in Group companies		0	0
	b) Other shares and stakes		0	0
	c) Other short-term financial assets		0	0
2.	Short-term loans		2.889.531	1.670.158
	a) Short-term loans to Group companies		1.259.549	965.823
	b) Short-term loans to others		1.629.982	704.335
	c) Short-term unpaid called-up capital		0	0
IV.	**Short-term operating receivables**	**6**	**45.112.013**	**39.790.411**
1.	Short-term operating receivables due from Group companies		6.910.851	7.176.500
2.	Short-term trade receivables		34.051.724	29.945.601
3.	Short-term operating receivables due from others		4.149.438	2.668.310
V.	**Cash and cash equivalents**	**8**	**284.916**	**258.037**

(in EUR)				
	Item	**Note**	**31 Dec 2011**	**31 Dec 2010**
	EQUITY AND LIABILITIES		**319.720.883**	**303.608.998**
A.	**CAPITAL**	**9**	**121.539.470**	**118.570.030**
I.	**Called-up capital**		**23.688.983**	**23.688.983**
1.	Share capital		23.688.983	23.688.983
2.	Uncalled capital (as a deduction item)		0	0
II.	**Capital surplus**		**41.686.964**	**41.686.964**
III.	**Revenue reserves**		**38.559.536**	**38.559.536**
1.	Legal reserves		1.951.606	1.951.606
2.	Reserves for treasury shares and stakes		100.190	2.718.960
3.	Treasury shares and stakes (deduction item)		0	0
4.	Statutory reserves		0	0
5.	Other revenue reserves		36.507.740	33.888.970
IV.	**Revaluation surplus**		**24.551.171**	**22.892.276**
V.	**Net profit brought forward**		**1.189**	**998**
VI.	**Net loss brought forward**		**8.258.727**	**5.478.686**
VII.	**Net profit for the financial year**		**1.310.354**	**0**
VIII.	**Net loss for the financial year**		**0**	**2.780.041**
B.	**PROVISIONS AND LONG-TERM ACCRUED COSTS AND DEFERRED REVENUES**	**10**	**6.882.662**	**6.379.820**
1.	Provisions for pensions and similar liabilities		3.383.579	3.721.125
2.	Other provisions		3.499.083	2.658.695
3.	Long-term accrued costs and deferred revenues		0	0
C.	**NON-CURRENT LIABILITIES**		**77.621.507**	**69.952.308**
I.	**Long-term financial liabilities**	**11**	**75.962.480**	**68.605.954**
1.	Long-term financial liabilities to Group companies		0	0
2.	Long-term financial liabilities to banks		75.448.194	67.963.096
3.	Long-term financial liabilities from bonds		0	0
4.	Other long-term financial liabilities		514.286	642.858
II.	**Long-term operating liabilities**	**12**	**262.670**	**0**
1.	Long-term operating liabilities to Group companies		0	0
2.	Long-term trade payables		0	0
3.	Long-term bills payable		0	0
4.	Long-term operating liabilities from advances		0	0
5.	Other long-term operating liabilities		262.670	0
III.	**Deferred tax liabilities**	**13**	**1.396.357**	**1.346.354**
D.	**CURRENT LIABILITIES**		**112.460.359**	**108.038.703**
I.	**Liabilities included in disposal groups**		**0**	**0**
II.	**Short-term financial liabilities**	**14**	**67.529.325**	**73.347.388**
1.	Short-term financial liabilities to Group companies		0	131.625
2.	Short-term financial liabilities to banks		67.033.103	72.942.786
3.	Short-term financial liabilities from bonds		0	0
4.	Other short-term financial liabilities		496.222	272.977
III.	**Short-term operating liabilities**	**15**	**44.931.034**	**34.691.315**
1.	Short-term operating liabilities to Group companies		982.325	6.330.477
2.	Short-term trade payables		33.651.680	20.355.419
3.	Short-term bills payable		0	0
4.	Short-term operating liabilities from advances		5.208.893	2.541.134
5.	Other short-term operating liabilities		5.088.136	5.464.285
E.	**SHORT-TERM ACCRUED COSTS AND DEFERRED REVENUES**	**16**	**1.216.885**	**668.137**

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

Income Statement for the Period from 1 January 2011 to 31 December 2011

(in EUR)

	Item	Note	2011	2010
A.	**Net sales revenues**	**18**	**154.617.189**	**125.531.710**
1.	Net sales revenues on the domestic market		35.292.004	33.782.955
	a) Net revenues from the sale of products and services		28.078.960	27.811.126
	b) Net revenues from the sale of goods and materials		7.213.044	5.971.829
2.	Net sales revenues on foreign markets		119.325.185	91.748.755
	a) Net revenues from the sale of products and services		107.722.646	82.262.024
	b) Net revenues from the sale of goods and materials		11.602.539	9.486.731
B.	**Changes in the value of inventories of products and work-in-progress**		**4.827.216**	**3.200.899**
C.	**Capitalised own products and own services**	**19**	**4.220.683**	**3.504.964**
D.	**Other operating revenues**	**20**	**3.187.804**	**3.432.320**
I.	**GROSS OPERATING PROFIT**		**166.852.892**	**135.669.893**
E.	**Cost of goods, materials and services**	**21**	**105.245.161**	**80.960.737**
1.	Cost of goods and materials sold		10.579.504	8.828.011
2.	Cost of materials used		72.732.764	55.628.589
	a) Cost of materials		55.285.654	46.989.147
	b) Cost of energy		9.255.989	8.221.386
	c) Other cost of material		8.191.121	418.056
3.	Cost of services		21.932.893	16.504.137
	a) Transport services		4.329.799	3.220.633
	b) Cost of maintenance		890.391	931.653
	c) Rents		281.107	261.069
	d) Other cost of services		16.431.596	12.090.782
F.	**Labour cost**	**21**	**44.356.606**	**40.778.544**
1.	Cost of wages and salaries		32.584.972	30.903.375
2.	Cost of pension insurance		496.747	514.773
3.	Cost of other social insurance		5.561.923	5.187.394
4.	Other labour cost		5.712.964	4.173.002
G.	**Amortisation and depreciation expense**	**21**	**10.007.412**	**10.542.623**
1.	Amortisation		9.313.129	9.902.142
2.	Operating expenses from revaluation of intangible fixed assets and property, plant and equipment		144.809	114.547
3.	Operating expenses from revaluation of current assets		549.474	525.934
H.	**Other operating expenses**	**21**	**2.211.824**	**1.705.292**
1.	Provisions		580.806	269.896
2.	Other costs		1.631.018	1.435.396
II.	**OPERATING PROFIT OR LOSS**		**5.031.889**	**1.682.697**
I.	**Finance income**	**22**	**7.678.711**	**1.002.672**
1.	Finance income from participating interests		7.080.717	564.122
	a) Finance income from participating interest in Group companies		6.436.652	409.280
	b) Finance income from participating interest in associated companies		602.625	46.310
	c) Finance income from participating interest in other companies		41.440	108.532
	d) Finance income from other investments		0	0
2.	Finance income from loans granted		258.405	267.124
	a) Finance income from loans to Group companies		205.980	174.148
	b) Finance income from loans to others		52.425	92.976
3.	Finance income from operating receivables		339.589	171.426
	a) Finance income from operating receivables due from Group companies		47.893	415
	b) Finance income from operating receivables due from others		291.696	171.011
J.	**Finance expenses**	**22**	**11.764.970**	**7.142.348**
1.	Finance expenses from impairments and write-offs of financial assets		4.956.897	919.215
2.	Finance expenses from financial liabilities		6.611.745	5.906.991
	a) Finance expenses for loans received from Group companies		57.160	16.561
	b) Finance expenses from bank loans		6.463.581	5.884.532
	c) Finance expenses from issued bonds		0	0
	d) Finance expenses from other financial liabilities		91.004	5.898
3.	Finance expenses from operating liabilities		196.328	316.142
	a) Finance expenses from operating liabilities to Group companies		918	48.480
	b) Finance expenses from trade payables and bills payable		77.067	191.011
	c) Finance expenses from other operating liabilities		118.343	76.651
III.	**PROFIT OR LOSS**		**945.630**	**(4.456.979)**
	Income tax	**23**	**0**	**0**
	Deferred tax	**23**	**(364.724)**	**(1.676.938)**
	NET PROFIT OR LOSS FOR THE PERIOD		**1.310.354**	**(2.780.041)**

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

Statement of Other Comprehensive Income

(in EUR)			
	Item	**2011**	**2010**
1.	**Net profit or loss for the period**	**1.310.354**	**(2.780.041)**
2.a	Change in the surplus from revaluation of intangible assets and tangible assets (property, plant and equipment) – gross amount	2.073.618	5.788.531
2.b	Change in the surplus from revaluation of intangible assets and tangible assets (property, plant and equipment) – deferred tax	(414.723)	(1.158.008)
3.	Change in the surplus from revaluation of available-for-sale financial assets	0	0
	Other comprehensive income for the reporting period, net of tax	**1.658.895**	**4.630.523**
	Total comprehensive income for the reporting period	**2.969.249**	**1.850.482**

Statement of Cash Flows

(in EUR)	Item	2011	2010
A.	**Cash flows from operating activities**		
a)	**Net profit or loss**		
	Profit or loss before tax	945.630	(4.456.979)
	Income taxes and other taxes not included in operating expenses	364.724	1.676.938
		1.310.354	**(2.780.041)**
b)	**Adjustments for**		
	Amortisation (+)	9.313.129	9.902.142
	Operating revenues from revaluation associated with investment and financing items (-)	(135.815)	(331.596)
	Operating expenses from revaluation associated with investment and financing items (+)	144.809	114.547
	Finance income excluding finance income from operating receivables (-)	(7.502.074)	(831.246)
	Finance expenses excluding finance expenses from operating liabilities (+)	11.568.642	6.826.206
		13.388.691	**15.680.053**
c)	**Changes in net current assets (and accruals and deferrals, provisions**		
	and deferred tax assets and liabilities) of the operating items in the balance sheet		
	Opening less closing operating receivables	(4.928.100)	(2.474.621)
	Opening less closing prepayments and accrued income	0	0
	Opening less closing deferred tax liabilities	0	0
	Opening less closing assets (disposal groups) held for sale	0	2.220.125
	Opening less closing inventories	(8.855.380)	(5.664.013)
	Closing less opening operating debts	10.502.389	11.948.622
	Closing less opening accrued costs and deferred revenues and provisions	1.051.590	215.019
	Closing less opening deferred tax liabilities	(364.724)	(1.676.938)
		(2.594.225)	**4.568.194**
d)	**Net cash used in/generated by operating activities (a+b+c)**	**12.104.820**	**17.468.206**
B.	**Cash flows from investing activities**		
a)	**Proceeds from investing activities**		
	Proceeds from interest received and shares of profits in other entities pertaining to investing activities	902.470	809.902
	Proceeds from disposal of intangible assets	178.639	114.460
	Proceeds from disposal of property, plant and equipment	3.400.354	3.015.764
	Proceeds from disposal of investment property	1.474.827	628.000
	Proceeds from disposal of long-term financial assets	7.867.368	822.634
	Proceeds from disposal of short-term financial assets	12.149	3.201.967
		13.835.807	**8.592.727**
b)	**Payments for investing activities**		
	Payments for the acquisition of intangible assets	(82.982)	(279.438)
	Payments for the acquisition of property, plant and equipment	(17.865.243)	(16.904.613)
	Payments for the acquisition of investment property	(283.000)	(742.047)
	Payments for the acquisition of long-term financial assets	(1.377.910)	(4.859.586)
	Payments for the acquisition of short-term financial assets	(1.231.522)	(1.627.771)
		(20.840.657)	**(24.413.455)**
c)	**Net cash used in/generated by investing activities (a+b)**	**(7.004.850)**	**(15.820.728)**
C.	**Cash flows from financing activities**		
a)	**Proceeds from financing activities**		
	Proceeds from paid up capital	0	10.000.000
	Proceeds from increase in long-term financial liabilities	34.704.869	45.005.047
	Proceeds from increase in short-term financial liabilities	104.462.695	112.500.914
		139.167.564	**167.505.961**
b)	**Payments for financing activities**		
	Payments for paid interest pertaining to financing activities	(6.611.745)	(5.916.646)
	Payments for the repayment of equity capital	0	0
	Payments for repayment of long-term financial liabilities	0	(2.834.815)
	Payments for repayment of short-term financial liabilities	(137.629.101)	(160.352.310)
	Payments for dividends and other profit distributions	191	(998)
		(144.240.655)	**(169.104.769)**
c)	**Net cash used in/generated by financing activities (a+b)**	**(5.073.091)**	**(1.598.808)**
D.	**Cash and cash equivalents at end of period**	**284.916**	**258.037**
x)	Net cash for the period (sum of items Ac, Bc and Cc)	26.879	48.670
y)	Cash and cash equivalents at beginning of period	258.037	209.367

Statement of Changes in Equity

CHANGES IN EQUITY FOR THE PERIOD FROM 31 DECEMBER 2010 TO 31 DECEMBER 2011	I. Called-up capital	II. Capital surplus	III. Revenue reserves			IV. Revaluation surplus	V. Net profit or loss brought forward	VI. Net profit or loss for the financial year	Total
(in EUR)	Share capital		Legal reserves	Reserves for treasury shares	Other profit reserves		Net profit/loss brought forward	Net profit/loss for the financial year	
A.1. Balance as at the end of the previous reporting period	**23.688.983**	**41.686.964**	**1.951.606**	**2.718.960**	**33.888.970**	**22.892.276**	**(5.477.688)**	**(2.780.041)**	**118.570.030**
A.2. Opening balance of the reporting period	**23.688.983**	**41.686.964**	**1.951.606**	**2.718.960**	**33.888.970**	**22.892.276**	**(5.477.688)**	**(2.780.041)**	**118.570.030**
B.1. Changes in equity – transactions with owners	**0**	**0**	**0**	**0**	**0**	**0**	**191**	**0**	**191**
Entry of additional capital payments	0	0	0	0	0	0	191	0	191
B.2. Total comprehensive income for the reporting period	**0**	**0**	**0**	**0**	**0**	**1.658.895**	**0**	**1.310.354**	**2.969.249**
Entry of the net profit or loss for the reporting period	0	0	0	0	0	0	0	1.310.354	1.310.354
Change of the surplus from revaluation of property, plant and equipment	0	0	0	0	0	1.658.895	0	0	1.658.895
B.3. Changes in equity	**0**	**0**	**0**	**(2.618.770)**	**2.618.770**	**0**	**(2.780.041)**	**2.780.041**	**0**
Allocation of the remaining net profit in the comparative reporting period to other components of equity	0	0	0	0	0	0	(2.780.041)	2.780.041	0
Provisions for treasury shares and stakes and allocation to other components of equity				(2.618.770)	2.618.770				0
C. Closing balance of the reporting period	**23.688.983**	**41.686.964**	**1.951.606**	**100.190**	**36.507.740**	**24.551.171**	**(8.257.538)**	**1.310.354**	**121.539.470**

CHANGES IN EQUITY FOR THE PERIOD FROM 31 DECEMBER 2009 TO 31 DECEMBER 2010	I. Called-up capital	II. Capital surplus	III. Revenue reserves			IV. Revaluation surplus	V. Net profit or loss brought forward	VI. Net profit or loss for the financial year	Total
(in EUR)	Share capital		Legal reserves	Reserves for treasury shares	Other profit reserves		Net profit/loss brought forward	Net profit/loss for the financial year	
A.1. Balance as at the end of the previous reporting period	**19.516.057**	**35.859.890**	**1.951.606**	**2.718.960**	**33.888.970**	**18.261.753**	**0**	**(5.478.686)**	**106.718.550**
A.2. Opening balance of the reporting period	**19.516.057**	**35.859.890**	**1.951.606**	**2.718.960**	**33.888.970**	**18.261.753**	**0**	**(5.478.686)**	**106.718.550**
B.1. Changes in equity – transactions with owners	**4.172.926**	**5.827.074**	**0**	**0**	**0**	**0**	**998**	**0**	**10.000.998**
Entry of additional capital payments	4.172.926	5.827.074	0	0	0	0	998	0	10.000.998
B.2. Total comprehensive income for the reporting period	**0**	**0**	**0**	**0**	**0**	**4.630.523**	**0**	**(2.780.041)**	**1.850.482**
Entry of the net profit or loss for the reporting period	0	0	0	0	0	0	0	(2.780.041)	(2.780.041)
Change of the surplus from revaluation of property, plant and equipment	0	0	0	0	0	4.630.523	0	0	4.630.523
B.3. Changes in equity	**0**	**0**	**0**	**0**	**0**	**0**	**(5.478.686)**	**5.478.686**	**0**
Allocation of the remaining net profit in the comparative reporting period to other components of equity	0	0	0	0	0	0	(5.478.686)	5.478.686	0
C. Closing balance of the reporting period	**23.688.983**	**41.686.964**	**1.951.606**	**2.718.960**	**33.888.970**	**22.892.276**	**(5.477.688)**	**(2.780.041)**	**118.570.030**

Notes to the Financial Statements

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

The Company's financial statements were prepared for the year ended 31 December 2011.

The list of all companies, in which UNIOR d.d. holds at least a 20 per cent equity holding, as well as all of the information on these companies are disclosed in Chapter 15 of the Annual Report: UNIOR Group.

Statement of Compliance

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

As regards the process of standard confirmation by the European Union, there were no differences as at the balance sheet date between the accounting policies used by UNIOR d.d., the International Financial Reporting Standards (IFRS) and the International Financial Reporting Standards (IFRS) adopted by the EU.
The Management Board of UNIOR d.d. confirmed the financial statements on 23 April 2012.

Basis for the Preparation of Financial Statements

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

Fair Value

Fair value is used when disclosing land and investment property, while all other financial statement items are stated at cost or amortised cost.

Accounting Policies Used

The accounting policies used are the same ones that the Company used in previous years, with the exception of the newly adopted standards and Interpretations listed below. The Company adopted the following new and amended IFRSs and Interpretations of the IFRIC valid after 1 January 2011:

- **IFRIC 19 – Extinguishing Financial Liabilities with Equity Instruments**
- **IFRIC 14 – Prepayments of a Minimum Funding Requirement (amendment)**
- **IAS 32 – Classification of Rights Issues (amendment)**
- **IAS 24 – Related Party Disclosures (amendment)**
- **Improvements to the IFRSs (May 2010)**

- **IFRIC 19 – Extinguishing Financial Liabilities with Equity Instruments**

IFRICs explain in greater detail the financial accounting performed by a company when the conditions of financial liabilities change, whereby the company issues equity instruments to the company's creditor who in turn extinguishes the financial liability in part or in its entirety. IFRIC 19 designates such an equity instrument as a "paid consideration" in accordance with Article 41 of IAS 39. The financial liability is consequently derecognised, while the company recognises the issued equity instruments as a consideration for extinguishing the said financial liability.

- **IFRIC 14 – Prepayments of a Minimum Funding Requirements**

The amendment enables a company to account certain voluntary prepaid contributions as assets based on the requirement for minimum funding. The amendment must be used retrospectively.

- **IAS 32 – Classification of Rights Issues (amendment)**

The amendment relates to the classification of the rights to acquire shares for a set amount expressed in a foreign currency, which the existing standard treats as derivative liabilities. If certain conditions are met in accordance with the amendment, a company can now classify these rights among equity instruments regardless of the currency in which the exercise price is denominated. The amendment must be used retrospectively.

- **IAS 24 – Related Party Disclosures (revision)**

The revised standard relates to the assessment within the scope of the determination of whether state owned companies and companies, about which the reporting company knows that it has ties to the state, are defined as an individual client. Within the scope of the assessment, the reporting company must take into account how close the economic ties between related parties are. The amendment must be used retrospectively.

- **In May of 2010, IASB published the third set of amendments to its standards primarily with the aim of eliminating inconsistencies and providing a detailed explanation of the text.**

- **IFRS 1 First-time Adoption of International Financial Reporting Standards**

The amendment explains the treatment of the amendments to accounting policies in the year they were adopted and after the publication of an interim financial report in accordance with IAS 34 –Interim Financial Reporting. It enables a company that is using the IFRSs for the first time to recognise the event-driven fair value as a deemed cost. The standard further expands the notion of the "deemed cost" of property, plant and equipment or intangible assets by including the items of regulated activities, the prices of which are set by an administrative body.

- **IFRS 3 Business Combinations**

This amendment explains that the amendments of the standards IFRS 7 Financial instruments: Disclosures, IAS 32 Financial Instruments: Presentation and IAS 39 Financial Instruments: Recognition and Measurements, which do away with the exemption for contingent consideration, do not apply to those contingent considerations that arise from business combinations that occurred prior to the date of the application of IFRS 3 (revision of the standard from 2008).
The amendment limits the scope of choice of the measurement (fair value or proportionate share of current equity instruments in identifiable net assets of the acquiree) to only the components of the non-controlling interest, which represent the current equity interests, which provide their owners with the right to a proportionate share in the company's net assets.
The amendment further requires (as regards the business combinations) that the company distribute the consideration for the payment of the acquiree's shares (irrespective of whether this is voluntary or not) to the purchase consideration and costs that arise from the business combination.

- **IFRS 7 – Financial Instruments: Disclosures**

The amendment explains which disclosures are required according to IFRS 7 and highlights the interconnectedness of quantitative and qualitative disclosures as well as the nature and scope of the risks associated with financial instruments.

- **IAS 1 Presentation of Financial Statements**

This amendment explains that a company has to show the analysis of the components of other comprehensive income for each of the components of equity capital – either in the statement of changes in equity or the notes to the financial statements.

- **IAS 27 Consolidated and Separate Financial Statements**

The amendment explains that the amendments of IAS 27, which subsequently affect IAS 21 The Effects of Changes in Foreign Exchange Rates, IAS 28 Investments in Associates and IAS 31 Interests In Joint Ventures, are used for annual periods starting on 1 July 2009 or before that, provided that IAS 27 is applied earlier.

- **IAS 34 Interim Financial Reporting**

This amendment introduces the requirement for a company to additionally disclose, in the summaries of interim financial reports, the fair value and changes in the classification of financial assets and the changes to contingent assets and liabilities.

- **IFRIC 13 Customer Loyalty Programmes**

The amendment explains that, when the fair value of award credits is measured based on the value of the awards, at which buyers can redeem them, the company must take into account the amount of discounts or incentives that are granted to buyers who do not participate in the customer loyalty programme.

Transactions in Foreign Currencies

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 items and liabilities denominated in a foreign currency as at the balance sheet date are translated into the domestic currency according to the reference exchange rate of the European Central Bank applying as at the last day of the reporting period. Exchange rate differences are recognized in the income statement.

Operating Profit/Loss

Operating profit or loss is defined as profit or loss before tax and financial items. Financial items include interest on bank balances, deposits, investments available for sale and trading, 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.

Significant Estimates and Judgements

In accordance with the International Financial Reporting Standards, the Company's man¬agement issues estimates, judgements and assumptions for the preparation of financial statements, namely those that affect the application of policies and the disclosed values of assets and liabilities, revenues and expenses. The estimates are formulated according to experiences from previous years and the expectations in the reporting period. The actual results may dif¬fer from these estimates, which is why the estimates are constantly verified and revised.

Deferred Taxes

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

- provisions for jubilee awards and severance pay upon retirement,
- impairments of trade receivables,
- investment tax relief for investments into research and development,
- unused tax losses.

Deferred taxes are presented in greater detail in Chapter 12.3.12.

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

The tax rate used for the calculation of the amount of deductible temporary differences is 20 per cent. Based on conditions set out in IAS 12 (36) and the Business Plan for the coming period, we estimate that we will have taxable profits at our disposal to cover the unused tax losses in the coming years.

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

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

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

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

Summary of Significant Accounting Policies and Disclosures
We present individual categories in accordance with the International Financial Reporting Standards that prescribe disclosures. We also present all important issues. The accounting policies used as well as the nature and the level of importance of the disclosures are defined in the internal acts of the Company. We have also disclosed comparative information from the previous period and included the said information in the quantitative and descriptive sections for all significant information that is reported in financial statements. The comparative information is adjusted so as to conform to the presentation of information in the current year.
The accounting policies provided below have been consistently applied in all periods re¬ported in the financial statements.

Property, Plant and Equipment
Land is valued at fair value. We use the cost model for measuring buildings, plant and equipment. An asset is disclosed at cost less accumulated depreciation and any accumulated impairment losses. The manner and the methods for the valuation of assets due to impairment are described below under the heading "Impairment of Property, Plant and Equipment". The cost of an item of property, plant and equipment is the equivalent of the cash price as at the date of recognition. Revaluation of land is performed based on an appraisal by a chartered valuation surveyor. The revaluation is disclosed through equity as a revaluation surplus.
In case of a significant cost value of an item of property, plant and equipment, which contains compo¬nents with different estimated useful lives, we divide the item into its component parts. Each component part is treated separately. Land is treated separately and is not depreciated.

Borrowing costs
Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset increase the cost 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 or sale arise.

Financial lease
At the beginning of a lease, we recognize the financial lease in the balance sheet as an asset and liability at amounts equal to the fair value of the leased asset or, if the value is lower, at the present value of the minimum lease payments, whereby both values are determined upon the conclusion of the lease. When calculating the present value of the minimum lease payments, the discount rate is the interest rate associated with the lease (lease rate) provided that it can be determined; otherwise, we use the assumed interest rate for borrowing, which should be paid by the lessee. We add all of the initial direct costs borne by the lessee to the amount recognized as an asset.
We did not conclude any contracts on financial leasing of fixed assets in 2011.

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

Depreciation

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

Depreciation rates applied by the Company:

	Lowest %	Highest %
Property, plant and equipment		
Property:	**0,5**	**10,0**
Built buildings	0,5	5,0
Other buildings	2,0	10,0
Equipment:		
Production equipment	0,6	20,0
Computer and electr. equipment	6,0	25,0
Fork lifts and hoists	11,0	12,5
Automobiles and tractors	12,5	25,0
Cleaning and heating equipment	7,0	23,1
Measuring and control devices	4,2	28,0
Furniture – office and other	10,0	17,5
Other equipment	5,0	50,0

Derecognition

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

Intangible Assets

An intangible assets is initially recognised at cost. After the initial recognition, intangible assets are disclosed at cost less the accumulated depreciation and the eventual impairment loss.

Goodwill

Goodwill is valued at 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 acquired assets and liabilities valued as at the acquisition date. The transferred purchase consideration includes the fair value of the transferred assets, liabilities to the previous owners of the acquiree and the shares issued by the company. The Company's management performs an annual assessment of whether the fair value is still the same.

Emission coupons

Long-term deferred costs of emission coupons allocated by the Slovenian Environment Agency operating within the scope of the Ministry of the Environment and Spatial Planning (renamed to Ministry of Agriculture and Environment) are disclosed as part of intangible 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 amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each financial year. If the expected useful life of the asset differs from previous estimates, the amortisation period is changed accordingly.

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

Amortisation rates applied by the Company:

	Lowest %	Highest %
Intangible fixed assets:	10.0	20.0

Investment Property
We hold investment property with the aim of them generating rent or increasing the value of a long-term investment. We use the fair value method for the measurement of investment property, whereby an appraisal from a chartered valuation surveyor serves as the basis for the measurement. Revenues are recognized in the income state¬ment. Investment property is not depreciated.

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

Financial Instruments
We classify financial instruments into the following classes:
1. financial assets at fair value through profit or loss;
2. held-to-maturity investments;
3. loans and receivables;
4. available-for-sale financial assets

1. Financial Assets at Fair Value through Profit or Loss
The first group of financial assets was formed for financial instruments that are recognized as at the trading date and measured at fair value through profit or loss and, which are intended for active trading.

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

3. Loans And Receivables
The third group includes all loans, borrowings and receivables, which are recognized as at the settlement date and measured at amortized cost using the effective interest method.

Operating receivables
We record long-term and short-term trade receivables due from our buyers, the state and the employees in the books of account separately. We also disclose interest on the above receivables among operating receivables. Long-term and short-term operating receivables are initially disclosed at amounts arising from contracts or relevant bookkeeping documents. We translate the operating receivables denominated in foreign currencies on the last day of the financial year into the domestic currency according to the reference exchange rate of the European Central Bank.
The suitability of the disclosed size of an individual receivable is determined at the end of the reporting period based on informed evidence regarding the doubt that these receivables will be repaid. We perform the impairment of receivables after the management performs an individual assessment of the programmes as regards the risk that the receivables will not be repaid.

Trade Credits
The Company extends trade credits to companies within the Group and associated companies for their operations. Trade credits are recognized among long-term operating receivables. We charge interest on trade credits. Value adjustments for trade credits are performed after the Company's management assess them individually.

Loans
Upon initial recognition, loans granted are disclosed at their amortized cost taking into account the effective interest method. Depending on their maturity date, they are classified as long-term (non-current) or short-term (current) assets as at the settlement date. With the aim of managing credit risk, we determine the maturity of the loan and the settlement method according to the borrower's credit standing. These loans are secured or collateralised by traditional security or collateral instruments (e.g. blank bills of exchange, pledge of securities and other property or movables, the possibility of a unilateral offsetting of mutual obligations, etc.). In case of a failure to settle outstanding contractual obligations by the borrower, we start redeeming the security or collateral instruments or start performing impairments of the investment if legal proceedings are instituted.

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

4. Available-For-Sale Financial Assets
We classify all investments into equity securities among available-for-sale financial assets. Upon initial recognition, they are measured at fair value, to which we add the transaction costs arising from the acquisition of the financial asset. We determine the fair value as the value determined by the market such as the closing stock exchange price of a share or the published daily value of a mutual fund unit. Changes in fair value are recognized directly in the statement of other comprehensive income. We apply the average cost method for posting purposes. Profits or losses are transferred to the profit or loss upon derecognition. We use the trading date when accounting for the acquisition and sale.
All other financial assets, for which no active market exists and where fair value can not be reliably measured, are measured at cost.

Inventories
Inventories are measured at historic cost or net realisable value, namely the lower of the two. The net realizable value is the estimated selling price in the ordinary course of business decreased by the estimated costs of completion and sale. The unit price of an item held in inventory includes the costs incurred when acquiring inventories and bringing them to their present location and condition. For finished products and work-in-progress, the costs include a corresponding proportion of production costs with the normal use of production assets. The consumption of inventories is disclosed according to the weighted average cost method. At the end of the year, the Company verifies the inventories that have not had any movements in the current year and impairs them to their realizable value.

Cash and Cash Equivalents
Cash and cash equivalents comprise cash in hand and sight deposits held in accounts. The balance of cash and cash equivalents denominated in foreign currencies is translated into the domestic currency according to the reference exchange rate of the European Central Bank applying as at last day of the financial year.

Derivatives
The Company does not issue derivatives for trading purposes. In the event of a decision to establish hedges against financial risks, the Company shall select suitable derivatives and recognize them together with the hedged item as a hedging relationship.

Equity
Share Capital
The share capital of UNIOR d.d. is divided into 2,838,414 ordinary registered shares that are freely transferrable.

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

Repurchase of Treasury Shares
We did not trade in treasury shares in 2011.

Authorised Capital
The Company did not have authorised capital as at 31 December 2011.

Provisions
Provisions for lawsuits
We have formed provisions for loss and damages related to alleged violations within the scope of operations. The amount of the provisions is determined according to the known amount of the claim for damages or according to the estimated amount if the claim is not yet known. We regularly verify the eligibility of the provisions formed.

Provisions for severance pay and jubilee awards
In accordance with the corporate collective agreement and statutory provisions, the Company is required to account and pay jubilee awards and severance pay upon retirement. For the measurement of these types of earnings we use a simplified method of accounting, which requires the valuation of actuarial liabilities in accordance with the expected growth in wages and salaries from the date of valuation up to the envisaged retirement of an em¬ployee. This means the imputation of earnings in proportion to the work performed. The estimated liability is recognized in the amount of the present value of expected future expenditures. When measuring them, we also estimate the projected increase in salaries and staff turnover.
Based on the calculation, we recognize gains or losses of the current year in the income statement.

Government Grants
Government grants are recognised at fair value, but not until there is reasonable assurance that UNIOR d.d. will comply with the conditions attached to them and until it receives them. Government grants are recognized as income in the periods, in which they are matched to related costs, which these grants are supposed to cover. If a government grant relates to a particular asset, it is recognized as deferred income, which the UNIOR d.d. company recognizes in the income statement in the period of the expected useful life of the asset in equal annual amounts.

Income Tax
Income taxes are accounted in accordance with the Corporate Income Tax Act. The basis for the accounting of the income tax is the gross profit increased by expenses not recognised for tax purposes and decreased by legally permitted tax relief. The tax liability for the corporate income tax is calculated from the resulting amount. The applied tax rate for 2011 was 20 per cent.

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

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

Revenues

Revenue From the Services Rendered

Revenues are recognised when it is reasonable to expect that they will lead to receipts if these have not been realised upon their occurrence and if they can be reliably measured.
When recognising revenues from the services rendered, we use the method of the percentage of completion as at the balance sheet date. According to this method, revenues are recognized in the reporting period, in which services were rendered. We disclose the amounts of each significant category of revenue recognized in the period and the already generated revenues on domestic and foreign markets. Revenues on the domestic market are the revenues earned in Slovenia, and foreign markets are the EU countries and third countries.

Revenues From the Sale of Products, Goods and Material

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

Rental Income

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

Other Operating Revenues with Operating Revenues from Revaluation

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

Finance Income and Expenses

Finance income comprises income from the interest received for the loans granted, dividend income, income from the disposal of available-for-sale financial assets and the income from positive exchange rate differences. Interest income is recognized upon its occurrence using the effective interest rate. Dividend income is disclosed in the profit or loss when the right to the payout is exercised.

Finance expenses comprise interest costs on borrowings, negative exchange rate differences, and the losses arising from the impairment of financial assets, which are recognized in the income statement. Borrowing costs are recognized in the income statement using the effective interest rate method.

Gross Operating Profit

Gross operating profit comprises sales revenues, changes in the value of inventories of fin¬ished products and work in progress, capitalized own products and services as well as other operating revenues.

Expenses – Costs

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

Profit or Loss

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

Impairment of Property, Plant and Equipment

If there is any indication that an asset may be impaired, we estimate its recoverable amount. If the asset's recoverable amount cannot be estimated, the Company determines the recoverable amount of the cash-generating unit, to which the asset belongs. Impairment is disclosed in the income statement. Impairment losses need to be reversed if there are changes in the estimates that were used to determine the re¬coverable 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 carry¬ing amount that would have been determined after the deduction of the depreciation write-off, if the impairment loss had not been recognized for the asset in prior years. The reversal of losses is recognized as revenue in profit or loss.

Impairment of Intangible Assets

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

Impairment of Financial Assets

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

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

In the case of financial assets (investments) held in subsidiaries, associates, joint ventures and other companies that are disclosed at cost, we have to judge whether an impairment is necessary, in which case we recognize it in profit or loss as a finance expense from revaluation.
For financial assets classified into the group of available-for-sale financial assets, we measure the amount of impairment losses which is then recognized in profit or loss as the difference between the carrying amount of the asset and the market or fair value as at the cut-off balance sheet date. The impairment of these assets (investments) is performed when the fair value as at the balance sheet date is more than 40 per cent lower than the cost of the financial asset. The amount of this impairment is the difference between the cost and the fair value of the asset (investment).

Statement of Other Comprehensive Income

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

Statement of Cash Flows

The Company reports cash flows from operations using the direct method based on the items in the balance sheet as at 31 December 2011 and 31 December 2010 as well as the income statement for 2011 and the additional data required for the adjustment of outflows and inflows.

Statement of Changes in Equity

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

New Standards and Interpretations That Have Not Yet Entered Into Force

Early Application of the IFRSs and IFRICs Not Yet In Force

UNIOR d.d. did not decide on the early application of any standard or Interpretation that is not yet in force, but which will enter into force in the future.

In accordance with the requirements of the IFRS and the EU, companies will have to apply the following amended standards and Interpretations in the future periods:

- **IFRS 7 – Financial Instruments: Disclosures to enhance the transparency of off-balance sheet activities (amendment)**

The amendment applies for the annual periods starting on or after 1 July 2011. The purpose of this amendment is to provide the users of financial statements with straightforward understanding of the transfer of financial assets (e.g. securitisation), including the understanding of eventual impacts of potential risks that the transferor may be exposed to. The amendment further requires additional disclosures in the event of a disproportionately high number of transactions after the end of the reporting period. In a broader sense, the amendments harmonise the important disclosure requirements laid down by the IFRS and GAAP.

- **IFRS 7 – Financial Instruments: Disclosures - offsetting financial assets and financial liabilities (amendment)**

The amendment applies for the annual periods starting on or after 1 January 2013. The amended standard introduces the common requirements for disclosures that would provide users with information that serves for the assessment of the effect or the potential effect of netting arrangements on an entity's financial position. The amendment of IFRS 7 must be applied by companies retrospectively.

- **IAS 12 Deferred Taxes: Recovery of underlying assets (amendment)**

The amendment applies for the annual periods starting on or after 1 January 2012. The amendment applies to the determination of deferred tax for investment property at fair value; at the same time, the requirements of SIC-21 Income Tax – Recovery of Revalued Non-Depreciable Assets are now included in the requirements of IAS 12 for non-depreciable assets measured according to the revaluation model in accordance with IAS 16. The objective of this amendment is to include a) the rebuttable presumption that deferred tax on investment property measured using the fair value model according to IAS 40 should be determined on the basis that its carrying amount will be recovered through sale and b) the requirement that deferred tax on non-depreciable assets measured using the revaluation model according to IAS 16 should always be measured on a sale basis (sales value of the asset).

- **IFRS 9 – Financial Instruments: Phase I: Classification and measurement**

The new standard applies for the annual periods starting on or after 1 January 2015. Application prior to that date is permitted. The first phase of the new standard introduces new requirements regarding the classification and measurement of financial instruments. The first phase of IFRS 9 will importantly affect (i) the classification and measurement of financial assets and (ii) the change in the reporting by companies that determined their financial liabilities using the fair value option (FVO).

- **IFRS 10 Consolidated Financial Statements**

The new standard applies for the annual periods starting on or after 1 January 2013. IFRS 10 introduces a uniform control model for all companies, including special purpose entities. The changes introduced by IFRS 10 will require the management of a company to perform important assessments when determining controlled entities that the controlling company must include in the consolidation. Examples where the management will have to adopt important assessments include the determination of the actual controlling influence, eventual voting rights and the determination of whether the entity taking the decisions acts as a principal or agent. IFRS 10 partly replaces IAS 27 Consolidated and Separate Financial Statements in the part, which relates to consolidated financial statements, as well as SIC-12 Consolidation of Special Purpose Entities.

- **IFRS 11 Joint Arrangements**

The new standard applies for the annual periods starting on or after 1 January 2013. IFRS 11 does away with proportional consolidation of jointly controlled entities. In accordance with IFRS 11, a company must recognise a jointly controlled entity, which is now termed joint operation, according to the equity method. IFRS 11 further stipulates that the jointly controlled assets and operations are considered a joint operation and that the accounting for such arrangements in general corresponds with the current accounting, meaning that the company will continue to recognise its relative share of the assets and liabilities as well as revenues and expenses. IFRS 11 supersedes IAS 31: Interests In Joint Ventures and SIC-13 Jointly Controlled Entities – Non-Monetary Contributions by Venturers.

- **IFRS 12 Disclosures of Interests In Other Entities**

The new standard applies for the annual periods starting on or after 1 January 2013. IFRS 12 combines the requirements for the disclosure of a company's interests in subsidiaries, joint arrangements (joint operations or joint ventures) and investments in associates and structured entities within a single standard. The new standard also introduces certain new requirements, such as, for example, the requirement to disclose the basis that served for the determination of the company's controlling influence in another company. IFRS 12 replaces the requirements that were included up to now in IAS 27, IAS 31 and IAS 28 Investments In Associates.

- **IFRS 13 Fair Value Measurement**

The new standard applies for the annual periods starting on or after 1 January 2013. Application prior to that date is permitted. The main reason for the publication of IFRS 13 is primarily the simplification and greater consistency in the measurement of fair value. The standard does not change when a company must apply the fair value, but rather explains how to measure the fair value in accordance with the IFRS when standards either require or permit this. IFRS 13 thus eliminates the inconsistencies and explains in greater detail how a company measures fair value also for the purpose of convergence with GAAPs that were also supplemented by the FASB. The standard is applied prospectively.

- **IAS 27 Separate Financial Statements**

The standard applies for the annual periods starting on or after 1 January 2013. Application prior to that date is permitted. As a result of the introduction of new standards, IFRS 10, IFRS 11 and IFRS 12, this standard was supplemented with the requirements for the accounting and disclosure of investments into subsidiaries, joint arrangements and associates when preparing separate financial statements. IAS 27 Separate Financial Statements requires that a company recognise the said investments at cost in its financial statements or in accordance with the requirements of IFRS 9 Financial Instruments.

- **IAS 28 Investments in Associates and Joint Ventures**

The standard applies for the annual periods starting on or after 1 January 2013. Application prior to that date is permitted. The standard was supplemented as a result of the introduction of the new standards, IFRS 10, IFRS 11 and IFRS 12, and explains the accounting solutions for investments in associates. It also sets out the requirements regarding the application of the equity method when recognising investments in associates and joint ventures.

- **IAS 19 Employee Benefits (amendment)**

The amendment applies for the annual periods starting on or after 1 January 2013. Application prior

to that date is permitted. The amendment to IAS 19 introduces important changes to accounting solutions for employee benefits and eliminates the option of deferred recognition of changes in assets and liabilities of the post-employment plan (the so-called "corridor" approach). The result of this is greater volatility in the balance sheets of entities that currently apply the corridor approach. These changes will limit the changes in net assets (liabilities) of the post-employment plan in the profit or loss to net revenues (expenditures) from interest and the cost of services. The expected yields of the assets in the post-employment plan will replace the postings credited to revenues based on the yield of corporate bonds.
The overhauled standard further introduces a requirement for the immediate recognition of the past service cost as a result of the change of the post-employment plan in the profit or loss and the recognition of the cost of severance pay upon retirement only when such an offer is legally binding and can no longer be withdrawn.

- **IAS 1 Presentation of Financial Statements (amendment)**

The amendment applies for the annual periods starting on or after 1 July 2012. The amendment modifies the classification of the items from the statement of other comprehensive income. The items that can be reclassified (or recycled) in the income statement subsequently (e.g. upon the derecognition or settlement) must be recognised by the company separately from the items that will never be reclassified.

- **IAS 32 Financial Instruments: Disclosures - offsetting financial assets and financial liabilities (amendment)**

The standard applies for the annual periods starting on or after 1 January 2014. Application prior to that date is permitted. The amendment explains the meaning of the term "has a legally enforceable right to set off the amounts" and simultaneously explains the application of IAS 32 criteria for offsetting within the scope of settlement systems (such as, for example, the systems of the Central Securities Clearing Corporation) that use gross settlement mechanisms that are not concurrent. The amendments to IAS 32 must be applied by companies retrospectively. When a company decides on an early application of the standard, it has to disclose this fact and simultaneously observe the disclosure requirements introduced by the amendments to IFRS 7 Offsetting Financial Assets and Financial Liabilities.

- **IFRIC 20 – Stripping Costs in the Production Phase of a Surface Mine**

IFRIC 20 deals with the costs of the removal of mining waste material (overburden) from surface (strip) mines in the production phase of the mine. The Interpretation represents a deviation from the application of the approach involving the average ratio between the volume of waste material and the excavated ore within the existing useful life of the ore body (mine) that is used within the scope of financial reporting in accordance with the IFRS by numerous companies in the mining and metal extraction industry. The Interpretation applies for the annual periods starting on or after 1 January 2013.

Notes to the Balance Sheet

1. Intangible Fixed Assets

(in EUR)	Goodwill	Deferred development expenses	Investments into industrial property rights	Other intangible assets	IFA being acquired	Total
Cost						
Balance as at 31 December 2010	569.727	7.306.081	1.703.002	99.117	93.702	9.771.629
Direct increases - investments	0	0	0	11.476	71.506	82.982
Transfers from investments underway	0	9.000	73.502	0	(82.502)	0
Decreases during the year	(84.999)	0	0	(95.933)	(82.706)	(263.638)
Balance as at 31 December 2011	484.728	7.315.081	1.776.504	14.660	0	9.590.973
Value adjustment						
Balance as at 31 December 2010	165.787	3.035.941	1.053.141	0	0	4.254.869
Amortisation in the year	0	662.989	295.294	0	0	958.283
Impairment	(84.999)	0	0	0	0	(84.999)
Balance as at 31 December 2011	80.788	3.698.930	1.348.435	0	0	5.128.153
Current value as at 31 December 2011	**403.940**	**3.616.151**	**428.069**	**14.660**	**0**	**4.462.820**
Current value as at 31 December 2010	403.940	4.270.140	649.861	99.117	93.702	5.516.760

(in EUR)	Goodwill	Deferred development expenses	Investments into industrial property rights	Other intangible assets	IFA being acquired	Total
Cost						
Balance as at 31 December 2009	569.727	5.243.008	1.600.790	0	2.108.127	9.521.652
Direct increases - investments	0	0	0	128.578	150.860	279.438
Transfers from investments underway	0	2.063.073	102.212	0	(2.165.285)	0
Decreases during the year	0	0	0	(29.461)		(29.461)
Balance as at 31 December 2010	569.727	7.306.081	1.703.002	99.117	93.702	9.771.629
Value adjustment						
Balance as at 31 December 2009	80.788	2.093.794	768.161	0	0	2.942.743
Amortisation in the year	0	942.147	284.980	0	0	1.227.127
Impairment	84.999	0	0	0	0	84.999
Balance as at 31 December 2010	165.787	3.035.941	1.053.141	0	0	4.254.869
Current value as at 31 December 2010	**403.940**	**4.270.140**	**649.861**	**99.117**	**93.702**	**5.516.760**
Current value as at 31 December 2009	488.939	3.149.214	832.629	0	2.108.127	6.578.909

The Company received 11,476 emission coupons from the Slovenian Environment Agency operating within the scope of the Ministry of the Environment and Spatial Planning (renamed to Ministry of Agriculture and Environment) for 2011. In 2011, the Company settled its liabilities for 2010 in the amount of 8,783 coupons. The Company discloses liabilities for 9,029 coupons for production in 2011.

The cost of intangible fixed assets with the current value of zero and that are still in use is EUR 1,111,819.

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

2. Property, Plant and Equipment

(in EUR)	Land	Buildings	Production equipment	Consumables	Assets being acquired	Advances for fixed assets	Total
Cost							
Balance as at 31 December 2010	32.140.229	103.921.163	129.810.236	448.275	14.116.649	642.943	281.079.495
Direct increases - investments	530.098	0	0	0	15.166.925	0	15.697.023
Direct increases - advances	0	0	0	0	0	2.168.220	2.168.220
Transfers from investments underway	0	2.391.655	8.609.877	4.980	(11.006.512)	0	0
Decreases during the year	(640.891)	(31.132)	(3.039.847)	(278)	0	(2.296.538)	(6.008.686)
Revaluation because of increases in the value	2.073.618	0	0	0	0	0	2.073.618
Balance as at 31 December 2011	34.103.054	106.281.686	135.380.266	452.977	18.277.062	514.625	295.009.670
Value adjustment							
Balance as at 31 December 2010	0	50.334.388	87.272.099	378.364	0	0	137.984.851
Depreciation in the year	0	2.372.005	5.946.436	36.405	0	0	8.354.846
Decreases during the year	0	(16.742)	(2.582.318)	(278)	0	0	(2.599.338)
Balance as at 31 December 2011	0	52.689.651	90.636.217	414.491	0	0	143.740.359
Current value as at 31 December 2011	**34.103.054**	**53.592.035**	**44.744.049**	**38.486**	**18.277.062**	**514.625**	**151.269.311**
Current value as at 31 December 2010	32.140.229	53.586.775	42.538.137	69.911	14.116.649	642.943	143.094.644

(in EUR)	Land	Buildings	Production equipment	Consumables	Fixed assets being acquired	Advances for fixed assets	Total
Cost							
Balance as at 31 December 2009	26.324.030	100.331.965	127.041.405	448.299	8.923.988	626.346	263.696.033
Direct increases - investments	137.700	0	0	0	14.167.242	0	14.304.942
Direct increases - advances	0	0	0	0	0	2.599.671	2.599.671
Transfers from investments underway	0	3.617.713	5.356.868	0	(8.974.581)	0	0
Decreases during the year	(321.750)	(28.515)	(2.588.037)	(24)	0	(2.583.074)	(5.521.400)
Revaluation because of increases in the value	6.000.249	0	0	0	0	0	6.000.249
Balance as at 31 December 2010	32.140.229	103.921.163	129.810.236	448.275	14.116.649	642.943	281.079.495
Value adjustment							
Balance as at 31 December 2009	0	47.839.513	83.657.042	324.247	0	0	131.820.802
Depreciation in the year	0	2.506.087	6.116.296	54.141	0	0	8.676.524
Decreases during the year	0	(11.212)	(2.501.239)	(24)	0	0	(2.512.475)
Balance as at 31 December 2010	0	50.334.388	87.272.099	378.364	0	0	137.984.851
Current value as at 31 December 2010	**32.140.229**	**53.586.775**	**42.538.137**	**69.911**	**14.116.649**	**642.943**	**143.094.644**
Current value as at 31 December 2009	26.324.030	52.492.452	43.384.363	124.052	8.923.988	626.346	131.875.231

The Company discloses the following assets it obtained through financial lease among its property, plant and equipment (tangible assets):

- MRI machine for the Tourism Programme

with the cost of EUR 1,136,942 and the current value as at 31 December 2011 of EUR 186,648.

The Company has fixed assets worth EUR 257,860,984 pledged as collateral or security for its debts. These rose in 2011 by 20.5% as compared to the previous year.

Land was revalued to its market value based on the appraisal report on 31 December 2011.

In 2011, the Company changed the depreciation rate for certain assets that it found to have a longer useful life. The effect of the decrease in the rate is EUR 1,139,429.

Within the scope of the construction of the Atrij hotel in Zreče, the Company capitalised EUR 438,372 worth of financing cost.

3. Investment Property

(in EUR)	2011	2010
Land	3.846.666	5.484.783
Buildings	11.178.506	10.569.264
Total	**15.025.172**	**16.054.047**

Changes in investment property

(in EUR)	2011	2010
Opening balance as at 1 January	**16.054.047**	**15.940.000**
Acquisitions	283.000	392.047
Revaluation	0	350.000
Disposals	(1.311.875)	(628.000)
Closing balance as at 31 December	**15.025.172**	**16.054.047**

Investment property comprises land and buildings intended for resale or letting out for rental income. Properties are located in Maribor and on Mount Rogla (bungalows). Investment property is stated at fair value. Fair value was determined based on an appraisal of a chartered property surveyor.

4. Long-Term Financial Assets

(in EUR)	Equity stake	2011	2010
Investments into shares and stakes in subsidiaries:			
In the country:			
ŠTORE STEEL d.o.o. Štore	29,253	0	2.367.609
RTC KRVAVEC d.o.o. Cerklje	98,555	610.065	610.065
UNIOR BIONIC d.o.o. Zreče	85,039	0	0
ROGLA INVESTICIJE d.o.o. Zreče	100,000	385.368	0
		995.433	2.977.674
Abroad:			
UNIOR Produktions- und Handels- GmbH Ferlach	99,550	0	0
UNIOR DEUTSCHLAND GmbH Remseck	100,000	1.052.614	1.052.614
UNIOR FRANCE S.A.S. Melun	70,000	61.316	61.316
UNIOR ITALIA S.R.L. Limbiate	95,000	1.110.521	1.110.521
UNIOR ESPANA S.L. Uharte-Arakil	95,000	398.718	398.718
UNIOR HELLAS S.A. Metamorfosis	50,000	441.662	441.662
UNIOR INTERNATIONAL Ltd. Lincolnshire	50,000	112.861	112.861
UNIOR KOMERC d.o.o. Skopje	85,000	305.238	305.238
UNIOR PROFESSIONAL TOOLS Ltd St. Petersburg	55,000	178.332	178.332
UNIOR COMPONENTS a.d. Kragujevac	92,307	4.398.158	4.398.158
NINGBO UNIOR FORGING Co.Ltd. Yuyao	50,000	1.983.530	1.983.530
UNIOR USA CORPORATION Olney	100,000	845	845
UNIOR AUSTRALIA TOOL Co. PTY Ltd. Melbourne	100,000	505.899	505.899
UNIOR BULGARIA Ltd Sofia	58,000	126.508	126.508
UNIOR COFRAMA sp. z o.o. Poznan	51,000	71.400	71.400
UNIOR FORMINGTOOLS d.o.o. Kragujevac	74,000	0	900.000
UNIDAL d.o.o. Vinkovci	51,000	2.868.290	2.868.290
UNIOR SAVJETOVANJE IN TRGOVID d.o.o. Sarajevo	80,000	12.271	0
		13.628.163	14.515.892
Total for subsidiaries		**14.623.596**	**17.493.566**
Investments into shares and stakes in associates			
In the country:			
RHYDCON d.o.o. Šmarje pri Jelšah	33,500	448.116	448.116
STARKOM d.o.o. Maribor	49,000	0	2.201.193
ŠTORE STEEL d.o.o. Štore	29,253	1.274.260	0
ROBOTEH d.o.o. Šmarje pri Jelšah	24,970	14.000	14.000
RC SIMIT d.o.o. Kidričevo	20,000	200.000	
		1.936.376	2.663.309
Abroad:			
UNIOR SINGAPORE Pte. Ltd. Singapore	40,000	0	0
UNIOR FORMINGTOOLS d.o.o. Kragujevac	49,000	595.946	0
SOLION Ltd St. Petersburg	20,000	9.724	9.724
UNIOR TEOS ALATI d.o.o. Belgrade	20,000	423.000	423.000
UNIOR TEPID, S.R.L. Romania, Brasov	49,000	765.075	765.075
SINTER a.d., Užice	24,987	227.969	204.969
UNIOR TEHNA d.o.o. Sarajevo	25,000	50.000	
		2.071.714	1.402.768
Total for associates		**4.008.090**	**4.066.077**

In 2011, the Company sold its 25.1% stake in the Štore Steel d.o.o. company for a purchase consideration of EUR 7,530,000.

On 17 July 2008, Štore Steel d.o.o. signed a declaration of surety that relates to the conclusion of a share option agreement (call option) for the acquisition of the shares of Unior d.d. that would amount to EUR 14,741,000 with the associated financing costs upon its expiry and in the event it was realised if the option obligor were to default on its obligations.
In December of 2010, Štore Steel d.o.o. received a notice based on the declaration of surety that shows that the primary obligor has not fulfilled its obligation under the share option agreement. In May of 2011, the grantee instituted an action with the court instead of the primary obligor against the guarantor under the share option agreement. Štore Steel d.o.o. filed an answer to the complaint, then filed a counter-action and achieved a temporary court injunction. The grantee filed an answer to the counter-action, while Štore Steel d.o.o. took appropriate and timely measures. Based on the legal opinions from reputable law firms, Štore Steel d.o.o. finds that the declaration of surety is null vis-à-vis Štore Steel d.o.o. because Štore Steel d.o.o. is not allowed to finance the redemption (repurchase) of the shares of its majority owner and therefore did not honour the declaration and did not make provisions for this purpose.

(in EUR)	2011	2010
Investments into shares and stakes in other companies and banks		
BANKA CELJE d.d. Celje	5.919.900	5.919.900
CIMOS d.d. Koper	29.953	29.953
GIZ LTO ROGLA Zreče	12.519	12.519
GTC KOPE d.o.o. Slovenj Grade	48.450	48.450
INTEREUROPA d.d. Koper	645	5.850
RRA d.o.o. Celje	16.733	16.733
SKUPNA POKOJNINSKA DRUŽBA d.d. Ljubljana	22.306	22.306
SLOV. INVESTICIJSKA BANKA d.d. Ljubljana	18.122	18.122
SLOVENSKE ŽELEZARNE d.d. Ljubljana	7.270	7.270
STROJEGRADNJA d.d. Trbovlje	8.321	8.321
TERMIT d.d. Domžale	412	412
TITAN d.d. Kamnik	12.640	12.640
CENTER SLOV. ORODJARSKEGA GROZDA Celje	2.913	2.913
SINTER a.d., Užice	0	0
RIMSKE TERME d.o.o. Rimske Toplice	0	2.750.444
Total for other companies and banks	**6.100.184**	**8.855.833**
Long-term investments into loans		
Long-term loan BIVA-HIŠE d.o.o. Gomilsko	0	0
Long-term loan SINTER a.d. Užice	314.902	0
Long-term loan Jorgić Broker a.d. Beograd	76.694	0
Long-term loan MERKUR d.d. Kranj	133.446	0
Long-term loan RTC KRVAVEC d.d. Cerklje	4.226.147	4.344.718
Long-term deposit Huser Switzerland	3.199	3.199
Long-term deposit Probanka d.d.	61.330	0
Long-term deposit Nova KBM d.d.	147.020	0
Long-term deposit NLB d.d.	59.086	0
Transfer to short-term investments	(661.228)	(661.228)
Total for loans	**4.360.596**	**3.686.689**
Total long-term financial assets excluding treasury shares	**29.092.466**	**34.102.165**

The long-term loan to RTC Krvavec d.d. is collateralised with a mortgage on immovable and movable property owned by RTC Krvavec d.d., while other long-term investments into loans are not secured with pledged property.

Changes in long-term investments into shares and stakes in 2011

(in EUR)	2011	2010
Balance of investments into shares and stakes as at 1 January	**34.102.165**	**30.963.084**
Increases:		
Acquisitions of shares and stakes	670.640	4.388.346
Increase of investments into loans	707.270	61.959
Return on the short-term part of the investments into loans	661.228	661.228
Other increases – reversal of impairments	0	409.280
Decreases:		
Sale of shares and stakes	(1.397.403)	(398.656)
Repayments of long-term loans granted	(33.363)	(435.177)
Short-term part of investments into loans	(661.228)	(661.228)
Other decreases – impairment	(4.956.843)	(886.672)
Balance as at 31 December	**29.092.466**	**34.102.165**

Equity and profit or loss of associates

Company name	Country of the company	Percentage of the participating interest in equity	Currency	Amount of equity in the currency	Operating profit or loss for the year in the currency	Amount of equity in EUR	Operating profit or loss for the year in EUR
Subsidiaries:							
RTC KRVAVEC d.d.	Slovenia	98,555	EUR	11.899.979	6.071	11.899.979	6.071
UNIOR BIONIC d.o.o.	Slovenia	85,039	EUR	(287.608)	(73.560)	(287.608)	(73.560)
ROGLA INVESTICIJE d.o.o.	Slovenia	100,000	EUR	535.323	(3.600)	535.323	(3.600)
UNIOR Produktions- und Handels-GmbH	Austria	99,550	EUR	(67.743)	(68.457)	(67.743)	(68.457)
UNIOR DEUTSCHLAND GmbH	Germany	100,000	EUR	1.021.464	216.299	1.021.464	216.299
UNIOR FRANCE S.A.S.	France	70,000	EUR	(443.797)	(160.149)	(443.797)	(160.149)
UNIOR ITALIA S.R.L.	Italy	95,000	EUR	224.618	(162.406)	224.618	(162.406)
UNIOR ESPANA S.L.	Spain	95,000	EUR	427.567	73.685	427.567	73.685
UNIOR HELLAS S.A.	Greece	50,000	EUR	488.225	(111.566)	488.225	(111.566)
UNIOR INTERNATIONAL Ltd.	Great Britain	50,000	GBP	(124.102)	(7.048)	(148.572)	(8.121)
UNIOR KOMERC d.o.o.	Macedonia	85,000	MKD	31.238.289	2.091.450	503.356	33.846
UNIOR PROFESSIONAL TOOLS Ltd.	Russia	55,000	RUB	50.060.519	17.645.836	1.198.624	431.602
UNIOR AUSTRALIA TOOL Co. PTY Ltd.	Australia	100,000	AUD	32.073	(335.377)	25.209	(248.724)
UNIOR USA CORPORATION	USA	100,000	USD	2.537	2.496	1.960	1.793
UNIOR BULGARIA Ltd.	Bulgaria	58,000	BGN	23.131	17.162	11.827	8.775
UNIOR COFRAMA sp.z o.o.	Poland	51,000	PLN	733.356	(65.277)	164.503	(15.842)
UNIOR COMPONENTS a.d.	Serbia	92,307	RSD	743.729.779	29.600.035	7.176.781	290.583
NINGBO UNIOR FORGING Co. Ltd.	China	50,000	CNY	48.351.930	4.162.714	5.926.353	462.729
UNIDAL d.o.o.	Croatia	51,000	HRK	17.646.416	(2.460.255)	2.341.305	(330.722)
UNIOR Savjetovanje i trgovina BH d.o.o.	BiH	80,000	BAM	4.917	(25.083)	2.514	(12.825)
Associated companies:							
ŠTORE STEEL d.o.o.	Slovenia	29,253	EUR	32.732.570	3.060.639	32.732.570	3.060.639
STARKOM d.o.o.	Slovenia	49,000	EUR	(2.152.742)	314.490	(2.152.742)	314.490
RHYDCON d.o.o.	Slovenia	33,500	EUR	2.099.181	71.697	2.099.181	71.697
ROBOTEH d.o.o.	Slovenia	24,970	EUR	197.962	66.654	197.962	66.654
RC SIMIT d.o.o.	Slovenia	20,000	EUR	1.007.451	7.451	1.007.451	7.451
UNIOR TEPID S.R.L.	Romania	49,000	RON	10.812.363	1.251.763	2.500.951	295.290
UNIOR SINGAPORE Pte. Ltd.	Singapore	40,000	EUR	78.074	59.396	78.074	59.396
UNIOR TEHNA d.o.o.	BiH	25,000	BAM	578.556	35.353	295.811	18.076
SOLION Ltd.	Russia	20,000	RUB	14.091.911	3.180.270	337.410	77.787
UNIOR TEOS ALATI d.o.o.	Serbia	20,000	RSD	205.293.754	42.313.638	1.981.026	415.392
SINTER a.d.	Serbia	24,987	RSD	152.119.489	10.502.514	1.467.910	103.103
UNIOR FORMINGTOOLS d.o.o.	Serbia	49,000	RSD	103.570.576	(18.002.503)	999.427	(176.730)

5. Inventories

(in EUR)	2011	2010
Materials	22.033.933	18.226.122
Work-in-progress	22.336.477	19.161.636
Products	17.298.227	15.588.744
Merchandise	4.426.055	3.573.954
Stocktaking surpluses	48.343	50.503
Stocktaking deficits	(161.682)	(123.159)
Advances for inventories	634.008	1.157.527
Value adjustment	(800.783)	(676.129)
Total	**65.814.578**	**56.959.198**

(in EUR)	2011	2010
Inventory value adjustment:		
- material	507.944	410.220
- finished products	235.581	208.651
- merchandise	57.258	57.258
Total	**800.783**	**676.129**

(in EUR)	2011	2010
Balance of inventory value adjustments as at 1 January	**676.129**	**563.876**
Increase:		
- material	97.724	17.735
- finished products	26.930	72.184
- merchandise	0	22.334
Balance as at 31 December	**800.783**	**676.129**

Inventories worth EUR 18.3 million have been pledged to the bank as collateral for financial liabilities. The carrying amount of inventories is equal to their net realisable value. The Company performed an additional value adjustment of EUR 124,654 for inventories that did not have any changes in the previous year.

6. Operating Receivables

(in EUR)	2011	2010
Long-term operating receivables		
Long-term operating receivables due from subsidiaries	5.276.533	5.140.154
Long-term operating receivables due from associates	948	510.894
Long-term trade receivables	547.261	567.196
Short-term part of long-term operating receivables	0	0
Value adjustments to long-term operating receivables	(54.666)	(54.666)
Total long-term operating receivables	**5.770.076**	**6.163.578**
Short-term operating receivables		
Short-term operating receivables due from subsidiaries	6.910.851	7.176.500
Short-term operating receivables due from associates	1.400.467	1.561.841
Short-term trade receivables		
- at home	7.200.913	6.991.189
- abroad	26.151.745	22.260.733
Short-term operating receivables from interest	0	0
Receivables for VAT	1.921.664	1.327.760
Other short-term operating receivables	2.227.774	1.340.550
Short-term part of long-term operating receivables	0	0
Value adjustments to short-term operating receivables	(701.401)	(868.162)
Total short-term operating receivables	**45.112.013**	**39.790.411**

In 2011, the Company performed value adjustments of trade receivables.

(in EUR)	2011	2010
Balance as at 1 January	**868.162**	**787.235**
Recovered written-off receivables	(49.166)	(30.060)
Final write-off of receivables	(530.265)	(302.694)
Value adjustments during the year:	412.670	413.681
Balance as at 31 December	**701.401**	**868.162**

The Company has no secured or collateralised short-term operating receivables, but has receivables pledged to the bank as collateral for long-term loans.

Maturity of the Company's receivables	2011	2010
Non-past due receivables	35.086.074	30.678.852
receivables past due by up to 90 days	6.052.491	5.106.078
receivables past due from 91 to 180 days	1.429.561	1.437.920
receivables past due from 181 to 360 days	1.093.908	791.612
Receivables past due by more than 360 days	1.449.979	1.775.949
Total	**45.112.013**	**39.790.411**

7. Short-Term Financial Assets

(in EUR)	2011	2010
Security holdings (at home and abroad):		
- in subsidiaries	598.321	304.595
- in associates	653.143	652.149
- receivables purchased for trading	1.014.287	77.485
Short-term investments into deposits	0	0
Short-term part of long-term investments into loans	661.228	661.228
Value adjustments to short-term financial assets:	(37.448)	(25.299)
Total	**2.889.531**	**1.670.158**

The Company's short-term financial assets have not been pledged.

8. Bank Balances, Cheques and Cash

(in EUR)	2011	2010
Cash in hand and received cheques	17.625	17.665
Bank balances	267.291	240.372
Total	**284.916**	**258.037**

9. Equity

The total equity of UNIOR d.d. comprises called-up capital, capital surplus, revenue reserves, surplus from revaluation, retained net loss and net loss for the financial year.
The Company's share capital as at 31 December 2011 was registered in the amount of EUR 23,688,983 as disclosed in the balance sheet. It was divided into 2,838,414 no par shares. The book value per share as at 31 December 2011 was EUR 42.82, which was an increase of 2.5 per cent over the previous year.

The changes in equity in the current year represent:

- disclosed profit from previous years in the amount of EUR 191 arising from undistributed dividends after the lapse of 3 years,
- the surplus from revaluation of land increased by EUR 1,658,895.

The net profit or loss for the current year amounts to EUR 1,310,354 and will be used for covering retained losses from previous years.

Accumulated loss

(in EUR)	2011
a) Profit for the current year	1.310.354
b) Net profit brought forward	1.189
c) Net loss brought forward	8.258.727
d) Decrease in capital surplus	0
e) Decrease in revenue reserves:	
- decrease in other revenue reserves	0
f) Increase in revenue reserves:	
- increase in reserves for treasury shares	0
- increase in other revenue reserves for the profit of the current year	0
g) Accumulated loss	**6.947.184**

10. Long-Term Provisions and Deferred Income

(in EUR)	Provisions for severance pay and jubilee awards	Provisions for annuities	Provisions for the rehabilitation of the environment	Grants received for fixed assets	Provisions for long-term deferred income	Total
Balance as at 31 Dec 2010	**3.721.125**	**207.674**	**492.405**	**1.727.813**	**230.803**	**6.379.820**
Formed provisions	5.358	75.448	0	983.695	1.000	1.065.501
Drawing of provisions	(288.094)	(15.035)	(113.653)	(63.528)	(27.539)	(507.849)
Reversal of provisions	(54.810)	0	0	0	0	(54.810)
Balance as at 31 Dec 2011	**3.383.579**	**268.087**	**378.752**	**2.647.980**	**204.264**	**6.882.662**

(in EUR)	Provisions for severance pay and jubilee awards	Provisions for annuities	Provisions for the rehabilitation of the environment	Grants received for fixed assets	Provisions for long-term deferred income	Total
Balance as at 31 Dec 2009	**4.315.572**	**161.720**	**606.058**	**598.500**	**260.284**	**5.942.134**
Formed provisions	213.342	59.278	0	1.210.108	2.583	1.485.311
Drawing of provisions	(290.826)	(13.324)	(113.653)	(80.795)	(32.064)	(530.662)
Reversal of provisions	(516.963)	0	0	0	0	(516.963)
Balance as at 31 Dec 2010	**3.721.125**	**207.674**	**492.405**	**1.727.813**	**230.803**	**6.379.820**

Provisions for jubilee awards and severance pay were made in the amount of the estimated future payouts for jubilee awards and severance pay discounted after the reporting period (as at the balance sheet date). The chosen discount rate is 6.0 per cent per annum.

A long-term provision was made within the scope of the ownership transformation and was confirmed by the Ministry of the Environment and Spatial Planning (which was split into two ministries in 2012) for buildings, technology and plants intended for decreasing the burdening of the environment, namely:

- reconstruction of the treatment plant on Mount Rogla,
- reconstruction of the treatment plant within the scope of the cold forging plant,
- reconstruction of the galvanizing plant.

The provision was disclosed on 31 December 2011 in the amount of EUR 378,752.

The disclosure of long-term provisions comprises the funds received from the Ministry of the Economy for the co-financing of the investments for the renovation and development of tourism facilities and the reconstruction of the thermal spa after the fire. We received EUR 972,219 worth of funds from the EU as co-financing for the construction of the Atrij hotel in Zreče.
The value of the provision for the rent paid by Mobitel d.d. is EUR 204,264.
There are no unfulfilled conditions or potential liabilities arising from government grants.

11. Long-Term Financial Liabilities

Changes in long-term financial liabilities

(in EUR)	Principal of the loan 1 Jan. 2011	New loans in the year	Return on the unpaid short-term part	Repay-ments in the year	Principal of the loan 31 Dec. 2011	Part that falls due in 2012	Long-term part
Bank or lender							
Domestic banks	66.558.105	32.000.382	2.697.927	0	101.256.414	(26.731.921)	74.524.493
Foreign banks	1.404.991	0	6.560	0	1.411.551	(487.850)	923.701
Other lenders	642.858	0	0	0	642.858	(128.572)	514.286
Total loans obtained	**68.605.954**	**32.000.382**	**2.704.487**	**0**	**103.310.823**	**(27.348.343)**	**75.962.480**

(in EUR)	Principal of the loan 1 Jan. 2010	New loans in the year	Return on the unpaid short-term part	Repayments in the year	Principal of the loan 31 Dec. 2010	Part that falls due in 2011	Long-term part
Bank or lender							
Domestic banks	46.943.673	44.983.994	0	(1.165.230)	90.762.437	(24.204.332)	66.558.105
Foreign banks	1.899.643	0	0	(456)	1.899.187	(494.196)	1.404.991
Other lenders	771.429	0	0	0	771.429	(128.571)	642.858
Financial lease	1.789.416	0	21.053	(1.669.129)	141.340	(141.340)	0
Total loans obtained	**51.404.161**	**44.983.994**	**21.053**	**(2.834.815)**	**93.574.393**	**(24.968.439)**	**68.605.954**

The interest rates for the long-term loans obtained are within the range of the six month Euribor + 0.9 per cent to the six month Euribor + 4.5 per cent, and from a three month Euribor + 0.8 per cent to the three month Euribor + 4.4 per cent and the real interest rate of 5.9 per cent. The Company has taken out long-term loans with a reference interest rate for the three month and the six month Euribor.

Maturity of long-term financial liabilities by year

(in EUR)	2011	2010
Falls due within 1 to 2 years	33.545.890	19.914.731
Falls due within 2 to 3 years	13.761.306	26.193.236
Falls due within 3 to 4 years	11.062.536	8.496.283
Falls due within 4 to 5 years	8.032.997	4.774.756
Falls due after 5 years	9.559.751	9.226.948
Total	**75.962.480**	**68.605.954**

The security pledged for long-term and short-term liabilities are the mortgages on immovable and movable property in the amount of EUR 257,860,984 of the UNIOR d.d. company and in the amount of EUR 8,500,000 for the immovable and movable property of the RTC Krvavec d.d. company, as well as the bills of exchange written and the trade receivables pledged. These amounts comprise the value of the secured loan agreements.

12. Long-Term Operating Liabilities

(in EUR)	2011	2010
Long-term operating liabilities for leases	337.718	0
Short-term part of long-term operating liabilities	(75.048)	0
Total long-term operating liabilities	**262.670**	**0**

Long-term operating liabilities represent the obtained trade credit in the area of telecommunications.

13. Deferred Tax Liabilities

(in EUR)	2011	2010
Deferred long-term tax asset	4.744.056	4.379.333
Long-term deferred tax liability	(6.140.413)	(5.725.687)
Net deferred long-term tax asset		
Net long-term deferred tax liability	**1.396.357**	**1.346.354**

Changes in deferred tax assets	**2011**	**2010**
Balance of the deferred tax asset as at 1 January	**4.379.333**	**2.702.394**
Decrease:		
- long-term provisions for jubilee awards and severance pay	(68.045)	(215.078)
- abolition of the research and development tax relief	0	0
- impairment of trade receivables	(33.353)	0
Increases:		
- impairment of trade receivables		12.287
- investment tax relief	0	6.000
- investment into research and development	466.121	1.017.477
- tax loss	0	856.253
Balance of the deferred tax asset as at 31 December	**4.744.056**	**4.379.333**

Changes in deferred tax liabilities	**2011**	**2010**
Balance of the deferred tax liability as at 1 January	**5.725.687**	**4.567.680**
Decrease	0	(42.042)
Increase	414.726	1.200.049
Balance of the deferred tax liability as at 31 December	**6.140.413**	**5.725.687**

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

Deferred tax assets arise from the calculated provisions for jubilee awards and severance pay, impairment of trade receivables, tax relief for R&D and the disclosed tax loss. The tax rate applied to all items is 20 per cent.

Long-term deferred tax liabilities relate to the recalculation of property (land) to fair value that is disclosed in the surplus from revaluation. The tax rate applied is 20 per cent.

14. Short-Term Financial Liabilities

Changes in short-term financial liabilities

(in EUR)	Debt balance as at 1 Jan. 2011 with the short-term part of the long-term liability	New loans in the year	Liabilities for paid-up capital	Transfer of the unpaid short-term part to long-term liabilities	Repayments in the year	Transfer of the short-term part of the long-term liability	Debt balance 31 Dec. 2011
Bank or lender							
Domestic banks	72.448.590	102.456.623	0	(2.697.927)	(132.393.954)	26.731.921	66.545.253
Foreign banks	494.196	0	0	(6.560)	(487.636)	487.850	487.850
Associates	131.625	1.566.296	0	0	(1.697.921)	0	0
Other lenders	131.637	439.776	0	0	(203.763)	128.572	496.222
Financial lease	141.340	0	0	0	(141.340)	0	0
Total loans obtained	**73.347.388**	**104.462.695**	**0**	**(2.704.487)**	**(134.924.614)**	**27.348.343**	**67.529.325**

(in EUR)	Debt balance as at 1 Jan. 2010 with the short-term part of the long-term liability	New loans in the year	Liabilities for paid-up capital	Transfer of the unpaid short-term part to long-term liabilities	Repayments in the year	Transfer of the short-term part of the long-term liability	Debt balance 31 Dec. 2010
Bank or lender							
Domestic banks	89.724.959	111.520.726	0	0	(153.001.427)	24.204.332	72.448.590
Foreign banks	484.284	0	0	0	(484.284)	494.196	494.196
Associates	0	980.188	0	0	(848.563)	0	131.625
Other lenders	5.840.714	0	(5.708.079)	0	(129.569)	128.571	131.637
Financial lease	181.385	0	0	(21.053)	(160.332)	141.340	141.340
Total loans obtained	**96.231.342**	**112.500.914**	**(5.708.079)**	**(21.053)**	**(154.624.175)**	**24.968.439**	**73.347.388**

The balance of the unused revolving credits as at 31 December 2011 amounted to EUR 1,702,000 and USD 54,000.

The interest rates for the short-term loans obtained are within the range of the three month Euribor + 0.75 per cent to the three month Euribor + 4.5 per cent, and from a six month Euribor + 2.7 per cent to the six month Euribor + 3.85 per cent, one month Euribor + 4.5 per cent, one month Libor + 4.9 per cent and the real interest rate in the range from 2 to 6.7 per cent. The Company has taken out loans with a reference interest rate for the one month, three month and the six month Euribor as well as the one month Libor.

The security pledged for long-term and short-term financing liabilities are the mortgages on immovable and movable property in the amount of EUR 257,860,984 as well as the bills of exchange written and the trade receivables pledged. This amount comprises the value of the secured loan agreements.

15. Short-Term Operating Liabilities

Changes in short-term financial liabilities

(in EUR)	2011	2010
Short-term operating liabilities to subsidiaries		
at home	42.825	5.163.539
abroad	939.500	1.166.938
Short-term operating liabilities to associates		
at home	7.067.891	161.827
abroad	241.580	120.953
Short-term operating liabilities to other suppliers:		
at home	17.998.803	13.488.231
abroad	8.268.358	6.584.408
Short-term operating liabilities to the state	575.209	662.104
Short-term operating liabilities to the workers	3.366.630	3.246.448
Short-term operating liabilities for advances	5.208.893	2.541.134
Short-term operating liabilities for interest	705.227	524.855
Other short-term liabilities	441.070	1.030.878
Short-term part of long-term operating liabilities	75.048	0
Total	**44.931.034**	**34.691.315**

Maturity of the Company's operating liabilities as at 31 December 2011

(in EUR)	2011	2010
Non-past due liabilities	31.138.554	25.169.774
liabilities outstanding by up to 90 days	11.490.113	7.834.491
outstanding from 91 to 180 days	1.627.103	941.037
outstanding from 181 to 360 days	293.920	309.143
Liabilities outstanding by more than 360 days	381.344	436.870
Total	**44.931.034**	**34.691.315**

16. Accrued Costs and Deferred Revenues

(in EUR)	2011	2010
Short-term deferred revenues	884.069	376.642
Short-term accrued costs and expenditures	296.760	230.160
VAT from advances granted	36.056	61.335
Total	**1.216.885**	**668.137**

The following is disclosed among accrued costs and deferred revenues:

- short-term deferred revenues from the advanced sale of ski pass tickets in the amount of EUR 376,220, accounted interest due from buyers in the amount of EUR 7,849 and deferred revenues from the purchase consideration from the sale of the investment in the Štore Steel d.o.o. company in the amount of EUR 500,000;
- accrued costs comprising the accounted commissions from the sale of tools in the amount of EUR 101,759 and the liability for unused holiday leave for 2011 in the amount of EUR 195,001;
- VAT from the advances granted in the amount of EUR 36,056.

17. Contingent Liabilities

(in EUR)	2011	2010
Guarantees given	10.621.074	9.199.043
Total	**10.621.074**	**9.199.043**

The guarantees provided to associates are worth EUR 9,328,995.

In 2010, the Competition Protection Office of the Republic of Slovenia issued a decision on the violation No. 306-95/2009-37 relating to the concerted practices between companies regarding the operating conditions on the market between Slovenian ski slope operators. A fine of EUR 400,000 was imposed. An administrative dispute was instituted before the Supreme Court. Considering the legal proceedings, the management believes that there will be no payment of the fine, which is why they did not form any provisions for this purpose.

Notes to the Income Statement

18. Net Sales Revenues

Net sales revenues by regional branches

(in EUR)	2011	2010
Slovenia		
- subsidiaries	187.334	310.754
- associates	1.228.019	1.016.018
- other buyers	33.876.651	32.456.183
Rest of the world		
- subsidiaries	9.941.466	10.061.299
- associates	3.529.347	2.430.947
- other buyers	105.854.371	79.256.509
Total	**154.617.189**	**125.531.710**

19. Capitalised Own Products and Own Services

As part of its capitalised own products and own services, the Company discloses the value of own investments into maintenance activities for other programmes in the amount of EUR 1,447,213. The largest amount is represented by the general overhauls of machines at the forging plant.
As regards the Special Machines Programme, the objective was to use our own know-how and development to research, develop, master and manufacture a purpose-built machine for the machining of elbow shafts featuring eco-friendly, state-of-the-art and environmentally acceptable MMS technology: we built a prototype of the machine for the machining of elbow shafts intended for the Chinese market. The value of prototype development efforts was EUR 2,113,600.

The tool plant within the scope of the Sinter Programme has manufactured tools for our own needs with the total value of EUR 659,870.

20. Other Operating Revenues

(in EUR)	2011	2010
Rewards for exceeding the quota of disabled employees	240.846	286.258
Subsidies for part-time employment	0	0
Paid receivables that were already included in the value adjustment	49.166	30.060
Damages received	89.454	88.989
Reversal of long-term provisions	840.458	533.668
Profits from disposal of fixed assets	86.648	159.996
Revaluation of investment property to fair value	0	0
Subsidies, grants and similar revenues	499.045	800.037
Emission coupon sales	8.783	112.611
Other	1.373.404	1.420.701
Total	**3.187.804**	**3.432.320**

21. Costs and Expenditures

(in EUR)	Production costs	Cost of selling	Cost of general activities	Total
Cost of goods sold/production costs	**10.579.504**	**0**	**0**	**10.579.504**
Cost of material	**66.195.400**	**5.120.104**	**1.417.260**	**72.732.764**
Cost of services	**14.960.015**	**3.243.661**	**3.729.217**	**21.932.893**
Cost of wages and salaries	23.907.124	5.723.626	2.954.222	32.584.972
Cost of social insurance	4.202.024	917.561	442.338	5.561.923
Cost of pension insurance	380.092	77.360	39.295	496.747
Other labour cost	4.306.738	850.603	555.623	5.712.964
Total labour cost	**32.795.978**	**7.569.150**	**3.991.478**	**44.356.606**
Depreciation/amortisation	**6.020.154**	**2.131.556**	**1.161.419**	**9.313.129**
Operating expenses from revaluation of current assets	**366.142**	**153.105**	**30.227**	**549.474**
Operating expenses from revaluation of intangible assets and property, plant and equipment	**11.255**	**22.816**	**110.738**	**144.809**
Other costs	**1.136.356**	**330.086**	**745.382**	**2.211.824**
Total cost	**132.064.804**	**18.570.478**	**11.185.721**	**161.821.003**

Other labour cost comprises the costs of holiday pay, reimbursement for meals during work, reimbursement of the expenses for travel to and from work, and certain other payments to employees.

As part of its other costs, the Company discloses:

(in EUR)	2011	2010
- provisions for severance pay and jubilee awards and annuities	580.806	269.896
- charge for the use of building land	215.704	125.094
- environmental protection expenditures	99.601	216.149
- bonuses to pupils and students undergoing practical training	621.714	486.727
- scholarships to pupils and students	248.861	282.861
- damages paid to employees	188.980	123.251
- financial aid - grants	211.440	165.982
- costs incurred from the sale of apartments	4.378	4.061
- other operating expenses	40.340	31.271
Total	**2.211.824**	**1.705.292**

In 2011, the disclosure of costs comprised EUR 2,840,119 worth of research costs based on all of the development projects underway at the Company.
The contractual amount for the auditing of the Annual Report for the UNIOR d.d. public limited company and the UNIOR Group came in at EUR 29,500. The audit was performed by Ernst&Young d.o.o. Ljubljana.
The cost of rent in 2011 amounted to EUR 281,107.

The minimum sum of rents from operating leases – receivables

(in EUR)	2011	2010
up to 1 year	1.213.090	664.517
from 2 to 5 years	4.852.360	2.658.066
more than 5 years	3.639.269	1.993.550
Total	**9.704.719**	**5.316.133**

The minimum sum of rents from operating leases – liabilities

(in EUR)	2011	2010
up to 1 year	48.619	92.568
from 2 to 5 years	194.474	337.009
more than 5 years	145.856	277.704
Total	**388.949**	**707.281**

22. Finance Income and Finance Expenses

Finance income

(in EUR)	2011	2010
Finance income from participating interests		
Finance income from participating interests in Group companies	6.436.652	409.280
Finance income from participating interests in associated companies	602.625	46.310
Finance income from participating interests in other companies	41.440	108.532
Total	7.080.717	564.122
Finance income from loans granted		
Finance income from loans granted to Group members	205.980	174.148
Finance income from loans granted to others	52.425	92.976
Total	258.405	267.124
Finance income from operating receivables		
Finance income from operating receivables due from Group members	47.893	415
Finance income from operating receivables due from others	291.696	171.011
Total	339.589	171.426
Total finance income	**7.678.711**	**1.002.672**

In 2011, UNIOR d.d. sold its 25.1% participating interest in the Štore Steel d.o.o. company, whereby the profit from the sale was EUR 6,436,652. The finance income from participating interests in associated companies comprises the profit of the Unior Teos d.o.o., Štore Steel d.o.o., Roboteh d.o.o., Unior Tepid s.r.l. and Unior Singapore Pte Ltd. companies. The dividends of the Banka Celje d.d. bank are disclosed among the finance income from participating interests in other companies.

Finance expenses

(in EUR)	2011	2010
Finance expenses from impairments and write-offs of financial assets	4.956.897	919.215
Finance expenses from financial liabilities		
Finance expenses from loans received from Group companies	57.160	16.561
Finance expenses from bank loans	6.463.581	5.884.532
Finance expenses from other financial liabilities	91.004	5.898
Total	6.611.745	5.906.991
Finance expenses from operating liabilities		
Finance expenses from operating liabilities to Group companies	918	48.480
Finance expenses from trade payables and bills payable	77.067	191.011
Finance expenses from other operating liabilities	118.343	76.651
Total	196.328	316.142
Total finance expenses	**11.764.970**	**7.142.348**

Impairment of Financial Assets

Owing to the negative capital, the investment in the Starkom d.o.o. company was impaired in the amount of EUR 2,201,193, while the investment in the Rimske Terme d.o.o. company was impaired in the total amount of EUR 2,750,444 because compulsory composition proceedings were instituted against the company. Because of the revaluation of the shares of Intereuropa, an impairment was performed in the amount of EUR 5,205.

23. Account of the Corporate Income Tax and Deferred Taxes

Corporate income tax

(in EUR)	2011	2010
Income tax	0	0
Deferred taxes	(364.724)	(1.676.938)
Total	**(364.724)**	**(1.676.938)**

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

(in EUR)	2011	2010
Net profit or loss for the period before taxes	945.630	(4.456.979)
Income tax in Slovenia – 20%	189.126	(891.396)
Non-taxable income	2.021	618
Expenses not recognised for tax purposes	336.052	890.778
Value adjustment of receivables	(33.352)	12.287
Provisioning	(68.045)	(215.078)
Tax relief for investments into research and development	466.121	1.017.476
Investment tax relief	(92.959)	6.000
Tax relief for the employment of disabled persons	(334.889)	0
Tax relief for voluntary supplementary pension insurance	(99.349)	0
Tax loss	0	856.253
Corporate income tax	(364.724)	(1.676.938)
Effective tax rate in %	(38,6)	37,6

Owing to the application of tax relief, the Company did not have a taxable base in 2011. The tax relief facilities that can be applied in the following periods comprise a total of EUR 21,004,282.

Deferred Taxes

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

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

The effect of deferred taxes on the net profit or loss is EUR 364,724, which increases the net profit or loss for the current year.

Related Party Transactions

Sales to Related Parties

(in EUR)	2011	2010
Subsidiaries:		
In the country:		
ŠTORE STEEL d.o.o. Štore *	7.572	11.154
RTC KRVAVEC d.d. Cerklje	115.328	220.712
UNIOR BIONIC d.o.o. Zreče	64.434	78.888
Abroad:		
UNIOR Produktions- und Handels- GmbH Ferlach	1.837.179	1.838.180
UNIOR DEUTSCHLAND GmbH Remseck	335.996	283.402
UNIOR FRANCE S.A.S. Melun	2.274.544	2.156.357
UNIOR ITALIA S.R.L. Limbiate	1.222.462	1.169.046
UNIOR ESPANA S.L. Uharte-Arakil	431.122	318.841
UNIOR HELLAS S.A. Metamorfosis	52.416	15.314
UNIOR INTERNATIONAL Ltd. Lincolnshire	775.168	698.871
UNIOR KOMERC d.o.o. Skopje	302.575	311.325
UNIOR WERKZEUGMASCHINEN GmbH Remseck	0	15.867
UNIOR PROFESSIONAL TOOLS Ltd St. Petersburg	1.947.572	1.683.513
UNIOR COMPONENTS a.d. Kragujevac	40.767	(1.136)
UNIOR FORMINGTOOLS d.o.o. Kragujevac **	17.369	432.245
NINGBO UNIOR FORGING Co.Ltd. Yuyao	47.122	135.431
UNIOR USA CORPORATION Olney	13.196	18.488
UNIOR AUSTRALIA TOOL Co. PTY Ltd. Melbourne	(73.435)	(138.030)
UNIOR BULGARIA Ltd. Sofia	190.557	171.213
UNIOR COFRAMA sp.z o.o. Poznan	221.569	173.416
UNIDAL d.o.o. Vinkovci	304.168	778.956
UNIOR Savjetovanje i trgovina BH d.o.o. Sarajevo	1.118	0
Total for subsidiaries	**10.128.800**	**10.372.053**
Associated companies:		
In the country:		
ŠTORE STEEL d.o.o. Štore *	152.386	0
RHYDCON d.o.o. Šmarje pri Jelšah	145.391	116.062
ROBOTEH d.o.o. Šmarje pri Jelšah	3.061	1.449
STARKOM d.o.o. Maribor	894.904	898.507
RC SIMIT d.o.o. Kidričevo	32.277	0
Abroad:		
UNIOR TEOS ALATI d.o.o. Belgrade	820.571	665.553
UNIOR SINGAPORE Pte. Ltd. Singapore	330.392	293.339
UNIOR TEPID S.R.L. Brasov	1.971.876	1.202.038
UNIOR FORMINGTOOLS d.o.o. Kragujevac **	138.140	0
SINTER a.d. Užice	268.368	270.018
Total for associated companies	**4.757.366**	**3.446.965**
Total sales to related parties	**14.886.166**	**13.819.018**

* Štore Steel d.o.o. was a subsidiary of the Company until 31 March 2011.
** Unior Formingtools d.o.o. was a subsidiary of the Company until 31 March 2011.

Purchasing from Related Parties

(in EUR)	2011	2010
Subsidiaries:		
In the country:		
ŠTORE STEEL d.o.o. Štore *	6.401.192	19.030.008
RTC KRVAVEC d.d. Cerklje	183.856	244.329
UNIOR BIONIC d.o.o. Zreče	6.421	238
ROGLA INVESTICIJE d.o.o. Zreče	283.000	0
Abroad:		
UNIOR Produktions- und Handels- GmbH Ferlach	1.217.106	1.321.153
UNIOR DEUTSCHLAND GmbH Remseck	341.523	557.193
UNIOR FRANCE S.A.S. Melun	6.971	10.384
UNIOR ITALIA S.R.L. Limbiate	27.701	81.123
UNIOR HELLAS S.A. Metamorfosis	9.305	0
UNIOR INTERNATIONAL Ltd. Lincolnshire	56.218	35
UNIOR KOMERC d.o.o. Skopje	75.280	202.820
UNIOR COMPONENTS a.d. Kragujevac	1.061.599	818.669
UNIOR FORMINGTOOLS d.o.o. Kragujevac **	1.130.550	196.672
UNIOR USA CORPORATION Olney	0	377
UNIOR AUSTRALIA TOOL Co. PTY Ltd. Melbourne	60.000	73.263
UNIOR BULGARIA Ltd. Sofia	2.000	6.020
UNIOR COFRAMA sp.z o.o. Poznan	11.250	2.070
UNIDAL d.o.o. Vinkovci	882.545	477.478
UNIOR Savjetovanje i trgovina BH d.o.o. Sarajevo	1.715	0
Total for subsidiaries	**11.758.234**	**23.021.832**
Associated companies:		
In the country:		
ŠTORE STEEL d.o.o. Štore *	17.819.691	0
RHYDCON d.o.o. Šmarje pri Jelšah	73.130	76.868
ROBOTEH d.o.o. Šmarje pri Jelšah	286.987	423.401
STARKOM d.o.o. Maribor	18.207	67.223
RC SIMIT d.o.o. Kidričevo	64.804	0
Abroad:		
UNIOR TEOS ALATI d.o.o. Belgrade	231.211	456.555
UNIOR SINGAPORE Pte. Ltd. Singapore	15.027	3.690
UNIOR TEPID S.R.L. Brasov	93.017	81.737
UNIOR FORMINGTOOLS d.o.o. Kragujevac **	590.484	0
SINTER a.d. Užice	572.103	335.345
Total for associated companies	**19.764.660**	**1.444.818**
Total purchases from related parties	**31.522.894**	**24.466.650**

* Štore Steel d.o.o. was a subsidiary of the Company until 31 March 2011.
** Unior Formingtools d.o.o. was a subsidiary of the Company until 31 March 2011.

Operating Receivables Due from Related Parties

(in EUR)	2011	2010
Subsidiaries:		
In the country:		
ŠTORE STEEL d.o.o. Štore	0	146
RTC KRVAVEC d.d. Cerklje	22.711	136.684
UNIOR BIONIC d.o.o. Zreče	412.800	374.692
ROGLA INVESTICIJE d.o.o. Zreče	65.160	0
Abroad:		
UNIOR Produktions- und Handels- GmbH Ferlach	2.240.447	2.914.390
UNIOR DEUTSCHLAND GmbH Remseck	113.390	0
UNIOR FRANCE S.A.S. Melun	1.970.603	1.863.974
UNIOR ITALIA S.R.L. Limbiate	380.536	552.902
UNIOR ESPANA S.L. Uharte-Arakil	800.841	760.373
UNIOR HELLAS S.A. Metamorfosis	46.900	6.831
UNIOR INTERNATIONAL Ltd. Lincolnshire	1.030.507	798.688
UNIOR KOMERC d.o.o. Skopje	1.122.953	874.647
UNIOR PROFESSIONAL TOOLS Ltd St. Petersburg	829.200	976.882
UNIOR COMPONENTS a.d. Kragujevac	52.653	102.156
UNIOR FORMINGTOOLS d.o.o. Kragujevac	0	331.277
NINGBO UNIOR FORGING Co.Ltd. Yuyao	874.577	221.234
UNIOR USA CORPORATION Olney	17.022	21.193
UNIOR AUSTRALIA TOOL Co. PTY Ltd. Melbourne	(65.381)	8.054
UNIOR BULGARIA Ltd. Sofia	781.563	705.389
UNIOR COFRAMA sp.z o.o. Poznan	90.689	81.261
UNIDAL d.o.o. Vinkovci	1.399.095	1.585.883
UNIOR Savjetovanje i trgovina BH d.o.o. Sarajevo	1.118	0
Total for subsidiaries	**12.187.384**	**12.316.654**
Associated companies:		
In the country:		
ŠTORE STEEL d.o.o. Štore	45.106	0
RHYDCON d.o.o. Šmarje pri Jelšah	17.019	13.064
STARKOM d.o.o. Maribor	89.272	1.080.989
ROBOTEH d.o.o. Šmarje	0	0
RC SIMIT d.o.o. Kidričevo	9.014	0
Abroad:		
UNIOR TEOS ALATI d.o.o. Belgrade	244.747	35.127
UNIOR SINGAPORE Pte. Ltd. Singapore	106.417	87.318
UNIOR TEPID S.R.L. Brasov	510.090	564.481
UNIOR FORMINGTOOLS d.o.o. Kragujevac	134.561	0
SINTER a.d. Užice	156.839	291.755
UNIOR TEHNA d.o.o. Sarajevo	88.349	0
Total for associated companies	**1.401.415**	**2.072.735**
Total operating receivables due from related parties	**13.588.799**	**14.389.389**

Operating Liabilities to Related Parties

(in EUR)	2011	2010
Subsidiaries:		
In the country:		
ŠTORE STEEL d.o.o. Štore	0	5.106.402
RTC KRVAVEC d.d. Cerklje	42.825	57.138
UNIOR BIONIC d.o.o. Zreče	0	0
Abroad:		
UNIOR Produktions- und Handels- GmbH Ferlach	427.300	476.697
UNIOR DEUTSCHLAND GmbH Remseck	(25.552)	423.782
UNIOR FRANCE S.A.S. Melun	5.034	0
UNIOR ITALIA S.R.L. Limbiate	14.649	31.079
UNIOR HELLAS S.A. Metamorfosis	0	3.042
UNIOR INTERNATIONAL Ltd. Lincolnshire	0	35
UNIOR KOMERC d.o.o. Skopje	33.479	0
UNIOR COMPONENTS a.d. Kragujevac	456.409	183.516
UNIOR FORMINGTOOLS d.o.o. Kragujevac	0	41.598
UNIOR USA CORPORATION Olney	0	377
UNIOR COFRAMA sp.z o.o. Poznan	1.350	1.350
UNIDAL d.o.o. Vinkovci	25.115	5.464
UNIOR Savjetovanje i trgovina BH d.o.o. Sarajevo	1.715	0
Total for subsidiaries	**982.325**	**6.330.477**
Associated companies:		
In the country:		
ŠTORE STEEL d.o.o. Štore	6.892.190	0
RHYDCON d.o.o. Šmarje pri Jelšah	0	92.160
STARKOM d.o.o.	60	0
ROBOTEH d.o.o. Šmarje	97.877	69.667
RC SIMIT d.o.o. Kidričevo	77.765	0
Abroad:		
UNIOR TEOS ALATI d.o.o. Belgrade	3.000	0
UNIOR SINGAPORE Pte. Ltd. Singapore	0	0
UNIOR TEPID S.R.L. Brasov	0	3.448
UNIOR FORMINGTOOLS d.o.o. Kragujevac	77.596	0
SINTER a.d. Užice	160.984	117.505
Total for associated companies	**7.309.472**	**282.780**
Total operating liabilities to related parties	**8.291.797**	**6.613.257**

Receivables and Liabilities from Loans and Interest Arising from Transactions with Related Parties

Receivables from loans and interest due from related parties

(in EUR)	2011	2010
RTC Krvavec d.d. Cerklje	4.438.040	4.344.718
UNIOR BIONIC d.o.o. Zreče	386.428	304.595
RHYDCON d.o.o. Šmarje pri Jelšah	321.053	652.149
RC SIMIT d.o.o. Kidričevo	332.268	0
Total	**5.477.788**	**5.301.462**

Liabilities from loans and interest owed to related parties

(in EUR)	2011	2010
RTC KRVAVEC d.d. Cerklje	0	131.625
Total	**0**	**131.625**

Proposal for the Allocation of Profit for the Year

The Management Board of UNIOR d.d. adopted the audited financial statements on 23 April 2012 by way of a decision.

The established accumulated loss from the 2011 financial year is EUR 6,947,184 and is composed of the net profit for the 2011 financial year in the amount of EUR 1,310,354, net loss brought forward in the amount of EUR 8,258,727, profit from undistributed dividends from previous periods brought forward in the amount of EUR 1,189.

The accumulated loss shall remain uncovered and shall be brought forward to the following year.

Risk Management

We detect the opportunities and threats that arise in the environment and the business system in a timely manner and thus improve our operations.

UNIOR d.d. encounters risks in the international environment on a daily basis, which is the reason why it devotes a lot of attention to the area of risk management. The activities that we perform are geared towards ensuring appropriate exposure to the various forms of risk in accordance with the adopted policies, which consequently enhances the probability that the planned business objectives will be achieved. As compared to the previous year, we directed our efforts in 2011 primarily towards the opportunities in the economic environment. We dealt with the operating performance and employees, whereby the emphasis was on the promotion of innovation and project management.

Area of the risk	Description of the risk	Management method	Exposure
Credit risk	The risk of a default on the part of the buyers	Limiting exposure to individual buyers and the monitoring of the buyers' credit ratings	Moderate
Liquidity risk	Deficit in liquid assets	Planning the liquid asset requirements	Moderate
Foreign exchange risk	The possibility of loss due to unfavourable changes in exchange rates	Monitoring of financial markets	Low
Interest rate risk	The possibility of loss due to unfavourable changes in interest rates	Monitoring of the changes in interest rates and negotiations with credit institutions	Moderate
Property risk	The risk of damage to property caused by accidents	Measures in accordance with the regulations for fire protection, conclusion of fire insurance policies	Moderate
The risk of damages claims and lawsuits	The risk of damages claims for damage inadvertently caused by the Company through its activity, possession of items and through placing products and services on the market.	Insurance for all types of liability	Moderate

Credit Risks

Credit risks are managed by way of regular supervision of operations and the financial position of all new and existing business partners, the limitation of exposure to individual business partners, and the active receivables collection process. Through the regular monitoring of outstanding and past due trade receivables, the ageing structure of receivables and the changes in the payment deadlines, the Company maintains its credit exposure within an acceptable range.

Liquidity Risk

The liquidity risks comprise the risks related to the shortage of available financial assets and the consequent inability of the Company to settle its liabilities within the agreed deadlines. We estimate that the Company's solvency risk is moderate as a result of the efficient management of monies, suitable credit lines for short-term adjustment of cash flows and the adequate access to the necessary financial resources.

Foreign Exchange Risk

The major part of the Company's cash flows are generated in euros. The change in the dollar exchange rate in 2011 did not significantly affect the Company's results.

The Risk of Changes in Interest Rates

We also devote a lot of attention to interest rates that can decrease the economic benefits when they change. In line with the financial policy, we made efforts in 2011 to keep the existing interest rates for short-term and long-term loans unchanged. At the onset of the economic crisis, reference interest rates for all of the loans that we have taken out began decreasing, however, the Company incurred higher financing costs because of the need for greater exposure and the raising of interest margins.

The sensitivity analysis of financial liabilities with respect to the changes in variable interest rates

Balance of the liabilities tied to an individual variable interest rate in 2011

(in EUR)	Amount of the liability as at 31 December 2011	Hypothetical rise in interest rates		
		by 15%	by 50%	by 100%
Interest rate type				
1 month EURIBOR	3.000.000	4.873	16.245	32.490
3 month EURIBOR	59.524.932	123.842	412.805	825.611
6 month EURIBOR	63.483.959	156.171	520.569	1.041.137
1 month LIBOR	731.123	325	1.083	2.166
Total effect	**126.740.014**	**285.211**	**950.702**	**1.901.404**

Balance of the liabilities tied to an individual variable interest rate in 2010

(in EUR)	Amount of the liability as at 31 December 2010	Hypothetical rise in interest rates		
		by 15%	by 50%	by 100%
Interest rate type				
3 month EURIBOR	60.494.245	91.921	306.403	612.807
6 month EURIBOR	58.405.474	108.459	361.530	723.060
Total effect	**118.899.719**	**200.380**	**667.933**	**1.335.867**

Provision of Public Utility Services

Provision of the public utility service for the drainage and treatment of the waste water in the area covered by the Rogla Town-Planning Scheme in the Zreče Municipality

In accordance with the Concession Contract for the Provision of the Public Utility Service for the Drainage and Treatment of Waste Water in the Area Covered by the Rogla Town-Planning Scheme in the Zreče Municipality, UNIOR d.d. is obliged to manage the system for the collection, treatment and drainage of waste water in the area covered by the Rogla Town-Planning Scheme in the Zreče Municipality and the provision of the public utility service for the drainage and treatment of water in the area covered by the Rogla Town-Planning Scheme in the Zreče Municipality. In line with Article 9, the concessionaire charges the public utility service users a fee for the provision of the above public utility service. The basic price is laid down in the Concession Contract and is adjusted each year in line with the Contract.

Income Statement for the Activity of Public Utility Service Provision – Drainage and Treatment of Waste Water

(in EUR)	2011	2010
Revenues from the drainage and treatment of waste water	95.110	122.504
Total revenues	**95.110**	**122.504**
Cost of material	10.480	12.830
Cost of services	37.008	35.443
Depreciation/amortisation	19.913	33.800
Labour cost	23.960	22.232
Finance expenses	13.425	13.425
Total operating costs	**104.786**	**117.730**
PROFIT OR LOSS	**-9.676**	**4.774**

The revenues from the provision of the public utility service are monitored for the purpose of separate accounting of the activity of public utility service provision in accordance with the Concession Contract for the Provision of the Public Utility Service for the Drainage and Treatment of Waste Water in the Area Covered by the Rogla Town-Planning Scheme in the Zreče Municipality within the scope of costs centres established for this purpose. The revenues comprise the drainage fee, the connection fee and the fee for the treatment of waste water. The persons liable for the sewage charges are the owners and tenants or users of the tourist facilities on Mount Rogla.

The provision of the public utility service of heat supply in the area of the Town-Planning Scheme for the Town Centre of Zreče

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

Income Statement for the Activity of Public Utility Service Provision – Heat Supply

(in EUR)	2011	2010
Revenues from the supply of natural gas and electricity	901.995	414.708
Total revenues	**901.995**	**414.708**
Cost of material	753.229	378.277
Cost of services	15.452	0
Depreciation/amortisation	80.259	20.194
Labour cost	44.528	23.892
Total operating costs	**893.468**	**422.363**
PROFIT OR LOSS	**8.527**	**-7.655**

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

Throughout the entire period, UNIOR d.d. operated at a loss with regard to the work performed under the above concession contracts and thus did not form provisions for this purpose.

For 2011 and 2010, UNIOR d.d. only calculated the direct costs of the public utility service. The indirect costs that relate to the provision of the public utility service represent an insignificant amount.

Note – Criteria

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

- cost centre designated 32900 – Rogla Treatment Plant,
- cost centre designated 52100 – Co-Generation of Heat and Electricity (SPTE),
- cost centre designated 52200 – Energy Generation and Distribution – Co-Generation 2,
- cost centre designated 54000 – Gas Distribution for GKN.

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

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

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

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

Events after the Balance Sheet Date

The Acquisition of the Energometall Kft. company in Hungary

On 1 January 2012, a capital increase was performed at the Energometall Kft. company, which brought the Company's stake in this Hungarian undertaking involved in the sale of hand tools to 70%. The new company within the UNIOR Group operates under the name of UNIOR Hungaria Kft.

The Opening of the ATRIJ hotel in Zreče

On 2 March 2012, the opening ceremony of the Atrij hotel in Zreče was held. The facilities of the Idila Wellness & Spa Centre were commissioned for use. The Minister for Economic Development and Technology, Radovan Žerjav, MSc, attended the opening ceremony. The new facilities have brought the Company 100 new beds, 173 seats at the restaurant, new facilities for the organisation of seminars and 440 m^2 of facilities for the Wellness Centre.

The Sale of the stake in the Starkom d.o.o. company

On 20 March 2012, we signed a sales contract with the German partner Daimler AG for the sale of the 49% stake in the Starkom d.o.o. company, as well as a long-term lease agreement for the lease of the premises at the location in Maribor for the purpose of the Starkom d.o.o. company, which is now completely owned by Daimler AG.

Statement on the Management Board Members' Responsibility

The Management Board is responsible for the preparation of the Annual Report so that it presents a true and fair view of the position of the Company's assets and liabilities and its financial results and cash flows for 2011.

The Management Board hereby confirms that the relevant accounting policies have been consistently applied and that the accounting estimates were produced according to the principle of prudence and good management. The Management Board further confirms that the financial statements together with the notes were compiled on the going concern basis as well as in accordance with the applicable legislation in force and the International Financial Reporting Standards.

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

At any time within a period of five years following the lapse of the year in which the tax must be assessed, the tax authorities may audit the Company's operations, which can consequently result in additional tax liabilities, default interest and penalties arising from the corporate income tax or other taxes and levies. The Company's Management Board has no knowledge of any circumstances that could give rise to a potential material liability in that respect.

Zreče, 23 April 2012

President of the Management Board
Gorazd Korošec, BSc (Econ.)

Member of the Management Board,
Darko Hrastnik, BSc (Metallurgical Engineering)

Independent Auditor's Report

To the Owners of Unior d.d., Zreče

Report on the Financial Statements

We have audited the accompanying financial statements of the Unior d. d. company from Zreče, comprising the balance sheet as at 31 December 2011, the income statement, the statement of other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, as well as the summary of the material accounting policies and other explanatory information.

The Management's Responsibility for Financial Statements

The management is responsible for the preparation and fair presentation of these financial statements in accordance with the International Financial Reporting Standards as adopted by the EU and in accordance with the requirements of the Companies Act relating to the preparation of financial statements, as well as for such internal controls that are necessary in line with the management's decision to enable the preparation of financial statements that are free from material misstatement arising from fraud or errors.

The Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the International Standards on Auditing. Those standards require that we comply with ethical requirements, as well as plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain auditing evidence supporting the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of the material misstatement of financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal controls associated with the preparation and fair presentation of the company's financial statements in order to design audit procedures that are appropriate under the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal controls of the company. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by the management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements give a true and fair view – in all material respects – of the financial position of Unior d.d., Zreče as at 31 December 2011, and its financial performance and its cash flows for the year then ended in accordance with the International Financial Reporting Standards as adopted by the EU and in accordance with the requirements of the Companies Act relating to the preparation of financial statements.

Other Matters

The management is also responsible for the preparation of the Business Report in accordance with the requirements of the Companies Act. Our responsibility is to assess the consistency of the Business Report with the audited financial statements. Our procedures associated with the Business Report have been performed in accordance with the International Standard on Auditing 720 and are limited to the assessment of the consistency of the Business Report with the audited financial statements, therefore not including a review of other information arising from the unaudited financial reports.

It is our opinion that the Business Report is consistent with the audited financial statements.

Ljubljana, 23 April 2012

Janez Uranič
Director
Ernst&Young d.o.o.
Dunajska 111, Ljubljana

Janez Hostnik
Certified Auditor

THE UNIOR GROUP

The Unior Group

The Structure of the Unior Group

	Associated company	Country	Stake in %
	UNIOR PRODUKTIONS UND HANDELS, GmbH	Austria	99,55
	UNIOR FRANCE, S. A. S.	France	70,00
	UNIOR HELLAS, S. A.	Greece	50,00
	UNIOR ITALIA, S. R. L.	Italy	95,00
	UNIOR KOMERC, d. o. o.	Macedonia	85,00
	UNIOR DEUTSCHLAND, GmbH	Germany	100,00
	UNIOR SINGAPORE, Pte. Ltd.	Singapore	40,00
	UNIOR ESPANA, S. L.	Spain	95,00
	UNIOR INTERNATIONAL, Ltd.	Great Britain	50,00
	UNIOR PROFESSIONAL TOOLS, Ltd.	Russia	55,00
	UNIOR AUSTRALIA TOOL, Co. PTY Ltd.	Australia	100,00
	UNIOR USA CORPORATION	USA	100,00
	NINGBO UNIOR FORGING, Co. Ltd.	China	50,00
	UNIOR TEPID, S. R. L.	Romania	49,00
	UNIDAL, d. o. o.	Croatia	51,00
	UNIOR COMPONENTS, a. d.	Serbia	92,31
	ŠTORE STEEL, d. o. o.	Slovenia	29,25
	RHYDCON, d. o. o.	Slovenia	33,50
	RTC KRVAVEC, d. d.	Slovenia	98,56
	UNIOR BIONIC, d. o. o.	Slovenia	85,04
	STARKOM, d. o. o.	Slovenia	49,00
	UNIOR TEOS ALATI, d. o. o.	Serbia	20,00
	UNIOR BULGARIA, Ltd.	Bulgaria	58,00
	SOLION, Ltd.	Russia	20,00
	ROBOTEH, d. o. o.	Slovenia	24,97
	UNIOR COFRAMA, sp. z o. o.	Poland	51,00
	UNIOR FORMINGTOOLS, d. o. o.	Serbia	49,00
	SINTER, a. d.	Serbia	24,99
	RC SIMIT, d. o. o.	Slovenia	24,97
	ROGLA INVESTICIJE, d. o. o.	Slovenia	100,00
	UNIOR SAVJETOVANJE I TRGOVINA BH, d. o. o.	Bosnia and Herzegovina	80,00
	UNIOR TEHNA, d. o. o.	Bosnia and Herzegovina	25,00

In 2011, UNIOR d.d. acquired a 100% stake in the Rogla Investicije d.o.o. company and a 25% stake in the Unior Tehna d.o.o. company. We participated in the establishment of the RC Simit d.o.o. company, where we hold a 20% stake, and in the establishment of Unior Savjetovanje i trgovina BH d.o.o. with an 80% stake. We sold a 25.1% stake in the Štore Steel d.o.o. company and a 25% stake in the Unior Formingtools d.o.o. company, so the two companies are now associated companies.

The consolidated financial statements of the UNIOR Group include all the companies in which the parent company Unior d.d. holds a 50% or greater stake.

The consolidated financial statements also include associated companies according to the equity method. These companies are: Štore Steel d.o.o., Starkom d.o.o., Rhydcon d.o.o., Roboteh d.o.o. and RC Simit d.o.o. in Slovenia, and Unior Tepid S.R.L., Unior Singapore PTE Ltd., Unior Tehna d.o.o., Unior Teos Alati d.o.o., Solion Ltd., Unior Formingtools d.o.o. and Sinter a.d. abroad. The stake or equity holding of the parent company, UNIOR d.d., in these companies is at least 20% and less than 50%.

The companies Štore Steel d.o.o. and Unior Formingtools d.o.o. are treated as subsidiaries in the consolidated financial statements until March 2011, while from April of 2011, they are treated as associated companies.

Presentation of the Companies Included in the Consolidation

Subsidiaries

RTC KRVAVEC d.d.

Address of the company:	Grad 76, 4207 CERKLJE NA GORENJSKEM
Country:	Slovenia
Telephone:	+386 4 252 59 30
Fax:	+386 4 252 59 31
Url:	http://www.rtc-krvavec.si
E-mail:	info@rtc-krvavec.si
The company's activity:	Recreational tourist ski centre
Number of employees:	34

UNIOR BIONIC d.o.o.

Address of the company:	Kovaška cesta 10, 3214 ZREČE
Country:	Slovenia
Telephone:	+386 3 757 81 00
Fax:	+386 3 576 21 03
E-mail:	bionic@unior.si
The company's activity:	Development, production and marketing of medicinal products
Number of employees:	1

ROGLA INVESTICIJE d.o.o.

Address of the company:	Kovaška cesta 10, 3214 ZREČE
Country:	Slovenia
Telephone:	+386 3 757 81 00
Fax:	+386 3 576 21 03
E-mail:	unior@unior.si
The company's activity:	Trading in own real estate
Number of employees:	0

UNIOR PRODUKTIONS- und HANDELS- GmbH

Address of the company:	Auengasse 9, 9170 FERLACH
Country:	Austria
Telephone:	+43 4227 35 14
Fax:	+43 4227 35 15 18
Url:	http://www.unior.com
E-mail:	office@unior.at
The company's activity:	Sale of hand tools
Number of employees:	11

UNIOR DEUTSCHLAND GmbH

Address of the company:	Neckaraue 25, 71686 REMSECK
Country:	Germany
Telephone:	+49 1 634 469 908, +49 7146 28 500
Fax:	+386 3 576 26 43, +49 7146 28 5020
Url:	http://www.unior-werkzeug.de
E-mail:	deutschland@unior.si, unior@unior-deutschland.com
The company's activity:	Sale of hand tools and CNC machining, and machine servicing
Number of employees:	6

UNIOR FRANCE S.A.S.

Address of the company:	166-172 Rue du General Delestraint, 77000 MELUN
Country:	France
Telephone:	+33 1 64 37 23 00
Fax:	+33 1 64 39 40 90
E-mail:	contact@uniortools.fr
The company's activity:	Sale of hand tools
Number of employees:	13

UNIOR ITALIA S.R.L.

Address of the company:	Via Caserta 8, 20812 LIMBIATE (MB)
Country:	Italy
Telephone:	+39 02 99 04 3403
Fax:	+39 02 99 04 3414
E-mail:	unioritalia@unioritalia.it
The company's activity:	Sale of hand tools
Number of employees:	5

UNIOR ESPANA S.L.

Address of the company:	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
The company's activity:	Sale of hand tools
Number of employees:	2

UNIOR HELLAS S.A.

Address of the company:	Pierias & Kimis 30, 14451 METAMORFOSIS (Athens)
Country:	Greece
Telephone:	+30 210 28 52 881-885
Fax:	+30 210 28 52 886
Url:	http://www.unior.net, http://www.uniorgr.com
E-mail:	unior@hol.gr, info@uniorgr.com
The company's activity:	Sale of hand tools
Number of employees:	12

UNIOR INTERNATIONAL Ltd.

Address of the company:	Unit 7, Belton Lane Industrial Estate, GRANTHAM (Lincolnshire) NG31 9HN
Country:	Great Britain
Telephone:	+44 1476 567 827
Fax:	+44 1476 590 703
E-mail:	sales@unior.co.uk
The company's activity:	Sale of hand tools
Number of employees:	6

UNIOR KOMERC d.o.o.

Address of the company:	Ul. 36, br. 20, 1041 ILINDEN
Country:	Macedonia
Telephone:	+389 2 43 20 57
Fax:	+389 2 43 20 89
Url:	http://www.uniorkomerc.com.mk
E-mail:	contact@uniorkomerc.com.mk
The company's activity:	Sale of hand tools
Number of employees:	12

UNIOR PROFESSIONAL TOOLS Ltd.

Address of the company:	23A, Syzranskaya, 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
The company's activity:	Sale of hand tools
Number of employees:	34

UNIOR AUSTRALIA TOOL Co. PTY Ltd.

Address of the company:	8 Wayne Court, Dandenong 3175, MELBOURNE (Victoria)
Country:	Australia
Telephone:	+61 97 01 3268
Fax:	+61 97 93 7077
Url:	http://www.unior-aust.com.au
E-mail:	sabina.halilovic@unior-aust.com.au
The company's activity:	Sale of hand tools
Number of employees:	1

UNIOR USA CORPORATION

Address of the company:	3550 N. Union Drive, 62450 OLNEY (Illinois)
Country:	USA
Telephone:	+ 001 618 393 29 55
Fax:	+ 001 618 393 29 56
E-mail:	Karl@KHSBicycleParts.com
The company's activity:	Sale of hand tools
Number of employees:	0

UNIOR BULGARIA Ltd.

Address of the company:	Bul. Car Boris III, 136 B, P.O. Box 168, 1618 SOFIA
Country:	Bulgaria
Telephone:	+359 2 9559 233
Fax:	+359 2 9559 380
Url:	http://www.unior.bg
E-mail:	office@unior.bg
The company's activity:	Sale of hand tools
Number of employees:	8

UNIOR COFRAMA sp. z o.o.

Address of the company:	Ul. Glowna 10, 61-005 POZNAN
Country:	Poland
Telephone:	+48 61 877 05 06
Fax:	+48 61 877 05 11
Url:	http://www.unior.pl
E-mail:	unior@unior.pl
The company's activity:	Sale of hand tools
Number of employees:	19

UNIOR COMPONENTS a.d.

Address of the company:	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
The company's activity:	Production machinery tooling
Number of employees:	160

NINGBO UNIOR FORGING Company Ltd.

Address of the company:	Xindongwu, Moushan, YUYAO, ZHEJIANG
Country:	China
Telephone:	+ 86 574 6249 6150
Fax:	+ 86 574 6249 6152
Url:	http://www.unior.cn
E-mail:	info@unior.cn
The company's activity:	Production of steel forgings for the automotive industry
Number of employees:	259

UNIDAL d.o.o.

Address of the company:	Ulica Kneza Mislava 42, 32100 VINKOVCI
Country:	Croatia
Telephone:	+385 32 323 999
Fax:	+385 32 323 206
E-mail:	kovacnica@dalekovod.hr
The company's activity:	Company for the production of forgings
Number of employees:	151

UNIOR SAVJETOVANJE I TRGOVINA BH d.o.o.

Address of the company:	Ul. Dr. Silve Rizvanbegović B1 B, 71000 SARAJEVO, ILIDŽA
Country:	Bosnia and Herzegovina
Telephone:	+387 33 809 132
Url:	http://www.unior.ba
E-mail:	uniorsavjetovanje@bih.net.ba
The company's activity:	Trade and consulting
Number of employees:	1

Associated Companies

ŠTORE STEEL d.o.o.

Address of the company:	Železarska 3, 3220 ŠTORE
Country:	Slovenia
Telephone:	+386 3 780 51 00
Fax:	+386 3 780 53 83
Url:	http://www.store-steel.si
E-mail:	info@store-steel.si
The company's activity:	Company for the production of steel
Number of employees:	521

STARKOM d.o.o.

Address of the company:	Cesta k Tamu 18, 2000 MARIBOR
Country:	Slovenia
Telephone:	+386 2 460 17 31
Fax:	+386 2 460 17 37
Url:	http://www.starkom.si
E-mail:	info@starkom.si
The company's activity:	Production of component parts and accessories for motorised vehicles and engines
Number of employees:	159

ROBOTEH d.o.o.

Address of the company:	Predenca 2B, 3240 ŠMARJE PRI JELŠAH
Country:	Slovenia
Telephone:	+386 3 746 42 44
Fax:	+386 3 746 42 45
Url:	http://www.roboteh.si
E-mail:	office@roboteh.si
The company's activity:	Automation and robotisation of production processes
Number of employees:	12

RHYDCON d.o.o.

Address of the company:	Obrtniška ulica 5, 3240 ŠMARJE PRI JELŠAH
Country:	Slovenia
Telephone:	+386 3 818 30 50
Fax:	+386 3 582 11 35
E-mail:	info@rhydcon.si
The company's activity:	Fastening elements for hydraulic systems
Number of employees:	21

RC SIMIT d.o.o.

Address of the company:	Tovarniška cesta 10, 2325 KIDRIČEVO
Country:	Slovenia
Telephone:	+386 2 799 55 25
Fax:	+386 2 799 56 35
Url:	http://www.rcsimit.si
E-mail:	info@rcsimit.si
The company's activity:	Development centre for advanced materials and technologies
Number of employees:	47

UNIOR TEPID S.R.L.

Address of the company:	str. Bruxelles, No. 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
The company's activity:	Sale of hand tools
Number of employees:	28

UNIOR SINGAPORE Pte. Ltd.

Address of the company:	40 Jalan Pemimpin #01-02B, SINGAPORE 577185
Country:	Singapore
Telephone:	+65 625 825 86
Fax:	+65 625 807 47
Url:	http://www.unior.com.sg
E-mail:	unior@singnet.com.sg
The company's activity:	Sale of hand tools
Number of employees:	6

UNIOR FORMINGTOOLS d.o.o.

Address of the company:	Kosovska 4, 34000 KRAGUJEVAC
Country:	Serbia
Telephone:	+381 34 503 700
Fax:	+381 34 503 702
Url:	http://www.unior-formingtools.rs
E-mail:	office@unior-formingtools.rs
The company's activity:	Production machinery tooling
Number of employees:	117

UNIOR TEOS ALATI d.o.o.

Address of the company:	Gospodara Vučića 22, 11000 BELGRADE
Country:	Serbia
Telephone:	+381 11 744 03 30
Fax:	+381 11 744 03 30
Url:	http://www.uniorteos.com
E-mail:	office@uniorteos.com
The company's activity:	Sale of hand tools
Number of employees:	18

SOLION Ltd.

Address of the company:	32 A, Koli Tomchaka, 196084 ST. PETERSBURG
Country:	Russia
Telephone:	+7 812 449 83 50
Fax:	+7 812 449 83 51
Url:	http://www.solion.ru
E-mail:	sales@solion.ru
The company's activity:	Wholesale activities
Number of employees:	29

SINTER a.d.

Address of the company:	Miloša Obrenovića 2, 31000 UŽICE
Country:	Serbia
Telephone:	+381 31 592 201
Fax:	+381 31 563 462
Url:	http://www.sinter.co.rs
E-mail:	info@sinter.co.rs
The company's activity:	Production of metal powders and sintered parts
Number of employees:	156

UNIOR TEHNA d.o.o.

Address of the company:	Ul. Lužansko polje 7, 71000 SARAJEVO, ILIDŽA
Country:	Bosnia and Herzegovina
Telephone:	+387 33 776 376
Fax:	+387 33 776 371
Url:	www.uniortehna.ba
E-mail:	sead@uniortehna.ba
The company's activity:	Sale of hand tools
Number of employees:	13

Consolidated Financial Statements

Consolidated Balance Sheet as at 31 December 2011

	(in EUR)		as at 31 December 2011	as at 31 December 2010
	Item	**Note**		
	ASSETS		**375.983.271**	**431.041.726**
A.	**NON-CURRENT ASSETS**		**235.276.160**	**282.179.355**
I.	**Intangible assets and long-term deferred costs and accrued revenues**	**2**	**5.037.101**	**6.658.526**
1.	Long-term property rights		572.245	1.210.175
2.	Goodwill		811.114	811.114
3.	Advances for intangible assets		0	0
4.	Long-term deferred development expenses		3.629.086	4.275.939
5.	Other long-term deferred costs and accrued revenues		24.656	361.298
II.	**Property, plant and equipment**	**3**	**193.091.837**	**242.672.838**
1.	Land and buildings		111.236.634	124.640.397
	a) Land		37.184.918	45.274.793
	b) Buildings		74.051.716	79.365.604
2.	Production plant and machinery		56.595.210	74.759.489
3.	Other plant and equipment, consumables and other tangible fixed assets		5.787.508	5.359.435
4.	Property, plant and equipment being acquired		19.472.485	37.913.517
	a) Property, plant and equipment under construction and in production		18.905.925	37.031.513
	b) Advances for the acquisition of property, plant and equipment		566.560	882.004
III.	**Investment property**	**4**	**16.266.220**	**18.037.995**
IV.	**Long-term financial assets**	**5**	**20.275.365**	**13.700.360**
1.	Long-term financial assets, excluding loans		19.341.859	13.656.122
	a) Shares and stakes in associated companies		13.180.293	2.602.963
	b) Other shares and stakes		6.103.457	10.993.498
	c) Other long-term financial assets		58.109	59.661
2.	Long-term loans		933.506	44.238
	a) Long-term loans to others		933.506	44.238
	b) Long-term unpaid called-up share capital		0	0
V.	**Long-term operating receivables**	**8**	**493.543**	**1.023.424**
1.	Long-term trade receivables		948	510.894
2.	Long-term operating receivables due from others		492.595	512.530
VI.	**Deferred tax assets**	**15**	**112.094**	**86.212**
B.	**CURRENT ASSETS**		**140.707.111**	**148.862.371**
I.	**Assets (disposal groups) held for sale**	**6**	**399.800**	**0**
II.	**Inventories**	**7**	**80.269.981**	**84.219.999**
1.	Materials		25.183.625	24.625.417
2.	Work-in-progress		24.730.684	28.617.958
3.	Products		17.815.295	18.667.464
4.	Merchandise		11.978.600	11.527.873
5.	Advances for inventories		561.777	781.287
III.	**Short-term financial assets**	**9**	**2.729.880**	**1.555.982**
1.	Short-term financial assets, excluding loans		131	131
	a) Other shares and stakes		0	0
	b) Other short-term financial assets		131	131
2.	Short-term loans		2.729.749	1.555.851
	a) Short-term loans to others		2.729.749	1.555.851
	b) Short-term unpaid called-up share capital		0	0
IV.	**Short-term operating receivables**	**8**	**53.585.769**	**59.198.474**
1.	Short-term trade receivables		45.378.851	52.816.778
2.	Short-term operating receivables due from others		8.206.918	6.381.696
V.	**Cash and cash equivalents**	**10**	**3.721.681**	**3.887.916**

	(in EUR) Item	Note	as at 31 December 2011	as at 31 December 2010
	EQUITY AND LIABILITIES		**375.983.271**	**431.041.726**
A.	**CAPITAL**	**11**	**147.381.067**	**162.905.805**
A1.	**EQUITY ATTRIBUTABLE TO THE OWNERS OF THE PARENT COMPANY**		**141.266.620**	**141.266.619**
I.	**Called-up capital**		**23.688.983**	**23.688.983**
1.	Share capital		23.688.983	23.688.983
2.	Uncalled capital (as a deduction item)		0	0
II.	**Capital surplus**		**41.686.964**	**41.686.964**
III.	**Revenue reserves**		**38.431.886**	**36.041.848**
1.	Legal reserves		1.985.662	1.985.363
2.	Reserves for treasury shares and stakes		100.190	2.718.960
3.	Treasury shares and stakes (deduction item)		-100.190	-2.718.960
4.	Statutory reserves		0	0
5.	Other revenue reserves		36.446.224	34.056.485
IV.	**Revaluation surplus**		**25.278.044**	**27.673.375**
V.	**Net profit or loss brought forward**		**13.424.783**	**15.401.501**
VI.	**Net profit/loss for the financial year**		**-352.263**	**-1.969.908**
VII.	**Equity adjustment from foreign currency translation**		**-891.777**	**-1.256.144**
A2.	**EQUITY ATTRIBUTABLE TO NON-CONTROLLING INTERESTS**		**6.114.447**	**21.639.186**
B.	**PROVISIONS AND LONG-TERM ACCRUED COSTS AND DEFERRED REVENUES**	**12**	**7.571.967**	**8.892.815**
1.	Provisions for pensions and similar liabilities		3.899.547	5.675.674
2.	Other provisions		3.672.420	3.217.141
3.	Long-term accrued costs and deferred revenues		0	0
C.	**NON-CURRENT LIABILITIES**		**86.615.359**	**99.738.114**
I.	**Long-term financial liabilities**	**13**	**85.115.190**	**98.118.395**
1.	Long-term financial liabilities to banks		83.909.864	97.279.749
2.	Long-term financial liabilities from bonds		0	0
3.	Other long-term financial liabilities		1.205.326	838.646
II.	**Long-term operating liabilities**	**14**	**262.670**	**0**
1.	Long-term trade payables		0	0
2.	Long-term bills payable		0	0
3.	Long-term operating liabilities from advances		0	0
4.	Other long-term operating liabilities		262.670	0
III.	**Deferred tax liabilities**	**15**	**1.237.499**	**1.619.719**
D.	**CURRENT LIABILITIES**		**132.484.164**	**157.166.950**
I.	**Liabilities included in disposal groups**		**0**	**0**
II.	**Short-term financial liabilities**	**16**	**75.758.622**	**101.669.837**
1.	Short-term financial liabilities to banks		74.847.428	100.321.478
2.	Short-term financial liabilities from bonds		0	0
3.	Other short-term financial liabilities		911.194	1.348.359
III.	**Short-term operating liabilities**	**17**	**56.725.542**	**55.497.113**
1.	Short-term trade payables		39.735.405	41.017.425
2.	Short-term bills payable		3.112.006	3.092.836
3.	Short-term operating liabilities from advances		6.337.235	2.911.529
4.	Other short-term operating liabilities		7.540.896	8.475.323
E.	**SHORT-TERM ACCRUED COSTS AND DEFERRED REVENUES**	**18**	**1.930.714**	**2.338.042**

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

Income Statement for the Period from 1 January 2011 to 31 December 2011

	(in EUR)			
	Item	**Note**	**2011**	**2010**
A.	**Net sales revenues**	**21**	**225.986.283**	**239.471.679**
1.	Net sales revenues on the domestic market		43.500.634	51.552.087
	a) Net revenues from the sale of products and services		36.022.432	45.245.984
	b) Net revenues from the sale of goods and materials		7.478.202	6.306.103
2.	Net sales revenues on foreign markets		182.485.649	187.919.592
	a) Net revenues from the sale of products and services		150.466.841	163.654.678
	b) Net revenues from the sale of goods and materials		32.018.808	24.264.914
B.	**Changes in the value of inventories of products and work-in-progress**		**6.452.233**	**3.146.352**
C.	**Capitalised own products and own services**	**22**	**4.231.482**	**3.506.412**
D.	**Other operating revenues**	**23**	**3.995.311**	**6.854.392**
I.	**GROSS OPERATING PROFIT**		**240.665.309**	**252.978.835**
E.	**Cost of goods, materials and services**	**24**	**156.748.407**	**164.499.783**
1.	Cost of goods and materials sold		18.023.385	15.041.804
2.	Cost of materials used		109.560.942	119.866.918
	a) Cost of materials		82.809.338	91.485.338
	b) Cost of energy		16.191.513	23.361.476
	c) Other cost of material		10.560.091	5.020.104
3.	Cost of services		29.164.080	29.591.061
	a) Transport services		6.349.751	6.885.373
	b) Cost of maintenance		2.634.382	4.497.335
	c) Rents		941.394	1.128.831
	d) Other cost of services		19.238.553	17.079.522
F.	**Labour cost**	**24**	**58.483.323**	**62.079.892**
1.	Cost of wages and salaries		43.615.019	46.970.496
2.	Cost of pension insurance		1.001.443	1.854.481
3.	Cost of other social insurance		7.184.154	7.048.668
4.	Other labour cost		6.682.707	6.206.247
G.	**Amortisation and depreciation expense**	**24**	**14.627.793**	**18.349.832**
1.	Depreciation/amortisation		13.643.190	17.165.610
2.	Operating expenses from revaluation of intangible fixed assets and property, plant and equipment		214.333	408.469
3.	Operating expenses from revaluation of current assets		770.270	775.753
H.	**Other operating expenses**	**24**	**2.797.564**	**3.220.930**
1.	Provisions		583.629	411.434
2.	Other costs		2.213.935	2.809.496
II.	**OPERATING PROFIT OR LOSS**		**8.008.222**	**4.828.398**
I.	**Finance income**	**25**	**3.788.787**	**1.656.002**
1.	Finance income from participating interests		3.032.890	543.618
	a) Finance income from participating interest in associated companies		2.962.811	429.091
	b) Finance income from participating interest in other companies		69.621	108.952
	c) Finance income from other investments		458	5.575
2.	Finance income from loans granted		62.051	100.063
3.	Finance income from operating receivables		693.846	1.012.321
I.	**Finance expenses**	**25**	**11.668.444**	**10.379.410**
1.	Finance expenses from impairments and write-offs of financial assets		2.756.681	685.906
2.	Finance expenses from financial liabilities		8.061.193	8.699.137
	a) Finance expenses from bank loans		7.807.487	8.493.388
	b) Finance expenses from issued bonds		0	0
	c) Finance expenses from other financial liabilities		253.706	205.749
3.	Finance expenses from operating liabilities		850.570	994.367
	a) Finance expenses from trade payables and bills payable		195.782	472.196
	b) Finance expenses from other operating liabilities		654.788	522.171
III.	**PROFIT OR LOSS**		**128.565**	**-3.895.010**
	Corporate income tax	**26**	**239.599**	**190.684**
	Deferred tax	**26**	**-371.022**	**-2.450.498**
	NET PROFIT OR LOSS FOR THE PERIOD		**259.988**	**-1.635.196**
	- attributable TO THE OWNERS OF THE PARENT COMPANY		-352.263	-1.928.389
	- attributable TO THE NON-CONTROLLING INTERESTS		612.251	293.193

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

Statement of Other Comprehensive Income

	(in EUR)		
	ITEM	**2011**	**2010**
1.	**Net profit or loss for the period**	**259.988**	**(1.635.196)**
2.a	Change in the surplus from revaluation of intangible assets and tangible assets (property, plant and equipment)	2.073.618	5.745.295
2.b	The change of surplus from the revaluation of intangible assets and tangible capital assets – deferred tax.	(414.723)	(1.981.865)
3.	Change in the surplus from revaluation of available-for-sale financial assets	0	0
4.	Gains and losses from foreign currency translation of the financial statements of foreign operations	551.290	(538.121)
5.	**Other comprehensive income for the reporting period, net of tax**	**2.210.185**	**3.225.309**
6.	**Total comprehensive income for the reporting period**	**2.470.173**	**1.590.113**
	Total comprehensive income for the reporting period attributable to the owners of the parent company	1.670.999	1.195.393
	Total comprehensive income for the reporting period attributable to the non-controlling interests	799.174	394.720

Statement of Cash Flows

	(in EUR)	2011	2010
A.	**Cash flows from operating activities**		
a)	**Net profit or loss**		
	Profit or loss before tax	128.565	(3.895.010)
	Income taxes and other taxes not included in operating expenses	131.423	2.259.814
		259.988	(1.635.196)
b)	**Adjustments for**		
	Amortisation (+)	13.643.190	17.165.610
	Operating revenues from revaluation associated with investment and financing items (-)	(424.703)	(880.401)
	Operating expenses from revaluation associated with investment and financing items (+)	214.333	408.469
	Finance income excluding finance income from operating receivables (-)	(1.127.500)	(643.681)
	Finance expenses excluding finance expenses from operating liabilities (+)	10.817.874	9.385.043
		23.123.194	25.435.040
c)	**Changes in net current assets (and accruals and deferrals, provisions and deferred tax assets and liabilities) of the operating items in the balance sheet**		
	Opening less closing operating receivables	6.142.586	(7.040.941)
	Opening less closing prepayments and accrued income	0	0
	Opening less closing deferred tax assets	(25.882)	2.675
	Opening less closing assets (disposal groups) held for sale	(399.800)	2.220.125
	Opening less closing inventories	3.950.018	(8.176.945)
	Closing less opening operating debts	1.491.099	15.678.147
	Closing less opening accrued costs and deferred revenues and provisions	(1.728.176)	(71.724)
	Closing less opening deferred tax liabilities	(382.220)	(1.312.888)
		9.047.625	1.298.449
d)	**Net cash used in/generated by operating activities (a+b+c)**	**32.430.807**	**25.098.293**
B.	**Cash flows from investing activities**		
a)	**Proceeds from investing activities**		
	Proceeds from interest received and shares of profits in other entities pertaining to investing activities	1.127.500	643.681
	Proceeds from disposal of intangible assets	178.639	345.669
	Proceeds from disposal of property, plant and equipment	6.859.353	3.065.481
	Proceeds from disposal of investment property	1.374.903	713.369
	Proceeds from disposal of long-term financial assets	7.717.283	735.112
	Proceeds from disposal of short-term financial assets	2.448.427	1.543.261
		19.706.105	7.046.573
b)	**Payments for investing activities**		
	Payments for the acquisition of intangible assets	(231.817)	(570.682)
	Payments for the acquisition of property, plant and equipment	(25.366.315)	(33.645.450)
	Payments for the acquisition of investment property	(283.000)	(742.047)
	Payments for the acquisition of long-term financial assets	(1.077.375)	(1.783.626)
	Payments for the acquisition of short-term financial assets	(3.622.549)	(1.757.586)
		(30.581.056)	(38.499.391)
c)	**Net cash used in/generated by investing activities (a+b)**	**(10.874.951)**	**(31.452.818)**
C.	**Cash flows from financing activities**		
a)	**Proceeds from financing activities**		
	Proceeds from paid up capital	191	12.376.382
	Proceeds from increase in long-term financial liabilities	36.406.683	56.335.216
	Proceeds from increase in short-term financial liabilities	106.349.966	182.093.618
		142.756.840	250.805.216
b)	**Payments for financing activities**		
	Payments for paid interest pertaining to financing activities	(8.192.645)	(8.552.783)
	Payments for repayment of equity capital	(17.629.053)	(2.213.816)
	Payments for repayment of long-term financial liabilities	(34.409.543)	(25.205.175)
	Payments for repayment of short-term financial liabilities	(104.247.690)	(209.518.569)
	Payments for dividends and other profit distributions	0	(998)
		(164.478.931)	(245.491.341)
c)	**Net cash used in/generated by financing activities (a+b)**	**(21.722.091)**	**5.313.875**
D.	**Cash and cash equivalents at end of period**	**3.721.681**	**3.887.916**
x)	Net cash flow for the period (sum of items Ac, Bc and Cc)	(166.235)	(1.040.650)
y)	Cash and cash equivalents at beginning of period	3.887.916	4.928.567

Statement of Changes in Equity

CHANGES IN EQUITY FOR THE PERIOD FROM 31 DECEMBER 2010 TO 31 DECEMBER 2011	I. Called-up capital	II. Capital surplus	III. Revenue reserves				IV. Revaluation surplus	V. Net profit or loss brought forward	VI. Net profit or loss for the financial year	VII. Equity adjustment from foreign currency translation	Total equity attributable to the owners of the parent company	Equity attributable to the non-controlling interests	Total equity
(in EUR)	Share capital		Legal reserves	Reserves for treasury shares	Treasury shares	Other profit reserves		Net profit/ loss brought forward	Net profit/ loss for the financial year				
A.1. Balance as at the end of the previous reporting period	**23.688.983**	**41.686.964**	**1.985.363**	**2.718.960**	**(2.718.960)**	**34.056.485**	**27.673.375**	**15.401.501**	**(1.969.908)**	**(1.256.144)**	**141.266.619**	**21.639.186**	**162.905.805**
A.2. Opening balance of the reporting period	**23.688.983**	**41.686.964**	**1.985.363**	**2.718.960**	**(2.718.960)**	**34.056.485**	**27.673.375**	**15.401.501**	**(1.969.908)**	**(1.256.144)**	**141.266.619**	**21.639.186**	**162.905.805**
B.1. Changes in equity – transactions with owners	**0**	**0**	**0**	**(2.618.770)**	**2.618.770**	**2.680.095**	**(4.054.226)**	**(296.867)**	**0**	**0**	**(1.670.998)**	**(16.323.913)**	**(17.994.911)**
Entry of additional capital payments	0	0	0	0	0	0	0	191	0	0	191	0	191
Redemption of treasury shares and stakes	0	0	0	0	0	61.325	0	0	0	0	61.325	(127.761)	(66.436)
Disposal or withdrawal of treasury shares and stakes	0	0	0	0	0	0	0	0	0	0	0	0	0
Sale of the majority holding	0	0	0	(2.618.770)	2.618.770	2.618.770	(4.054.226)				(1.435.456)	(16.193.597)	(17.629.053)
Other changes in equity	0	0	0	0	0	0	0	(297.058)	0	0	(297.058)	(2.555)	(299.613)
B.2. Total comprehensive income for the reporting period	**0**	**0**	**0**	**0**	**0**	**0**	**1.658.895**	**0**	**(352.263)**	**364.367**	**1.670.999**	**799.174**	**2.470.173**
Entry of the net profit or loss for the reporting period	0	0	0	0	0	0	0	0	(352.263)	0	(352.263)	612.251	259.988
Change of the surplus from revaluation of property, plant and equipment	0	0	0	0	0	0	1.658.895	0	0	0	1.658.895	0	1.658.895
Gains and losses from foreign currency translation of the financial statements of foreign operations	0	0	0	0	0	0	0	0	0	364.367	364.367	186.923	551.290
B.3. Changes in equity	**0**	**0**	**299**	**0**	**0**	**(290.356)**	**0**	**(1.679.851)**	**1.969.908**	**0**	**0**	**0**	**0**
Allocation of the remaining net profit in the comparative reporting period to other components of equity	0	0	299	0	0	2.842	0	(1.973.049)	1.969.908	0	0		0
Provisions for treasury shares and stakes and allocation to other components of equity											0		0
Other changes in equity	0	0	0	0	0	(293.198)	0	293.198	0	0	0	0	0
C. Closing balance of the reporting period	**23.688.983**	**41.686.964**	**1.985.662**	**100.190**	**(100.190)**	**36.446.224**	**25.278.044**	**13.424.783**	**(352.263)**	**(891.777)**	**141.266.620**	**6.114.447**	**147.381.067**

CHANGES IN EQUITY FOR THE PERIOD FROM 31 DECEMBER 2009 TO 31 DECEMBER 2010	I. Called-up capital	II. Capital surplus	III. Revenue reserves				IV. Revaluation surplus	V. Net profit or loss brought forward	VI. Net profit or loss for the financial year	VII. Equity adjustment from foreign currency translation	Total equity attributable to the owners of the parent company	Equity attributable to the non-controlling interests	Total equity
(in EUR)	Share capital		Legal reserves	Reserves for treasury shares	Treasury shares	Other profit reserves		Net profit/ loss brought forward	Net profit/ loss for the financial year				
A.1. Balance as at the end of the previous reporting period	**19.516.057**	**35.859.890**	**1.981.408**	**2.718.960**	**(2.718.960)**	**34.018.919**	**23.894.294**	**31.059.140**	**(16.390.265)**	**(600.845)**	**129.338.598**	**21.294.224**	**150.632.822**
A.2. Opening balance of the reporting period	**19.516.057**	**35.859.890**	**1.981.408**	**2.718.960**	**(2.718.960)**	**34.018.919**	**23.894.294**	**31.059.140**	**(16.390.265)**	**(600.845)**	**129.338.598**	**21.294.224**	**150.632.822**
B.1. Changes in equity – transactions with owners	**4.172.926**	**5.827.074**	**0**	**0**	**0**	**0**	**0**	**732.627**	**0**	**0**	**10.732.627**	**(49.758)**	**10.682.869**
Entry of additional capital payments	4.172.926	5.827.074	0	0	0	0	0	998	0	0	10.000.998	2.375.384	12.376.382
Disposal or withdrawal of treasury shares and stakes	0	0	0	0	0	0	0	199.517	0	0	199.517	(2.413.333)	(2.213.816)
Other changes in equity	0	0	0	0	0	0	0	532.112	0	0	532.112	(11.809)	520.303
B.2. Total comprehensive income for the reporting period	**0**	**0**	**0**	**0**	**0**	**0**	**3.779.081**	**0**	**(1.928.389)**	**(655.299)**	**1.195.393**	**394.720**	**1.590.113**
Entry of the net profit or loss for the reporting period	0	0	0	0	0	0	0	0	(1.928.389)	0	(1.928.389)	293.193	(1.635.196)
Change of the surplus from revaluation of property, plant and equipment	0	0	0	0	0	0	3.779.081	0	0	0	3.779.081	(15.651)	3.763.430
Gains and losses from foreign currency translation of the financial statements of foreign operations	0	0	0	0	0	0	0	0	0	(655.299)	(655.299)	117.178	(538.121)
B.3. Changes in equity	**0**	**0**	**3.954**	**0**	**0**	**37.566**	**(0)**	**(16.390.265)**	**16.348.746**	**0**	**0**	**0**	**0**
Allocation of the remaining net profit in the comparative reporting period to other components of equity	0	0	0	0	0	0	0	(16.390.265)	16.390.265	0	0		0
Other changes in equity	0	0	3.954	0	0	37.566	0	0	(41.520)	0	0	0	0
C. Closing balance of the reporting period	**23.688.983**	**41.686.964**	**1.985.363**	**2.718.960**	**(2.718.960)**	**34.056.485**	**27.673.375**	**15.401.501**	**(1.969.908)**	**(1.256.144)**	**141.266.619**	**21.639.186**	**162.905.805**

Notes to the Financial Statements

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

The Group's financial statements were prepared for the year ended 31 December 2011.

Statement of Compliance

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

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

The Management Board of UNIOR d.d. confirmed the financial statements on 23 April 2012.

Bases for Consolidation

Bases for Consolidation from 1 January 2010

The consolidated financial statements comprise the financial statements of the Group and its subsidiaries as at 31 December 2011.

The full consolidation method is applied to all subsidiaries up to the date, by which the Group controls a particular subsidiary. Subsidiaries are excluded from the Group at the moment the controlling influence of the parent company or a Group company ceases. The financial statements of Group companies are prepared for the same reporting period as the financial statements of the parent company, whereby the same accounting policies are used. Upon the preparation of consolidated financial statements, all transactions, balances and unrealised gains and losses resulting from internal transactions within the Group are excluded as are the dividends distributed between related undertakings.

A loss of a subsidiary is attributed to the non-controlling interest even if this results in a deficit. A change in the equity holding of a subsidiary where a loss of control occurs is accounted in equity. Upon the loss of control in a subsidiary, the Group must:

- derecognise the assets (including goodwill) and liabilities of the subsidiary;
- derecognise the carrying amount of all non-controlling interests;
- derecognise the total amount of exchange differences that were recognised in equity;
- recognise the fair value of the consideration received;
- recognise the fair value of all the remaining investments;
- recognise all surpluses and deficits in the profit or loss;
- appropriately reclassify the share of the parent company into the items that were previously recognised in other comprehensive profit, into the profit or loss or the retained earnings.

Bases for Consolidation before 1 January 2010

Certain requirements indicated above were taken into account by the Group for future periods. However, in certain cases, the differences indicated below were transferred to the future periods from the previous bases for consolidation:

- The acquisition of non-controlling interests prior to 1 January 2010 was recognised by the Group according to the parent entity extension method, whereby the difference between the consideration and the carrying amount of the interest in the net value of the acquired assets was recognised as goodwill.
- The Group's losses were attributed to the non-controlling interest until the non-controlling interest reached the value of zero. All subsequent excess losses were attributed to the parent company unless the non-controlling interest had a binding obligation to cover these excess losses. The losses arising prior to 1 January 2010 were not distributed by the Group between the non-controlling interest and the shareholders of the parent company.
- Upon the loss of control, the remaining investment was accounted for by the Group according to its proportionate share of the net assets as at the date the control was lost. As at 1 January 2010, the Group did not restate the carrying amount of these investments.

Summary of Significant Accounting Policies

Business Combinations and Goodwill

Business Combinations from 1 January 2010

Business combinations are accounted for using the acquisition method. The costs related to the acquisition are determined in the total amount of the consideration at fair value as at the date of the acquisition increased by the amount of all non-controlling interests in the acquiree. For each individual business combination, the acquirer must measure the amount of the non-controlling interest in the acquiree either at fair value or according to the proportionate share of identifiable net assets of the acquiree. The acquirer recognises the costs related to the acquisition as an expense under the general administrative costs item.

Upon the acquisition, the Group assesses whether the classification of the acquired financial assets and assumed liabilities is consistent with the contractual provisions, the economic position and the material circumstances as at the acquisition date. The acquiree must also separate the embedded derivatives from the host contract.

In the case of business combinations that are achieved in several stages, the fair value of the acquirer's previously held equity interest in the acquiree is measured again to fair value as at the acquisition date through profit or loss. The amount of the contingent consideration that will, as may be envisaged, be transferred to the acquirer is recognised at fair value as at the acquisition date. Subsequent changes in the fair value of the contingent consideration that is either considered as an asset or a liability is recognised according to IAS 39 either in the profit or loss or as a change of other comprehensive income. If the contingent consideration is recognised in equity, it may not be remeasured until it is finally settled in equity.

Upon initial measurement, goodwill is recognised at fair value, which is the excess difference between the aggregate amount of the consideration transferred and the recognised non-controlling interest over the amount of identifiable acquired assets and assumed liabilities. If the consideration is lower than the fair value of the net assets of the acquiree, the difference is recognised in profit or loss.

Upon initial recognition, goodwill is measured at cost less accumulated impairment loss. For the purpose of goodwill impairment testing, the goodwill acquired in a business combination is allocated as at the acquisition date to each cash-generating unit of the group, which is expected to benefit from the business combination irrespective of whether other assets and liabilities of the acquiree are allocated to that unit.
When goodwill is part of a cash-generating unit and a part of the operations of this cash-generating unit is disposed of, the goodwill associated with the disposed of cash-generating unit is recognised – upon the determination of the gain or loss from the disposal of operations– in the carrying amount of the operations of the disposed unit. The goodwill that is disposed of in such circumstances is measured based on the relative value of the disposed of activity and the part of the cash-generating unit that the Group retains.

Business Combinations before 1 January 2010
The differences in the comparison with the above requirements are presented below.

Business combinations were recognised according to the acquisition method. The costs that could be directly attributed to the acquisition were included by the Group among the cost of acquisition. The non-controlling interest (formerly called minority interest) was measured by the Group according to the proportionate share of the identifiable net assets of the acquiree.

A business combination achieved in several stages was recognised by the Group as separate stages. All additionally acquired interests did not affect the previously recognised goodwill.

A contingent consideration was recognised by the Group if, and only if, there was a current obligation, if it was probable that there would be factors related to the outflow of economic benefits from the contingent consideration and if a reliable criterion for the amount of the consideration was available. Subsequent changes in the amount of the contingent consideration were recognised under the goodwill item.

Bases for the Preparation of Financial Statements

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

Fair Value

Fair value is used when disclosing land and investment property, while all other financial statement items are stated at cost or amortised cost.

Accounting Policies Used

The accounting policies used are the same ones that the Company used in previous years, with the exception of the newly adopted standards and Interpretations listed below.
The Group adopted the following new and amended IFRSs and Interpretations of the IFRIC valid after 1 January 2011:

- IFRIC 19 – Extinguishing Financial Liabilities with Equity Instruments
- IFRIC 14 – Prepayments of a Minimum Funding Requirement(amendment)
- IAS 32 – Classification of Rights Issues (amendment)
- IAS 24 – Related Party Disclosures (amendment)
- Improvements to the IFRSs (May 2010)

- **IFRIC 19 – Extinguishing Financial Liabilities with Equity Instruments**

IFRICs explain in greater detail the financial accounting performed by a company when the conditions of financial liabilities change, whereby the company issues equity instruments to the company's creditor who in turn extinguishes the financial liability in part or in its entirety. IFRIC 19 designates such an equity instrument as a "paid consideration" in accordance with Article 41 of IAS 39. The financial liability is consequently derecognised, while the company recognises the issued equity instruments as a consideration for extinguishing the said financial liability.

- **IFRIC 14 – Prepayments of a Minimum Funding Requirement**

The amendment enables a company to account certain voluntary prepaid contributions as assets based on the requirement for minimum funding. The amendment must be used retrospectively.

- **IAS 32 – Classification of Rights Issues (amendment)**

The amendment relates to the classification of the rights to acquire shares for a set amount expressed in a foreign currency, which the existing standard treats as derivative liabilities. If certain conditions are met in accordance with the amendment, a company can now classify these rights among equity instruments regardless of the currency in which the exercise price is denominated. The amendment must be used retrospectively.

- **IAS 24 – Related Party Disclosures (revision)**

The revised standard relates to the assessment within the scope of the determination of whether state owned companies and companies, about which the reporting company knows that it has ties to the state, are defined as an individual client. Within the scope of the assessment, the reporting company must take into account how close the economic ties between related parties are. The amendment must be used retrospectively.

- **In May of 2010, IASB published the third set of amendments to its standards primarily with the aim of eliminating inconsistencies and providing a detailed explanation of the text.**

- **IFRS 1 First-time Adoption of International Financial Reporting Standards**

The amendment explains the treatment of the amendments to accounting policies in the year they were adopted and after the publication of an interim financial report in accordance with IAS 34 –Interim Financial Reporting. It enables a company that is using the IFRSs for the first time to recognise the event-driven fair value as a deemed cost. The standard further expands the notion of the "deemed cost" of property, plant and equipment or intangible assets by including the items of regulated activities, the prices of which are set by an administrative body.

- **IFRS 3 Business Combinations**

This amendment explains that the amendments of the standards IFRS 7 Financial instruments: Disclosures, IAS 32 Financial Instruments: Presentation and IAS 39 Financial Instruments: Recognition and Measurements, which do away with the exemption for contingent consideration, do not apply to those contingent considerations that arise from business combinations that occurred prior to the date of the application of IFRS 3 (revision of the standard from 2008).
The amendment limits the scope of choice of the measurement (fair value or proportionate share of current equity instruments in identifiable net assets of the acquiree) to only the components of the non-controlling interest, which represent the current equity interests, which provide their owners with the right to a proportionate share in the company's net assets.
The amendment further requires (as regards the business combinations) that the company distribute the consideration for the payment of the acquiree's shares (irrespective of whether this is voluntary or not) to the purchase consideration and costs that arise from the business combination.

- **IFRS 7 – Financial Instruments: Disclosures**

The amendment explains which disclosures are required according to IFRS 7 and highlights the interconnectedness of quantitative and qualitative disclosures as well as the nature and scope of the risks associated with financial instruments.

- **IAS 1 Presentation of Financial Statements**

This amendment explains that a company has to show the analysis of the components of other comprehensive income for each of the components of equity capital – either in the statement of changes in equity or the notes to the financial statements.

- **IAS 27 Consolidated and Separate Financial Statements**

The amendment explains that the amendments of IAS 27, which subsequently affect IAS 21 The Effects of Changes in Foreign Exchange Rates, IAS 28 Investments in Associates and IAS 31 Interests In Joint Ventures, are used for annual periods starting on 1 July 2009 or before that, provided that IAS 27 is applied earlier.

- **IAS 34 Interim Financial Reporting**

This amendment introduces the requirement for a company to additionally disclose, in the summaries of interim financial reports, the fair value and changes in the classification of financial assets and the changes to contingent assets and liabilities.

- **IFRIC 13 Customer Loyalty Programmes**

The amendment explains that, when the fair value of award credits is measured based on the value of the awards, at which buyers can redeem them, the company must take into account the amount of discounts or incentives that are granted to buyers who do not participate in the customer loyalty programme.

Transactions in Foreign Currencies

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 items and liabilities denominated in a foreign currency as at the balance sheet date are translated into the domestic currency according to the reference exchange rate of the European Central Bank applying as at the last day of the reporting period. Exchange rate differences are recognized in the income statement.

The balance sheets of subsidiaries that are not disclosed in euros were translated according to the closing mid-market reference foreign exchange rate of the ECB, while the income statements of the subsidiaries were translated using the mid-market foreign exchange rate of the ECB. The difference is disclosed under the equity adjustment from foreign currency translation.

Operating Profit/Loss

Operating profit or loss is defined as profit or loss before tax and financial items. Financial items include interest on bank balances, deposits, investments available for sale and trading, 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.

Significant Estimates and Judgements

In accordance with the International Financial Reporting Standards, the Company's man¬agement issues estimates, judgements and assumptions for the preparation of financial statements, namely those that affect the application of policies and the disclosed values of assets and liabilities, revenues and expenses. The estimates are formed according to experience from previous years and the expectations in the reporting period. The actual results can deviate from these estimates, which is why estimates are continuously verified and adjustments to the estimates are made.

Deferred Taxes

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

- provisions for jubilee awards and severance pay upon retirement,
- impairments of trade receivables,
- investment tax relief for investments into research and development,
- unused tax losses.

Deferred taxes are presented in greater detail in Chapter 17.4.15.

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

The tax rate applied for the calculation of deductible temporary differences is 20 per cent. Based on the conditions stipulated in IAS 12 (36) and the business plan for the coming period, we estimate that we will have taxable profits at our disposal to cover the unused tax losses in the coming years.

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

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

Provisions

The Company's management confirms the content and the amount of the provisions formed, namely on the basis of:

- the calculation of provisions for jubilee awards and severance pay,
- the estimate of the potential expected amount of damages communicated by the Company's legal department or other external attorney on the basis of existing lawsuits and claims for damages.

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

Summary of Significant Accounting Policies and Disclosures

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

The accounting policies provided below have been consistently applied in all periods re¬ported in financial statements.

Property, Plant And Equipment

Land is valued at fair value. We use the cost model for measuring buildings, plant and equipment. An asset is disclosed at cost less accumulated depreciation and any accumulated impairment losses. The manner and the methods for the valuation of assets due to impairment are described below under the heading "Impairment of Property, Plant and Equipment". The cost of an item of property, plant and equipment is the equivalent of the cash price as at the date of recognition. Revaluation of land is performed based on an appraisal by a chartered valuation surveyor. The revaluation is disclosed through equity as a revaluation surplus.

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

Borrowing Costs

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset increase the cost 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 or sale arise.

Financial Lease

At the beginning of lease, we recognize the financial lease in the balance sheet as an asset and liability at amounts equal to the fair value of the leased asset or, if the value is lower, at the present value of the minimum lease payments, whereby both values are determined upon the conclusion of the lease. When calculating the present value of the minimum lease payments, the discount rate is the interest rate associated with the lease (lease rate) provided that it can be determined; otherwise, we

use the assumed interest rate for borrowing, which should be paid by the lessee. We add all of the initial direct costs borne by the lessee to the amount recognized as an asset.
We did not conclude any contracts on financial leasing of fixed assets in 2011.

Subsequent Costs

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

Depreciation/Amortisation

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

Depreciation rates applied by the Company:

	Lowest %	Highest %
Property, plant and equipment		
Property:	**0,5**	**10,0**
Built buildings	0,5	5,0
Other buildings	2,0	10,0
Equipment:		
Production equipment	0,6	20,0
Computer and electr. equipment	6,0	33,0
Fork lifts and hoists	11,0	12,5
Automobiles and tractors	12,5	25,0
Cleaning and heating equipment	7,0	23,1
Measuring and control devices	4,2	28,0
Furniture – office and other	10,0	17,5
Other equipment	4,0	50,0

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

Intangible Assets

An intangible assets is initially recognised at cost. After the initial recognition, intangible assets are disclosed at cost less the accumulated depreciation and the eventual impairment loss.

Goodwill
Goodwill is valued at 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 acquired assets and liabilities valued as at the acquisition date. The transferred purchase consideration includes the fair value of the transferred assets, liabilities to the previous owners of the acquiree and the shares issued by the company. The Company's management performs an annual assessment of whether the fair value is still the same.

Emission Coupons
Long-term deferred costs of emission coupons allocated by the Slovenian Environment Agency operating within the scope of the Ministry of the Environment and Spatial Planning (renamed to Ministry of Agriculture and Environment) are disclosed as part of intangible fixed assets.

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

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

Amortisation rates applied by the Company:

	Lowest %	Highest %
Intangible fixed assets:	10.0	20.0

Investment Property

We hold investment property with the aim of them generating rent or increasing the value of a long-term investment. We use the fair value method for the measurement of investment property, whereby an appraisal from a chartered valuation surveyor serves as the basis for the measurement. Revenues are recognized in the income state¬ment. Investment property is not depreciated.

Financial Assets

Investments into associates and jointly controlled undertakings in the group are valued according to the equity method, while investments in other unrelated entities are valued at cost.

Financial Instruments

We classify financial instruments into the following classes:

1. financial assets at fair value through profit or loss;
2. held-to-maturity investments;
3. loans and receivables;
4. available-for-sale financial assets.

1. Financial Assets At Fair Value Through Profit or Loss

The first group of financial assets was formed for financial instruments that are recognized as at the trading date and measured at fair value through profit or loss and, which are intended for active trading.

2. Held-to-Maturity Investments

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

3. Loans and Receivables

The third group includes all loans, borrowings and receivables, which are recognized as at the settlement date and measured at amortized cost using the effective interest method.

Operating Receivables

We record long-term and short-term trade receivables due from our buyers, the state and the employees in the books of account separately. We also disclose interest on the above receivables among operating receivables. Long-term and short-term operating receivables are initially disclosed at amounts arising from contracts or relevant bookkeeping documents. We translate the operating receivables denominated in foreign currencies on the last day of the financial year into the domestic currency according to the reference exchange rate of the European Central Bank.
The suitability of the disclosed size of an individual receivable is determined at the end of the reporting period based on informed evidence regarding the doubt that these receivables will be repaid. We perform the impairment of receivables after the management performs an individual assessment of the programmes as regards the risk that the receivables will not be repaid.

Trade Credits

The Company extends trade credits to companies within the Group and associated companies for their operations. Trade credits are recognized among long-term operating receivables. We charge interest on trade credits. Value adjustments for trade credits are performed after the Company's management assess them individually.

Loans
Upon initial recognition, loans granted are disclosed at their amortized cost taking into account the effective interest method. Depending on their maturity date, they are classified as long-term (non-current) or short-term (current) assets as at the settlement date. With the aim of managing credit risk, we determine the maturity of the loan and the settlement method according to the borrower's credit standing. These loans are secured or collateralised by traditional security or collateral instruments (e.g. blank bills of exchange, pledge of securities and other property or movables, the possibility of a unilateral offsetting of mutual obligations, etc.). In case of a failure to settle outstanding contractual obligations by the borrower, we start redeeming the security or collateral instruments or start performing impairments of the investment if legal proceedings are instituted.

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

4. Available-for-Sale Financial Assets
We classify all investments into equity securities among available-for-sale financial assets. Upon initial recognition, they are measured at fair value, to which we add the transaction costs arising from the acquisition of the financial asset. We determine the fair value as the value determined by the market such as the closing stock exchange price of a share or the published daily value of a mutual fund unit. Changes in fair value are recognized directly in the statement of other comprehensive income. We apply the average cost method for posting purposes. Profits or losses are transferred to the profit or loss upon derecognition. We use the trading date when accounting for the acquisition and sale.
All other financial assets, for which no active market exists and where fair value can not be reliably measured, are measured at cost.

Inventories
Inventories are measured at historic cost or net realisable value, namely the lower of the two. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the cost to sell. The unit price of an item held in inventory includes the costs incurred when acquiring inventories and bringing them to their present location and condition. For finished products and work-in-progress, the costs include a corresponding proportion of production costs with the normal use of production assets. The consumption of inventories is disclosed according to the weighted average cost method. At the end of the year, the Company verifies the inventories that have not had any movements in the current year and impairs them to their realizable value.

Cash and Cash Equivalents
Cash and cash equivalents comprise cash in hand and sight deposits held in accounts. The balance of cash and cash equivalents denominated in foreign currencies is translated into the domestic currency according to the reference exchange rate of the European Central Bank applying as at last day of the financial year.

Derivatives
The Company does not issue derivatives for trading purposes. In the event of a decision to establish hedges against financial risks, the Company shall select suitable derivatives and recognize them together with the hedged item as a hedging relationship.

Equity

Share Capital

The share capital of UNIOR d.d. is divided into 2,838,414 ordinary registered shares that are freely transferrable.

Dividends

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

Repurchase of Treasury Shares

We did not trade in treasury shares in 2011.

Authorised Capital

The Company did not have authorised capital as at 31 December 2011.

Provisions

Provisions for Lawsuits

We have formed provisions for loss and damages related to alleged violations within the scope of operations. The amount of the provisions is determined according to the known amount of the claim for damages or according to the estimated amount if the claim is not yet known. We regularly verify the eligibility of the provisions formed.

Provisions for Severance Pay and Jubilee Awards

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

Government Grants

A government grant is initially recognised at fair value, but not until there is reasonable assurance that the Company will comply with the conditions attached to it and receive it. Government grants are recognised as income over the periods necessary to match them with the related costs which they are intended to offset. If a government grant relates to a particular asset, it is recognized as deferred income, which the UNIOR d.d. company recognizes in the income statement in the period of the expected useful life of the asset in equal annual amounts.

Income Tax

Income taxes are accounted in accordance with the Corporate Income Tax Act. The basis for the accounting of the income tax is the gross profit increased by expenses not recognised for tax purposes and decreased by legally permitted tax relief. The tax liability for the corporate income tax is calculated from the resulting amount. The applied tax rate for 2011 was 20 per cent.

Deferred Taxes

With the aim of demonstrating an appropriate profit or loss in the reporting period, we also accounted for deferred taxes. These are disclosed as deferred tax assets and deferred tax liabilities. We used the balance sheet liability method when accounting for deferred taxes. The carrying amounts of assets and liabilities were compared with their tax base, and the difference between the two values was defined as a permanent or temporary difference. Temporary differences were divided into taxable and deductible. The taxable temporary differences increased the taxable amounts and deferred tax liabilities, while the deductible temporary differences decreased our taxable amounts and increased the deferred tax assets.

Revenues

Revenue From the Services Rendered

Revenues are recognised when it is reasonable to expect that they will lead to receipts if these have not been realised upon their occurrence and if they can be reliably measured.

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

Revenues from the Sale of Products, Goods and Material

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

Rental Income

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

Other Operating Revenues with Operating Revenues from Revaluation

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

Finance Income and Finance Expenses

Finance income comprises income from the interest received for the loans granted, dividend income, income from the disposal of available-for-sale financial assets and the income from positive exchange rate differences. Interest income is recognized upon its occurrence using the effective interest rate. Dividend income is disclosed in the profit or loss when the right to the payout is exercised.

Finance expenses comprise interest costs on borrowings, negative exchange rate differences, and the losses arising from the impairment of financial assets, which are recognized in the income statement. Borrowing costs are recognized in the income statement using the effective interest rate method.

Gross Operating Profit

Gross operating profit comprises sales revenues, changes in the value of inventories of fin¬ished products and work in progress, capitalized own products and services as well as other operating revenues.

Expenses – Costs

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

Profit or Loss

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

Impairment of Property, Plant and Equipment

If there is any indication that an asset may be impaired, we estimate its recoverable amount. If the asset's recoverable amount cannot be estimated, the Company determines the recoverable amount of the cash-generating unit, to which the asset belongs. Impairment is disclosed in the income statement. Impairment losses need to be reversed if there are changes in the estimates that were used to determine the re¬coverable 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 carry¬ing amount that would have been determined after the deduction of the depreciation write-off, if the impairment loss had not been recognized for the asset in prior years. The reversal of losses is recognized as revenue in profit or loss.

Impairment of Intangible Assets

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

Impairment of Financial Assets

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

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

In the case of financial assets (investments) held in subsidiaries, associates, joint ventures and other companies that are disclosed at cost, we have to judge whether an impairment is necessary, in which case we recognize it in profit or loss as a finance expense from revaluation.
For financial assets classified into the group of available-for-sale financial assets, we measure the amount of impairment losses which is then recognized in profit or loss as the difference between the carrying amount of the asset and the market or fair value as at the cut-off balance sheet date. The impairment of these assets (investments) is performed when the fair value as at the balance sheet date is more than 40 per cent lower than the cost of the financial asset. The amount of this impairment is the difference between the cost and the fair value of the asset (investment).

Statement of Other Comprehensive Income

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

Statement of Cash Flows

The Company reports cash flows from operations using the direct method based on the items in the balance sheet as at 31 December 2011 and 31 December 2010 as well as the income statement for 2011 and the additional data required for the adjustment of outflows and inflows.

Statement of Changes in Equity

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

New Standards and Interpretations That Have Not Yet Entered Into Force

Early Application of the IFRSs and IFRICs Not Yet In Force
UNIOR d.d. did not decide on the early application of any standard or Interpretation that is not yet in force, but which will enter into force in the future.

In accordance with the requirements of the IFRS and the EU, companies will have to apply the following amended standards and Interpretations in the future periods:

- **IFRS 7 – Financial Instruments: Disclosures to enhance the transparency of off-balance sheet activities (amendment)**

The amendment applies for the annual periods starting on or after 1 July 2011. The purpose of this amendment is to provide the users of financial statements with straightforward understanding of the transfer of financial assets (e.g. securitisation), including the understanding of eventual impacts of potential risks that the transferor may be exposed to. The amendment further requires additional disclosures in the event of a disproportionately high number of transactions after the end of the reporting period. In a broader sense, the amendments harmonise the important disclosure requirements laid down by the IFRS and GAAP.

- **IFRS 7 – Financial Instruments: Disclosures - offsetting financial assets and financial liabilities (amendment)**

The amendment applies for the annual periods starting on or after 1 January 2013. The amended standard introduces the common requirements for disclosures that would provide users with information that serves for the assessment of the effect or the potential effect of netting arrangements on an entity's financial position. The amendment of IFRS 7 must be applied by companies retrospectively.

- **IAS 12 Deferred Taxes: Recovery of underlying assets (amendment)**

The amendment applies for the annual periods starting on or after 1 January 2012. The amendment applies to the determination of deferred tax for investment property at fair value; at the same time, the requirements of SIC-21 Income Tax – Recovery of Revalued Non-Depreciable Assets are now included in the requirements of IAS 12 for non-depreciable assets measured according to the revaluation model in accordance with IAS 16. The objective of this amendment is to include a) the rebuttable presumption that deferred tax on investment property measured using the fair value model according to IAS 40 should be determined on the basis that its carrying amount will be recovered through sale and b) the requirement that deferred tax on non-depreciable assets measured using the revaluation model according to IAS 16 should always be measured on a sale basis (sales value of the asset).

- **IFRS 9 – Financial Instruments: Phase I: Classification and measurement**

The new standard applies for the annual periods starting on or after 1 January 2015. Application prior to that date is permitted. The first phase of the new standard introduces new requirements regarding the classification and measurement of financial instruments. The first phase of IFRS 9 will importantly affect (i) the classification and measurement of financial assets and (ii) the change in the reporting by companies that determined their financial liabilities using the fair value option (FVO).

- **IFRS 10 Consolidated Financial Statements**

The new standard applies for the annual periods starting on or after 1 January 2013. IFRS 10 introduces a uniform control model for all companies, including special purpose entities. The changes introduced by IFRS 10 will require the management of a company to perform important assessments when determining controlled entities that the controlling company must include in the consolidation. Examples where the management will have to adopt important assessments include the determination of the actual controlling influence, eventual voting rights and the determination of whether the entity taking the decisions acts as a principal or agent. IFRS 10 partly replaces IAS 27 Consolidated and Separate Financial Statements in the part, which relates to consolidated financial statements, as well as SIC-12 Consolidation of Special Purpose Entities.

- **IFRS 11 Joint Arrangements**

The new standard applies for the annual periods starting on or after 1 January 2013. IFRS 11 does away with proportional consolidation of jointly controlled entities. In accordance with IFRS 11, a company must recognise a jointly controlled entity, which is now termed joint operation, according to the equity method. IFRS 11 further stipulates that the jointly controlled assets and operations are considered a joint operation and that the accounting for such arrangements in general corresponds with the current accounting, meaning that the company will continue to recognise its relative share of the assets and liabilities as well as revenues and expenses. IFRS 11 supersedes IAS 31: Interests In Joint Ventures and SIC-13 Jointly Controlled Entities – Non-Monetary Contributions by Venturers.

- **IFRS 12 Disclosures of Interests In other Entities**

The new standard applies for the annual periods starting on or after 1 January 2013. IFRS 12 combines the requirements for the disclosure of a company's interests in subsidiaries, joint arrangements (joint operations or joint ventures) and investments in associates and structured entities within a single standard. The new standard also introduces certain new requirements, such as, for example, the requirement to disclose the basis that served for the determination of the company's controlling influence in another company. IFRS 12 replaces the requirements that were included up to now in IAS 27, IAS 31 and IAS 28 Investments In Associates.

- **IFRS 13 Fair Value Measurement**

The new standard applies for the annual periods starting on or after 1 January 2013. Application prior to that date is permitted. The main reason for the publication of IFRS 13 is primarily the simplification and greater consistency in the measurement of fair value. The standard does not change when a company must apply the fair value, but rather explains how to measure the fair value in accordance with the IFRS when standards either require or permit this. IFRS 13 thus eliminates the inconsistencies and explains in greater detail how a company measures fair value also for the purpose of convergence with GAAPs that were also supplemented by the FASB. The standard is applied prospectively.

- **IAS 27 Separate Financial Statements**

The standard applies for the annual periods starting on or after 1 January 2013. Application prior to that date is permitted. As a result of the introduction of new standards, IFRS 10, IFRS 11 and IFRS 12, this standard was supplemented with the requirements for the accounting and disclosure of investments into subsidiaries, joint arrangements and associates when preparing separate financial statements. IAS 27 Separate Financial Statements requires that a company recognise the said investments at cost in its financial statements or in accordance with the requirements of IFRS 9 Financial Instruments.

- **IAS 28 Investments in Associates and Joint Ventures**

The standard applies for the annual periods starting on or after 1 January 2013. Application prior to that date is permitted. The standard was supplemented as a result of the introduction of the new standards, IFRS 10, IFRS 11 and IFRS 12, and explains the accounting solutions for investments in associates. It also sets out the requirements regarding the application of the equity method when recognising investments in associates and joint ventures.

- **IAS 19 Employee Benefits (amendment)**

The amendment applies for the annual periods starting on or after 1 January 2013. Application prior to that date is permitted. The amendment to IAS 19 introduces important changes to accounting solutions for employee benefits and eliminates the option of deferred recognition of changes in assets and liabilities of the post-employment plan (the so-called "corridor" approach). The result of this is greater volatility in the balance sheets of entities that currently apply the corridor approach. These changes will limit the changes in net assets (liabilities) of the post-employment plan in the profit or loss to net revenues (expenditures) from interest and the cost of services. The expected yields of the assets in the post-employment plan will replace the postings credited to revenues based on the yield of corporate bonds. The overhauled standard further introduces a requirement for the immediate recognition of the past service cost as a result of the change of the post-employment plan in the profit or loss and the recognition of the cost of severance pay upon retirement only when such an offer is legally binding and can no longer be withdrawn.

- **IAS 1 Presentation of Financial Statements (amendment)**

The amendment applies for the annual periods starting on or after 1 July 2012. The amendment modifies the classification of the items from the statement of other comprehensive income. The items that can be reclassified (or recycled) in the income statement subsequently (e.g. upon the derecognition or settlement) must be recognised by the company separately from the items that will never be reclassified.

- **IAS 32 Financial Instruments: Disclosures - offsetting financial assets and financial liabilities (amendment)**

The standard applies for the annual periods starting on or after 1 January 2014. Application prior to that date is permitted. The amendment explains the meaning of the term "has a legally enforceable right to set off the amounts" and simultaneously explains the application of IAS 32 criteria for offsetting within the scope of settlement systems (such as, for example, the systems of the Central Securities Clearing Corporation) that use gross settlement mechanisms that are not concurrent. The amendments to IAS 32 must be applied by companies retrospectively. When a company decides on an early application of the standard, it has to disclose this fact and simultaneously observe the disclosure requirements introduced by the amendments to IFRS 7 Offsetting Financial Assets and Financial Liabilities.

- **IFRIC 20 – Stripping Costs in the Production Phase of a Surface Mine**

IFRIC 20 deals with the costs of the removal of mining waste material (overburden) from surface (strip) mines in the production phase of the mine. The Interpretation represents a deviation from the application of the approach involving the average ratio between the volume of waste material and the excavated ore within the existing useful life of the ore body (mine) that is used within the scope of financial reporting in accordance with the IFRS by numerous companies in the mining and metal extraction industry. The Interpretation applies for the annual periods starting on or after 1 January 2013.

Notes to the Balance Sheet

1. Balance Sheet by Division

Item (in EUR)		Tourism activity 2011	Metal processing activity 2011	TOTAL 2011	Tourism activity 2010	Metal processing activity 2010	TOTAL 2010
	ASSETS	**93,281,446**	**282.701.825**	**375.983.271**	**86.179.405**	**344.862.321**	**431.041.726**
A.	**NON-CURRENT ASSETS**	**90,355,185**	**144.920.975**	**235.276.160**	**83.501.611**	**198.677.744**	**282.179.355**
I.	**Intangible assets and long-term deferred costs and accrued revenues**	**70.851**	**4.966.250**	**5.037.101**	**219.326**	**6.439.200**	**6.658.526**
1.	Long-term property rights	58.053	514.192	572.245	21.884	1.188.291	1.210.175
2.	Goodwill	0	811.114	811.114	0	811.114	811.114
3.	Advances for intangible assets	0	0	0	0	0	0
4.	Long-term deferred development expenses	0	3.629.086	3.629.086	0	4.275.939	4.275.939
5.	Other long-term deferred costs and accrued revenues	12.798	11.858	24.656	197.442	163.856	361.298
II.	**Property, plant and equipment**	**89.716.745**	**103.375.092**	**193.091.837**	**82.224.003**	**160.448.835**	**242.672.838**
1.	Land and buildings	66.159.435	45.077.199	111.236.634	63.939.558	60.700.839	124.640.397
2.	Production plant and machinery	5.798.491	50.796.719	56.595.210	5.707.977	69.051.512	74.759.489
3.	Other plant and equipment, consumables and other tangible fixed assets	4.594.108	1.193.400	5.787.508	4.266.758	1.092.677	5.359.435
4.	Property, plant and equipment being acquired	13.164.711	6.307.774	19.472.485	8.309.709	29.603.808	37.913.517
III.	**Investment property**	**552.004**	**15.714.216**	**16.266.220**	**583.898**	**17.454.097**	**18.037.995**
IV.	**Long-term financial assets**	**15.585**	**20.259.780**	**20.275.365**	**15.585**	**13.684.775**	**13.700.360**
1.	Long-term financial assets, excluding loans	15.585	19.326.274	19.341.859	15.585	13.640.537	13.656.122
2.	Long-term loans	0	933.506	933.506	0	44.238	44.238
V.	**Long-term operating receivables**	**0**	**493.543**	**493.543**	**0**	**1.023.424**	**1.023.424**
1.	Long-term trade receivables	0	948	948	0	510.894	510.894
2.	Long-term operating receivables due from others	0	492.595	492.595	0	512.530	512.530
VI.	**Deferred tax assets**	**0**	**112.094**	**112.094**	**458.799**	**-372.587**	**86.212**
B.	**CURRENT ASSETS**	**2.926.261**	**137.780.850**	**140.707.111**	**2.677.794**	**146.184.577**	**148.862.371**
I.	**Assets (disposal groups) held for sale**	**0**	**399.800**	**399.800**	**0**	**0**	**0**
II.	**Inventories**	**447.071**	**79.822.910**	**80.269.981**	**463.570**	**83.756.429**	**84.219.999**
1.	Materials	407.935	24.775.690	25.183.625	430.380	24.195.037	24.625.417
2.	Work-in-progress	0	24.730.684	24.730.684	0	28.617.958	28.617.958
3.	Products	3.758	17.811.537	17.815.295	3.201	18.664.263	18.667.464
4.	Merchandise	28.161	11.950.439	11.978.600	18.594	11.509.279	11.527.873
5.	Advances for inventories	7.217	554.560	561.777	11.395	769.892	781.287
III.	**Short-term financial assets**	**0**	**2.729.880**	**2.729.880**	**0**	**1.555.982**	**1.555.982**
1.	Short-term financial assets, excluding loans	0	131	131	0	131	131
2.	Short-term loans	0	2.729.749	2.729.749	0	1.555.851	1.555.851
IV.	**Short-term operating receivables**	**2.405.167**	**51.180.602**	**53.585.769**	**1.928.378**	**57.270.096**	**59.198.474**
1.	Short-term trade receivables	1.635.200	43.743.651	45.378.851	1.606.003	51.210.775	52.816.778
2.	Short-term operating receivables due from others	769.967	7.436.951	8.206.918	322.375	6.059.321	6.381.696
V.	**Cash and cash equivalents**	**74.023**	**3.647.658**	**3.721.681**	**285.846**	**3.602.070**	**3.887.916**

Item (in EUR)		Tourism activity 2011	Metal processing activity 2011	TOTAL 2011	Tourism activity 2010	Metal processing activity 2010	TOTAL 2010
	EQUITY AND LIABILITIES	**93.281.446**	**282.701.825**	**375.983.271**	**86.179.405**	**344.862.321**	**431.041.726**
A.	**CAPITAL**	**57.681.190**	**89.699.877**	**147.381.067**	**56.831.902**	**106.073.903**	**162.905.805**
A1.	**EQUITY ATTRIBUTABLE TO THE OWNERS OF THE PARENT COMPANY**	**57.509.235**	**83.757.385**	**141.266.620**	**56.660.035**	**84.606.584**	**141.266.619**
I.	**Called-up capital**	**6.483.792**	**17.205.191**	**23.688.983**	**6.483.792**	**17.205.191**	**23.688.983**
1.	Share capital	6.483.792	17.205.191	23.688.983	6.483.792	17.205.191	23.688.983
2.	Uncalled capital (as a deduction item)	0	0	0	0	0	0
II.	**Capital surplus**	**11.409.929**	**30.277.035**	**41.686.964**	**11.409.929**	**30.277.035**	**41.686.964**
III.	**Revenue reserves**	**13.906.065**	**24.525.821**	**38.431.886**	**13.902.923**	**22.138.925**	**36.041.848**
1.	Legal reserves	582.939	1.402.723	1.985.662	582.639	1.402.724	1.985.363
2.	Reserves for treasury shares and stakes	0	100.190	100.190	744.193	1.974.767	2.718.960
3.	Treasury shares and stakes (deduction item)	0	-100.190	-100.190	0	-2.718.960	-2.718.960
4.	Statutory reserves	0	0	0	0	0	0
5.	Other revenue reserves	13.323.126	23.123.098	36.446.224	12.576.091	21.480.394	34.056.485
IV.	**Revaluation surplus**	**15.443.947**	**9.834.097**	**25.278.044**	**13.785.052**	**13.888.323**	**27.673.375**
V.	**Net profit or loss brought forward**	**11.075.197**	**2.349.586**	**13.424.783**	**11.351.557**	**4.049.944**	**15.401.501**
VI.	**Net profit/loss for the financial year**	**-809.695**	**457.432**	**-352.263**	**-273.219**	**-1.696.689**	**-1.969.908**
VII.	**Equity adjustment from foreign currency translation**	**0**	**-891.777**	**-891.777**	**0**	**-1.256.144**	**-1.256.144**
A2.	**EQUITY ATTRIBUTABLE TO NON-CONTROLLING INTERESTS**	**171.955**	**5.942.492**	**6.114.447**	**171.867**	**21.467.319**	**21.639.186**
B.	**PROVISIONS AND LONG-TERM ACCRUED COSTS AND DEFERRED REVENUES**	**3.137.751**	**4.434.216**	**7.571.967**	**2.230.796**	**6.662.019**	**8.892.815**
1.	Provisions for pensions and similar liabilities	633.048	3.266.499	3.899.547	693.272	4.982.402	5.675.674
2.	Other provisions	2.504.703	1.167.717	3.672.420	1.537.524	1.679.617	3.217.141
3.	Long-term accrued costs and deferred revenues	0	0	0	0	0	0
C.	**NON-CURRENT LIABILITIES**	**17.093.746**	**69.521.613**	**86.615.359**	**11.371.567**	**88.366.547**	**99.738.114**
I.	**Long-term financial liabilities**	**13.334.428**	**71.780.762**	**85.115.190**	**7.835.331**	**90.283.064**	**98.118.395**
1.	Long-term financial liabilities to banks	13.334.428	70.575.436	83.909.864	7.835.331	89.444.418	97.279.749
2.	Long-term financial liabilities from bonds	0	0	0	0	0	0
3.	Other long-term financial liabilities	0	1.205.326	1.205.326	0	838.646	838.646
II.	**Long-term operating liabilities**	**262.670**	**0**	**262.670**	**0**	**0**	**0**
1.	Long-term trade payables	0	0	0	0	0	0
2.	Long-term bills payable	0	0	0	0	0	0
3.	Long-term operating liabilities from advances	0	0	0	0	0	0
4.	Other long-term operating liabilities	262.670	0	262.670	0	0	0
III.	**Deferred tax liabilities**	**3.496.648**	**-2.259.149**	**1.237.499**	**3.536.235**	**-1.916.516**	**1.619.719**
D.	**CURRENT LIABILITIES**	**14.325.144**	**118.159.020**	**132.484.164**	**14.280.537**	**142.886.413**	**157.166.950**
I.	**Liabilities included in disposal groups**	**0**	**0**	**0**	**0**	**0**	**0**
II.	**Short-term financial liabilities**	**8.774.918**	**66.983.704**	**75.758.622**	**9.682.089**	**91.987.748**	**101.669.837**
1.	Short-term financial liabilities to banks	8.410.150	66.437.278	74.847.428	9.682.089	90.639.389	100.321.478
2.	Short-term financial liabilities from bonds	0	0	0	0	0	0
3.	Other short-term financial liabilities	364.768	546.426	911.194	0	1.348.359	1.348.359
III.	**Short-term operating liabilities**	**5.550.226**	**51.175.316**	**56.725.542**	**4.598.449**	**50.898.664**	**55.497.113**
1.	Short-term trade payables	3.866.444	35.868.961	39.735.405	3.082.568	37.934.857	41.017.425
2.	Short-term bills payable	0	3.112.006	3.112.006	0	3.092.836	3.092.836
3.	Short-term operating liabilities from advances	800.298	5.536.937	6.337.235	679.443	2.232.086	2.911.529
4.	Other short-term operating liabilities	883.484	6.657.412	7.540.896	836.437	7.638.886	8.475.323
E.	**SHORT-TERM ACCRUED COSTS AND DEFERRED REVENUES**	**1.043.615**	**887.099**	**1.930.714**	**1.464.603**	**873.439**	**2.338.042**

New Fixed Capital Formation

In 2011, the UNIOR Group invested a total of EUR 25,347,132 in new fixed capital formation, EUR 18,133,415 of which went to the metal processing activity and EUR 7,213,717 was spent within the scope of the tourism activity. Investments into intangible fixed assets came in at EUR 231,817, EUR 188,214 of which was used for the metal processing activity and EUR 43,603 for the tourism activity.

Investments into tangible fixed assets came in at EUR 24,832,315, EUR 17,662,201 of which was used for the metal processing activity and EUR 7,170,114 for the tourism activity.Investments into investment property totalled EUR 283,000, all of which went to the metal processing activity.

2. Intangible Fixed Assets

(in EUR)	Goodwill	Deferred costs of development	Investments into industrial property rights	Other intangible assets	IFA being acquired	Total
Cost						
Balance as at 31 December 2010	1.277.865	7.427.753	3.605.595	334.284	158.954	12.804.451
Increases upon mergers by acquisition	0	0	0	0	0	0
Direct increases - investments	0	12.807	126.027	11.476	81.507	231.817
Transfers from investments underway	0	9.000	137.448	0	(146.448)	0
Decreases during the year	(84.999)	0	(1.620.232)	(96.293)	(82.706)	(1.884.230)
Other changes (movements, currency exchange rates)	0	9.526	4.766	(105.751)	(1.310)	(92.769)
Balance as at 31 December 2011	1.192.866	7.459.086	2.253.604	143.716	9.997	11.059.269
Value adjustment						
Balance as at 31 December 2010	466.751	3.151.814	2.395.420	131.940	0	6.145.925
Increases upon mergers by acquisition	0	0	0	0	0	0
Amortisation in the year	0	668.617	383.003	2.151	0	1.053.771
Decreases during the year	(84.999)	0	(1.101.947)	0	0	(1.186.946)
Other changes (movements, currency exchange rates)	0	9.569	4.883	(5.034)	0	9.418
Balance as at 31 December 2011	381.752	3.830.000	1.681.359	129.057	0	6.022.168
Current value as at 31 December 2011	**811.114**	**3.629.086**	**572.245**	**14.659**	**9.997**	**5.037.101**
Current value as at 31 December 2010	811.114	4.275.939	1.210.175	202.344	158.954	6.658.526

(in EUR)	Goodwill	Deferred costs of development	Investments into industrial property rights	Other intangible assets	IFA being acquired	Total
Cost						
Balance as at 31 December 2009	1.438.560	5.348.126	3.274.312	247.178	2.185.713	12.493.889
Increases upon mergers by acquisition	38.448	0	138	0	0	38.586
Direct increases - investments	0	4.483	208.346	156.897	162.370	532.096
Transfers from investments underway	0	2.063.073	126.056	0	(2.189.129)	0
Decreases during the year	(199.143)	0	(10.121)	(69.791)	0	(279.055)
Other changes (movements, currency exchange rates)	0	12.071	6.864	0	0	18.935
Balance as at 31 December 2010	1.277.865	7.427.753	3.605.595	334.284	158.954	12.804.451
Value adjustment						
Balance as at 31 December 2009	381.752	2.175.902	1.906.146	109.224	0	4.573.024
Increases upon mergers by acquisition	0	0	69	0	0	69
Amortisation in the year	0	966.094	498.097	27.061	0	1.491.252
Decreases during the year	84.999	0	(14.040)	(4.345)	0	66.614
Other changes (movements, currency exchange rates)	0	9.818	5.148	0	0	14.966
Balance as at 31 December 2010	466.751	3.151.814	2.395.420	131.940	0	6.145.925
Current value as at 31 December 2010	**811.114**	**4.275.939**	**1.210.175**	**202.344**	**158.954**	**6.658.526**
Current value as at 31 December 2009	1.056.808	3.172.224	1.368.166	137.954	2.185.713	7.920.865

3. Property, Plant and Equipment

(in EUR)	Land	Buildings	Production equipment and machinery	Other equipment and consumables	Fixed assets being acquired	Advances for fixed assets	Total
Cost							
Balance as at 31 December 2010	45.274.793	149.233.915	189.780.456	12.107.185	37.031.513	882.004	434.309.866
Increases upon mergers by acquisition	534.000	0	0	0	0	0	534.000
Direct increases - investments	752.003	2.692.639	1.661.224	1.002.248	16.380.607	0	22.488.721
Direct increases - advances	0	0	0	0	0	2.343.594	2.343.594
Transfers from investments underway	173.084	3.700.838	28.027.162	5.962	(31.907.046)	0	0
Decreases during the year	(11.671.291)	(12.643.363)	(62.946.883)	(388.633)	(2.584.770)	(2.661.830)	(92.896.770)
Revaluation because of increases in the value/impairment	2.073.618	0	0	0	0	0	2.073.618
Transfers between groups	62.000	(62.000)	0	0	0	0	0
Other changes (currency exchange rate changes)	(13.289)	168.634	774.450	70.756	(14.379)	2.792	988.964
Balance as at 31 December 2011	37.184.918	143.090.663	157.296.409	12.797.518	18.905.925	566.560	369.841.993
Value adjustment							
Balance as at 31 December 2010	0	69.868.311	115.020.967	6.747.750	0	0	191.637.028
Increases upon mergers by acquisition	0	0	0	0	0	0	0
Depreciation in the year	0	3.311.084	8.705.820	572.515	0	0	12.589.419
Decreases during the year	0	(4.229.744)	(23.381.749)	(365.192)	0	0	(27.976.685)
Transfers between groups	0	0	0	0	0	0	0
Other changes (currency exchange rate changes)	0	89.296	356.161	54.937	0	0	500.394
Balance as at 31 December 2011	0	69.038.947	100.701.199	7.010.010	0	0	176.750.156
Current value as at 31 December 2011	**37.184.918**	**74.051.716**	**56.595.210**	**5.787.508**	**18.905.925**	**566.560**	**193.091.837**
Current value as at 31 December 2010	45.274.793	79.365.604	74.759.489	5.359.435	37.031.513	882.004	242.672.838

(in EUR)	Land	Buildings	Production equipment and machinery	Other equipment and consumables	Fixed assets being acquired	Advances for fixed assets	Total
Cost							
Balance as at 31 December 2009	38.633.686	142.647.224	180.226.709	11.683.149	26.927.462	2.881.295	402.999.525
Increases upon mergers by acquisition	650.376	3.741.209	4.599.478	90.426	54.407	0	9.135.896
Direct increases - investments	216.694	661.107	2.726.213	556.135	19.770.138	0	23.930.287
Direct increases - advances	0	0	0	0	0	579.267	579.267
Transfers from investments underway	99.800	4.216.958	5.405.858	0	(9.722.616)	0	0
Decreases during the year	(321.750)	(368.002)	(2.904.486)	(123.719)	(425)	(2.583.074)	(6.301.456)
Revaluation because of increases in the value/impairment	6.000.249	0	0	0	0	0	6.000.249
Transfers between groups	0	0	0	0	0	0	0
Other changes (currency exchange rate changes)	(4.262)	(1.664.581)	(273.316)	(98.806)	2.547	4.516	(2.033.902)
Balance as at 31 December 2010	45.274.793	149.233.915	189.780.456	12.107.185	37.031.513	882.004	434.309.866
Value adjustment							
Balance as at 31 December 2009	0	66.779.087	105.758.111	6.239.573	0	0	178.776.771
Increases upon mergers by acquisition	0	290.839	1.171.876	45.397	0	0	1.508.112
Depreciation in the year	0	3.841.962	11.192.090	641.259	0	0	15.675.311
Decreases during the year	0	(348.193)	(2.774.459)	(113.323)	0	0	(3.235.975)
Transfers between groups	0	0	0	0	0	0	0
Other changes (currency exchange rate changes)	0	(695.384)	(326.651)	(65.156)	0	0	(1.087.191)
Balance as at 31 December 2010	0	69.868.311	115.020.967	6.747.750	0	0	191.637.028
Current value as at 31 December 2010	**45.274.793**	**79.365.604**	**74.759.489**	**5.359.435**	**37.031.513**	**882.004**	**242.672.838**
Current value as at 31 December 2009	38.633.686	75.868.137	74.468.598	5.443.576	26.927.462	2.881.295	224.222.754

The Group discloses the following assets it obtained through financial lease among its fixed assets:

- MRI machine for the Tourism Programme (with the cost of EUR 1,136,942 and the current value as at 31 December 2011 of EUR 186,648);
- LASCO forging production line at Ningbo Unior Forging Co. (with the cost of EUR 752,064 and the current value as at 31 December 2011 of EUR 451,239);
- UK-74 forging production line at Unidal d.o.o. (with the cost of EUR 695,581 and the current value as at 31 December 2011 of EUR 673,749).

The Group has fixed assets worth EUR 264,014,214 pledged as collateral or security for its debts. This represents a decrease of 0.3% in 2011 as compared to the previous year.

In 2011, the Group changed the depreciation rate for certain fixed assets that it found to have a longer useful life. The effect of the decrease in the rate is EUR 1,139,429.

Within the scope of the construction of the Atrij hotel in Zreče, the Group capitalised EUR 438,372 worth of financing cost.

4. Investment Property

(in EUR)	2011	2010
Land	5.613.255	5.846.560
Buildings	10.652.965	12.191.435
Total	**16.266.220**	**18.037.995**

Changes in investment property

(in EUR)	2011	2010
Opening balance as at 1 January	18.037.995	17.314.870
Acquisitions	283.000	392.047
Revaluation	0	350.000
Disposals	(2.080.508)	(713.369)
Other changes (movements, currency exchange rates)	25.733	694.447
Closing balance as at 31 December	**16.266.220**	**18.037.995**

Investment property comprises land and buildings intended for resale or letting out. These comprise land and buildings at the locations in Maribor and Kragujevac, bungalows on Mount Rogla, a lodge on Mount Krvavec and the land attached to it.

Investment property is stated at fair value. Fair value was determined based on an appraisal of a chartered property surveyor (for locations in Maribor, Kragujevac and Mount Krvavec).

5. Long-Term Financial Assets

(in EUR)	Equity stake	2011	2010
Investments into shares and stakes in associates:			
In the country:			
ŠTORE STEEL d.o.o. Štore	29,253	9.575.312	0
STARKOM d.o.o. Maribor	49,000	0	0
RHYDCON d.o.o. Šmarje pri Jelšah	33,500	703.226	682.547
ROBOTEH d.o.o. Šmarje pri Jelšah	24,970	49.431	39.030
RC SIMIT d.o.o. Kidričevo	20,000	201.490	0
		10.529.459	**721.577**
Abroad:			
UNIOR TEPID S.R.L. Brasov, Romania	49,000	1.225.466	1.162.277
UNIOR SINGAPORE Pte. Ltd. Singapore	40,000	31.230	27.471
UNIOR TEOS ALATI d.o.o. Belgrade, Serbia	20,000	396.205	329.770
UNIOR TEHNA d.o.o. Sarajevo, Bosnia and Herzegovina	25,000	73.953	0
SOLION Ltd St. Petersburg, Russia	20,000	67.482	53.462
SINTER a.d. Užice, Serbia	24,987	366.779	308.405
UNIOR FORMINGTOOLS d.o.o. Kragujevac, Serbia	49,000	489.719	0
		2.650.834	1.881.386
Total for associated companies		**13.180.293**	**2.602.963**
Investments into shares and stakes in other companies and banks			
BANKS		5.943.357	6.258.693
INSURANCE COMPANIES		24.588	24.588
OTHER COMPANIES		193.621	4.769.878
		6.161.566	11.053.159
Long-term investments into loans			
Long-term loans to others		933.506	44.238
		933.506	44.238
Total long-term financial assets excluding treasury shares		**20.275.365**	**13.700.360**

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

The Group recorded a positive effect in the amount of EUR 392,745 in 2011 resulting from the profits and losses of associated companies.

The sale of a 25.1% stake in the Štore Steel d.o.o. company and a 25% stake in the Unior Formingtools d.o.o. company in 2011 brought about an increase in the investments in associated companies of EUR 9,911,584 as these two companies are treated as associated companies from April 2011. Investments in associated companies have also increased because of the establishment of the RC Simit d.o.o. company in Slovenia and the acquisition of a 25% stake in the Unior Tehna d.o.o. company in Bosnia and Herzegovina. The decrease in the investments into other companies is also the result of the abolition of complete consolidation of the Štore Steel d.o.o. company and the value adjustment of the investment into the Rimske Terme d.o.o. company.

On 17 July 2008, Štore Steel d.o.o. signed a declaration of surety that relates to the conclusion of a share option agreement (call option) for the acquisition of the shares of Unior d.d. that would amount to EUR 14,741,000 with the associated financing costs upon its expiry and in the event it was realised if the option obligor were to default on its obligations.

In December of 2010, Štore Steel d.o.o. received a notice based on the declaration of surety that shows that the primary obligor has not fulfilled its obligation under the share option agreement. In May of 2011, the grantee instituted an action with the court instead of the primary obligor against the guarantor under the share option agreement. Štore Steel d.o.o. filed an answer to the complaint, then filed a counter-action and achieved a temporary court injunction. The grantee filed an answer to the counter-action, while Štore Steel d.o.o. took appropriate and timely measures. Based on the legal opinions from reputable law firms, Štore Steel d.o.o. finds that the declaration of surety is null vis-à-vis Štore Steel d.o.o. because Štore Steel d.o.o. is not allowed to finance the redemption (repurchase) of the shares of its majority owner and therefore did not honour the declaration and did not make provisions for this purpose.

Changes in long-term investments into shares and stakes

(in EUR)	2011	2010
Balance of investments into shares and stakes as at 1 January	**13.700.360**	**13.508.384**
Increases:		
Acquisitions of shares and stakes	273.000	1.870.991
Increase of investments into loans	924.444	23.717
Dividends or shares of the profits of associated companies	392.745	404.125
Other increases – revaluation	9.911.584	0
Decreases:		
Sale of shares and stakes	(1.450.097)	(518.926)
Repayments of long-term loans granted	(36.728)	(1.700)
Merger of a company by acquisition	0	(934.929)
Other decreases – impairment	(3.439.944)	(651.301)
Balance as at 31 December	**20.275.365**	**13.700.360**

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

(in EUR)	2011	2010
Carrying amount as at 1 January	2.602.963	3.447.725
Acquisitions of shares and stakes	273.000	204.969
Profits (losses) according to the equity method	1.000.215	331.192
Payout of the profit arising from an equity interest	(602.625)	(24.966)
Foreign currency translation differences	(4.844)	97.899
Sale of an investment	0	(518.926)
Other changes	9.911.584	(934.929)
Carrying amount as at 31 December	13.180.293	2.602.964

6. Assets (Disposal Groups) Held for Sale

(in EUR)	2011	2010
Assets (disposal groups) held for sale	399.800	0
Total	**399.800**	**0**

Assets (disposal groups) held for sale in the amount of EUR 399,800 comprise the bungalows on Mount Rogla.

7. Inventories

(in EUR)	2011	2010
Materials	25.974.694	25.348.586
Work-in-progress	24.730.684	28.823.418
Products	18.050.876	19.038.766
Merchandise	12.035.858	11.585.131
Advances for inventories	561.777	781.287
Value adjustment	(1.083.908)	(1.357.189)
Total	**80.269.981**	**84.219.999**

(in EUR)	2011	2010
Inventory value adjustment:		
- material	791.069	723.169
- work-in-progress	0	205.460
- finished products	235.581	371.302
- merchandise	57.258	57.258
Total	**1.083.908**	**1.357.189**

(in EUR)	2011	2010
Balance of inventory value adjustments as at 1 January	**1.357.189**	**1.642.138**
Decreases:		
- work-in-progress	(205.460)	(210.894)
- finished products	(135.721)	(119.197)
Increases:		
- material	67.900	29.802
- merchandise	0	15.340
Balance as at 31 December	**1.083.908**	**1.357.189**

Inventories worth EUR 18.3 million have been pledged to the bank as collateral for financial liabilities. The carrying amount of inventories is equal to their net realisable value. The Group performed an additional value adjustment of EUR 67,900 for inventories that did not have any changes in the previous year, while the reversal of the impairment of inventories was made for the amount of EUR 341,181.

8. Operating Receivables

(in EUR)	2011	2010
Long-term operating receivables		
Long-term operating receivables due from associates	948	510.894
Long-term operating trade receivables	547.261	567.196
Short-term part of long-term operating receivables	0	0
Value adjustments to long-term operating receivables	(54.666)	(54.666)
Total long-term operating receivables	**493.543**	**1.023.424**
Short-term operating receivables		
Short-term operating receivables due from associates	1.400.467	1.561.841
Short-term trade receivables		
- at home	7.398.111	10.057.631
- abroad	37.368.050	42.249.463
Short-term operating receivables from interest	0	53.878
Receivables for VAT	1.972.190	1.652.415
Other short-term operating receivables	6.234.728	4.675.403
Short-term part of long-term operating receivables	0	0
Value adjustments to short-term operating receivables	(787.777)	(1.052.157)
Total short-term operating receivables	**53.585.769**	**59.198.474**

In 2011, the Group performed the following value adjustments of trade receivables.

(in EUR)	2011	2010
Balance as at 1 January 2011	**1.052.157**	**1.090.090**
Recovered written-off receivables	(147.327)	(156.186)
Final write-off of receivables	(606.207)	(397.770)
Value adjustments during the year:	489.154	516.023
Balance as at 31 December 2011	**787.777**	**1.052.157**

The Group has no secured or collateralised short-term operating receivables, but has receivables pledged to the bank as collateral for long-term loans.

Maturity of the Group's receivables as at 31 December 2011

(in EUR)	2011	2010
Non-past due receivables	39.152.191	43.164.708
receivables past due by up to 90 days	7.462.382	8.575.432
receivables past due from 91 to 180 days	1.988.145	2.130.104
receivables past due from 181 to 365 days	2.256.480	2.426.545
receivables past due by more than 1 year	2.726.571	2.901.685
Total	**53.585.769**	**59.198.474**

9. Short-Term Financial Assets

(in EUR)	2011	2010
Short-term investments into loans (at home and abroad):		
- in associates	653.143	652.149
- in other companies	292.094	36.372
- receivables purchased for trading	1.014.287	77.485
Short-term investments into deposits	807.804	815.275
Value adjustments to short-term financial assets	(37.448)	(25.299)
Total	**2.729.880**	**1.555.982**

10. Bank Balances, Cheques and Cash

(in EUR)	2011	2010
Cash in hand and received cheques	35.790	38.382
Bank balances	3.685.891	3.849.534
Total	**3.721.681**	**3.887.916**

11. Equity

The total equity of the UNIOR Group comprises called-up capital, capital surplus, revenue reserves, surplus from revaluation, retained net loss and net loss for the financial year.

The parent company's share capital as at 31 December 2011 was registered in the amount of EUR 23,688,983 as disclosed in the balance sheet. It was divided into 2,838,414 no par shares.
The book value per share as at 31 December 2011 was EUR 42.82, which was an increase of 2.5 per cent over the previous year.

The changes in the equity attributable to the owners of the parent company in the current year represent:

- disclosed profit from previous years in the amount of EUR 191 arising from undistributed dividends after the lapse of 3 years,
- the surplus from revaluation of land increased by EUR 1,658,895,
- the sale of a 25.1% stake in the Štore Steel d.o.o. company lowered the surplus from revaluation by EUR 4,054,226, while other revenue reserves rose by EUR 2,618,770;
- the net profit or loss for the financial year that is attributable to the owners of the parent company represents a loss in the amount of EUR 352,263;

- the equity adjustment from foreign currency translation increased by EUR 364,367 because of the foreign currency translation differences as the exchange rate of the domestic currency, the euro, fell vis-à-vis the currencies in other countries, in which the UNIOR Group has its subsidiaries;
- the equity attributable to the non-controlling interests decreased by EUR 15,524,739; the sale of the stakes held in the Štore Steel and Unior Formingtools d.o.o. companies caused a decrease of EUR 16,193,597, while the repurchase of treasury shares from minority owners (non-controlling interest) accounted for EUR 127,761; the increases caused us to enter a net profit for the current year worth EUR 612,251 and EUR 186,923 from foreign currency translation differences.

12. Long-Term Provisions and Deferred Income

(in EUR)	Provisions for severance pay and jubilee awards	Provisions for annuities	Provisions for the rehabilitation of the environment	Grants received for fixed assets	Provisions for long-term deferred income	Total
Balance as at 31 Dec 2010	**5.675.674**	**207.674**	**492.768**	**2.262.730**	**253.969**	**8.892.815**
Increases	113.541	75.448	0	1.095.765	4.923	1.289.677
Decreases	(1.889.668)	(15.035)	(114.016)	(564.267)	(27.539)	(2.610.525)
Balance as at 31 Dec 2011	**3.899.547**	**268.087**	**378.752**	**2.794.228**	**231.353**	**7.571.967**

(in EUR)	Provisions for severance pay and jubilee awards	Provisions for annuities	Provisions for the rehabilitation of the environment	Grants received for fixed assets	Provisions for long-term deferred income	Total
Balance as at 31 Dec 2009	**5.954.117**	**161.720**	**609.658**	**1.137.168**	**517.287**	**8.379.950**
Increases	642.372	59.278	28.319	1.210.109	63.663	2.003.741
Decreases	(920.815)	(13.324)	(145.209)	(84.547)	(326.981)	(1.490.876)
Balance as at 31 Dec 2010	**5.675.674**	**207.674**	**492.768**	**2.262.730**	**253.969**	**8.892.815**

Provisions for jubilee awards and severance pay were made in the amount of the estimated future payouts for jubilee awards and severance pay discounted as at the balance sheet date. The chosen discount rate is 6.0 per cent per annum.

A long-term provision was made within the scope of the ownership transformation and was confirmed by the Ministry of the Environment and Spatial Planning (which was split into two ministries in 2012) for buildings, technology and plants intended for decreasing the burdening of the environment, namely:
- reconstruction of the treatment plant on Mount Rogla,
- reconstruction of the treatment plant within the scope of the cold forging plant,
- reconstruction of the galvanizing plant.

The provision was disclosed on 31 December 2011 in the amount of EUR 378,752.

The disclosure of long-term provisions comprises the funds received from the Ministry of the Economy for the co-financing of the investments for the renovation and development of tourism facilities and the reconstruction of the thermal spa after the fire, as well as the funds received for investments into snowmaking equipment on Mount Krvavec. We received EUR 972,219 worth of funds from the EU as co-financing for the construction of the Atrij hotel in Zreče.

The value of the provision for the rent paid by Mobitel d.d. is EUR 204,264.
There are no unfulfilled conditions or potential liabilities arising from government grants.

13. Long-Term Financial Liabilities

(in EUR)	Principal of the debt 1 January 2011	Principal of the debt 31 December 2011	Part that falls due in 2012	Long-term part
Bank or lender				
Domestic banks	122.421.692	102.864.925	(26.970.219)	75.894.706
Foreign banks	8.306.580	8.847.452	(832.294)	8.015.158
Other lenders	1.488.019	642.858	(128.572)	514.286
Financial lease	529.111	1.086.556	(395.516)	691.040
Total loans obtained	**132.745.402**	**113.441.791**	**(28.326.601)**	**85.115.190**

(in EUR)	Principal of the debt 1 January 2010	Principal of the debt 31 December 2010	Part that falls due in 2011	Long-term part
Bank or lender				
Domestic banks	91.401.098	122.421.692	(32.954.327)	89.467.365
Foreign banks	4.461.976	8.306.580	(494.196)	7.812.384
Other lenders	2.911.191	1.488.019	(845.160)	642.859
Financial lease	2.841.096	529.111	(333.324)	195.787
Total loans obtained	**101.615.362**	**132.745.402**	**(34.627.007)**	**98.118.395**

The interest rates for the long-term loans obtained are within the range of the six month Euribor + 0.7 per cent to the six month Euribor + 4.5 per cent, and from a three month Euribor + 0.8 per cent to the three month Euribor + 4.6 per cent and the real interest rate of 5.9 per cent. The Group has taken out long-term loans with a reference interest rate for the three month and the six month Euribor.

Maturity of long-term financial liabilities by year

(in EUR)	2011	2010
Falls due within 1 to 2 years	35.185.669	26.141.859
Falls due within 2 to 3 years	15.245.529	31.066.108
Falls due within 3 to 4 years	12.546.759	13.246.833
Falls due within 4 to 5 years	9.517.220	9.195.307
Falls due after 5 years	12.620.013	18.468.288
Total	**85.115.190**	**98.118.395**

The security pledged for long-term and short-term financing liabilities are the mortgages on immovable and movable property in the amount of EUR 264,707,617 as well as the bills of exchange written and the trade receivables pledged. These amounts comprise the value of the secured loan agreements.

14. Long-Term Operating Liabilities

(in EUR)	2011	2010
Long-term operating liabilities	337.718	0
(Short-term part of long-term operating liabilities)	(75.048)	0
Total	**262.670**	**0**

15. Deferred Taxes

(in EUR)	2011	2010
Long-term deferred tax asset	5.310.462	6.354.165
Long-term deferred tax liability	(6.435.867)	(7.887.672)
Net long-term deferred tax asset	**112.094**	**86.212**
Net long-term deferred tax liability	**1.237.499**	**1.619.719**

Changes in deferred tax assets	2011	2010
Balance of the deferred tax asset as at 1 January	**6.354.165**	**3.960.934**
Increases:		
- long-term provisions for jubilee awards and severance pay	25.882	28.785
- impairment of trade receivables	0	12.287
- investment tax relief	0	6.000
- investment into research and development	466.121	1.017.477
- tax loss	0	1.578.788
Decreases:		
- long-term provisions for jubilee awards and severance pay	(72.532)	(232.201)
- impairment of trade receivables	(33.353)	0
- abolition of the research and development tax relief	0	0
- reversal of deferred taxes	(1.429.821)	(3.183)
- tax loss	0	(14.722)
Balance of the deferred tax asset as at 31 December	**5.310.462**	**6.354.165**
- offset with deferred tax liabilities	5.198.368	6.267.953
Net deferred tax liabilities as at 31 December	**112.094**	**86.212**

Changes in deferred tax liabilities	2011	2010
Balance of the deferred tax liability as at 1 January	**7.887.672**	**6.804.654**
Increases:	454.836	1.202.971
Decreases:	(1.906.641)	(119.953)
Balance of the deferred tax liability as at 31 December	**6.435.867**	**7.887.672**
- offset with deferred tax assets	5.198.368	6.267.953
Net deferred tax liabilities as at 31 December	**1.237.499**	**1.619.719**

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

When performing the consolidation, temporary differences can appear in the tax burden that arise from the differences between the official financial statements of a subsidiary and its financial statements adjusted to the financial reporting regulation applying to the parent company.

In the consolidated balance sheet, the tax assets and liabilities are mutually offset only in the territory of the same country, while deferred taxes arising in a different country remain unsettled both on the asset side and the liabilities side.

Deferred tax assets arise from the calculated provisions for jubilee awards and severance pay, impairment of trade receivables, tax relief for R&D and the disclosed tax loss. The tax rate applied to all items is 20 per cent.

Long-term deferred tax liabilities relate to the recalculation of property (land) to fair value that is disclosed in the surplus from revaluation. The tax rate applied is 20 per cent.

16. Short-Term Financial Liabilities

(in EUR)	Debt balance as at 1 January 2011	Debt balance as at 31 Dec 2011 without the transfer of the long-term liability	Short-term part of the long-term financial liability	Debt balance as at 31 Dec 2011
Bank or lender				
Domestic banks	93.886.163	40.502.205	26.970.219	67.472.424
Foreign banks	6.435.315	6.542.710	832.294	7.375.004
Other lenders	1.015.035	387.106	128.572	515.678
Financial lease	333.324	0	395.516	395.516
Total loans obtained	**101.669.837**	**47.432.021**	**28.326.601**	**75.758.622**

(in EUR)	Debt balance 1 January 2010	Debt balance 31 Dec 2010 without the transfer of the long-term liability	Short-term part of the long-term financial liability	Debt balance 31 Dec 2010
Bank or lender				
Domestic banks	111.412.244	60.931.836	32.954.327	93.886.163
Foreign banks	5.559.746	5.941.119	494.196	6.435.315
Other lenders	6.730.346	169.875	845.160	1.015.035
Financial lease	0	0	333.324	333.324
Total loans obtained	**123.702.336**	**67.042.830**	**34.627.007**	**101.669.837**

The interest rates for the short-term loans obtained are within the range of the three month Euribor + 0.75 per cent to the three month Euribor + 4.5 per cent, and from a six month Euribor + 2.7 per cent to the six month Euribor + 4.3 per cent, one month Euribor + 4.5 per cent, one month Libor + 4.9 per cent and the real interest rate in the range from 2 to 6.7 per cent. The Group has taken out loans with a reference interest rate for the one month, three month and the six month Euribor as well as the one month Libor.

The security pledged for long-term and short-term financing liabilities are the mortgages on immovable and movable property in the amount of EUR 264,014,214 as well as the bills of exchange written and the trade receivables pledged. These amounts comprise the value of the secured loan agreements.

17. Short-Term Operating Liabilities

(in EUR)	**2011**	**2010**
Short-term operating liabilities to associates		
at home	7.067.891	161.827
abroad	241.580	120.953
Short-term operating liabilities to other suppliers:		
at home	18.786.731	26.244.434
abroad	13.564.155	14.490.211
Short-term operating liabilities to the state	613.987	921.257
Short-term operating liabilities to the workers	3.655.610	4.291.590
Short-term operating liabilities for advances	6.337.235	2.911.529
Short-term operating liabilities for interest	799.596	931.048
Short-term bills payable	3.112.006	3.092.836
Other short-term liabilities	2.471.703	2.331.428
Short-term part of long-term operating liabilities	75.048	0
Total	**56.725.542**	**55.497.113**

18. Accrued Costs and Deferred Revenues

(in EUR)	2011	2010
Short-term deferred revenues	1.392.600	1.200.802
Short-term accrued costs and expenditures	502.058	1.075.905
VAT from advances received	36.056	61.335
Total	**1.930.714**	**2.338.042**

The following is disclosed among accrued costs and deferred revenues:

- short-term deferred revenues from the advanced sale of ski pass tickets in the amount of EUR 884,751, accounted interest due from buyers in the amount of EUR 7,849 and deferred revenues from the purchase consideration from the sale of the investment in the Štore Steel d.o.o. company in the amount of EUR 500,000;

- accrued costs comprising the accounted commissions from the sale of tools in the amount of EUR 101,759 and the liability for unused holiday leave for 2011 in the amount of EUR 333,358, as well as other accrued costs in the amount of EUR 66,941;

- VAT from the advances granted in the amount of EUR 36,056.

19. Contingent Liabilities

(in EUR)	2011	2010
Guarantees given	10.621.074	24.856.972
Total	**10.621.074**	**24.856.972**

In 2010, the Competition Protection Office of the Republic of Slovenia issued a decision on the violation No. 306-95/2009-37 relating to the concerted practices between companies regarding the operating conditions on the market between Slovenian ski slope operators. A fine of EUR 400,000 was imposed. An administrative dispute was instituted before the Supreme Court. Considering the legal proceedings, the management believes that there will be no payment of the fine, which is why they did not form any provisions for this purpose.

Notes to the Income Statement

20. Consolidated Income Statement by Division

(inEUR) Item		Tourism activity 2011	Metal processing activity 2011	Total 2011	Tourism activity 2010	Metal processing activity 2010	Total 2010
A.	**Net sales revenues**	**20.010.126**	**205.976.157**	**225.986.283**	**21.258.939**	**218.212.740**	**239.471.679**
1.	Net sales revenues on the domestic market	19.709.422	23.791.212	43.500.634	21.256.834	30.295.253	51.552.087
2.	Net sales revenues on foreign markets	300.704	182.184.945	182.485.649	2.105	187.917.487	187.919.592
B.	**Changes in the value of inventories of products and work-in-progress**	**557**	**6.451.676**	**6.452.233**	**-1.040**	**3.147.392**	**3.146.352**
C.	**Capitalised own products and own services**	**0**	**4.231.482**	**4.231.482**	**0**	**3.506.412**	**3.506.412**
D.	**Other operating revenues**	**688.446**	**3.306.865**	**3.995.311**	**312.165**	**6.542.227**	**6.854.392**
I.	**GROSS OPERATING PROFIT**	**20.699.129**	**219.966.180**	**240.665.309**	**21.570.064**	**231.408.771**	**252.978.835**
E.	**Cost of goods, materials and services**	**9.134.589**	**147.613.818**	**156.748.407**	**9.472.433**	**155.027.350**	**164.499.783**
1.	Cost of goods and materials sold	279.189	17.744.196	18.023.385	37.607	15.004.197	15.041.804
2.	Cost of materials used	5.321.497	104.239.445	109.560.942	5.070.346	114.796.572	119.866.918
3.	Cost of services	3.533.903	25.630.177	29.164.080	4.364.480	25.226.581	29.591.061
F.	**Labour cost**	**8.276.552**	**50.206.771**	**58.483.323**	**7.888.515**	**54.191.377**	**62.079.892**
1.	Cost of wages and salaries	6.244.474	37.370.545	43.615.019	5.771.285	41.199.211	46.970.496
2.	Cost of pension insurance	77.360	924.083	1.001.443	83.402	1.771.079	1.854.481
3.	Cost of other social insurance	1.001.268	6.182.886	7.184.154	945.323	6.103.345	7.048.668
4.	Other labour cost	953.450	5.729.257	6.682.707	1.088.505	5.117.742	6.206.247
G.	**Amortisation and depreciation expense**	**3.218.375**	**11.409.418**	**14.627.793**	**3.607.635**	**14.742.197**	**18.349.832**
1.	Depreciation/amortisation	3.035.548	10.607.642	13.643.190	3.457.934	13.707.676	17.165.610
2.	Operating expenses from revaluation of intangible fixed assets and property, plant and equipment	28.772	185.561	214.333	60.155	348.314	408.469
3.	Operating expenses from revaluation of current assets	154.055	616.215	770.270	89.546	686.207	775.753
H.	**Other operating expenses**	**438.064**	**2.359.500**	**2.797.564**	**379.587**	**2.841.343**	**3.220.930**
1.	Provisions	1.957	581.672	583.629	8.683	402.751	411.434
2.	Other costs	436.107	1.777.828	2.213.935	370.904	2.438.592	2.809.496
II.	**OPERATING PROFIT OR LOSS**	**-368.451**	**8.376.673**	**8.008.222**	**221.893**	**4.606.505**	**4.828.398**
I.	**Finance income**	**7.864**	**3.780.923**	**3.788.787**	**-158.109**	**1.814.111**	**1.656.002**
1.	Finance income from participating interests	454	3.032.436	3.032.890	420	543.198	543.618
2.	Finance income from loans granted	460	61.591	62.051	-165.748	265.811	100.063
3.	Finance income from operating receivables	6.950	686.896	693.846	7.219	1.005.102	1.012.321
I.	**Finance expenses**	**444.533**	**11.223.911**	**11.668.444**	**279.799**	**10.099.611**	**10.379.410**
1.	Finance expenses from impairments and write-offs of financial assets	0	2.756.681	2.756.681	0	685.906	685.906
2.	Finance expenses from financial liabilities	436.350	7.624.843	8.061.193	279.785	8.419.352	8.699.137
3.	Finance expenses from operating liabilities	8.183	842.387	850.570	13	994.354	994.367
III.	**PROFIT OR LOSS**	**-805.120**	**933.685**	**128.565**	**-216.015**	**-3.678.995**	**-3.895.010**
	Corporate income tax	**0**	**239.599**	**239.599**	**0**	**190.684**	**190.684**
	Deferred tax	**4.487**	**-375.509**	**-371.022**	**14.525**	**-2.465.023**	**-2.450.498**
	NET PROFIT OR LOSS FOR THE PERIOD	**-809.607**	**1.069.595**	**259.988**	**-230.539**	**-1.404.657**	**-1.635.196**
	- attributable TO THE OWNERS OF THE PARENT COMPANY	-809.695	457.432	-352.263	-231.699	-1.696.690	-1.928.389
	- attributable TO THE NON-CONTROLLING INTERESTS	88	612.163	612.251	1.160	292.033	293.193

21. Net Sales Revenues

(in EUR)	2011	2010
Slovenia		
- associates	1.228.019	1.016.018
- other buyers	42.272.615	50.536.069
Rest of the world		
- associates	3.529.347	2.430.947
- other buyers	178.956.302	185.488.645
Total	**225.986.283**	**239.471.679**

22. Capitalised Own Products and Own Services

As part of its capitalised own products and own services, the Group discloses the value of own investments into maintenance activities for other programmes in the amount of EUR 1,447,213. The largest amount is represented by the general overhauls of machines at the forging plant.

As regards the Special Machines Programme, the objective was to use our own know-how and development to research, develop, master and manufacture a purpose-built machine for the machining of elbow shafts featuring eco-friendly, state-of-the-art and environmentally acceptable MMS technology. we built a prototype of the machine for the machining of elbow shafts intended for the Chinese market. The value of prototype development efforts was EUR 2,113,600.

The tool plant within the scope of the Sinter Programme has manufactured tools for our own needs with the total value of EUR 659,870.
The value of capitalised own products at Unior Components came in at EUR 10,799.

23. Other Operating Revenues

(in EUR)	2011	2010
Rewards for exceeding the quota of disabled employees	240.846	288.313
Subsidies for part-time employment	0	136.965
Paid receivables that were already included in the value adjustment	147.327	156.186
Damages received	104.997	642.693
Reversal of long-term provisions	903.048	789.817
Profits from disposal of fixed assets	106.664	209.184
Reversal of negative goodwill (badwill) of the investments into subsidiaries	153.555	541.486
Revaluation of investment property to fair value	0	0
Subsidies, grants and similar revenues	516.953	800.037
Emission coupon sales	8.783	144.167
Other	1.813.138	3.145.544
Total	**3.995.311**	**6.854.392**

24. Costs and Expenditures

(in EUR)	Production costs	Cost of selling	Cost of general activities	Total
Cost of goods sold/production costs	**18.023.385**	**0**	**0**	**18.023.385**
Cost of material	**98.266.253**	**8.763.855**	**2.530.834**	**109.560.942**
Cost of services	**19.685.378**	**4.515.797**	**4.962.905**	**29.164.080**
Cost of wages and salaries	30.951.076	8.730.057	3.933.886	43.615.019
Cost of social insurance	5.110.487	1.466.370	607.297	7.184.154
Cost of pension insurance	774.631	153.492	73.320	1.001.443
Other labour cost	5.094.986	977.201	610.520	6.682.707
Total labour cost	**41.931.180**	**11.327.120**	**5.225.023**	**58.483.323**
Depreciation/amortisation	**8.542.862**	**3.273.249**	**1.827.079**	**13.643.190**
Operating expenses from revaluation of current assets	**435.820**	**262.580**	**71.870**	**770.270**
Operating expenses from revaluation of intangible assets and property, plant and equipment	**79.529**	**23.677**	**111.127**	**214.333**
Other costs	**1.253.601**	**561.189**	**982.774**	**2.797.564**
Total cost	**188.218.008**	**28.727.467**	**15.711.611**	**232.657.087**

Other labour cost comprises the costs of holiday pay, reimbursement for meals during work, reimbursement of the expenses for travel to and from work, and certain other payments to employees.

As part of its other costs, the Group discloses:

(in EUR)	2011	2010
- provisions for severance pay and jubilee awards and annuities	583.629	411.434
- charge for the use of building land	278.600	318.709
- environmental protection expenditures	198.806	737.813
- bonuses to pupils and students undergoing practical training	649.110	504.282
- scholarships to pupils and students	266.388	375.426
- damages paid to employees	205.904	123.251
- financial aid - grants	255.535	185.357
- costs incurred from the sale of apartments	4.378	4.061
- other operating expenses	355.214	560.597
Total	**2.797.564**	**3.220.930**

In 2011, the disclosure of costs comprised EUR 2,840,119 worth of research costs based on all of the development projects underway at the Group.
The costs of auditing of the annual reports of the Group companies came in at EUR 68,290.
The cost of rent in 2011 amounted to EUR 941,394.

The minimum sum of rents from operating leases – receivables

(in EUR)	2011	2010
up to 1 year	1.401.234	873.962
from 2 to 5 years	5.604.936	3.495.846
more than 5 years	4.203.701	2.621.885
Total	**11.209.871**	**6.991.693**

The minimum sum of rents from operating leases – liabilities

(in EUR)	2011	2010
up to 1 year	679.270	809.445
from 2 to 5 years	2.717.078	3.204.517
more than 5 years	2.037.809	2.428.335
Total	**5.434.157**	**6.442.297**

25. Finance Income and Finance Expenses

Finance income

(in EUR)	2011	2010
Finance income from participating interests		
Finance income from participating interests in associated companies	2.962.811	429.091
Finance income from participating interests in other companies	69.621	108.952
Finance income from other investments	458	5.575
Total	3.032.890	543.618
Finance income from loans granted		
Finance income from loans granted to others	62.051	100.063
Total	62.051	100.063
Finance income from operating receivables		
Finance income from operating receivables due from others	693.846	1.012.321
Total	693.846	1.012.321
Total finance income	**3.788.787**	**1.656.002**

The finance income from participating interests in associated companies comprises the results of the associates in the amount of EUR 392,745 and the paid out profit of the Unior Teos d.o.o., Štore Steel d.o.o., Roboteh d.o.o., Unior Tepid s.r.l. and Unior Singapore Pte Ltd. companies. The dividends of the Banka Celje d.d. bank are disclosed among the finance income from participating interests in other companies.

Finance expenses

(in EUR)	2011	2010
Finance expenses from impairments and write-offs of financial assets	2.756.681	685.906
Finance expenses from financial liabilities		
Finance expenses from bank loans	7.807.487	8.493.388
Finance expenses from issued bonds	0	0
Finance expenses from other financial liabilities	253.706	205.749
Total	8.061.193	8.699.137
Finance expenses from operating liabilities		
Finance expenses from trade payables and bills payable	195.782	472.196
Finance expenses from other operating liabilities	654.788	522.171
Total	850.570	994.367
Total finance expenses	**11.668.444**	**10.379.410**

Impairment of Financial Assets

Because an application was filed for instituting compulsory composition proceedings against the Rimske Terme d.o.o. company, the Group formed a value adjustment for this investment in the amount of EUR 2,750,444. Because of the revaluation of the shares of Intereuropa, an impairment was formed in the amount of EUR 5,205.

26. Account of the Corporate Income Tax and Deferred Taxes

The corporate income tax is accounted for in accordance with the legislation applying in various countries, in which the Group has its subsidiaries.

(in EUR)	2011	2010
Corporate income tax	239.599	190.684
Deferred taxes	(371.022)	(2.450.498)
Total	**(131.423)**	**(2.259.814)**

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

(in EUR)	2011	2010
Net profit or loss for the period before taxes	128.565	(3.895.010)
Income tax in Slovenia – 20%	25.713	(779.002)
Non-taxable income	(10.511)	(32.341)
Expenses not recognised for tax purposes	388.337	(1.887.233)
Value adjustment of receivables	(33.353)	12.287
Provisioning	(46.650)	(203.416)
Tax relief for investments into research and development	466.121	1.017.477
Investment tax relief	(92.959)	6.000
Other tax relief facilities and adjustment to expenses recognised for tax purposes	(828.120)	(393.587)
Tax loss	0	1.564.066
Corporate income tax	(131.423)	(2.259.814)
Effective tax rate in %	(102,2)	58,0

Deferred Taxes

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

A deferred tax asset is calculated from the temporary difference in the long-term provisions for severance pay and jubilee awards, impairment of trade receivables and inventory adjustments, unused tax relief facilities and tax losses as well as for the temporary difference in the tax burden that arise from the differences between the official financial statements of a subsidiary and its financial statements.

The effect of deferred taxes on the net profit or loss is EUR 371,022, which increases the net profit or loss for the current year.

Risk Management

We detect the opportunities and threats that arise in the environment and the business system in a timely manner and thus improve our operations.

The UNIOR Group encounters risks in the international environment on a daily basis, which is the reason why it devotes a lot of attention to the area of risk management. The activities that we perform are geared towards ensuring appropriate exposure to the various forms of risk in accordance with the adopted policies, which consequently enhances the probability that the planned business objectives will be achieved. As compared to the previous year, we directed our efforts in 2011 primarily towards the opportunities in the economic environment. We dealt with the operating performance and employees, whereby the emphasis was on the promotion of innovation and project management.

Area of the risk	Description of the risk	Management method	Exposure
Credit risk	The risk of a default on the part of the buyers	Limiting exposure to individual buyers and the monitoring of the buyers' credit ratings	Moderate
Liquidity risk	Deficit in liquid assets	Planning the liquid asset requirements	Moderate
Foreign exchange risk	The possibility of loss due to unfavourable changes in exchange rates	Monitoring of financial markets	Low
Interest rate risk	The possibility of loss due to unfavourable changes in interest rates	Monitoring of the changes in interest rates and negotiations with credit institutions	Moderate
Property risk	The risk of damage to property caused by accidents	Measures in accordance with the regulations for fire protection, conclusion of fire insurance policies	Moderate
The risk of damages claims and lawsuits	The risk of damages claims for damage inadvertently caused by the Company through its activity, possession of items and through placing products and services on the market.	Insurance for all types of liability	Moderate

The exposure to individual types of financial risks is assessed based on the effects on cash flows.

Credit Risks

Credit risks are managed by way of regular supervision of operations and the financial position of all new and existing business partners, the limitation of exposure to individual business partners, and the active receivables collection process. Through the regular monitoring of outstanding and past due trade receivables, the ageing structure of receivables and the changes in the payment deadlines, the Company maintains its credit exposure within an acceptable range.

Liquidity Risk

The liquidity risks comprise the risks related to the shortage of available financial assets and the consequent inability of the Company to settle its liabilities within the agreed deadlines. We estimate that the Company's solvency risk is moderate as a result of the efficient management of monies, suitable credit lines for short-term adjustment of cash flows and the adequate access to the necessary financial resources.

Foreign Exchange Risk

The major part of the Group's cash flows are generated in euros. The change in the dollar exchange rate in 2011 did not significantly affect the Group's results.

The Risk of Changes in Interest Rates

We also devote a lot of attention to interest rates that can decrease the economic benefits when they change. In line with the financial policy, we made efforts in 2011 to keep the existing interest rates for short-term and long-term loans unchanged. At the onset of the economic crisis, reference interest rates for all of the loans that we have taken out began decreasing, however, the Group incurred higher financing costs because of the need for greater exposure and the raising of interest margins.

The sensitivity analysis of financial liabilities with respect to the changes in variable interest rates

Balance of the liabilities tied to an individual variable interest rate in 2011

(in EUR)	Amount of the liability as at 31 December 2011	Hypothetical rise in interest rates		
		by 15%	by 50%	by 100%
Interest rate type				
1 month EURIBOR	3.000.000	4.874	16.245	32.490
3 month EURIBOR	60.433.711	125.732	419.108	838.216
6 month EURIBOR	72.015.601	177.158	590.528	1.181.056
1 month LIBOR	731.123	325	1.083	2.166
Total effect	**136.180.435**	**308.089**	**1.026.964**	**2.053.928**

Balance of the liabilities tied to an individual variable interest rate in 2010

(in EUR)	Amount of the liability as at 31 December 2010	Hypothetical rise in interest rates		
		by 15%	by 50%	by 100%
Interest rate type				
1 month EURIBOR	1.263.158	1.521	5.072	10.143
3 month EURIBOR	66.394.245	100.886	336.287	672.574
6 month EURIBOR	93.435.865	173.510	578.368	1.156.736
Total effect	**161.093.268**	**275.918**	**919.727**	**1.839.453**

Statement on the Management's Responsibility

The Management Board is responsible for the preparation of the Annual Report so that it presents a true and fair view of the position of the Group's assets and liabilities and its financial results and cash flows for 2011.

The Management Board hereby confirms that the relevant accounting policies have been consistently applied and that the accounting estimates were produced according to the principle of prudence and good management. The Management Board further confirms that the financial statements together with the notes were compiled on the going concern basis for the Group of related undertakings as well as in accordance with the applicable legislation in force and the International Financial Reporting Standards.

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

At any time within a period of five years following the lapse of the year in which the tax must be assessed, the tax authorities may audit the Company's operations, which can consequently result in additional tax liabilities, default interest and penalties arising from the corporate income tax or other taxes and levies. The Company's Management Board has no knowledge of any circumstances that could give rise to a potential material liability in that respect.

Zreče, 23 April 2012

President of the Management Board
Gorazd Korošec, BSc (Econ.)

Member of the Management Board,
Darko Hrastnik, BSc (Metallurgical Engineering)

Independent Auditor's Report

To the Owners of Unior d.d., Zreče

Report on the Financial Statements

We have audited the accompanying financial statements of the Unior Group from Zreče comprising the consolidated balance sheet as at 31 December 2011, the consolidated income statement, the consolidated statement of other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended as well as the summary of the material accounting policies and other explanatory information.

Management's Responsibility for Financial Statements

The management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with the International Financial Reporting Standards as adopted by the EU and in accordance with the requirements of the Companies Act relating to the preparation of financial statements as well as for such internal controls that are necessary in line with the management's decision to enable the preparation of consolidated financial statements that are free from material misstatement arising from fraud or errors.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with the International Standards on Auditing. Those standards require that we comply with ethical requirements as well as plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain auditing evidence supporting the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal controls associated with the preparation and fair presentation of the company's consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal controls at the company. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the management, as well as evaluating the overall presentation of consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements give a true and fair view – in all material respects – of the financial position of the Unior Group, Zreče, as at 31 December 2011, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU and in accordance with the requirements of the Companies Act relating to the preparation of financial statements.

Other Matter Paragraph

The management is also responsible for the preparation of the Business Report in accordance with the requirements of the Companies Act. Our responsibility is to assess the consistency of the Business Report with the audited consolidated financial statements. Our procedures associated with the Business Report have been performed in accordance with the International Standard on Auditing 720 and limited to the assessment of the consistency of the Business Report with the audited consolidated financial statements, and therefore do not include the review of other information arising from the unaudited financial reports.

It is our opinion that the Business Report is consistent with the audited consolidated financial statements.

Ljubljana, 23 April 2012

Janez Uranič
Director
Ernst&Young d.o.o.
Dunajska 111, Ljubljana

Janez Hostnik
Certified Auditor