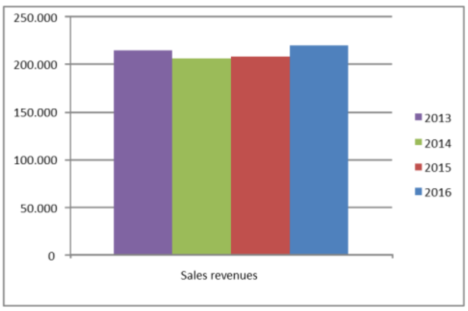
ANNUAL REPORT
2016

EVROPSKI PROIZVAJALEC OD LETA 1919

Key performance data of the Unior Group

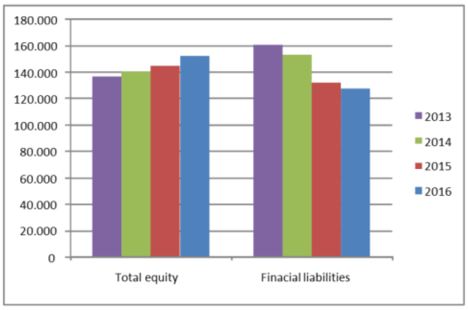
(in thousands of EUR)	2016	2015	2014	2013
Profit or loss				
Sales revenues	219,112	207,411	205,253	214,758
EBIT	16,588	12,702	12,909	6,804
EBITDA	31,582	28,124	26,342	21,157
Net profit or loss	10,192	6,187	4,053	(3,417)
Financial position				
Total assets	347,978	339,547	353,280	356,097
Total equity	152,554	144,631	140,361	136,826
Financial liabilities	127,780	131,812	152,809	160,573
Operating liabilities	57,832	53,582	52,035	50,966
Return indicators				
EBIT margin (in %)	7.57	6.12	6.29	3.17
EBITDA margin (in %)	14.41	13.56	12.83	9.85
ROA - return on assets (in %)	2.96	1.79	1.14	(0.94)
ROE - return on equity (in %)	7.10	4.44	2.97	(2.43)
Financial health indicators				
Equity / total assets (in %)	43.84	42.60	39.73	38.42
Net financial liabilities / EBITDA	3.65	4.43	5.58	7.32
Employees				
Unior + subsidiaries – year end	3,077	2,994	2,952	2,930
Unior + subsidiaries + associates	3,715	3,746	3,751	3,724

Sales revenues (in thousands of EUR)

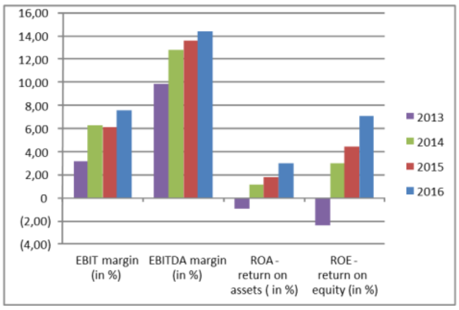


EBIT, EBITDA and net profit or loss (in thousands of EUR)

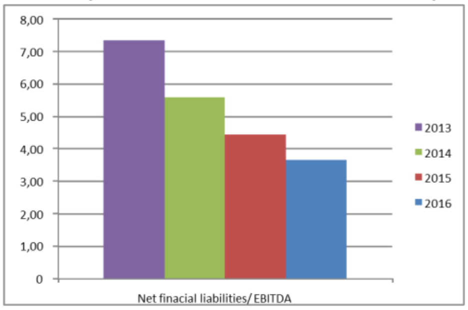
Equity and financial liabilities (in thousands of EUR)



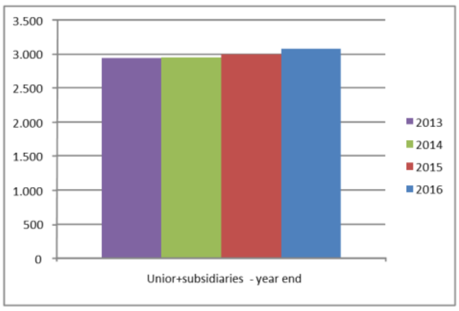
Return indicators of the Unior Group



EBITDA compared to the net financial debt of the Unior Group



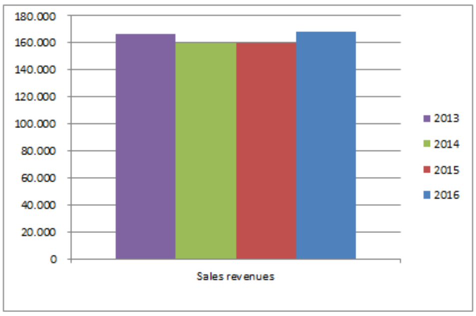
Changes in the number of employees of the Unior Group



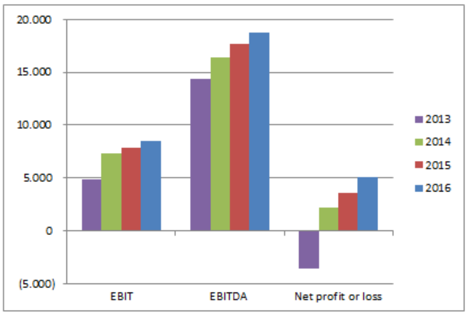
Key performance data of Unior

(in thousands of EUR)	2016	2015	2014	2013
Profit or loss				
Sales revenues	167,942	159,819	159,457	166,532
EBIT	8,507	7,902	7,318	4,823
EBITDA	18,691	17,647	16,409	14,365
Net profit or loss	5,089	3,612	2,221	(3,543)
Financial position				
Total assets	285,799	278,718	291,604	293,927
Total equity	112,425	108,204	105,793	103,353
Financial liabilities	122,248	122,681	140,136	145,696
Operating liabilities	43,754	40,761	39,711	38,656
Return indicators				
EBIT margin (in %)	5.07	4.94	4.59	2.90
EBITDA margin (in %)	11.13	11.04	10.29	8.63
ROA - return on assets (in %)	1.80	1.27	0.76	(1.18)
ROE - return on equity (in %)	4.72	3.43	2.15	(3.31)
Financial health indicators				
Equity / total assets (in %)	39.34	38.82	36.28	35.16
Net financial liabilities / EBITDA	6.18	6.81	8.46	10.02
Employees				
Employees - year end	2,128	2,103	2,105	2,122

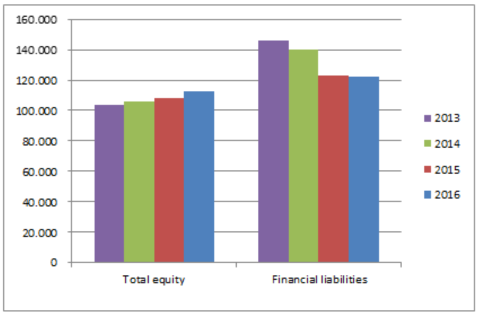
Sales revenues (in thousands of EUR)



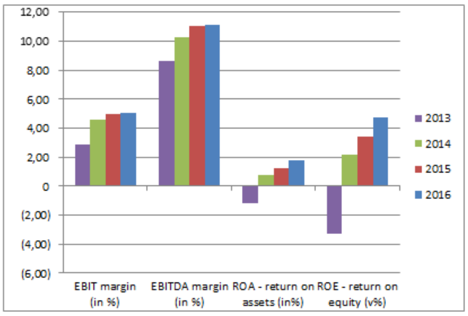
EBIT, EBITDA and net profit or loss (in thousands of EUR)



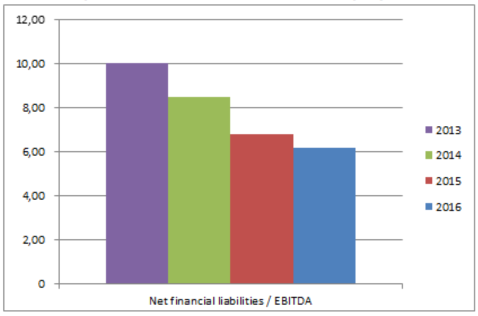
Equity and financial liabilities (in thousands of EUR)



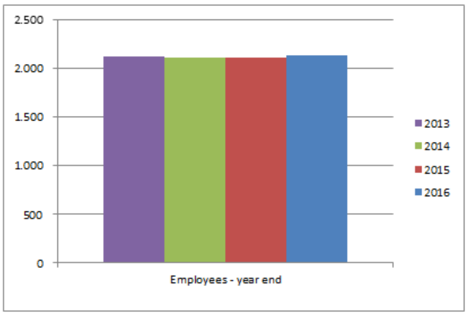
Return indicators of Unior



EBITDA compared to net financial debt of the Company



Changes in the number of the Company's employees



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BUSINESS REPORT

1 Letter from the President of the Management Board

Dear shareholders, business partners and colleagues!

2016 was a very successful year for Unior d.d. and the Unior Group. For the fourth year in a row, we continued with improving our business operations and achieving better business results, whereby some performance indicators are meeting the values that the best companies in the industries in which we operate, are achieving. Compared to the previous year, we have improved and exceeded almost all important business indicators. In the majority of the key performance criteria in 2016, we achieved the best results in the company's history. The progress is a result of the continued systematic optimization of the business processes; the project, which was introduced in 2013, optimization of costs, improving margins and, last but not least, of the expansion in Slovenia as well as in most of the countries in which we are present with our products and services. The improved state of the company is also reflected in the improvement of the credit rating of the company, which is regularly checked by our buyers in the automotive industry, suppliers and banks.

The Forged Parts Programme achieved its record values of sales. In 2016, the programme improved its sales and operating results in the field of the sales of warm forged forgings, as well as mechanically treated forgings, where we follow a strategic direction of increasing the sales of processed forgings, thereby creating a greater added value. The performance of the Forged Parts Programme in 2016 can be once again evaluated as excellent.

The Hand Tools Programme continued with acquiring new buyers and conquering new markets in 2016. The Programme successfully accomplished the growth strategy of specialized tools with the development of new products and the growth in sales. The sales on the Russian Federation market, once the largest market, are facing a decline for the third year in a row and have not yet recovered. Despite the many efforts made, the sales growth is smaller than we would like them to be.

The Special Machines Programme reached a turnaround in 2016, achieving an additional EUR 4.6 million in sales in comparison with 2015. The sales growth is the result of the intensive sales activities of the last two years, new markets and buyers, the expansion and elimination of the majority of problems from the previous years related to issuing bank guarantees for received buyers' advances, the credit rating of the company and the banking system in Slovenia. However, the sales growth of the programme significantly affected the cash flow of the company due to the technologically conditioned long periods of manufacturing machinery.

For the third year in a row, the Tourism Programme continued with growth in value and number of overnight stays at the same but older capacities. Growth, better cost control and the more optimistic general economic environment are the reasons that the business improved.

In 2016, UNIOR d.d. met all the indicators as provided for in the General Agreement on financial restructuring, which we concluded with the creditor banks in 2013. The Company also repaid the principals and interests as provided for in the General Agreement on financial restructuring. Owing to the successfully implemented Refinancing project, the General agreement was terminated in December 2016. The refinancing of the existing loans (syndicated loans) was one of the most important projects in 2016. By obtaining new long-term loans, we repaid old loans, reduced the number of creditor banks, simplified the procedures for obtaining the banks' consents, achieved more cost efficient financing and gained the possibility of the further growth of the company. Signing of such financing lead to the improvement of the company's credit rating in the eyes of buyers, suppliers and other participants. Refinancing was possible to conclude on account of the improved business and state of the company in the last few years and a more favourable financial climate in the country, namely exclusively with banks, which we have invited to participate and which were willing to participate. The General Agreement on financial restructuring has been concluded with the banks which granted loans in 2012 and it represented a condition for continuing with business operations in 2013.

The higher EBITDA is the main reason we have improved the debt indicator, reflected in the ratio of net financial liabilities and the EBITDA, in 2016. The value of the above-mentioned indicator for Unior d.d. was 8.5 in 2014, 6.8 in 2015, and 6.2 in 2016. The improvements of the indicator at the Group level are even more noticeable, while the values are significantly lower than in Unior d.d.

In 2016, we achieved EUR 168 million in net sales revenues, which is 5.1% more than in 2015 and 1.8% behind the plan. With regard to the gross added value per employee as the key productivity indicator, 2014 was the first year we exceeded the limit of EUR 30,000 in the gross added value per employee, amounting to EUR 30,746. In 2015, we achieved EUR 32,190 or 4.7% more than the previous year, and in 2016 EUR 34,161 or 6.1% more than in 2015. In 2014, we achieved the highest operating profit (EBIT) in the history of Unior, amounting to EUR 7.3 million. The increase continued in 2015 with EUR 7.9 million or 8% more than in the previous year, and in 2016 we achieved a record of EUR 8.5 million or 7.6% more than in 2015. The achieved net profit in the amount of EUR 5.1 million exceeds the net profit in 2015 by EUR 1.5 million or by 40.9%, and it also exceeds the plan by 20.8%.

At the end of 2016, Unior had 2,128 employees, i.e. 36 less than planned and 25 more than in 2015. Currently there is no recruitment of new employees with the exception of specific jobs facing a deficit (CNC operators, metalworkers and occasionally cooks and waiters) and upon major monthly fluctuations in production requirements. An exception is also replacing employees who retire or leave the company. It should be noted that Unior, similar to other manufacturing companies in the country, is increasingly facing the problem of acquiring suitable personnel, especially in the deficit areas.

In 2016, after three years of relative inactivity in investments, our cash flow allowed us to invest more. After a long time, in the production facilities. The first major investment was the construction of additional much needed production facilities within the Forged Parts Programme. Another major investment was the production hall within the Special Machines Programme, enabling our colleagues in this Programme the production of higher and heavier machinery and improving the working conditions. The value of investments in 2016 was EUR 9.9 million, EUR 0.7 million more than the cost of amortization, while the value of investments in 2015 was EUR 6.2 million or much less than the cost of amortization.

At the Unior Group level, we have focused our activities on a further improvement of business. As a rule, good companies within the Group operated even better, slightly poorer results in some were improved, and for some, we have a planned reorganization and optimization of business operations. The improved economic situation on the markets where we are the most active and on average the excellent operation of the Group companies is reflected in the very good operating results of the Group; being the best in the history of the Company. At the Group level, we decreased the ratio between financial debt and the EBITDA to 3.6, mainly on account of the growth of the EBITDA in 2016, while in 2015 the ratio was 4.4 and in 2014 5.6.

The valid business plan of Unior d.d. for 2017 foresees EUR 175 million in sales revenues in the parent company, i.e. 4.2% more than in 2016. All programmes have a planned sales growth. The start of the winter season in January and February was good and was also a good incentive for accomplishing the Tourism Programme objectives. The orders within the Forged Parts Programme was excellent, while the Hand Tools Programme and Special Machines Programme were in line with expectations. The objectives for 2017 are realistic and achievable.

We are directing our efforts towards the transparent business operations of the company and improving the satisfaction of our employees. The area for which each company needs is time; as the necessary changes cannot be introduced overnight. For this purpose, we have established an Internal Audit Service and Fraud Prevention Service and renovated the risk management system. Systematically and with several measures, we strive towards improving employee satisfaction and communication, particularly within the company.

A consortium of holders of 55% of Unior shares decided and predicted the commencement of the sales process of Unior d.d. This process is led by the owners of the Company on which the Company itself and the Company's Management Board do not have much impact. The process will require a considerable amount of cooperation of our employees, while our task will be ensuring the process is carried out in such a way as to minimize the disturbances of our business processes. There is certainly a desire for Unior to obtain a stable ownership structure which would contribute to the further growth of the existing options and opening new, additional options for the development of the company.

In 2016, we began with the sales process of the Tourism Programme activities for the second time, namely in accordance with the General agreement on financial restructuring and Syndicated agreements concluded in refinancing. Due to a lack of interest of the potential buyers, we suspended the procedure, and it is likely that the Management Board will propose to the General Meeting to carve out the Tourism Programme as an independent legal entity, wholly owned by Unior d.d. In the meantime, the sales process of Krvavec d.d. is in progress.

Darko Hrastnik
President of the Management Board

2 Report of the Supervisory Board

In 2016, the Supervisory Board supervised the operation of Unior d.d. and its subsidiaries in accordance with the powers conferred on it by law, the company's Articles of Association and the Supervisory Board's rules of procedure.

The Supervisory Board had the following six members: Branko Pavlin MSc., the President, Franc Dover MSc., Deputy Chairman, and members Prof. dr. Marko Pahor and Drago Rabzelj (all representatives of the equity), and Marjan Adamič MSc., and Darko Dujmović (both representatives of the employees).

The Supervisory Board’s Activity

In 2016, the Supervisory Board had seven regular meetings and four meetings by correspondence. The information on all significant activities and decisions of the Management Board was promptly provided to the Supervisory Board.

The Management Board provided the Supervisory Board with monthly reports on Unior d.d.’s operation, as well as quarterly reports on the Unior Group's operation, which enabled the Supervisory Board to duly fulfil its supervisory role. The Management Board reports were usually divided into individual sections and were separate for all four company programmes, giving a summarized view of all business effects. The reports allowed the Management Board to indicate all the most important categories affecting the operation of the limited company. These categories are balance sheets, income statement, sales balance, cost balance, cash flow balance and other economic and technical indicators. With the financial statements for 2016, comparable statements for the previous year and statements on the plans for the current year were also included. In accordance with the General Agreement on financial restructuring, signed in 2013 and until its validity, the Management Board also regularly reported on fulfilling the obligations contained therein, in particular by showing six key performance indicators (KPI). In the beginning of 2016, Unior approached the activities of the procedure of refinancing the financial liabilities of Unior, and, in December, signed an agreement on a long-term syndicated loan with six Slovenian banks, which represents an important element in the story of refinancing Unior, and will also have a significant impact on the further growth of the company that strives towards remaining at the highest level in all of its activities.

The Supervisory Board also constantly monitored the market situation. Based on the estimates provided by the Management Board, special attention was paid to the volume of orders for individual programmes and their subsidiaries, the movement of cost prices and other factors affecting the company's business.

At its regular meetings, the Supervisory Board examined the quarterly business reports for 2016, and was updated on the company's current operation and the estimated operation for the coming short-term periods. A significant amount of attention was invested into managing the current liquidity and fulfilling its commitments in terms of reducing the indebtedness to banks, the signatories of the General Agreement on the financial restructuring of the Company. The activities were constantly aimed at achieving the objectives of the adopted annual and medium-term business plan at the level of the Company as well as the Unior Group, with emphasis on key strategic orientations: increasing the profitability and decreasing indebtedness, managing the cost of operation and productivity growth, promoting creativity and innovation, the development of human resources and socially responsible conduct.

In March, the Supervisory Board conducted its first regular meeting in 2016. At the meeting, the Supervisory Board was acquainted with the statistical data for 2015 and received information about the current operation of the company, in the context of which it was acquainted with the volume of sales, inventory, receivables, liabilities to suppliers, employment, the estimated sales revenues in the following business periods, as well as with the operation of Unior's subsidiaries. It took note of the Human Resources Committee and Audit Committee. It also received the information about the operations of the company Sinter a. d. Užice, Serbia, and information about the measures taken to reduce the exposure of Unior d.d. The Management Board reported to the Supervisory Board on the fulfilment of the obligations under the General Agreement on financial restructuring and on the procedures between Unior d.d., and Rhydcon d.o.o. It also addressed and complimented the document Policy of Corporate Governance and took note on the implementation of social responsibility with regard to the conduct towards the social environment, employees, suppliers, shareholders and the environment.

At the second regular meeting in April, in addition to the regular formal points, the Supervisory Board took note of the report of the Human Resources Committee and adopted and confirmed the Act on establishing the criteria of variable remuneration to the Management Board for 2015. The Supervisory Board also took note of the report of the Audit Committee on the review of the audited annual report of the Company and the audited consolidated annual report of the Unior Group for 2015. The main data of the Company's as well as the Unior Group's operations indicated a positive progress, to which was contributed to by good current cost management and particularly the favourable state of orders and expansion within the automotive industry. For the purposes of adjusting the capacities to the current market demands, the Company acceded to the construction of a warehouse and production hall within the Forged Parts Programme, and also continued with the already started construction of production facilities for the needs of the Special Machines Programme. At this meeting, the Supervisory Board agreed with the proposal to liquidate the subsidiary Unior Hellas in Greece, which was, prior to the economic crisis, one of the most important subsidiaries for the hand tools' sales, however, after 2008, business on the Greek market became very difficult due to the poor economic climate, which was also reflected in the business results of the subsidiary.

In May, the Supervisory Board held two meetings, one by correspondence and a regular one. At the meeting by correspondence, it discussed and confirmed some changes and amendments to the Articles of Association of the company and took note of the 20th General Meeting of Unior d.d. and, inter alia, that the auditing company Deloitte revizija d.o.o should be appointed for the auditing of the annual report of Unior d.d. for the business year 2016. At the regular meeting, it took note of the Audit Committee's report, appointed the head of the internal audit service and gave its consent to the Acts, annual plan and receipts in accordance with Article 281.a of the Companies Act (ZGD-1). At this meeting, it took note of the unaudited three-month business report for the period January–March 2016 for the Company and the Unior Group. It also took note of the information about the current operations. One of the biggest concerns of the Company was oriented towards the control of the current liquidity. In accordance with the obligations of the company under the valid Agreement on financial restructuring, the Supervisory Board was informed of the activities on the sales procedures of the subsidiary RTC Krvavec and tourism activities, and, further, of the fact that Unior will begin with negotiations in relation to the process of refinancing the financial liabilities of the Company on the basis of the study, carried out by the selected financial adviser.

At the meeting at the end of August, the Supervisory Board took note of the Audit Committee's report, within the framework of which it also took note of the report on the work and planned activities of the internal audit service. It also discussed the half-yearly business report. The Supervisory Board considered the unaudited data on operation and concluded that the results of the Company as well as the Unior Group were very successful. Key performance indicators, monitored as a commitment to banks in accordance with the signed Annex no. 2 to the General agreement on financial restructuring, proved to be adequately controlled and, based on the comparable period of the preceding year, better. The Supervisory Board was also informed about the current business operations and the estimate of sales revenues by the end of the 2016 business year according to individual programmes and the Company as a whole, focusing on a very good state of the orders within the Forged Parts Programme. It received the information that in terms of obtaining the required spatial capacities, investments within the Forged Parts Programme and Special Machines Programme are to be concluded in September. The Management Board informed the Supervisory Board on the activities that were exercised with regard to refinancing the financial liabilities of the Company from the end of February 2016 to August. The Supervisory Board was informed of the formation of the consortium in the process of the sale of shares, the issuer being Unior d.d., and also of the ongoing sales process of RTC Krvavec d.o.o. and the activities of the Tourism Programme.

In October, the Supervisory Board held its fifth regular meeting with the central point of the agenda being the proposal of the content of the syndicated loan agreements for metal processing and tourism activities, both of which were coordinated by the Management Board with commercial banks that are participating in the process of refinancing UNIOR's operating liabilities. It gave its consent to the above-mentioned proposals of the agreements and authorized the Management Board to sign the latter.

At its meeting in November, theSupervisory Board ascertained that the sales volume of the Company by the end of the business year would fall slightly under the plan, while last year's sales revenues would be exceeded. It also took note of the Audit Committee's report. Within the framework of the report of the internal audit service, it discussed the documents of the area of its work to which it gave its consent. Within the framework of the discussion of the unaudited nine-month business report, the Supervisory Board expressed its satisfaction with the achieved successful business results and its expectations of the same at the end of the 2016 business year. In this sense, it took note of all important segments of the operation, namely individual programmes and the Company as a whole. From this point of view, the Supervisory Boardmade an appeal to the concern for further operating cost management, current liquidity, fulfilment of the obligations arising from the reduction of indebtedness, risk management, etc. At this meeting, the Management Board presented the Supervisory Board with the guidelines from the 2017 business plan which, according to the assessment of the economic developments and expansion in the automotive industry, suggests successful business in the next business year. Following the trend of the further growth of the volume of operations, the investment funds in 2017 will be prioritized for the Forged Parts Programme. The Supervisory Board was acquainted with a clean copy of the already discussed syndicated loan agreements, to which it gave its consent.

The meeting of the Supervisory Board in December was mainly intended for the discussion of the business plan for 2017, which is the result of the work in the past period and related to activities in the financial, commercial, development and technological field, and to which the Supervisory Board gave its consent. To ensure the stability of business operations in 2017, we will continue with the measures within the meaning of the additional promotion of ideas in the field of the further optimization of operating costs, the optimization of investments, increasing profitability, the human resources policy, fulfilling commitments under the agreement on financial restructuring and strategic tasks, among which the ownership consolidation of Unior d.d. is of great importance. The Supervisory Board was acquainted and approved the procedure of the liquidation of the subsidiary

Sinter a.d. Užice, Serbia. At this meeting, it also took note of the current operation and the estimation of the expected financial results in 2016.

At the meetings, the Management Board reported to the Supervisory Board on the implemented legal proceedings between the companies Unior d.d. and Rhydcon d.o.o.

The Supervisory Board deemed that in 2016 its actions were independent of the Management Board and that there had been no conflict of interest in the work performed by its own members.

Apart from a few instances of justified non-attendance, all members were present at the meetings. The President and a member of the Management Board were invited to all the meetings. The material used at the meetings was of good quality, providing the Supervisory Board members with proper information.

Annual report

The Audit Committee reviewed the annual report of the company Unior d.d. and the Unior Group, as well as the report of the audit company Deloitte Revizija d.o.o., from Ljubljana, and compiled a draft report on its verification for the Supervisory Board.

Based on the review of the annual report and the consolidated annual report, the auditors' report and the report of the Supervisory Board's Audit Committee, the Supervisory Board considers the non-consolidated and consolidated financial statements to be a true and fair view of the financial position of the company Unior d.d. and the Unior Group on 31 December 2016 and their income statement, the statement of other comprehensive income and cash flows for the year then ended in accordance with the international financial reporting standards as adopted by the EU. The Supervisory Board has no comments with regard to the annual report of the company Unior d.d. and the Unior Group for the business year 2016 and therefore accepts it.

Findings and the Proposal for Covering Loss

The Supervisory Board took note of the resolution by the Management Board according to which the net profit in 2016 amounted to EUR 5,089,183.60. The profit of the current year shall be used for covering the loss from previous years. The established accumulated loss from the 2016 business year amounted to EUR 16,305,558.08 and is composed of the profit for the business year 2016 in the amount of EUR 5,089,183.60 and the net loss brought forward of EUR 19,601,340.63, increased by the long-term deferred development costs in the amount of EUR 1,793,401.05. The Supervisory Board examined the Management Board's motion that the loss should remain uncovered and be brought forward, and agreed with it.

The Supervisory Board proposes that the General Meeting of Shareholders grants a discharge to the Management Board and the Supervisory Board for operations in 2016.

In forming the draft resolution on the allocation of profit for the current year of 2016, the Management Board and the Supervisory Board took into account the valid provisions of the Companies act and the Articles of Association of Unior d.d.

The report has been compiled 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 of Shareholders.

Chairman of the Supervisory Board:
Branko Pavlin MSc.

3 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 - TKO (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 limited company is organized into four programmes:

- Forged Parts,
- Hand Tools,
- Special Machines, and
- 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, innovation, excellence and entrepreneurship. Our core skills are: a broad technical and technological knowledge, diligence and the ability to identify business opportunities in our key business segments. Our core skills 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, and flexibility and competitiveness in terms of price and quality.

The vision of UNIOR d.d.

Our vision sets ambitious goals. In 2020, 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 organizations, we shall develop, manufacture and market solutions with ever increasing added value. Our gross value added per employee shall be EUR 35,500 and our net sales revenues shall be worth EUR 198 million. We shall be the link in the dynamic UNIOR Group which shall exploit its synergies and achieve EUR 255 million in sales and, together with associated companies, employ 4,195 people.

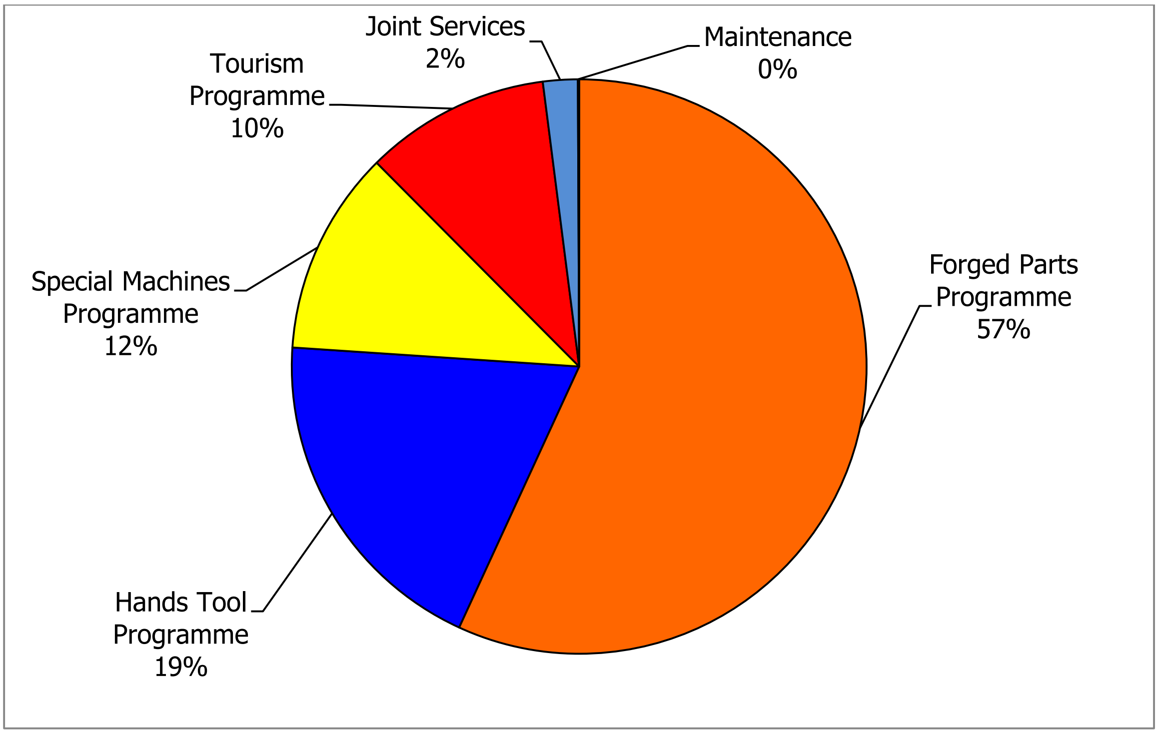
UNIOR Group

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

Company	Country	Continent
Subsidiary companies:		
ROGLA INVESTICIJE	Slovenia	Europe
RTC KRVAVEC	Slovenia	Europe
SPITT	Slovenia	Europe
UNIOR PRODUKTIONS- UND HANDELSGESELLSCHAFT	Austria	Europe
UNIOR BULGARIA	Bulgaria	Europe
UNIOR FRANCE	France	Europe
UNIOR HELLAS	Greece	Europe
UNIDAL	Croatia	Europe
UNIOR ITALIA	Italy	Europe
UNIOR KOMERC	Macedonia	Europe
UNIOR DEUTSCHLAND	Germany	Europe
UNIOR PROFESSIONAL TOOLS	Russia	Europe
UNIOR COMPONENTS	Serbia	Europe
UNIOR ESPANA	Spain	Europe
UNIOR INTERNATIONAL	Great Britain	Europe
UNIOR HUNGARIA	Hungary	Europe
NINGBO UNIOR FORGING	China	Asia
UNIOR USA CORPORATION	USA	North America
Associated companies:		
RC SIMIT	Slovenia	Europe
RHYDCON	Slovenia	Europe
ŠTORE STEEL	Slovenia	Europe
UNIOR TEHNA	Bosnia and Herzegovina	Europe
UNIOR TEPID	Romania	Europe
SINTER	Serbia	Europe
UNIOR TEOS ALATI	Serbia	Europe
UNIOR SINGAPORE	Singapore	Asia

4 The Company's Programmes and Activities

Sales revenues of UNIOR by programme in 2016



Forged Parts Programme

The Forged Parts Programme develops, forges, sinters and processes products and assemblies for the automotive industry and other buyers.

We produced 17 million rods and 31 million parts for steering mechanisms for cars. The gross added value per employee amounted to EUR 37,010. Our key strategic orientations were: increasing the added value, cost control and adaptation of capacities to the current needs of the market (new projects of rods, combining the large buyers ZF and TRW).

The Forged Parts Programme is the oldest programme and the foundation from which UNIOR evolved into the company it is today. In 2016, it contributed 57% to the total sales revenues of the Company, arising as one of the largest forged parts producers in the supply chain, also on the European scale.

We exclusively supply manufacturers from the automotive industry (more than 95% of our products goes to this industry) with the demands in forgings that comply with the highest 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 buyers, are developing and optimizing forgings for easier processing and the best use characteristics. We supply directly to the OEM automotive industry assembly line, and are a "tier 1" and "tier 2" supplier. As a supplier to the automotive industry, we are committed to the current quality

standards. For this purpose, we have acquired the ISO/TS 16949 standard and our buyers also regularly monitor and control the quality of our products, accuracy of the supply and general ability of competitiveness.

Our manufacturing subsidiaries UNIDAL d.o.o. in Croatia and NINGBO UNIOR Ltd. in China are also growing in importance. On account of the latter, we rank among the global manufacturers of forged parts, and, as such, remain in the trend of global projects, which will increasingly shape our future.

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

Vision for the year 2020
We are a global, modern and successful development programme, which has its place in the group of the most successful automobile manufacturers or their systemic suppliers. Our goal is to achieve EUR 102.5 million revenues, comprising EUR 16 million in sales of treated forged parts. With the production of 35 million forged parts for the steering mechanisms for cars and over 20 million connecting rods, we rank on the first or second place among forges in the European region. The gross added value per employee amounts to EUR 35,000.

Strategy
The development strategy of the Forged Parts Programme is based on the key assumptions of the cost-competitive and technological advantage of our production during the continuous growth of demand for warm forged forgings and the current trend of a negative growth of investments in this sector. On the European market, we intend to retain the dominant position in the field of forging warm forged steel forgings for steering mechanisms for cars, and in the field of connecting rods, we intend to overtake the competition and put ourselves at the very top with the volume of supplies and importance of projects. In the last decade, forgings have been carefully directing the rhythm of investments in technology, tool making and the modernization of the forge, while at the same time upgrading the offer by developing the segment of processing forged parts.

We are mastering the entire development and technology of manufacturing all production tools, while diverse machinery in the forge ensures us the possibility of competitive manufacturing of small-scale and mass positions. We offer our buyers hammer forging and press forging and a variety of thermal treatments, final treatments and testing the forgings, as well as an upgrade in the form of the mechanical processing of the forgings. Technically, we have all the necessary resources to ensure the required level of quality of the most demanding users in the automotive industry, while the nearby steel plant and our own mechanical engineering provide us with the potential and a competitive advantage, which other forges do not have. Location dispersion, which is the basis for specialization, works in favour of reducing costs, and with our forge in China, we have created the necessary condition for obtaining large – global projects. The latter ranks us among the global players and opens the unforeseen potential for growth and development of the Unior brand – forgings in markets such as Mexico/USA, Russia and Latin America. Invitations for a more active presence on these markets come from large automotive concerns that simply expect us, as strategic suppliers, to do so.

Hand Tools Programme

We are among five most important European manufacturers of hand tools with our products present on all five continents.

In the production of hand tools, we apply the latest technological findings, follow the latest trends, as well as adapt to the new requirements and habits of our users. We use top materials, such as chromium and vanadium steel, which guarantee a long service life of our tools.

The tools are modelled with advanced computer programs and under the watchful eye of our experienced team of experts in individual fields. The tools are made using state-of-the-art computer controlled machines for the thermal, mechanical and surface treatment of materials and the protection of products. We are highly responsive and flexible, which contributes to the satisfaction of our buyers.
Our original implementation solutions guarantee the utmost usefulness, effectiveness and attractiveness of the tools. The high added value is reflected in the functionality, durability and perfection. Since our tools guarantee an optimal construction and we have mastered all our production processes, we provide a lifetime warranty on any material defects. We take the ergonomic design and comfort into consideration, providing all the safety elements to prevent injury.
Our programme encompasses more than 5,500 high-quality products that facilitate various tasks. The tools are designed for professionals to increase their productivity. They are divided into several groups: functional spanners, advanced socket wrenches, efficient pliers, safe insulated tools for work under high voltage, various scissors, a comprehensive range of plumbing tools, durable metal containers, ergonomic screwdrivers, etc.

We develop and manufacture hand tools for specific market niches, such as bicycle tools and motorbike and automotive tools. We guarantee our users safe working at heights and (at the user's request) a radio frequency tool protection system.

In addition to the development, production and marketing of hand tools, we also provide industrial marketing as well as the development and production of cold forged products. Cold forged products (impellers, stators, shafts, etc.) meet the needs of industrial customers.

Our hand tools are available to end users worldwide. We participate in European and global economic flows. We maintain a close cooperation with our partners and buyers, building long-lasting business relationships. The majority of the sales are performed by the parent company in Slovenia via our own distribution companies in Italy, Austria, Germany, France, Spain, and the United Kingdom. We have also developed our sales network in the United States and Singapore, where we have subsidiary companies. In Eastern Europe, we have our own distribution companies in Russia, Bulgaria, Romania, Hungary, and in the south of Europe in Macedonia, Bosnia and Herzegovina, Serbia, and Greece.

Our products meet the demanding global quality standards. We also operate in accordance with the EFQM Excellence Model, i.e. all the employees are part of the quality improvement processes and are learning from one another. We are and remain one of the largest European producers of high-quality hand tools under the brand name Unior.

Mission
The development, production and marketing of high quality hand tools and cold forged products and the implementation of industrial marketing services.

Vision for the year 2020
We are a leading global manufacturer of certain special-purpose hand tools, rank among the five largest manufacturers of general tools and are one of the five largest producers of cold forged asymmetric products in Europe, as measured by sales revenues and the diversity of our assortment. The goal for the year 2020 is EUR 37 million in sales, composed of the realization of

EUR 3.5 million within the cold forging programme. The gross added value per employee shall amount to EUR 34,000.

Strategy

The world-wide professional consumption of hand tools with a view to the purchase prices of wholesalers and the same assortment as of UNIOR is EUR 4.2 billion. UNIOR's market share is 1.07% and is comparable with other competitors. The sales revenues from hand tools should increase by approximately 3% annually, namely on the assumption that we maintain and increase sales revenues on already existing traditional markets by at least 2.5%. To a greater extent, the sales of special-purpose hand tools will increase, while the sales of classic hand tools will be facing a decrease and replacement with new special-purpose hand tools (tools for bicycles, tools for plucked string instruments, tools for working at heights, tools with an RFID system, and tools based on the requirements of the buyers). Within the scope of classic tools, we expect an increase in the sales of pliers and scissors. In the field of existing special-purpose tools, we expect the growth of VDE tools, metal packaging and bicycle tools. Due to excessive falling behind the competition, we expect a drop in measurement and pneumatic tools. We have the possibility to turn around this trend and obtain the existing sale with the expedited development or financing the purchases of torque wrenches and pneumatics.

In the field of hand tools, we see the opportunity of increasing the volume of sales where we are already present. We have to accelerate our search for market opportunities in new markets (North and South America, China, Japan, Scandinavia, Africa, etc.). Enter the industry platforms and catalogues of international companies and monitor the trends (public procurements). Continue with our work on the reorganization of the sales network and enter in market segments (niches). In the countries of South-Eastern Europe, we must protect our existing market share. In the field of cold forging, we have to acquire knowledge in terms of development and win new products for the existing and potential buyers. Invest in additional lines for mechanical treatment and semi-warm forging and develop the technology for forging non-ferrous metals. This is the only way we can be competitive in the field of cold forging. In Western European countries promote sales for the industry, medium-sized enterprises and large tradesmen.

Special Machines Programme

The activity of the Special Machines Programme consists of the development and construction of CNC special-purpose machines, which are designed for large-scale processing of blanks from aluminium, steel and other alloys. As a rule, the machines are prototypes and require the integration of the most recent knowledge in the field of cutting technology. Despite the specific needs of the buyer, we build machines from standardized modules. In view of the demand for processing specific workpieces, we have designed some basic models of machines, which can be altered to meet the buyer's demands and the internal regulations.

We develop our products by ourselves and offer them directly on the market. In the beginning, we were orientated only towards European countries with a focus on Germany. However, after the 2010 recession, we had to expand our sales activities to the global market. This was mainly due to the transfer of technology to other countries (China, Mexico, USA, etc.). Customers were expecting our partnership in this segment, although our relatively small size represents a certain challenge in those areas.

In the market, we exploit the tradition of the entire UNIOR, its diversification and global presence in the metal processing industry. Due to the complexity and high value of the products, we are building a business model for our specific area:

- Business/economic buyer's confidence in our solutions and products;

- High professional qualifications of our staff;
- Tradition and a multi-annual presence in the most demanding segment of capital equipment;
- A wide range of reference products; and
- Quality products at comparable market prices.

Key features of our offer:
- Expert support in the development phase of the product;
- Our responsiveness and continuous presence;
- Flexibility to the buyer’s demands;
- Product/machine flexibility;
- Energy-efficient machines;
- Quality takeover and fast start-up;
- Quality and fast service in the immediate vicinity;
- Favourable price; and
- Reliable and stable operation of the machine.

Mechanical engineering is very complex, as we have to face individual enquiries, unique machinery and technical solutions. On today’s market, we are recognized for our flexibility, responsiveness, expertise and highly technologically qualified personnel. We have focused on niche segments such as components for car engines, processing parts for bodywork and seized the field of deep drilling technology as a specific treatment technology.

Construction trends of special-purpose machines are following the direction of increased flexibility, wider applicability, shorter delivery deadlines and providing high-quality servicing in the immediate vicinity of the buyer.

Intensive investments in the development and mastery of new technologies provides us with market recognizability as a development supplier. Close cooperation, trust and many years of experience in processing important engine parts, such as crankshafts and camshafts and various elements of peripheral units, enables us a continuous flow of orders. Modern trends with regard to the flexibility of machines also require new adaptations and a change in the way of thinking for tomorrow.

In addition to complete satisfaction of the needs, demands and expectations of our customers, we are introducing creativity in our programme, formulating satisfied, creative, contemporary thinking and progress-oriented co-workers.

In order to ensure the requirements and expectations of quality are met and in order to be successful in an era of rapid technological innovation and uncompromising competition, we have chosen the quality standards **ISO 9001 and VDA 6.4** to harmonize the quality system with the global practices. We also aim to be an ecologically-oriented, environmentally friendly company, which is why we have undertaken to act in accordance with the requirements of the **ISO 14001** standard. This will help us ensure the basis for the satisfaction of our buyers and the satisfaction of all of us.

Mission

We develop and manufacture innovative, technologically advanced products, which provide our buyers with greater competitiveness.

Vision for the year 2020

Our Special Machines Programme is comparable with our three largest European competitors. We are globally present on the market and rank among the leading companies in the field of manufacturing special-purpose machinery for deep drilling. In collaboration with partner companies in foreign markets, we are achieving global recognition, upgrading our knowledge and development, and provide for the scope of our business operations. The goal for the year 2020 is EUR 24.5 million of annual turnover and a gross added value per employee of EUR 45,000.

Strategy

Level of employees, knowledge and education:

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

Customer level:

- Satisfaction of business partners (buyers, suppliers)
- Global visibility of the programme
- Flexibility to the specific needs of the buyer

Level of processes, organization:

- High-quality implementation of projects (forward and technically)
- Cost efficiency of projects and operation
- Responsive and professional servicing
- Qualified cooperating network
- Optimally occupied capacities
- Innovative development of new products
- Management of inventories and receivables
- Efficient operation and support of the joint services

Financial level:

- Greater profitability
- Growth of the gross value added per employee
- Without outstanding receivables
- Ensuring financial assets for the implementation of the projects

Main Strategic Goals:

- Expansion into foreign markets (China, NA)
- Segment strategy
- Maintaining the current position on a broader market
- Integration of new development products
- Ensuring the long-term period

Tourism Programme

The Tourism Programme with Rogla and Terme Zreče plays an increasingly important role within the Slovenian and international tourism market. The Programme develops its offer on the basis of natural resources, while offering guests excellent services in the field of hotel and catering services, health, wellness and sports, combined with unparalleled natural beauty. In its two centres on Rogla and at Terme Zreče, it offers hotel accommodations in facilities of various categories.

In our mission, we draw nearer a natural and healthy life and strengthen the competitive advantage and reputation of the company with high-quality standardized services. Quality, growth, development, operational effectiveness and cost-effectiveness are our key strategic orientations. Special emphasis is given to the satisfaction of our guests, while we raise the quality of the tourist offer at all times and within our given capabilities. Our programmes are focused on health and well-being and active vacations, making us a representative provider of preparations for the top sports teams. We would like to become one of the best providers within the industry and the region.

The natural environment with three natural healing factors (acratothermal water, Pohorje peat and its mid-high altitude mountain climate), a diverse tourist and sports infrastructure and friendly and hospitable people create a wide range of leisure activities, relaxation and expert medical rehabilitation. The calm and stimulating environment, suitable infrastructure and equipment, a varied additional offer and professional employees represent optimal conditions for further development in the field of business tourism.

One of the key principles of the Tourism Programme is aimed at the development of new products and gradual product specialization. By raising the quality and the strategy for the development of product sets, we are upgrading the existing key products and adapting them to the trends on the market and thereby gradually increasing marketing products with a higher added value. With this, we are also aware of the fact that this is a process which will require additional investments in the years to come, mainly aimed at the reconstruction of the worn and dilapidated capacities on Rogla as well as at Terme Zreče. On Rogla, which is distinctively characterized by the seasons, we will focus our development on the experiential offer, which will improve the occupancy of the centre in the summer months and during the off-season and also somewhat "alleviate" the unfavourable impact of the winters.

Since active winter holidays represent one of the key products within the strategy of the Programme, we will upgrade the snowmaking system to the extent that we will be able to cover the entire ski slope in 5 days, provided suitable weather conditions prevail.

We are aware of the fact that only a quality offer in all areas will allow us to rank among the best providers within the industry.

We are continuing with the strategy of developing four product sets, as outlined in the business plan.

At Terme Zreče, the basic products remain Health Tourism and Thermal & Wellness breaks, while the niche products are Mice and top-class sports.

On Rogla, we are continuing with the development of two main products, i.e. Active holidays and Top-Class Sports (top-class athlete preparations). Two niche products on Rogla are still Mice and Selfness (which are still in the need of a good deal of development activities).

In the selection of the above-mentioned product sets, we are specifically emphasizing our key competitive advantages, such as the combination of natural healing factors from the immediate environment (acratothermal water, healing climate and Pohorje peat), the vicinity of a motorway and four international airports, and a unique combination of Rogla and Terme Zreče in the summer and winter. With this, we cannot pass the fact that our products are also in line with the strategy for the development of Slovenian tourism (Active. Natural.Green). In part, the success of the programme is certainly tailored by the friendly locals and accessible and professional colleagues.

Mission
We are drawing nearer a natural and healthy life.

Vision for the year 2020
We are preserving the natural beauties and strengthening the competitive advantage and image of the company with high-quality standardized services. We are developing a high-quality tourist offer orientated towards health, well-being and active holidays, which makes us a representative provider of preparations for top sports teams. We would like to become one of the best providers within the industry and the region. The goal for the year 2020 is EUR 22 million of annual turnover with the gross value added per employee of EUR 34,000.

Strategy
We are continuing with the outlined strategy for the development of basic tourist product sets.

The strategic orientations result from the facts that Terme Zreče and Rogla, combined together with Krvavec under a brand name Unitur, are well-known both domestically and abroad, and that the natural environment, the three natural healing factors (acratothermal water, Pohorje peat and the mid-high altitude mountain climate), a diverse tourist and sports' infrastructure and friendly and hospitable people create a diverse range of leisure activities, relaxation and expert medical rehabilitation. The calm and stimulating environment, suitable infrastructure and equipment, a varied additional offer and professional employees represent optimal conditions for further development in the field of business tourism.

We will continue with devoting special attention to the content and quality of the offer in the future. The planned activities will primarily focus on the development and specialization of existing and new products. By raising the quality and product specialization, we want to become the best provider of the chosen product in the industry as well as in the region, whilst primarily enhancing the satisfaction of our buyers. Unstable weather conditions throughout the year (also during the high seasons) are the primary reason for channeling in the development of products that are less dependent on the weather and at the same time suitable for the periods outside the high season, which are particularly pronounced on Rogla. During the high seasons, we shall optimize the labour costs between the two centres with an effective organization of the processes.

The creation of tourist products shall be adopted to modern trends and lifestyles within its content. In the selection of primary or top products, we will specifically emphasize our key competitive advantages, such as with an excellent location near the motorway and four airports, a combination of natural healing factors from the immediate environment (acratothermal water, healing climate and Pohorje peat), an extraordinary combination of a sports centre on Rogla and the spa resort Terme Zreče in the summer and winter, and the specialization and development of products in accordance with the strategy of Slovenian tourism (Active. Natural.Green), and, lastly, friendly, homely, accessible and professional staff.

The objectives, which are derived from the key strategic and development orientations, will reflect the growth of the overnight stays of foreign guests and the marketing of products with a higher added value. Thus, we plan a growth in market share in the overnight stays from 1.95% to 2.3% in 2020. With the strategic and development orientations, to the existing infrastructure in both centres will be added more content, which will be tailored to the target groups.

5 Important events in 2016

Deletion of the spin-off companies from the court register
On 1 February 2016, the company UNIOR d.d., received a resolution on the deletion of spin-off companies Tekoh d.o.o., and Caok d.o.o., and on 17 February 2016 for the deletion of spin-off companies Preun d.o.o., and Ustvarjalec d.o.o., from the court register of the Republic of Slovenia.

Notification of the convocation of the General Meeting
On 6 May 2016, the notification for the convocation of the 20th General Meeting of Shareholders was published on the website of AJPES, SEOnet and on Company's website.

The Company's General Meeting
On 8 June, the 20th General Meeting of Shareholders of UNIOR d.d., 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 profit for the business year 2015 and granting a discharge from liability to the Management and the Supervisory Boards;
- appointed the auditing company for 2016; and
- decided on amending the Articles of Association of the company UNIOR d.d.

Sales procedure of tourism activities
We have signed a Contract for the provision of services of managing the sales procedure of 98.56% of ownership of the company RTC Krvavec d.d. with the company Alta Skupina, upravljanje družb, d.d., Ljubljana, and a Contract on managing the sales procedures for the sale of activities of the Tourism Programme with the company KPMG poslovno svetovanje, d.o.o.

The acquisition of the syndicated loan
On 19 December, the Company signed an agreement on a long-term syndicated loan with six Slovenian banks in the amount of EUR 112.8 million, with which the company repaid old credits, reduced the number of creditor banks, simplified the consent procedures, achieved better financing conditions, opened the opportunity for further growth of the company and ensured one of the conditions needed for the company to remain at the top level in the processing of metals and in tourism. The consortium of banks that granted the Comapny the loan, is composed of: Nova Ljubljanska Banka d.d., as the agent and organizer, Abanka d.d. Nova KBM d.d., Gorenjska banka d.d., Banka Koper d.d., and Sberbank banka d.d.

6 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 main buyers include all the most prominent manufacturers: Volkswagen, Audi, BMW, Renault, Dacia, Peugeot, ZF Lemförder & ZF Lenksysteme, Volvo, the Bosch Siemens Group, Daimler, Jtekt, GKN, Arvin Meritor and General Motors. Among the other sectors our buyers operate in, it is also worth mentioning the craftsmen, repairers and end users who are primarily important for the Hand Tools Programme.

Our most important market is the European Union, where we export over 90% of all products in the field of the metal processing industry, which means that together with sales in Slovenia, we generate almost 90% of all sales revenues through sales on this market. Among other markets that are most important for us are the European markets outside the EU and Asian markets.

Forged Parts Programme

Like other programmes, the EU market is also the most important for forgings from the Zreče forge and the Croatian Unidal since we generate over 97% of all the sales revenues in this market – around 3% of these revenues are generated in Slovenia. The majority of the products (95% share) are intended directly for the automotive industry (the buyers include VW, Audi, Renault, Dacia, BMW, Volvo, Škoda, Porsche) and their sub-suppliers (ZF Friedrichshafen, TRW, JTEKT, SEAC, GKN, Mahle).

We have also strengthened our position in the field of connecting rods. We have gained new projects in connecting rods in VW, Jaguar Land Rover and Kia groups, which allows us to maintain the total number of connecting rods at the level of over 17 million over the next few years. We also take part in the development of engines built into hybrid vehicles. Our strongest competitors on the most important markets are the European manufacturers (Mahle-Brockhaus, STP, Ateliers des Janves).

We are the leading manufacturer in the field of steering mechanisms for cars, where we have managed to retain our share of supply to the ZF Group. We have significantly strengthened our position with THK (former TRW), where we secured the strategic project MQB, thus enabling us further growth with this buyer. SEAC remains a stable buyer with the programme for Toyota and also predicts a growth in the field of automotive parts "šapice". Important new projects were noted with the buyer JTEKT, where the share of processing is becoming increasingly important with a realization of more than EUR 4 million.

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

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

Our largest customers in the field of sintering are Robert Bosch Steering Automotive, Mahle, BPW, Audi, Willi Elbe. We are facing a much stronger competition on these markets than in the forging and processing programmes. Those warranting special mention are the American company GKN, the Austrian company MibaGroup, and the French company FederalMogul.

Among the providers of sintered products, there are both large multinational companies as well as smaller and adaptive (niche) manufacturers.

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

Hand Tools Programme

UNIOR's market share in the global consumption of hand tools is 1.07% and is comparable to other competitors. 52% of all sales revenues is generated on the European Union markets, and an additional 22% in other European countries who are not part of the European Union. In Africa, 4% of sales revenues is generated through the sales of hand tools, while the Middle East markets generate 12% of the entire sales revenues. The rest of the sales are performed on other continents, namely Asia, Australia and America.

Potential sales growth is seen especially in individual niche and segmented groups of products. We are leading in the market in the field of metal packaging, insulation and bicycle tools. Our biggest competitors in classic tools are the manufacturers of hand tools from Germany, such as Gedore, Hazet, Knipex, although we are successfully exercising the push strategy in certain Western European countries and thus assume their market share. Additionally, we are performing the following strategies:

- "Go to market": We are entering new markets and industry platforms.
- "Pull strategy": We are increasing the volume of sales on markets where we are already present.
- "Market segmentation": We are increasing the sales of special-purpose tools in the market segment and niche, and obtaining new customers by reorganizing the sales channels.

We are increasing the productivity of the employees in our sales department with a greater utilization of working time for active sales.

UNIOR hand tools are available to buyers in 90 countries on all continents. 37% of all sales revenues is generated through our own commercial representations abroad, and the rest through exclusive distributors. Last year, we obtained 0.94 million orders with new buyers, which have a tendency for growth, i.e. buyers from Poland, USA and Mexico. Sales of newly included products amounted to EUR 0.7 million last year. Newly acquired buyers from 2013 to 2016 represented EUR 3.4 million in last year's total realized sales, which helped us replace the losses in sales on certain markets. We have also increased the proportion of sales of our own products.

Basic buyers of Unior's hand tools and cold forged products are: the hydraulics industry, pneumatics industry, industry for the production of water pumps, production of agricultural machinery (tractors, tractor attachments, operating machinery),the heavy construction machinery industry, internal combustion engines (marine, cargo vehicles, automobile industry, military industry, oil and gas industry). We are building a partnership relationship with all buyers and aspire to make the Unior trademark the leader for professional users of hand tools.

Special Machines Programme

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

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

With regard to the wide range of machinery for metal processing within the Special Machines Programme, we have focused on the segments that are prepared to invest in the niches. Today, these are:

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

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

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

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

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

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

On the market, we mainly encounter the well-known competitors in German machine engineering, who have a technological advantage due to their tradition and the maximum support from the best development institutes. This support and unflawed communication in their native language provides them with a strategic advantage despite the usually higher costs of the finished product.
Construction of special-purpose machinery is tied to a cyclical demand. It is also tied to the development of new types of engines, which are further tied to global trends (diesel or gasoline, smaller engines – greater power, new environmental regulations, emission reductions, car weight reductions).

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

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

By carefully monitoring our buyer's needs, we are slowly aiming at developing even more flexible products, cheaper and more accessible performances, shorter delivery deadlines and care for good servicing, which gives the buyer a guarantee for the proper functioning of our products – machinery.

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

Tourism Programme

The key target markets on which we are focusing beside the Slovenian market, are the former Yugoslav countries, Hungary, Italy, Austria, Germany, the Russian Federation, Benelux, Czech Republic, Poland, Turkey and the Arab countries. We are strengthening our marketing on foreign markets with the specialization of products, the definition of key markets and specialized and professional marketers.

The primary target group is the family, while other important target groups are also pensioners and couples without children, top athletes and business guests. The target groups share an aspiration for natural, healthy and active lifestyles.

The objectives, which are derived from the key strategic and development orientations, will reflect the growth of the overnight stays of foreign guests and the marketing of products with a higher added value. With strategic and development orientations and investments in the renovation and development of the existing infrastructure in both centres, our tourism products will be added to with more content, which will be tailored to the target groups.

Our strategy until the year 2020 is to maintain the number of overnight stays generated by domestic guests while increasing the proportion of overnight stays of foreign guests by 50%. In this endeavour, combined with investments in the renovation of the existing infrastructure, we have a set goal to raise the actual price of an overnight stay and also achieve a higher added value on the market with our specialized products. This will also be the focus of our target marketing activities on foreign markets.

In both centres, we are largely dependent on overnight stays generated by Slovenian guests, and we have noted a particularly high proportion of domestic overnight stays at Terme Zreče, related to thermal cures. With modern marketing methods, we are increasing the number of direct bookings and with that raising the actual prices of our services.

Marketing is characterized by the increased activities on foreign markets, with a focus on our primary markets (Austria, Germany, Italy, former Yugoslavia and Hungary), while gradually developing and strengthening our presence in other foreign markets. We have also set a goal to maintain the number of overnight stays and the revenue collected from our Slovenian guests.

Activities associated with direct marketing on primary foreign markets, help us to reduce the dependence on the individual market and major tour operators and agencies. With the entire renovation of the website and on-line booking system (real time), we are increasing the portion of direct bookings.

In healthcare within Terme Zreče, we are developing new self-funded clinics, while aiming at the development of strengthening the products related to self-funded services.

Considering the fact that the largest portion of revenue comes from individual guests, the income from health insurance companies related to thermal cure at Terme Zreče, ranks among the highest positions. In the past year, we have been maintaining the revenues of two major tourist agencies on the Slovenian market. With the updated website and modern marketing methods, we are increasing the number of direct bookings and with that raising the actual prices of our services. As the tourism industry is very specific, we have more business partners, however, they represent a small part in the proportion of revenues.

New products, targeted marketing activities and a team of capable and successful sales specialists, specializing in individual markets, will contribute to the increase of overnight stays of foreign guests within the planned scope.

7 Shares

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 2016, which have been registered as no-par value shares since 2006. They are issued in a dematerialized form and registered as of 21 January 2000 in the Central Securities Register kept by the KDD – Central Securities Clearing Corporation, d.d., in Ljubljana.

Important information on shares

	2016	2015	2014	2013
Total number of shares	2,838,414	2,838,414	2,838,414	2,838,414
Number of treasury shares	3,330	3,330	3,330	2,330
Number of shareholders	1,018	1,229	1,279	1,285
Dividends per share	-	-	-	-
Value of treasury shares in the balance sheet (in thousands of EUR)	120	120	120	100

Treasury shares

The UNIOR Group has a total of 3,330 treasury shares representing 0.12 of the total equity. The shares are owned by Deutschland GmbH, Remseck and SPITT d.o.o., Zreče. UNIOR d.d. holds no treasury shares.

Ownership structure

Ten largest shareholders as at 31 December 2016

Shareholder	Number of shares	Equity stake
SDH, d.d.	1,119,079	39.43%
STORE STEEL D.O.O.	346,182	12.20%
ALPEN.SI mešalni fleksibilni podsklad	183,433	6.46%
KAPITALSKA DRUŽBA d.d.	157,572	5.55%
RHYDCON d.o.o.	134,363	4.73%
ZAVAROVALNICA TRIGLAV, d.d.	100,000	3.52%
ŽELEZAR ŠTORE D.P. d.d.	43,627	1.54%
BTS COMPANY, d.o.o.	29,527	1.04%
DINOS d.d.	24,885	0.88%
KOVINTRADE d.d.	19,650	0.69%
Ten largest shareholders total	**2,158,318**	**76.04%**
Other shareholders	680,096	23.96%
TOTAL	**2,838,414**	**100.00%**

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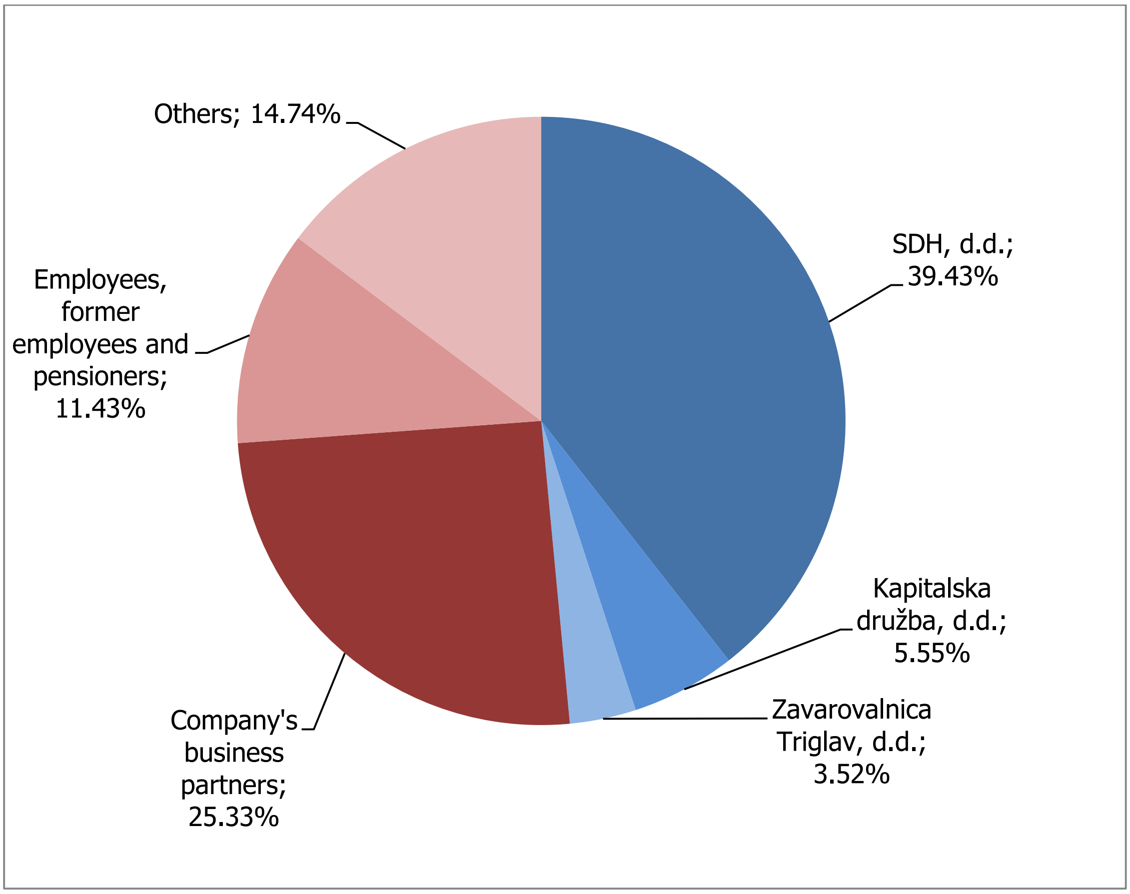
Ownership structure as at 31 December 2016

Shareholder	Number of shares	Equity stake
SDH, d.d.	1,119,079	39.43%
Kapitalska družba, d.d.	157,572	5.55%
Zavarovalnica Triglav, d.d.	100,000	3.52%
Company's business partners	719,084	25.33%
Employees, former employees and pensioners	324,393	11.43%
Others	418,286	14.74%
TOTAL	**2,838,414**	**100.00%**



Listing of the Shares on the Stock exchange

At the 14th regular General Meeting of the Company held on 21 July 2010, the decision was made for the shares of UNIOR d.d., to be listed on the regulated securities market of the Ljubljana Stock exchange. On 13 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.

Informing the Shareholders

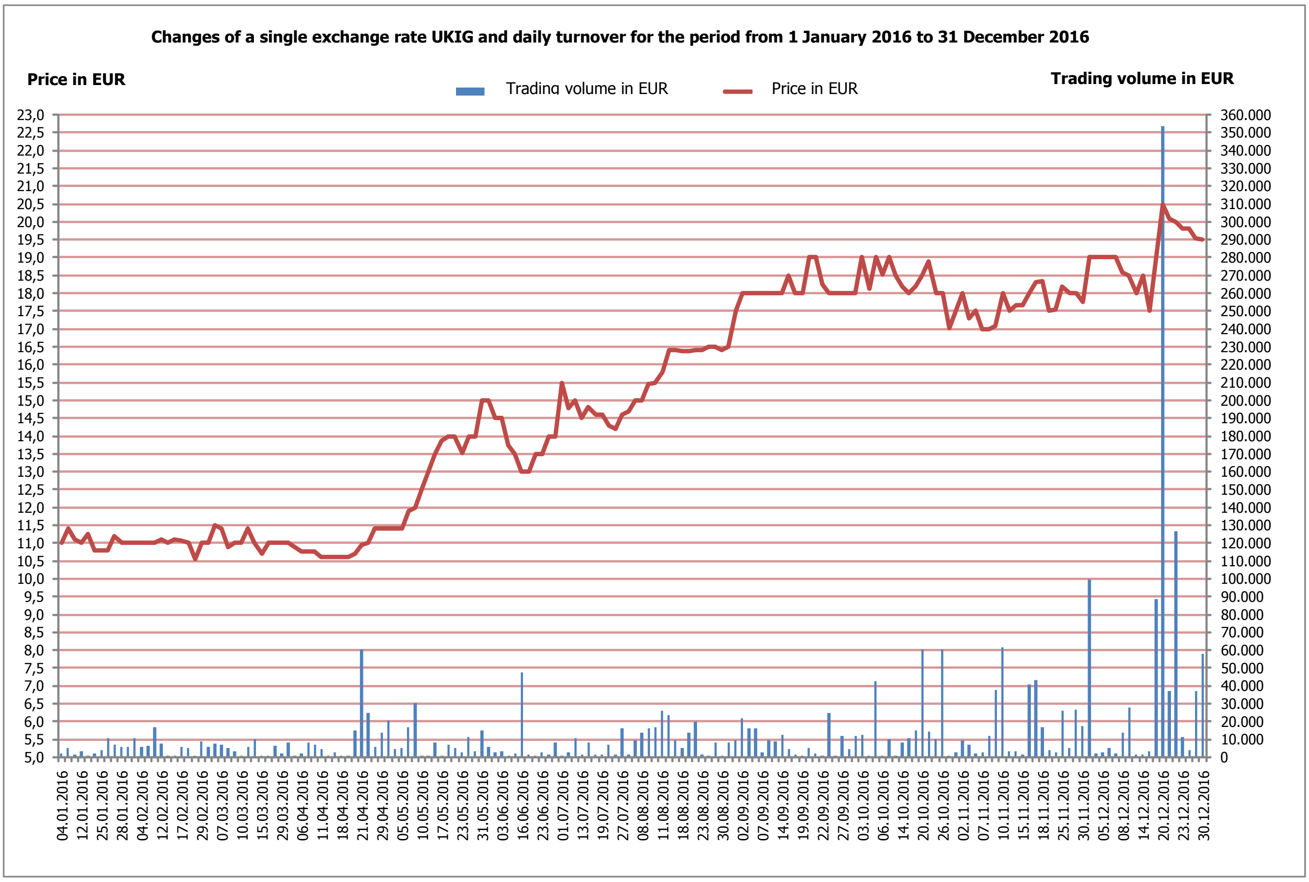
After listing the shares on the stock exchange, the Company followed the practice of notifying all of the shareholders and new interested investors in accordance with the law and customary business practice through the SEOnet electronic notification system of the Ljubljana Stock Exchange and the Company's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

Performance indicators per share

	2016	2015	2014	2013
Earnings per share	1.79	1.27	0.78	-1.25
Book value per share (in EUR)	39.61	38.12	37.27	36.41
Sales per share (in EUR)	59.17	56.31	56.18	58.67
Cash flow per share (in EUR)	6.23	5.92	5.63	4.92
Pay-out ratio	0%	0%	0%	0%

Trading in UKIG Shares

The stock market price of a UKIG share as at 30 December 2016 (closing price) was EUR 19.50. The total turnover generated between 4 January 2016 and 30 December 2016 amounted to EUR 2,379,959.56. The price-to-book value ratio of the share as at 30 December 2016 was 0.49.



8 Social responsibility

Social responsibility is one of the key elements of the long-term development of the Unior Group. Economic, social and societal development generate a greater impact in our Company. Unior provides workers with a quality working environment, by focusing and investing in the knowledge of our employees and in safe and healthy living.

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

8.1 Employees

At the end of 2016, there were 2,128 employees working at Unior, which means 25 employees more than in the previous year. Due to the increased volume of orders, the number of employees increased the most in the Forged Parts Programme and Special Machines Programme.

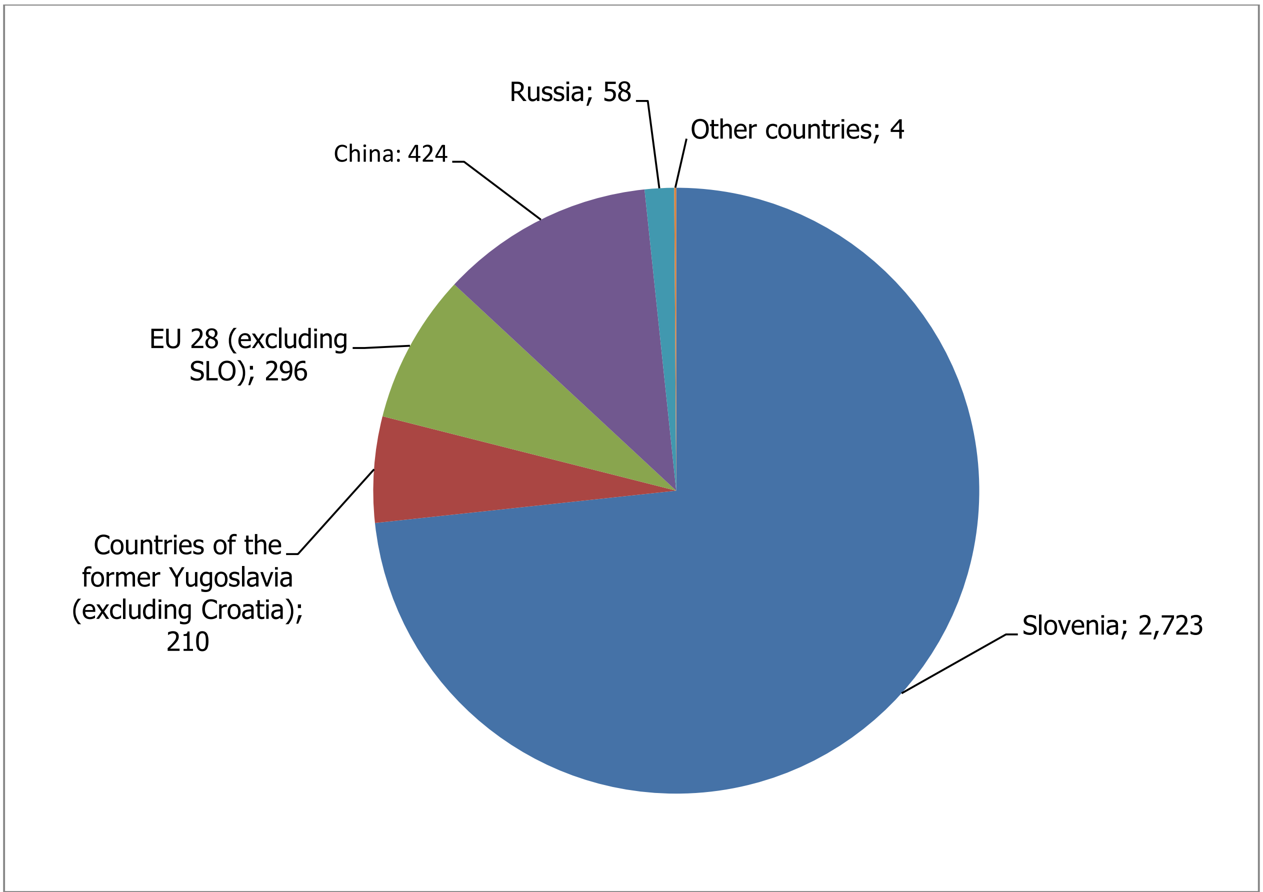
Data on employees

	2016	**2015**	**2014**	**2013**
Total number of employees	2,128	2,103	2,105	2,122
- Forged Parts Programme	*963*	*948*	*951*	*932*
- Hand Tools Programme	*391*	*395*	*388*	*384*
- Special Machines Programme	*169*	*153*	*153*	*176*
- Tourism Programme	*371*	*371*	*386*	*405*
- Joint Services	*136*	*136*	*132*	*131*
- Maintenance	*98*	*100*	*95*	*94*
Number of employees leaving	233	201	205	207
New employees	258	199	183	192
Average years of service	17.9	17.9	17.6	17.5
Average age	41.7	41.6	41.5	41.4
Average number of employees based on hours worked	2,057	2,036	2,008	2,023
Average absence from work (in hours)	107.0	105.2	105.1	121.1
Costs of education and training (in EUR)	206,069	163,919	140,824	142,552
Average salary (in EUR)	1,483	1,445	1,401	1,360

Altogether 233 employees left the Company, whereby the majority of these were employees with expired fixed-term contracts, followed by consensual terminations and terminations of the employment contact based on employees’ wishes. The number of newly hired employees increased the most in the Forged Parts Programme and the Tourism Programme because of the winter season. The average age of the employees remained at nearly the same level as the previous year due to employments of younger people and retirements.

Structure of employees by country (UNIOR Group)

	Number of employees
Slovenia	2,723
Countries of the former Yugoslavia (excluding Croatia)	210
EU 28 (excluding SLO)	296
China	424
Russia	58
Other countries	4
TOTAL	**3,715**



Sick Leave and Injuries at Work

Sick leaves in 2016 amounted to 5.1% and remained at the same level as the previous year. In 2016, sick leaves of up to 30 days slightly reduced, namely from 3.3% to 3.0%, while sick leaves over 30 days increased from 1.8% to 2.1%.

We have been implementing preventive actions of the Programme for safety and health at work in 2016. The goals of the Programme were reducing accidents at work, controlling the consistent use of hearing protection, improving working conditions, decreasing sick leaves, reducing musculoskeletal disorders, and caring for a healthy lifestyle with activity.

In 2016, there were 64 injuries at work, i.e. 15.8% less than in 2015. 126 more days were lost due to injuries at work than in 2015, as days of sick leaves arising from the previous years' injuries, still continuing, were included. Unior and the insurance companies give greater emphasis on the participation of workers. The share of denied (unjustified) claims also increased.

The measures in the area of health and safety at work have been primarily directed towards prevention:

- training workers regarding the hazards in the workplace and the obligations regarding safe work,
- preventative medical examinations of employees,
- the implementation of tests for alcohol intoxication at the workplace,
- systematic control of sick leaves,
- inspections of the working and safety equipment and the elimination of deficiencies,
- systematic treatment of accidents and the prompt elimination of deficiencies,
- implementation of the pilot project "STOP ACCIDENTS AT WORK" in the treatment plant,
- control of safety at work (use of personal protective equipment, control of the tidiness of workplaces, devices) and fire safety,
- preventative drills for the evacuation from the facilities in case of fire or other emergency events,
- implementation of actions in the field of health promotion (workshop "eating healthy" and the start of the school of weight loss or I am "fit", relaxation techniques, preventative vaccination against seasonal influenza, preventive programme for employees – muscle therapies, examinations for osteoporosis and other sports activities,
- implementation of ergonomics training for persons involved in the production process, and the introduction and preparation for the certification of the system for occupational health and safety according to the requirements of the OHSAS 18001 standard.

Training and Education

Employees are provided with opportunities for continuous professional training at Unior. Training costs increased in 2016. Emphasis was on health and safety at work. We have also carried out training for improving processes (updates of technical, hotel, catering and health areas), management and communication (business school). In the context of internal training, we provide for the transfer of expertise to other co-workers.

We also obtain new employees through a system of scholarships. The number of new scholarship agreements for pupils and students slightly increased in 2016. 8 new contracts on co-financing on-the-job studies were concluded. All contracts are concluded with those employees that were positively assessed by their superiors – potential personnel, deficit personnel, personnel intended for other workplaces. For training, scholarships and studies along with work in 2016, we have allocated EUR 206,069 thousand, which is slightly more than in the previous year. Staffing slightly improved in 2016, since the number of employees with a high level of education, master's degrees and PhDs increased. The number of qualified and semi-qualified employees slightly decreased.

Employee structure by Education

	Level of qualification	31 December 2016	31 December 2015	31 December 2014	31 December 2013
I	Unskilled	378	396	419	446
II	Semi-skilled	149	150	153	152
IV	Skilled	714	702	715	728
V	Secondary vocational education	519	518	491	486
VI	Higher vocational education	125	124	131	124
VII/1	Graduate vocational education	145	121	110	102
VII/2	University vocational education	80	79	75	73
VIII/1	Master's degree	16	13	11	11
VIII/2	PhD	2	0	0	0
TOTAL		**2,128**	**2,103**	**2,105**	**2,122**

Average salaries

The average monthly gross salary per employee in 2016 amounted to EUR 1,485 and was higher by 2.8% in comparison with the same period in the previous year. With a 0.1% fall in consumer prices, this represents a 2.9% real increase in average salaries. The net salary increased during this period by 2.2% or by 2.3% in real terms.

Communication with employees

As for internal communication in 2016, we focused on the systematic implementation of the so-called sectoral meetings, the purpose of which is to systematically feed structured information or strengthen interpersonal communications across the entire hierarchy from the top downwards to all employees. These activities will be further strengthened in the following years with an update of the system for internal communication. We have built communication on interactive digital media for more effective work in the working environments. Internal communication and implemented activities strengthened the awareness of the values of the creativity and health of employees in Unior d.d., and special attention was paid to communication of the ethical code within the company.

Communication with employees in Unior d.d. is arranged and systematical. It is conducted through a network and hierarchically using various tools: with an internal quarterly newspaper, e-news, if necessary with a newsletter, regularly with notices on notice boards and via the internet and sectoral meetings. Interpersonal communication takes place through a network and hierarchically according to a time schedule for communication by the workers' council, trade unions, the Management Board, the Executive Committee, workers assemblies and sectoral meetings.

8.2 Company

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

We are proud of our scholarship tradition. Our scholarships have lightened the financial burden for many families during the education of their children. Within the Slovenske Konjice – Zreče School Centre, we educate our personnel in our own workshop.

8.3 Environmental Protection

Since 2004, UNIOR d.d. has an established and certified environmental management system in accordance with the ISO 14001 standard. In 2016, the Bureau Veritas certification company recertified the environmental management system. Four inconsistencies were found, which we eliminated within the agreed deadline and wrote corrective measures. The recommendations are being gradually introduced into the environmental management system. We monitored the environmental factors such as emissions into the water and air, the consumption of energy products, natural resources, chemicals and waste generated and disposed of, and the generation of noise pollution in the environment. Based on these ecological indicators and the identified environmental aspects, legal and other requirements, the results of monitoring activities, information received from employees, interested parties, neighbours and buyers, we have set up programmes and objectives for the coming years.

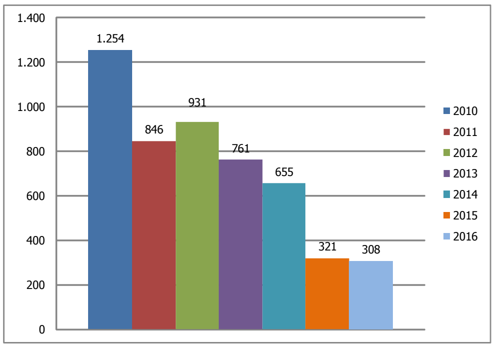
Energy Consumption, Energy Efficiency

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

Waste Water

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

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

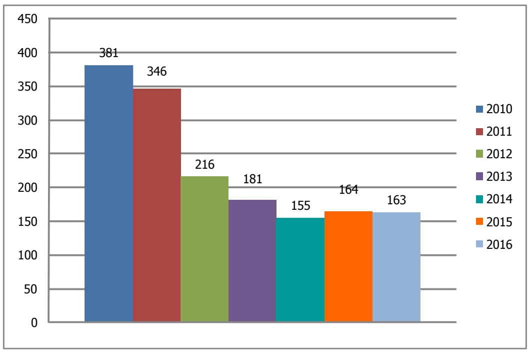


In 2016, the total load units (LU) of wastewater were reduced by approximately 5% compared to 2015. The reductions were due to the connection to the sewage treatment plant at Zreče and the lower pollution of cooling wastewater and wastewater from the sewage treatment plant at Obdelovalnica. Thus the cost of the environmental charges will be lower by approximately 5% compared to 2015.

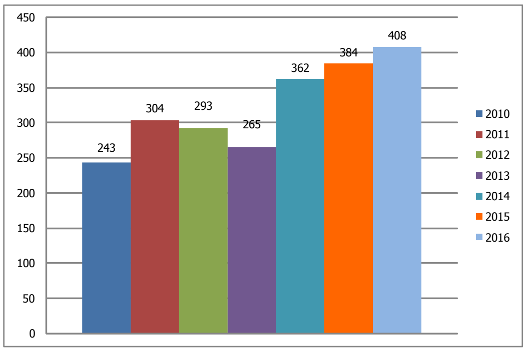
Waste

The diagrams below show that the total quantity of waste compared to the previous years increased by approximately 20%. We estimate that the quantity of packaging waste (paper, plastic, wood) increased mainly due to the introduction of the 5-S system, which resulted in cleaning a large part of the offices, archives and production facilities. The septic tank sludge and the biological wastewater treatment plant sludge increased, so we had to drain them in order to connect to the Zreče municipality sewerage system. The quantity of the mixed municipal waste remained the same or slightly decreased. Due to the larger volume of production, the amount of secondary waste increased.

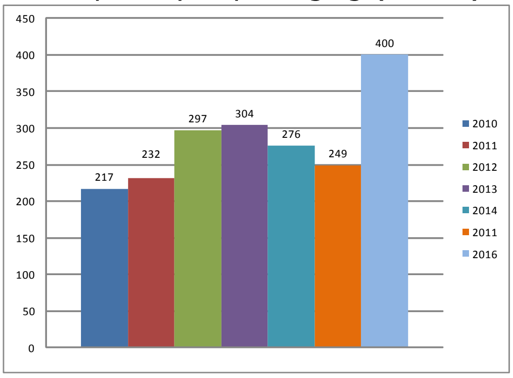
The quantity of municipal waste (tonnes)



The quantity of hazardous waste (tonnes)



The quantity of packaging (tonnes)



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Air Emissions

In 2016, we performed 14 measurements of emissions into the air, which are prescribed by the law, namely on the locations Ročno orodje Obdelovalnica Zreče, Kovačnica Zreče, Kovačnica Vitanje and Obdelava odkovkov Konjice. It was determined that all the measurements of emission concentrations of the prescribed parameters at all locations did not exceed the permissible values of air emissions.

Noise

In 2016, noise measurements in the environment did not have to be performed.

Chemicals

In 2016, we implemented the legally prescribed training for employees who work with hazardous substances. We also performed periodic training for new employees. The audit of the chemicals register was also under way, and should be completed in the first half of the following year.

9 Corporate Governance

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

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

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

9.1 The Management Board

The Company has a two-member Management Board. The President of the Management Board is Mr. Darko Hrastnik, who was appointed to the position on 31 January 2014, when the Supervisory Board entrusted him with a new five-year mandate for the period from 1 June 2014 to 31 May 2019. This is his second term as the President of the Management Board. Before that, he was twice a Member of the Management Board. Mr. Branko Bračko was appointed member of the Management Board on 15 November 2012 with a mandate until 14 November 2017. He is a member of the Management Board for the first time.

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

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

Working and leadership experience:

2000–	Unior	
	2012–	President of the Management Board
	2009–2012	Member of the Management Board
	2007–2012	Executive Director of the Hand Tools Programme
	2004–2007	Director of the Hand Tools Programme

	2002–2003	Member of the Management Board
	2000–2002	Assistant to the Director of the Forged Parts Programme, responsible for the following areas: sintering, processing forged parts at Slovenske Konjice, cold forging and demanding project assignments
1999–2008	Higher Vocational College in Celje, associate lecturer for the Business Administration and Management course	
1996–2000	MPP Livarna, d.o.o., Maribor, Managing Director	
1994–1996	TAM Metalurgija, d.o.o., Marketing Director	
1994–1994	Livarna Ferralit, d.o.o., Žalec, Head of Production	
1989–1993	Livarna, d.o.o., Štore	
	1992–1993	Technical Director
	1989–1992	Development Department

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

Working and leadership experience:

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

9.2 Executive Board

The Executive Board is composed of the members of the Management Board, Directors of programmes, and other members invited by the Management Board. The main tasks of the Executive Board 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:

- Darko Hrastnik, BSMet., President of the Management Board,
- Branko Bračko, BSME., Member of the Management Board,
- Robert Ribič, BSME., Director of the Forged Parts Programme,
- Danilo Lorger, BS.Che.E., Director of the Hand Tools Programme,
- Andrej Purgaj BSME.,Director of the Special Machines Programme,
- Barbara Soršak BSEc., Director Tourism Programme,
- Uroš Stropnik MSc., Director of General Affairs sector,
- Bogdan Polanec MSc., Financial Director,
- Boštjan Slapnik MSc., Director of the Purchasing sector,
- Zlatko Zobovič, BSEc., Director of the Controlling sector
- Rok Planinšec MSc., Director of the ITS sector,

- Andrej Kokol MSc., Director of strategic development, mass innovation and entrepreneurship sector,
- Ivan Bašič, BMS., and BEE., Director of the maintenance sector,
- Dani Kukovič, BSEE., Director of the energetics sector,
- Patricija Sedmak, BSEc., Head of the internal auditing service

9.3 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 the operations of the Management Board and thereby protect the interests of the Company's stakeholders.

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

The representatives of the owners within the Supervisory Board are:
- Branko Pavlin MSc., (President),
- Franc Dover MSc., (Deputy),
- Prof. Dr. Marko Pahor, and
- Drago Rabzelj, BSEc.

The representatives of the employees are:
- Marjan Adamič MSc., and
- Darko Dujmović, BSME.,

The Supervisory Board of the Company has two Committees, the Audit Committee and the Human Resources Committee.

The Audit Committee operates in the following composition:
- Drago Rabzelj, BSEc., (Chairman),
- Prof. Dr. Marko Pahor (Deputy),
- Marjan Adamič MSc., and
- Gregor Korošec, BSEc., (External member).

The Human Resources Committee operates in the following composition:
- Franc Dover MSc., (Chairman),
- Branko Pavlin MSc., (Deputy) and
- Darko Dujmović, BSME.

9.4 General Meeting of Shareholders

The General Meeting of Shareholders is the Company's highest body where the will of the shareholders is exercised directly and key decisions are taken. Each of the Company's shares provides one vote, though 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 June or July by publishing the information on the AJPES website, SEOnet information system and on the Company's website no later than thirty days before the scheduled date. 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 meeting is held.

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

On 8 June 2016, the 20th regular 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 profit for the business year 2015 and granting a discharge from liability to the Management and the Supervisory Boards;
- appointed the auditing company for 2016; and
- decided on amending the Articles of Association of the company UNIOR d.d.

The notices about the resolutions passed at the General Meeting were published on SEOnet and the Company's website on 8 June 2016.

The regular General Meeting in 2017 is planned to be held on 7 June 2017. The notification of the convening of the General Meeting with the envisaged content of resolutions, place, time and the conditions for participation and voting is expected to be published on the AJPES website, SEOnet information system and on the Company's website on 5 May 2017.

9.5 Remuneration to the Management Board and the Supervisory Board

Remuneration to the Management Board and the Supervisory Board

	Gross values		Net values	
(in EUR)	2016	2015	2016	2015
Darko Hrastnik	166,742	157,721	73,589	69,195
Branko Bračko	154,920	145,468	68,382	63,527
Management Board total	**321,662**	**303,189**	**141,971**	**132,722**
Branko Pavlin	12,154	9,162	8,839	6,664
Marko Pahor	10,440	7,512	7,593	5,464
Drago Rabzelj	10,687	8,275	7,773	6,019
Darko Dujmović	8,946	6,573	6,506	4,781
Franc Dover	9,933	7,135	7,224	5,189
Marjan Adamič	9,549	6,976	6,945	5,073
Gregor Korošec*	2,186	1,594	1,590	1,159
Supervisory Board total	**63,895**	**47,227**	**46,470**	**34,349**

* External member of the Supervisory Board Committee

The Management Board

In 2016, both members of the Management Board received a fixed remuneration under an employment contract concluded with the Company's Supervisory Board for their work. The members received variable remunerations according to the contract, but were not rewarded with options, as this was not provided for under the contract. They have also not received any session attendance fees either, which would result from membership in the supervisory boards of subsidiaries.

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 these committees. In addition to the above, they also receive per diems and have their travel expenses reimbursed in accordance with the regulations. Attendance fees to the members of the Supervisory Board and the members of the Committees may be paid out until they reach 50% of the basic remuneration for the performance of their functions. Additional session attendance fees payments for performing their function may be paid out until the amount reaches 50% of the basic remuneration for the performance of their functions.

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

The internal owners (employees, the Management Board and the Supervisory Board) at Unior together hold a 7.03% interest, whereby the Management Board holds 0.06% and the Supervisory Board 0.21% of the Company's shares. In 2016, 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		Net acquisition	
	2016	**2015**	**2016**	**2015**
Darko Hrastnik	1,505	1,505	0	0
Branko Bračko	250	250	0	0
Management Board total	**1,755**	**1,755**	**0**	**0**
Branko Pavlin MSc.	0	0	0	0
Franc Dover MSc.	0	0	0	0
Prof. Dr. Marko Pahor	0	0	0	0
Drago Rabzelj	0	0	0	0
Marjan Adamič MSc.	5,154	5,154	0	0
Darko Dujmović	658	658	0	0
Supervisory Board total	**5,812**	**5,812**	**0**	**0**
Total number of issued shares	**2,838,414**	**2,838,414**		

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

9.7 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 2016 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 2016 Annual Report and will 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 the management bodies; sets the rules and procedures for corporate decision-making at the Company; provides a framework for setting, achieving and monitoring the realization of business objectives and introduces values, principles and standards for fair and responsible decision-making and conduct within the scope of all of the aspects of our operations.

The corporate governance system is a means of achieving the Company's long-term strategic goals and a way for the Management Board and the Supervisory Board of UNIOR d.d., to fulfil their obligations 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, which lays down the minimum required content of the Corporate Governance Statement, UNIOR d.d., is hereby providing the following notes:

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

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

   The internal control system comprises procedures that ensure that:
   - business events are recorded based on authentic bookkeeping documents, which serve for the accurate and fair recording of these events and provide a guarantee that the Company disposes of its assets fairly and honestly;
   - business events are recorded and financial statements are compiled in accordance with the applicable legislation in force;

- eventual unauthorized acquisition, use and disposal of the Company's assets that could materially affect the financial statements are prevented or detected in time.

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

2. *The 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 is published promptly in the electronic notification system of the Ljubljana Stock Exchange and communicated to the Securities Market Agency. The holder of the qualifying holding, as laid down by the Takeovers Act, at UNIOR d.d., as at 31 December 2016 was the company SDH, d.d., with an equity stake of 1,119,079 shares or 39.4%.

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

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

4. *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 to the Articles of Association.*

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

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

   UNIOR d.d,.did not have the authorization for the issuance and repurchase of treasury shares in 2016.

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

   The General Meeting met once in 2016. The competencies of the General Meeting and the rights of the shareholders are provided for by the law and are exercised in the manner laid down by the Company's Articles of Association, the Rules of Procedure of the General Meeting and the Chair of the General Meeting. The course of the voting at the General Meeting of the public limited company UNIOR is explained in greater detail in chapter 9.4 The General Meeting of the 2016 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 Corporate Governance of the 2016 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 the good governance practices and that are explained herein.

The Statement of Compliance with the Code provisions forms an integral part of the 2016 Annual Report and will 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 2016 financial year, i.e. from 1 January 2016 to 31 December 2016. There were no changes in the Company's governance from the end of the financial year until the publication of the Statement.

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

- Provision 1: the Company operates in line with the basic goal, which is to maximize the value of the Company, and other goals such as the long-term creation of value for the shareholders and the 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 5.2: by collecting authorizations for the General Meeting in an organized manner, the Company provides for the publication of this information, namely by publishing the list of authorized persons and their contact details, the deadlines for the collection and the proxy form, while it does not publish all of the costs incurred by the Company in relation to the organized collection of proxies on the day of the General Meeting.

- Provision 21.3: the Company does not publish its communications in a foreign language that is usually used in international financial circles.

Zreče, 31 March 2017

President of the Management Board
Darko Hrastnik MSc.

Chairman of the Supervisory Board
Branko Pavlin

Member of the Management Board
Branko Bračko

9.8 Risk management

In accordance with the principles and guidelines of SIST ISO 31000:2011 quality system, we have developed a risk management system and introduced it in the business processes of Unior d.d., active since 1 July 2016. The risk management committee and risk managers regularly monitor the risk exposure, plan and implement measures to mitigate the risks and plan and monitor the performance of potentials for improvements, which would further contribute to the risk management. We have establisheda risk register with descriptions and characteristics for each of the identified risks. The approach to risk management differs for different risks, although the purpose of the measures is to reduce each of them to the lowest possible level in accordance with the available resources.

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

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

BUSINESS RISKS

Risk area	Risk description	Management method	Exposure
Ownership structure	The risk of changes in the ownership structure can enable the elimination of weaknesses and exploiting of opportunities, or can cause danger.	Cooperation within the framework of the options in the sales process, communication between stakeholders, legal protection of interests and business simulation.	High
Sales and marketing	Risk of loss of revenue	Timely response to changing market conditions, adapting offers, new market channels and strategies, differentiation and diversification.	Moderate
Climate changes	The risk of unfavourable weather impacts on business	Marketing methods and combining offers.	Moderate

RISK OF CHANGES IN THE OWNERSHIP STRUCTURE

The risk refers to the predicted change of the majority of shareholders, as it may have a decisive impact on the strategic orientations of the company's business operations. It is a business share, which is in direct and/or indirect ownership of the Government of the Republic of Slovenia, as well as other shareholders, which might be sold at a favourable offer price of shares or the takeover offers of new potential owners. The risk can be alleviated in the context of the legally permitted cooperation with potential new owners, appropriate communication with stakeholders and the simulation of scenario planning. Sensitivity analysis: in case shareholding changed by more than 50%, the new owner(s) would impact the strategic orientations of the company. Should this result in positive effects for the company, we see no danger. Otherwise, this might represent an issue.

SALES AND MARKETING RISKS

Unior's sales and distribution network is widely diverse, as we sell our products in approximately 100 countries around the world. Diversity of geopolitical and macroeconomic conditions and legal, cultural and entrepreneurial environment also indicates different sales risks. We estimate that the key competitive advantages of Unior's processes and products are their appropriate price, quality, flexibility and innovation. We are devoting our attention to current buyers and markets, building a long-term development and supplier partnerships. At the same time, we are aiming at potential new buyers and markets, which require a different approach and a view on risks. In view of the high dependence on the markets of cars powered by internal combustion engines, special attention is paid to the development of the market and the use of electric cars. The Tourism Programme is facing risks related to climate change and considerations as to which direction to develop the offer (and direct investments) on Rogla, which will complement the natural winter conditions with less natural snow and higher temperatures. Sensitivity analysis: in case the sales revenues fall behind the planned revenues by 1%, the operating result would reduce with regard to the plan by approximately 6%.

CLIMATE CHANGE RISKS

Climate change causes mild winters with less natural snow, longer and hotter summers and springs and warmer autumns with more rainfall. The ski season is therefore shorter, whereby reducing the potential of sales related to skiing. We are gradually redirecting towards a greater specialization of products and, in this way, give a special meaning to the development and quality of the selected products. Sensitivity analysis: it is detected directly in shorter winter seasons and rising costs of preparation of ski slopes due to a lack of natural snow, while higher summer temperatures in towns and cities open opportunities for spending leisure time in more favourable middle-mountain temperatures.

OPERATIONAL RISKS

Risk area	Risk description	Management method	Exposure
Employees	The risk of workplace accidents and injuries	Trainings, performing measures based on the workplace risk assessment, observance of the working instructions.	Moderate

RISKS ASSOCIATED WITH WORKPLACE INJURIES OF EMPLOYEES

In the field of health and safety at work, we assess the probability of the occurrence of an accident and its consequences and the likelihood of developing health defects at the workplace. The workplace risk assessment is used as a basis for the improvement of, for example, workplace ergonomics. Education, training, safety and health instructions, warning signs, measures, meetings, discussions, etc., help improve the awareness about the possibilities of the occurrence and prevention of injuries at the workplace. Sensitivity analysis: in case the costs of compensation increased by 100% in comparison with 2016, the direct consequence would be a reduction in the profit by approximately 3% and vice versa.

FINANCIAL RISKS

Risk area	Risk description	Management method	Exposure
Credit risk	The risk of not being able to collect our contractual claims at maturity as a creditor.	Planning the cash flow, timely collection of outstanding receivables, factoring, cost and current assets management and monitoring indicators.	Moderate
Interest rate changes	Risk of financial loss due to the unfavourable interest rate movements.	Management of the financing business principles, considering the golden balance rule: long-term investments are financed through long-term sources, daily monitoring, diversification of external financing sources, monitoring changes in external environment, diversification of the maturity of liabilities and cost management.	Moderate

CREDIT RISK

Credit risks are managed through regular monitoring the business operations and financial position of all existing and new business partners, with limiting exposure to individual business partners and with an active process of collecting receivables. By regularly monitoring outstanding and overdue receivables due from buyers, the age structure of receivables and the changes of the average payment deadlines, the company's credit exposure is kept within acceptable limits. Receivables due from all buyers, with the exception of associated companies, are secured with the insurance company since 1 October 2014. Sensitivity analysis: in case the company does not get the principals and interests paid on time on an annual basis, the write-down of the principal and the loss of revenue arising from interests would reduce the profit by approximately 25%.

RISK OF CHANGES IN INTEREST RATES

A change in the interest rate can significantly reduce the economic benefits of the company, which is why we are constantly monitoring the movement of the reference interest rates on the market. Risk is assessed as moderate. In recent years, there is a consistently present decrease in reference interest rates. With the consortium of banks, the company reach an agreement that the interest margins are to be formed according to the margin scale and with regard to the performance of the Unior Group by 2023, which represents a beneficial effect on the performance of the company in the future periods. The risk of rising interest rates is shown in the table below. Sensitivity analysis: in case the interest rate increased by 100%, the profit would be reduced by approximately 7%. Other hypothetical rises are illustrated in the table below.

Balance of the liabilities tied to an individual variable interest rate in 2016

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

Balance of the liabilities tied to an individual variable interest rate in 2015

(in EUR)	Amount of the liability as at 31 December 2015	Interest rate	Hypothetical rise in interest rates by 15%	by 50%	by 100%
Interest rate type					
1-month EURIBOR	3,415,216	-0.2020	1,035	3,449	6,899
3-month EURIBOR	33,752,250	-0.1320	6,683	22,276	44,553
6-month EURIBOR	66,924,021	-0.0420	4,216	14,054	28,108
Total effect	**104,091,487**		**11,934**	**39,779**	**79,560**

COMPLIANCE RISK

Risk area	Risk description	Management method	Exposure
Compliance	Risk of legislative and tax changes	Regular monitoring of proposals for changes in the legislation and regulations, management controls.	Moderate

THE RISK OF COMPLIANCE WITH THE LEGISLATIVE AND TAX CHANGES

Legislative risk occurs when the state does not provide matters as prescribed by the law. The risk of compliance with legislative provisions, taxes and contributions is the risk of the occurrence of statutory or regulatory sanctions, substantial financial loss or loss of reputation, which may be suffered as a result of non-compliance with the laws, regulations, rules, related organizational standards and codes of conduct that apply to the company and its activities. Most frequently, the legislative and tax changes in the corporate world emerge as additional financial burdens and therefore impair the competitiveness. We mitigate the risks through the implementation of management control and regular monitoring of proposals for changes in legislation and regulations, while giving the priority in investments into fixed assets with less energy consumption, lower noise and emissions into the environment. Sensitivity analysis: it is realistic that the cost of legislative changes represents 0.3% of sales revenues (but not every year), which has a direct impact on reducing the profit in the amount of around 10%.

10 Business Report

10.1 The Situation in the Economy and the Automotive Industry

In 2016, the global growth of gross national product was 2.2%, which is the lowest growth in the post-crisis period. Growth in the volume of world trade dropped to 1.7%, meaning that for the first time in 15 years, the growth of the global GDP was faster than the growth of the world trade. The economic growth in the USA reached 1.6%, namely the lowest in five years, while the Chinese GDP growth stopped at 6.7%. According to the first Eurostat estimation, the gross domestic product in the euro area increased by 1.7% in 2016, and by 1.9% in the European Union. Germany concluded the 2016 year with a 1.9% growth in economic activity, which is the fastest growth of the largest economy in the euro zone in the last five years. Despite the positive predictions, the international environment still holds numerous negative risks, from changes in the political environment of some developed countries, increased social inequality and mutual sanctions between the EU and Russia, to the geopolitical tensions in the Middle East.

Economic growth in Slovenia was 2.5% and was among the highest in the euro area, mostly due to the competitiveness of the export sector, but also to the strengthened final domestic consumption. Households contributed significantly, as their consumption, together with the growth in employment and wages and consumer loans, is becoming increasingly more balanced, with a growing consumption of non-durable consumer goods. In comparison with the euro area, particularly investments remained weak, although the prospects are improving with the strengthening investment activities of the companies.

Macroeconomic indicators of Unior's key markets in 2016

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

Source: Eurostat

The value of industrial production in Slovenia in 2016 increased by 6.6% in comparison with the previous year. The main contribution was that of companies in the processing industry with an 8% increase in production, whereby the production in processing activities increased by 8% and in the mining industry by 2.3%, while it decreased by 5.3% in the electricity, gas and steam supply industry in comparison with 2015. Unemployment decreased in 2016, although there are still more than 100,000 registered unemployed persons in Slovenia, whereby structural disparities in the labour market are increasing, as approximately one third of employers have already faced a lack of suitable personnel.

Annual inflation in the euro area was 1.1% and 0.5% in Slovenia, while the average annual inflation was negative 0.1%.

Forecasts for economic growth are optimistic, as analysts are estimating that the European economies are rather resistant to the global economic, political and security challenges, which did not inhibit the projected economic growth in 2016. The European Commission is of a similar opinion in their recent economic growth forecasts, predicting a positive economic growth for the following two-year period for all members of the EU for the first time in about a decade, whereby the Slovenian economy is expected to reach a 3% growth or 1.3 percentage points more than the euro area average.

(Sources: SURS and Eurostat data, the Bank of Slovenia: A summary of the macroeconomic developments, January and February 2017)

Automotive Industry

Production of motor vehicles

In 2016, the global automobile industry manufactured 95 million vehicles, which is 4.7% more than in 2015, achieving a record in production volume once more. Asia remained at the leading position with the production of 51.5 million vehicles due to an exceptional 14.8% production growth in China, which bolstered its position as the largest vehicle manufacturer with an annual production of 28.1 million vehicles. On the American continent, 20.5 million vehicles were produced, which is 0.5% less than in the previous year, resulting mainly from the 11.2% drop of production in Brazil, irrespective of the otherwise 0.8% growth in USA. Second place among the continents was occupied by Europe with a 2.9% growth in production, 21.7 million vehicles produced and a 22.8% share in the worldwide automotive industry.

Global production of motor vehicles

	In millions					Annual growth			
	2012	2013	2014	2015	2016	2013	2014	2015	2016
EUROPE	**19.8**	**19.9**	**20.4**	**21.1**	**21.7**	**0.5%**	**2.5%**	**3.3%**	**2.9%**
EU27	16.2	16.2	17.1	18.2	18.8	0.0%	5.5%	6.1%	3.5%
EU15	12.8	12.8	13.5	14.4	14.9	0.2%	5.2%	7.1%	3.2%
Germany	5.6	5.7	5.9	6.0	6.1	1.2%	3.3%	2.1%	0.5%
Spain	2.0	2.2	2.4	2.7	2.9	9.3%	11.1%	13.7%	5.6%
France	2.0	1.7	1.8	2.0	2.1	-11.6%	4.7%	8.2%	5.7%
Great Britain	1.6	1.6	1.6	1.7	1.8	1.3%	0.1%	5.2%	8.0%
Rest of Europe	3.6	3.7	3.3	2.9	2.9	2.6%	-10.3%	-11.6%	-1.0%
AMERICA	**20.1**	**21.1**	**21.2**	**21.0**	**20.9**	**5.2%**	**0.4%**	**-1.2%**	**-0.5%**
USA	10.3	11.1	11.7	12.1	12.2	7.1%	5.4%	3.8%	0.8%
Mexico	3.0	3.1	3.4	3.6	3.6	1.8%	10.3%	5.9%	0.9%
Brazil	3.4	3.7	3.1	2.4	2.2	9.1%	-15.2%	-22.8%	-11.2%
ASIA & OCEANIA	**43.7**	**45.8**	**47.4**	**47.8**	**51.5**	**4.8%**	**3.5%**	**0.8%**	**7.8%**
China	19.3	22.1	23.7	24.5	28.1	14.8%	7.3%	3.3%	14.8%
Japan	9.9	9.6	9.8	9.3	9.2	-3.1%	1.5%	-5.1%	-0.8%
India	4.2	3.9	3.8	4.1	4.5	-6.6%	-1.4%	7.3%	8.8%
AFRICA	**0.6**	**0.6**	**0.7**	**0.8**	**0.9**	**8.5%**	**13.1%**	**16.2%**	**7.9%**
TOTAL	**84.2**	**87.5**	**89.8**	**90.7**	**95.0**	**3.9%**	**2.6%**	**1.0%**	**4.7%**

Source: OICA - Organisation Internationale des Constructeurs d'Automobiles
OICA - Organisation Internationale des Constructeurs d'Automobiles

Sales of motor vehicles

Global sales of motor vehicles in 2016 reached a record 93.4 million, and the sales results indicate a 4.7% increase in comparison with 2015. This consisted of 69.5 million passenger cars, also representing a 4.7% increase.

In Europe, a total of 20.1 million vehicles were sold, which represents a 5.8% growth compared to the previous year and of which 17.3 million were passenger cars, namely 5.4% more than in 2015. In the European Union, the number of passenger cars sold increased by 6.8% and reached 14.6 million.

EVROPSKI PROIZVAJALEC OD LETA 1919

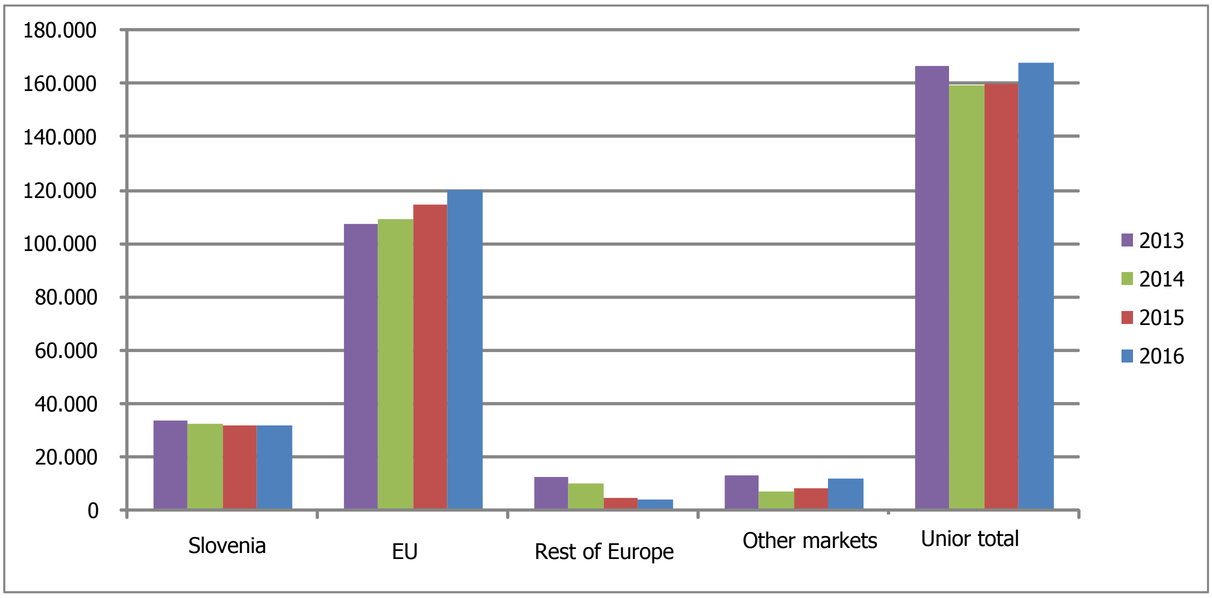
10.2 Sales

UNIOR d.d., sales revenues in 2016 came in at EUR 168 million and increased by 5.1 % in the period of one year. Income in the Forged Parts Programme would record even higher growth, had it not reached lower sales prices on account of lower stock exchange prices of steel scrap and alloying elements. Other programmes recorded higher sales than in the previous year with the largest rise within the Special Machines Programme due to an extremely good state of orders. The relatively stable market of the global automotive industry, which is the main client in these programmes, and accelerated sales activities contributed greatly to the sales growth in metal programmes.

Non-euro markets encompass 9.6% of our revenues, however, we have recorded a 22.3% rise in the sales on these markets in 2016, mostly due to the increased sales of the Special Machines Programme, which expanded its markets beyond Europe. EU markets are present in the structure with 90.4% and are still the most important for our business. Slovenia had almost identical sales on these markets, while we recorded an increase in the percentage of sales revenues of 4.5% on other European markets.

Sales revenues by the market

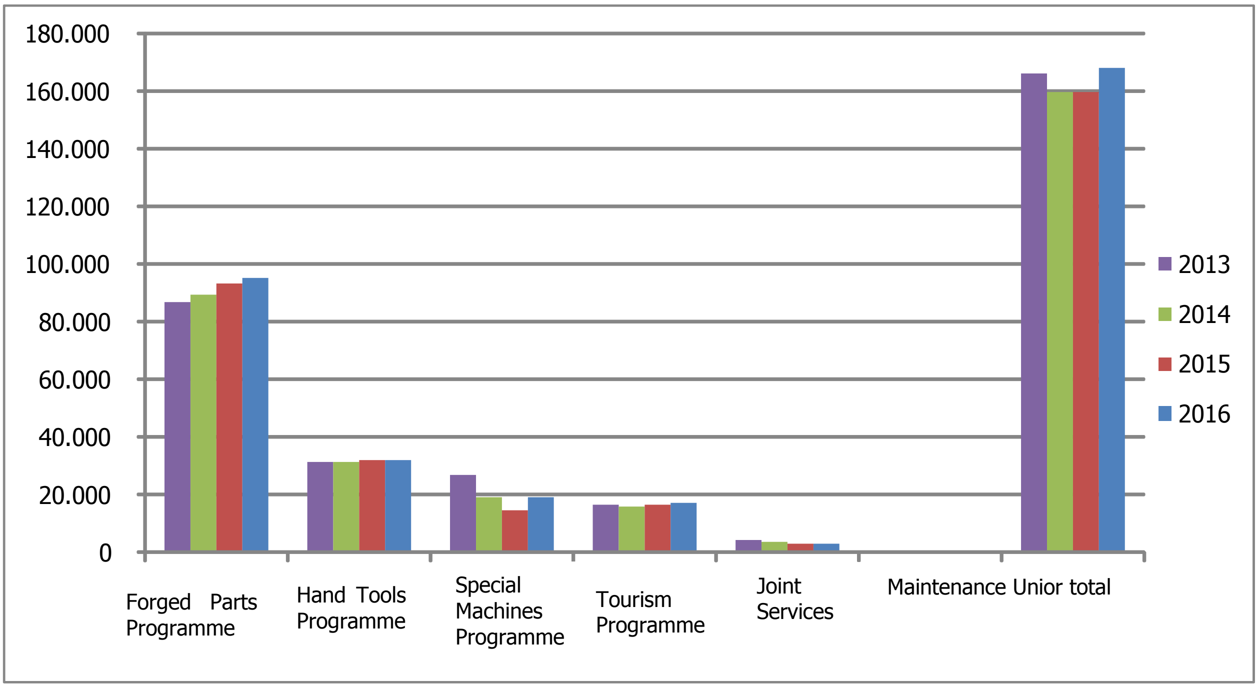
(in thousands of EUR)	**2016**	**2015**	**2014**	**2013**
Slovenia	32,048	32,034	32,525	33,757
EU	119,893	114,706	109,412	107,087
Rest of Europe	4,365	4,589	10,267	12,458
Other markets	11,636	8,490	7,253	13,230
Unior total	**167,942**	**159,819**	**159,457**	**166,532**



All programmes within the company achieved better sales in 2016 in comparison with 2015. The highest growth was in the Special Machines Programme with 31.4%, followed by the Tourism Programme with a 4.4% increase, the Forged Parts Programme with 2.4% and the Hand Tools Programme with a 1.5% increase. The Special Machines Programme's performance was better in 2016, while the rise in sales also resulted from favourable weather conditions and reinforced marketing and sales activities within the Tourism Programme. We should particularly note the sales growth in the Forged Parts Programme, which creates 57% of all revenues of the company. The growth is stable and the Programme acquired important projects for future years, providing further stable growth.

Sales revenues by the programme

(in thousands of EUR)	2016	2015	2014	2013
Forged Parts Programme	95,491	93,257	89,320	86,929
Hand Tools Programme	32,239	31,783	31,212	31,146
Special Machines Programme	19,311	14,693	19,258	27,127
Tourism Programme	17,500	16,763	15,663	16,815
Joint Services	3,282	3,132	3,485	4,394
Maintenance	120	189	519	122
Unior total	**167,942**	**159,819**	**159,457**	**166,532**



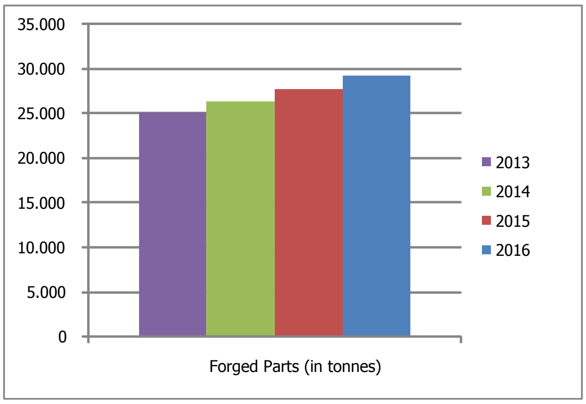
10.3 Production and services

The production of all programmes increased compared to the previous year. With it, the production followed an increased market demand, also reflected in higher sales than in the previous year. Production growth of the programme by 5.7% exceeded the increase in sales due to the lower sales prices achieved (due to the lower stock exchange prices of steel scrap and alloying elements). Production growth in the Hand Tools Programme was 4.5%, the Special Machines Programme had 12.2% more working hours, and the Tourism Programme reached a 5.8% rise in the number of overnight stays.

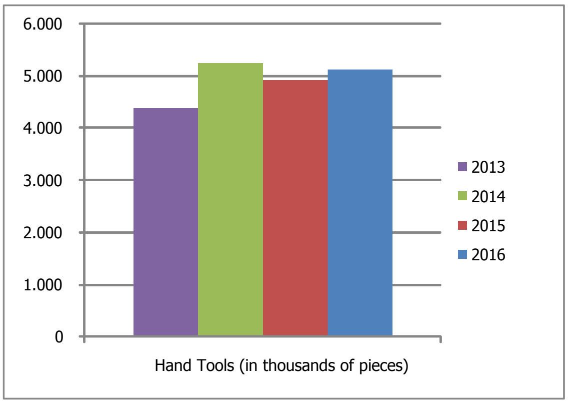
Production and services by programme

	2016	2015	2014	2013
Forged Parts (in tonnes)	29,263	27,679	26,306	25,064
Forged Parts (in thousands of pieces)	78,144	74,995	70,780	66,384
Hand Tools (in tonnes)	2,688	2,348	2,492	2,382
Hand Tools (in thousands of pieces)	5,130	4,919	5,244	4,366
Special Machines (hours worked)	66,239	59,043	60,554	71,258
Number of overnight stays within the Tourism Programme	196,312	185,535	179,459	186,440

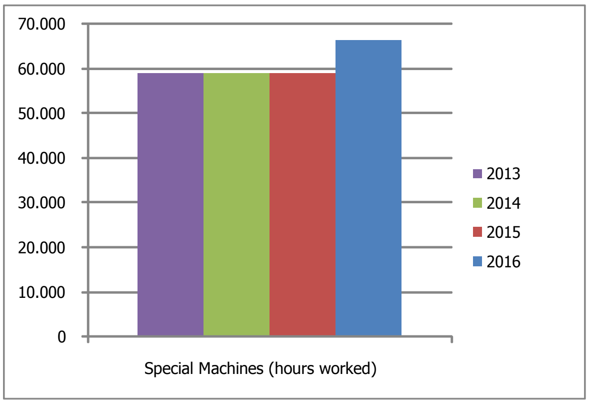
Production of Forged Parts



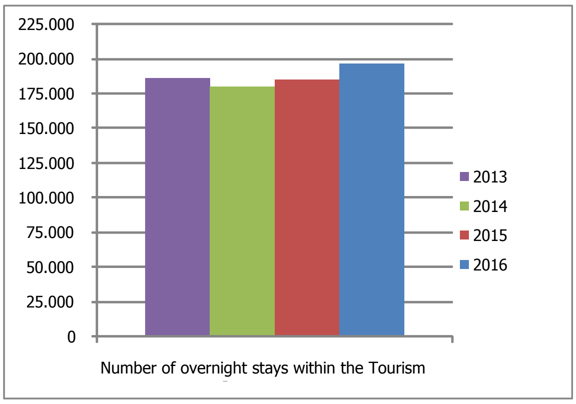
Production of Hand Tools



Production of Special Machines



Production of Tourism



10.4 Purchasing

Steel

The supply of ferrous metallurgy producers was good and favourable in 2016, so we, as users, felt no major deviations from the actual and confirmed delivery terms. With orders, we have to consider the supplier's production times and conditioned supply terms.

Negotiations for the basic prices of steel in 2016 may be assessed as successful, as we have largely managed to reduce the basic prices of steel (an average reduction of EUR 11 per tonne). The cost of steel is defined as the basic price plus the steel scrap supplement and alloying supplement. The supplements strongly influence the determination of the final price of steel. Savings from the reduction in the basic prices of steel in 2016 amounted to EUR 642,980. The value of total supplements in 2016 ranged around EUR 113 per tonne and was on average lower by EUR 50 per tonne compared to 2015.

In2016,Unior purchased 50,443 tonnes of steel for processing at an average (weighted) price of EUR 640 per tonne. In the previous year during the same period, we purchased 48,192 tonnes of steel at an average price of EUR 698 per tonne. This represents a 4.7% increase in the quantity of steel purchased and an 8.3% price reduction per tonne of steel.

Sheet metal

In 2016, we purchased 1,034 tonnes of alloy and structural sheet metal, namely 8.5% more than in the same period of the previous year. The plants are effective in ensuring the optimum stock. According to the previous period, the price of sheet metal was 9.6% lower. Due to the different production processes of sheet metal and steel (sheet metal is mainly produced from iron ore, and steel from scrap), the selling prices are formed according to different market criteria.

Cutting Tools

Compared to 2015, the quantity of cutting tools purchases increased by 5%, while the cost of use of the cutting tools increased by 9.1% since a different assortment of cutting tools was used. However, we managed to mitigate the annual pressure from the suppliers to raise the prices of cutting tools and agreed on an increase in prices, valid in 2016, by 1–2%. The information is common for the production and machinery equipment.

Steel powder

The average price of steel powder in 2016 was EUR 1.477 per kilogram and decreased by 8.5% compared to 2015. The total quantity of powder purchased in 2016 was 580 tonnes, which represents a 2.8% decrease compared to 2015. The average stock in 2016 was 82 tonnes, while the average stock in 2015 was 67 tonnes.

Auxiliary Material and Protective Equipment

The value of auxiliary material per employee as well as the total value has been rising slightly, which is mainly due to the increased production volumes and implementation of the 5S system in the Forged Parts Programme and the Hand Tools Programme, which are also the biggest (cumulative) consumers of protective equipment.

10.5 Operating Performance

In 2016, Unior d.d., generated EUR 5.1 million of net profit, exceeding the net profit of 2015 with EUR 3.6 million by EUR 1.5 million. The progress is even more evident in comparison with 2014 which indicates an improved profit by EUR 2.9 million, and in comparison with 2013 which indicates an improvement by EUR 8.6 million.

The operating result increased by EUR 0.6 million – in 2016, the operating profit was EUR 8.5 million, while the 2015 business year generated an operating profit of EUR 7.9 million. Unior generated EUR 167.9 million in sales revenues in 2016, which is an increase of 5.1% compared to 2015. The generated business costs were EUR 167.9 million and increased by 8% compared to the previous year, although the increase is at the level of the gross profit growth.

Sales and profitability of Unior

(in thousands of EUR)	2016	2015	2014	2013
Sales revenues	167,942	159,819	159,457	166,532
Operating costs	167,922	155,528	153,003	161,483
EBIT	8,507	7,902	7,318	4,823
EBITDA	18,691	17,647	16,409	14,365
Net profit or loss	5,089	3,612	2,221	(3,543)

The year 2016 continued with the most important objective to protect the cash flow and ensure the continuous solvency of the company with an emphasis on the regular settlement of liabilities to employees, business partners and the banks – the liquidity was improved, as the delays of payments to suppliers were significantly reduced. All commitments to banks, defined in the General Agreement on Financial Restructuring, are met on a regular basis.

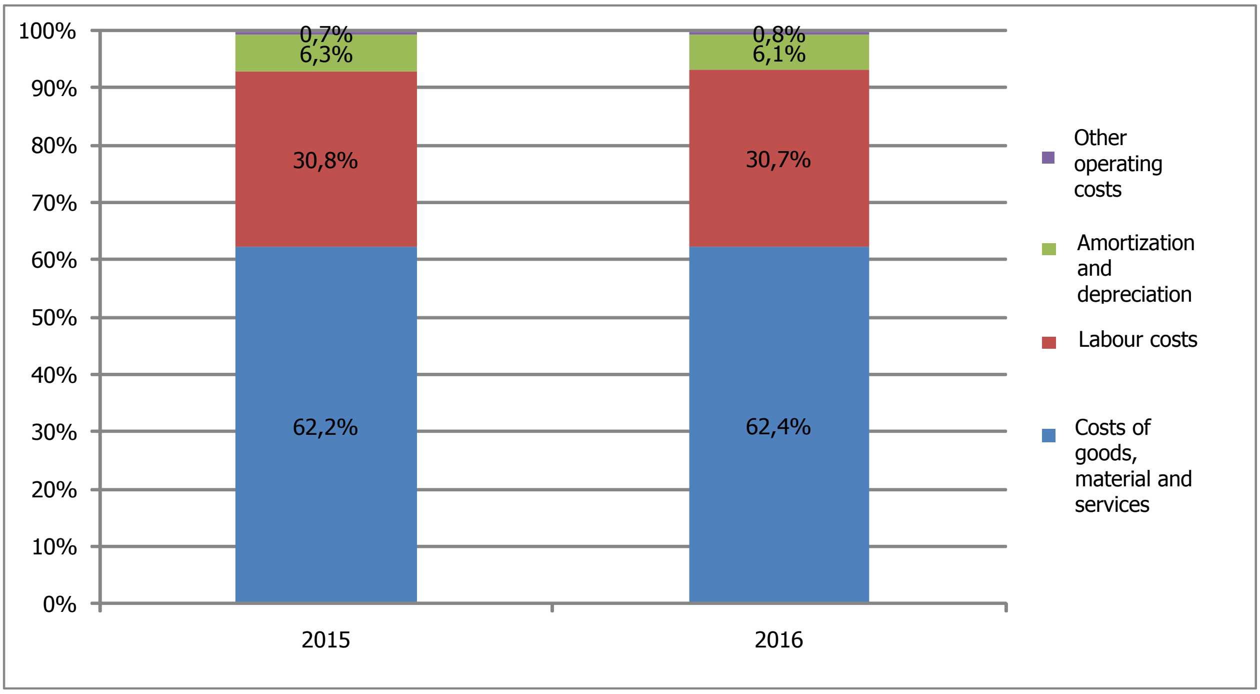
In December, we signed a long-term syndicated loan agreement with six Slovenian banks in the amount of EUR 112.8 million. This is one of the largest syndicated loans within the Slovenian banking sector. The loan was an important element in the story of refinancing, and will significantly influence the further growth of the company, as we are striving to remain at the highest level in the processing of metals as well as in tourism. The consortium of banks that granted Unior a EUR 112.8 million syndicated loan is composed of: Nova Ljubljanska Banka d.d. as the agent and organizer, Abanka d.d. Nova KBM d.d., Gorenjska banka d.d., Banka Koper d.d. and Sberbank banka d.d. Refinancing was concluded on account of the improved credit rating of the company in the last few years and exclusively with banks, which we invited to participate and which were willing to participate. Signing of such financing leads to the improvement of the company's credit rating in the eyes of buyers, suppliers and other participants, but most importantly to an assurance that we can strive towards continuous progress and improvements. These represent the only option that enables the company to retain its position on the demanding market, overflowing with products, and to further develop. We take pride in enjoying an increasingly higher reputation among our competitors, suppliers, banks and the wider environment as the result of our work, quality and innovative products and services. With the syndicated loan, which has been successfully completed, we repaid old credits, reduced the number of creditor banks, simplified the consent procedures, achieved better financing conditions, opened the opportunity for further growth of the company and strengthened our position in the top level processing of metals and tourism.

Structure of the Operating Expenses

The operating expenses increased by 8% last year, but they are aligned with the growth of the gross profit, which has also increased by 8% compared to 2015. The structure of the expenses by type changed very little compared to the previous year. Due to the more intense production, there is a slight increase in the costs of goods, material and services, while labour costs decreased by a 0.1 percentage point.

Structure of the Operating Expenses

(in thousands of EUR)	2016	2015
Costs of goods, materials and services	104,822	96,732
Labour costs	51,578	47,892
Amortization and depreciation costs	10,185	9,745
Other operating costs	1,337	1,159
Total operating expenses	**167,922**	**155,528**



The costs of goods, materials and services together increased by 8.4%. The increase is largely attributed to the larger production within the Special Machines Programme where the state or orders was excellent. Labour costs increased by 7.7%, resulting from a higher number of employees (both by status as from the working hours), promotions and increased length-of-service increments (additional year). Amortization and depreciation costs and other operating costs represent a structurally smaller share.

The favourable trends in operating revenues and expenses were also reflected in the operating result (EBIT), which increased from EUR 7.9 million in 2015 to EUR 8.5 million in operating profit in 2016.

Net financial expenses amounted to EUR 3.7 million in 2016. Interest expenses from financial liabilities amounted to EUR 4.7 million and are 8.2% lower than in the previous year.

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Productivity

Productivity (in EUR)				
(in thousands of EUR)	2016	2015	2014	2013
Gross profit per employee	85,770	80,270	79,841	82,208
Gross value added per employee	34,161	32,190	30,746	28,791

The Company measures the productivity using the gross profit per employee indicator, which increased by 6.9% compared to 2015. The second indicator, namely the gross value added per employee, increased by 6.1%, reaching a record value in the history of the company's business operations.

10.6 Performance Indicators

	UNIOR d.d.		UNIOR Group	
	2016	2015	2016	2015
Equity financing rate *(equity/liabilities)*	0.393	0.388	0.438	0.426
Long-term financing rate *((equity+ long-term debt + long-term provisions) / liabilities))*	0.821	0.817	0.805	0.799
Fixed asset investment ratio *(Fixed assets at carrying amount / assets)*	0.505	0.523	0.551	0.575
Long-term investment ratio *((Fixed assets at the carrying amount + investment properties + long-term financial investments + long-term operating receivables)/assets)*	0.640	0.660	0.632	0.656
Equity to Fixed Assets Ratio *(equity / fixed assets at the carrying amount)*	0.778	0.742	0.796	0.741
Indirect short-term liabilities coverage ratio – quick ratio *(liquid assets/short-term liabilities)*	0.138	0.051	0.193	0.111
Progressive short-term liabilities coverage ratio – quick ratio *((liquid assets + short-term receivables)/short-term liabilities)*	0.754	0.638	0.800	0.644
Short-term liabilities coverage ratio - short-term ratio *(short-term assets/short-term liabilities*	2.071	1.876	1.951	1.744
Operating efficiency ratio *(operating revenues/operating expenses)*	1.051	1.051	1.079	1.064
Net return on equity ratio *(net profit for the financial year/average equity excluding net profit or loss for the reporting year)*	0.047	0.034	0.071	0.044
Dividend to share capital ratio *(total dividends paid out in the financial year/average share capital of the parent company)*	0.000	0.000	0.000	0.000

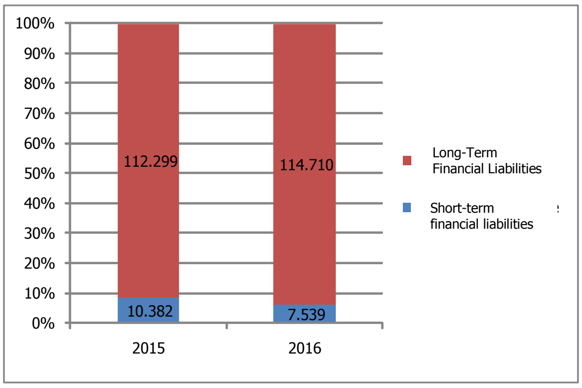
10.7 Financial position

In 2016, the total assets of the company increased by 2.5% or by EUR 7.1 million. Long-term assets decreased by EUR 0.9 million, mainly due to the reduction in long-term financial investments by 4.2%, resulting from a reduction in the long-term loans granted. Short-term assets increased by EUR 8 million, mainly due to the higher value of inventories on 31 December 2016, while short-term financial investments (deposits for insurance of bank guarantees) decreased.

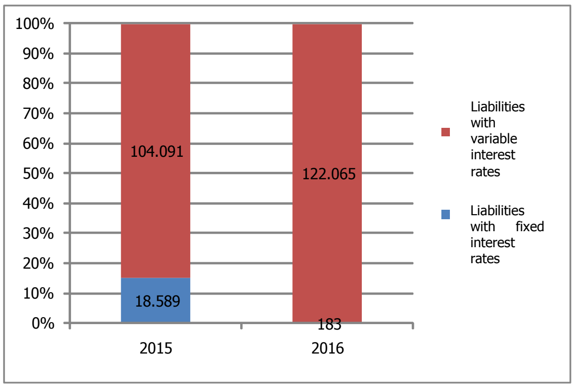
In the year 2016, the capital of the company increased by EUR 4.2 million, which is the result of the profit for the current year in the amount of EUR 5.1 million and a reduction of the revaluation surplus of EUR 0.9 million. The share capital in both sources increased from 38.8% in the year 2015 to 39.3% in the year 2016.

In a year, financial liabilities decreased by EUR 432 thousand, as the company signed a syndicated loan agreement in the amount of EUR 112.8 million with the consortium of banks in December. In 2016, the regular payments of principals amounted to EUR 7.1 million with additional EUR 1.0 million of drawn loan by the end of 2016 for project financing of production within the Special Machines Programme. The rest of the increase represents a net additional loan granted by the consortium of banks (higher than the repayment of the existing debt), intended for the settlement of trade liabilities. The newly approved loan is a long-term loan, so that the share of long-term loans has increased. Also, almost all loans are tied to the variable interest rate.

The maturity of the financial liabilities



Structure of the financial liabilities with respect to the interest rate



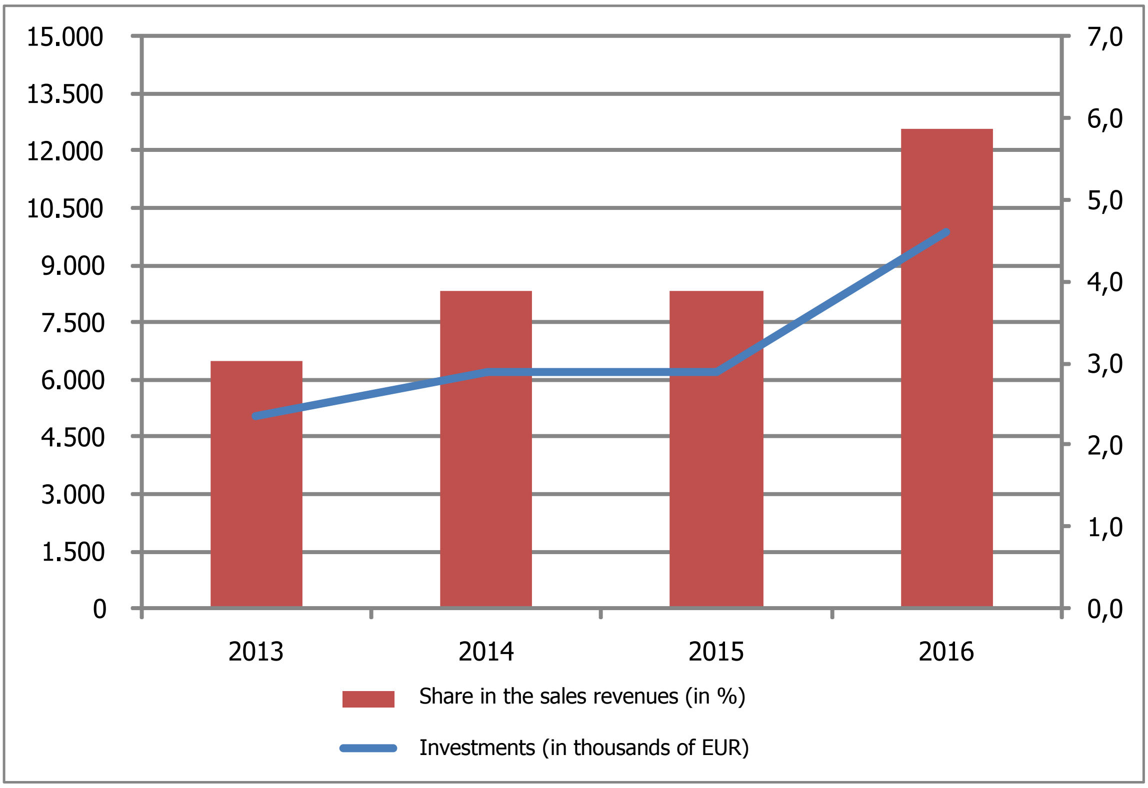
The operating liabilities increased by EUR 2.1 million or 5.5% and amounted to EUR 41.3 million. The highest increase, EUR 0.7 million, was noted in the liabilities for the received advances, namely on account of obtaining new projects within the Special Machines Programme, while the short-term operating liabilities to suppliers reduced by EUR 53 thousand, irrespective of the greater volume of production, as the company allocated the additionally acquired liquid assets to settle these obligations. We also reduced the operating liabilities due to the Group companies by EUR 127 tousend.

10.8 Investments

In 2016, we invested EUR 9.9 million in new fixed assets, EUR 1.0 million of which went for our own products. The total value of investments increased compared to 2015 and exceeded the cost of depreciation after five years. The EUR 3.6 million increase represented the investments into new buildings within the time period of several years, namely into the extension to the production hall of the Forged Parts Programme and a new modern hall for the purposes of assembly within the Special Machines Programme. The majority of our investments remain investments into modernization and expansion of the production machine capacities.

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

	2016	2015	2014	2013
Investments (in thousands of EUR)	9,866	6,203	6,203	5,041
Share in the sales revenues (in %)	5.87	3.88	3.89	3.03



In 2016, we allocated EUR 9.6 million to the payment of investments, which is EUR 3.4 million more than the previous year. Payments of investments in 2016 were entirely financed by the company's own cash flow.

Investments Into Associated Companies

In 2016, the company allocated only EUR 16 thousand for investments in associated companies, namely the conversion of profit into the equity of the company UNIOR Tehna d.o.o., in Sarajevo in accordance with the instrument of incorporation. The company did not use its current liquid assets for the purposes of investments.

10.9 Internal Audit Service

With regard to the organization, the internal auditing service acted as an independent support function within the parent company from 2015 and is under the direct authority of the company's Management Board and the Audit Committee or the Supervisory Board. It works within the entire scope of the Unior Group in accordance with International standards of internal auditing.

The internal auditing activity is performed on the basis of obtained fundamental internal auditing documents. Internal auditing service carries out its mission on the basis of the medium-term and annual work plan. In accordance with the annual work plan for 2016, six internal audits have been executed (5 of which were completed in 2016 and one in 2017).

Within the context of auditing, the existence and functioning of internal controls and risk management were verified, and for some, recommendations were issued with regard to their improvement.

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

10.10 Events after the Balance Sheet

After the balance sheet, there were no important business events.

10.11 The Provision of Public Utility Services

1. *The provision of the public utility services for the drainage and treatment of waste water in the area covered by the Rogla Development Plan in the Zreče Municipality*

In accordance with the Concession Contract for the Provision of the Public Utility Services for the Drainage and Treatment of Waste Water in the Area Covered by the Rogla Development Plan 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 Development Plan, in the Zreče Municipality and the provision of the public utility services for the drainage and treatment of water in the area covered by the Rogla Development Plan 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)	**2016**	**2015**
Revenues from the drainage and treatment of waste water	139,455	98,559
Total revenues	**139,455**	**98,559**
Costs of materials	7,110	5,121
Costs of services	11,739	16,517
Depreciation/amortization	19,913	19,913
Labour costs	35,216	27,920
Financial expenses	10,374	10,984
Total operating costs	**84,352**	**80,455**
PROFIT	**55,103**	**18,104**

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 Development Plan in the Zreče Municipality within the scope of the cost 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 sewerage charges are the owners and tenants or users of the tourist facilities on Mount Rogla.

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

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

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

(in EUR)	2016	2015
Revenues from the supply of natural gas and electricity	450,317	521,458
Total revenues	**450,317**	**521,458**
Costs of materials	281,450	347,618
Amortization	89,619	90,113
Labour costs	46,568	46,866
Total operating costs	**417,637**	**484,597**
PROFIT	**32,680**	**36,861**

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

3. *The provision of the public utility service for construction and management of the cross-country ski centre on Rogla*

On the basis of a municipal ordinance on the public-private partnership to implement the project "Construction of a cross-country ski centre on Rogla", the municipality Zreče chose UNIOR d.d., as the concessionaire for this project. The concession contract was concluded on 29 November 2013 for a period of 30 years. The concession area includes the construction and management of the facilities for a cross-country ski centre on Rogla listed below:

Facility	Number of plots in the cadastral municipality 1091 - Hudinja
The start / finish area	1095/172
Multi-purpose facility	1095/212,1095/213,1095/210,1095/211,1095/180
Skate track	1095/176,1095/181,1095/182,1095/184,1091/2, 1092/7, 1095/171
Accumulation lake and service facility	1095/175, 1092/9

Income Statement for the Activity of Public Utility Service - Construction and management of a cross-country ski centre on Rogla

(in EUR)	2016	2015
Revenues from the sale of capacities	369,271	186,589
Other Revenues	18,654	183
Total revenues	**387,925**	**186,772**
Costs of materials and services	203,506	108,754
Amortization	71,145	67,185
Labour costs	146,599	62,305
Other expenses	9,433	3,118
Financial expenses	565	193
Total operating costs	**431,248**	**241,554**
PROFIT	**-43,323**	**-54,782**

Note - Criteria

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

- cost centre designated 34500 – Cross-country ski centre on Rogla
- cost centre designated 32900 – Wastewater treatment plant on Rogla
- cost centre designated 52100 – SPTE
- cost centre designated 52200 – Energetics – cogeneration 2

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

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

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

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

10.12 Goals for 2017

In 2017, Unior d.d., plans to achieve EUR 175.1 million in net sales revenues, 4.2% more than the previous year with a planned growth for all programmes.

At the end of 2017, a profit of EUR 5.4 million is expected. In this way, we will continue with the trend of improving business operations and operating results for the fifth year in a row, whereby approaching the results that companies with better performance in the industries, in which we operate, achieve. More favourable financing conditions, which have been achieved with new credit agreements, are going to significantly contribute to the improvement of the net profit in 2017.

Sales and profitability of Unior

(in thousands of EUR)	2017 (plan)	2016 (realization)
Sales revenues	175,104	167,942
EBIT	8,117	8,507
EBITDA	18,200	18,691
Net profit or loss	5,405	5,089

Forged Parts Programme

In the Forged Parts Programme, we are planning sales of EUR 90.2 million. The sales plan is based on the existing and planned expansion in 2017. In terms of price, the sales are based on an average steel supplement in 2016, which will be, in our estimation, EUR 108 per tonne. If significant changes are recorded in steel supplements (steel scrap and alloying supplements) or even the basic prices of steel in 2017, the sales may deviate from the plan and with this also the planned profit and the EBITDA due to delays in calculating supplements (quarterly calculation) and consequent changes in the costs, the increase of which has been partially already included in the projections for profit or loss.

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

In the field of warm forging, we are planning sales of EUR 72.2 million, representing a 3.7% growth. The increase is planned mainly in the connecting rods programme for the VW and Renault group and on a larger scale in the housings for steering mechanisms for the buyer THK (especially the programme head-stem), while the sales to the buyer SEAC depend on the position of the buyer Toyota on the European market. In the past year, we managed to obtain a new important buyer, Jaguar & Land Rover, for which we have a planned growth in the year to come. We will also increase the cooperation with the buyer Amtek (Volvo, Rege, etc.).

In the field of forged parts processing, we are planning EUR 13.5 million in sales, which is a 5.6% growth compared to the previous year, while the lack of machine capacities restricts any higher growth. We expect a lower turnover with our buyer Schaeffler in accordance with the annual fluctuations, and an increase with the buyer JTEKT, mainly due to the PBV2 project which we will have to replace with the new CMFB project in 2018, namely at the start of production in 2017/2018. A similar turnover as in the past year is anticipated with the buyer VW, while higher growth is anticipated with the buyers ZF Wagenfeld and Damme, mainly due to the Ford Pivot and VW B SUV projects for Damme, while the sales of forks with the buyer Robert Bosch depend on the expansion on the market of cargo vehicles.

In the Sinter plant, we expect to achieve sales of EUR 4.5 million, namely a 9.9% decrease in comparison with the previous year. Due to the suspension the projects, our business operations with Robert Bosch, Mahle and Willie Elba will decline. Growth is expected with buyers ZF and Audi. 2017 has already indicated some problems within the Sinter plant for the future and, in view of acquiring only smaller projects, we can expect a further drop in sales. There is a lack of expertise, knowledge and competitiveness on the market, where we are simply uncompetitive and cannot keep up with the leading companies on the market.

Hand Tools Programme

In the Hand Tools Programme, we are planning sales of EUR 32.7 million. The planned sales realization of hand tools is EUR 30.8 million, i.e. 2.6% higher than was realized in 2016. With cold forging, we are planning a realization in the amount of EUR 1.6 million, which is 14.6% more than in the past year. In the field of industrial marketing and sales of merchandise, we expect further lower sales.

The hand tools market is still facing a tight situation with regard to lowering the prices for the industry and competition among professional users as well as providers from the Middle East and the Far East.

In 2017, we will continue with the sales activities such as the reorganization of the sales network, penetrating new markets and market niches, and entry and cooperation with international groups. We will use the pull strategy intensely with distributors with the aim of promoting sales in final industrial buyers. For this purpose, we are carrying out trainings for our distributors, as well as for the end buyers.

We will record a sales growth in specialized tools in the amount of EUR 560 thousand, and a sales growth of general hand tools, especially in new markets such as China, North Africa, Scandinavia, North America, Japan and Australia. Due to the unstable situation in Russia, Turkey and the Middle East, we do not expect sales growth on these markets, but we will endeavour to retain our market share. IMO, the buyer from Saudi Arabia, anticipates a sales drop due to the shrinking of investments in the oil industry. We expect increased sales in Romania, so that Unior Tepic will become our largest buyer. We expect lower offtake in France due to a decrease in sales to key buyers, such as Point P, which will be partially replaced with new business transactions with the Seba group. In Austria, we expect sales growth due to the re-established offtake by Lagerhouse and agreements with the trading company Ploeberger. Increase in sales is also planned in Serbia, Italy and in Slovenian Merkur, mostly due to the sales promotion for the end users. In the field of cold forging, we have had the samples of impellers and stators confirmed and now expect the first supplies to MS Hydraulic.

Special Machines Programme

We plan an annual turnover of EUR 22 million within the Special Machines Programme. The 2017 sales plan is realistic, as we have already considered the majority of already acquired orders in 2016 and a projection for a realistic possibility of acquiring the new orders we need to achieve the business plan. Compared to the preceding period, the current state of orders is favourable, as we have a 75% coverage of the 2017 planned orders. Projects which could ensure orders in the amount of the entire plan in a relatively short time, are in the process of final negotiations.

New non-European markets, new buyers and new products are key elements of sales, since we are trying to replace the loss in sales we have suffered with the VW concern due to their diesel affair. Despite close links with the German automotive industry, we are forced to open new potential opportunities in countries where the production of cars is intensifying. Although we believe this to be an aggravation, we are active in the areas of Asia and America. All of this requires large investments in the sales network, providing servicing activities and dealerships, demonstration activities, the transition to an English speaking area and confrontation with new state regulations. Investing in these areas is of a long-term nature, but only global management of the market can ensure us a constant volume of orders.
Development and ever increasing the needs for flexible solutions of our products – machines – resulted in a substantial interference on the technical and technological solutions which enhance the usability and flexibility of our products. This is also crucial for at least a partial redirection to Tier1 suppliers (foundries, forges, systemic suppliers, etc.) in order to minimize the effects of one buyer or consequences which we have suffered with the VW diesel affair, resulting in a poorer volume of orders. We are still trying to become one of the leading companies in the field of processing crankshafts, where we estimate that we have the greatest potential, experience and references. Currently the developed machines require updates and changes, arising on account of the demands for greater energy efficiency of the machines.

The sales plan results from the medium-term business plan, while internal resources, related with professional personnel, are restricting a greater increase in the volume of sales. Above all, we can increase the sales volume with intellectual services, which do not require any special investments in material costs, or with the sale of spare parts – smaller orders where the cost of the material is small and the time between the occurrence of the cost and the inflow can be up to 10 times shorter (about 30 to 60 days).

With a goal to reduce production costs, the automotive industry developed a global system to which all suppliers, including us, have to adjust. A local presence is of utmost importance when it comes to the buyer, as it is tied to quick reactions within the warranty period of the product as well as in terms of marketing. In addition to the dealerships in North America, we have to broaden our sales activities to the Chinese territory which holds positive trends. Our competition has already taken some concrete steps – setting up of smaller remote units for its own servicing and providing machinery adaptations, and, in some cases, the manufacture of complete machinery (e.g. Grob, Heller, etc.).

In the last ten years, we have been tied to the OEM buyers in the automotive industry by almost 100%, while our goals are directed towards an increased sales intensity to the Tier1 suppliers in the automotive industry. Specifically, we expect the continuation of good business cooperation with the company Benteler. We want to take advantage of the potential which we are also gaining with their neighbouring companies.

Tourism Programme

The plan in the Tourism Programme is to achieve sales of EUR 20.2 million. After a significant rise in sales in 2015 (by 7.5%) and 2016 (by 6.4%), the anticipated rise in sales for 2017 is slightly lower. In the 2016 realization, some effects could be contributed to the 29 days in February and certain events that we do not anticipate in 2017.

The sales plan is ready with an anticipated 198,500 overnight stays, 190,000 skiers and 185,000 bathers and sauna-goers. With regard to the above, we cannot ignore the fact that the operations of the Tourism Programme are largely dependent on the weather conditions.

At Terme Zreče, we are planning a rise in sales in the hotel, catering, health and wellness services. In 2017, we will achieve EUR 11 million in revenues.

On Rogla, we will increase the revenues from the hotel and catering services at the hotels Planja and Natura, including external catering facilities and on cableways. In 2017, we plan revenues in the amount of EUR 8.9 million.

In 2017, our plan is to not only to increase the number of overnight stays, but also to increase the actual prices. With this, we will also continue with activities related to additional marketing of the services on the spot, in hotels, catering, wellness and health services.

In view of the positive impact of the economic growth in Slovenia as well as abroad, we estimate that the decreasing trend in the prices for services at competing centres will not be so distinctive in 2017. With the continuous rising of the quality (especially in the part which does not require investments), individual approach and the increased satisfaction of our guests, we will continue with a gradual rise of the actual prices in 2017. The price policy strategy will be focused on a gradual increase in prices, which will also depend on the legalities of the market and the price policies of our competitors.

We are continuing with the strategy of direct marketing our services (the share of direct overnight stays is estimated at more than 60%). Beside the above-mentioned, the Tourism Programme certainly benefits from the optimized website, adapted to modern trends through the on-line (real time) booking system, which enables a substantial rise in direct bookings.

Domestic guests in our Programme still play an important role, however, we will continue with intense marketing on foreign markets in 2017 with our prediction of an increase in foreign overnight stays of 38.4%. The key target markets, on which we will focus with our marketing activities, are the Slovenian market, countries of former Yugoslavia, Hungary, Czech Republic, Germanic markets (Austria, Germany) and Italy. On the markets of Austria, Germany, Italy and Russia, we are predominantly focused on marketing health resort offers throughout the year, and we are also continuing with marketing activities on the Gulf states' markets (UAE, Kuwait, etc.).

With regard to the existing infrastructure, we will continue with activities to increase the number of preparations for football teams in both our centres. An important place in 2017 will be occupied by our products MICE and top-class sports.

FINANCIAL REPORT

11 UNIOR d.d. Financial Statements

11.1 Balance Sheet as at 31 December 2016

(in EUR) Item		Note	31 December 2016	31 December 2015
	ASSETS		**285,798,930**	**278,718,265**
A.	**LONG-TERM ASSETS**		**184,762,598**	**185,650,879**
I.	**Intangible assets and long-term deferred costs and accrued revenues**	**12.3.1**	**4,169,983**	**5,302,740**
1.	Long-term property rights		1,721,457	1,813,206
2.	Goodwill		403,940	403,940
4.	Long-term deferred development costs		1,793,401	2,911,804
5.	Other long-term deferred costs and accrued revenues		251,185	173,790
II.	**Property, plant and equipment**	**12.3.2**	**140,287,368**	**140,430,422**
1.	Land and buildings		91,979,557	96,331,189
	a) Land		*32,709,337*	*33,433,441*
	b) Buildings		*59,270,220*	*62,897,748*
2.	Production plant and machinery		40,393,748	43,262,070
3.	Other plant and equipment, small tools and other tangible fixed assets		41,136	88,036
4.	Property, plant and equipment being acquired		7,872,927	749,127
III.	**Investment properties**	**12.3.3**	**13,761,637**	**13,615,812**
IV.	**Long-term financial investments**	**12.3.4**	**21,228,669**	**22,149,362**
1.	Long-term financial investments, excluding loans		16,194,246	16,200,022
	a) Shares and stakes in Group companies		*12,614,405*	*12,636,005*
	a) Shares and stakes in associated companies		*3,488,420*	*3,472,596*
	c) Other shares and stakes		*91,421*	*91,421*
2.	Long-term loans		5,034,423	5,949,340
	a) Long-term loans to Group companies		*4,889,857*	*5,766,239*
	b) Long-term loans to others		*144,566*	*183,101*
V.	**Long-term operating receivables**	**12.3.6**	**3,439,743**	**2,262,847**
1.	Long-term operating receivables due from Group companies		3,073,383	1,945,874
2.	Long-term trade receivables		168,773	61,751
3.	Long-term operating receivables due from others		197,587	255,222
VI.	**Deferred tax assets**	**12.3.13**	**1,875,198**	**1,889,696**
B.	**SHORT-TERM ASSETS**		**101,036,332**	**93,067,386**
I.	**Assets (disposal groups) for sale**		**0**	**0**
II.	**Inventories**	**12.3.5**	**60,251,980**	**55,640,453**
1.	Material		19,394,850	18,760,685
2.	Work-in-progress		24,560,134	20,504,810
3.	Products		12,809,160	12,929,320
4.	Merchandise		3,487,836	3,445,638
III.	**Short-term financial investments**	**12.3.7**	**3,991,952**	**5,566,600**
1.	Short-term financial investments, except loans		0	0
2.	Short-term loans		3,991,952	5,566,600
	a) Short-term loans to Group companies		*2,722,281*	*2,108,997*
	b) Other short-term loans		*1,269,671*	*3,457,603*
IV.	**Short-term operating receivables**	**12.3.6**	**30,036,953**	**29,332,516**
1.	Short-term operating receivables due from the Group companies		8,865,668	10,066,550
2.	Short-term trade receivables		16,760,324	16,264,923
3.	Short-term operating receivables due from others		4,410,961	3,001,043
V.	**Cash and cash equivalents**	**12.3.8**	**6,755,447**	**2,527,817**

(in EUR) Item		Note	31 December 2016	31 December 2015
	EQUITY AND LIABILITIES		**285,798,930**	**278,718,265**
A.	**CAPITAL**	**12.3.9**	**112,424,917**	**108,203,859**
I.	**Called-up capital**		**23,688,983**	**23,688,983**
1.	Share Capital		23,688,983	23,688,983
2.	Uncalled capital (deduction item)		0	0
II.	**Capital reserves**		**41,686,964**	**41,686,964**
III.	**Reserves from revenue**		**38,559,536**	**38,559,536**
1.	Legal reserves		1,951,606	1,951,606
2.	Reserves for treasury shares and own stakes		120,190	120,190
3.	Treasury shares and own stakes (deduction item)		0	0
4.	Statutory reserves		0	0
5.	Other revenue reserves		36,487,740	36,487,740
IV.	**Reserves from valuation at fair value**		**23,001,591**	**23,869,717**
V.	**Net profit brought forward**		**0**	**0**
VI.	**Net loss brought forward**		**19,601,341**	**23,213,178**
VII.	**Net profit for the financial year**		**5,089,184**	**3,611,837**
VIII.	**Net loss for the financial year**		**0**	**0**
B.	**PROVISIONS AND LONG-TERM ACCRUED COSTS AND DEFERRED REVENUE**	**12.3.10**	**7,371,911**	**7,072,808**
1.	Provisions for pensions and similar liabilities		4,444,928	4,022,237
2.	Other provisions		2,926,983	3,050,571
3.	Long-term accrued costs and deferred revenue		0	0
C.	**LONG-TERM LIABILITIES**		**114,789,371**	**112,424,657**
I.	**Long-term financial liabilities**	**12.3.11**	**114,709,828**	**112,298,703**
1.	Long-term financial liabilities due to group companies		0	0
2.	Long-term financial liabilities to banks		114,709,828	112,298,703
3.	Long-term financial liabilities arising from bonds		0	0
4.	Other long-term financial liabilities		0	0
II.	**Long-term operating liabilities**	**12.3.12**	**79,543**	**125,954**
1.	Long-term operating liabilities to Group companies		0	0
2.	Long-term trade payables		0	0
3.	Long-term bills payable		0	0
4.	Long-term operating liabilities from advances		0	0
5.	Other long-term operating liabilities		79,543	125,954
III.	**Deferred tax liabilities**	**12.3.13**	**0**	**0**
D.	**SHORT-TERM LIABILITIES**		**48,792,745**	**49,452,827**
I.	**Liabilities included in disposal groups**		**0**	**0**
II.	**Short-term financial liabilities**	**12.3.14**	**7,538,557**	**10,381,798**
1.	Short-term financial liabilities to group companies		175,384	371,659
2.	Short-term financial liabilities to banks		7,188,240	8,390,038
3.	Short-term financial liabilities arising from bonds		0	0
4.	Other short-term financial liabilities		174,933	1,620,101
III.	**Short-term operating liabilities**	**12.3.15**	**41,254,188**	**39,071,029**
1.	Short-term operating liabilities to Group companies		2,169,834	2,042,698
2.	Short-term trade payables		28,854,633	28,907,994
3.	Short-term bills payable		0	0
4.	Short-term operating liabilities from advances		4,465,440	3,738,923
5.	Other short-term operating liabilities		5,764,281	4,381,414
E.	**SHORT-TERM ACCRUED COSTS AND DEFERRED REVENUE**	**12.3.16**	**2,419,986**	**1,564,114**

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

11.2 Income statement for the period from 1 January 2016 to 31 December 2016

(in EUR) Item		Note	2016	2015
A.	**Net sales revenue**	**12.4.1**	**167,942,365**	**159,819,018**
1.	Net revenue from sales on the domestic market		32,048,846	32,033,557
	a) Net revenue from the sale of products and services		*25,139,088*	*25,021,504*
	b) Net revenue from the sale of goods and materials		*6,909,758*	*7,012,053*
2.	Net revenue from the sales on foreign markets		135,893,519	127,785,461
	a) Net revenue from the sale of products and services		*125,158,465*	*116,185,979*
	b) Net revenue from the sale of goods and materials		*10,735,054*	*11,599,482*
B.	**Change in the value of the inventories of finished products and work-in-progress**		**4,026,052**	**(1,548,340)**
C.	**Capitalized own products and services**	**12.4.2**	**1,027,705**	**1,980,284**
D.	**Other operating revenues**	**12.4.3**	**3,432,596**	**3,179,049**
I.	**GROSS OPERATING PROFIT**		**176,428,718**	**163,430,011**
E.	**Costs of goods, materials and services**	**12.4.4**	**104,821,999**	**96,731,977**
1.	Cost of goods and materials sold		11,238,003	11,435,572
2.	Costs of materials used		70,995,237	66,639,951
	a) Costs of materials		*55,363,543*	*50,701,539*
	b) Costs of energy		*7,065,907*	*7,025,400*
	c) Other costs of materials		*8,565,787*	*8,913,012*
3.	Costs of services		22,588,759	18,656,454
	a) Transport services		*3,828,373*	*3,720,082*
	b) Costs of maintenance		*1,016,786*	*822,282*
	c) Rents		*422,914*	*228,262*
	d) Other costs of services		*17,320,686*	*13,885,828*
F.	**Labour costs**	**12.4.4**	**51,578,457**	**47,891,729**
1.	Costs of wages and salaries		38,050,290	35,931,730
2.	Costs of pension insurance		507,084	525,411
3.	Costs of other social insurance		6,347,692	6,084,862
4.	Other labour costs		6,673,391	5,349,726
G.	**Amortization and depreciation expenses**	**12.4.4**	**10,184,684**	**9,744,645**
1.	Amortization/depreciation		9,180,428	8,911,069
2.	Operating expenses from the revaluation of intangible fixed assets and property, plant and equipment		406,175	131,428
3.	Operating expenses from the revaluation of current assets		598,081	702,148
H.	**Other operating expenses**	**12.4.4**	**1,337,016**	**1,159,294**
1.	Provisions		11,790	12,015
2.	Other costs		1,325,226	1,147,279
II.	**OPERATING PROFIT**		**8,506,562**	**7,902,366**
I.	**Financial income**	**12.4.5**	**1,970,546**	**2,004,702**
1.	Financial income from participating interests		1,464,080	1,550,019
	a) Financial income from participating interests in Group companies		*1,178,249*	*1,113,314*
	b) Financial income from participating interests in associated companies		*270,451*	*401,957*
	c) Financial income from participating interests in other companies		*15,380*	*34,748*
	d) Financial income from other investments		*0*	*0*
2.	Financial income from loans granted		436,122	342,970
	a) Financial income from loans to Group companies		*362,480*	*279,165*
	a) Financial income from loans to others		*73,642*	*63,805*
3.	Financial income from operating receivables		70,344	111,713
	a) Financial income from operating receivables due from Group companies		*364*	*642*
	b) Financial income from operating receivables due from others		*69,980*	*111,071*
J.	**Financial expenses**	**12.4.5**	**5,663,916**	**7,168,981**
1.	Financial expenses from impairments and write-offs of financial investments		*307,169*	*1,218,452*
2.	Financial expenses from financial liabilities		4,741,111	5,162,792
	a) Financial expenses from loans granted by Group companies		*6,537*	*2,582*
	b) Financial expenses from bank loans		*4,489,039*	*5,160,210*
	c) Financial expenses from issued bonds		*0*	*0*
	d) Financial expenses from other financial liabilities		*245,535*	*0*
3.	Financial expenses from operating liabilities		615,636	787,737
	a) Financial expenses from operation liabilities to Group companies		*47,699*	*61,591*
	b) Financial expenses from trade payables and bills payable		*322,774*	*386,869*
	c) Financial expenses from other operating liabilities		*245,163*	*339,277*
III.	**PROFIT**		**4,813,192**	**2,738,087**
	Income tax	**12.5**	**0**	**0**
	Deferred tax	**12.5**	**(275,992)**	**(873,750)**
	NET PROFIT OR LOSS FOR THE ACCOUNTING PERIOD		**5,089,184**	**3,611,837**

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

11.3 Statement of Other Comprehensive Income

(in EUR)	Item	2016	2015
1.	**Net profit/loss for the business year after tax**	**5,089,184**	**3,611,837**
2.	**Other comprehensive income for the reporting period, after tax**	**(868,126)**	**(1,200,858)**
3.	**Items which will later not be reclassified as profit and loss**	**(868,126)**	**(1,200,858)**
3.1	Net profit/loss recognized in the provisions due to the revaluation at fair value in relation to the tangible fixed assets	(925,816)	(142,100)
3.2	Net profit/loss recognized in the provisions due to the revaluation at fair value in relation to the intangible fixed assets	0	0
3.3	Actuarial net profit/loss for pension programmes, recognized in the retained profit/loss	57,690	(1,058,758)
4.	**Total comprehensive income for the financial year after tax**	**4,221,058**	**2,410,979**

	Net loss per share	-	-
	Net earnings per share	*1.79*	*1.27*

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

11.4 Cash Flow Statement

(in EUR)

	Item	Note	2016	2015
A.	***Cash flows from operating activities***			
a)	**Net profit or loss**			
	Profit or loss before tax		4,813,192	2,738,087
	Income taxes and other taxes not included in operating expenses	12.5.	275,992	873,750
			5,089,184	**3,611,837**
b)	**Adjustments for**			
	Depreciation and amortization (+)	12.3.1, 12.3.2	9,180,428	8,911,069
	Operating revenues from revaluation associated with investment and financing items (-)	12.4.3	(840,180)	(228,751)
	Operating expenses from revaluation associated with investment and financing items (+)	12.4.4	406,175	131,428
	Formation of value adjustments for receivables	12.3.6	439,100	240,394
	Formation of value adjustments for inventories	12.3.5	69,808	461,754
	Establishment and reversal of long-term provisions	12.3.10	574,676	1,483,314
	Financial income excluding financial income from operating receivables (-)	12.4.5	(1,900,202)	(1,892,989)
	Financial expenses excluding financial expenses from operating liabilities (+)	12.4.5	4,741,111	6,381,244
			12,670,916	**15,487,463**
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 the operating receivables	12.3.6	(1,881,333)	11,619,953
	Opening less closing deferred tax assets	12.3.13	(275,992)	(873,750)
	Opening less closing inventories	12.3.5	(4,611,527)	827,398
	Closing less opening operating debts	12.3.12, 12.3.15	2,136,748	552,194
	Closing less opening accrued costs and deferred revenues	12.3.16	855,872	(1,077,398)
	Closing less opening deferred tax liabilities	12.3.13	290,490	(2,128)
			(3,485,742)	**11,046,269**
d)	**Net cash from/used in operating activities (a + b + c)**		**14,274,358**	**30,145,569**
B.	***Cash flows from investing activities***			
a)	**Receipts from investing activities**			
	Receipts from interest and profit participations related to investing activities	12.4.5	1,464,080	1,738,589
	Receipts from the disposal of intangible assets	12.3.1	19,808	16,298
	Receipts from the disposal of property, plant and equipment	12.3.2	1,709,744	441,227
	Receipts from the disposal of long-term financial investments	12.3.4	17,995	83,081
	Receipts from the disposal of short-term financial investments	12.3.7	3,470,216	2,903,289
			6,681,843	**5,182,484**
b)	**Disbursements from investing activities**			
	Disbursements from the acquisition of intangible assets	12.3.1	(97,203)	(697,569)
	Disbursements from the acquisition of property, plant and equipment	12.3.2	(9,987,710)	(6,088,778)
	Disbursements from the acquisition of investment property	12.3.3	(152,385)	(12,291)
	Disbursements from the acquisition of long-term financial investments	12.3.4	(102,714)	(1,703,492)
	Disbursements from the acquisition of short-term financial investments	12.3.7	(1,215,332)	(3,011,813)
			(11,555,344)	**(11,513,943)**
c)	**Net cash from/used in investing activities (a + b)**		**(4,873,501)**	**(6,331,459)**
C.	***Cash flows from financing activities***			
a)	**Receipts from financing activities**			
	Receipts from the increase in long-term financial liabilities	12.3.11	13,405,233	2,821,659
	Receipts from the increase in short-term financial liabilities	12.3.14	4,104,424	10,566
			17,509,657	**2,832,225**
b)	**Financing expenditures**			
	Disbursements from paid interest pertaining to financing	12.4.5	(4,741,111)	(5,162,792)
	Disbursements from repayment of long-term financial liabilities	12.3.11	(4,656,698)	(1,203,594)
	Disbursements from the repayment of short-term financial liabilities	12.3.14	(13,285,075)	(19,083,881)
			(22,682,884)	**(25,450,267)**
c)	**Net cash from/used in financing activities (a + b)**		**(5,173,227)**	**(22,618,042)**
D.	***Cash and cash equivalents at end of the period***		**6,755,447**	**2,527,817**
x)	Net cash for the period (sum of surpluses Ac, Bc and Cc)		**4,227,630**	**1,196,068**
y)	Opening balance of cash and cash equivalents		**2,527,817**	**1,331,749**

According to IAS 7.22, which allows certain cash flows or cash receipts and payments for items in which the turnover is quick, the amounts are large and the maturities are short to be reported on a net basis, the Company disclosed receipts from the increase in long-term financial liabilities and disbursements for long-term financial liabilities. The company reduced the movements by EUR 95,354,840 in receipts and disbursements, because this amount represents the replacement of the financial liabilities of the company as a result of a successfully completed process of refinancing. For the purpose of comparability, the comparative data has been presented according to the said standard.

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

11.5 Statement of Changes in Equity

CHANGES IN EQUITY FOR THE PERIOD FROM 31 DECEMBER 2015 TO 31 DECEMBER 2016

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

CHANGES IN EQUITY FOR THE PERIOD FROM 31 DECEMBER 2014 TO 31 DECEMBER 2015

	I. Called-up capital	II. Capital reserves	III. Reserves from revenue			IV. Reserves from valuation at fair value	V. Net profit or loss brought forward	VI. Net operating profit or loss for the financial year	Total
(in EUR)	Share capital		Legal reserves	Reserves for treasury shares	Other revenue reserves		1. Net profit /loss brought forward	1. Net profit/ loss for the financial year	
Balance as at the end of the previous reporting period	**23,688,983**	**41,686,964**	**1,951,606**	**120,190**	**36,487,740**	**25,070,575**	**(25,434,053)**	**2,220,875**	**105,792,880**
Opening balance of the reporting period	**23,688,983**	**41,686,964**	**1,951,606**	**120,190**	**36,487,740**	**25,070,575**	**(25,434,053)**	**2,220,875**	**105,792,880**
Total comprehensive income for the reporting period	**0**	**0**	**0**	**0**	**0**	**(1,200,858)**	**0**	**3,611,837**	**2,410,979**
Entry of the net profit or loss for the reporting period	0	0	0	0	0	0	0	3,611,837	3,611,837
Changes of the provisions from the valuation of the financial investments at fair value	0	0	0	0	0	(142,100)	0	0	(142,100)
Other ingredients of the comprehensive income for the reporting period	0	0	0	0	0	(1,058,758)	0	0	(1,058,758)
Changes in equity	**0**	**0**	**0**	**0**	**0**	**0**	**2,220,875**	**(2,220,875)**	**0**
Allocation of the remaining net profit in the comparative reporting period to other components of equity	0	0	0	0	0	0	2,220,875	(2,220,875)	0
Closing balance of the reporting period	**23,688,983**	**41,686,964**	**1,951,606**	**120,190**	**36,487,740**	**23,869,717**	**(23,213,178)**	**3,611,837**	**108,203,859**

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

12 Notes on the Financial Statements

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

The Company's financial statements were prepared for the year ended on 31 December 2016.

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

12.1 Statement of Compliance

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

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

The Management Board of UNIOR d.d., confirmed the financial statements on 29 March 2017.

12.2 Basis for the Preparation of the Financial Statements

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

12.2.1 Fair value

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

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

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

- Level 3: assets, which cannot be obtained from the market data; this category consists of land and investment property at their estimated value, and buildings and equipment at the current book value. Long-term financial investments are presented at cost, less impairment, while operating receivables, short-term financial investments and liabilities are presented at their amortized cost.

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

(in EUR)	Level 1	Level 3	Total
Property, plant and equipment		**140,287,368**	**140,287,368**
- Land		*32,709,337*	*32,709,337*
- Buildings		*59,270,220*	*59,270,220*
- Equipment		*48,307,811*	*48,307,811*
Investment properties		**13,761,637**	**13,761,637**
Long-term financial investments	**660**	**21,228,009**	**21,228,669**
- Quoted shares	*660*		*660*
- Unquoted shares		*16,193,586*	*16,193,586*
- Long-term financial investments - long-term loans		*5,034,423*	*5,034,423*
Long-term operating receivables		**3,439,743**	**3,439,743**
Short-term financial investments		**3,991,952**	**3,991,952**
Short-term operating receivables		**30,036,953**	**30,036,953**
Long-term financial liabilities		**114,709,828**	**114,709,828**
Long-term operating liabilities		**79,543**	**79,543**
Short-term financial liabilities		**7,538,557**	**7,538,557**
Short-term operating liabilities		**41,254,188**	**41,254,188**

Classification of assets and liabilities in relation to their fair value as at 31 December 2015

(in EUR)	Level 1	Level 3	Total
Property, plant and equipment		**140,430,422**	**140,430,422**
- Land		*33,433,441*	*33,433,441*
- Buildings		*62,897,748*	*62,897,748*
- Equipment		*44,099,233*	*44,099,233*
Investment properties		**13,615,812**	**13,615,812**
Long-term financial investments	**660**	**22,148,702**	**22,149,362**
- Quoted shares	*660*		*660*
- Unquoted shares		*16,199,361*	*16,199,361*
- Long-term financial investments - long-term loans		*5,949,341*	*5,949,341*
Long-term operating receivables		**2,262,847**	**2,262,847**
Short-term financial investments		**5,566,600**	**5,566,600**
Short-term operating receivables		**29,332,516**	**29,332,516**
Long-term financial liabilities		**112,298,703**	**112,298,703**
Long-term operating liabilities		**125,954**	**125,954**
Short-term financial liabilities		**10,381,798**	**10,381,798**
Short-term operating liabilities		**39,071,029**	**39,071,029**

We show land and investment property at their estimated value, long-term financial investments at cost less impairment, and operating receivables, short-term financial investments and liabilities at their amortized cost.

The methodology used for the estimated values is disclosed for individual categories in Chapter 12.3.

12.2.2 Accounting Policies Used

The accounting policies used are the same ones that the Company used in previous years.

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

- **Amendments to the IFRS 10 "Consolidated Financial Statements", IFRS 12 "Disclosure of Interests in Other Entities", and IAS 28 "Investments in Associates and Joint Ventures"** -Investment companies: Applying the consolidation exception, adopted by the EU on 22 September 2016 (effective for annual periods, commencing 1 January 2016 or later),
- **Amendments to the IFRS 11 "Joint Arrangements"** – Accounting for Acquisitions of Interests in Joint Operations, adopted by the EU on 24 November 2015 (effective for annual periods, commencing on 1 January 2016 or later),
- **Amendments to the IAS 1 "Presentation of the Financial Statements"** – Disclosure Initiative, adopted by the EU on 18 December 2015 (effective for annual periods, commencing 1 January 2016 or later),
- **Amendments to the IAS 16 "Property, Plant and Equipment" and the IAS 38 "Intangible Assets" –** Interpretation of Acceptable Methods of Depreciation and Amortization, adopted by the EU on 2 December 2015 (effective for annual periods, commencing 1 January 2016 or later),
- **Amendments to the IAS 16 "Property, Plant and Equipment" and the IAS 41 "Agriculture"** – Agriculture: Bearer Plants - as adopted by the EU on 23 November 2015 (effective for annual periods, commencing on 1 January 2016 or later),
- **Amendments to the IAS 19 "Employee benefits"** – Defined Benefit Plans: Employee benefits, adopted by the EU on 17 December 2014 (effective for annual periods, commencing on 1 January 2015 or later),
- **Amendments to the IAS 27 "Separate Financial Statements"** – Equity Method in Separate Financial Statements, adopted by the EU on 18 December 2015 (effective for annual periods, commencing on 1 January 2016 or later),
- **Amendments to different standards "Improvements to the IFRS Standards" (cycle 2010-2012),** which are derived from the Annual Improvement Project to the IFRS Standards (IFRS 2, IFRS 3, IFRS 8, IFRS 13, IAS 16, IAS 24 and IAS 38), in particular in order to eliminate inconsistencies and interpretations of the text, adopted by the EU on 17 December 2014 (amendments must be used for annual periods, commencing on 1 February 2015 or later).
- **Amendments to different standards "Improvements to the IFRS Standards" (cycle 2012–2014)**, which are derived from the Annual Improvement Project to IFRS Standards (IFRS 5, IFRS 7, IAS 19, and IAS 34), in particular in order to eliminate inconsistencies and interpretations of the text, adopted by the EU on 15 December 2015 (the amendments must be used for annual periods, commencing on 1 January 2016 or later).

The adoption of these amendments to existing standards has not led to any changes in the financial statements of the Company.

12.2.3 Foreign currency business

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

assets 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.
For the purpose of consolidation, the balance sheets of subsidiaries that are not disclosed in euros were translated according to the closing mid-market reference exchange rate of the European Central Bank as at 31 December 2016, while the income statements of the subsidiaries were translated using the average rate of the European Central Bank for 2016. The difference is disclosed under the equity adjustment in the consolidated financial statements of the Unior Group.

12.2.4 Operating Profit/Loss

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

12.2.5 Significant Estimates and Judgements

In accordance with the International Financial Reporting Standards, the Company's management 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 the experience from previous years and the expectations in the reporting period. The actual results may differ from these estimates, which is why the estimates are constantly verified and revised. Evaluations and judgements are also present in impairments of financial investments, receivables, and inventory impairments and estimates of the useful life of fixed assets. Estimates and judgements within land valuation use valuation methods which are based on the future cash flows method and comparable transactions.

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;
- impairment of financial investments,
- investment tax relief for investments into research and development;

Deferred taxes are presented in greater detail in chapter 12.3.13.

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

The tax rate used for the calculation of the amount of deductible temporary differences is 19%. Based on the conditions set out in the 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 revaluation of land (at fair value directly in equity) and severance pay.

As at the reporting date, we verify the disclosed amount of deferred tax 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.

12.2.6 Summary of Significant Accounting Policies and Disclosures

We present individual categories in accordance with the International Financial Reporting Standards that prescribe disclosures, including all important issues. The accounting policies used as well as the nature and the level of the 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 the significant information that is reported in the financial statements. The comparative figures have been adjusted so that they are in accordance with the presentation of the information in the current year.

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

Property, plant and equipment
The revaluation model is applied to land valuation. We use the cost model for measuring buildings, plant and equipment. An asset is disclosed at cost less the accumulated depreciation adjustment and any accumulated impairment losses. The manner and 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 cash price equivalent at the recognition date. The cost of an item of property, plant and equipment comprises: its purchase price, including import duties and non-refundable purchase taxes, after deducting trade discounts and rebates; any costs directly attributable to bringing the asset to the location and the condition necessary for it to be capable of operating in the manner intended by the management and the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located. The Company undertakes this obligation either when the item is acquired or as a consequence of having used the item during a particular period for purposes other than to produce inventories during that period. The revaluation of land is performed based on an appraisal by a chartered valuation surveyor. The revaluation is disclosed through equity as a revaluation surplus.

In case of a significant cost value of an item of property, plant and equipment, which contains components 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 value of that asset. The capitalization of borrowing costs as part of the cost of a qualifying asset commences when the expenditures, borrowing costs and the activities necessary to prepare the asset for its intended use arise.

Financial lease

At the beginning of a lease, we recognize the financial lease in the balance sheet as an asset and liability at the 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, 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.

Subsequent expenditure

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

Depreciation

The amount of depreciation in each period is recognized in the 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 only taken into account for important items, also taking into account the costs of the 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 (in %)	Highest (in %)
Property, plant and equipment:		
Properties:	0.2	20.4
Masonry buildings	0.2	5.0
Other buildings	2.0	20.4
Equipment:		
Production equipment	0.5	25.2
Computer and electrical equipment	0.0	50.0
Fork lifts and hoists	4.0	23.5
Automobiles and tractors	3.0	26.7
Cleaning and heating equipment	2.0	20.1
Measuring and control devices	0.0	25.0
Furniture – office and other	0.2	20.0
Other equipment	12.0	25.0

Derecognition

The recognition of the carrying 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 the profit or loss when any of the conditions are met.

Intangible assets
An intangible asset is initially recognized at cost. After the initial recognition, intangible assets are disclosed at cost less the amortization adjustment and the eventual impairment loss. Development costs incurred shall be recognized as intangible assets if the Company can demonstrate the following: the technical feasibility of completing the project so that it will be available for use or sale; its intention to complete the project and use or sell it; its ability to use or sell the project; the likelihood that the project will generate future economic benefits (the existence of a market for the output of the project or the project itself or, if the project is to be used internally, the usefulness of the project); the availability of technical, financial and other resources to complete the development and to use or sell the project, and its ability to reliably measure the expenditure attributable to the intangible asset during its development (the capitalization of costs).

<u>Goodwill</u>
Goodwill is valued at the fair value of the transferred purchase consideration, including the recognized value of any non-controlling interest in the acquiree less the net recognized value of the acquired assets and liabilities valued as at the acquisition date. The transferred purchase consideration includes the fair value of the transferred assets, liabilities to the previous owners of the acquiree and the shares issued by the company. The Company's management performs an annual assessment of whether an impairment of the intangible asset is necessary.

<u>Emission coupons</u>
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 are disclosed as part of the intangible long-term fixed assets.

<u>Amortization</u>
Amortization 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 amortization method over the asset's useful life.
The amortization period and the amortization 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 amortization 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 five years.

Amortization rates applied by the Company:

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

Investment properties
We hold investment properties with the aim of 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 statement. Investment properties are not depreciated.

Financial investments
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. Held-to-maturity financial investments
2. Loans and Receivables
3. Financial assets available for sale

The Company determines the fair value of financial instruments by taking into account the following fair value hierarchy:

- Level 1 comprises quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 includes inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices);
- Level 3 consists of inputs for assets or liabilities that are not based on observable market data.

The quoted prices are used as the basis for determining the fair value of financial instruments. If a financial instrument is not quoted on a regulated market and the market is assessed as inactive, the Company uses the inputs of Levels 2 and 3 for determining the fair value of a financial instrument.

1. Held-to-Maturity Financial Investments
This group was formed for financial investments for which 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 investments in this group.

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

<u>Operating receivables</u>
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 the 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 impair receivables after the management performs an individual assessment of the programme with regard to the risk that the receivables will not be repaid.

<u>Commodity loans</u>
The Company extends commodity loans to companies within the Group and associated companies for their operations. Commodity loans are recognized among long-term operating receivables. We

charge interest on commodity loans. Value adjustments for commodity loans are made after the Company's management assesses them individually.

Loans granted
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 or short-term 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 rating, secured by the traditional security or instruments (e.g. blank bills of exchange, pledge of securities and other property or (im)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 liquidating the security instruments or start making impairments of the investment if legal proceedings are instituted. For assessing the repayability of loans granted, we use the cash flow availability assessment method of the creditor for the repayment and the net asset value method to assess the assets the creditor disposes of and are the basis for the repayment of the loans granted.

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

3. Available-for-Sale Financial Assets
We classify all investments into securities among the 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 profit or loss upon derecognition. We use the trading date when accounting for the acquisition and sale.
All other financial investments, for which no active market exists and where fair value cannot be reliably measured, are measured at cost.

Inventories
Inventories are valued at their historical cost or net realizable value, namely at the lower of the two values. The net realizable value is the estimated selling price 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 movement in the current year and impairs them to their realizable value.
The Company formulates inventory adjustments according to their age, namely:
- For inventories that have not had any movement in the current year, an adjustment in the amount of 5% of the inventories value is formed;

- For inventories that have not had any movement in two years, an adjustment in the additional amount of 15% of the inventories value is formed;
- For inventories that have not had any movement in three years, an adjustment in the additional amount of 10% of the inventories value is formed;
- For inventories that have not had any movement in four years, an adjustment in the additional amount of 10% of the inventories value is formed;
- For inventories that have not had any movement in five years or more, an adjustment in the additional amount of 10% of the inventories value is formed.

Cash

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 the last day of the financial year.

Equity

Share capital

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

Dividends

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

The Redemption of Treasury Shares

We did not trade in treasury shares in 2016.

Provisions

Provisions for lawsuits

We have formed provisions for losses 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 salaries from the date of valuation up to the envisaged retirement of an employee. 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 in the current year in the income statement. The main parameters considered in the calculation are the pensionable age of 60, the required length of service of 40 years, a 1.75% discount rate and a 2.2% increase in salaries.

Government grants

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

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

Income tax
Corporate income tax is 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 recognized for tax purposes and decreased by legally permitted tax relief. The tax liability for corporate income tax is calculated from the resulting amount. In 2016, the tax base was negative.

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. The deductible temporary differences decreased our taxable amounts and increased the deferred tax assets.

Income
Revenues from services rendered
Operating revenues are recognized when it is reasonable to expect that they will lead to receipts if these have not been realized upon their occurrence and if they can be reliably measured.
When recognizing revenues from the services rendered, we use the method of the percentage of completion as at the balance sheet date. We use this method when recognizing revenues in the reporting period of the services 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 materials
Revenues from the sale of products, goods and materials are measured on the basis of the prices indicated in the 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, materials and the services rendered.

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

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

Financial income and financial expenses

Financial income comprises income from the interest received for the loans granted, dividend income, income from the disposal of available-for-sale financial assets and exchange rate gains. Interest income is recognized when it occurs, using the effective interest method. Dividend income is disclosed in the profit or loss when the right to the payout is exercised.

Financial expenses comprise interest costs on borrowings, exchange rate losses and losses arising from the impairment of financial assets, which are recognized in the income statement. Loan costs are recognized in the profit or loss statement using the effective interest method.

Gross operating profit

Gross operating profit comprises sales revenues, changes in the value of inventories of finished 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 occur. We classify them according to their nature. We disclose them according to their 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 if this decrease can be reliably measured.

Profit or loss

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

The 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 the asset belongs to. Impairment is disclosed in the income statement and, in case of the revaluation of land, in the capital revaluation surplus. Impairment losses need to be reversed if there are changes in the estimates that were used to determine the recoverable amount of the assets. The loss due to the impairment of the asset is reversed only up to the amount that does not entail the increased carrying amount of an asset exceeding the carrying amount that would have been determined after the deduction of the depreciation write-off, if the impairment loss was not recognized as an asset in prior years. The reversal of a loss is recognized in the profit or loss as an income. For land we determine fair value by valuation.

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 the impairment of financial investments according to the selected criteria defined in the rules on accounting in order to determine whether there is objective evidence of potential impairment of the financial investment. If such reasons exist, we calculate the amount of the impairment loss.

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

In case of financial 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 the profit or loss as a financial expense from revaluation.

For financial investments classified into the group of available-for-sale financial investments, we measure the amount of impairment losses, which is then recognized in profit or loss as the difference between the carrying amount of the investment and the market or fair value as at the cut-off balance sheet date. The impairment of these investments is performed in the case of a significant or prolonged decline in the estimated value below the cost of the investment. The amount of this impairment is the difference between the cost and the fair value of the investment.

Statement of Other Comprehensive Income
The statement of other comprehensive income shows items (including potential adjustments for reclassification) that are not recognized in the profit or loss as required or permitted by other IFRS.

Cash Flow Statement
The Company reports cash flows from operations using the direct method based on the items in the balance sheet as at 31 December 2016 and 31 December 2015, as well as the income statement for 2016 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 recognized directly in equity, is included.

12.2.7 New Standards and Interpretations that have not yet Entered into Force

Standards and interpretations issued by the IASB and adopted by the European Union that have not yet entered in force

On the day these financial statements were approved, the following standards, amendments and interpretations were issued by the IASB and adopted by the EU, but have not yet taken effect:

- **IFRS 9 "Financial Instruments"**, adopted by the EU on 22 November 2016 (effective for annual periods, commencing 1 January 2018 or later) – the Company or the Group do not expect this standard to have a significant impact on its or consolidated financial statements;
- **IFRS 15 "Revenue from Contracts with Customers"** and amendments to the IFRS 15 "The effective date of the IFRS 15", adopted by the EU on 22 September 2016 (effective for annual periods, commencing 1 January 2018 or later) – the Company or the Group do not expect this standard to have a significant impact on its or consolidated financial statements.

New standards and amendments of the existing standards issued by the IASB, but not yet adopted by the European Union

At present, the IFRS, adopted by the EU, do not significantly differ from the regulations that were adopted by the International Accounting Standards Board (IASB), with the exception of the following new standards, amendments to the existing standards and new interpretations, which were not endorsed for application in the European Union as at 31 December 2016 (listed below are the dates of entry into force and apply to the entire IFRS):

- **IFRS 14 "Regulatory Deferral Accounts"** (effective for annual periods, commencing 1 January 2016 or later) – The European Commission has decided not to endorse this interim standard and, instead, has to wait for the issuance of the final version of the standard;
- **The IFRS 16 "Leases"** (effective for annual periods, commencing on 1 January 2019 or later);
- **Amendments to the IFRS 2 "Share-based Payment"** –Classification and Measurement of Share-based Payment Transactions (effective for annual periods, commencing on 1 January 2018 or later);
- **Amendments to the IFRS 4 "Insurance Contracts"** – Application of the IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts (effective for annual periods, commencing on 1 January 2018 or later or upon first application of the IFRS 9 Financial Instruments);
- **Amendments to the IFRS 10 "Consolidated Financial Statements" and the IAS 28 "Investments in Associates and Joint Ventures"** – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture and further amendments (the date of the commencement has been deferred indefinitely until the completion of the research project associated with the equity method);
- **Amendments to the IFRS 15 "Revenue from Contracts with Customers"** – Interpretations to the IFRS 15 Revenue from Contracts with Customers (effective for annual periods, commencing on 1 January 2018 or later);

- **Amendments to the IAS 7 "Statement of cash flows"** – Disclosure Initiative (effective for annual periods, commencing 1 January 2017 or later);
- **Amendments to the IAS 12 "Income taxes"** – Recognition of Deferred Tax Assets for Unrealized Losses (effective for annual periods, commencing 1 January 2017 or later);
- **Amendments to the IAS 40 "Investment property"** – Transfer of investment property (effective for annual periods, commencing 1 January 2018 or later);
- **Amendments to different standards "Improvements to the IFRS Standards" (cycle 2014–2016)"**, which are derived from the Annual Improvement Project to the IFRS (IFRS 1, IFRS 12 and IAS 28), in particular in order to eliminate inconsistencies and interpretations of the text (amendments to the IFRS 12 are valid for annual periods commencing on 1 January 2017 or later, while the amendments to the IFRS 1 and IAS 28 are valid for annual periods commencing on 1 January 2018).
- **IFRIC 22 "Foreign Currency Transactions and Advance Consideration"** (effective for annual periods commencing 1 January 2018 or later).

The company anticipates the introduction of other new standards and amendments, existing during the initial period of the application, will not have a significant effect on the financial statements of the Group.
Hedge accounting in relation to a financial assets and liabilities portfolio whose principles the European Union has not yet adopted, is still unregulated.
The Company estimates the application of hedge accounting in relation to the financial assets and liabilities portfolio according to the requirements under the **IAS 39"Financial instruments: Recognition and Measurement"** will not have a significant impact on its financial statements if applied on the balance sheet date.

12.3 Notes on the Balance Sheet

12.3.1 Intangible assets and long-term deferred costs and accrued revenues

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

(in EUR)	Goodwill	Deferred development costs	Investments in rights to ind. property	Other intangible assets	IFA under acquisition	Total
Cost						
Balance as at 31 December 2014	484,728	8,890,839	4,512,692	190,089	203,135	14,281,483
Direct increases - investments	0	0	0	7,818	697,569	705,387
Transfer from investments in progress	0	853,684	47,020	0	(900,704)	0
Decreases during the year	0	0	0	(24,117)	0	(24,117)
Balance as at 31 December 2015	484,728	9,744,523	4,559,712	173,790	0	14,962,753
Value adjustment						
Balance as at 31 December 2014	80,788	5,807,298	2,648,847	0	0	8,536,933
Amortization for the year	0	1,025,421	97,659	0	0	1,123,080
Balance as at 31 December 2015	80,788	6,832,719	2,746,506	0	0	9,660,013
Current value as at 31 December 2015	**403,940**	**2,911,804**	**1,813,206**	**173,790**	**0**	**5,302,740**
Current value as at 31 December 2014	403,940	3,083,541	1,863,845	190,089	203,135	5,744,550

In 2016, the Company received 7,523 emission coupons from the Slovenian Environment Agency operating within the scope of the Ministry of the Environment and Spatial Planning. These coupons are recorded in the books of account at the value of 1 euro. In 2016, the Company settled its liabilities for 2016 in the amount of 7,337 coupons. The Company discloses liabilities for 6,972 emission coupons for production in 2016. On 31 December 2016 the state of the emission coupons amounted to 22,404.

The increase in intangible fixed assets consists of licences for the Special Machines Programme, security project and network access charges.

Among other intangible fixed assets in the amount of EUR 165,153, emission coupons and long-term deferred costs and accrued revenues are disclosed.

The cost of intangible fixed assets with a current value of zero that are still in use is EUR 2,602,135.

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

12.3.2 Property, plant and equipment

(in EUR)	Land	Buildings	Production equipment	Small tools	Fixed assets under acquisition	Total
Cost						
Balance as at 31 December 2015	33,433,441	124,800,963	144,893,344	614,971	749,127	304,491,846
Direct increases - investments	0	0	0	0	9,987,710	9,987,710
Transfer from investments in progress	0	368,207	2,495,703	0	(2,863,910)	0
Decreases during the year	(273,359)	(1,979,187)	(2,524,422)	(2,891)	0	(4,779,859)
Revaluation due to impairment	(450,745)	0	0	0	0	(450,745)
Balance as at 31 December 2016	32,709,337	123,189,983	144,864,625	612,080	7,872,927	309,248,952
Value adjustment						
Balance as at 31 December 2015	0	61,903,215	101,631,274	526,935	0	164,061,424
Depreciation for the year	0	2,710,445	5,212,930	46,900	0	7,970,275
Decreases during the year	0	(693,897)	(2,373,327)	(2,891)	0	(3,070,115)
Balance as at 31 December 2016	0	63,919,763	104,470,877	570,944	0	168,961,584
Current value as at 31 December 2016	**32,709,337**	**59,270,220**	**40,393,748**	**41,136**	**7,872,927**	**140,287,386**
Current value as at 31 December 2015	33,433,441	62,897,748	43,262,070	88,036	749,127	140,430,422

(in EUR)	Land	Buildings	Production equipment	Small tools	Fixed assets under acquisition	Total
Cost						
Balance as at 31 December 2014	33,318,292	123,518,298	142,273,492	614,971	823,374	300,548,427
Direct increases - investments	18,319	0	0	0	6,070,459	6,088,778
Transfer from investments in progress	120,000	1,449,100	4,575,606	0	(6,144,706)	0
Decreases during the year	(23,170)	(166,435)	(1,955,754)	0	0	(2,145,359)
Revaluation due to impairment	0	0	0	0	0	0
Balance as at 31 December 2015	33,433,441	124,800,963	144,893,344	614,971	749,127	304,491,846
Value adjustment						
Balance as at 31 December 2014	0	59,197,797	98,400,331	476,762	0	158,074,890
Depreciation for the year	0	2,709,162	5,028,654	50,173	0	7,787,989
Decreases during the year	0	(3,744)	(1,797,711)	0	0	(1,801,455)
Balance as at 31 December 2015	0	61,903,215	101,631,274	526,935	0	164,061,424
Current value as at 31 December 2015	**33,433,441**	**62,897,748**	**43,262,070**	**88,036**	**749,127**	**140,430,422**
Current value as at 31 December 2014	33,318,292	64,320,501	43,873,161	138,209	823,374	142,473,537

Among property, plant and equipment, the company has disclosed assets that were gained by financial lease in the cost of EUR 949,312 (EUR 3,925,211 in 2015) and the present value as at 31 December 2016 of EUR 528,442 (EUR 3,114,482 in 2015).

The largest investments within the time period of several years represent investments into new buildings, namely into the extension to the production hall of the Forged Parts Programme and a new modern hall for the purposes of assembly within the Special Machines Programme. The majority of other investments remain investments into modernization and the expansion of machine capacities in production.

As security for liabilities, the company has pledged fixed assets in the estimated value of EUR 139,315,738, which represents the majority of the company's assets.

Due to changes, the land was revaluated to its fair value in 2017 on the basis of an appraisal report, compiled by a chartered property surveyor, according to the balance as at 31 December 2016. The method used by the surveyor was the market sales method, which indicates the value with the comparison of valuated property with equal or similar properties for which the information on price was available. On the basis of the sales prices achieved and adjustments, an indicative price, which a comparable property would achieve on the market, was taken into account. Public utility charges were added to the land valuation, namely as a right attributed to the construction land where the facilities with issued building permits are located. For Terme Zreče, the residual method of valuation was applied. The capitalization rate taken into account was 2.89% and is lower than that of investment properties as a result of different methods of valuation.

12.3.3 Investment properties

Investment properties

(in EUR)	31 December 2016	31 December 2015
Land	7,650,607	7,492,511
Buildings	6,111,030	6,123,301
Total	**13,761,637**	**13,615,812**

Changes in investment properties

(in EUR)	31 December 2016	31 December 2015
Opening balance as at 1 January	**13,615,812**	**13,603,521**
Acquisitions	152,385	12,291
Revaluation	(6,560)	0
Disposals	0	0
Closing balance as at 31 December	**13,761,637**	**13,615,812**

Investment property comprises land and buildings intended for resale or letting out for rental income, namely in Maribor, Zreče and on Rogla. Investment property is stated at fair value. In 2017, fair value was determined based on an appraisal by a chartered property surveyor according to the balance as at 31 December 2016. For land intended for sale and disclosed among investment properties, the surveyor used the market sales method, which indicates the value with the comparison of the valuated property with equal or similar properties for which the information on price is available. On the basis of the sales prices achieved and adjustments, an indicative price, which a comparable property would achieve on the market, was taken into account. Public utility charges were added to the land valuation, namely as a right attributed to the construction land where the facilities with issued building permits are located.

The method of assessing the value of the investment property for the location of the production halls in Maribor is the market sales method for determining the value of the land. In the appraisal report, the chartered surveyor considered the value obtained by the income capitalization approach, which represents a market valuation. The income capitalization approach is based on the capitalization of the expected stable profit that will be generated by the holder of the property rights through the use of the property. The basis for assessing the stable profit are the rents which are charged by the owner to tenants in accordance with the intended purpose of the property. The capitalization rate was established on the basis of the build-up approach and amounts to 7.465% for the production and storage facilities and 8.465% for the offices.

The rental costs in 2016 totalled EUR 422,914.

The minimum sum of rents from operating leases – receivables

(in EUR)	2016	2015
Up to 1 year	1,119,420	1,113,096
From 2 to 5 years	4,477,680	4,452,384
More than 5 years	5,597,100	5,565,480
Total	**11,194,200**	**11,130,960**

The minimum sum of rents from operating leases – liabilities

(in EUR)	2016	2015
Up to 1 year	217,404	51,600
From 2 to 5 years	869,616	206,400
More than 5 years	1,087,020	258,000
Total	**2,174,040**	**516,000**

Future rents are related to renting for the production hall in Maribor, a production line for powder coating and the rentals of classrooms and apartments.

The company pays rents for its business and storage facilities for the needs of the Special Machines Programme, for renting the Koča na Pesku cottage and a parking space at the forged parts processing plant at Slovenske Konjice.

12.3.4 Long-Term Financial Investments

Investments in shares and stakes in subsidiaries

(in EUR)	Stake	31 December 2016	31 December 2015
In the country:			
RTC KRVAVEC d.o.o., Cerklje	98.555	610,065	610,065
ROGLA INVESTICIJE d.o.o., Zreče	100.000	385,368	385,368
SPITT d.o.o., Zreče	100.000	265,000	265,000
PREUN d.o.o., Zreče	96.000	0	7,200
CAOK d.o.o., Zreče	96.000	0	7,200
TEKOH d.o.o., Zreče	96.000	0	7,200
		1,260,433	1,282,033
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	100.000	0	0
UNIOR ITALIA S.R.L. Limbiate	95.000	71,202	71,202
UNIOR ESPANA S.L. Uharte-Arakil	95.000	398,718	398,718
UNIOR HELLAS S.A. Metamorfosis	50.000	0	0
UNIOR INTERNATIONAL Ltd. Lincolnshire	50.000	0	0
UNIOR KOMERC d.o.o., Skopje	85.000	0	0
UNIOR PROFESSIONAL TOOLS Ltd. St. Petersburg	55.000	178,332	178,332
UNIOR COMPONENTS a.d. Kragujevac	95.450	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 BULGARIA Ltd. Sofia	58.000	0	0
UNIDAL d.o.o., Vinkovci	55.353	3,270,573	3,270,573
UNIOR HUNGARIA Kft. Nagyrecse	70.000	0	0
		11,353,972	11,353,972
Total subsidiaries		**12,614,405**	**12,636,005**

Investments in shares and stakes in associated companies

(in EUR)	Stake	31 December 2016	31 December 2015
In the country:			
RHYDCON d.o.o., Šmarje pri Jelšah	33.500	448,116	448,116
ŠTORE STEEL d.o.o., Štore	29.253	1,274,260	1,274,260
RC SIMIT d.o.o., Kidričevo	20.000	200,000	200,000
		1,922,376	1,922,376
Abroad:			
UNIOR SINGAPORE Pte. Ltd. Singapore	40.000	0	0
UNIOR TEOS ALATI d.o.o., Belgrade	20.000	423,000	423,000
UNIOR TEPID, S.R.L. Romania, Brasov	49.000	765,075	765,075
SINTER a.d., Užice	25.067	227,969	227,969
UNIOR TEHNA d.o.o. Sarajevo	25.000	150,000	134,176
		1,566,044	1,550,220
Total associated companies		**3,488,420**	**3,472,596**

In 2016, the company allocated only EUR 16 thousand for investments in associated companies, namely the conversion of profit into the equity of the company UNIOR Tehna d.o.o., in Sarajevo in accordance with the instrument of incorporation.

The company includes subsidiaries in which it holds a 50% equity stake and a resulting dominant influence, into the consolidated financial statements.

Long-term assets available for sale

(in EUR)	31 December 2016	31 December 2015
CIMOS d.d., Koper	29,953	29,953
GIZ LTO ROGLA Zreče	12,519	12,519
GTC KOPE d.o.o., Slovenj Gradec	0	0
INTEREUROPA d.d., Koper	660	660
RRA d.o.o., Celje	16,733	16,733
SIJ - SLOVENSKA INDUSTRIJA JEKLA d.d.	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
Total in other companies and banks	**91,421**	**91,421**

Long-term financial investments in liabilities

(in EUR)	31 December 2016	31 December 2015
Granted to subsidiaries:		
Long-term loan RTC KRVAVEC d.d., Cerklje	3,432,597	3,552,597
Long-term loan SPITT d.o.o., Zreče	173,377	190,106
Long-term loan UNIOR HUNGARIA Kft.	0	950,110
Long-term loan NINGBO UNIOR FORGING Co. Ltd.	1,376,490	1,302,065
Long-term loan UNIOR BULGARIA Ltd. Sofia	348,000	408,000
Long-term loan UNIOR KOMERC Skopje	510,200	540,400
Transfer to short-term investments	(950,807)	(1,177,039)
Granted to others:		
Long-term loan SINTER a.d. Užice	0	257,128
Long-term loan Jorgić Broker a.d. Belgrade	69,203	78,275
Long-term loan BIONIC MEDICAL d.o.o.	85,714	85,714
Long-term loan TEMNIK Primož	16,153	20,184
Long-term loan TGT56 Odisej	0	2,928
Long-term deposit for excise duty	2,925	0
Transfer to short-term investments	(29,429)	(261,128)
Total in liabilities	**5,034,423**	**5,949,340**
Total long-term financial investments excluding treasury shares	**21,228,669**	**22,149,362**

The long-term loan to RTC Krvavec d.d., is collateralized with a mortgage on the immovable and movable property owned by RTC Krvavec d.d. The mortgage value at the fair value of the pledged property is EUR 6,511,881 and the due date of the loan is 31 December 2019 with an interest rate of the 6-month Euribor + 3%. Other long-term investments into loans are not secured with a pledged property.

The presented long-term loans are entirely payable, with the exception of the loan to UNIOR Komerc Skopje, where a value adjustment in the amount of EUR 300 thousand was formed. Receipts accruing from interests in 2016 amounted to EUR 362,480 and EUR 279,165 in 2015.

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

(in EUR)	2016	2015
Investments in shares and stakes as at 1 January	**22,149,362**	**22,316,594**
Increases:		
Acquisition of shares and stakes	15,824	906,320
Increase of investments in liabilities	86,890	1,654,053
Return of a short-term part of investments in liabilities	0	0
Other increases - reversal of impairments	0	12,271
Decreases:		
Sale of shares and stakes	0	(22,306)
Eliminations	(21,600)	(15,871)
Transfer to short-term investments intended for sale	0	0
Repayments of long-term loans granted	(17,995)	(45,382)
Short-term part of investments in liabilities	(980,236)	(1,438,167)
Other decreases - impairment	(3,576)	(1,218,150)
Balance as at 31 December	**21,228,669**	**22,149,362**

Impairments in 2016 consist of a value adjustment of long-term loans to others in the amount of EUR 3,576.

Equity and profit or loss of associates

Company name	Country of the company	Percentage of participation in capital	Size in capital in EUR	Net profit or loss for the period in EUR
Subsidiaries:				
RTC KRVAVEC d.d.	Slovenia	98.555	11,785,112	74,816
ROGLA INVESTICIJE d.o.o.	Slovenia	100.000	434,098	1,449
SPITT d.o.o.	Slovenia	100.000	269,938	1,341
UNIOR Produktions- und Handels-GmbH	Austria	99.550	5,002	46,515
UNIOR DEUTSCHLAND GmbH	Germany	100.000	1,096,538	45,183
UNIOR FRANCE S.A.S.	France	100.000	(15,966)	(32,594)
UNIOR ITALIA S.R.L.	Italy	95.000	163,450	(22,845)
UNIOR ESPAÑA S.L.	Spain	95.000	439,108	69,365
UNIOR HELLAS S.A.	Greece	76.080	78,528	(369,123)
UNIOR INTERNATIONAL Ltd.	Great Britain	50.000	(476,430)	(308,330)
UNIOR KOMERC d.o.o.	Macedonia	85.000	874,474)	(62,525)
UNIOR PROFESSIONAL TOOLS Ltd.	Russia	55.000	1,101,032	362,580
UNIOR USA CORPORATION	USA	100.000	6,332	(6,054)
UNIOR BULGARIA Ltd.	Bulgaria	58.000	43,518)	296
UNIOR HUNGARIA Kft.	Hungary	70.000	442,532)	(77,723)
UNIOR COMPONENTS a.d.	Serbia	95.449	10,108,046	947,240
NINGBO UNIOR FORGING Co. Ltd.	China	50.000	17,164,291	5,516,012
UNIDAL d.o.o.	Croatia	55.353	2,068,766	7,764
Associated companies:				
ŠTORE STEEL d.o.o.	Slovenia	29.253	46,117,851	1,936,122
RHYDCON d.o.o.	Slovenia	33.500	2,685,650	278,088
RC SIMIT d.o.o.	Slovenia	20.000	958,729	(28,421)
UNIOR TEPID S.R.L.	Romania	49.000	4,391,805	(1,126,781)
UNIOR SINGAPORE Pte. Ltd.	Singapore	40.000	12,317)	(65,996)
UNIOR TEHNA d.o.o.	Bosnia and Herzegovina	25.000	890,409	371,958
UNIOR TEOS ALATI d.o.o.	Serbia	20.000	2,428,152	389,801
SINTER a.d.	Serbia	25.067	776,132	(123,194)

12.3.5 *Inventories*

(in EUR)	2016	2015
Material	19,707,411	19,191,064
Work-in-progress	24,532,034	20,486,173
Products	13,550,629	13,506,714
Merchandise	3,569,643	3,456,801
Stocktaking surpluses	46,367	93,283
Stocktaking deficits	136,219	126,933
Value adjustment	(1,290,323)	(1,220,515)
Total	**60,251,980**	**55,640,453**

Balance of value adjustment of inventories

(in EUR)	2016	2015
- material	436,902	500,836
- finished products	771,162	680,274
- merchandise	82,259	39,405
Total	**1,290,323**	**1,220,515**

Change in value adjustment of inventories

(in EUR)	2016	2015
Balance of inventory value adjustment as at 1 January	**1,220,515**	**758,760**
- material	(63,934)	(26,879)
- finished products	90,888	456,770
- merchandise	42,854	31,864
Balance as at 31 December	**1,290,323**	**1,220,515**

Inventories in the current business year have increased due to the larger volumes of business operations and higher numbers of completed projects. The company's inventory is entirely realizable, so the book value of the inventory is equal to the net realizable value. Inventories in the amount of EUR 20 million are pledged for the benefit of the banks for the purposes of insurance of financial liabilities.

Inventories in the above table are shown in gross amounts, as value adjustments of the inventories and inventory adjustments arising from determined changes during stocktaking are stated separately. The inventories stated in the balance sheet are shown in their net amounts. The total amount of inventories is harmonized.

12.3.6 Operating receivables

(in EUR)	2016	2015
Long-term operating receivables		
Long-term operating receivables due from subsidiaries	3,073,383	1,945,874
Long-term operating receivables due from associates	168,773	61,751
Long-term trade receivables	651,049	707,010
Short-term part of long-term operating receivables	(10,570)	(8,896)
Value adjustment of long-term operating receivables	(442,892)	(442,892)
Total long-term operating receivables	**3,439,743**	**2,262,847**
Short-term operating receivables		
Short-term operating receivables due from subsidiaries	7,729,437	10,899,687
Short-term operating receivables due from associates	455,207	754,882
Short-term trade receivables - at home	3,371,713	3,228,625
Short-term trade receivables - abroad	12,867,849	12,187,633
Receivables for VAT	717,668	870,757
Advances	858,818	881,234
Advances from associated companies	1,136,231	288,283
Other short-term operating receivables	3,693,293	2,130,286
Short-term part of long-term operating receivables	10,570	8,896
Value adjustments	(803,833)	(796,347)
Value adjustments - subsidiaries	0	(1,121,420)
Total short-term operating receivables	**30,036,953**	**29,332,516**

The increase in long-term operating receivables to subsidiaries mainly consists of increased volumes of business transactions with these companies, while the total receivables to subsidiaries are lower in the current year. Among other short-term receivables, deferred costs and accrued revenues in the amount of EUR 720,448 are disclosed, consisting of short-term deferred costs in the amount of EUR 266,513, accrued income in the amount of EUR 422,388 and VAT from advances received in the amount of EUR 31,547. The receivables in the table are entirely repayable. The company estimates the repayability of individual receivables separately, namely it estimates the likelihood of the cash flow intended for the repayment of individual receivables. This is verified with the verification of the credit rating of the buyer and taking into consideration the likelihood of repayment. Whereas all receivables are short-term, the company does not discount the receivables when taking into account their repayment.

In 2016, the company formed the following value adjustments of trade receivables.

Change in receivables value adjustments

(in EUR)	2016	2015
Balance as at 1 January	**1,917,767**	**2,607,664**
Collected receivables previously written-off	(113,055)	(876,991)
Final write-off of receivables	(1,439,979)	(44,773)
Formation of value adjustment in the year:	439,100	231,867
Balance as at 31 December	**803,833**	**1,917,767**

Since 1 October 2014 onwards, the company has secured all operating receivables with the exception of receivables to the associated companies. We have written-off receivables to the associated company Unior Hellas in the amount of EUR 1.1 million and to other buyers in the amount of EUR 0.3 million. These receivables have already formed value adjustments from the past periods. For short-term operating receivables in the amount of up to EUR 16 million, we have concluded a non-recourse factoring contract.

Maturity of the Company's receivables	**2016**	**2015**
Outstanding receivables	22,524,308	20,662,530
Receivables overdue up to 90 days	992,830	3,966,609
Receivables overdue from 91 to 180 days	2,215,044	1,904,974
Receivables overdue from 181 to 360 days	2,525,643	1,783,434
Receivables overdue by more than 365 days	1,779,128	1,014,969
Total	**30,036,953**	**29,332,516**

12.3.7 Short-term financial investments

(in EUR)	**2016**	**2015**
Loans granted:		
- to subsidiaries	2,071,474	931,958
- to associated companies	893,617	647,723
- to others	43,057	39,454
Short-term financial investments in deposits	303,568	2,509,298
Short-term part of long-term investments in liabilities	980,236	1,438,167
Value adjustment of short-term financial investments in liabilities	(300,000)	0
Total	**3,991,952**	**5,566,600**

The short-term financial investments of the company in the deposits in the amount of EUR 303,568 are pledged as collateral for liabilities arising from received bank guarantees. A short term loan toUnior Hungaria Kft. is collateralized with a mortgage on immovable property owned by UNIOR Hungaria Kft. The mortgage value is EUR 753,075, the loan maturity was 31 December 2016, and the interest rate is the 6-month Euribor + 6%. Because the loan was not repaid at maturity, a value adjustment of the loan in the amount of EUR 300 thousand was formed. For the purpose of repayment of the rest of the loan, the pledged property is on sale and it has been estimated that the sale price will exceed the value of the disclosed loan. Other short-term financial investments have not been pledged. Other short-term loans are estimated to be entirely repayable. Received payments for the approved loans represent a reduction in loans.

Changes in short-term financial investments

(in EUR)	2016	2015
Balance as at 1 January	**5,566,600**	**4,005,883**
Increases:		
Increase in short-term loans granted to Group companies	314,179	1,317,250
Increase in short-term loans granted to associated companies	18,195	13,424
Increase in short-term loans granted to others	12,976	41,890
Increase of investments in deposits	869,982	1,677,132
Transfer of the short-term part of long-term financial investments	980,236	1,438,167
Decreases:		
Decrease in short-term loans to Group companies	(351,703)	1,668,493)
Decrease in short-term loans granted to associated companies	(13,373)	0
Decrease in short-term loans to others	(29,428)	(3,601)
Decrease in financial investments in deposits	(3,075,712)	(1,255,052)
Other decreases - impairment	(300,000)	0
Balance as at 31 December	**3,991,952**	**5,566,600**

12.3.8 Bank balances, Cheques and Cash

Bank balances, Cheques and Cash

(in EUR)	2016	2015
Cash in hand and cheques received	16,109	16,093
Monetary assets in the bank	6,739,338	2,511,724
Total	**6,755,447**	**2,527,817**

The increase represents higher cash balances on accounts opened with commercial banks at the end of the 2016 business year.

12.3.9 Equity

The equity of UNIOR d.d. comprises called-up capital, capital reserves, revenue reserves, reserves from revaluation at fair value and the net loss and profit brought forward for the business year.

The company's share capital as at 31 December 2016 was registered in the amount of EUR 23,688,983 as disclosed in the balance sheet. It is divided into 2,838,414 no-par value shares. The book value per share as at 31 December 2016 was EUR 39.61 or 3.9% more than the year before.

Revenue reserves in the amount of EUR 38,559,536 are intentionally retained revenues from previous years, mainly for the settlement of potential future losses. The 2015 revenue reserves also amounted to EUR 38,559,536.

Reserves from revaluation at fair value in the amount of EUR 23,001,591 represent reserves from the revaluation of land at fair value and losses on actuarial calculations of severance pay upon retirement. In the past year, reserves from revaluation at fair value amounted to EUR 23,869,717.

The accumulated loss brought forward amounts to EUR 19,601,341 and represents uncovered losses from previous years. The accumulated loss brought forward in the previous year amounted to EUR 23,213,178.

The net profit for the business year – was EUR 5,089,184, while in 2015 it amounted to EUR 3,611,837.

Changes in equity in the current year represent:

- the decrease of revaluation surplus in the amount of EUR 925,816 and the increase from actuarial gains in calculating provisions and severance pay in the amount of EUR 57,690,
- net profit brought forward – the loss from previous years decreased the profit brought forward in 2015 in the amount of EUR 3,611,837.

The accumulated loss is a category according to the Companies Act.

Accumulated loss

(in EUR)	**2015**	**2015**
a) Profit for the current year	5,089,184	3,611,837
b) retained profit	0	0
c) Net loss brought forward	(19,601,341)	(23,213,178)
d) Decrease in capital reserves	0	0
e) Decrease in revenue reserves	0	0
f) Increase in revenue reserves	0	0
g) Long-term deferred development costs	(1793,401)	0
h) Accumulated loss	**(16,305,558)**	**(19,601,341)**

12.3.10 Long-Term Provisions And Deferred Income

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

(in EUR)	Provisions for severance pay and jubilee awards	Provisions for annuities	Provisions for environmental rehabilitation	Grants received for fixed assets	Provisions from long-term deferred revenues	Total
Balance as at 31 December 2014	**2,757,810**	**260,435**	**37,793**	**2,779,038**	**128,596**	**5,963,672**
Established provisions	1,676,670	12,014	0	7,815	5,511	1,702,010
Drawn provisions	(193,548)	(16,775)	(37,793)	(98,421)	(27,642)	(374,179)
Reversal of provisions	(218,695)	0	0	0	0	(218,695)
Balance as at 31 December 2015	**4,022,237**	**255,674**	**0**	**2,688,432**	**106,465**	**7,072,808**

Provisions for jubilee awards and severance pay are formed in the amount of the estimated future payouts for jubilee awards and severance pay discounted at the balance sheet date. The main parameters considered in the calculation are the pensionable age of 60, the required length of service of 40 years, a 1.75% discount and a 2.2% increase in salaries. Provisions are being reversed due to different assumptions in the calculation of provisions and for all employees for which the provisions have been formed in the past and are now no longer employed at Unior.

Provisions for annuities are formed for the employees who were injured at work in the company and have permanent consequences.

Among the long-term provisions, received resources from the Ministry of Economy for co-financing investments in the reconstruction and development of tourism facilities, the rehabilitation of the thermae after the fire, co-financing of the construction of the hotel Atrij in Zreče, and the co-financing of the development projects are disclosed. The provisions are drawn in accordance with the depreciation of the co-financed fixed assets. The balance of the provision as at 31 December 2016 amounts to EUR 2,597,830.

The value of the provision for the rent paid by Mobitel d.d., is EUR 75,148 and EUR 3,335 from the received donations for nature conservation.

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

12.3.11 Long-term financial liabilities

Changes in long-term financial liabilities

(in EUR)	The principal debt 01 January 2016	New loans in the year	Return on the unpaid short-term part	Repayments in the year	Principal of debt 31 Dec. 2016	Part that falls due in 2017	Long-term part
Bank or creditor							
Domestic banks	110,300,795	108,526,069		(98,118,738)	120,708,126	(6,170,552)	114,537,574
Foreign banks	922,474	0	0	(922,474)	0	0	0
Other creditors	0	0	0	0	0	0	0
Financial lease	1,075,434	234,004	0	(970,326)	339,112	(166,858)	172,254
Total loans obtained	**112,298,703**	**108,760,073**	**0**	**(100,011,538)**	**121,047,238**	**(6,337,410)**	**114,709,828**

(in EUR)	The principal debt 01 January 2015	New loans in the year	Return on the unpaid short-term part	Repayments in the year	The principal debt 31 Dec. 2015	Part that falls due in 2016	Long-term part
Bank or creditor							
Domestic banks	117,227,283	2,591,793	0	(1,167,610)	118,651,466	(8,350,671)	110,300,795
Foreign banks	961,584	0	257	0	961,841	(39,367)	922,474
Other creditors	192,858	0	0	0	192,858	(192,858)	0
Financial lease	1,112,910	229,609	0	(35,984)	1,306,535	(231,101)	1,075,434
Total loans obtained	**119,494,635**	**2,821,402**	**257**	**(1,203,594)**	**121,112,700**	**(8,813,997)**	**112,298,703**

The interest rates on long-term loans obtained are within the range of the six-month Euribor + 2.0% to the six-month Euribor + 3.19% and the three-month Euribor + 0.5%. The company has taken out long-term loans with a reference interest rate for a three-month and six-month Euribor. In 2016, the company successfully concluded and obtained a new syndicated loan with which it repaid the existing loans.

According to the IAS 7.22, which allows certain cash flows or cash receipts and payments for items in which the turnover is quick, the amounts are large and the maturities are short to be reported on a net basis, the Company disclosed receipts from the increase in long-term financial liabilities and disbursements for long-term financial liabilities in the cash flow statement. The company reduced the movements by EUR 95,354,840 in receipts and disbursements, because this amount represents the replacement of the financial liabilities of the company as a result of a successfully completed process of refinancing.

Maturity of long-term financial liabilities by year

(in EUR)	2016	2015
Maturity from 1 to 2 years	6,417,430	9,421,039
Maturity from 2 to 3 years	7,228,642	8,467,645
Maturity from 3 to 4 years	17,792,390	88,851,070
Maturity from 4 to 5 years	12,551,298	2,707,938
Maturity of more than 5 years	70,720,068	2,851,011
Total	**114,709,828**	**112,298,703**

Long-term liabilities arising from financing are collateralized by mortgages on immovable and movable property, investments and inventories at fair value in the amount of EUR 159,315,738, as well as bills of exchange written. These amounts comprise the values of the secured loan agreements. The collateralisation of long-term liabilities arising from financing in the previous year amounted to EUR 221,126,333 for UNIOR d.d., and EUR 8,500,000 for RTC Krvavec d.d., as well as bills of exchange written. These values also comprised the values of the secured loan agreements.

12.3.12 Long-term operating liabilities

Long-term operating liabilities

(in EUR)	2016	2015
Long-term operating liabilities arising from lease	125,954	172,365
Short-term part of the long-term operating liabilities	(46,411)	(46,411)
Total long-term operating liabilities	**79,543**	**125,954**

Long-term operating liabilities comprise a gained commodity credit in the segment of telecommunications which is being repaid in accordance with the amortization schedule.

12.3.13 Deferred Tax Assets and Liabilities

(in EUR)	2016	2015
Long-term deferred tax asset	7,498,724	7,222,732
Long-term deferred tax liability	(5,623,526)	(5,333,036)
Net long-term deferred tax asset	**1,875,198**	**1,889,696**

Changes in deferred tax assets	**2016**	**2015**
Balance of the deferred tax asset as at 1 January	**7,222,732**	**6,348,981**
Decrease:		
- Long-term provisions for jubilee awards and severance pay	0	0
- Reversal of impairments of trade receivables	(173,292)	(117,282)
- Reversal of impairments of financial investments	(559,386)	0
- Regional relief for investments	(48,282)	(38,936)
- Investment into research and development	0	(39,207)
- tax loss	0	0
Increases:		
- Long-term provisions for jubilee awards and severance pay	160,756	214,953
- Impairment of trade receivables	0	0
- Impairment of financial investments	0	467,080
- Tax relief for investments	408,030	387,143
- Investment into research and development	181,524	0
- tax loss	306,642	0
Balance of the deferred tax asset as at 31 December	**7,498,724**	**7,222,732**

Changes in deferred tax liabilities	2016	2015
Balance of the deferred tax liability as at 1 January	**5,333,036**	**5,335,163**
Decrease	(120,712)	(2,127)
Increase	411,202	0
Balance of the deferred tax liability as at 31 December	**5,623,526**	**5,333,036**

Deferred taxes are disclosed according to the balance sheet liability method, whereby the temporary difference between the carrying amount of the assets and the liabilities is 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 the 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, the impairment of trade receivables, the impairment of investments, tax relief for investments into research and development and the disclosed tax loss. The tax rate applied to all items is 19%.

Long-term deferred tax liabilities relate to the recalculation of property - land to a fair value that is disclosed in the surplus from revaluation. The tax rate applied is 19%.

12.3.14 Short-term financial liabilities

Changes in short-term financial liabilities

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

(in EUR)	Balance of debt as at 1 January 2015 with the short-term part of the long-term liability	New loans in the year	Transfer of the unpaid short-term part to long-term liability	Repayments in the year	Transfer of the short-term part of long-term liabilities	Balance of debt as at 31 December 2015
Bank or creditor						
Domestic banks	8,348,658		0	(8,348,658)	8,350,671	8,350,671
Foreign banks	41,380	0	(257)	(41,123)	39,367	39,367
Related parties	495,866	10,082	0	(134,289)	0	371,659
Other lenders	11,545,439	0	0	(10,349,297)	192,858	1,389,000
Financial lease	209,773	0	741	(210,514)	231,101	231,101
Total loans obtained	**20,641,116**	**10,082**	**484**	**(19,083,881)**	**8,813,997**	**10,381,798**

Among short-term financial liabilities the company shows a rented short term loan from related companies Unior Deutschland GmbH, Rogla investicije d.o.o., and RC Simit d.o.o., and a short-term loan for project financing with a commercial bank. All other financial liabilities are long-term.

The interest rate for hired short-term loans is 2.0 to 4.0% fixed and 6 - month Euribor + 2.9%.

Short-term liability arising from financing is collateralized by pledged receivables at fair value in the amount of EUR 3,500,000, as well as bills of exchange written. These amounts comprise the value of the secured loan agreements.

12.3.15 Short-term operating liabilities

Short-term operating liabilities

(in EUR)	2016	2015
Short-term operating liabilities to subsidiaries		
Slovenia	135,069	60,733
Abroad	2,034,765	1,981,965
Short-term operating liabilities to associated companies		
in Slovenia	4,294,056	6,927,029
Abroad	14,951	94,747
Short-term operating liabilities to other suppliers:		
Slovenia	18,153,352	15,509,538
Abroad	6,345,863	6,330,269
Short-term operating liabilities to the state	643,523	591,346
Short-term operating liabilities to employees	4,111,958	3,516,244
Short-term operating liabilities for advances	4,465,440	3,738,923
Short-term operating liabilities for interest	42,860	86,486
Other short-term liabilities	965,940	187,338
Short-term part of the long-term operating liabilities	46,411	46,411
Total	**41,254,188**	**39,071,029**

Maturity of the Company's operating liabilities

(in EUR)	2016	2015
Outstanding liabilities	30,368,331	25,212,798
Overdue up to 90 days	10,418,847	11,583,673
Overdue from 91 to 180 days	166,024	1,569,882
Overdue from 181 to 360 days	288,461	429,084
Overdue over 360 days	12,525	275,592
Total	**41,254,188**	**39,071,029**

12.3.16 Accrued costs and deferred revenues

Accrued costs and deferred revenues

(in EUR)	2016	2015
Short-term deferred revenues	332,161	255,779
Short-term accrued costs and expenditures	2,063,627	1,272,448
VAT from advances granted	24,198	35,887
Total	**2,419,986**	**1,564,114**

The following is disclosed among the accrued costs and deferred revenues:

- Short-term deferred income from the advance sales of ski tickets in the amount of EUR 322,775 and charged the amount of Interest EUR 9,387;
- accrued costs in the amount of 2,063,627 comprising the accounted commissions for sale in the amount of EUR 524,302, the liability for unused holiday leave for 2016 in the amount of EUR 1,424,119, the obligation for auditing of EUR 16,140, invoices received in January 2017 for the supply or services rendered in 2016 in the amount of EUR 99,066;
- VAT from advances granted in the amount of EUR 24,198.

12.3.17 Contingent liabilities

(in EUR)	2016	2015
Warranties and guarantees given	3,665,732	4,437,907
Total	**3,665,732**	**4,437,907**

The warranties and guarantees provided to related parties are worth EUR 3,665,732.

12.4 Notes on the Income Statement

12.4.1 Net Sales Revenues

Net sales revenues by geographical segment

(in EUR)	2016	2015
Slovenia		
- subsidiaries	172,592	172,190
- associates	103,258	378,567
- other buyers	31,772,996	31,482,800
Abroad		
- subsidiaries	13,096,792	14,930,937
- associates	4,079,328	3,815,884
- other buyers	118,717,399	109,038,640
Total	**167,942,365**	**159,819,018**

Net sales revenues by business segment

(in EUR)	2016	2015
FORGED PARTS	95,491,055	93,257,478
TOOLS	32,239,121	31,783,278
SPECIAL MACHINES	19,310,545	14,693,347
TOURISM	17,500,119	16,763,269
JOINT SERVICES	3,281,739	3,132,282
MAINTENANCE	119,786	189,363
Total	**167,942,365**	**159,819,018**

12.4.2 Capitalized own products and services

Capitalized own products and own services are products made by the Company itself or the services provided by the Company for its own needs that are included in either property, plant and equipment or intangible fixed assets, and the related services also performed by the Company itself. Their amount must not exceed the costs incurred by the construction or making of a product or the provision of a service.

Capitalized own products and services

(in EUR)	2016	2015
Capitalized own products and services	1,027,705	1,980,284
Total	**1,027,705**	**1,980,284**

As part of its capitalised own products and services, the company discloses the value of own investments into maintenance activities for other programmes in the amount of EUR 686,049. This amount covers general overhauls of machines at the forging plant, overhaul of CNC machines carried out by the Special Machines Programme for other programmes in the amount of EUR 91,656 and for own needs within the Programme in the amount of EUR 250,000.

12.4.3 Other operating revenues

Other operating revenues

(in EUR)	2016	2015
Rewards for exceeding the quota of disabled employees	170,802	187,091
Paid receivables that were already included in the value adjustment	113,055	76,991
Damages received	307,223	255,316
Reversal of long-term provisions	946,581	661,945
Profit from the sale of fixed assets	681,686	228,751
Revaluation of investment property to fair value	174,546	0
Subsidies, grants and similar revenues	56,689	56,272
Emission coupon sales	7,815	8,114
Other	974,199	1,704,569
Total	**3,432,596**	**3,179,049**

12.4.4 Costs and expenses

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

2015 (in EUR)	**Production costs**	**Costs of sales**	**Costs of general activities**	**Total**
Cost of goods sold/production costs	9,689,494	16,921	1,729,157	11,435,572
Cost of materials	61,400,532	4,368,906	870,513	66,639,951
Cost of services	12,605,767	3,838,377	2,212,310	18,656,454
Cost of wages and salaries	26,812,245	*5,471,152*	*3,648,333*	*35,931,730*
Cost of social insurance	4,637,988	*868,855*	*578,019*	*6,084,862*
Cost of pension insurance	413,319	*70,364*	*41,728*	*525,411*
Other labour costs	*4,071,195*	*936,661*	*341,870*	*5,349,726*
Total labour costs	35,934,747	7,347,032	4,609,949	47,891,729
Amortization and depreciation	5,846,437	2,471,586	593,046	8,911,069
Operating expenses from the revaluation of current assets	653,418	27,909	20,821	702,148
Operating expenses from the revaluation of intangible assets and property, plant and equipment	63,208	19,816	48,404	131,428
Other costs	496,700	385,373	277,221	1,159,294
Total costs	**126,690,303**	**18,475,921**	**10,361,421**	**155,527,645**

Other labour costs comprise the costs of holiday allowance, meal allowance, travel allowance, jubilee awards and severance pay above the created provision and certain other payments to employees.

Among the cost of services, the company shows EUR 205,858 of cost for hiring workers through recruitment agencies, which represents 11 employees compared to hours worked.

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

As part of its other costs, the company discloses:

(in EUR)	**2016**	**2015**
- provisions for annuities	11,790	12,015
- charge for the use of building land	273,439	260,590
- environmental protection expenditures	73,963	101,462
- bonuses to pupils and students undergoing practical training	533,145	426,754
- scholarships to pupils and students	44,968	45,289
- damages paid to employees	70,056	76,892
- financial aid - grants	123,611	168,893
- impairment of investment property	181,106	0
- other operating expenses	24,938	67,399
Total	**1,337,016**	**1,159,294**

The contractual amount for auditing the Annual Report of Unior d.d. and the Unior Group came in at EUR 22,800. The audit was performed by Deloitte Revizija d.o.o.

12.4.5 Financial income and financial expenses

Financial income

(in EUR)	2016	2015
Finance income from participating interests		
Finance income from participating interests in Group companies	1,178,249	1,113,314
Finance income from participating interests in associated companies	270,451	401,957
Finance income from participating interests in other companies	15,380	34,748
Total	1,464,080	1,550,019
Finance income from loans granted		
Finance income from loans granted to Group companies	362,480	279,165
Finance income from loans granted to others	73,642	63,805
Total	436,122	342,970
Finance income from operating receivables		
Finance income from operating receivables due from Group companies	364	642
Finance income from operating receivables due from others	69,980	111,071
Total	70,344	111,713
Total financial income	**1,970,546**	**2,004,702**

Financial income from participating interests in Group companies comprises the profit of Unior Deutschland GmbH, Unior Components a.d. and Ningbo Unior Forging Co.Ltd. Financial income from participating interests in associates comprises the profit of Unior Teos d.o.o., Unior Tepid s.r.l. and Unior Tehna d.o.o..

Financial expenses

(in EUR)	2016	2015
Financial expenses from impairments and write-offs of financial investments	307,169	1,218,452
Financial expenses from financial liabilities		
Financial expenses from loans, received from Group companies	6,537	2,582
Financial expenses from loans received from banks	4,489,039	5,160,210
Financial expenses from other financial liabilities	245,535	0
Total	4,741,111	5,162,792
Financial expenses from operating liabilities		
Finance expenses from operating liabilities to Group companies	47,699	61,591
Finance expenses from trade payables and bills payable	322,774	386,869
Financial expenses from other operating liabilities	245,163	339,277
Total	615,636	787,737
Total financial expenses	**5,663,916**	**7,168,981**

Impairment of Financial Investments

The impairment of the loan to Unior Hungaria Kft amounted to EUR 300,000, the write-off investment in the company Caok amounted to EUR 7,043, and the difference in profit in the company Štore Steel amounted to EUR 126.

12.5 Corporate Income Tax Account and Deferred Taxes

(in EUR)	**2016**	**2015**
Income tax	0	0
Deferred taxes	(275,992)	(873,750)
Total	**(275,992)**	**(873,750)**

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

(in EUR)	**2016**	**2015**
Net profit or loss for the period before taxes	4,813,191	2,738,087
Income tax in Slovenia 17%	818,243	465,475
Non-taxable income	113,055	3,437,549
Expenses not recognized for tax purposes	2,004,050	3,290,936
Value adjustment of receivables	(173,292)	(117,283)
Value adjustment of investments	(559,386)	467,080
Provisioning	160,756	214,953
Tax relief for investments in research and development	133,242	(78,143)
Tax relief for investments	408,030	387,143
Tax relief for the employment of disabled people	0	0
Tax relief for supplementary pension insurance	0	0
Tax loss	306,642	0
Income tax	(275,992)	(873,750)
Effective tax rate in %	(5.7)	(31.9)

In 2016, the tax base was disclosed in the amount of EUR 6,359,765. The tax base is reduced in order to use the tax relief for investments in research and development in the amount of EUR 1,136,048, in order to use the regional relief for investments in research and development in the amount of EUR 284,012, for investments in the amount of EUR 2,675,137, for the employment of disabled persons in the amount of EUR 1,670,384, for supplementary pension insurance in the amount of EUR 507,084 and for donations in the amount of EUR 87,100. There is no tax base. Tax relief which can be used in subsequent periods amounts to a total of EUR 33,017,641.

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 financial statements, i.e. for those that are reconciled in the defined period.

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

The effect of deferred taxes on the net profit is EUR 275,992, which increases the net profit for the current year.

12.6 Related-Party Transactions

12.6.1 Sales to associated companies

Sales to related parties

(in EUR)	2016	2015
Subsidiaries:		
In the country:	**172,592**	**172,190**
RTC KRVAVEC d.d., Cerklje	135,170	121,917
SPITT d.o.o., Zreče	37,422	37,768
CAOK d.o.o., Zreče	0	3,605
TEKOH d.o.o., Zreče	0	4,500
PREUN d.o.o., Zreče	0	4,400
Abroad:	**13,096,792**	**14,930,937**
UNIOR Produktions- und Handels- GmbH Ferlach	3,549,747	3,836,387
UNIOR DEUTSCHLAND GmbH Remseck	793,506	919,938
UNIOR FRANCE S.A.S. Melun	0	(13,237)
UNIOR ITALIA S.R.L. Limbiate	971,332	1,098,095
UNIOR ESPANA S.L. Uharte-Arakil	733,374	673,168
UNIOR HELLAS S.A. Metamorfosis	171,953	258,833
UNIOR INTERNATIONAL Ltd. Lincolnshire	903,595	1,047,558
UNIOR KOMERC d.o.o., Skopje	172,454	142,975
UNIOR PROFESSIONAL TOOLS Ltd. St. Petersburg	1,338,376	1,897,845
UNIOR USA CORPORATION Olney	26,147	26,379
UNIOR BULGARIA Ltd. Sofia	187,812	215,929
UNIOR HUNGARIA Kft. Nagyrecse	214,203	235,334
UNIOR COMPONENTS a.d. Kragujevac	179,396	101,961
NINGBO UNIOR FORGING Co. Ltd. Yuyao	111,365	273,356
UNIDAL d.o.o., Vinkovci	3,743,532	4,216,416
Total subsidiaries	**13,269,384**	**15,103,127**
Associated companies:		
In the country:	**103,258**	**378,567**
ŠTORE STEEL d.o.o., Štore	43,851	297,002
RHYDCON d.o.o., Šmarje pri Jelšah	33,245	52,532
RC SIMIT d.o.o., Kidričevo	26,162	29,033
Abroad:	**4,079,328**	**3,815,884**
UNIOR TEPID S.R.L. Brasov	2,434,346	2,207,604
UNIOR SINGAPORE Pte. Ltd. Singapore	205,320	214,219
UNIOR TEHNA d.o.o., Sarajevo	492,825	395,142
UNIOR TEOS ALATI d.o.o., Belgrade	891,422	864,118
SINTER a.d. Užice	55,415	134,801
Total associated companies	**4,182,586**	**4,194,451**
Total sales to related parties	**17,451,970**	**19,297,578**

12.6.2 Purchases from Associated Companies

Purchases from related parties

(in EUR)	2016	2015
Subsidiaries:		
In the country:	**456,554**	**357,029**
RTC KRVAVEC d.d., Cerklje	71,477	58,275
SPITT d.o.o., Zreče	385,077	221,499
CAOK d.o.o., Zreče	0	7,315
TEKOH d.o.o., Zreče	0	55,200
PREUN d.o.o., Zreče	0	14,740
Abroad:	**10,422,559**	**10,205,285**
UNIOR Produktions- und Handels- GmbH Ferlach	1,150,249	1,076,565
UNIOR DEUTSCHLAND GmbH Remseck	658,954	543,033
UNIOR FRANCE S.A.S. Melun	1,440	0
UNIOR ITALIA S.R.L. Limbiate	39,862	33,268
UNIOR ESPANA S.L. Uharte-Arakil	1,759	1,759
UNIOR HELLAS S.A. Metamorfosis	247,376	0
UNIOR INTERNATIONAL Ltd. Lincolnshire	122,512	147,570
UNIOR KOMERC d.o.o., Skopje	38,263	43,839
UNIOR COFRAMA sp.z o.o. Poznan	(87)	0
UNIOR COMPONENTS a.d. Kragujevac	883,802	664,856
NINGBO UNIOR FORGING Co. Ltd. Yuyao	528,560	601,100
UNIDAL d.o.o., Vinkovci	6,749,869	7,093,295
Total subsidiaries	**10,879,113**	**10,562,314**
Associated companies:		
In the country:	**14,785,931**	**21,057,044**
ŠTORE STEEL d.o.o., Štore	14,785,931	21,192,802
RC SIMIT d.o.o., Kidričevo	0	(137,793)
USTVARJALEC d.o.o., Zreče	0	2,035
Abroad:	**549,102**	**886,418**
UNIOR TEPID S.R.L. Brasov	10,198	27,853
UNIOR SINGAPORE Pte. Ltd. Singapore	3,376	2,639
UNIOR TEHNA d.o.o., Sarajevo	0	1,864
UNIOR TEOS ALATI d.o.o., Belgrade	173,316	237,068
SINTER a.d. Užice	362,212	616,994
Total associated companies	**15,335,033**	**21,943,462**
Total purchases from related parties	**26,214,146**	**32,505,776**

12.6.3 Operating Receivables Due from Associated Companies

Operating receivables due from related parties

(in EUR)	2016	2015
Subsidiaries:		
In the country:	**26,096**	**21,492**
RTC KRVAVEC d.d., Cerklje	21,954	15,995
SPITT d.o.o., Zreče	4,142	5,497
Abroad:	**11,912,955**	**11,990,932**
UNIOR Produktions- und Handels- GmbH Ferlach	1,613,329	2,676,892
UNIOR DEUTSCHLAND GmbH Remseck	80,786	222,606
UNIOR ITALIA S.R.L. Limbiate	382,349	607,678
UNIOR ESPANA S.L. Uharte-Arakil	781,706	799,236
UNIOR HELLAS S.A. Metamorfosis	954,165	273,240
UNIOR INTERNATIONAL Ltd. Lincolnshire	1,332,360	1,045,384
UNIOR KOMERC d.o.o., Skopje	1,032,262	920,908
UNIOR PROFESSIONAL TOOLS Ltd. St. Petersburg	1,432,277	1,675,528
UNIOR USA CORPORATION Olney	0	8
UNIOR BULGARIA Ltd. Sofia	380,975	360,748
UNIOR HUNGARIA Kft. Nagyrecse	150,678	111,474
UNIOR COMPONENTS a.d. Kragujevac	31,281	21,106
NINGBO UNIOR FORGING Co. Ltd. Yuyao	82,396	12,858
UNIDAL d.o.o., Vinkovci	3,658,391	3,263,266
Total subsidiaries	**11,939,051**	**12,012,424**
Associated companies:		
In the country:	**117,908**	**197,041**
ŠTORE STEEL d.o.o., Štore	105,431	174,354
RHYDCON d.o.o., Šmarje pri Jelšah	9,549	21,223
RC SIMIT d.o.o., Kidričevo	2,928	1,464
Abroad:	**506,072**	**637,900**
UNIOR TEPID S.R.L. Brasov	172,296	304,178
UNIOR TEHNA d.o.o., Sarajevo	187,983	133,077
UNIOR TEOS ALATI d.o.o., Belgrade	(44,136)	26,547
SINTER a.d. Užice	189,929	174,098
Total associated companies	**623,980**	**834,941**
Total operating receivables due from related parties	**12,563,031**	**12,847,365**

12.6.4 Operating Liabilities to Associated Companies

Operating liabilities to related parties

(in EUR)	2016	2015
Subsidiaries:		
In the country:	**135,069**	**60,733**
RTC KRVAVEC d.d., Cerklje	10,373	2,508
SPITT d.o.o., Zreče	124,696	58,225
Abroad:	**2,034,765**	**1,981,965**
UNIOR Produktions- und Handels- GmbH Ferlach	717,396	472,052
UNIOR DEUTSCHLAND GmbH Remseck	87,903	168,556
UNIOR ITALIA S.R.L. Limbiate	3,693	20,387
UNIOR ESPANA S.L. Uharte-Arakil	1,759	0
UNIOR INTERNATIONAL Ltd. Lincolnshire	0	1,000
UNIOR HUNGARIA Kft. Nagyrecse	0	87
UNIOR COMPONENTS a.d. Kragujevac	735,827	616,798
NINGBO UNIOR FORGING Co. Ltd. Yuyao	0	184,600
UNIDAL d.o.o., Vinkovci	488,187	518,485
Total subsidiaries	**2,169,834**	**2,042,698**
Associated companies:		
In the country:	**4,294,056**	**6,927,029**
ŠTORE STEEL d.o.o., Štore	4,290,999	6,923,972
RC SIMIT d.o.o., Kidričevo	3,057	3,057
Abroad:	**14,951**	**94,747**
UNIOR TEPID S.R.L. Brasov	0	3,309
UNIOR SINGAPORE Pte. Ltd. Singapore	0	9,474
UNIOR TEHNA d.o.o., Sarajevo	0	1,865
UNIOR TEOS ALATI d.o.o., Belgrade	14,951	41,960
SINTER a.d. Užice	0	38,139
Total associated companies	**4,309,007**	**7,021,776**
Total operating liabilities to related parties	**6,478,841**	**9,064,474**

12.6.5 Receivables and Liabilities from Loans and Interest Arising from Associated Companies

Receivables from loans and interest due from associated companies

(in EUR)	2016	2015
Subsidiaries:		
In the country:	**4,579,887**	**4,663,394**
RTC Krvavec d.d., Cerklje	3,465,837	3,616,913
SPITT d.o.o., Zreče	1,114,050	1,046,481
Abroad:	**3,032,252**	**3,211,843**
UNIOR Komerc d.o.o., Skopje	607,969	540,400
UNIOR Hellas S.A., Metamorfosis	0	11,268
UNIOR HUNGARIA Kft. Nagyrecse, Hungary	695,295	950,110
NINGBO UNIOR FORGING Co. Ltd, China	1,376,490	1,302,065
UNIOR BULGARIA Ltd, Bulgaria	352,498	408,000
Total subsidiaries	**7,612,139**	**7,875,237**
Associated companies:		
In the country:	**616,397**	**598,202**
RHYDCON d.o.o., Šmarje pri Jelšah	616,397	598,202
Abroad:	**306,648**	**306,648**
SINTER a.d., Užice	306,648	306,648
Total associated companies	**923,045**	**904,850**
Total receivables arising from loans to related parties	**8,535,184**	**8,780,087**

Liabilities Arising from Loans and Interests from Associated Companies

(in EUR)	2016	2015
Subsidiaries:		
In the country:	**61,818**	**60,381**
ROGLA INVESTICIJE d.o.o., Zreče	61,818	60,381
Abroad:	**113,566**	**311,278**
UNIOR DEUTSCHLAND Gmbh, Germany	113,566	311,278
Total subsidiaries	**175,384**	**371,659**
Associated companies:		
In the country:	**8,075**	**0**
RC SIMIT d.o.o., Kidričevo	8,075	0
Total associated companies	**8,075**	**0**
Total liabilities arising from loans to related parties	**183,459**	**371,659**

12.7 Receipts of the Management Board and Supervisory Board

Remuneration to the Management Board and the Supervisory Board

(in EUR)	Gross values 2016	2015	Net values 2016	2015
Darko Hrastnik	166,742	157,721	73,589	69,195
Branko Bračko	154,920	145,468	68,382	63,527
Management Board total	**321,662**	**303,189**	**141,971**	**132,722**
Branko Pavlin	12,154	9,162	8,839	6,664
Marko Pahor	10,440	7,512	7,593	5,464
Drago Rabzelj	10,687	8,275	7,773	6,019
Darko Dujmović	8,946	6,573	6,506	4,781
Franc Dover	9,933	7,135	7,224	5,189
Marjan Adamič	9,549	6,976	6,945	5,073
Gregor Korošec *	2,186	1,594	1,590	1,159
Supervisory Board total	**63,895**	**47,227**	**46,470**	**34,349**

*External Member of the Supervisory Board's committee

12.8 Proposal for the Allocation of Loss for the Year

The Management Board of the company adopted the audited financial statements on 31 March 2017 by way of a resolution.

The established accumulated loss from the 2016 business year amounts to EUR 16,305,558.08 and is composed of the profit for the business year 2016 in the amount of EUR 5,089,183.60 and the net loss brought forward of EUR 19,601,837.57, increased by long-term deferred development costs in the amount of EUR 1,793,401.05.

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

13 Statement on the Management Board'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 company's assets and liabilities and its operating results for 2016.

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

The Management Board is also responsible for the adequacy 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 may 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 is not aware of any circumstances that might cause any major liability thereunder.

Zreče, 31 March 2017

President of the Management Board,
Darko Hrastnik, BSMet. (Metallurgical Engineering)

Member of the Management Board,
Branko Bračko, BSME. (Mechanical Engineering)

14 Independent Auditor's Report

Deloitte.

Deloitte Revizijad.o.o.
Dunajska cesta 165
1000 Ljubljana
Slovenia

Tel.: +386 (0)1 3072 600
Fax: +386 (0)1 3072 900
www.deloitie.sj

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

Opinion

We have audited the enclosed financial statements of the company Unior d.d., (hereinafter the "Company"), composed of its balance sheet of 31 December 2016, the income statement, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended and explanatory notes to the financial statements, including a summary of essential accounting policies.

We believe that the financial statements give a true and fair view of the financial position of the company on 31 December 2016, its income statement and cash flows for the year then ended in accordance with the international financial reporting standards (IFRS), as adopted by the European Union (hereinafter the "IFRS").

The basis for the opinion

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

Key Audit Matters

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

Key Audit Matter	**Audit procedures in key audit matters discourse**
Recoverable amount of financial assets in subsidiaries in the separate financial statements	
In the separate financial statements as at 31 December 2016, the Company discloses EUR 32,165 thousand of financial assets in subsidiaries. These assets include: • financial investments in the equity of subsidiaries in the amount of EUR 12,614 thousand, • long-term and short-term loans in the amount of EUR 7,612 thousand,	The emphasis of our audit procedures was on assessing and testing the key assumptions, which the management used for identifying the signs of impairment and for assessing these impairments. These procedures included: • the verification of the suitability of key assumptions used on the basis of:

• long-term and short-term receivables in the amount of EUR 11,939 thousand. These disclosures are shown in chapters 12.2.6., 12.3.4., 12.3.6. and 12.3.7. of the separate financial statements of the company. The management annually verifies the potential existence of impairment signs in relation with the financial investments in equity of the subsidiaries and financial assets in relation to the subsidiaries, such as loans granted and receivables, namely in accordance with the applicable accounting standards. If the management establishes their existence, the impairment test has to be conducted to assess the recoverability of the carrying amount of these financialassets. The recoverable amount is determined on the basis of the discounted cash flow method or fair value method, less the disposal costs. In determining the impairment on the basis of the above-mentioned methods, a professional judgement and the use of subjective assumptions by the management is required. Due to the significance of the above-mentioned circumstances, the identification of impairment signs and the calculation of the impairments are considered as key audit matters.	• the preparation of independent projections of the discount rate and the expected growth rate, • the testing of used cash flows projections on the basis of a comparison with the results of the recent business, trend analysis and market forecasts, • the assessment of the accuracy of the forecasts for the previous year in comparison with the results achieved in the previous year; • the assessment of adequacy of disclosures in the financial statements, including the disclosure of key assumptions and judgments.
Measuring fair value: the use of the revaluation model in accounting of property, plant and equipment	
The Company uses the revaluation model for accounting items of land, measured at book value. The total book value of the land at the reporting date is EUR 32,709 thousand, as stated in the note 12.3.2. The valuation of the land in 2016 was carried out by an external chartered valuation surveyor. The valuation of the land, together with the judgement in determining their fair value, is considered a key audit matter due to its importance in the financial statements as a whole.	Our audit procedures included an evaluation of the suitability of the management's judgement and compliance with the requirements for measuring fair value: • The evaluation of competence, capacity and impartiality of the independent valuation surveyor who was engaged by the management. We have also considered the scope and approach of his cooperation with the management. • In the evaluation, whether the valuation surveyor's approach is appropriate with regard to the management and whether the important assumptions used were suitable in view of the given purpose, we have engaged the auditor's experts. Disclosures, which relate to land, are presented in the note 12.3.2.

Other information

Other information includes the business report, which is an integral part of the annual report of the company, but does not include the financial statements and the auditor's report on this information. Other information was obtained before the date of the auditor's report, with the exception of the report of the Supervisory Board, which will be available later. The Management Board is responsible for other information.

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

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

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

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

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

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

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

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

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

Auditor's responsibility for auditing the financial statements

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

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

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

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

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

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

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

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

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

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

DELOITTE REVIZIJA d.o.o.

Barbara Žibret Kralj, MSc
Authorized auditor

Ljubljana, 31 March 2017

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

15 Unior Group

15.1 The Composition of the Unior Group

Subsidiaries

Company name	Country	Share in %
UNIOR PRODUKTIONS UND HANDELS GmbH	Austria	99.55
UNIOR DEUTSCHLAND GmbH	Germany	100.00
UNIOR FRANCE S. A. S.	France	100.00
UNIOR ITALIA S. R. L.	Italy	95.00
UNIOR ESPAÑA S. L.	Spain	95.00
UNIOR HELLAS S. A.	Greece	76.08
UNIOR INTERNATIONAL Ltd.	Great Britain	50.00
UNIOR KOMERC d. o. o.	Macedonia	85.00
UNIOR PROFESSIONAL TOOLS Ltd.	Russia	55.00
UNIOR USA CORPORATION	USA	100.00
UNIOR BULGARIA Ltd.	Bulgaria	58.00
UNIOR COMPONENTS a. d.	Serbia	95.45
NINGBO UNIOR FORGING Co. Ltd.	China	50.00
UNIDAL d. o. o.	Croatia	55.35
UNIOR HUNGARIA Kft.	Hungary	70.00
RTC KRVAVEC d. d.	Slovenia	98.56
ROGLA INVESTICIJE d. o. o.	Slovenia	100.00
SPITT d. o. o.	Slovenia	100.00

Associates

Company name	Country	Share in %
ŠTORE STEEL d. o. o.	Slovenia	29.25
RHYDCON d. o. o.	Slovenia	33.50
RC SIMIT, d. o. o.	Slovenia	20.00
UNIOR TEPID S. R. L.	Romania	49.00
UNIOR SINGAPORE Pte. Ltd.	Singapore	40.00
UNIOR TEHNA, d. o. o.	Bosnia and Herzegovina	25.00
UNIOR TEOS ALATI d. o. o.	Serbia	20.00
SINTER a. d.	Serbia	25.07

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, as it has a determining influence.

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

In 2016, there were no changes in the ownership structure within individual companies of the Unior Group. In November 2016, the liquidation procedure of the subsidiary Unior Hellas S.A. in Greece was initiated with a view of optimizing the sales network for the hand tools sales in South-East Europe. In March 2016, the liquidation procedure of the associated company Sinter a.d., in Serbia was initiated. Both procedures are still in progress and did not affect the consolidated financial statements of the Unior Group for 2016.

15.2 Presentation of the Companies Included in the Consolidation

15.2.1 Subsidiaries

RTC KRVAVEC d.d.

Company Address:	Grad 76, 4207 CERKLJE NA GORENJSKEM
Country:	Slovenia
Telephone:	+386 4 252 59 30
Fax:	+386 4 252 59 31
Website:	http://www.rtc-krvavec.si
E-mail:	info@rtc-krvavec.si
The company's activity:	Recreational tourist ski centre
Number of employees:	62

ROGLA INVESTICIJE d.o.o.

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

SPITT d.o.o.

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

UNIOR PRODUKTIONS- und HANDELS- GmbH

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

UNIOR DEUTSCHLAND GmbH

Company Address:	Am Oberen Schlossberg 5, 71686 REMSECK	
Country:	Germany	
Telephone:	+49 1 634 469 908,	+49 7146 28 500
Fax:	+386 3 576 26 43,	+49 7146 28 5020
Website:	http://www.unior-werkzeug.de	
E-mail:	deutschland@unior.si,	unior@unior-deutschland.com
The company's activity:	The sale of hand tools and	CNC machining, machine servicing
Number of employees:	6	

UNIOR FRANCE S.A.S.

Company Address:	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:	The sale of hand tools
Number of employees:	11

UNIOR ITALIA S.R.L.

Company Address:	Via Caserta 8, 20812 LIMBIATE (MB)
Country:	Italy
Telephone:	+39 02 99 04 3403
Fax:	+39 02 99 04 3414
E-mail:	unioritalia@unioritalia.it
The company's activity:	The sale of hand tools
Number of employees:	2

UNIOR ESPAÑA S.L.

Company Address:	Poligon Sargaitz 2, Nave A5, 31840 UHARTE - ARAKIL (Navarra)
Country:	Spain
Telephone:	+34 948 56 71 13
Fax:	+34 948 46 42 48
Website:	http://www.unior.es
E-mail:	unior@unior.es
The company's activity:	The sale of hand tools
Number of employees:	3

UNIOR HELLAS S.A.

Company Address:	Pierias & Kimis 30, 14451 METAMORFOSIS (Athens)
Country:	Greece
Telephone:	+30 210 28 52 881-885
Fax:	+30 210 28 52 886
Website:	http://www.unior.net, http://www.uniorgr.com
E-mail:	unior@hol.gr, info@uniorgr.com
The company's activity:	The sale of hand tools
Number of employees:	2

UNIOR INTERNATIONAL Ltd.
Company Address: 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: The sale of hand tools
Number of employees: 8

UNIOR KOMERC d.o.o.
Company Address: Ul. 36, br. 20, 1041 ILINDEN
Country: Macedonia
Telephone: +389 2 43 20 57
Fax: +389 2 43 20 89
Website: http://www.uniorkomerc.com.mk
E-mail: contact@uniorkomerc.com.mk
The company's activity: The sale of hand tools
Number of employees: 5

UNIOR PROFESSIONAL TOOLS Ltd.
Company Address: Blagodatnaya str. 63, bld. 1, D, 196105 SAINT PETERSBURG
Country: Russia
Telephone: +7 812 449 83 50
Fax: +7 812 449 83 51
Website: http://www.unior.ru
E-mail: sales@unior.ru
The company's activity: The sale of hand tools
Number of employees: 58

UNIOR USA CORPORATION
Company Address: 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: The sale of hand tools
Number of employees: 0

UNIOR BULGARIA Ltd.
Company Address: Suhodolska ul. 195, 1373 SOFIA
Country: Bulgaria
Telephone: +359 2 9559 233
Fax: +359 2 9559 380
Website: http://www.unior.bg
E-mail: office@unior.bg
The company's activity: The sale of hand tools
Number of employees: 7

UNIOR COMPONENTS a.d.

Company Address:	Kosovska 4, 34000 KRAGUJEVAC
Country:	Serbia
Telephone:	+ 381 34 306 300
Faks:	+ 381 34 306 336
Website:	http://www.unior-components.com
E-mail:	contact@unior-components.com
The company's activity:	The manufacture of machine tools
Number of employees:	158

NINGBO UNIOR FORGING Company Ltd.

Company Address:	Xindongwu, Moushan, YUYAO, ZHEJIANG 315456
Country:	China
Telephone:	+ 86 574 6249 6150
Fax:	+ 86 574 6249 6152
Website:	http://www.unior.cn
E-mail:	info@unior.cn
The company's activity:	The production of steel forgings for the automotive industry
Number of employees:	424

UNIDAL d.o.o.

Company Address:	Ulica Kneza Mislava 42, 32100 VINKOVCI
Country:	Croatia
Telephone:	+385 32 323 999
Fax:	+385 32 323 206
E-mail:	kovacnica@unidal.hr
The company's activity:	The production of forgings
Number of employees:	188

UNIOR Hungaria Kft.

Company Address:	Napfeny utca 1, 8756 NAGYRECSE
Country:	Hungary
Telephone:	+36 93 571 070
Fax:	+36 93 571 073
Website:	http://www.unior.hu
E-mail:	info@unior.hu
The company's activity:	The sale of hand tools
Number of employees:	4

15.2.2 Associated companies

ŠTORE STEEL d.o.o.

Company Address:	Železarska 3, 3220 ŠTORE
Country:	Slovenia
Telephone:	+386 3 780 51 00
Fax:	+386 3 780 53 83
Website:	http://www.store-steel.si
E-mail:	info@store-steel.si
The company's activity:	The production of steel
Number of employees:	517

RHYDCON d.o.o.

Company Address:	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:	16

RC SIMIT d.o.o.

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

UNIOR TEPID S.R.L.

Company Address:	str. Bruxelles, nr. 10, 507165 PREJMER, jud.BRASOV
Country:	Romania
Telephone:	+40 268 322 483
Fax:	+40 268 317 786
Website:	http://www.sculeserioase.ro
E-mail:	tepid@tepid.ro
The company's activity:	The sale of hand tools
Number of employees:	54

UNIOR SINGAPORE Pte.Ltd.

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

UNIOR TEOS ALATI d.o.o.

Company Address:	Gospodara Vučića 22, 11000 BEOGRAD
Country:	Serbia
Telephone:	+381 11 744 03 30
Fax:	+381 11 744 03 30
Website:	http://www.uniorteos.com
E-mail:	office@uniorteos.com
The company's activity:	The sale of hand tools
Number of employees:	19

SINTER a.d.

Company Address:	Miloša Obrenovića 2, 31000 UŽICE
Country:	Serbia
Telephone:	+381 31 592 201
Fax:	+381 31 563 462
Website:	http://www.sinter.co.rs
E-mail:	info@sinter.co.rs
The company's activity:	The production of metal powders and sintered parts
Number of employees:	3

UNIOR TEHNA d.o.o.

Company Address:	Bačići b.b., 71000 SARAJEVO
Country:	Bosnia and Herzegovina
Telephone:	+387 33 776 376
Fax:	+387 33 776 371
Website:	www.uniortehna.ba
E-mail:	info@uniortehna.ba
The company's activity:	The sale of hand tools
Number of employees:	25

16 Consolidated Financial Statements

16.1 Consolidated Balance Sheet as at 31 December 2016

(in EUR) Item		Note	As at 31 December 2016	As at 31 December 2015
	ASSETS		**347,977,798**	**339,546,715**
A.	**LONG-TERM ASSETS**		**222,225,678**	**225,151,920**
I.	**Intangible assets and long-term deferred costs and accrued revenues**	**17.3.2**	**4,749,441**	**6,083,362**
1.	Long-term property rights		1,898,732	2,011,082
2.	Goodwill		521,448	521,448
4.	Long-term deferred development costs		2,078,076	3,377,042
5.	Other long-term deferred costs and accrued revenues		251,185	173,790
II.	**Property, plant and equipment**	**17.3.3**	**186,956,719**	**189,073,482**
1.	Land and buildings		117,180,789	122,246,037
	a) Land		38,384,929	39,265,774
	b) Buildings		78,795,860	82,980,263
2.	Production plant and machinery		55,813,326	60,351,881
3.	Other plant and equipment, small tools and other tangible fixed assets		5,209,282	5,551,170
4.	Property, plant and equipment being acquired		8,753,322	924,394
III.	**Investment properties**	**17.3.4**	**14,222,552**	**14,112,745**
IV.	**Long-term financial investments**	**17.3.5**	**13,660,926**	**13,203,632**
1.	Long-term financial investments, excluding loans		13,516,359	13,020,530
	a) Shares and stakes in associated companies		13,363,862	12,845,464
	b) Other shares and stakes		105,016	126,846
	c) Other long-term financial investments		47,481	48,220
2.	Long-term loans		144,567	183,102
	a) Long-term loans to others		144,567	183,102
V.	**Long-term operating receivables**	**17.3.8**	**416,529**	**403,863**
1.	Long-term trade receivables		218,160	147,859
2.	Long-term operating receivables due from others		198,369	256,004
VI.	**Deferred tax assets**	**17.3.15**	**2,219,511**	**2,274,836**
B.	**SHORT-TERM ASSETS**		**125,752,120**	**114,394,795**
I.	**Assets (disposal groups) held for sale**	**17.3.6**	**120,000**	**134,665**
II.	**Inventories**	**17.3.7**	**71,136,001**	**67,325,230**
1.	Material		23,128,975	21,538,404
2.	Work-in-progress		25,833,225	22,129,425
3.	Products		14,041,920	14,543,265
4.	Merchandise		8,131,881	9,114,136
III.	**Short-term financial investments**	**17.3.9**	**2,917,569**	**4,675,483**
1.	Short-term financial investments, except loans		0	131
	a) Other shares and stakes		0	0
	b) Other short-term financial investments		0	131
2.	Short-term loans		2,917,569	4,675,352
	a) Other short-term loans		2,917,569	4,675,352
IV.	**Short-term operating receivables**	**17.3.7**	**39,161,039**	**34,993,076**
1.	Short-term trade receivables		26,838,013	26,188,977
2.	Short-term operating receivables due from others		12,323,026	8,804,099
V.	**Cash and cash equivalents**	**17.3.10**	**12,417,511**	**7,266,341**

Consolidated Balance Sheet as at 31 December 2016 (continuation)

(in EUR)	Item	Note	As at 31 December 2016	As at 31 December 2015
	EQUITY AND LIABILITIES		**347,977,798**	**339,546,715**
A.	**CAPITAL**	**17.3.11**	**152,553,925**	**144,631,028**
A1.	**EQUITY ATTRIBUTABLE TO THE OWNERS OF THE PARENT COMPANY**		**141,943,778**	**135,955,186**
I.	**Called-up capital**		**23,688,983**	**23,688,983**
1.	Share capital		23,688,983	23,688,983
2.	Uncalled capital (deduction item)		0	0
II.	**Capital reserves**		**41,686,964**	**41,686,964**
III.	**Revenue reserves**		**40,089,670**	**39,575,457**
1.	Legal reserves		2,015,958	2,012,271
2.	Reserves for treasury shares and own stakes		120,190	120,190
3.	Treasury shares and own stakes (deduction item)		(120,190)	(120,190)
4.	Statutory reserves		757,947	422,408
5.	Other revenue reserves		37,315,765	37,140,778
IV.	**Reserves from valuation at fair value**		**26,715,673**	**27,748,406**
V.	**Net profit brought forward**		**4,294,426**	**453,903**
VI.	**Net loss brought forward**		**0**	**0**
VII.	**Net profit for the financial year**		**7,495,550**	**4,557,108**
VIII.	**Net loss for the financial year**		**0**	**0**
IX.	**Equity translation adjustment**		**(2,027,488)**	**(1,755,635)**
A2.	**EQUITY ATTRIBUTABLE TO NON-CONTROLLING INTERESTS**		**10,610,147**	**8,675,842**
B.	**PROVISIONS AND LONG-TERM ACCRUED COSTS AND DEFERRED REVENUES**	**17.3.12**	**9,765,187**	**9,452,901**
1.	Provisions for pensions and similar liabilities		5,720,367	5,152,311
2.	Other provisions		3,374,715	3,579,423
3.	Long-term accrued costs and deferred revenues		670,105	721,167
C.	**LONG-TERM LIABILITIES**		**117,640,092**	**117,153,347**
I.	**Long-term financial liabilities**	**17.3.13**	**117,470,295**	**116,798,141**
1.	Long-term financial liabilities to banks		117,274,364	116,485,181
2.	Long-term financial liabilities arising from bonds		0	0
3.	Other long-term financial liabilities		195,931	312,960
II.	**Long-term operating liabilities**	**17.3.14**	**123,484**	**286,160**
1.	Long-term trade payables		43,941	160,206
2.	Long-term bills payable		0	0
3.	Long-term operating liabilities from advances		0	0
4.	Other long-term operating liabilities		79,543	125,954
III.	**Deferred tax liabilities**	**17.3.15**	**46,313**	**69,046**
D.	**SHORT-TERM LIABILITIES**		**64,458,594**	**65,580,581**
I.	**Liabilities included in disposal groups**		**0**	**0**
II.	**Short-term financial liabilities**	**17.3.16**	**10,309,904**	**15,013,506**
1.	Short-term financial liabilities to banks		9,985,075	13,250,749
2.	Short-term financial liabilities arising from bonds		0	0
3.	Other short-term financial liabilities		324,829	1,762,757
III.	**Short-term operating liabilities**	**17.3.17**	**54,148,690**	**50,567,075**
1.	Short-term trade payables		34,599,908	33,129,525
2.	Short-term bills payable		4,660,785	2,860,711
3.	Short-term operating liabilities from advances		4,654,944	3,855,475
4.	Other short-term operating liabilities		10,233,053	10,721,364
E.	**SHORT-TERM ACCRUED COSTS AND DEFERRED REVENUES**	**17.3.18**	**3,560,000**	**2,728,858**

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

EVROPSKI PROIZVAJALEC OD LETA 1919

16.2 Consolidated Income Statement for the Period from 1 January 2016 to 31 December 2016

	(in EUR) Item	Notes	2016	2015
A.	**Net sales revenue**	**17.4.2**	**219,111,997**	**207,410,903**
1.	Net revenues from sales on the domestic market		35,726,570	35,453,814
	a) Net revenues from the sale of products and services		*28,793,583*	*28,428,869*
	b) Net revenues from the sale of goods and material		*6,932,987*	*7,024,945*
2.	Net revenues from sales on foreign markets		183,385,427	171,957,089
	a) Net revenues from the sale of products and services		*160,938,677*	*146,297,832*
	b) Net revenues from the sale of goods and material		*22,446,750*	*25,659,257*
B.	**Change in the value of the inventories of finished products and work-in-progress**		**3,391,683**	**(1,141,794)**
C.	**Capitalized own products and services**	**17.4.3**	**1,029,142**	**1,983,226**
D.	**Other operating revenues**	**17.4.4**	**3,817,499**	**2,714,983**
I.	**GROSS OPERATING PROFIT**		**227,350,321**	**210,967,318**
E.	**Costs of goods, materials and services**	**17.4.5**	**129,262,226**	**120,935,693**
1.	Cost of goods and materials sold		11,491,913	11,737,165
2.	Cost of materials used		86,681,272	82,052,783
	a) Costs of material		*65,702,333*	*61,146,526*
	b) Costs of energy		*11,007,296*	*10,837,867*
	c) Other costs of material		*9,971,643*	*10,068,390*
3.	Cost of services		31,089,041	27,145,745
	a) Transport services		*5,305,571*	*5,300,506*
	b) Costs of maintenance		*1,994,696*	*1,810,495*
	c) Rents		*1,093,880*	*1,141,559*
	d) Other costs of services		*22,694,894*	*18,893,185*
F.	**Labour costs**	**17.4.5**	**64,589,637**	**59,952,489**
1.	Costs of wages and salaries		48,615,712	45,792,742
2.	Costs of pension insurance		794,639	757,354
3.	Costs of other social insurance		7,845,234	7,559,254
4.	Other labour costs		7,334,052	5,843,139
G.	**Amortization and depreciation expense**	**17.4.5**	**14,993,918**	**15,422,444**
1.	Amortization/depreciation		13,781,216	13,330,168
2.	Operating expenses from revaluation of intangible fixed assets and property, plant and equipment		552,612	1,324,626
3.	Operating expenses from the revaluation of current assets		660,090	767,650
H.	**Other operating expenses**	**17.4.5**	**1,916,277**	**1,954,942**
1.	Provisions		21,292	134,899
2.	Other costs		1,894,985	1,820,043
II.	**OPERATING PROFIT OR LOSS**		**16,588,263**	**12,701,750**
I.	**Financial income**	**17.4.6**	**2,241,209**	**2,497,473**
1.	Financial income from participating interests		1,103,894	1,266,426
	a) Financial income from participating interest in associated companies		*1,087,864*	*1,231,016*
	b) Financial income from participating interest in other companies		*15,590*	*34,958*
	c) Financial income from other investments		*440*	*452*
2.	Financial income from loans granted		105,242	154,925
3.	Financial income from operating receivables		1,032,073	1,076,122
J.	**Financial expenses**	**17.4.6**	**6,787,731**	**8,490,363**
1.	Financial expenses from impairment and write-offs of financial investments		318,710	573,023
2.	Financial expenses from financial liabilities		5,359,248	5,957,095
	a) Financial expenses from bank loans		*4,930,866*	*5,873,827*
	b) Financial expenses from issued bonds		*0*	*0*
	c) Financial expenses from other financial liabilities		*428,382*	*83,268*
3.	Financial expenses from operating liabilities		1,109,773	1,960,245
	a) Financial expenses from trade payables and bills payable		*364,660*	*422,336*
	b) Financial expenses from other operating liabilities		*745,113*	*1,537,909*
III.	**PROFIT OR LOSS**		**12,041,741**	**6,708,860**
	Income tax	**17.5**	**2,135,462**	**1,383,153**
	Deferred tax	**17.5**	**(285,537)**	**(861,142)**
	NET PROFIT OR LOSS FOR THE ACCOUNTING PERIOD		**10,191,816**	**6,186,849**
	- attributable TO THE OWNERS OF THE PARENT COMPANY		7,495,550	4,557,108
	- attributable TO THE NON-CONTROLLING INTERESTS		2,696,266	1,629,741

	PROFIT OR LOSS FROM CONTINUING OPERATIONS	**17.4**	**10,191,816**	**6,186,849**
	PROFIT OR LOSS FROM DISCONTINUING OPERATION	**17.4**	**0**	**0**

Consolidated Income Statement for the Period from 1 January 2016 to 31 December 2016(continuation)

(in EUR) Item	2016	2015
The share of owners of the controlling interest in net profit (loss)	7,495,550	4,557,108
The share of owners of the non-controlling interest in net profit (loss)	2,696,266	1,629,741
Net earnings (loss) per share of owners of the controlling interest	2.64	1.61
Net earnings (loss) per share of owners of the non-controlling interest	0.95	0.57
Net earnings (loss) per share from continued operation	3.59	2.18
Net earnings (loss) per share from discontinued operation	0	0

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

16.3 Consolidated Statement of Other Comprehensive Income

	(in EUR) Item	2016	2015
1.	**Net profit/loss for the business year, after tax**	**10,191,816**	**6,186,849**
2.	**Other comprehensive income for the reporting period, after tax**	**(1,420,861)**	**(538,232)**
3.	**Items which will later not be reclassified as profit or loss**	**(1,420,861)**	**(538,232)**
3.1	Net profit/loss recognized in the provisions due to the revaluation at fair value in relation to the tangible fixed assets	(1,090,044)	8,559
3.2	Net profit/loss recognized in provisions due to revaluation at the fair value in relation to the intangible fixed assets	0	0
3.3	Actuarial net profit/loss for pension programmes, recognized in retained profit/loss	57,311	(1,063,660)
3.4	Profit and loss arising from the translation of the financial statements of foreign companies	(388,128)	516,869
4.	**Total comprehensive income for the financial year after tax**	**8,770,955**	**5,648,617**
	Total comprehensive income for the reporting period attributable to the owners of the parent company	6,190,964	3,660,234
	Total comprehensive income for the reporting period attributable to the non-controlling interests	2,579,991	1,988,383

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

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

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16.4 Consolidated Cash Flow Statement

(in EUR)	Item	Note	2016	2015
A.	***Cash flows from operating activities***			
a)	**Net profit or loss**			
	Profit or loss before tax		12,041,741	6,708,860
	Income taxes and other taxes not included in the operating expenses	17.5	(1,849,925)	(522,011)
			10,191,816	**6,186,849**
(b)	**Adjustments for**			
	Depreciation and amortisation (+)	17.3.2, 17.3.3	13,781,216	13,330,168
	Operating revenues from revaluation associated with investment and financing items (-)		(1,409,209)	(1,163,095)
	Operating expenses from revaluation associated with investment and financing items (+)	17.4.5	552,612	1,324,626
	Formation of value adjustments for receivables	17.3.8	507,604	274,357
	Formation of value adjustments for inventories	17.3.7	66,895	493,293
	Establishment and reversal of long-term provisions	17.3.12	312,286	313,131
	Financial income excluding financial income from operating receivables (-)	17.4.6	(1,209,136)	(1,421,351)
	Financial expenses excluding financial expenses from operating liabilities (+)	17.4.6	5,677,958	6,530,118
			18,280,226	**19,681,247**
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	17.3.8	(4,688,233)	13,353,071
	Opening less closing deferred tax assets	17.3.15	55,325	(919,436)
	Opening less closing assets (disposal groups) for sale	17.3.6	14,665	77
	Opening less closing inventories	17.3.7	(3,877,666)	1,073,961
	Closing less opening operating debts	17.3.14, 17.3.17	3,418,939	662,835
	Closing less opening accrued costs and deferred revenues and provisions	17.3.12, 17.3.18	831,142	884,111
	Closing less opening deferred tax liabilities	17.3.15	(22,733)	5,157
			(4,268,561)	**15,059,776**
d)	**Net cash from/used in operating activities (a + b + c)**		**24,203,481**	**40,927,872**
B.	***Cash flows from investing activities***			
a)	**Receipts from investing activities**			
	Receipts from interest and profit participations related to investing activities		1,209,136	1,266,951
	Receipts from disposal of intangible assets		20,784	24,336
	Receipts from the disposal of tangible assets		1,847,858	584,012
	Receipts from the disposal of long-term financial investments		388,324	426,618
	Receipts from the disposal of short-term financial investments		3,147,545	2,394,982
			6,613,647	**4,696,899**
b)	**Disbursements from investing activities**			
	Disbursements from the acquisition of intangible assets	17.3.2	(190,958)	(909,937)
	Disbursements from the acquisition of property, plant and equipment	17.3.3	(13,188,968)	(12,528,524)
	Disbursements from the acquisition of investment property		(152,385)	(12,291)
	Disbursements fromthe acquisition of long-term financial investments	17.3.5	(845,618)	(875,601)
	Disbursements from the acquisition of short-term financial investments		(1,389,631)	(2,381,979)
			(15,767,560)	**(16,708,332)**
c)	**Net cash from/used in investing activities (a + b)**		**(9,153,913)**	**(12,011,433)**
C.	***Cash flows from financing activities***			
a)	**Receipts from financing activities**			
	Receipts from paid-in capital	17.3.11	0	0
	Receipts from an increase in long-term financial liabilities	17.3.13	108,760,073	2,821,402
	Receipts from an increase in short-term financial liabilities	17.3.16	(91,130,108)	286,524
			17,629,965	**3,107,926**
b)	**Disbursements from financing activities**			
	Disbursements from paid interest pertaining to financing	17.4.6	(5,359,248)	(5,957,095)
	Disbursements from the repayment of long-term financial liabilities	17.3.13	(100,693,753)	(1,468,074)
	Disbursements from the repayment of short-term financial liabilities	17.3.16	79,032,340	(22,636,857)
	Disbursements from the distribution of dividends and other profit participations	17.3.11	(507,702)	(443,491)
			(27,528,363)	**(30,505,517)**
c)	**Net cash from/used in financing activities (a + b)**		**(9,898,398)**	**(27,397,591)**
D.	***Cash and cash equivalents at the end of the period***		**12,417,511**	**7,266,341**
x)	Net cash for the period (sum of items Ac, Bc and Cc)		**5,151,170**	**1,518,848**
y)	Opening balance of cash and cash equivalents		**7,266,341**	**5,747,493**

According to the IAS 7.22, which allows certain cash flows or cash receipts and payments for items in which the turnover is quick, the amounts are large and the maturities are short, to be reported on a net basis, the Company disclosed receipts from the increase in long-term financial liabilities and disbursements for long-term financial liabilities. The company reduced the movements by EUR 95,354,840 in receipts and disbursements, because this amount represents the replacement of the financial liabilities of Unior d.d., as a result of a successfully completed process of refinancing. For the purpose of comparability, the comparative data for the previous year has been presented according to the said standard.

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

16.5 Statement of Changes in Equity

CHANGES IN EQUITY FOR THE PERIOD FROM 31 DECEMBER 2015 TO 31 DECEMBER 2016

	I. Called-up capital	II. Capital reserves	III. Revenue reserves					IV. Reserves from valuation at fair value	V. Net profit or loss brought forward	VI. Net operating profit or loss of for the financial year	VII. Equity translation adjustment	Total equity attributable to the owners of the parent company	Equity attributable to non-controlling interests	Total equity
(in EUR)	Share capital		Legal reserves	Reserves for treasury shares	Treasury shares	Statutory reserves	Other revenue 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**	**2,012,271**	**120,190**	**(120,190)**	**422,408**	**37,140,778**	**27,748,406**	**453,903**	**4,557,108**	**(1,755,635)**	**135,955,186**	**8,675,842**	**144,631,028**
A.2. Opening balance of the reporting period	**23,688,983**	**41,686,964**	**2,012,271**	**120,190**	**(120,190)**	**422,408**	**37,140,778**	**27,748,406**	**453,903**	**4,557,108**	**(1,755,635)**	**135,955,186**	**8,675,842**	**144,631,028**
B.1. Changes in equity - transactions with owners	**0**	**0**	**0**	**0**	**0**	**0**	**1,190**	**0**	**(203,562)**	**0**	**0**	**(202,372)**	**(645,686)**	**(848,058)**
Dividend distribution	0	0	0	0	0	0	0	0	0	0	0	0	(507,702)	(507,702)
Other changes in equity	0	0	0	0	0	0	1,190	0	(203,562)			(202,372)	(137,984)	(340,356)
B.2. Total comprehensive income for the reporting period	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**(1,032,733)**	**0**	**7,495,550**	**(271,853)**	**6,190,964**	**2,579,991**	**8,770,955**
Entry of the net profit or loss for the reporting period	0	0	0	0	0	0	0	0	0	7,495,550	0	7,495,550	2,696,266	10,191,816
Change in reserves from the valuation of property, plant and equipment at fair value	0	0	0	0	0	0	0	(1,090,044)	0	0	0	(1,090,044)	0	(1,090,044)
Other ingredients of comprehensive income for the reporting period	0	0	0	0	0	0	0	57,311				57,311	0	57,311
Profit and loss arising from the translation of the financial statements of foreign companies	0	0	0	0	0	0	0	0	0	0	(271,853)	(271,853)	(116,275)	(388,128)
B.3. Changes in equity	**0**	**0**	**3,687**	**0**	**0**	**335,539**	**173,797**	**0**	**4,044,085**	**(4,557,108)**	**0**	**0**	**0**	**0**
Allocation of the remaining net profit in the comparative reporting period to other components of capital	0	0	0	0	0	0	0	0	4,557,108	(4,557,108)	0	0	0	0
Other changes in capital	0	0	3,687	0	0	335,539	173,797	0	(513,023)	0	0	0	0	0
C. Closing balance of the reporting period	**23,688,983**	**41,686,964**	**2,015,958**	**120,190**	**(120,190)**	**757,947**	**37,315,765**	**26,715,673**	**4,294,426**	**7,495,550**	**(2,027,488)**	**141,943,778**	**10,610,147**	**152,553,925**

CHANGES IN EQUITY FOR THE PERIOD FROM 31 DECEMBER 2014 TO 31 DECEMBER 2015

	I. Called-up capital	II. Capital reserves	III. Revenue reserves					IV. Reserves from valuation at fair value	V. Net profit or loss brought forward	VI. Net operating profit or loss of for the financial year	VII. Equity translation adjustment	Total equity attributable to the owners of the parent company	Equity attributable to non-controlling interests	Total equity
(in EUR)	Share capital		Legal reserves	Reserves for treasury shares	Treasury shares	Statutory reserves	Other revenue reserves		Net profit/loss brought forward	Net profit/loss for the business year				
A.1. Balance as at the end of the previous reporting period	**23,688,983**	**41,686,964**	**1,986,340**	**120,190**	**(120,190)**	**0**	**36,988,159**	**28,877,092**	**(1,452,031)**	**3,215,101**	**(1,987,447)**	**133,003,161**	**7,358,201**	**140,361,362**
Retrospective adjustments									(98,922)			(98,922)	(28,199)	(127,121)
A.2. Opening balance of the reporting period	**23,688,983**	**41,686,964**	**1,986,340**	**120,190**	**(120,190)**	**0**	**36,988,159**	**28,877,092**	**(1,550,953)**	**3,215,101**	**(1,987,447)**	**132,904,239**	**7,330,002**	**140,234,241**
B.1. Changes in equity - transactions with the owners	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**(609,287)**	**0**	**0**	**(609,287)**	**(642,543)**	**(1,251,830)**
Dividend distribution	0	0	0	0	0	0	0	0	0	0	0	0	(443,491)	(443,491)
Other changes in equity	0	0	0	0	0	0	0	0	(609,287)			(609,287)	(199,052)	(808,339)
B.2. Total comprehensive income for the reporting period	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**(1,128,686)**	**0**	**4,557,108**	**231,812**	**3,660,234**	**1,988,383**	**5,648,617**
Entry of the net profit or loss for the reporting period	0	0	0	0	0	0	0	0	0	4,557,108	0	4,557,108	1,629,741	6,186,849
Change in reserves from the valuation of property, plant and equipment at fair value	0	0	0	0	0	0	0	(65,097)	0	0	0	(65,097)	73,656	8,559
Other ingredients of comprehensive income for the reporting period	0	0	0	0	0	0	0	(1,063,589)	0	0	0	(1,063,589)	(71)	(1,063,660)
Profit and loss arising from the translation of the financial statements of foreign companies	0	0	0	0	0	0	0	0	0	0	231,812	231,812	285,057	516,869
B.3. Changes in equity	**0**	**0**	**5,931**	**0**	**0**	**422,408**	**152,619**	**0**	**2,614,143**	**(3,215,101)**	**0**	**0**	**0**	**0**
Allocation of the remaining net profit in the comparative reporting period to other components of capital	0	0	0	0	0	0	0	0	3,215,101	(3,215,101)	0	0	0	0
Other changes in capital	0	0	25,931	0	0	422,408	152,619	0	(600,958)	0	0	0	0	0
C. Closing balance of the reporting period	**23,688,983**	**41,686,964**	**2,012,271**	**120,190**	**(120,190)**	**422,408**	**37,140,778**	**27,748,406**	**453,903**	**4,557,108**	**(1,755,635)**	**135,955,186**	**8,675,842**	**144,631,028**

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

17 Notes on the financial statements

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

The financial statements of the Group have been prepared for the year ended on 31 December 2016.

17.1 Statement of Compliance

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

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

The Management Board of UNIOR d.d., confirmed the financial statements on 29 March 2017.

17.2 Basis for the Preparation of the Financial Statements

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

17.2.1 Fair value

The assets and liabilities shown, with the exception of available-for-sale financial assets are valued at cost or amortized cost, for which we estimate are the same as the fair values of these assets or liabilities.

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

- Level 1: assets, valued using the exchange rate on the last day of the accounting period
- Level 3: assets, which cannot be obtained from market data; this category consists of land and investment property at an estimated value, and buildings and equipment at the current book value. Long-term financial investments are presented at cost, less impairment, while operating receivables, short-term financial investments and liabilities are presented at their amortized cost.

Classification of assets and liabilities in relation to their fair value as at 31 December 2016

(in EUR)	Level 1	Level 3	Total
Property, plant and equipment		**186,956,719**	**186,956,719**
- Land		*38,384,929*	*38,384,929*
- Buildings		*78,795,860*	*78,795,860*
- Equipment		*69,775,930*	*69,775,930*
Investment properties		**14,222,552**	**14,222,552**
Long-term financial investments	**660**	**13,660,266**	**13,660,926**
- Quoted shares	*660*		*660*
- Unquoted shares		*13,515,699*	*13,515,699*
- Long-term financial investments - long-term loans		*144,567*	*144,567*
Long-term operating receivables		**416,529**	**416,529**
Short-term financial investments		**2,917,569**	**2,917,569**
Short-term operating receivables		**39,161,039**	**39,161,039**
Long-term financial liabilities		**117,470,295**	**117,470,295**
Long-term operating liabilities		**123,484**	**123,484**
Short-term financial liabilities		**10,309,904**	**10,309,904**
Short-term operating liabilities		**54,148,690**	**54,148,690**

Classification of assets and liabilities in relation to their fair value as at 31 December 2015

(in EUR)	Level 1	Level 3	Total
Property, plant and equipment		**189,073,482**	**189,073,482**
- Land		*39,265,774*	*39,265,774*
- Buildings		*82,980,263*	*82,980,263*
- Equipment		*66,827,445*	*66,827,445*
Investment properties		**14,112,745**	**14,112,745**
Long-term financial investments	**660**	**13,202,972**	**13,203,632**
- Quoted shares	*660*		*660*
- Unquoted shares		*13,019,870*	*13,019,870*
- Long-term financial investments - long-term loans		*183,102*	*183,102*
Long-term operating receivables		**403,863**	**403,863**
Short-term financial investments		**4,675,483**	**4,675,483**
Short-term operating receivables		**34,993,076**	**34,993,076**
Long-term financial liabilities		**116,798,141**	**116,798,141**
Long-term operating liabilities		**286,160**	**286,160**
Short-term financial liabilities		**15,013,506**	**15,013,506**
Short-term operating liabilities		**50,567,075**	**50,567,075**

We show land and investment property at their estimated value, long-term financial investments at cost less impairment, and operating receivables, short-term financial investments and liabilities at their amortized cost.

The methodology used for the estimated values is disclosed for individual categories in Chapter 17.3.

17.2.2 Accounting Policies Used

UNIOR Kovaška industrija d.d., (hereinafter referred to as Unior d.d.,) is a company with its headquarters in Slovenia. The address of the registered office is Kovaška cesta 10, 3214 Zreče. Below are presented the consolidated financial statements of the Unior Group for the year ended on 31 December 2016. The consolidated financial statements include Unior d.d., and its subsidiaries, the Group stakes in associated companies and stakes in jointly controlled companies (hereinafter together as the Unior Group). Investments in subsidiaries are excluded from the Unior Group's statements in the process of consolidation. A detailed composition of the Unior Group is shown in chapter 15 Unior Group in the financial section of the report.

Statement of Compliance

The Management Board of the company confirmed the financial statements of the Unior Group on 31 March 2017. The consolidated financial statements of the Unior Group have been prepared in accordance with the International Financial Reporting Standards (IFRS), as adopted by the European Union, Interpretations adopted by the International Financial Reporting Standards Interpretations Committee (IFRIC) as well as by the European Union, and the provisions of the Companies Act (ZGD). As regards the process of standard confirmation by the European Union, there were no differences as at the balance sheet date between the accounting policies used by the Unior Group and the International Financial Reporting Standards (IFRS) adopted by the European Union.

Other accounting policies used are the same for the entire Unior Group and are stated in the chapter 12.2.2.

17.3 Notes on the Balance Sheet

17.3.1 Balance Sheet by Division

The metal processing activity of the Unior Group consists of the Forged Parts, Hand Tools and Special Machines Programmes within the parent company and all subsidiaries of the company with the exception of RTC Krvavec d.d. The tourism activity consists of activities of the Tourism Programme within the parent company and subsidiary RTC Krvavec d.d.

	Item (in EUR)	Tourism act. 31 December 2016	Metal act. 31 December 2016	TOTAL 31 December 2016	Tourism act. 31 December 2015	Metal act. 31 December 2015	TOTAL 31 December 2015
	ASSETS	**88,702,533**	**259,275,265**	**347,977,798**	**90,771,621**	**248,775,094**	**339,546,715**
A.	**LONG-TERM ASSETS**	**85,733,831**	**136,491,847**	**222,225,678**	**87,881,720**	**137,270,200**	**225,151,920**
I.	**Intangible assets and long-term deferred costs and accrued revenues**	**1,621,493**	**3,127,948**	**4,749,441**	**1,705,083**	**4,378,279**	**6,083,362**
1.	Long-term property rights	1,478,744	419,988	1,898,732	1,546,174	464,908	2,011,082
2.	Goodwill	0	521,448	521,448	0	521,448	521,448
4.	Long-term deferred development costs	0	2,078,076	2,078,076	0	3,377,042	3,377,042
5.	Other long-term deferred costs and accrued revenues	142,749	108,436	251,185	158,909	14,881	173,790
II.	**Property, plant and equipment**	**83,874,064**	**103,082,655**	**186,956,719**	**85,968,006**	**103,105,476**	**189,073,482**
1.	Land and buildings	73,945,719	43,235,070	117,180,789	75,843,898	46,402,139	122,246,037
2.	Production plant and machinery	4,406,185	51,407,141	55,813,326	5,259,513	55,092,368	60,351,881
3.	Other plant and equipment, small tools and other tangible fixed assets	4,605,764	603,518	5,209,282	4,791,464	759,706	5,551,170
4.	Property, plant and equipment being acquired	916,396	7,836,926	8,753,322	73,131	851,263	924,394
III.	**Investment properties**	**183,688**	**14,038,864**	**14,222,552**	**190,118**	**13,922,627**	**14,112,745**
IV.	**Long-term financial investments**	**15,585**	**13,645,341**	**13,660,926**	**18,513**	**13,185,119**	**13,203,632**
1.	Long-term financial investments, excluding loans	15,585	13,500,774	13,516,359	15,585	13,004,945	13,020,530
2.	Long-term loans	0	144,567	144,567	2,928	180,174	183,102
V.	**Long-term operating receivables**	**39,001**	**377,528**	**416,529**	**0**	**403,863**	**403,863**
1.	Long-term trade receivables	0	218,160	218,160	0	147,859	147,859
2.	Long-term operating receivables due from others	39,001	159,368	198,369	0	256,004	256,004
VI.	**Deferred tax assets**	**0**	**2,219,511**	**2,219,511**	**0**	**2,274,836**	**2,274,836**
B.	**SHORT-TERM ASSETS**	**2,968,702**	**122,783,418**	**125,752,120**	**2,889,901**	**111,504,894**	**114,394,795**
I.	**Assets (disposal groups) held for sale**	**0**	**120,000**	**120,000**	**0**	**134,665**	**134,665**
II.	**Inventories**	**436,529**	**70,699,472**	**71,136,001**	**456,260**	**66,868,970**	**67,325,230**
1.	Material	407,927	22,721,048	23,128,975	421,219	21,117,185	21,538,404
2.	Work-in-progress	0	25,833,225	25,833,225	0	22,129,425	22,129,425
3.	Products	1,779	14,040,141	14,041,920	4,753	14,538,512	14,543,265
4.	Merchandise	26,823	8,105,058	8,131,881	30,288	9,083,848	9,114,136
III.	**Short-term financial investments**	**0**	**2,917,569**	**2,917,569**	**1,577**	**4,673,906**	**4,675,483**
1.	Short-term financial investments, except loans	0	0	0	0	131	131
2.	Short-term loans	0	2,917,569	2,917,569	1,577	4,673,775	4,675,352
IV.	**Short-term operating receivables**	**1,988,113**	**37,172,926**	**39,161,039**	**1,920,859**	**33,072,217**	**34,993,076**
1.	Short-term trade receivables	1,302,286	25,535,727	26,838,013	1,210,392	24,978,585	26,188,977
2.	Short-term operating receivables due from others	685,827	11,637,199	12,323,026	710,467	8,093,632	8,804,099
V.	**Cash and cash equivalents**	**544,060**	**11,873,451**	**12,417,511**	**511,205**	**6,755,136**	**7,266,341**

In 2016, the Unior Group invested a total of EUR 13,532,311 in fixed assets, EUR 12,452,834 of which went to the metal processing activities and EUR 1,079,477 to the tourism activities.

Balance Sheet by Division (continuation)

	Item (in EUR)	Tourism act. 31 December 2016	Metal act. 31 December 2016	TOTAL 31 December 2016	Tourism act. 31 December 2015	Metal act. 31 December 2015	TOTAL 31 December 2015
	EQUITY AND LIABILITIES	**88,702,533**	**259,275,265**	**347,977,798**	**90,771,621**	**248,775,094**	**339,546,715**
A.	**CAPITAL**	**55,353,118**	**97,200,807**	**152,553,925**	**42,103,375**	**102,527,653**	**144,631,028**
A1.	**EQUITY ATTRIBUTABLE TO THE OWNERS OF THE PARENT COMPANY**	**55,182,823**	**86,760,955**	**141,943,778**	**41,933,934**	**94,021,252**	**135,955,186**
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 (deduction item)	0	0	0	0	0	0
II.	**Capital reserves**	**11,409,929**	**30,277,035**	**41,686,964**	**11,409,929**	**30,277,035**	**41,686,964**
III.	**Revenue reserves**	**23,100,430**	**16,989,240**	**40,089,670**	**7,910,063**	**31,665,394**	**39,575,457**
1.	Legal reserves	589,216	1,426,742	2,015,958	585,529	1,426,742	2,012,271
2.	Reserves for treasury shares and own stakes	0	120,190	120,190	0	120,190	120,190
3.	Treasury shares and own stakes (deduction item)	0	(120,190)	(120,190)	0	(120,190)	(120,190)
4.	Statutory reserves	0	757,947	757,947	0	422,408	422,408
5.	Other revenue reserves	22,511,215	14,804,550	37,315,765	7,324,534	29,816,244	37,140,778
IV.	**Reserves from valuation at fair value**	**15,457,731**	**11,257,942**	**26,715,673**	**15,599,193**	**12,149,213**	**27,748,406**
V.	**Net profit brought forward**	**527,270**	**3 ,767,156**	**4 ,294,426**	**2,640,477**	**0**	**453,903**
VI.	**Net loss brought forward**	**0**	**0**	**0**	**0**	**2,186,574**	**0**
VII.	**Net profit for the financial year**	**0**	**9,291,879**	**7,495,550**	**0**	**6,666,628**	**4,557,108**
VIII	**Netloss for the financial year**	**1,796,329**	**0**	**0**	**2,109,520**	**0**	**0**
IX.	**Equity translation adjustment**	**0**	**(2,027,488)**	**(2,027,488)**	**0**	**(1,755,635)**	**(1,755,635)**
A2.	**EQUITY ATTRIBUTABLE TO NON-CONTROLLING INTERESTS**	**170,295**	**10,439,852**	**10,610,147**	**169,441**	**8,506,401**	**8,675,842**
B.	**PROVISIONS AND LONG-TERM ACCRUED COSTS AND DEFERRED REVENUES**	**3,787,439**	**5,977,748**	**9,765,187**	**3,868,852**	**5,584,049**	**9,452,901**
1.	Provisions for pensions and similar liabilities	791,696	4,928,671	5,720,367	719,419	4,432,892	5,152,311
2.	Other provisions	2,652,241	722,474	3,374,715	2,780,289	799,134	3,579,423
3.	Long-term accrued costs and deferred revenues	343,502	326,603	670,105	369,144	352,023	721,167
C.	**LONG-TERM LIABILITIES**	**22,155,427**	**95,484,665**	**117,640,092**	**36,492,329**	**80,661,018**	**117,153,347**
I.	**Long-term financial liabilities**	**19,228,548**	**98,241,747**	**117,470,295**	**33,675,997**	**83,122,144**	**116,798,141**
1.	Long-term financial liabilities to banks	19,172,870	98,101,494	117,274,364	33,675,997	82,809,184	116,485,181
2.	Long-term financial liabilities arising from bonds	0	0	0	0	0	0
3.	Other long-term financial liabilities	55,678	140,253	195,931	0	312,960	312,960
II.	**Long-term operating liabilities**	**123,484**	**0**	**123,484**	**286,160**	**0**	**286,160**
1.	Long-term trade payables	43,941	0	43,941	160,206	0	160,206
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	79,543	0	79,543	125,954	0	125,954
III.	**Deferred tax liabilities**	**2,803,395**	**(2,757,082)**	**46,313**	**2,530,172**	**(2,461,126)**	**69,046**
D.	**SHORT-TERM LIABILITIES**	**5,724,996**	**58,733,598**	**64,458,594**	**6,887,953**	**58,692,628**	**65,580,581**
I.	**Liabilities included in disposal groups**	**0**	**0**	**0**	**0**	**0**	**0**
II.	**Short-term financial liabilities**	**1,246,661**	**9,063,243**	**10,309,904**	**2,467,043**	**12,546,463**	**15,013,506**
1.	Short-term financial liabilities to banks	1,246,661	8,738,414	9,985,075	2,467,043	10,783,706	13,250,749
2.	Short-term financial liabilities arising from bonds	0	0	0	0	0	0
3.	Other short-term financial liabilities	0	324,829	324,829	0	1,762,757	1,762,757
III.	**Short-term operating liabilities**	**4,478,335**	**49,670,355**	**54,148,690**	**4,420,910**	**46,146,165**	**50,567,075**
1.	Short-term trade payables	2,500,036	32,099,872	34,599,908	2,595,385	30,534,140	33,129,525
2.	Short-term bills payable	0	4,660,785	4,660,785	0	2,860,711	2,860,711
3.	Short-term operating liabilities from advances	1,014,293	3,640,651	4,654,944	912,049	2,943,426	3,855,475
4.	Other short-term operating liabilities	964,006	9,269,047	10,233,053	913,476	9,807,888	10,721,364
E.	**SHORT-TERM ACCRUED COSTS AND DEFERRED REVENUES**	**1,681,553**	**1,878,447**	**3,560,000**	**1,419,112**	**1,309,746**	**2,728,858**

Additional information regarding the geographical area for the Group

(in EUR)	Sales revenues		Total assets		Net investments	
	2016	**2015**	**2016**	**2015**	**2016**	**2015**
Slovenia	158,525,990	148,310,908	284,725,537	278,076,431	10,795,552	8,683,442
European Union	14,146,571	17,132,676	17,824,749	19,786,935	688,662	394,957
The rest of Europe	10,335,571	10,396,164	15,084,403	14,475,529	853,065	1,016,368
Other markets	36,103,865	31,571,155	30,343,109	27,207,820	1,195,032	3,355,985
	219,111,997	**207,410,903**	**347,977,798**	**339,546,715**	**13,532,311**	**13,450,752**

17.3.2 Intangible assets and long-term deferred costs and accrued revenues

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

UNIOR GROUP (in EUR)	Goodwill	Deferred development costs	Investments in rights to ind. property	Other intangible assets	IFA under acquisition	Total
Cost						
Balance as at 31 December 2014	602,236	9,796,808	5,039,756	190,089	203,135	15,832,024
Direct increases - investments	0	191,555	12,995	7,818	697,569	909,937
Transfer from investments in progress	0	853,684	47,020	0	(900,704)	0
Decreases during the year	0	(17,290)	(17,977)	(24,117)	0	(59,384)
Other changes (movements, currency exchange rates)	0	59,784	2,352	0	0	62,136
Balance as at 31 December 2015	602,236	10,884,541	5,084,146	173,790	0	16,744,713
Value adjustment						
Balance as at 31 December 2014	80,788	6,242,273	2,954,983	0	0	9,278,044
Amortization for the year	0	1,257,082	135,663	0	0	1,392,745
Decreases during the year	0	(17,290)	(17,758)	0	0	(35,048)
Other changes (movements, currency exchange rates)	0	25,434	176	0	0	25,610
Balance as at 31 December 2015	80,788	7,507,499	3,073,064	0	0	10,661,351
Current value as at 31 December 2015	**521,448**	**3,377,042**	**2,011,082**	**173,790**	**0**	**6,083,362**
Current value as at 31 December 2014	521,448	3,554,535	2,084,773	190,089	203,135	6,553,980

In 2016, the Group received 7,523 emission coupons from the Slovenian Environment Agency operating within the scope of the Ministry of Environment and Spatial Planning. These coupons are recorded in the books of account at the value of 1 euro. In 2016, the Group settled its liabilities for 2016 in the amount of 7,337 coupons. The Group discloses liabilities for 6,972 emission coupons for production in 2016. On 31 December 2016 the state of the emission coupons amounted to 22,404.

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

17.3.3 Property, plant and equipment

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

UNIOR GROUP (in EUR)	Land	Buildings	Production equipment and machinery	Other equipment and small tools	Fixed assets under acquisition	Total
Cost						
Balance as at 31 December 2014	39,714,513	163,643,331	170,174,014	13,106,368	998,992	387,637,218
Direct increases - investments	18,319	131,181	3,967,808	467,789	7,943,427	12,528,524
Transfer from investments in progress	120,000	1,479,605	6,386,956	31,629	(8,018,190)	0
Decreases during the year	(23,170)	(268,501)	(2,835,909)	(359,385)	0	(3,486,965)
Revaluation due to strengthening/impairment	(225,000)	(742,953)	0	0	0	(967,953)
Transfer between groups	(324,954)	270,935	0	54,019	0	0
Other changes (changes in exchange rates)	(13,934)	18,397	985,837	36,541	165	1,027,006
Balance as at 31 December 2015	39,265,774	164,531,995	178,678,706	13,336,961	924,394	396,737,830
Value adjustment						
Balance as at 31 December 2014	0	78,086,506	112,619,792	7,419,738	0	198,126,036
Depreciation for the year	0	3,575,469	7,670,365	691,589	0	11,937,423
Decreases during the year	0	(123,577)	(2,377,855)	(401,521)	0	(2,902,953)
Transfer between groups	0	(20,453)	0	20,453	0	0
Other changes (changes in exchange rates)	0	33,787	414,523	55,532	0	503,842
Balance as at 31 December 2015	0	81,551,732	118,326,825	7,785,791	0	207,664,348
Current value as at 31 December 2015	**39,265,774**	**82,980,263**	**60,351,881**	**5,551,170**	**924,394**	**189,073,482**
Current value as at 31 December 2014	39,714,513	85,556,825	57,554,222	5,686,630	998,992	189,511,182

In 2016, the UNIOR Group invested a total of EUR 13,532,311 in fixed assets, EUR 190,958 of which went to the intangible fixed assets, EUR 13,188,968 to the tangible fixed assets, and EUR 152.385 in investment properties. Investments in metal activities amounted to EUR 12,452,834, while investments in tourism activities amounted to EUR 1,079,477.

Among property, plant and equipment, the Group has disclosed assets that were gained by financial lease at the cost of EUR 1,644,893 and the present value as at 31 December 2016 of EUR 854,401.

As security for liabilities, the Group has pledged fixed assets in the estimated value of EUR 144,433,494, which represents the majority of the company's assets.

Due to changes, the land was revaluated to its fair value in 2017 on the basis of an appraisal report, compiled by a chartered property surveyor, according to the balance as at 31 December 2016. The method used by the surveyor was the market sales method, which indicates the value with the comparison of the valuated property with equal or similar properties for which the information on price was available. On the basis of the sales prices achieved and adjustments, an indicative price, which a comparable property would achieve on the market, was taken into account. Public utility charges were added to the land valuation, namely as a right attributed to the construction land where the facilities with issued building permits are located. For Terme Zreče, the residual method of valuation was applied. The capitalization rate taken into account was 2.89% and is lower than that of investment properties as a result of different methods of valuation.

17.3.4 Investment properties

Investment properties

(in EUR)	2016	2015
Land	7,650,607	7,492,511
Buildings	6,571,945	6,620,234
Total	**14,222,552**	**14,112,745**

Changes in investment properties

(in EUR)	2016	2015
Opening balance as at 1 January	**14,112,745**	**14,130,198**
Acquisitions	152,385	12,291
Revaluation	(6,560)	0
Disposals	0	0
Other changes (movements, currency exchange rates)	(36,018)	(29,744)
Closing balance as at 31 December	**14,222,552**	**14,112,745**

Investment property comprises land and buildings intended for resale or letting out for rental income, namely in Maribor, Zreče, on Rogla and in Kragujevac in Serbia. Investment property is stated at fair value. In 2017, fair value was determined based on an appraisal by a chartered property surveyor according to the balance as at 31 December 2016. For land intended for sale and disclosed among investment properties, the surveyor used the market sales method, which indicates the value with the comparison of the valuated property with equal or similar properties for which the information on price is available. On the basis of the sales prices achieved and the adjustments, an indicative price, which a comparable property would achieve on the market, was taken into account. Public utility charges were added to the land valuation, namely as a right attributed to the construction land where the facilities with issued building permits are located.

The method of assessing the value of the investment property for the location of the production halls in Maribor is the market sales method for determining the value of the land. In the appraisal report, the chartered surveyor considered the value obtained by the income capitalization approach, which represents a market valuation. The income capitalization approach is based on the capitalization of the expected stable profit that will be generated by the holder of the property rights through the use of the property. The basis for assessing the stable profit are the rents which are charged by the owner to tenants in accordance with the intended purpose of the property. The capitalization rate was established on the basis of the build-up approach and amounts to 7.465% for the production and storage facilities and 8.465% for offices.

The rental costs in 2016 totalled EUR 1,093,880.

The minimum sum of rents from operating leases - receivables

(in EUR)	2016	2015
Up to 1 year	1,369,267	1,350,025
From 2 to 5 years	5,477,068	5,400,100
More than 5 years	6,846,335	6,750,125
Total	**13,692,670**	**13,500,250**

The minimum sum of rents from operating leases - liabilities

(in EUR)	2016	2015
Up to 1 year	1,049,800	964,897
From 2 to 5 years	4,199,200	3,859,588
More than 5 years	5,249,000	4,824,485
Total	**10,498,000**	**9,648,970**

Future rents are related to renting for the production hall in Maribor and Kragujevac, rent for a production line for powder coating, rent for a facility on Krvavec and rentals of classrooms and apartments. Compared to the previous year, there is an additional rent for the powder coating line.

The Group pays rents for its business and storage facilities for the hand tools distributors abroad, for renting the production hall in China, business and storage facilities for the needs of the Special Machines Programme, for renting the Koča na Pesku cottage and a parking space at the forged parts processing plant at Slovenske Konjice.

17.3.5 *Long-Term Financial Investments*

Investments in shares and stakes in associated companies:

(in EUR)	Stake	2016	2015
In the country:			
ŠTORE STEEL d.o.o., Štore	29.253	9,979,981	9,767,951
RHYDCON d.o.o., Šmarje pri Jelšah	33.500	154,304	143,719
RC SIMIT d.o.o., Kidričevo	20.000	191,746	197,430
		10,326,031	10,109,100
Abroad:			
UNIOR TEPID S.R.L. Brasov, Romania	49.000	2,150,916	1,887,541
UNIOR SINGAPORE Pte. Ltd. Singapore	40.000	(4,927)	21,472
UNIOR TEHNA d.o.o. Sarajevo, BiH	25.000	222,602	145,437
UNIOR TEOS ALATI d.o.o., Belgrade, Serbia	20.000	474,683	452,791
SINTER a.d. Užice, Serbia	25.067	194,557	229,123
		3,037,831	2,736,364
Total associated companies		**13,363,862**	**12,845,464**
Long-term assets available for sale			
Investments in shares and stakes in other companies and banks:			
BANKS		1,535	5,350
INSURANCE COMPANIES		2,282	2,282
OTHER COMPANIES		148,680	167,434
		152,497	175,066
Long-term financial investments into debts			
Long-term loans to others		144,567	183,102
		144,567	183,102
Total long-term financial investments without treasury shares		**13,660,926**	**13,203,632**

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

The Group recorded a positive effect in the amount of EUR 817,413 in 2016 resulting from the profit and losses of associated companies.

Long-term loans are entirely repayable. Receipts accruing from interests in 2016 amounted to EUR 105,242 and EUR 154,925 in 2015.

Changes in long-term investments in shares and stakes

(in EUR)	2016	2015
Investments in shares and stakes as at 1 January	13,203,632	13,241,802
Increases:		
Acquisition of shares and stakes	15,824	36,620
Increase of investments in liabilities	12,381	13,522
Dividends or profit shares from associates	817,413	825,459
Decreases:		
Sale of shares and stakes	0	(22,306)
Repayments of long-term loans granted	(21,703)	(45,144)
Losses of associated companies	0	0
Short-term part of investments in liabilities	(42,405)	(306,649)
Other decreases - impairment	(324,216)	(539,672)
Balance as at 31 December	**13,660,926**	**13,203,632**

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

(in EUR)	2016	2015
Book value as at 1 January	**12,845,464**	**12,507,158**
Acquisition of shares and stakes	15,824	36,620
Profits (losses) according to the equity method	1,319,645	1,286,737
Payout of the profit arising from equity interest	(270,451)	(401,957)
Foreign currency translation differences	(77,204)	(52,005)
Impairments of investments	(299,016)	(487,153)
Other changes	(170,400)	(43,936)
Book Value as at 31 December	**13,363,862**	**12,845,464**

Equity and profit or loss of related parties

Company name	Country of the company	Percentage of participation in capital	Amount of capital in EUR	Net profit or loss for the period in EUR	Audited financial statements
Associated companies:					
ŠTORE STEEL d.o.o.	Slovenia	29.253	46,117,851	1,936,122	YES
RHYDCON d.o.o.	Slovenia	33.500	2,685,650	278,088	NO
RC SIMIT d.o.o.	Slovenia	20.000	958,729	(28,421)	NO
UNIOR TEPID S.R.L.	Romania	49.000	4,391,805	1,126,781	YES
UNIOR SINGAPORE Pte. Ltd.	Singapore	40.000	(12,317)	(65,996)	YES
UNIOR TEHNA d.o.o.	Bosnia and Herzegovina	25.000	890,409	371,958	NO
UNIOR TEOS ALATI d.o.o.	Serbia	20.000	2,428,152	389,801	NO
SINTER a.d.	Serbia	25.067	776,132	(123,194)	NO

17.3.6 Assets (disposal groups) held for sale

Assets (disposal groups) held for sale

(in EUR)	2016	2015
Assets (disposal groups) held for sale	120,000	134,665
Total	**120,000**	**134,665**

Assets (disposal groups) held for sale comprise bungalows on Mount Rogla worth EUR 120,000.

17.3.7 Inventories

(in EUR)	2016	2015
Material	23,929,951	22,329,649
Work-in-progress	25,833,225	22,129,425
Products	14,817,131	15,230,665
Merchandise	8,299,640	9,226,951
Value adjustment	(1,743,946)	(1,591,460)
Total	**71,136,001**	**67,325,230**

Balance of value adjustment of inventories

(in EUR)	2016	2015
Value adjustment of inventories:		
- material	715,385	791,245
- finished products	775,211	687,400
- merchandise	167,759	112,815
Total	**1,658,355**	**1,591,460**

Change in value adjustment of inventories

(in EUR)	2016	2015
Balance of inventory value adjustment as at 1 January	**1,591,460**	**1,141,726**
- material	(75,860)	(43,559)
- finished products	87,811	463,896
- merchandise	54,944	29,397
Balance as at 31 December	**1,658,355**	**1,591,460**

Inventories in the current business year have increased due to the larger volumes of business operations and higher rates of projects completion. Company's inventory is entirely realizable, so the book value of the inventory is equal to net realizable value. Inventories in the amount of EUR 20 million are pledged for the benefit of the banks for the purposes of insurance of financial liabilities.

17.3.8 Operating receivables

(in EUR)	2016	2015
Long-term operating receivables		
Long-term operating receivables due from associates	168,773	61,751
Long-term trade receivables	701,218	793,900
Short-term part of long-term operating receivables	(10,570)	(8,896)
Value adjustment of long-term operating receivables	(442,892)	(442,892)
Total long-term operating receivables	**416,529**	**403,863**
Short-term operating receivables		
Short-term operating receivables due from associates	455,207	754,882
Short-term trade receivables - at home	3,528,338	3,467,189
Short-term trade receivables - abroad	24,182,964	23,221,555
Short-term operating receivables deriving from interests	6,914	9,849
Receivables for VAT	943,288	956,459
Advance payments	1,906,759	1,289,369
Other short-term operating receivables	9,466,065	6,548,422
Short-term part of long-term operating receivables	10,570	8,896
Value adjustments of short-term operating receivables	(1,339,066)	(1,263,545)
Total short-term operating receivables	**39,161,039**	**34,993,076**

The increase of short-term trade receivables arose due to the large volume of operation and increased sales in December in comparison to the previous year. Higher advances result from paid advances for the delivery of the machinery and equipment in Zreče, Vinkovci and China. The increase in other operating receivables is mainly due to the larger bill receivables in China. Among other short-term receivables, deferred costs and accrued revenues in the amount of EUR 957,143 are disclosed, consisting of short-term deferred costs in the amount of EUR 415,179, accrued income in the amount of EUR 441,457 and VAT from advances received in the amount of EUR 100,507. Receivables in the table are entirely repayable.

In 2016, the Group formed the following value adjustments of trade receivables:

Changes in value adjustments of trade receivables

(in EUR)	2016	2015
Balance as at 1 January	**1,263,545**	**1,138,291**
Collected receivables previously written-off	(113,524)	(92,846)
Final write-off of receivables	(318,559)	(56,257)
Formation of value adjustment in the year:	507,604	274,357
Balance as at 31 December	**1,339,066**	**1,263,545**

Since 1 October 2014 onwards, the Group has secured all the operating receivables of the parent company due from associated companies. For short-term operating receivables in the amount of up to EUR 16 million, we have concluded a non-recourse factoring contract.

The maturity of the Group's receivables as at 31 December 2016

(in EUR)	2016	2015
Outstanding receivables	28,584,831	25,312,651
Receivables overdue up to 90 days	6,139,881	5,611,700
Receivables overdue from 91 to 180 days	1,666,392	1,317,375
Receivables overdue from 181 to 365 days	1,504,745	1,459,119
Receivables overdue by more than 365 days	1,265,190	1,292,231
Total	**39,161,039**	**34,993,076**

17.3.9 Short-term financial investments

(in EUR)	2016	2015
Loans granted		
- to associates	893,617	598,202
- to others	43,057	57,413
Short-term financial investments in deposits	1,938,490	3,713,219
Short-term part of long-term investments in liabilities	42,405	306,649
Value adjustment of short-term financial investments	0	0
Total	**2,917,569**	**4,675,483**

The Group's short-term investments have not been pledged, with the exception of a part of the deposits in the amount of EUR 303,568, which was pledged as collateral for liabilities arising from received bank guarantees. All short-term loans are estimated to be entirely repayable.

Changes in short-term financial investments

(in EUR)	2016	2015
Balance as at 1 January	**4,675,483**	**4,688,486**
Increases:		
Increase in short-term loans granted to associated companies	18,195	13,424
Increase in short-term loans granted to others	15,072	384,774
Increase of investments in deposits	1,313,959	1,677,132
Return of the short-term part of long-term financial investments	42,405	306,649
Decreases:		
Decrease in short-term loans granted to associated companies	(29,429)	(992,568)
Decrease in short-term loans to others	(29,428)	(147,362)
Decrease in financial investments in deposits	(3,088,688)	(1,255,052)
Other decreases - impairment	0	0
Balance as at 31 December	**2,917,569**	**4,675,483**

17.3.10 Bank balances, Cheques and Cash

(in EUR)	2016	2015
Cash in hand and cheques received	41,717	27,499
Monetary assets in the bank	12,375,794	7,238,842
Total	**12,417,511**	**7,266,341**

The increase represents higher cash balances on accounts opened with commercial banks at the end of the 2016 business year.

17.3.11 Equity

The equity of the UNIOR Group comprises called-up capital, capital reserves, revenue reserves, reserves from revaluation at fair value, net profit brought forward and net profit for the business year.

The parent company's share capital as at 31 December 2016 was registered in the amount of EUR 23,688,983 as disclosed in the balance sheet. It is divided into 2,838,414 no-par value shares. The book value per share as at 31 December 2016 was EUR 38.12 or 3.9% more than the year before.

Revenue reserves in the amount of EUR 40,089,670 are intentionally retained revenues from previous years, mainly for the settlement of potential future losses.

Reserves from revaluation at fair value in the amount of EUR 26,715,673 represent reserves from the revaluation of land at fair value and losses on the actuarial calculations of severance pay upon retirement.

The net profit brought forward totals EUR 4,294,426 and represents the undistributed profit from previous years.

The Unior Group's profit at the end of 2016 amounted to EUR 10,191,816, namely EUR 5,102,632 higher than the profit of the parent company. Differences are arising from the operating results of the subsidiaries in the amount of EUR 3,497,041, the operating results of the associated companies in the amount of EUR 817,413, exclusions and adjustments at consolidation in the amount of EUR -1,908,088, and the profit attributable to the minority owners in the amount of EUR 2,696,266.

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

- Net profit of the business year attributable to the owners of the parent company represents a profit in the amount of EUR 7,495,550,
- The decrease of revaluation surplus in the amount of EUR 1,090,044 and the increase from actuarial gains in the calculating provisions and severance pay in the amount of EUR 57,311,
- The net profit or loss brought forward decreased by EUR 202,372 due to the transfer to other balance sheet items, especially provisions and, to a lesser extent, liabilities.

- The equity adjustment from foreign currency translation decreased by EUR 271,853 because of the appreciation of the domestic currency, the euro, vis-à-vis the currencies in other countries in which the UNIOR Group has its subsidiaries.

Changes in equity of the non-controlling interest in the current year represent:

- The net profit of the business year attributable to the owners of the non-controlling interest represents a profit in the amount of EUR 2,696,266,
- The dividend payout to the owners of the non-controlling interest reduced the equity by EUR 507,702,
- Other changes of equity in the amount of EUR 137,984 represent reductions due to the transfer to other balance sheet items, especially provisions and, to a lesser extent, liabilities.
- The equity adjustment from foreign currency translation decreased by EUR 116,275 because of the appreciation of the domestic currency, the euro, vis-à-vis the currencies in other countries, in which the UNIOR Group has its subsidiaries.

17.3.12 Long-Term Provisions and Deferred Income

(in EUR)	Provisions for severance pay and jubilee awards	Provisions for annuities	Provisions for environmental rehabilitation	Grants received for fixed assets	Provisions arising from long-term deferred revenues	Total
Balance as at 31 December 2015	**5,152,311**	**255,674**	**0**	**3,269,102**	**775,814**	**9,452,901**
Increases	1,356,882	11,791	0	7,523	69,474	1,445,670
Decreases	(788,826)	(16,795)	0	(152,580)	(175,183)	(1,133,384)
Balance as at 31 December 2016	**5,720,367**	**250,670**	**0**	**3,124,045**	**670,105**	**9,765,187**

(in EUR)	Provisions for severance pay and jubilee awards	Provisions for annuities	Provisions for environmental rehabilitation	Grants received for fixed assets	Provisions arising from long-term deferred revenues	Total
Balance as at 31 December 2014	**3,661,799**	**260,435**	**37,793**	**3,400,676**	**650,381**	**8,011,084**
Increases	1,906,908	12,014	0	12,392	178,717	2,110,031
Decreases	(416,396)	(16,775)	(37,793)	(143,966)	(53,284)	(668,214)
Balance as at 31 December 2015	**5,152,311**	**255,674**	**0**	**3,269,102**	**775,814**	**9,452,901**

Provisions for jubilee awards and severance pay are formed in the amount of the estimated future payouts for jubilee awards and severance pay discounted at the balance sheet date. The main parameters considered in the calculation are the pensionable age of 60, the required length of service of 40 years, a 1.75% discount and a 2.2% increase in salaries. Provisions are being reversed due to different assumptions in the calculation of provisions and for all employees for which the provisions have been formed in the past and are now no longer employed at Unior.

Provisions for annuities are formed for the employees who were injured at work in the company and have permanent consequences.

Among the long-term provisions, the received funds from the Ministry of Economy for co-financing investments in the reconstruction and development of tourism facilities in Zreče, on Rogla and Krvavec, the rehabilitation of the thermae after the fire, co-financing of the construction of the hotel Atrij in Zreče and the wood biomass district heating boiler room, and the co-financing of the development projects are disclosed. The provisions are drawn in accordance with the depreciation of the co-financed fixed assets. The balance of the provision as at 31 December 2016 amounts to EUR 3,124,045.

The value of the provision arising from the rents paid by Telekom d.d., Mobitel d.d., and Simobil d.d., is EUR 418,650, while the value of the provision arising from other long-term deferred revenues is EUR 251,455.

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

17.3.13 Long-term financial liabilities

Changes in long-term financial liabilities

Long-term financial liabilities

(in EUR)	Principal of debt 1 January 2016	New loans in the year	Return on the unpaid short-term part	Repayments in the year	Principal of debt 31 December 2016	Part that falls due in 2017	Long-term part
Bank or creditor							
Domestic banks	111,684,067	108,526,069	0	(98,118,738)	122,091,398	(6,600,027)	115,491,371
Foreign banks	3,569,027	0	0	(1,464,924)	2,104,103	(510,252)	1,593,851
Other creditors	312,960	0	0	0	312,960	(117,029)	195,931
Financial lease	1,232,087	234,004	0	(1,110,091)	356,000	(166,858)	189,142
Total loans obtained	**116,798,141**	**108,760,073**	0	**(100,693,753)**	**124,864,461**	**(7,394,166)**	**117,470,295**

(in EUR)	Principal of debt 01 January 2015	New loans in the year	Return on the unpaid short-term part	Repayments in the year	Principal of debt 31 December 2015	Part that falls due in 2016	Long-term part
Bank or creditor							
Domestic banks	119,040,030	2,591,793	0	(1,167,610)	120,464,213	(8,780,146)	111,684,067
Foreign banks	4,421,780	0	2577	(179,482)	4,242,555	(673,528)	3,569,027
Other creditors	628,310	0	0	(78,649)	549,661	(236,701)	312,960
Financial lease	1,275,912	229,609	0	(42,333)	1,463,188	(231,101)	1,232,087
Total loans obtained	**125,366,032**	**2,821,402**	**2577**	**(1,468,074)**	**126,719,617**	**(9,921,476)**	**116,798,141**

The interest rates obtained on long-term loans are within the range of the six-month Euribor + 0.7% to the six-month Euribor + 4.7%, and from the three-month Euribor + 0.5% to the three-month Euribor + 3%, and the real interest rate between 4.9% to 6%. The Group has taken out long-term loans with a reference interest rate for the three-month and six-month Euribor. In 2016, the parent company Unior d.d., successfully concluded and obtained a new syndicated loan with which it repaid the existing loans.

According to the IAS 7.22, which allows certain cash flows or cash receipts and payments for items in which the turnover is quick, the amounts are large and the maturities are short, to be reported on a net basis, the Group disclosed receipts from the increase in long-term financial liabilities and disbursements for long-term financial liabilities in the consolidated cash flow statement. The company reduced the movements by EUR 95,354,840 in receipts and disbursements, because this amount represents the replacement of the financial liabilities of Unior d.d., as a result of a successfully completed process of refinancing.

Maturity of long-term financial liabilities by year

(in EUR)	2016	2015
Maturity from 1 to 2 years	7,268,594	10,438,415
Maturity from 2 to 3 years	7,873,110	9,491,426
Maturity from 3 to 4 years	18,247,714	89,796,128
Maturity from 4 to 5 years	12,847,766	3,717,730
Maturity of more than 5 years	71,233,111	3,354,442
Total	**117,470,295**	**116,798,141**

Long-term and short-term liabilities arising from financing are collateralized by mortgages on immovable and movable properties, investments and inventories at fair value in the amount of EUR 165,100,427, as well as bills of exchange written. These amounts comprise the values of the secured loan agreements.

17.3.14 Long-term operating liabilities

Long-term operating liabilities

(in EUR)	2016	2015
Long-term operating liabilities	169,895	332,571
Short-term part of the long-term operating liabilities	(46,411)	(46,411)
Total	**123,484**	**286,160**

Long-term operating liabilities comprise a gained commodity credit in the segment of telecommunications which is being repaid in accordance with the amortization schedule.

17.3.15 Deferred Tax Assets and Liabilities

(in EUR)	**2016**	**2015**
Long-term deferred tax asset	8,008,679	7,755,650
Long-term deferred tax liability	(5,835,481)	(5,549,860)
Net long-term deferred tax asset	**2,219,511**	**2,274,836**
Net long-term deferred tax liability	**46,313**	**69,046**

Changes in deferred tax assets	**2016**	**2015**
Balance of the deferred tax asset as at 1 January	**7,755,650**	**6,838,341**
Increases:		
- Long-term provisions for jubilee awards and severance pay	160,756	216,522
- Impairment of financial investments	0	467,080
- Tax relief for investments	408,030	387,143
- Investment into research and development	181,524	0
- tax loss	306,642	47,130
Decreases:		
- Long-term provisions for jubilee awards and severance pay	0	0
- Impairment of trade receivables	(196,255)	(117,282)
- Reversal of impairments of financial investments	(559,386)	0
- Regional relief for investments	(48,282)	(38,936)
- Reversal of tax relief for investments into research and development	0	(39,207)
- tax loss	0	(5,141)
Balance of the deferred tax asset as at 31 December	**8,008,679**	**7,755,650**
- Offset with deferred tax liabilities	5,789,168	5,480,814
Net deferred tax asset as at 31 December	**2,219,511**	**2,274,836**

Changes in deferred tax liabilities	**2016**	**2015**
Balance of the deferred tax liability as at 1 January	**5,549,860**	**5,546,830**
Increases:	411,202	5,157
Decreases:	(125,581)	(2,127)
Balance of the deferred tax liability as at 31 December	**5,835,481**	**5,549,860**
- Offset with deferred tax assets	5,789,168	5,480,814
Net deferred tax liability as at 31 December	**46,313**	**69,046**

Deferred taxes are disclosed according to the balance sheet liability method, whereby the temporary difference between the carrying amount of the assets and the liabilities is 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 the 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 regulations 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, the impairment of trade receivables, the impairment of investments, tax relief for investments into research and development and the disclosed tax loss. The tax rates used for all items are in accordance with the tax legislation in the individual countries in which the Group companies are operating, and are between 10% and 30%.

Long-term deferred tax liabilities relate to the recalculation of property - land to a fair value that is disclosed in the surplus from revaluation. The tax rates used for all items are in accordance with the tax legislation in the individual countries in which the Group companies are operating, and are between 10% and 30%.

17.3.16 Short-term financial liabilities

(in EUR)	Balance of debt 1 January 2016 with the short-term part of long-term liability	New loans in the year	Transfer of the unpaid short-term part to long-term liability	Repayments in the year 2016	Transfer of the short-term part of long-term liabilities	Balance of debt 31 December 2016
Bank or creditor						
Domestic banks	9,368,428	4,089,812	0	(11,831,447)	6,600,027	8,226,820
Foreign banks	3,501,201	134,920	0	(2,554,976)	510,252	1,591,397
Other creditors	1,762,757	0	0	(1,554,957)	117,029	324,829
Financial lease	381,120	0	0	(381,120)	166,858	166,858
Total loans obtained	**15,013,506**	**4,224,732**	**0**	**(16,322,500)**	**7,394,166**	**10,309,904**

(in EUR)	Balance of debt 01 January 2015 with the short-term part of long-term liability	New loans in the year	Transfer of the unpaid short-term part to long-term liability	Repayments in the year 2015	Transfer of the short-term part of long-term liabilities	Balance of debt 31 December 2015
Bank or creditor						
Domestic banks	9,367,705	0	0	(8,779,423)	8,780,146	9,368,428
Foreign banks	5,807,733	286,524	(257)	(3,266,327)	673,528	3,501,201
Other creditors	11,897,584	0	0	(10,371,528)	236,701	1,762,757
Financial lease	369,598	0	0	(219,579)	231,101	381,120
Total loans obtained	**27,442,620**	**286,524**	**(257)**	**(22,636,857)**	**9,921,476**	**15,013,506**

Among short-term financial liabilities the Group shows short-term loans from banks and foreign development funds, a short-term loan for project financing granted by a commercial bank and a short-term part of the loan from the company Petrol d.d.

The interest rate for hired short-term loans is from 2.0 to 7.0% fixed and 6-month Euribor + 2.9%.

Short-term liability arising from financing is collateralized by pledged receivables at fair value in the amount of EUR 3,500,000, as well as bills of exchange written. These amounts comprise the value of the secured loan agreements.

17.3.17 Short-term operating liabilities

(in EUR)	2016	2015
Short-term operating liabilities to associated companies		
Slovenia	4,793,375	7,426,348
Abroad	14,951	94,747
Short-term operating liabilities to other suppliers:		
Slovenia	19,116,770	16,110,412
Abroad	10,628,401	9,451,607
Short-term operating liabilities to the state	679,985	597,757
Short-term operating liabilities to employees	4,867,330	4,146,914
Short-term operating liabilities for advances	4,654,944	3,855,475
Short-term operating liabilities for interest	68,969	106,156
Short-term bills payable	4,660,785	2,860,711
Other short-term liabilities	4,616,769	5,870,537
Short-term part of the long-term operating liabilities	46,411	46,411
Total	**54,148,690**	**50,567,075**

Short-term liabilities to the state item only indicates liabilities to Slovenia, whereas liabilities of foreign companies to the states in which they operate are disclosed under other short-term liabilities.

17.3.18 Accrued costs and deferred revenues

(in EUR)	2016	2015
Short-term deferred revenues	902,223	838,865
Short-term accrued costs and expenditures	2,571,179	1,784,755
VAT from advances granted	86,598	105,238
Total	**3,560,000**	**2,728,858**

The following is disclosed among the accrued costs and deferred revenues:

- short-term deferred income from the advance sales of ski pass tickets in the amount of EUR 892,837 and charged interests in the amount of EUR 9,387;
- accrued costs in the amount of EUR 2,571,179 comprising the accounted commissions for sale in the amount of EUR 524,302, the liability for unused holiday leave for 2016 in the amount of EUR 1,660,854, and other accrued costs in the amount of EUR 386,023;
- VAT from advances granted in the amount of EUR 86,598.

17.3.19 Contingent liabilities

(in EUR)	2016	2015
Guarantees granted	3,665,732	4,527,182
Total	**3,665,732**	**4,527,182**

Contingent liabilities comprise guarantees and warranties for loans raised from banks.

17.4 Notes on the Income Statement

17.4.1 Consolidated Income Statement by Division

(in EUR)	Item	Tourism act. 2016	Metal act. 2016	Total 2016	Tourism act. 2015	Metal act. 2015	Total 2015
A.	**Net sales revenue**	**21,220,365**	**197,891,632**	**219,111,997**	**20,223,864**	**187,187,039**	**207,410,903**
1.	Net revenues from sales on the domestic market	21,217,672	14,508,898	35,726,570	20,221,294	15,232,520	35,453,814
2.	Net revenues from sales on foreign markets	2,693	183,382,734	183,385,427	2,570	171,954,519	171,957,089
B.	**Changes in the value of the inventories of finished products and work-in-progress**	**(2,974)**	**3,394,657**	**3,391,683**	**(1,323)**	**(1,140,471)**	**(1,141,794)**
C.	**Capitalized own products and services**	**0**	**1,029,142**	**1,029,142**	**0**	**1,983,226**	**1,983,226**
D.	**Other operating revenues**	**391,235**	**3,426,264**	**3,817,499**	**405,960**	**2,309,023**	**2,714,983**
I.	**GROSS OPERATING PROFIT**	**21,608,626**	**205,741,695**	**227,350,321**	**20,628,501**	**190,338,817**	**210,967,318**
E.	**Costs of goods, materials and services**	**9,993,362**	**119,268,864**	**129,262,226**	**9,464,797**	**111,470,896**	**120,935,693**
1.	Cost of goods and materials sold	28,024	11,463,889	11,491,913	29,594	11,707,571	11,737,165
2.	Cost of materials used	4,916,694	81,764,578	86,681,272	4,913,698	77,139,085	82,052,783
3.	Cost of services	5,048,644	26,040,397	31,089,041	4,521,505	22,624,240	27,145,745
F.	**Labour costs**	**8,571,996**	**56,017,641**	**64,589,637**	**8,195,018**	**51,757,471**	**59,952,489**
1.	Costs of wages and salaries	6,234,189	42,381,523	48,615,712	6,082,744	39,709,998	45,792,742
2.	Costs of pension insurance	65,880	728,759	794,639	70,364	686,990	757,354
3.	Costs of other social insurance	1,003,127	6,842,107	7,845,234	973,510	6,585,744	7,559,254
4.	Other labour costs	1,268,800	6,065,252	7,334,052	1,068,400	4,774,739	5,843,139
G.	**Amortization and depreciation expense**	**3,443,882**	**11,550,036**	**14,993,918**	**3,539,937**	**11,882,507**	**15,422,444**
1.	Amortization/depreciation	3,395,686	10,385,530	13,781,216	3,481,344	9,848,824	13,330,168
2.	Operating expenses from revaluation of intangible fixed assets and property, plant and equipment	8,658	543,954	552,612	8,507	1,316,119	1,324,626
3.	Operating expenses from the revaluation of current assets	39,538	620,552	660,090	50,086	717,564	767,650
H.	**Other operating expenses**	**422,507**	**1,493,770**	**1,916,277**	**419,608**	**1,535,334**	**1,954,942**
1.	Provisions	0	21,292	21,292	0	134,899	134,899
2.	Other costs	422,507	1,472,478	1,894,985	419,608	1,400,435	1,820,043
II.	**OPERATING PROFIT OR LOSS**	**(823,121)**	**17,411,384**	**16,588,263**	**(990,859)**	**13,692,609**	**12,701,750**
I.	**Financial income**	**2,219**	**2,238,990**	**2,241,209**	**9,240**	**2,488,233**	**2,497,473**
1.	Financial income from participating interests	210	1,103,684	1,103,894	210	1,266,216	1,266,426
2.	Financial income from loans granted	0	105,242	105,242	189	154,736	154,925
3.	Financial income from operating receivables	2,009	1,030,064	1,032,073	8,841	1,067,281	1,076,122
J.	**Financial expenses**	**1,034,062**	**5,753,669**	**6,787,731**	**1,184,558**	**7,305,805**	**8,490,363**
1.	Financial expenses from impairment and write-offs of financial investments	0	318,710	318,710	0	573,023	573,023
2.	Financial expenses from financial liabilities	997,141	4,362,107	5,359,248	1,136,616	4,820,479	5,957,095
3.	Financial expenses from operating liabilities	36,921	1,072,852	1,109,773	47,942	1,912,303	1,960,245
III.	**PROFIT OR LOSS**	**(1,854,964)**	**13,896,705**	**2,041,741**	**(2,166,177)**	**8,875,037**	**6,708,860**
	Income tax	**0**	**2,135,462**	**2,135,462**	**0**	**1,383,153**	**1,383,153**
	Deferred tax	**(59,716)**	**(225,821)**	**(285,537)**	**(57,218)**	**(803,924)**	**(861,142)**
	NET PROFIT OR LOSS FOR THE REPORTING PERIOD	**(1,795,248)**	**11,987,064**	**10,191,816**	**(2,108,959)**	**8,295,808**	**6,186,849**
	- attributable TO THE OWNERS OF THE PARENT COMPANY	(1,796,329)	9,291,879	7,495,550	(2,109,520)	6,666,628	4,557,108
	- attributable TO THE NON-CONTROLLING INTERESTS	1,081	2,695,185	2,696,266	561	1,629,180	1,629,741

Net sales revenues increased by a total of EUR 11,701,094, namely EUR 10,704,593 within metal activities and EUR 966,501 within tourism activities. The costs of materials and other costs grew slower than the gross operating profit, which is why we have recorded better operating results in both activities with regard to the previous year.

17.4.2 Net Sales Revenues

(in EUR)	2016	2015
Slovenia		
- associates	103,258	378,567
- other buyers	35,623,312	35,075,247
Abroad		
- associates	4,079,328	3,815,884
- other buyers	179,306,099	168,141,205
Total	**219,111,997**	**207,410,903**

17.4.3 Capitalized own products and services

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

(in EUR)	2016	2015
Capitalized own products and services	1,029,142	1,983,226
Capitalized own tools	0	0
Total	**1,029,142**	**1,983,226**

As part of its capitalised own products and services, the company discloses the value of own investments into maintenance activities for other programmes in the amount of EUR 686,049. This amount covers general overhauls of machines at the forging plant, overhaul of CNC machines carried out by the Special Machines Programme for other programmes in the amount of EUR 91,656 and for own needs within the Programme in the amount of EUR 250,000.

17.4.4 Other operating revenues

(in EUR)	2016	2015
Rewards for exceeding the quota of disabled employees	170,802	187,091
Paid receivables that were already included in the value adjustment	113,524	92,846
Damages received	326,966	275,884
Reversal of long-term provisions	995,807	685,577
Profit from the sale of fixed assets	717,751	276,476
Subsidies, grants and similar revenues	211,368	177,888
Emission coupon sales	7,815	8,114
Other	1,098,920	1,011,107
Total	**3,817,499**	**2,714,983**

17.4.5 Costs and expenses

2016 (in EUR)	**Prod. costs**	**Costs of sales**	**Costs of general activities**	**Total**
Cost of goods sold/production costs	9,338,193	13,639	2,140,081	11,491,913
Cost of materials	74,435,637	8,148,596	4,097,039	86,681,272
Cost of services	17,136,460	7,949,792	6,002,789	31,089,041
Cost of wages and salaries	*35,026,519*	*8,006,445*	*5,582,748*	*48,615,712*
Cost of social insurance	*5,587,798*	*1,365,925*	*891,511*	*7,845,234*
Cost of pension insurance	*636,369*	*89,245*	*69,025*	*794,639*
Other labour costs	*4,993,842*	*1,559,931*	*780,279*	*7,334,052*
Total labour costs	46,244,528	11,021,546	7,323,563	64,589,637
Amortization and depreciation	9,823,247	2,674,429	1,283,540	13,781,216
Operating expenses from the revaluation of current assets	571,542	32,385	56,163	660,090
Operating expenses from the revaluation of intangible assets and property, plant and equipment	213,992	30,118	308,502	552,612
Other costs	955,873	483,550	476,854	1,916,277
Total costs	**158,719,472**	**30,354,055**	**21,688,531**	**210,762,058**

2015 (in EUR)	**Prod. costs**	**Costs of sales**	**Costs of general activities**	**Total**
Cost of goods sold/production costs	9,991,087	16,921	1,729,157	11,737,165
Cost of materials	70,078,121	7,748,496	4,226,166	82,052,783
Cost of services	15,111,462	6,745,865	5,288,418	27,145,745
Cost of wages and salaries	*32,764,592*	*7,834,584*	*5,193,566*	*45,792,742*
Cost of social insurance	*5,402,262*	*1,326,787*	*830,205*	*7,559,254*
Cost of pension insurance	*600,483*	*90,774*	*66,097*	*757,354*
Other labour costs	*4,430,095*	*985,275*	*427,769*	*5,843,139*
Total labour costs	43,197,432	10,237,420	6,517,637	59,952,489
Amortization and depreciation	9,200,139	2,800,680	1,329,349	13,330,168
Operating expenses from the revaluation of current assets	658,326	46,060	63,264	767,650
Operating expenses from the revaluation of intangible assets and property, plant and equipment	119,629	1,143,688	61,309	1,324,626
Other costs	688,371	556,317	710,254	1,954,942
Total costs	**149,044,567**	**29,295,447**	**19,925,554**	**198,265,568**

Other labour costs comprise the costs of holiday allowance, meal allowance, travel allowance, jubilee awards and severance pay above the created provision and certain other payments to employees.

Among the cost of services, the Unior Group shows EUR 207,626 of cost for hiring workers through recruitment agencies, which represents 12 employees compared to the hours worked.

The purchasing of material in associated companies is presented in chapter 17.6.2.

As part of its other costs, the Group discloses:

(in EUR)	2016	2015
- provisions for annuities	11,790	19,899
- charge for the use of building land	287,408	269,566
- environmental protection expenditures	143,701	150,316
- bonuses to pupils and students undergoing practical training	545,289	437,854
- scholarships to pupils and students	44,968	45,289
- damages paid to employees	93,271	78,257
- financial aid - grants	123,611	185,893
- impairment of investment property	181,106	0
- other operating expenses	485,133	767,868
Total	**1,916,277**	**1,954,942**

The costs of auditing the annual reports of the companies from the UNIOR Group totalled EUR 63,542.

17.4.6 Financial income and financial expenses

Financial income

(in EUR)	2016	2015
Finance income from participating interests		
Finance income from participating interests in associated companies	1,087,864	1,231,016
Finance income from participating interests in other companies	15,590	34,958
Financial revenue from other investments	440	452
Total	1,103,894	1,266,426
Finance income from loans granted		
Finance income from loans granted to others	105,242	154,925
Total	105,242	154,925
Finance income from operating receivables		
Finance income from operating receivables due from others	1,032,073	1,076,122
Total	1,032,073	1,076,122
Total financial income	**2,241,209**	**2,497,473**

The financial income from participating interests in associated companies comprises a positive effect from the business results of associated companies in the amount of EUR 817,413. It also includesthe paid profit in the companies Unior Teos d.o.o., Unior Tepid s.r.l., and Unior Tehna d.o.o.

Financial expenses

(in EUR)	2016	2015
Financial expenses from impairments and write-offs of financial investments	318,710	573,023
Financial expenses from financial liabilities		
Financial expenses from loans received from banks	4,930,866	5,873,827
Financial expenses from other financial liabilities	428,382	83,268
Total	5,359,248	5,957,095
Financial expenses from operating liabilities		
Financial expenses from trade payables and bills payable	364,660	422,336
Financial expenses from other operating liabilities	745,113	1,537,909
Total	1,109,773	1,960,245
Total financial expenses	**6,787,731**	**8,490,363**

Impairment of Financial Investments

We impaired the values of the investments into associated companies in the amount of EUR 299,142, the value of investments into shares of Dalekovod d.d., Zagreb in the amount of EUR 134, the value of investment into the bank in the amount of EUR 3,610 and EUR 15,824 due to a surcharges share in Unior Tehna.

17.5 Corporate Income Tax Account and Deferred Taxes

Income tax is accounted according to the legislations applicable in the countries in which the Group has its subsidiaries.

(in EUR)	2016	2015
Income tax	2,135,462	1,383,153
Deferred taxes	(285,537)	(861,142)
Total	**1,849,925**	**522,011**

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

Net profit for the period before taxes	12,041,741	6,708,860
Income tax in Slovenia 17%	2,047,096	1,140,506
Non-taxable income	131,023	3,454,578
Expenses not recognized for tax purposes	2,234,509	3,402,010
Value adjustment of receivables	227,641	214,803
Provisioning	(972,462)	(875,893)
Tax relief for investments in research and development	181,524	(39,207)
Tax relief for investments	408,030	387,143
Other reliefs and adjustments of expenses recognized for tax purposes	2,005,192	835,165
Tax gain	7,144,453	3,661,269
Income tax	1,849,925	522,011
Effective tax rate in %	15.4	7.8

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 financial statements, i.e. for those that are reconciled in the defined period.

A deferred tax asset is calculated using the temporary difference in the long-term provisions for severance pay and jubilee awards, the impairment of trade receivables, unused tax relief and tax losses, as well as from temporary differences in the tax burden that arise from differences between the official financial statements of a subsidiary and its financial statements.

The effect of deferred taxes on the net profit is EUR 285,537, which increases the net profit for the current year.

17.6 Related-Party Transactions

17.6.1 Sales to associated companies

(in EUR)	2016	2015
Associated companies:		
In the country:	**103,258**	**378,567**
ŠTORE STEEL d.o.o., Štore	43,851	297,002
RHYDCON d.o.o., Šmarje pri Jelšah	33,245	52,532
RC SIMIT d.o.o., Kidričevo	26,162	29,033
Abroad:	**4,079,328**	**3,815,884**
UNIOR TEPID S.R.L. Brasov	2,434,346	2,207,604
UNIOR SINGAPORE Pte. Ltd. Singapore	205,320	214,219
UNIOR TEHNA d.o.o., Sarajevo	492,825	395,142
UNIOR TEOS ALATI d.o.o., Belgrade	891,422	864,118
SINTER a.d. Užice	55,415	134,801
Total associated companies	**4,182,586**	**4,194,451**

17.6.2 Purchases from associated companies

(in EUR)	2016	2015
Associated companies:		
In the country:	**14,785,931**	**21,057,044**
ŠTORE STEEL d.o.o., Štore	14,785,931	21,192,802
RC SIMIT d.o.o., Kidričevo	0	(137,793)
USTVARJALEC d.o.o., Zreče	0	2,035
Abroad:	**549,102**	**886,418**
UNIOR TEPID S.R.L. Brasov	10,198	27,853
UNIOR SINGAPORE Pte. Ltd. Singapore	3,376	2,639
UNIOR TEHNA d.o.o., Sarajevo	0	1,864
UNIOR TEOS ALATI d.o.o., Belgrade	173,316	237,068
SINTER a.d. Užice	362,212	616,994
Total associated companies	**15,335,033**	**21,943,462**

17.6.3 Operating receivables due from associated companies

(in EUR)	2016	2015
Associated companies:		
In the country:	**117,908**	**197,041**
ŠTORE STEEL d.o.o., Štore	105,431	174,354
RHYDCON d.o.o., Šmarje pri Jelšah	9,549	21,223
RC SIMIT d.o.o., Kidričevo	2,928	1,464
Abroad:	**506,072**	**637,900**
UNIOR TEPID S.R.L. Brasov	172,296	304,178
UNIOR SINGAPORE Pte. Ltd. Singapore	0	0
UNIOR TEHNA d.o.o., Sarajevo	187,983	133,077
UNIOR TEOS ALATI d.o.o., Belgrade	(44,136)	26,547
SINTER a.d. Užice	189,929	174,098
Total associated companies	**623,980**	**834,941**

17.6.4 Operating liabilities to associated companies

(in EUR)	2016	2015
Associated companies:		
In the country:	**4,793,375**	**7,426,348**
ŠTORE STEEL d.o.o., Štore	4,290,999	6,923,972
RC SIMIT d.o.o., Kidričevo	502,376	502,376
USTVARJALEC d.o.o., Zreče	0	0
Abroad:	**14,951**	**94,747**
UNIOR TEPID S.R.L. Brasov	0	3,309
UNIOR SINGAPORE Pte. Ltd. Singapore	0	9,474
UNIOR TEHNA d.o.o., Sarajevo	0	1,865
UNIOR TEOS ALATI d.o.o., Belgrade	14,951	41,960
SINTER a.d. Užice	0	38,139
Total associated companies	**4,808,326**	**7,521,095**

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

Receivables from loans and interest due from associated companies

(in EUR)	2016	2015
RHYDCON d.o.o., Šmarje pri Jelšah	616,397	598,202
SINTER a.d., Užice	306,648	306,648
Total	**923,045**	**904,850**

17.7 Risk management

In accordance with the principles and guidelines of the SIST ISO 31000:2011 quality system, we have developed a risk management system and introduced it in the business processes of Unior d.d., active since 1 July 2016. The risk management committee and risk managers regularly monitor the risk exposure, plan and implement measures to mitigate the risks and plan and monitor the performance of potential for improvements, which would further contribute to the risk management. We have establisheda risk register with descriptions and characteristics for each of the identified risks. The approach to risk management differs for different risks, although the purpose of the measures is to reduce each of them to the lowest possible level in accordance with the available resources.

All risks are described in greater detail in the chapter 9.8. of the annual report, with separate financial risks and a sensitivity analysis for the Unior Group.

FINANCIAL RISKS

Risk area	Risk description	Management method	Exposure
Credit risk	The risk of not being able to collect our contractual claims at maturity as a creditor.	Planning the cash flow, the timely collection of outstanding receivables, factoring, cost and current assets management and monitoring indicators.	Low
Interest rate changes	Risk of financial loss due to unfavourable interest rate movements	Management of the financing business principles, considering the golden balance rule: long-term investments are financed through long-term sources, daily monitoring, diversification of external financing sources, monitoring changes in the external environment, diversification of the maturity of liabilities and cost management.	Moderate

CREDIT RISK

Credit risks are managed through regular monitoring the business operations and financial position of all existing and new business partners, with limiting exposure to individual business partners and with an active process of collecting receivables. By regularly monitoring outstanding and overdue receivables due from buyers, the age structure of receivables and the changes of the average payment deadlines, the company's credit exposure is kept within acceptable limits. Receivables due from all buyers, with the exception of associated companies, are secured with the insurance company since 1 October 2014. Sensitivity analysis: in case the Unior Group does not get the principals and interests paid on time on an annual basis, the write-down of the principal and the loss of revenue arising from interests would reduce the profit by approximately 10%.

RISK OF CHANGES IN INTEREST RATES

A change in the interest rate can significantly reduce the economic benefits of the company, which is why we constantly monitor the movement of the reference interest rates on the market. Risk is assessed as moderate; in recent years, there is a permanent decrease in reference interest rates. With the consortium of banks, the company reached an agreement that the interest margins are to be formed according to the margin scale and with regard to the performance of the Unior Group by 2023, which represents a beneficial effect on the performance of the company in the future periods. The risk of rising interest rates is shown in the table below. Sensitivity analysis: in the event that the interest rate increased by 100%, the profit would be reduced by approximately 4%. Other hypothetical rises are illustrated in the table below.

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

Balance of the liabilities tied to an individual variable interest rate in 2016

			Hypothetical rise in		
in (EUR)	**Amount of the liability as at 31 Dec. 2016**	**Interest rate**	**by 15%**	**by 50%**	**by 100%**
Interest rate type					
3-month EURIBOR	100,670,921	-0.3190	48,171	160,570	321,140
6-month EURIBOR	25,728,329	-0.2210	8,529	28,430	56,860
Total effect	**126,399,250**		**56,700**	**189,000**	**378,000**

Balance of the liabilities tied to an individual variable interest rate in 2015

			Hypothetical rise in		
in (EUR)	**Amount of the liability as at 31 Dec. 2015**	**Interest rate level s**	**by 15%**	**by 50%**	**by 100%**
Interest rate type					
1-month EURIBOR	3,415,216	-0.2020	1,035	3,450	6,899
3-month EURIBOR	33,752,250	-0.1320	6,683	22,277	44,553
6-month EURIBOR	71,115,629	-0.0420	4,480	14,935	29,869
Total effect	**108,283,095**		**12,198**	**40,662**	**81,321**

The total financial liabilities amount to EUR 127,780,199. The difference of EUR 1,380,949 to the disclosed balance for the sensitivity of the interest rate represent the financial liabilities with a fixed interest rate.

17.8 Remunerations to the Management Board and the Supervisory Board

Members of the Management and Supervisory Boards in the Unior Group are the same as in the parent company Unior d.d. Remunerations are disclosed in chapter 9.5. of the annual report.

17.9 Events After the Balance Sheet

After the balance sheet, there were no important business events.

18 Statement on the Management Board’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 Group's assets and liabilities and its operating results for 2016.

The Management confirms that the appropriate Accounting Policies have been consistently employed and that the accounting appraisals have been prepared with care and due diligence. The Management Board further confirms that the financial statements, together with the notes, have been compiled on the basis of the assumptions of a going concern of the associated companies group 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 adequacy 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 operations of Group companies, which may 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 is not aware of any circumstances that might cause any major liability thereunder.

Zreče, 31 March 2017

President of the Management Board
Darko Hrastnik, BSMet. (Metallurgical Engineering)

Member of the Management Board,
Branko Bračko, BSME. (Mechanical Engineering)

19 Independent Auditor's Report

Deloitte.

Deloitte Revizijad.o.o.
Dunajska cesta 165
1000 Ljubljana
Slovenia

Tel.: +386 (0)1 3072 600
Fax: +386 (0)1 3072 900
www.deloitie.sj

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

Opinion

We have audited the enclosed consolidated financial statements of the Unior Group (hereinafter the "Group"), composed of its consolidated balance sheet of 31 December 2016, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended and explanatory notes to the consolidated financial statements, including a summary of essential accounting policies.

We believe that the consolidated financial statements give a true and fair view of the consolidated financial position of the Group on 31 December 2016, its consolidated income statement and consolidated cash flows for the year then ended in accordance with the international financial reporting standards (IFRS), as adopted by the European Union (hereinafter the "IFRS").

The basis for the opinion

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

Key Audit Matters

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

Key Audit Matter	**Audit procedures in key audit matter discourse**
Measuring fair value: the use of the revaluation model in accounting of property, plant and equipment	
The Group uses the revaluation model for measuring items of land at book value. The total value of the land at the reporting date is EUR 38,385 thousand, as stated in note 17.3.3. The valuation of the land in 2016 was carried out by an external chartered valuation surveyor.	Our audit procedures included an evaluation of the suitability of the management's judgement and compliance with the requirements for measuring fair value: The evaluation of competence, capacity and impartiality of the independent valuation surveyor who was engaged by the management.

The valuation of the land, together with the judgement in determining their fair value, is considered a key audit matter due to its importance in the financial statements as a whole.	We have also considered the scope and approach of cooperation between the valuation surveyor and the management. In the evaluation, whether the valuation surveyor's approach is appropriate with regard to the management and whether the important assumptions used were suitable in view of the given purpose, we have engaged the auditor's experts. Disclosures which relate to land, are presented in the note 17.3.3.

Other information

Other information includes the business report, which is an integral part of the annual report of the Group, but does not include the financial statements and the auditor's report on this information. Other information was obtained before the date of the auditor's report, with the exception of the report of the Supervisory Board, which will be available later. The Management Board is responsible for other information.

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

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

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

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

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

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

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

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

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

The auditor's responsibility for auditing the consolidated financial statements

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

During the conducting of the audit in accordance with the ISA standards, we exercised professional judgement and maintain a professionaldistrust. We also:

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

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

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

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

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

- Obtain sufficient and appropriate audit evidence with regard to the financial statements of the Group companies or their business activities in order to be able to express an opinion on the consolidated financial statements. We are responsible for the management, monitoring and implementation of the audit of the Group. The audit opinion is solely our responsibility.

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

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

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

DELOITTE REVIZIJA d.o.o.

Barbara Žibret Kralj
Authorized auditor

Ljubljana, 31 March 2017