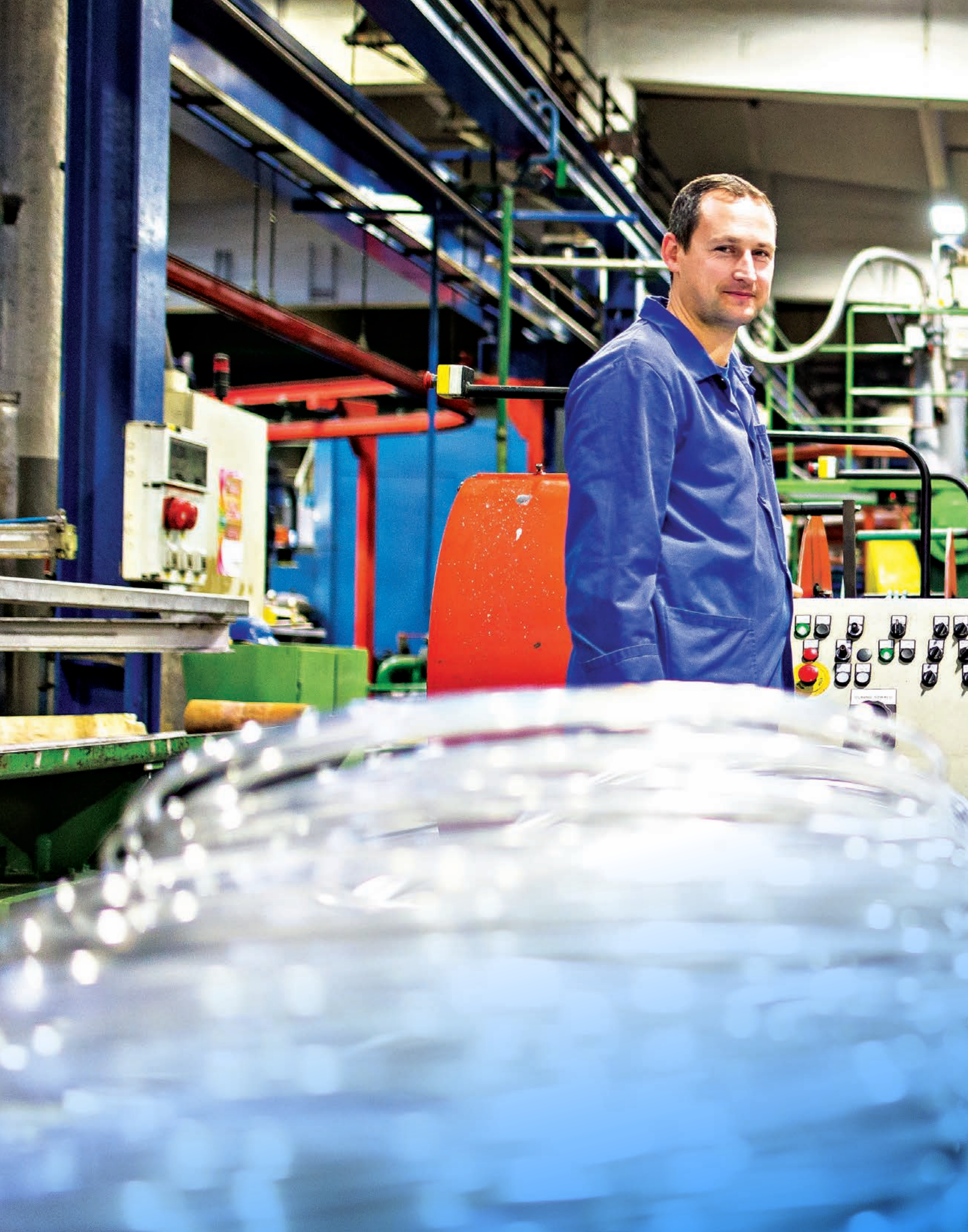
impol Aluminium Industry

2016

SHAPING THE FUTURE

ANNUAL REPORT OF THE IMPOL GROUP AND OF IMPOL 2000 D.D.



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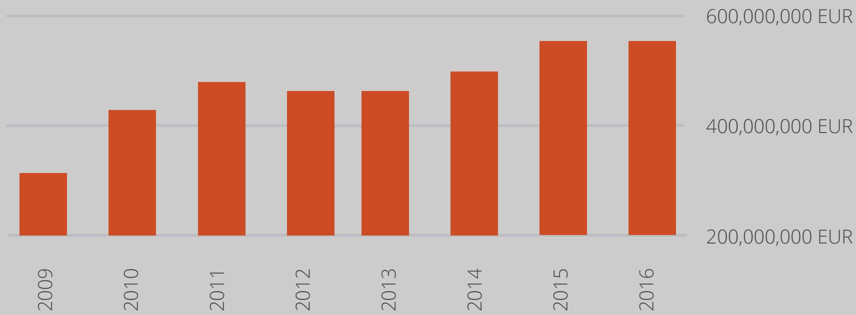
Growth of consolidated net sales



EUR 30.4 million

Net profit after tax

6th largest Slovenian exporter

EUR 543 million

Volume of sales

EBITDA **EUR 56.8 million**

2.61

Net debt and EBITDA ratio

Customers

Retailers	**43.17%**
Transport	**23.42%**
Construction industry, constructions	**12.83%**
Food industry	**7.33%**
Consumer durables	**6.86%**
Electrical industry	**3.38%**
Pharmaceutical industry	**1.42%**
Other	**1.06%**
Machines and equipment	**0.53%**

Added value per employee

EUR 49,337


STREGA

A number of images put together a certain way become something quite above and beyond what any of them are individually.

Francis Ford Coppola

Impol Group Mosaic

Joint report of the Management Board and Executive Directors on the operations of Impol 2000 d.d. and the Impol Group in 2016

Dear shareholders, business partners and co-workers!

In 2016, Impol celebrated its 191st anniversary of its continuous operation. This internationally organised business entity generates more than 90% of its income abroad. The year 2016 will be remembered as the year when Impol expanded its operations to Šibenik in Croatia by acquiring the premises of a former TLM Aluminium d.d., a year when the 2025 Strategy was prepared, a goal of achieving EUR 1 billion of revenues was set, and a new company was established that will offer products processed at a higher level and turned into products with a higher added value.

In 2016, the Impol Group was implementing a one-tier management system for the second year in a row. The constant presence and flexibility of the Management Board provided a permanent control over business operation, the decisions were adopted regularly and in line with needs, and the guidelines for further operation were defined in a form of permanent modifications of plans and the strategy. The Management Board thus adopted 136 resolutions at its 7 in-praesentia sessions and 15 sessions by correspondence.

The Impol Group organises its business processes in the respect of transparency and the Impol Group Business Conduct Code.

In 2016, there were not as many fluctuations as in the previous years in the areas which execute a significant negative impact on Impol's business performance. Throughout the year, there was a slight tendency of falling purchase prices above the base stock price of aluminium raw materials, while the base stock price experienced growth throughout the entire year. Since the sales premiums above the base stock price of the aluminium remained stable throughout the year, the increasing difference between the sales and purchase premium translated in a better operating result. Therefore the operation of the Impol Group is once again estimated as excellent and was record breaking in comparison to the previous years.

Even the financial environment saw significant changes throughout the year. The access to additional financial leverage continued to be available on a limited scale, the procedures for obtaining additional funds for the financing of the business process continued to be lengthy, requiring additional collateral insurance; however, the costs of additional external financial resources became increasingly lower.

The Impol Group generates approximately 95% of its total profit on foreign markets, mostly on those using Impol's aluminium products with their highly-developed technology. On the sales market, the tendency of customers to select only those suppliers that possess the ability to deliver ordered goods in short delivery periods is still present and Impol was thus able to obtain orders only by being able to guarantee their delivery within acceptably short delivery periods. The segment of technically more demanding customers, and thus the share of products with higher added value, continues its persistent growth. More demanding customers expect the Impol Group to manage the entire production process of an individual product and they stipulate this as a condition for further cooperation.

In terms of purchases, we cooperate with those suppliers who consider the operation of the Impol Group successful on the basis of comprehensive, regular and completely credible disclosures.
Together with the provision of the best possible conditions for short-term operations, Impol intensively focused on new strategies in all areas of its activities throughout the year, especially in the field of rolled product programme.

Comprehensive risk management and constant attempts to optimise the financing resources improved the structure of financing resources in such a way that, in addition to all investments in fixed assets, the Company also finances 50% of its short-term assets with long-term financial resources, which is a significant improvement in comparison with the previous years. This significantly improved the safety of operations and shortened the reaction time which in some cases plays a decisive role when entering sales and also purchase markets. Most importantly, Impol finances almost 40% of its investments with equity.

In terms of the provision of raw materials and energy, Impol constantly makes great efforts in the provision of long-term arrangements. New sources of supply are being included and considerable efforts were made throughout the year to ensure additional sources of input raw materials to meet the needs of the rolled product programme. On the basis of a continuously developing programmes, Impol prudently invests in the information system upgrades to fully control the entire field of operations, all in order to guarantee continuous control over the entire business process at the lowest acceptable costs.

The newly acquired productions capacities increased the need to obtain new orders and new customers. The gradual inclusion of additional Impol capacities caused the decrease of the level of orders in stock in the last quarter of 2016. Impol continued to implement training in all programmes within the entire group that enabled it to react to demands made by customers with regard to delivery periods which has an important impact on the selection of a supplier. In this way it enabled the customers to have the ordered goods delivered in shorter delivery periods. Such an orientation is also regarded as acceptable for our future operations. Impol has also made progress in terms of quality. By offering customers more technological paths it improved production safety and the observance of delivery dates.

In general, Impol recognises that moderate optimism prevails on the majority of the markets and to some extend this atmosphere is likely to continue in 2017.

The share of business operations on the domestic market remains very small which is a consequence of the fact that the domestic market is very small regarding Impol's capacities, whereas Impol must keep its constant growth. Taking into account the small domestic market, production and sales growth can therefore only be generated in exports that are playing an increasingly important role. In 2016, Impol generated 95% of revenues in external markets, and even 96% regarding the aluminium programmes.

Impol's production portfolio continues to be divided into several product programmes, and this is continuously proven as a market niche advantage that can guarantee a more comprehensive range of products to a certain group of customers, and also reduces our susceptibility to fluctuations in the market, as it happens very rarely for a crisis to take place in all programmes at the same time.

In 2016, market conditions regarding the extruded, forged and stamped product programmes were normal; however, regarding the rolled product programme they slightly deteriorated towards the end of the year considering the newly acquired production capacities. Nevertheless, Impol kept providing better quality of the products on the basis of improved quality control and thanks to new machines, adjusted to new conditions with concrete organisational steps, and it was able to complete orders in significantly shortened delivery periods. It also implemented crisis monitoring of the developments in all programmes and acted accordingly, eliminating bottlenecks in production processes through minor dedicated investments, and updating the methods of organisation and management.

As input materials, Impol's products are intended for the

means of transport industry, pharmaceutical industry, food industry, electrical industry, construction business and retail. The building industry market is still experiencing recession, whereas the market of customers engaged in the means of transport industry is strongly increasing. Impol is thus more focused on this technically demanding programme. Problems in the market segments in recession are neutralised successfully by shifting to areas with greater potential.

Forecasts for a longer period of time are fairly optimistic as increased annual GDP growth is expected for Impol's major markets, meaning that greater demand than that seen in the beginning of 2016 can be expected. These forecasts exclude the domestic market for which no significant growth potential can be identified due to its size. Impol is thus slowly turning into an almost entirely export-oriented company.

In 2016, the European Union continued to be Impol's main market where more than 84% of all its products are sold. The Eastern European market still grows slowly. As most of Impol's products are sold to other manufacturers where they are subject to processing or installation in their own products, it is very important that their distance from Impol enables the provision of high quality sales and after-sales services. Therefore, only an extremely low volume of Impol's production programme can be sold globally. Regarding its present organisational forms, Impol acts globally only in the selected part of the production programme.

Impol continues to intensively implement changes in sales channels by increasing the volume of sales that requires both direct connections and integration of Impol's development and production processes in the processes of our customers. This types of sales already reach 56% of total sales.

The guidelines for 2017 are the following:
- We will initiate the sale of products that will be mechanically treated by cold-working technology or by mechanical removing of material.
- The volume of sales of our products with a higher added value (pre-painted strips and sheets, difficult-to-work alloy foils and rods, forged products, products requiring higher finishing stages) will be further increased.
- The volume of sales of strips, sheet and foils will continue to increase due to the additional
- programme in the company Impol-TLM.
- The capacities of our extruded product programme will be further enhanced.
- The European market will be retained.
- The volume of products that play a significant role in our niche programmes will increase.
- The volume of sales in the USA will increase due to the reorganisation of sales.
- We will continue to conquer the Eastern European markets despite the crisis.
- The good name of the Impol brand will be further strengthened as a reliable and renowned
- provider of a broad range of aluminium products.

If we examine the contribution to the achieved business performance for 2016 from the viewpoint of achieved net cash flows by individual programmes of operations, we can establish that the rolled product programme created 32% of total net cash flow of the Impol Group, whereas the extruded product programme contributed 43%; while the rest of it was created by other activities (founding, forged products, slugs etc.) that contributed 25% of total net cash flow of the Group.

Operating conditions on sales and financial markets as well as on the domestic market have mainly stabilised. The Company will continue to establish appropriate provisions for periods of negative cyclical fluctuations and develop those activities that will provide the Group with advantages in selected niches.

In 2016, the aluminium market once again did not experience any significant changes in terms of organisation and ownership. China, however, continues to establish itself as the leading manufacturer in this field, producing almost half of all extracted aluminium in the world. Given that in 2016 aluminium production again exceeded aluminium consumption, Impol estimates that there is no risk of experiencing a lack of aluminium on a global level. As a result of an absolute lack of primary aluminium production, Europe continues to experience a rise in demand for secondary aluminium and therefore aluminium purchase prices remain high.

In its attempt to pursue its development goals and to control the growth of the volume of operations and the rise in aluminium prices in 2016, Impol invested about EUR 33 million in fixed assets for the completion of projects that had started in previous years, and most of all to eliminate minor bottlenecks. Approximately EUR 40 million were invested in short-term assets, mostly in inventories.

Given the results achieved, investments in Impol are profitable and safe since we were able to carry out timely and full settlement of all liabilities and organise uninterrupted operations. In 2016, Impol's dependency on bank loans was slightly smaller than in the previous year, and bond investors were paid out the first tranche.

Table 1: Trendi EBITDA in EBIT

Year/Indicator	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
EBITDA* in 000 EUR	27,425	53,859	36,841	27,297	30,343	41,883	39,579	36,721	39,429	48,382	56,851
Changes in EBITDA	1.04	1.96	0.68	0.74	1.11	1.38	0.94	0.93	1.07	1.24	1.18
Net debt** in 000 EUR	181,453	220,494	208,197	187,493	204,338	190,417	184,684	151,611	156,704	117,962	148,599
Net debt/EBITDA	6.65	4.09	5.65	6.87	6.73	4.55	4.67	4.13	4.00	2.44	2.61

*EBITDA = operating profit + depreciation
**Net debt = long-term financial liabilities + short-term financial liabilities – cash and cash equivalents – short-term financial assets

Impol decided to adjust the debt level to the needs for investment in development projects and projects intended to increase the volume of operations on the one hand, and to the requirement that liabilities arising from debt should be settled in accordance with the expectations of creditors on the other hand. This is one of Impol's main concerns that is demonstrated by the long-term movement of ratio between net debt and the achieved EBITDA.

In 2016, Impol pursued the following basic goals:
- Generation of EUR 19 million of net profit ,
- Generation of net cash flow in the amount of EUR 33 million,
- These results are expected to be achieved with the sale of 215 thousand tonnes of aluminium products.

In the end:
- The Group nominally generated a net cash flow in the amount of EUR 46,6 million and
- net profit after tax in the nominal amount of EUR 30.5 million,
- The volume of quantitative sales was realised in the amount of 203 thousand tonnes of products.

Considering the need to realise practically all sales outside Slovenia and consequently a greater exposure to risks and costs, all objectives were met as expected and the result matches the anticipations. Impol managed to succeed by restructuring its programmes and focus more on products with a higher value added and by actually increasing the sales by more than 3 percent.

Comparisons with the preceding year and with our plans show:
- That 2016 saw some more favourable effects on the Group's operations, evidenced by:
- Slight reduction or no change in prices of input raw materials, which did not have to be fully reflected in the sales prices,
    - Growth of markets in technologically advanced fields,
    - Possibility of quality collaterals;
    - The profit generated was higher than planned and the one generated in the preceding year, which enables Impol to plan more ambitious development projects;
- The achieved revenues were slightly lower than those achieved in 2015 despite the increased quantitative volume of sales. The reason behind it is the fall of the aluminium stock prices which forms the basis for the aluminium sale and purchase prices.
- The achieved net cash flow, EBIT and EBITDA are higher than those achieved in the previous
- year, and also higher than planned.

The shares of Impol 2000 d.d. are not quoted on a regulated market and therefore Impol 2000 d.d. enables its shareholders to determine the value of their investment by objectively showing the value of the company in its financial statements. The book value of capital per share in the holding company of the Group, Impol 2000 d.d. rose by 3.6% in the past year and amounted to almost EUR 53.53/share at the end of the year. The consolidated book value of capital, excluding minority owners, per share in the Impol Group rose by 20% and amounts to as much as EUR 130.76/share. Based on the achieved business performance, orientations in the 2025 Strategy and forecasts in our plans for 2017, the Impol Group will establish dividends for its shareholders in the amount of EUR 1.87 per share with the changed policy on dividends. It must be emphasised, however, that in order to provide comprehensive information to the shareholders and other stakeholders on the basis of a decision adopted by the Management Board of Impol 2000 d.d. data is provided in accordance with the Impol Code of Business Conduct and the Rules on communications in the Impol Group.

The fundamental orientations of the Impol Strategy 2017-2025 and the plan for 2017 are as follows:

- Development activities will be carried out in the area of rolling concerning the products and automotive industry market.
- With the inclusion of a new company in the Group we will start developing products and the market related to finalisation.
- The priority investment will therefore include investment on the market and the establishment of production processes which will enable Impol to use all available capacities.
- With the planned scope of operations in 2017, the Impol Group should, by generating EUR 641 million in total revenue, achieve EUR 62million in EBITDA, EUR 45 million in EBIT and almost EUR 52,000 annual added value per employee.
- In terms of aluminium product sales, the majority of sales will still be focused on the markets within the European Union. Special attention will continue to be paid to the expansion of the pre-painted strip market and the acquisition of additional markets for the Impol-TLM programmes. The volume of sales is due to increase by 30,000 tonnes to 241,000 tonnes per year.
- We will continue to pay special attention to insurance against risks caused by constant changes in raw material prices, exchange rate fluctuations and the conditions on financial markets, and we will therefore upgrade our knowledge which we will promptly apply to manage risks. Due to decreased risks of foreign exchange differences, the already established hedging against exchange rate fluctuations and other fluctuations on the financial market will be preserved and new methods will also be included. Regarding the risks occurring due to changes in raw material prices, new knowledge will be acquired and immediately used in risk management. We will continue to monitor the risks promptly in terms of all aspects of their occurrence and causes. We will simultaneously adopt measures and perform tasks to eliminate them fully or at least minimise them.
- Changes in the organisation of activities will serve to integrate new programmes causing least possible disturbance.
- A systematic process of training and education of the employees will be set up in order to increase productivity and decrease accidents at work.
- The entire employee stimulation system will still be build upon their performance throughout the year. The Company will, however, assume that the net starting wage for even the least challenging jobs enables every single employee in Impol to earn a socially acceptable wage.

The activities of all members of the Impol Group will be set in such a way that every single measure would promote better performance of the Group as a whole.

The greatest attention will still be paid to our regular customers, although a significant part of our efforts will also be directed towards gaining new customers. Special attention will be given to products that bring a higher net value added and will simultaneously guarantee the achievement of the quantitative volume of sales as foreseen in our plans, which will ensure the adequate coverage of our fixed expenses.

Sales will continue to be organised mainly on the principles of agents and agencies within the Group. All those engaged will mostly be stimulated by binding them to the sales premium achieved and by the price paid which will be above the aluminium price on the LME, reduced by the purchase premium.

Investments in the development will mostly pursue the goals which guarantee full utilisation of all available capacities as well as a higher level of business stability and safety of operations. Sources for financing the investments of long-term character will be acquired mostly from external sources, whereas short-term investments will be in compliance with the movement in raw material prices and the need to guarantee day-to-day liquidity.

Impol will continue to optimise and upgrade the comprehensive information system which will be used at the Group level.

When acquiring major business stakes in other companies, Impol will pursue the goals of including especially those programmes that upgrade the existing programmes or supplement them in terms of a higher added value, while taking into consideration the fact that the integration of new programmes must not weaken the composition of sources for financing the entire process as in this case the share of liabilities would increase. Impol will also continue to form stronger alliances inside the aluminium industry, especially in the Balkans, whereas investments outside this area will mostly concentrate on extending the sales network.

In order to optimise its costs, Impol will continue to promote outsourcing of a large part of its services outside the Group such as: Alcad – informatics, Simfin – finance and accounting, Ates and Tehnika-SET – maintenance, etc.

External sources in a form of leverage will be included into the Impol Group through the Group companies with sufficient assets to provide for adequate collateral for obtained additional non-proprietary sources of financing. Financing within the Group will be carried out under external conditions and will include the costs of providing funds. Individual companies of the Group can also participate in financial markets independently, subject to a prior consent of Impol's Management Board.

Supply of raw materials will continue to give priority to those purchase sources that guarantee long-term business cooperation with Impol under conditions agreed upon in advance. When purchasing aluminium raw materials, we will continue to include all available sources if the provided raw materials are of appropriate quality in order to ensure the highest level of autonomy in providing adequate input raw materials with a higher value added achieved within the Impol Group.

Regarding the information system management, we will continue to guarantee the consistency of data with the inclusion of the IT Supervisory Board.

The information system will be upgraded into an integrated information system in all companies of the Group. Continuous audit procedures of functioning of the information system which were introduced during the previous years, will enable Impol to guarantee optimal introduction of new or improvement of the existing parts of the information system mainly by consistently observing the principle of management of the data exchange system through its information backbone. Economic viability will be at the forefront in that regard.

The basic rules of the functioning of the Impol Group laid down in Impol Code of Business Conduct remain unchanged. They will be amended if necessary, but only on the basis of carefully verified needs resulting from the changed conditions on the market.

The dividend policy in 2017 will be applied in accordance with the guidelines laid down in the long-term strategy so that the shareholders will be provided with higher dividend yields, which will, however, not represent a significant negative intervention in the financing of the development programmes of the Impol Group.

Jernej Čokl
(President of the Management Board)

Vladimir Leskovar
(Vice President of the Management Board)

Janko Žerjav
(Member of the Management Board)

Milan Cerar
(Member of the Management Board)

Bojan Gril
(Member of the Management Board)

Edvard Slaček
(Chief Executive Officer)

Irena Šela
(Executive Director of Finance)

Presentation of the parent company Impol 2000 d.d. and the Impol Group

Parent company

In compliance with the Companies Act, Impol 2000 d.d. with the registered office in Slovenska Bistrica, Partizanska 38, being the holding company of the Impol Group and a large public limited company, is obliged to prepare a consolidated annual report and have its operations audited. With the issue of bonds at the end of 2015 the Company was transformed to a public limited company.

The Company Impol 2000 d.d. implements many activities; the biggest one regarding the revenues is the transit sale of commercial goods. Other sources of revenues include marketing, financing, controlling, sale and after sale and other services.

Impol 2000 d.d. a management company, was established in August 1998, and registered in the Register of Companies at the Regional Court in Maribor on 3/8/1998 as a public limited company, with the decision 98/01042, and with the entry number 1/10469/00. The Company is classified under the activity code 70.100, i.e., the management of holding companies. The Company's registration number is 1317342.

On 9/11/1998, the Company's decision Srg 98/01486 on increasing the share capital with in-kind contributions, i.e., with the shares of Impol d.d. Slovenska Bistrica, was registered in the Register of Companies at the Regional Court in Maribor, with the entry number 1/10469/00.

On 1/10/1999, the Company adopted a decision on increasing its share capital. The in-kind contribution of Impol d.d. i.e. the takeover of the 100-percent share that Impol d.d. had in Impol Servis d.o.o. was registered in the Register of Companies at the Regional Court in Maribor on 15 February 2000, with the decision Srg. 1999/03108, and the entry number 1/10469/00.

After the registration of the increase in the share capital as of 15/2/2000, the Company's share capital amounted to EUR 4,451,540.
The Company's share capital is divided into 1,066,767 registered pro rata shares.

The book value of a share of Impol 2000 d.d., as of 31/12/2016 is as follows:

Table 2: Book value of a share of Impol 2000 d.d. (the holding company of the Impol Group) in EUR

Year	Book value of a share of Impol 2000 d.d. (the holding company)	Book value of a share – consolidated – including the equity of minority shareholders	Book value of a share – consolidated – without the equity of minority shareholders
2016	53.53	144.38	130.76
2015	51.66	119.58	108.57
2014	49.61	99.88	91.04
2013	47.93	89.61	80.54
2012	45.88	77.78	69.83
2011	40.85	69.21	61.21
2010	36.19	56.46	49.90
2009	32.13	52.75	46.41
2008	26.54	53.33	47.27
2007	23.70	50.19	42.06

Companies in the Impol Group

Consolidated accounts include all companies in which the Impol Group holds more than 50% management rights, meaning that Simfin d.o.o., Alcad d.o.o., Impol Brazil and Slobodna carinska cona are not included in the consolidation and are included as associated companies in line with the the equity method.

The Impol Group operates within the holding company Impol 2000 d.d. with its direct subsidiaries Impol d.o.o., Rondal d.o.o., Impol Servis d.o.o., Impol-TLM d.o.o. that also own the company Impol ulaganja d.o.o. that is registered in Croatia and since 7 October 2016 it also owns the company Impol FInAl d.o.o. whose main activity is aluminium product finalisations. Impol d.o.o operates with fourteen active subsidiaries, four active subsubsidiaries, and two active associated companies (Table 3).

Table 3: Other operating companies within the Impol Group

	Company	Share
Impol 2000 d.d. – the holding company – directly controlling the following:		
1	Impol Servis d.o.o. (controls 27.4% of Unidel d.o.o.)	100%
2	Impol d.o.o. with the following subsidiaries:	97.5%
2.1	Impol Seval a. d. Serbia with the subsidiaries:	70%
2.1.1	Impol Seval PKC d.o.o. (100 %)	
2.1.2	Impol Seval Tehnika d.o.o. (100 %)	
2.1.3	Impol Seval Final d.o.o. (100 %)	
2.1.4	Impol Seval President d.o.o. (100 %)	
2.1.5	Slobodna carinska cona (33,33 %)	
2.2	Impol LLT d.o.o.	100%
2.3	Impol FT d.o.o.	100%
2.4	Impol PCP d.o.o.	100%
2.5	Stampal SB d.o.o.	100%
2.6	Impol R and R d.o.o.	100%
2.7	Impol Infrastruktura d.o.o.	100%
2.8	Impol Aluminum Corporation, New York (USA)	90%
2.9	Impol Stanovanja d.o.o.	100%
2.10	Štatenberg d.o.o.	100%
2.11	Unidel d.o.o. (27.4% is owned by Impol Servis d.o.o.)	72.6%
2.12	Impol-Montal d.o.o.	100%
2.13	Kadring d.o.o.	93.3%
2.14	Impol Hungary Kft.	100%
2.15 associated	Simfin d.o.o.	49.5%
2.16 associated	Alcad d.o.o.	32%
3.	Rondal d.o.o.	100%
4. associated	Impol Brazil	50%
5.	Impol-TLM d.o.o.	100%
5.1	Impol ulaganja d.o.o.	100%
6.	Impol-FinAl d.o.o.	100%

Of 29 Group companies (including the associated ones), 11 operate abroad. Impol-TLM d.o.o. is a direct subsidiary of Impol 2000 d.d. (since 2 March 2016 the company is under a 100% ownership of Impol 2000 d.d.), while there are no activities being carried out in the company Impol Brazil. There are also three subsidiaries of Impol d.o.o. operating abroad: IAC, New York, USA, and Impol Seval a. d., Serbia, which is the 100% owner of four companies, and Impol Hungary Kft. Consolidated calculations include all companies in which the Impol Group holds more than 50% management rights, meaning that Simfin d.o.o., Alcad d.o.o., Impol Brazil and Slobodna carinska cona are not included in the consolidation.

Subsidiaries and associated companies where Impol 2000 d.d. exercises direct or indirect prevailing influence

Table 4: Subsidiaries in which Impol 2000 d.d. exercises direct influence

Subsidiary – direct influence	Registration number	Standard Industrial Classification	Balance of the investments as of 31/12/2016	Balance of the investments as of 31/12/2015	Stake in%	Capital as of 31/12/2015 in EUR	Net profit or loss in 2015 in EUR	Capital as of 31/12/2016 in EUR	Net profit or loss in 2016 in EUR
Impol Servis d. o. o, Partizanska ulica 38, Slovenska Bistrica	5482593	47,250	245,037	245,037	100	900,493	42,444	966,447	67,907
Impol d.o.o., Partizanska ulica 38, Slovenska Bistrica	5040736	24,530, 25,500	67,588,863	67,588,863	97.5387	98,702,781	6,414,366	110,499,049	15,405,599
Rondal d.o.o., Partizanska ulica 38, Slovenska Bistrica	5888859	25,500	100,000	100,000	100	7,681,123	601,715	8,627,560	960,242
Impol-TLM d.o.o., Narodnog preporoda 12, Šibenik, Croatia	4433203	2,442	1,201,745	1,745	100	-99,232	-102,175	-5,353,110	-5,245,993
Impol FinAl d.o.o., Partizanska ulica 38, Slovenska Bistrica	7176899	25,620	1,000,000		100			998,206	-1,794

*At the end of 2011 Impol 2000 d.d. signed a contract on the purchase of a 100-percent stake of Rondal d.o.o. which then became its subsidiary. The transfer was registered in January 2012. As of 31/12/2016, Rondal d.o.o. has a 99-percent own share in the equity of the company, and Impol 2000 d.d., a 1-percent stake, which implies a 100% effective ownership of Rondal d.o.o. by Impol 2000 d.d.

Table 5: Subsidiaries where Impol 2000 d.d. exercises indirect influence

Subsidiary – indirect influence	Registration number	Standard Industry Classification	Country of the company	Capital as of 31/12/2015 in EUR	Net profit or loss in 2015 in EUR	Capital as of 31/12/2016 in EUR	Net profit or loss in 2016 in EUR
Impol-Montal d.o.o., Partizanska ulica 38, Slovenska Bistrica	5479355	28,120	Slovenia	867,484	163,905	1,073,815	206,331
Impol Stanovanja d.o.o., Partizanska ulica 39, Slovenska Bistrica	5598010	70,320	Slovenia	3,296,267	26,102	3,324,590	28,865
Štatenberg d.o.o., Štatenberg 86, Makole	5465249	55,301	Slovenia	419,176	241	419,047	-129
Unidel d.o.o., Kraigherjeva ulica 37, Slovenska Bistrica	5764769	85,325	Slovenia	927,682	109,228	1,017,702	100,185
Impol Aluminum Corporation, New York, USA		51,520	USA	1,546,366	199,312	1,793,093	186,621
Impol Seval a. d., Sevojno, Srbija, with 4 subsidiaries:	7606265	27,423	Serbia	29,733,460	7,484,391	38,618,140	9,784,680
Impol Seval PKC d.o.o., Sevojno, Srbija	1761824	70,220	Serbia	43,512	1,780	53,574	10,960
Impol Seval Final d.o.o., Sevojno, Srbija	1761826	69,200	Serbia	82,555	4,294	74,409	18,143
Impol Seval Tehnika d.o.o., Užice, Srbija	1761825	33,120	Serbia	169,911	19,079	294,793	128,869
Impol Seval President d.o.o., Zlatibor, Srbija	2070184	55,100	Serbia	-59,353	-44,129	-85,992	-27,935
Stampal SB d.o.o., Partizanska ulica 38, Slovenska Bistrica	1317610	28,400	Slovenia	4,647,142	1,019,085	6,228,378	1,593,572
Kadring d.o.o., Trg svobode 26, Slovenska Bistrica*	5870941	74,140	Slovenia	727,651	137,788	605,605	42,982
Impol FT d.o.o., Partizanska ulica 38, Slovenska Bistrica	2239418	28,400	Slovenia	4,948,188	2,513,589	6,525,256	1,664,178
Impol PCP d.o.o., Partizanska ulica 38, Slovenska Bistrica	2239442	28,400	Slovenia	6,679,572	3,426,647	8,795,525	2,244,963
Impol LLT d.o.o., Partizanska ulica 38, Slovenska Bistrica	2239434	27,530	Slovenia	2,042,120	971,287	3,770,978	1,764,078
Impol R in R d.o.o., Partizanska ulica 38, Slovenska Bistrica	2239400	73,102	Slovenia	596,542	107,593	700,768	114,302
Impol Infrastruktura d.o.o., Partizanska ulica 38, Slovenska Bistrica	2239426	70,320	Slovenia	624,948	159,221	718,801	100,056
Impol ulaganja d.o.o., Narodnog preporoda 12, Šibenik, Hrvaška	4203445	6810	Croatia			3,858,357	-3,962,395
Impol Hungary Kft., Vecsey Karoly ulica 7, Budimpešta, Madžarska	0	1,724	Hungary	-3,513,134	-2,446,885	1,422	181,327

* Company Kadring as of 31/12/2016 owns a 33% own share, while a share of Impol d.o.o. amounts to 62.5% which represents a 93.3% effective ownership.

Other associated companies are those in which Impol 2000 d.d. directly or indirectly owns more than 20% equity share.

Table 6: Associated companies where Impol 2000 d.d. has indirect influence

Associated companies – indirect influence	Country	Stake in%
Simfin d.o.o., Partizanska ulica 38, Slovenska Bistrica*	Slovenia	49.5
Alcad d.o.o., Partizanska ulica 38, Slovenska Bistrica**	Slovenia	32
Slobodna carinska cona***	Serbia	33.33

*Equity stake in possession of a subsidiary - Impol d.o.o.
**Equity stake in possession of a subsidiary - Impol d.o.o
***Equity stake in possession of a subsidiary - Impol Seval a. d., majority held by Impol d.o.o.

Table 7: Associated companies where Impol 2000 d.d. has direct influence

Associated company – direct influence	Country	Stake in%
Impol Brazil Aluminium Ltda, Rio de Janeiro, Brazil	Brazil	50

Impol 2000 d.d. is the holding company of the Impol Group and is organised as a public limited company. Its capital is divided into 1,066,767 pro rata shares, issued in non-materialised form and registered as such on 5 March 2007. The shares are transferable and are all of the same class. The central share register is kept by the Company on a lawyer trust account. At the end of the year, 942 shareholders were registered

All members of the Management Board own 15,182 shares of the company Impol 2000 d.d.or 1.42% in total. No shares were either acquired or disposed of in 2016.

As of 31/12/2016, natural persons held 544,827 shares or 51.07% of the shares.

An overview of the 10 largest shareholders of total 942 shareholders continues to show adequately diversified ownership:

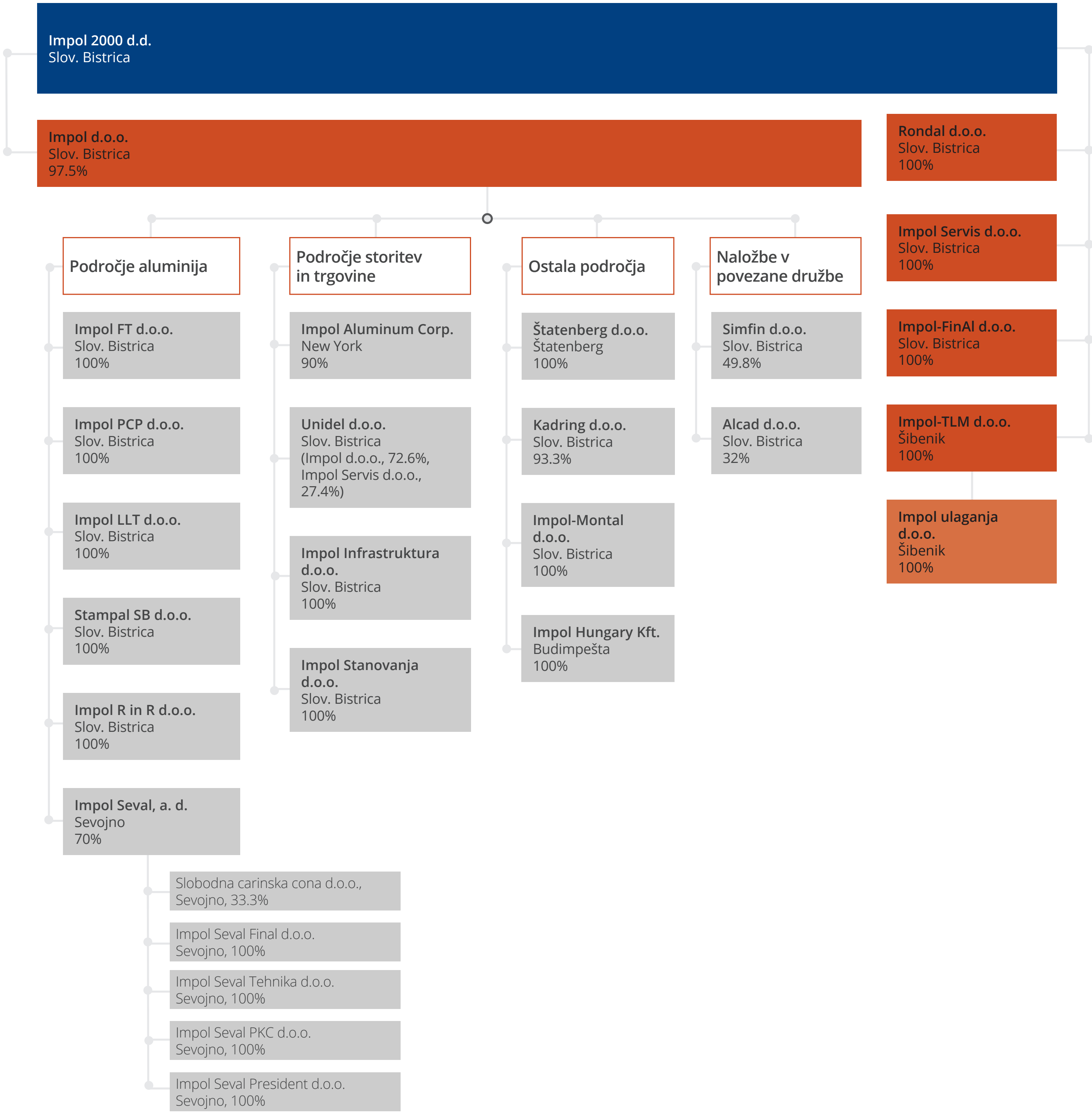
Table 8: Overview of the shareholders as of 31/12/2016

Shareholder	Number of shares	%
Bistral d.o.o.	111,449	10.45%
Impol-Montal d.o.o.	80,482	7.54%
Karona d.o.o.	71,535	6.71%
Alu-Trg d.o.o.	58,882	5.52%
Upimol 2000 d.o.o.	54,787	5.14%
Simpal d.o.o.	53,400	5.01%
Alumix d.o.o.	53,400	5.01%
Kranjc Danilo	33,634	3.15%
Simfin d.o.o.	19,173	1.80%
Varimat d.o.o.	17,206	1.61%
Others (mainly natural persons)	512,819	48.07 %

The share ownership structure in 2016 changed in comparison with the share ownership structure as of 31/12/2015 predominantly as a result of a reduced number of shareholders employed in the Impol Group.

Organisation chart

▮ Figure 1: The Impol Group organisation



Management and governance system

Statement on the management of Impol 2000 d.d. in accordance with paragraph 5 Article 70 of the Companies Act ZGD-1

1. Reference to a valid Code

In 2016, the Company was subject to its own code entitled the Impol Group Code of Business Conduct published on the website http://www.impol.si/o-podjetju/organizacija/2763. The governance is in line with the provisions of the ZGD-1 and the aforementioned Code. The Company fully respects the aforementioned Code.

2. Description of the main features of the internal control systems and risk management in the Company in relation to the financial reporting process

The Company's management is responsible for keeping proper accounts and the establishment of internal controls, ensuring the functioning of internal controls, the selection and application of accounting policies.

In order to make the systems of internal controls and risk management function, the Impol Group performs the following:

- Unification of accounting policies and their consistent application;
- Provision and upgrading of a uniform accounting system that allows maintenance of uniform accounting policies;
- Provision and upgrading of a single business information system, which increases the efficiency of operational processes and at the same time provides the possibility of controlling all the Group companies;
- Implementation of adequate accounting and business reporting at all levels of the Group companies including:
  - The provision of accurate and reliable accounting data based on credible bookkeeping documentation and proofs of the existence of business events featuring all data that is necessary for correct record-keeping;
  - The provision of accurate, reliable and fair accounting data and reports that are appropriately verified before he publication by the implementation of controls at multiple levels, namely by the comparison of the data from subsidiary bookkeeping and the data in the book-keeping documents, comparison of the data of business partners (external conformation), comparison of the actual physical state with the accounting records and by synchronisation of data between subsidiary bookkeeping and the general ledger;
- Implementation of regular internal audits;
- Implementation of regular external assessments;
- Establishment of the IT Supervisory Board which supervises the procedures for the integration of new information solutions in the Group, supervises the implementation of IT projects and takes care of a uniform approach to IT construction;
- Establishment of a Risk Management Committee which monitors all the risks identified within the Group and, where appropriate, is engaged in individual processes where certain risks may occur or have occurred;
- Implementation of its own system of managing risks regarding aluminium operations.

Risk management is presented in detail in the risk related section.

We believe that the current system of internal controls in Impol 2000 d.d. and the Impol Group was effectively established in 2016 and that the operation was in accordance with the legal provisions and ensured the possibility of achieving business goals.

3. Data on the functioning of the Company's General Meeting and its key competences, and the description of the rules for the shareholders and the method of their enforcement

The shareholders shall exercise their rights on the Company matters at a General Meeting in accordance with the ZGD-1. The convocation of a General Meeting is regulated by the Statute. The General Meeting is convened by the Management Board. A General Meeting shall also be convened if shareholders whose shares represent one-twentieth of the new equity require it in a written form stating the purpose and reasons. If the Management Board refuses to give effect to the request, the minority may request the court to authorize it to convene the General Meeting. The same applies when the majority requests the extension of the agenda after the General Meeting has been convened.

The Management Board shall convene the General Meeting one month before the meeting by publishing the notice on AJPES and the Company's website. The publication by the Management Board shall also indicate the time and place of the General Meeting.

The General meeting can only be attended and the right to cast votes may be exercised by the shareholders who announce their participation at the General Meeting no later than by the end of the fourth day before the General Meeting.

General Meeting shall decide upon:
- Adoption of the Annual Report,
- Use of the distributable profit,
- Appointment and recall of the Management Board members,
- Granting of a discharge to the Management Board members,
- Amendments to the Statute,
- Measures to increase and decrease equity,
- Dissolution of the Company and status transformation,
- Appointment of an auditor,
- Other matters if stipulated by the Statute in accordance with the law or other matters laid down in the Act.

The General Meeting is responsible for the adoption of the annual report only if the Management Board fails to approve it, or if the Management Board leaves a decision on the approval of the Annual Report to the General Meeting.

At the General Meeting held on 15/7/2016 the shareholders took note of the Annual Report and the Report of the Management Board on the results of the verification of the Annual Report for 2015, and of the remuneration of the members of the management and supervisory bodies. The shareholders adopted a resolution on using the accumulated profit and granting discharge to the Management Board and Supervisory Board for 2015, and a resolution on the appointment of a auditor for 2016.

4. Data on the composition and functioning of the management and supervisory bodies and their committees

As of 1/1/2015, the Impol Group changed the form of governance in its holding company Impol 2000 d.d. from two-tier governance which was in place until 31/12/2014 to one-tier governance.

The Management Board which represents the Company is composed of non-executive directors. The President of the Management Board is the legal representative of the Company. The Management Board therefore runs the Company, whereas the two Executive Directors run the ongoing operations. The Executive Directors who are not members of the Management Board also represent the Company in accordance with the law and are independent representatives of the company. In accordance with the resolution adopted by the Management Board, the Executive Directors must obtain the approval for specific areas of operations:
- Acquisition, takeover and cessation of shareholdings in other companies and the establishment of new companies,
- Acquisition, disposal or encumbrance of real estate,
- Pledge or other forms of encumbering of other assets,
- Taking out short-term loans, leasing, emission of bills or commercial papers and acquisition of other liquid assets from external sources,
- Provision of guarantees,
- Granting loans to employees and third parties,
- Investments into fixed capital.

Composition of the Management Board:
- Jernej Čokl, President of the MB,
- Vladimir Leskovar, Vice President of the MB,
- Janko Žerjav, Member of the MB,
- Milan Cerar, Member of the MB,
- Bojan Gril, Member of the MB.

Jernej Čokl, Vladimir Leskovar, Janko Žerjav and Milan Cerar are members of the Management Board appointed by the General Meeting. Their term of office expires on 31/12/2020. Bojan Gril is a Management Board member appointed by a representative body of workers of the Impol Group (hereinafter: RBEIG) and his term of office expired on 20/1/2017. On 27/1/2017 , Bojan Gril was once again appointed as the fifth member of the Management Board.

The Management Board appointed two Executive Directors who are not members of the MB:
- Edvard Slaček, Chief Executive Officer
- Irena Šela, Executive Director of Finance

The term of office of the Executive Directors will run from 1/1/2015 to 31/12/2017.

The MB also appointed the Audit Committee as the standing committee of the MB in accordance with Articles 280 and 289 of the Companies Act ZGD-1, comprising of:
- Vladimir Leskovar, Chair of the Committee,
- Bojan Gril, Member of the MB,
- Tanja Ahaj, external member.

Operation of the Audit Committee

The Audit Committee of the Company Impol 2000 d.d. (hereinafter: AC) held in its full compositions as appointed in 2016 four meeting in person and one meeting by correspondence at which it implemented its tasks in line with the provision of Article 280 of the Companies Act ZGD-1. The Audit Committee:

a) Monitored financial reporting on the basis of the received financial and accounting reports on current business operations on monthly basis. The AC provided the minutes of the AC comprising recommendations and proposals to ensure a coherent monitoring of the accounting report procedure. It monitored the preparation of individual annual reports of the Group companies and of the consolidates annual report in terms of content and timeline. At the same time it discussed important verifications and assessments, used for the preparation of financial statements and important and/or unusual transactions, it verified investments, solvency, liquidity and capital adequacy, and it assessed the quality of financial information. The AC established that the company met the requirements in terms of solvency, liquidity and capital adequacy on the basis of its financial results from monthly and annual statements of accounts;

b) Monitored the efficiency of internal controls which it deemed efficient and realised. The AC regularly monitored the assessment of work of the internal audit on the basis of the received monthly reports and it evaluated its operation as successful. The AC agreed with the internal audit plan for 2017. By evaluating and following up the reports and by evaluating the operation of the Risk Management Committee, the AC establishes that all risk areas are adequately monitored and managed;

c) Verified the mid-annual report of the Group and proposed its adoption and publication by the Management Board in line with regulatory requirements;

d) Monitored obligatory audit of annual and consolidated financial statements and established that the external audit was implemented successfully and comprehensively;

e) Monitored the auditor's independence and established that the independence was insured;

f) Discussed the auditor selection procedure and proposed a candidate for an external auditor of the annual report to the Management Board;

g) Took part in the preparation of contract between an auditor and the company Impol 2000 d.d. and other Group companies that need to be audited individually;

h) Verified an independent auditor's report and notified the Management Board about its agreement with the expressed opinion that the to consolidated accounts, profit or loss and cash flows fairly represent in all aspects the financial position of the company Impol 2000 d.d. and its subsidiaries in line with the International Financial Reporting Standards. It agreed with the auditors' conclusion that the business report is in line with the revised consolidated financial statements;

i) Specifically verified and evaluated the content of the annual report of the Impol Group and the company Impol 2000 d.d. and agreed with the proposal for the Management Board and presented it to the Management Board;

j) Supervised the integrity of financial information provided by the company and it participated in the defining of the the important audit fields;

k) Cooperated with the auditor in the implementation of the audit of the annual report of the company Impol 2000 d.d. and the Impol Group, mainly by mutual sharing of information on main and important audit issues;

l) Cooperated with the internal auditor mainly by mutual sharing of information on the main internal audit issues as it followed the operation of internal audit on monthly basis through the reports it received on its operation.

5. Data is in accordance with paragraph 6 Article 70 of the Companies Act ZGD-1.

5.1 Share Capital Structure

The Company's share capital amounts to EUR 4,451,539.81 and is divided into:

- 23,951 par value shares of the first issue,
- 1,029,297 par value shares of the second issue,
- 13,513 par value shares of the third issue.

The shares are held by named persons and are of the same class.

The largest shareholders of Impol 2000 d.d. as of 31/12/2016 are presented in Table 8.

On 31/12/2015, natural persons held 544,827 shares or 51,07% of shares.

5.2 Restrictions on transfer of shares

The transfer of shares shall request a written consent of the Management Board.

5.3 Point 3 paragraph 6 Article 70 of the ZGD-1 – Qualified holdings according to the ZPre-1

On 31/12/2016, qualified holdings on the basis of the first paragraph Article 77 of the Takeovers Act were as follows:

Table 9: Shareholders with qualifying holdings as of 31/12/2016

Shareholder	Number of shares	%	
Bistral d.o.o.	111,449	10.45%	direct owner
Impol-Montal d.o.o.	80,482	7.54%	direct owner
Karona d.o.o.	71,535	6.71%	direct owner
Alu-Trg d.o.o.	58,882	5.52%	direct owner
Upimol 2000 d.o.o.	54,787	5.14%	direct owner
Simpal d.o.o.	53,400	5.01%	direct owner
Alumix d.o.o.	53,400	5.01%	direct owner

5.4 Point 4 paragraph 6 Article 70 of the ZGD-1

The Company did not issue any securities that would carry special control rights.

5.5 Point 5 paragraph 6 Article 70 of the ZGD-1 – Employee share scheme

The Company has no employee share scheme.

5.6 Point 6 paragraph 6 Article 70 of the ZGD-1 – Restrictions related to voting rights

The Statute of Impol 2000 d.d. includes a restriction of voting rights, namely a shareholder who holds more than 10% of the Company's shares cannot exercise the voting right for the shares exceeding 10% of the shares of the Company.

5.7 Point 7 paragraph 6 Article 70 of the ZGD-1 – All agreements among shareholders that could result in the restriction of the transfer of securities or voting rights

The Company is not aware of any such agreements.

5.8 Point 8 paragraph 6 Article 70 of the ZGD-1 – Rules of the Company

Executive Directors are appointed by the Management Board. The term of office of the Executive Directors shall be three years with the possibility of reappointment. The Executive Director must meet the conditions laid down in the Companies Act ZGD-1, additional conditions may be determined by the Management Board. The Management Board shall decide on the conclusion, approval and termination of the contracts on the performance of a function of the Executive Director.

The company has a Management Board which runs the company, supervises the implementation of operations and performs other tasks in accordance with the law and statute. The Management Board consists of five members. Four members are elected by the General Meeting, and the RBEIG shall have the right to elect one member in accordance with the statutory provisions and the agreement concluded between the Management Board and employee representatives - the Group electors.
A member of the Board elected by the RBEIG has a position of a non-executive director in the Management Board and represents the interests of all the employees in the companies affiliated to the Group. The term of the member of the Management Board appointed by the RBEIG is two years with the possibility of reappointment. The term of office of the Management Board members elected by the General Meeting is up to six years with the possibility of reappointment. The term of office of each member of the Management Board is finally decided by the General Meeting by adopting a resolution. If the term of office of a Management Board member is subject to early termination, the next General Meeting will elect a new member for the remainder of the term of office.

The Statute may be amended by the General Meeting requiring a majority of at least three quarters of the share capital represented.

5.9 Point 9 paragraph 6 Article 70 of the ZGD-1 – Authorisations of the members of the management, especially authorisations for issuing or purchasing own shares

The authorisations are defined under point 4 of the statement – Information on the composition and functioning of the management and supervisory bodies and their committees. The Management Board and Executive Directors have no special powers in connection with the issue or purchase of treasury shares.

5.10 Point 10 paragraph 6 Article 70 of the ZGD-1 – Important agreements in which the company is a party and which take effect, change or are cancelled on the basis of the change in the control over the company as a result of a bid, as stipulated by the act regulating acquisitions.

The Company is not aware of any such agreements.

5.11 Point 11 paragraph 6 Article 70 of the ZGD-1 – Agreements between the company and the members of its management or supervisory bodies or the employees which foresee compensation should such persons, due to a bid as stipulated by the act regulating acquisitions: resign, be fired without cause, or their employment relationship be terminated.

In the event of resignation, recall or termination of the employment contract without good reason, the management is not entitled to compensation.

6. Diversity policy

The Company did not establish and adopt the Diversity Policy regarding the representation in the Company's management and supervisory bodies.

Jernej Čokl
(President of the Management Board)

Vladimir Leskovar
(Vice President of the Management Board)

Janko Žerjav
(Member of the Management Board)

Milan Cerar
(Member of the Management Board)

Bojan Gril
(Member of the Management Board)

Edvard Slaček
(Chief Executive Officer)

Irena Šela
(Executive Director of Finance)

If one does not know to which port one is sailing, no wind is favourable.

Seneka

We are ambitiously stepping into the future

Strategic orientations

Vision, Mission and Values

Vision

Manufacture of aluminium products, constantly increasing the level of processing and finishing.

Impol's Mission

Processing of aluminium into products that meet our customers' highest possible expectations of value and satisfying the needs of the customers, employees, owners, environment and other stakeholders. This also includes best service provided to our customers.

Values

Innovation – products are developed jointly with our customers to satisfy their needs; innovation and constant training.

Diligence – provision of the participation of all the employees by means of team work, thus establishing confidence in Impol on the market, and reliable services.

Flexibility – our services are distinguished by speed, efficiency and transparency, which are provided for by being in direct contact with our customers.

Excellence – quality assurance, generation of ideas and implementation of sales activities and environmentally sound production processes.

Loyalty – to society, owners, surroundings, colleagues and the environment by observing legal provisions and ethical norms.

The currently applicable Strategy until 2025 defines the basis strategic orientations of the Impol Group:
- high growth of production and consequently of the sales,
- increasing net profit,
- increasing value added per employee,
- long-term financial stability,
- decreasing the net debt/EBITDA ratio,
- increasing value of the property for our shareholders.

Plan of Operations for the Impol Group in 2017

The 2017 orientations for the entire Impol Group is partly based on strategic orientations and plan for 2017–2025.

The production of aluminium products which are almost entirely used for further processing continue to constitute nearly all of Impol's business activities. Other activities are supplementary, yet also strongly connected to the aluminium activity.

Goals:
- To generate at least EUR 33 million in profit, EBITDA in the amount of EUR million and value
- added per employee in the amount of EUR 52.87 thousand;
- To increase the level of self-supply with adequate input raw materials for the production of rolled products with the integration of new capacities in Croatia;
- To start conquering products and the market of products which will be mechanically finished by mechanical treatment with the integration of a new company Impol FinAl d.o.o.
- To start a speedy development of products and the market for automotive industry in the rolled product programme (so far it mainly takes place in the extruded products programme),
- To constantly develop new sources for the purchase of aluminium raw materials and to ensure the purchase of the used aluminium from the customers of Impol's products in the biggest possible extent,
- To start investing in the cutting capacities in order to be able to further conquer the automotive industry market,
- To continue increasing the use of cheaper forms of aluminium raw materials by simultaneously increasing the use of capacities already established and to ensure the segmentation of products by quality of input raw materials needed for their production. Based on this it is necessary to begin selecting production programmes and mainly consider the criteria of their contribution to a collectively achieved contribution for covering fixed costs;
- To ensure, irrespective of the point of sale within the Group, that the customers have access to the entire range of Impol's products, all being sold under the Impol trademark;
- To enable and optimise production processes to facilitate the delivery of products within the desired
- deadlines and if these are unattainable due to any limitations, within the deadlines set by Impol and accepted by the customers at the latest;
- To increase the sale of pre-painted strips and sheets.

Policy:
- With the planned scale of operations in 2017, the Impol Group will guarantee the growth of its shareholders and other financial stakeholders' assets and simultaneously guarantee dividends and/or interest rates that are balanced with the policies listed in Impol's long-term operating strategy. In terms of sales, the following sales outside the group (in EUR thousand) will be achieved:

Table 10: Planned realisation by type and market

Estimate of gross profit for 2017	in EUR 000
Net revenue from sales	641,556
From the sale of products (tangible)	576,782
• In the domestic market	33,183
• In the foreign market	543,599
From the sale of services	3,313
• In the domestic market	2,732
• In the foreign market	581
From the sale of merchandise and materials	61,461
• In the domestic market	13,704
• In the foreign market	47,756
Change in inventories	0
• Own products and services	0
• Other operating revenue	2,081
GROSS OPERATING RETURN	**643,637**

Table 11: Planned indicators for 2017

Cash flow from short-term operations (in EUR 000)	58,969
Added value per employee in EUR	52,874
EBITDA in EUR 000	62,421
EBIT (in EUR 000)	45,712
Net debt/EBITDA	2.0

- The continuous expansion of the market will be guaranteed on any market where Impol is already present. Priority will be given to the markets with lower input costs where greater dispersal of market risks is enabled. Market risks will be reduced by means of appropriate, cost-effective and rational insurance. In terms of aluminium sales, Impol continues to pursue the goal of achieving an over 20% share of the market outside the EU, whereas in terms of the EU, it continues to pay special attention to the domestic market and to satisfy its need as comprehensively and fully as possible given its potential size.
- The development and investment policy will especially be focused on the mainly balanced growth of the Company by simultaneously guaranteeing a higher level of security in the provision of input raw materials at an acceptable price. This is is why further emphasis will be placed on minimising investments in short-term assets.
- In compliance with the starting points listed above, financial measures will be harmonised with Impol's development and marketing policies as well as the liabilities taken upon by the controlling company towards long-term investors.
- With regard to the provision of funds for long-term financial investments, Impol will establish connections with other investors and banks for individual investments. In terms of current financing, it will include the existing bank funds and continue to provide sufficient dispersal of funds and reduce the scope of investments needed in current assets.
- As the preservation and development of the existing jobs and the creation of new jobs are directly dependent on sufficiently generated profit, the majority of the generated profit will be reinvested to ensure that EUR 10 thousand are invested in every single post annually to thus continue to preserve jobs.
- In order to optimise its costs, Impol will also continue to outsource as much services as possible outside the Group – (e.x.: Alcad –informatics, Simfin – finance and accounting, Ates and Tehnika-SET and Ates for current maintenance, etc.). Special attention will be paid to the fact that no part of the Group becomes dependent on an external contractor as a monopolist.
- Long-term investments, except for ongoing minor renovations, will be carried out in 2016 within the available external sources of financing. Part of own net cash flows will be used in their entirety to repay funds borrowed during the previous period and for the settlement of such liabilities. To provide for the financing of new investments, up to EUR 45 million in additional long-term loans will be taken out and short-term loans on the level of the already granted amounts will be renewed.
- To minimise foreign exchange risks arising from exchange differences, purchasing will continue to have as many aluminium raw material purchases carried out in EUR as possible.
- In terms of raw material supply, Impol will seek sources which will facilitate purchase financing, cause a lower tying up of current assets and guarantee a higher level of security in the provision of an uninterrupted business process.
- Special attention will continue to be paid to protection against risks incurred by constant changes in raw material prices. The Company will thus continue to deepen its risk management knowledge and apply it immediately. Within the framework of the assigned mandates and duties the Risk Management Committee (RME) will check the relevance of hedging, take appropriate measures and assign duties if necessary.
- Customer-oriented projects (deepening and upgrading of e-business, daily planning, etc.) will continue to provide customers with services of a high quality, tailored to their needs and expectations.
- The information system (IT) will be upgraded towards an integrated information system in all companies of the Group. Information systems in the Group will be improved to enable them to monitor changes in the organisational structure as soon as possible and to prevent situations in which a rigid information system would compel us to ignore a change or carry it out incompletely. Impol will continue to carry out permanent internal auditing of the information system by promptly introducing improvements that rectify the deficiencies established. The IT Supervisory Board (NoiT) will continue

to supervise the information system operation.
- The basic rules of operation of the Impol Group continue to remain the same. Some of the most important ones are:
- Relations among business entities in the Group can be established on the basis of market prices only if such prices exist. If they cannot be established, relations must be established on the basis of other methods: cost plus method, profit split method and transactional net margin method;
- the operation of one part of the Group cannot disturb the operation of the other parts thereof –costs of a process are borne by the programme originally incurring them.
- Business processes are organised on the basis of the Impol Group Code of Business Conduct.
- EUR 1.87 will be spent on dividends per share.

The entire employee stimulation system will continue to build upon their performance throughout the entire year.

Table 12: Expected results in 2017 (in EUR 000)

ESTIMATE OF PROFIT OR LOSS ACCOUNT FOR 2017	1/1/2017–31/12/ 2017
Net sales revenues	641,556
From the sale of products (tangible)	576,782
• From domestic market	33,183
• From abroad	543,599
From the sale of services	3,313
• From domestic market	2,732
• From abroad	581
From the sale of merchandise and materials	61,461
• From domestic market	13,704
• From abroad	47,756
Change in inventories	0
• Opening inventories	0
• Closing inventories	0
Own products and services	0
Other operating revenue	2,081
• Of which for the Group companies	
GROSS OPERATING RETURN	**643,637**
Cost of goods, materials and services	**525,090**
Purchase value of goods sold	51,394
• Of which for the Group companies	
• Of which for the associated companies	0
Costs of materials used	431,963
Costs of services	**41,733**
• Of which for the Group companies	
• Of which for the associated companies	1,247
Labour costs	**53,918**
Costs of wages and salaries	40,373
• Social security costs	8,480
Other labour costs	5,065
Of which for supplementary pension insurance	210
Write-offs	17,169
Depreciation	**16,709**
• Of which for intangible fixed assets	14,928
Operating expenses from revaluation of intangible assets and tangible assets	365
Revaluation of operating expenses for short-term assets	95
Other operating expenses	1,748
TOTAL OPERATING COSTS AND EXPENSES	**597,926**
Profit/loss from regular operations	**45,712**
TOTAL FINANCIAL REVENUE	**1,122**
Financial revenue from participating interests	**155**
a) In Group companies	0
b) In associated companies	0
c) Financial revenue from participating interests in other companies	155
d) Financial revenue from other investments	0
Financial revenues from loans granted	**7**
Financial revenues from operating receivables	**960**
From interest rates from the associated companies	0
From interest rates from others	72
Foreign exchange gains	647
Other financial revenue (discounts and forward transactions)	241
TOTAL FINANCIAL EXPENSES	**6,913**
Financial expenses from the impairments and write-offs of investments	0
Other financial expenses from revaluation	0
Expenses from sale of financial investments	0
Financial expenses from financial liabilities	4,956
a) Financial expenses from loans received from Group companies	
b) Financial expenses from loans received from associated companies	0
c) Financial expenses from loans received from banks	3,711
d) Financial expenses from bonds issued	1,106
e) Financial expenses from other financial liabilities	139
Of which foreign exchange losses	51
Financial expenses from operating liabilities	**1,958**
a) Financial expenses from operating liabilities to suppliers	2
b) Financial expenses from other operating liabilities	1,955
Of which foreign exchange losses	275
Net profit before taxes	**39,920**
Income tax	6,556
Deferred taxes	0
Net profit/loss for the financial year	**33,364**

Table 13: Estimated balance sheet (in EUR 000)

	BALANCE SHEET ASSETS	31/12/2017
A)	**Non-current assets**	**190.884**
I.	**Intangible fixed assets and non-current deferred costs and accrued revenue**	**2.496**
	• Cost	268
1	Long-term property rights	1.771
a)	Acquired by means of pecuniary interest	1.771
2	Goodwill	691
3	Other non-current deferred costs and accrued revenue	34
II.	**Tangible fixed assets**	**179.463**
	• Cost	443.600
1	Land and buildings	38.282
	a) Land	4.849
	b) Buildings	33.434
	• Cost	76.971
2	Production equipment and machinery	119.585
	• Cost	347.623
3	Other machinery and equipment	2.705
	• Cost	19.008
4	Tangible fixed assets being acquired	18.891
	a) Tangible fixed assets under construction and manufacture	3.680
	b) Advances to acquire tangible fixed assets	15.211
III.	**|Investment property**	**5.395**
	• Cost	10.963
IV.	**Long-term financial investments**	**2.573**
1	Long-term financial investments, excluding loans	996
	a) Shares and participating interests in associate companies	615
	b) Other shares and participating interests	381
2	Long-term loans	1.577
	b) Non-current loans to others	1.577
	• Other non-current financial receivables (loans, etc.)	1.577
V	**Long-term operating receivables**	**0**
VI.	**Deferred tax receivables**	**957**
B)	SHORT-TERM ASSETS	**280.296**
I.	**Assets (groups for disposal) for sale**	**0**
II.	**Inventories**	**132.218**
1	Material	117.699
2	Work in process	9.162
3	Products and merchandise	5.013
	• Products	3.481
	• Merchandise	1.532
4	Advances for inventories	344

	BALANCE SHEET ASSETS	31/12/2017
	• In the domestic market	3
	• In the foreign market	340
III.	**Short-term financial investments**	**1.435**
1	Short-term financial investments, excluding loans	331
	a) Other short-term financial investments	331
2	Short-term loans	1.104
	a) Short-term loans to others	1.104
IV.	**Short-term operating receivables**	**89.461**
2	Short-term operating receivables from customers	75.677
	• In the domestic market	4.551
	• In the foreign market	71.125
3	Short-term operating receivables from others	13.784
	• In the domestic market	458
	• In the foreign market	154
	• Other advances given	310
	• Other receivables (VAT, etc.)	12.862
V.	**Monetary assets**	57.182
C)	**Short-term accrued costs and deferred revenue**	3.428
	TOTAL ASSETS	474.608
	LIABILITIES TO SOURCES OF ASSETS	
A)	**Equity**	185.255
a)	Equity of minority shareholders (from current year profit)	14.525
I.	**Called-up capital**	4.452
1	Share capital	4.452
II.	**Capital reserves**	**10.751**
	from the revaluation adjustment of capital	10.751
III.	**Revenue reserves**	**7.959**
1	Statutory reserves	2.226
2	Other revenue reserves	5.733
IV.	**Revaluation reserves**	
V.	**Reserves resulting from valuation at fair value**	**-1.696**
VI.	**Net profit brought forward**	**115.900**
VII.	**Net profit for the financial year**	**33.364**
B)	**Provisions and long-term accrued expenses and deferred revenue**	2.340
1	Provision for pensions and similar obligations	1.745
2	Long-term accrued costs and deferred revenues	595
C)	LONG-TERM LIABILITIES	**108.447**
I.	**Long-term financial liabilities**	**106.240**
1	Long-term financial liabilities to banks	85.448
2	Long-term liabilities from bonds payable	20.000
3	Other long-term financial liabilities	792
II.	**Long-term operating liabilities**	**234**
1	Other long-term operating liabilities	234

	BALANCE SHEET ASSETS	31/12/2017
III.	**Deferred tax liabilities**	**1.973**
D.	**SHORT-TERM LIABILITIES**	**172.073**
I.	**Liabilities included in groups for disposal**	**0**
II.	**Short-term financial liabilities**	**75.069**
2	Short-term financial liabilities to banks	64.322
	• of which short-term part of long-term liabilities	34.451
3	Short-term financial liabilities from bonds payable	10.000
4	Other short-term financial liabilities	746
	a) To other external parties	746
III.	**Short-term operating liabilities**	**97.004**
1	Short-term business liabilities to suppliers	64.749
	a) In the domestic market	14.506
	• Of which to associated companies	423
	b) In the foreign market	50.243
2	Short-term operating liabilities from advance payments	594
	a) In the domestic market	5
	b) In the foreign market	589
3	Other short-term operating liabilities	31.661
	a) To employees	3.721
	b) Tax liabilities	25.634
	c) Other liabilities	2.307
E)	**Short-term accrued costs and deferred revenue**	**6.493**
	LIABILITIES TO SOURCES OF ASSETS	**474.607**

Table 14: Estimate of net cash flow (in EUR 000)

Net cash flow	Total
Inflows	
• Net profit	33,364
• Depreciation	16,709
• Additionally taken out loans	67,871
• Dividends received	
Outflows	
• Repayments of loans	57,973
• Dividend payment	2,080
Available for investments	57,891
Planned investments	40,575

Indicators

Table 15: Anticipated indicators for 2017

Expected indicators	2017
Rate of self-financing	
(equity + provisions)/(inventories + material investments + non-material investments)	57,3%
Financial reliability ratios	
a) Equity/all sources of operating assets	39,0%
b) Equity + long-term liabilities /operating liabilities	61,9%
c) Equity/fixed assets (carrying amounts)	98,9%
Creditworthiness level	
a) Equity + long-term liabilities /fixed assets + inventories	90,9%
b) Golden balance rule = long-term sources/long-term investments	153,9%
c) Net debt/operating revenue	44,7%
Level of financial independence in %	
(possibility of liability reimbursement with property)	165,4%
General liquidity indicator–short-term ratio	
(short-term assets/short-term liabilities)	162,9%
Current liquidity indicator–quick ratio	
(short-term assets-invent.)/short-term liabilities	86,1%
Current liquidity indicator–doomsday ratio	
quick test=(money+securities)/short-term liabilities	33,2%
Financing cost indicators	
a) Financial expenses/expenses	0,8%
b) Short-term liabilities/(short-term liabilities+long-term liabilities)	61,3%
Level of liabilities covered with long-term sources	58,6%
Level of inventories covered with long-term sources	45,0%
Equity/fixed assets	97,1%
Turnover coefficient of all assets	1,36
Days of all assets	269

Expected indicators	2017
Turnover coefficient of current assets (based on PC)	6,13
Days of own current assets (based on PC)	59,5
Proportion of net profit/loss in all revenue (tax paid)	6,19%
Net profit/loss accrual against material costs and depreciation	6,70%
Net profit/loss/business assets	8,41%
Net profit/loss/(equity - net profit/loss of the current year)	26,28%
Level of reproductive capacity	30,57%
Depreciation accrual against non-material and material goods	8,75%
Total dividends/equity	1,12%
Total revenue/total expenses	107,26%
Operating revenue /operating expenses	107,73%
Operating revenue/equity	347,43%
Revenue/employees (annual criterion) (EUR 000/ employee)	291
Average number of employees (2,088 paid hours/ employee)	2.209
Operating revenue/(fixed+current assets+labour costs)	136,60%
Ratio (operating revenue/costs)	107,65%
Ratio (financial revenue/financial expenses)	16,2%
Revenue profitability in %	6,2%
Operating revenue/(equity + long-term liabilities)	2,2
Labour costs in % of realisation (revenue from the sale of merchandise excluded)	9,29%
Labour costs in % (all costs+fin.costs+write-offs)	8,94%
Service costs in% in all costs+fin.costs+write-offs	6,92%

When planting a tree you have to be patient. You can't pull it out every day just to see how much its roots have grown.

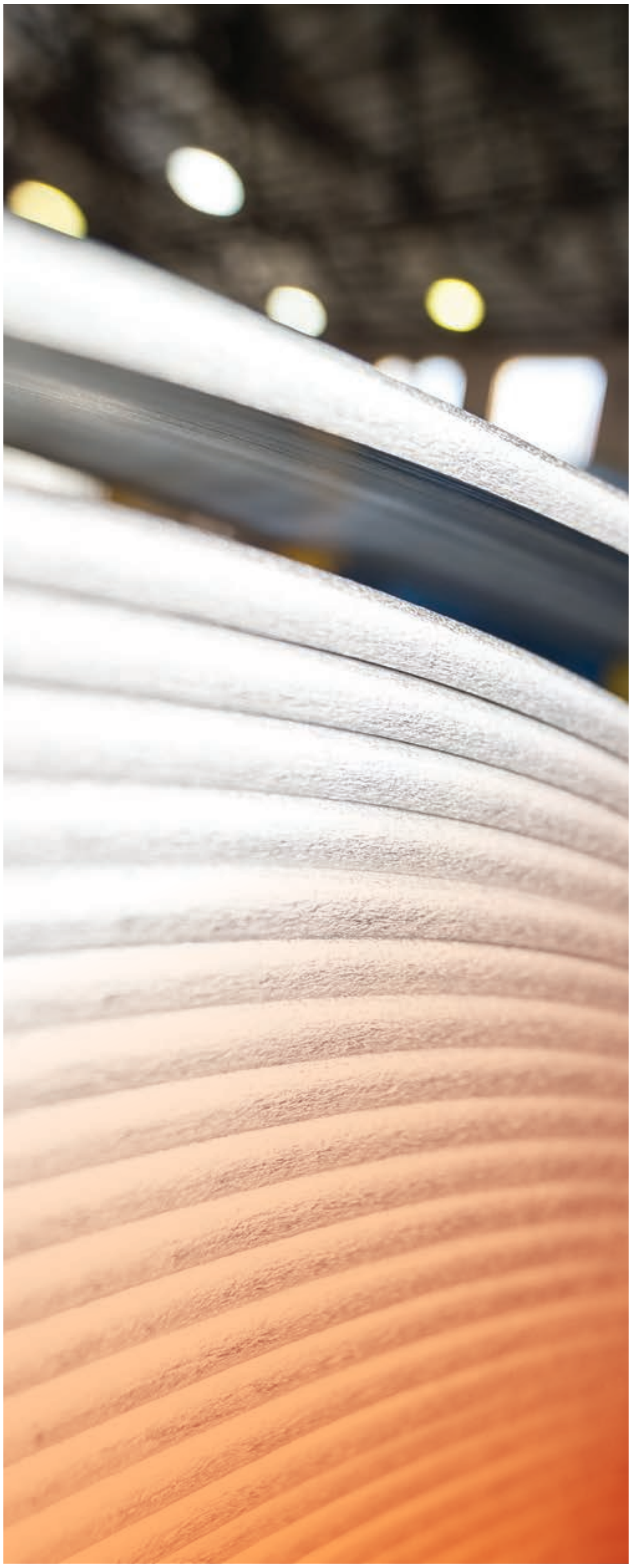
Danish proverb

A view on 2016 – a success story

Important events in 2016

January	The first month of 2016, the Impol Group concluded with record high production and sales.
	The Impol Group adopted the Impol Group Code of Business Conduct featuring the description of common rules and business behaviours.
February	They system for monitoring of useful suggestions and innovations was renewed.
March	The Impol Group purchased the company Adrial Ulaganja d.o.o. in Croatia through the newly established company Impol-TLM d.o.o. and it hired means of production to set up the production programme of aluminium rolled products in Šibenik. 208 people were hired by the company Impol-TLM d.o.o. and on 10/3/2016 they started with the preparations to launch the production.
April	Impol Seval was awarded with a prestigious Top Serbian Brands prize for 2015.
May	On 28/5/2016, there was a fire outbreak in the premises of Impol-TLM d.o.o. damaging the hot re-rolling mill. The Impol Group team immediately carried out the renovation works on the machine in cooperation with external experts. The company started to operate again in the beginning of September.
June	The results of the survey on the atmosphere and satisfaction within the organisation once again revealed positive growth of the indicators among the employees of the Impol Group.
	A patent was issued for a new alloy Al-Mg-Si.
July	The General Meeting of Impol 2000 d.d. was convened.
August	The renovation works on the hot re-rolling mill were completed in line with the planned timeline. Impol-TLM started its production that has been running smoothly already since September.

September	A new Impol Group Strategy for 2017-2025 was adopted. The Strategy was presented to public in October.
October	Impol was chosen as the best big company in Podravje in 2016. The award was presented to the Jernej Čokl, President of the Management Board, at a gala ceremony on 6/10/2016. On 13/10/2016, more than 110 guests took part at the 12th research symposium of the Impol Group.
November	A team of employees visited an Aluminium fair 2016 in Düsseldorf from 29/11/2016 and 1/12/2016. This is world class fair that is organised every two years and features all the main players in the world of aluminium. There were more than 27,000 visitors from more than 100 countries in three days. A new company Impol-FinAl d.o.o. was established with the main goal to produce aluminium products by implementing higher product finishing phases.
December	The Impol Group concluded the 2016 financial year in line with the set business plans.



Performance analysis

Impol Group Performance

Notes on the Statement of Financial Position of the Impol Group

In 2016 financial year, the Impol Group generated net sales revenue of EUR 543.5 million, which is by 0.5% less than in 2015. The reason for the fall in revenues is the fall in the aluminium stock price which forms the basis for the aluminium sale prices. The decrease occurred despite more than an 8% increase in the sale of products. The revenues generated in the domestic market account for 6.4% in the structure of sales revenues, and compared to the previous year they decreased by 0.8%. Revenues generated in foreign markets accounted for 93.6 percent of total revenues and in comparison with 2015 they fell by 0.47%. Most of the revenues generated by the Impol Group in foreign markets are achieved in the markets of the European Union, which is presented in the report later.

- Operating expenses of the Impol Group amounting to EUR 507.2 million are by 2.2% lower than in the previous year. The costs of goods, material and services fell by 3.28% in comparison to the previous year and account for 85.8% in the structure.
- The most important category of operating expenses is the cost of material which amounted to EUR 329.6 million in 2016. Their proportion in total operating expenses equals 65,0%. The largest share of costs of material represents the costs of raw materials, and the remaining costs are the costs of energy products, water, disposal of packaging and other materials.
- Costs of services which account for 7.4% of total operating expenses amounted to EUR 39.5 million in 2016 and increased by 8.7% compared to 2015.
- Labour costs of EUR 54.2 million increased by 16.83% compared to 2015. Part of the increase is due to new employments in Croatia and part of the increase is due to the growth in number of employees and the growth of labour costs in companies in Slovenia.
- Write-offs in the amount of EUR 15.5 million are by 25.1% lower than in 2015, as a result mere EUR 0.22 million of operating expenses from revaluation of short-term assets or a 96% decrease in comparison to the previous year. Depreciation charge in 2016 amounted to EUR 15.3 million, which is almost 1.4% more than in 2015.
- Other operating expenses in 2016 amounted to EUR 2.1 million, which is by 62% more than in the previous year. The biggest proportion of other operating expenses is the cost associated with the environmental taxes (concession for water, land use fee, etc.).
- In the 2016 financial year, the Impol Group thus generated EUR 41.5 million of earnings before interest and taxes (EBIT) and EUR 56.8 million of earnings before interest, tax, depreciation and amortisation (EBITDA).
- In 2016, the Impol Group generated EUR 6.4 million of loss from financing (2015: EUR -7.3 million).
- Financial expenses relating to the interests from the liabilities to banks amounted to EUR 3.3 million (2015: EUR 5.2 million).
- In 2016, the Impol Group generated net profit of EUR 30.4 million. (2015: EUR 22.5 million).
- The Impol Group reached lower short-term liabilities for EUR 2.1 million and lower long-term liabilities for EUR 7.3 million, both in comparison to 2015.

Notes on the Statement of Financial Position of the Impol Group

At the end of 2016, the assets of the Impol Group equalled EUR 381.1 million, which is EUR 18.6 million more than total assets of the Group at the end of 2015. The changes in assets were primarily influenced by the increase of materials inventory. There are several reasons behind the increase of inventory, such as the inclusion of new capacities in Croatia, the aftermath of the fire outburst in the hot re-rolling mill in Croatia and consequent failure to meet the sales and production plans due to the fire outburst. It is estimated that the Group had to use additional inventory in the amount of approximately EUR 15 million in comparison to the optimum use. We have managed to lower the amount of the used inventory in the first months of 2017 despite the growing stock price of aluminium.
Long-term assets increased by EUR 18.01 million, primarily as a result of substantial investments.
As of 31/12/2016, short-term assets amount to EUR 229.6 million, which is EUR 0.3 million more than as of 31/12/2015. Inventories increased by EUR 41.9 million due to the reason described in the previous paragraph. Operating receivables increased by EUR 8.3 million.
As of 31/12/2016, total liabilities of the Impol Group amounted to EUR 381.1 million and increased in 2016 by EUR 18.6 million. Compared to 2015, the group reduced its short-term liabilities by EUR 2.1 million and reduced its long-term liabilities by EUR 7.3 million. The drop of long-term liabilities was the mainly result of the settlement of the first tranche of liabilities on the basis of the issued bonds.

Total capital of the Impol Group increased in 2016 by EUR 26.4 million. This is mostly the result of net profit after tax.

Performance of Impol 2000 d.d.

Notes on the Statement of Financial Position of Impol 2000 d.d.

Impol 2000 d.d. (hereinafter: the Company) generated net sales revenues of EUR 19.4 million from the sales of products, services and merchandise, which is 21,44% more than in 2015. In the domestic market, the Company generated net revenues arising from the sales of products, services and merchandise of EUR 156.7 million, which is 16.7% more than in the previous year. In foreign markets, it generated net revenues of EUR 3.6 million, which is 48.1% more than in 2015. In 2016, operating expenses increased by 20.6% compared to 2015 and stood at EUR 17.6 million. Costs of goods and material sold account for 67.7% of total operating expenses and are followed by labour costs equalling 21.7%, and costs of services with 8.9%.

In 2016, the Company recorded EUR 1.82 million of operating profit. In 2015, operating profit amounted to EUR 1.38 million.

Operating cash flow (EBITDA) in the amount of EUR 1.87 million was positive. In 2016, the Company generated EUR 1.76 million of profit from financing mostly resulting from financial revenues, financial revenues from participating interests in Group and financial expenses based on interests from issued bonds. Financial expenses of EUR 1.87 million are EUR 0.8 million higher than in 2015 as a result of financial expenses from financial liabilities. In 2016, the Company generated net profit after tax in the amount of EUR 3.5 million while in 2015 it amounted to EUR 3.1 million.

Notes on the Statement of Financial Position of Impol 2000 d.d.

- At the end of 2016, the assets of the Company equalled EUR 100.8 million, which is 6.3% less than at the end of 2015. In 2016, long-term assets increased by 3.7% in comparison to 2015.
- The drop in total assets was mainly a result of the decrease of cash and cash equivalents that were used for the settlement of the first tranche of bonds (capital + interests). Majority of cash and cash equivalents was used for additional purchases of shares in the company Impol-TLM d.o.o. and for the provision of initial capital investment in the company Impol-FinAl d.o.o. as well as for the issue of loans to the companies Impol-TLM d.o.o. and Impol ulaganja d.o.o.

As of 31/12/2016, total liabilities of the Company stood at EUR 100.8 million and were EUR 7.6 million lower than the liabilities of the previous year. The decrease is the result of the settlement of the first tranche of bonds issued by the Company in 2015.

The capital of the Company of EUR 57.1 million was 3.6% or EUR 2.0 million higher than in 2015.

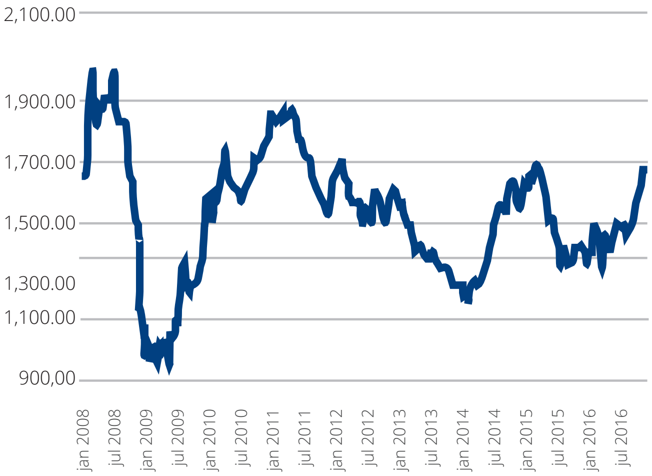
As of 31/12/2016, net debt, calculated as a difference between total financial liabilities and cash and cash equivalents and short-term financial investments, amounted to EUR 13.9 million, which is EUR 0.6 million less than in 2015.

Impol in 2016

The most characteristic developments in 2016 can be drawn in the following observations:

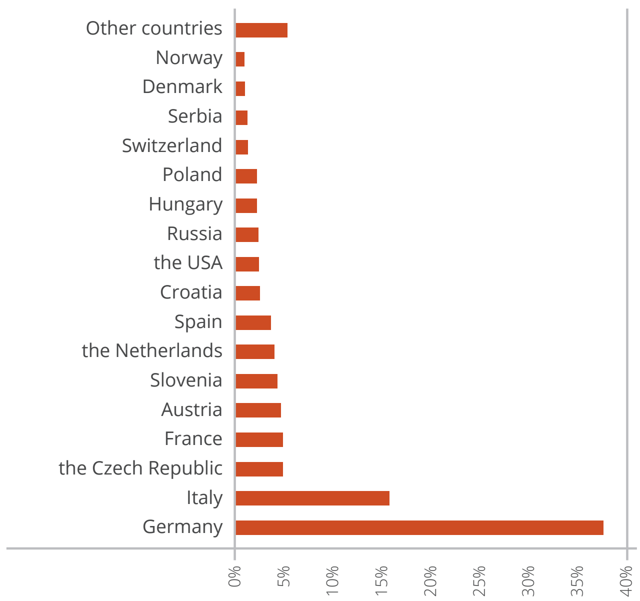
- In the first half of the year, moderate optimism was preserved in the sales markets facilitating a quantitative increase in sales.
- In terms of the purchase of aluminium, raw material purchase prices were marked by a
- drop in basic quoted prices on the LME by the last quarter, including a tendency of purchase premium decreasing.

Figure 2: The movement of aluminium prices on the LME in 2008–2016



- The status of orders continuously demanded to carry them out in short delivery periods. Such a method of executing orders requires an adjustment of measures pertaining to the purchase of raw materials, stock financing, the adjustment of technological and technical procedures and internal organisational solutions, which is why special attention was paid thereto throughout the entire business year. The number of orders rose during the first half of the year, thus prompt gaining of new orders facilitated the achievement of a satisfactory scope of operations in terms of quantity and value.
- Impol remains in the top 10 Slovenian export companies and among the top 15 largest companies in the country in absolute terms.
- The quantitative volume of aluminium product sales of Impol rose by 8% in 2016 compared to the previous year.
- The production volume of aluminium product for customers that are involved in means of transport production processes continues to be on the rise.
- Operations pertaining to the aluminium processing programme constitute the largest part of the entire production and sales process at Impol. Revenue pertaining thereto constitutes 99% of all revenue generated on external markets, whereas the remaining part of revenue is generated from services carried out mostly on the domestic market.
- The programme continues to include a broad range of products, which reduces Impol's exposure to market fluctuations.
- The impact of market fluctuations is reduced also by a relatively large-scale dispersal of customers, without any dominant or exclusive customers.
- Our sales continue to be concentrated mostly on nearby markets in Europe, as only a small number of products of the Impol Group programme can tolerate higher costs of transportation. It is also more difficult to provide high-quality sales and after-sales services at a larger distance.
- The share of sales outside the EU continues to rise slightly, and Germany continues to be our largest individual market. The Impol Group has established a permanent business partnership with customers from about 50 countries, although customers from the EU prevail.

Figure 3: Sales of products by country



- The pre-painted aluminium strip production line continues to require intensive acquisition of new production knowledge, new markets and new methods of cooperation with our customers intended to ultimately refocus the entire area of unfinished strip sales to the sales of pre-painted strips.
- The productivity of the Group continues to grow as expected. The aluminium product sales volume per employee of the Group fell in 2016 by 4% because of the newly employed co-workers in Croatia.

- The structure of sources continues to improve by financing as much as about 40% of all investments by equity, meaning that this type of financing improved by 8% compared with the preceding year. In 2016, the Impol Group managed to reduce the scope of bank loans taken out compared with the preceding year by 12.5%. Total financial liabilities dropped by 1o% compared to 2015.
- In 2016, the Impol Group invested EUR 30 million in long-term assets.
- In 2016, the Impol Group reached almost EUR 50 thousand in added value per employee, which is an 7% rise compared with the preceding year because of the new employment in Croatia.

Figure 4: Working capital by year

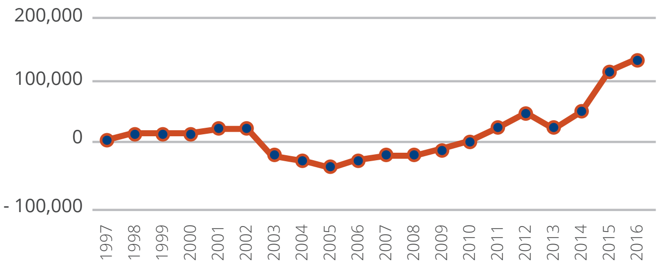
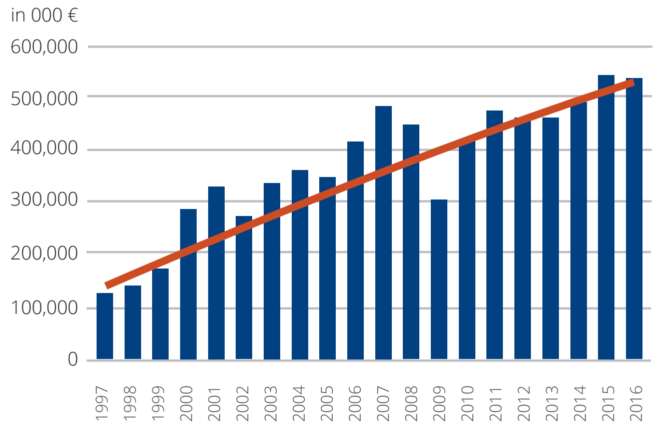


Figure 5: Value of sales and trend



Key data and indicators

Table 16: Overview of the results of the Impol Group (consolidated for the period 2005–2016) in EUR million

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Consolidated net sales revenue	347.6	414.4	485.9	445.9	303.8	421.1	473.6	463.2	460.8	486.3	546.1	543.4
Consolidated operating expenses and costs	343.1	419.2	429.6	428.9	292.3	414.4	448.2	448.9	444.4	466.2	518.5	507.2
• Depreciation	14.1	14.4	15.1	15.7	12.1	14.4	15.6	16.6	15.4	16.2	15.1	15.3
Operating profit	12.3	12.9	38.7	21.2	15.2	16	26.3	23	21.3	22.8	33.2	41.5
Financial revenues/ expenses difference	-12.7	-6.4	-14.5	-12.7	-14.3	-9.7	-11.1	-9	-7.4	-8.4	-7.3	-6.3
Profit (or loss) after tax	2.3	6	21	8	0.7	6	13.6	12.3	12.9	12.4	22.5	30.4
Cash flow from current operations	16.3	20.4	36.1	23.7	12.7	20.4	29.2	28.9	28.3	28.5	38.3	46.6
Equity	81.7	86.6	53.1	56.9	56.3	60	73.6	83.5	95.6	106.5	127.6	154.0
Assets	290.5	337.2	317.2	309.9	293.7	315.9	320.1	330.1	307.6	327.6	362.4	381.1
Share book value in EUR (including the equity of minority owners)			49.8	53.3	52.9	56.2	69.2	79.9	89.61	99.88	119.6	144.4
Added value per employee in EUR	29,888	30,764	49,786	41,556	35,111	39,381	47,441	44,077	43,241	45,815	54,712	49,337

A short overview of our operations (Table 16: Overview of the results of the Impol Group (consolidated for the period 2005–2016) and Table 2: Book value of a share of Impol 2000 d.d. (the holding company of the Impol Group) in EUR) shows that, in 2016, Impol maintained the scope of its operations in terms of value at the same value as it was in the previous year, while significantly increasing the cash flow and economic viability of operations. Approximately one third of the cash flow from current operations was achieved from depreciation and approximately 67% from profit.

Table 17: Key indicators of the Impol Group

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Equity/all sources of operating assets	28.10%	25.70%	16.70%	18.40%	19.10%	19.00%	23.40%	25.80%	31.10%	32.50%	35.2%	40.4%
Golden rule of balance sheet = long-term assets/ long-term investments	77.50%	83.40%	90.70%	90.10%	93.70%	105.20%	118.80%	129.90%	116.70%	135.00%	184.5%	175.1%
Net debt/operating revenues	59.70%	60.10%	54.00%	56.30%	78.10%	60.40%	51.00%	52.60%	45.70%	45.10%	42.6%	41.2%
Option to settle liabilities with property	140.10%	135.40%	120.90%	123.30%	124.50%	124.20%	131.30%	135.70%	146.20%	149.40%	155.9%	170.3%
Financial expenses/ expenses	4.40%	2.80%	2.90%	3.90%	4.10%	3.60%	3.50%	3.00%	2.00%	2.10%	1.3%	1.2%
Asset turnover ratio	1.26	1.27	1.6	1.49	1.06	1.38	1.53	1.44	1.52	1.5	1.52	1.46
Net profit or loss/ (equity - net profit/ loss of the current year)	2.85%	7.28%	70.03%	16.36%	1.14%	10.96%	22.47%	18.98%	15.30%	13.20%	20.87%	23.87%
Income/employee ratio in EUR 000	197.777	229.657	275.835	251.8	185.724	249.897	266.937	255.729	255.074	262.77	299.84	243.94
Economic value added (in EUR 000)	-1,599	1,898	18,511	5,317	-2,010	3,176	10,114	9,775	8,330	7,391	16,474	23,108
Margin	0.70%	1.40%	4.30%	1.80%	0.20%	1.40%	2.90%	3.00%	2.79%	2.56%	4.13%	5.6%
Debt/equity	252%	287%	491%	439%	420%	421%	323%	282%	218%	205%	182%	144%

This list of key performance indicators shows that the 2016 financial year was one of the more successful years in a comparable period.

It has also been found that the Impol Group managed to somewhat improve its financing structure. This is mostly due to the highly conservative actions of our shareholders in relation to the payment of dividends, since based on their decisions the majority of profit is re-invested in the company and thus provides it with an important portion of resources for continuous development.

Important events after the end of the financial year

On 27/1/2017, Bojan Grill was was again appointed as the fifth member of the Management Board by the PTDS. He is implementing the function as a representative of the employees.

In February 2017, a contract was signed in order to take out long-term loan at NLB d.d. in the amount of EUR 40.000,000 million for the financing of development programmes and of the increased scope of operations.

Overview of operations

The predominant activity in the Impol Group is the processing of aluminium into rolled, extruded, drawn, stamped, forged and other types of aluminium products (the main activities are registered as 24.530 and 25.500), but the Group also performs various other, less important activities. The majority of activities in the Group are organised within specific companies that conduct business with one another in compliance with the market rules.

The demand for Impol's products grew in 2016. Good business performance is also due to the stability of prices on the LME and the premiums, and the demand for the products of our customers increased as well. The mentioned factors facilitated the preservation of stable sales margins and good business performance.

In 2016, Impol expanded its sales programme in the area of rolled products while increasing the scope of the products and improving the variety of the sales offer which facilitated the start of the production at the new location - in Šibenik, Croatia. In this way Impol pursues its goal to effectively manage the economies of scale in the field of rolling activities.

The Impol Group upgraded its sales programme of rolled products and especially of extruded products with the development of products with higher added value which are interesting for the customers from demanding industries. Together with the customers new products, alloys and testing method were developed. This was facilitated by past investments in the growth of production capacities with the focus on those products that are intended for the markets with long-term growth perspective. Regarding the current market trends and the generated volume of sales of these products, we can conclude that this was the right decision, enabling Impol to meet the demands of one of the more demanding market segments.

Good business economy was maintained also because of our own foundry enabling us to successfully achieve the defined goals: the increase in the share of own production of input materials, maintenance and achievement of higher quality products, the development of sophisticated alloys and increase in the share of secondary aluminium processing.

In 2016, the Impol Group adopted a new business strategy for 2015 including its goal to achieve growth in two key programmes – rolling and extrusion. In the field of rolling, the main challenge is to manage the economies of scale, and to make a breakthrough in the automotive industry, while in the field of extrusion, we intensively focus on increasing the complexity of manufactured products.

Table 18: Global production of primary aluminium

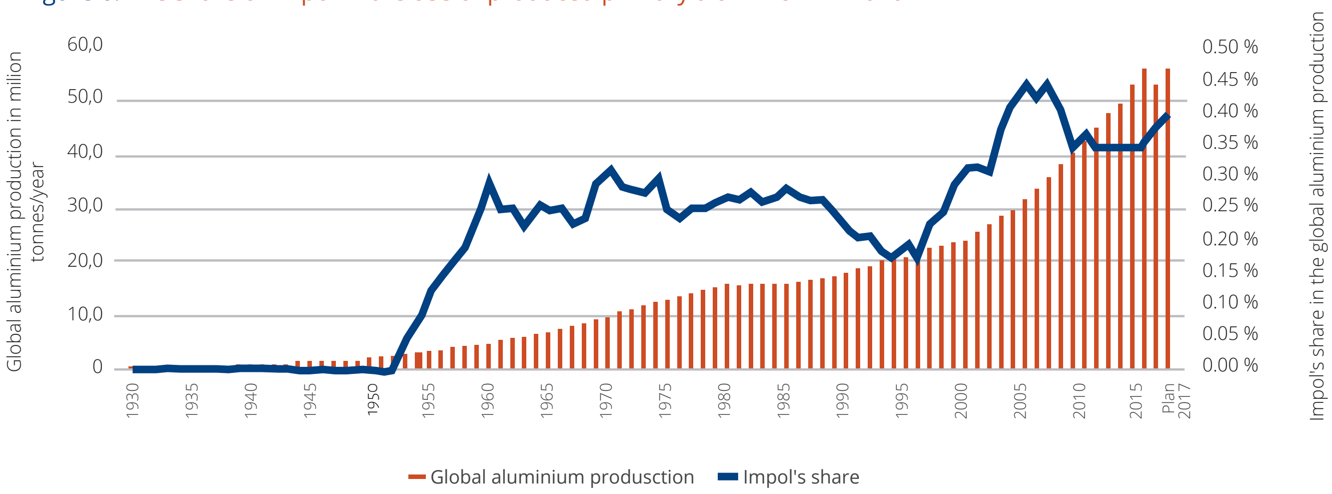
	2009	2010	2011	2012	2013	2014	2015	2016	2017p	2018p
Available aluminium production capacities in millions of tonnes	48.57	50.20	52.90	5.60	62.30	66.90	71.91	Data not available	Data not available	Data not available
Global production of primary aluminium in millions of tonnes	37.71	42.35	45.79	47.79	50.60	53.06	57.36	59.80	61.80	64.20
Global consumption of primary aluminium in millions of tonnes	34.23	40.70	44.50	47.30	49.90	53.30	57.08	59.30	62.00	64.40
Incurred imbalance (+ aluminium surplus, – aluminium deficit) in millions of tonnes	3.48	1.65	1.29	0.49	0.70	-0.24	0.29	0.50	- 0.15	- 0.20
LME cash price: USD/tonne – annual average	1.665	2.191	2.423	2.052	1.889	1.867	1.662	1.605	1.800	1.825

Source: SG 2006–2009, DB AG/ London 4 March 2015 2010–2015, http://www.reportlinker.com, http://www.world-aluminium.org) in Cross asset research, Societe Generale, March 2017

In terms of global processing of produced primary aluminium, the Impol Group achieved a 0.35% processing share compared to newly produced aluminium. In 2016, the share grew in comparison to 2015. In compliance with its strategic orientations, Impol continues to focus more on the added value in the product rather than on the quantity, even though the latter continues to constitute an important focus, since fixed costs in a mass production process can only be properly contained with a sufficient quantity of products. As the global processing of aluminium, including the processing of secondary recyclable aluminium already exceeds 70 million tonnes annually, Impol's share in total processing amounts to slightly less than three parts per thousand (3‰).

In 2016, the turnover in terms of value increased compared to the previous year.

Figure 6: The share of Impol in the use of produced primary aluminium in 2016



Until 1950, Impol processed only copper; aluminium processing has been under way since 1950 (the programme is described in further detail at http://www.impol.si). The total global annual production of primary electrolyte aluminium amounted to as little as just over 1 million tonnes, whereas the current figure is 60 million tonnes. The aluminium processing industry is characterised by shaping the sales prices of its products in such a way that sales premiums are negotiated with customers given the primary aluminium price on the LME. The turnover in terms of value rises or falls independently from the quantitative volume of sales and also independently from changes in sales margins.

The same also applies to the purchase prices for aluminium raw materials, which are shaped by negotiating a purchase premium with suppliers given the quoted aluminium prices, usually including all delivery costs under the conditions of Incoterms DDP. In 2014, a purchase premium also included a regional annuity or a purchase premium, which is becoming constant and normal by making its amount public in Metal Bulletin. The aluminium price thus significantly impacts the size of direct costs; however, subject to appropriate forward collateral (hedging), its fluctuation should not have a direct impact on the business performance.

The industry is rather stable in terms of basic aluminium and alloy processing technology. The greatest dynamics can be observed in the field of process control, quality and supply chain optimisation processes. Impol spends EUR 2–3 million annually on process control improvements. In such a way we are safeguarding the competitiveness of our products and services in the future as well. Investments are expected to result in the share of European-wide competitive B2B products rising to above 70%. Other standard products are of particular importance for utilising the remaining capacities which efficiently complement the sales mix at a high productivity rate and low processing costs.

Sales

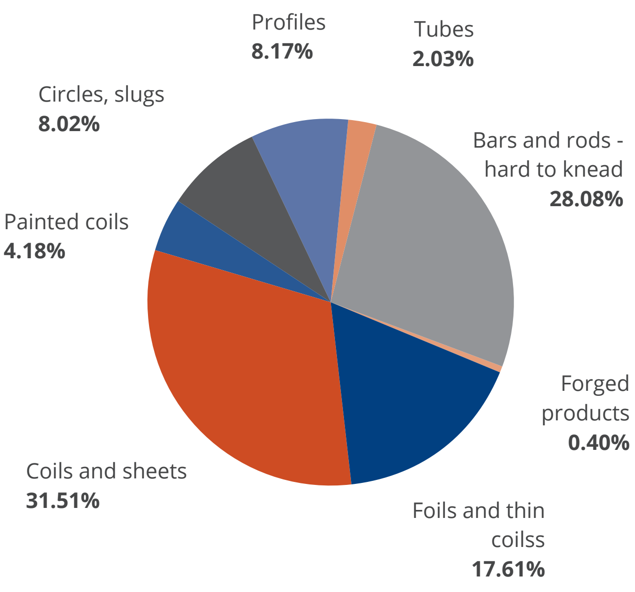
Products and services

The prevailing sales programme of the Impol Group is focused on the production and sales of aluminium products. Two basic groups of aluminium products are covered – rolled and extruded products. We also manufacture two niche programmes (forgings and slugs). Other products and services of the Impol Group account for less than 1% of the sales. The entire production programme is based on orders and is triggered by sales orders. Customers are divided into two segments: distributors and final customers, whereby the share of sales to final customers has been increasing in recent years exceeding 60% of the sales, in order to maintain the stability of operations and the transparency of management of the production, sales and purchasing.

Impol supplies a wide range of aluminium rolled products and, in a lesser extent, additionally processed products (forged, pre-painted, anodised, etc.) manufactured upon the individual request of the customer. The entire production is therefore designed and run as individual production carried out on a mass scale so as to meet the price-related expectations of our customers.

Shares of sales by market-product programme are shown in the figure below:

Figure 7: Shares of sales by product programmes



Market and Customers

In 2016, countries of the European Union once again represented the Impol Group's most important market since about 88% of our products are sold there, including in Slovenia, . In terms of individual countries, the biggest share of our products are exported to Germany, namely more than one third. Our second biggest market is Italy with a 15% share. The sales in other countries is more dispersed and all those countries the sales represent less than a 5% market share.

Long-distance transport is not profitable for various reasons (transport costs, impact of the quality of products, various quality and technical conditions) therefore the sales are focused on the markets that are not too far away from the production site. Only certain niche products can be sold to more distant markets. The sales to the USA strengthened in the previous year because of a favourable euro/dollar exchange rate.

Figure 8: Sales by region expressed in percentage

EU	84.55%
Europe - other countries	6.77%
Slovenia	4.25%
North America	3.09%
South America	0.58%
Asia	0.39%
Africa	0.32%
Australia	0.05%
Total	**100%**

We continue to preserve dispersal among markets, customers and industries, thus following the guideline that no customer shall achieve a dominant share. The sales are dispersed among numerous customers, and an individual customer as a rule does not exceed 10% of total production. Our strategic positioning is additionally enhanced by a diversified production programme. Buyers of Impol products come from various market segments, the biggest share represents transport (23%), construction (13%) and food industry (7%).

Figure 9: Customers by market segment

Retailers
43.17%

Transport
23.42%

Construction industry, constructions
12.83%

Food industry
7.33%

Consumer durables
6.86%

Electrical industry
3.38%

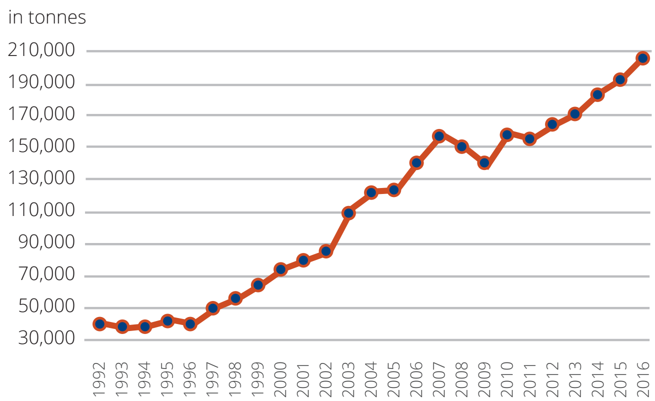
Pharmaceutical industry
1.42%

Other
1.06%

Machines and equipment
0.53%

Impol's growth is most realistically presented with the data on the sold quantities of aluminium products in tonnes. The data on turnover value is distorted by the price movements on the LME.

Figure 10: Trend of the sold quantities of products



Organisation of Sales

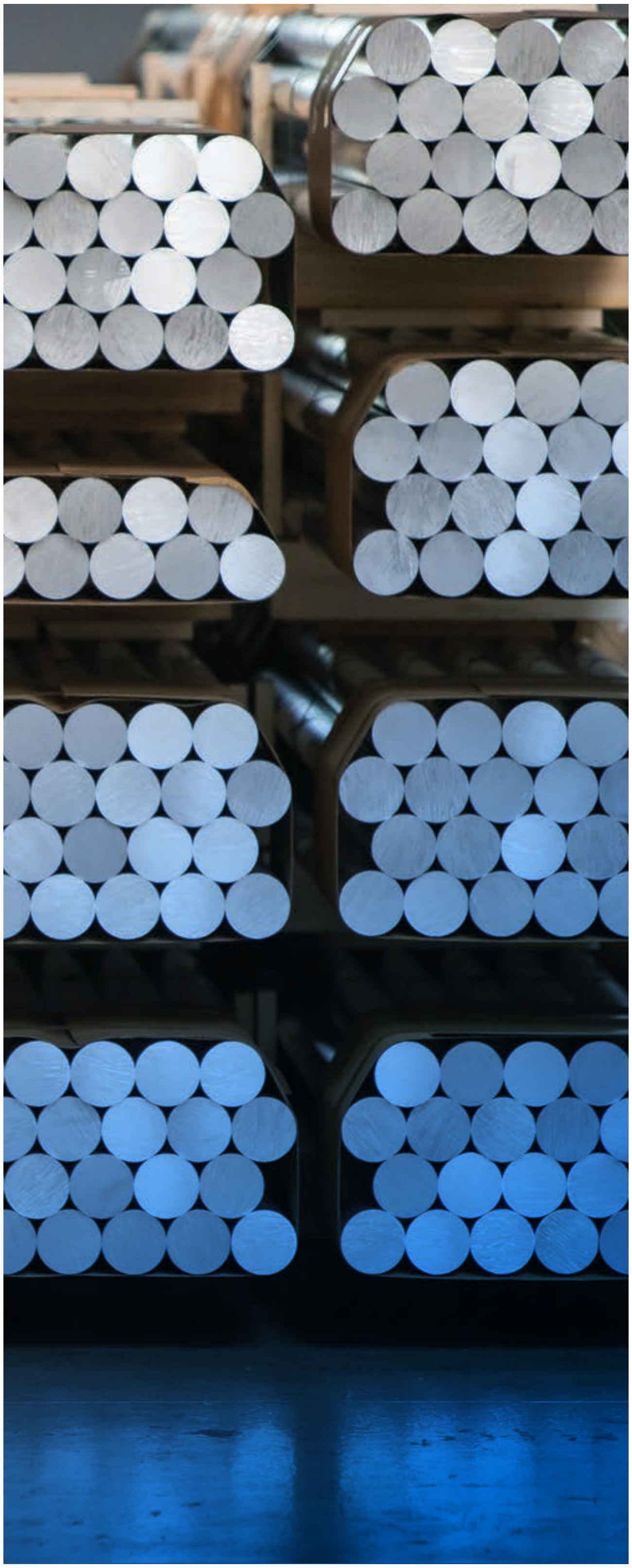
Within the Impol Group, the sales of aluminium are mainly carried out through Impol d.o.o. while the sales of other products and services are done directly by the Group companies that deal with market oriented activities. Sales departments of other business entities from the Impol Group implement all services related to the sale of products. The expansion of production capacities and the newly acquired location in Šibenik increased the need for a uniformed management of sales which will be achieved by setting up departments for individual fields of production (extrusion, rolling and forging).
Impol's aluminium production programme is divided into standard and specialised programmes. The standard one is intended for the sale to retailers who buy standard products for a resale. The specialised programme is intended for direct sale to final users who purchase products made especially for them according to specifications (specific shape, alloys, mechanical and chemical properties, etc.). This kind of division facilitates a higher level of operating safety and has proved to bear positive results in all market fluctuations.

In terms of standard programme sales, sales agreements are concluded in a form of prompt orders, whereas contracts for specialised programmes are, as a rule, concluded on a longer-term basis for a period of one year in advance, based on which deliveries are carried out following recalls. The majority of demands are meet within a deadline which does not exceed one month, as a rule, except in the event when the demands is substantially higher that the available capacities.

Impol's products are purchased by industrial customers who further process them and therefore perceive the products as an input raw material. The acquisition of customers and suppliers is not carried out in line with the traditional marketing principles but mainly on the basis of knowledge we have one about the other within the industry and the established goodwill in this closed business environment.

Significant achievements in sales

- We managed to increase the sales of products at all segments.
- We continue to be the leading supplier of rods for forgings in Europe.
- We increased the share of sales of profiles based on orders, concluded long-term contracts and developed a new segment of sales of profiles, the so-called crash profiles intended for the automotive industry.
- The demand for foils increased.
- An effective and geographically evenly distributed



network was developed.

- The share of sales in markets outside the European Union was increased.
- Price ratios in the market were successfully managed.
- We lowered the risks related to market developments in terms of fluctuations of input raw material prices by improving the formula in the conclusion of contracts.
- We managed to retain all customers and even increase sales to some of them.
- We strengthened the reputation of Impol's trademark.

Forecast for 2017

- We will increase the share of sales of products carrying higher added value.
- We will increase the share of sales of rolled products.
- We will keep the European market.
- We will increase the market share in the USA and Canada markets.
- We will ensure stable demand throughout the entire year.
- We will increase the share of final customers.
- We will improve the sales management IT system.
- We will introduce improvement in the complaint management services within the sales process.

Purchasing

Organisation of purchasing

The Impol Group implements an organised strategic purchasing policy. Product managers provide for uniform purchasing conditions for specific product groups at the level of all companies within the Impol Group. Negotiations and conclusions of strategic purchase contracts are carried out in a uniform way as well.

Purchasing of Aluminium Raw Materials

Primary and secondary aluminium in various forms make up the largest share in terms of raw material purchasing. Given the fact that Impol is a processor with no raw material sources of its own, appropriate raw materials must be purchased prior to the production of every single product. The largest share in terms of raw material purchasing is made up by primary aluminium ingots (50%) and secondary aluminium in a form of aluminium scrap (17%) which are, together with alloying elements, processed in our own foundries into advanced aluminium alloys.

The field of primary aluminium is characterised by a small number of providers thereof on the free market, resulting in greater dependency on providers. Aluminium was purchased also by large merchants and banks in order to generate to profit from the financing of inventories. We have managed to ensure a regular supply by concluding strategic purchase contracts and by maintaining business relationships with all global providers.

In the field of secondary aluminium, the Impol Group is active both in the market – by establishing loopbacks with customers – and in production management – with a cost- or technology-efficient re-melting method. This is why we implemented investments in state-of-the-art technology and equipment in the foundry.

Impact of the business environment and internal decisions on the purchase process

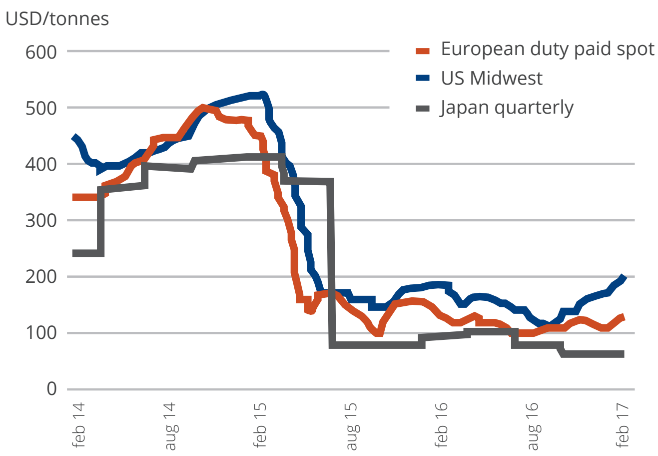
Macroeconomic factors exercised a positive impact on trends in raw material purchase premiums till the last quarter of the year. Consequently, the premiums experienced a constant fall (proportionally strong EUR in comparison to USD, drop in MB premiums in USD, drop of LME prices etc.). In the last quarter, the trend reversed and USD started to grow in comparison to EUR causing the increase of purchase premiums in EUR. The LME prices started to rise sharply which increased the required amount of short-term assets and the costs of hedging against LME risks.

Out of all implemented internal changes, the establishment of Impol-TLM and the start of the production in Šibenik presented the largest impact on purchasing. Adequate raw material of specific dimensions had to be found as well as suppliers of hot-rolled strips because of the fire incident, which represented a major challenge in terms of purchasing activities. Because of the unrealised production and sales plans of Impol-TLM, the stocks of raw materials on the Group level increased towards the end of the year.

Main Characteristics of Purchasing in 2016

Purchase premiums for all forms of aluminium experienced a downward trend in 2016 so that favourable market developments were fully reflected in the operations of the Impol Group.

Figure 11: Changes in purchase premium



Management of the price risk related to aluminium stock price volatility

Timely supply of an adequate raw material to the Impol Group is one of the basic objectives of the purchase process. It impacts the production depending on the supply and the stock situation. In 2016, there existed two totally unrelated trends. In the first half of the year, we were searching for adequate resources, and because of a substantial amount of orders that was above the planned value, we were faced with raw material deficiency. While in the second half of the year the monthly production plans for Croatia were not attained because of the production-related problems. In addition, there was a general drop in orders in the rolling programme towards the end of the year. Impol Seval was not able to meet the production plans as well. The amount stocks at the end of the year thus exceeded the plans by 30%.

The rest of the purchase risks were managed in the best possible way which had a positive impact on the business performance of the Group.

Development and investment processes

R&D Activities

R&D activities at the Impol Group are organised in multiple layers. The parent company Impol 2000 develops the investment activities since it is a shareholder managing the Company's assets. It also coordinates development activities of the Group and heads the Company's registered research team. The group carries out research assignments that are awarded to the company through tenders. Applied development is carried out at Impol LLT, Impol FT, Impol Seval, Impol PCP and Impol R in R, whereas the Technological Development Department of the parent company Impol 2000 d.d. manages coordination, it assists in the formulation of appropriate assignments and supervises the implementation of applied assignments.

In 2016, 31 research-development assignments in the field of applied development and 8 research-development assignments in the field of technological development were completed. They generated a total of EUR 1.7 million of economic gain.

36 new technologies were developed and successfully introduced into production processes. 5 new alloys were developed and the properties of 9 existing alloys were improved. 17 new products were developed and successfully launched on the market.

In the past year we successfully applied for funding and carried out the MARTINA project.

In October 2016, we organised the 12th research symposium where Impol's researchers presented their achievements. We also learned about the examples of good practice in other Slovene companies.

Investment Activity

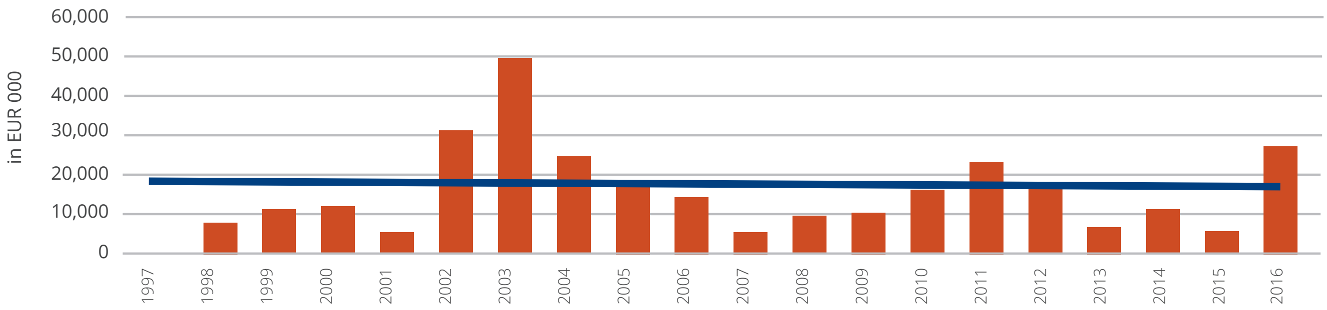
In 2016, the modernization of foundry and hot-rolling capacities continued and a project to increase the homogenization and forging capacities started.

The table below presents the investments into short-term assets that remained at the same level as they were in 2015 with a decrease in cash and cash equivalents and increase in inventory investments.

Table 19: Volume of investments (in EUR million)

	2010	2011	2012	2013	2014	2015	2016
Investment in acquisition of shares / stakes		0.1	0.1				
Investment in fixed assets	20	18.7	18.6	12.7	14.0	12.0	31.0
Investment in short-term assets	20.6	-0.6	5.6	-10	25.5	40.8	0.8
Total	40.6	18.2	24.3	2.7	29.5	52.8	31.8

Figure 12: Volume of investment in fixed assets



- The renovation of foundry capacities continued and the project aimed at increasing the homogenization capacities was concluded.
- A new line was set up for the production of forgings.
- A new ultrasound machine was purchased to be used in the extrusion programme.
- A hot re-rolling mill in Serbia was upgraded.
- An investment was made in the upgrading of a cold re-rolling mill in Slovenia for the production of rolled products.
- We purchased a company Impol ulaganja d.o.o. in Croatia.

Financing and Dividend Policy

In 2016, the Impol Group continued to consolidate the structure of its financing sources by financing 40% of total investments with equity. In comparison with the preceding year, the structure of its financing sources remained at the same level. The borrowing within the Group is mainly carried out through the companies Impol 2000 d.d. and Impol d.o.o., whereas through Impol Seval a.d. in Serbia.

Owing to the need to ensure adequate repayment of long-term and short-term loans taken out by all Group companies and to guarantee a higher share of equity as a source for the financing of investments in durable short-term assets, the Impol Group continues to maximise the use of profit for these purposes. Profit generated by Group companies is thus sufficiently concentrated and allocated to investments that yield the highest profits and feature the shortest repayment periods.

The share of financing of the Group outside the banking system represents 26% of total financial liabilities.

The company devotes special attention to the engagement of assets in short-term investments (inventories, receivables, cash, other) and their continuous optimisation so as to avoid problems that are difficult to manage such as a shortage of funds or reduced availability of said funds from external short-term financing sources.

Dividends are determined in accordance with the adopted long-term strategy.

Shareholders provide support to the company through the dividend policy and by approving the operating strategy and plans as they are aware that profit is to a great extent recognised as a future development cost only in the marketplace, which is why the dividend policy is formulated correspondingly.

All long-term investments were initiated solely on the basis of a prior decision of the Management Board.

No significant changes in the ownership structure within the General Meeting are expected in 2017. Establishment of a special reserve fund is not foreseen and the Group does not intend to intrude upon the ownership structure.


IMPOL-III

One does not discover new lands without consenting to lose sight of the shore.

Andre Gide

Risk management – we hold the reigns

Risk management

The exposure to various risks is regularly monitored in the Impol Group and measures to manage these risks are adopted accordingly. In the Impol Group, risk management is based on the principle that the risk assessment and management is the integral part of all business activities.

Active risk management is the primary responsibility of individual business areas which are responsible for the establishment of appropriate and effective internal controls and the implementation of business activities in accordance with prescribed restrictions and given strategic objectives.

The second level comprises of the Risk Management Committee. His tasks are to:
a) Determine the most important areas of risks in the Impol system, identify risks and draft proposals to decrease them and submit the proposals to the Management Board;
b) Address important business events and identify the most significant risks in advance and the measures to decrease;
c) Examine potential methods and procedures for risk minimisation, propose their use and monitor the implementation of measures aiming at risk reduction together with the assessment of the results of this process.
The third level is the Internal Audit which periodically reviews the effectiveness and reliability of the internal control environment in accordance with the regulatory requirements.

The Impol Group faces several risks within the scope of its business process. They were divided into:
- Business risks,
- Financial risks,
- Operational risks.

The risks are explained into details in the table below.

Table 20: Types of risks and their management through the application of special measures (business risks)

Area of risk	Risk description	Risk management method	Exposure
Market and price risks	Sales: • Market prices do follow the changes in purchase prices or they only adjust to the them with a lag long for several months. • Customer service – delays resulting from production stoppages, inadequately organised logistics cause excessive costs and delays. Purchasing: • Aluminium – unexpected events in the areas of prices and purchase premiums, exchange rate risk (negative exchange rate differences), unreliable supply sources and associated negative effects on production, liquidity gaps caused by the need to purchase large quantities all at once. • Energy products – unexpected increase in prices, shortage of readily available sources.	• Conclusion of contracts by determining sales premiums so that the changes in purchase premiums are translated in the sales premiums. • Continuous training for quality and full compliance with all the obligations. • Conclusion of contracts for longer, at least one year delivery periods. • Integration of suppliers as providers of funds. • Majority of energy is purchased for a period of at least two years in advance.	Moderate
Investment risks	• Increase in fixed costs and the resulting need to increase the volume of sales and the threat of an increase in losses. • Being late in mastering the technical-technological aspects of new investments, new markets; neglecting the costs resulting from the above. • Cash flow being too weak to ensure the return of invested assets. • Neglect investments into durable short-term assets and their subsequent financing with short-term sources of financing despite the investment definitely being a long-term one.	• When planning the required added value per employee, Impol starts from the finding that the said value must, in addition to meeting the requirements arising from short-term operations and the dividend-related expectations of the shareholders, also meet the need of investing no less than EUR 10 thousand in order to preserve the existing position of employment and that at least a total of EUR 1 million must be earmarked for all types of investments for each new position of employment taking into account the expected growth in the number of new positions of employment.	Moderate

Human resources	• Lack of mobility and the associated costs that are higher than it would be justified. • Inadequate assurance of knowledge retention. • Risk associated with the acquisition of key personnel. • Civil claims for damages.	• By introducing new IT applications, the company ensures the capture of a broader scope of employee knowledge and important data that are thus made available to a broader circle of employees, • working with the key personnel, • introduction of the governance standards, • establishment of Impol's management academy, • yearly interviews.	Moderate
Research and development	• Efficiency of development processes, provision of new products.	• Introduction of a comprehensive system of applicative and technological development, • Turning into a development supplier to customers.	Moderate
Environmental protection	• Discharges of hazardous substances.	• Constant monitoring of emissions, integration of devices to prevent or reduce risks.	Moderate

Table 21: Types of risks and their management through the application of special measures (financial risks)

Area of risk	Risk description	Risk management method	Exposure
Liquidity risks	• Lack of liquid assets required to settle operating and financing liabilities. • Risk of incurring loss owing to short-term insolvency. • Growth of the stock price of aluminium that leads to the risk of adequate financing of short-term assets. • Inadequate capital structure. • Inadequate net debt / EBITDA ratio	• Pre-agreed credit lines and drawing up of outflow and inflow plans.	Minor
Risk of a change in the prices of aluminium raw materials	• Aluminium is a raw material listed on the stock market and it price is subject to constant change. Customers seek to purchase products based on the prearranged price basis for aluminium.	• Hedging – forwards and futures contracts.	Moderate
Foreign exchange risks	• The threat of loss caused by unfavourable exchange rate fluctuations – this mainly applies to USD.	• Hedging by means of appropriate derivative financial instruments and the option of purchasing basic raw materials in the local currency.	Moderate
Interest rate risk	• Risk associated with changes in the terms and conditions of financing and borrowing.	• Monitoring of the ECB's and FED's policies, hedging by using appropriate derivative financial instruments – interest rate swaps, shifting from a fixed to a floating interest rate .	Moderate
Credit risk	• Risk of customer failure to settle their liabilities.	• Securing trade receivables -primarily receivables from foreign debtors - through Prva kreditna zavarovalnica and foreign insurance firms, monitoring of customer credit ratings, limiting maximum exposure to individual customers. Transactions with customers located in high-risk markets are only performed on the basis of advance payments or prime bank guarantees.	Moderate to high
Claims for damages and lawsuit risk	• Risk of claims for damages being filed by third parties as a result of loss events caused inadvertently by the company through its activities, possession of items and placement of products on the market.	• General liability and product liability insurance (mainly for the segment of the manufacture of products intended for the means of transport industry).	Low to moderate
Damage to property risk	• The threat of damage to property resulting from destructive natural forces, machinery breakdown, fire, etc.	• Conclusion of property insurance, machinery breakdown insurance, business interruption insurance, fire insurance and other specific insurance.	Moderate

Operational risk is the risk of incurring losses together with legal risk arising from:

1. Inadequate or incorrect implementation of internal procedures,
2. Other incorrect actions by the people belonging to the company's internal business area,
3. Inadequate or incorrect functioning of systems within the company's internal business area,
4. External events or acts.

This is why Impol constantly improves or adapts its organisational structure (this is why the governance system was changed in 2015 from a two-tier to a one-tier system) and also continuously improves the entire IT system in order to ensure that business events are monitored in real time.

Table 22: Types of risks and their management through the application of special measures (operational risks)

Area of risk	Risk description	Risk management method	Exposure
Risks in production	• Failure to manage technological processes (recurring problems and associated dissatisfaction of customers). • Excessive inventories – foreign exchange, cost, liquidity and other risks. • Equipment reliability – insurance costs, deductibles. • Bottlenecks – disruptive inventories, disrupted flow with logistical difficulties, failures to meet delivery deadline, etc.	• Planning of the entire supply chain and the provision of sufficient production capacities.	Moderate
Information technology risks	• Failure to manage internal controls. • Failure to ensure substitution of absent workers. • Multiple processing of the same data. • Disruptions in the production process due to disturbances in the field of information sources.	• Security measures, a plan for uninterrupted operation of information technology.	Moderate
Risks associated with employees	• Occurrence of accidents and injuries, unplanned absence.	• Measures in the field of risk assessment at the workplace, continuous education and training in the working environment, a system of replacement.	Moderate

Business risks

Market and price risks

The Impol Group products are sold to customers coming from 50 countries around the world. The key advantages of the Impol Group are quick response to changes in business condition and the provision of a wide range of products. We constantly monitor the changes in dealing in a metal listed on the LME, aluminium, as well as the changes in the formation of the purchase and sales prices of aluminium and we integrate them into our operations.

Investment risk

The risks arising from the implementation of investments are in particular the risks associated with investment planning in fixed assets in terms of their value, performance, schedules, and on the other hand, investments in the provision of permanent working capital caused by the investment in fixed assets. The risks associated with the investments in short-term assets are reduced by the establishment of adequate investment elaborates, economic assessment during the investment approval phase, establishment of contractor selection system, our own control during the investment implementation phase, adequate monitoring in the accounting and real-time analysis of the investment realisation. The risks associated with the investments in fixed assets are minimised on the basis of an adequate policy of obtaining and directing external sources of financing. These types of investments are thus financed by long-term assets, and we strive to finance a considerable portion of short-term assets with long-term sources of funding.

Risks associated with human resources

The education and training of our employees is planned and regularly monitored. Their responsibility at workplaces is strengthened by introducing a system of governance standards. The risks related to a lack of adequate professional labour force on the market is managed by our scholarship policy thus ensuring us to have future co-workers, by the development of key staff and by a directed governance policies including goals.

Risks associated with R&D

Impol's products are used in industries where exceptional quality and safety are required. Therefore, our procedures are constantly renewed through development tasks and research. We cooperate with our customers and development suppliers and in this way we prevent risks in technical and technological procedures.

Risks associated with environmental protection

Incidents such as fires, failure of energy supply, spilling or leaking of hazardous substances can have adverse effects on the environment. Preventive checks, equipment maintenance, training and education of the staff can reduce the probability of such events.

Financial Risk Management

Regarding the probability of occurrence and relevance, the financial risks of the Impol Group are ranked as high. We therefore attribute special attention to different risk categories. They are monitored and managed by the Finance and Business Administration Department, the Risk Management Department and all other relevant departments in Impol Group companies operating outside Slovenia.

Liquidity risks

Liquidity risk management enables the Impol Group to assess whether it is able to settle all short-term operating liabilities and whether it is generating sufficient cash flow to settle financing liabilities.

Floating weekly and monthly planning of cash flows allows us to establish the liquid asset requirements. Potential shortages of cash are covered by lines of credit provided by banks, whereas any short-term surpluses are invested into liquid short-term financial assets.

The Impol Group is able to settle all of its outstanding liabilities at any time. Successful business performance facilitates sustainable solvency and capital increase.

Risk of changes in aluminium prices

The risk of changes in aluminium prices constitutes the greatest risk for the the Impol Group operations alongside the sales market risk.

The Impol Group operates in line with the following principle. As soon as a sales agreement is concluded or a sales order is received that is concluded with reference to a specific aluminium raw material price on the LME, aluminium raw materials are secured either physically or by means of forward contracts at the same price as the one mentioned in the sales agreement or order.

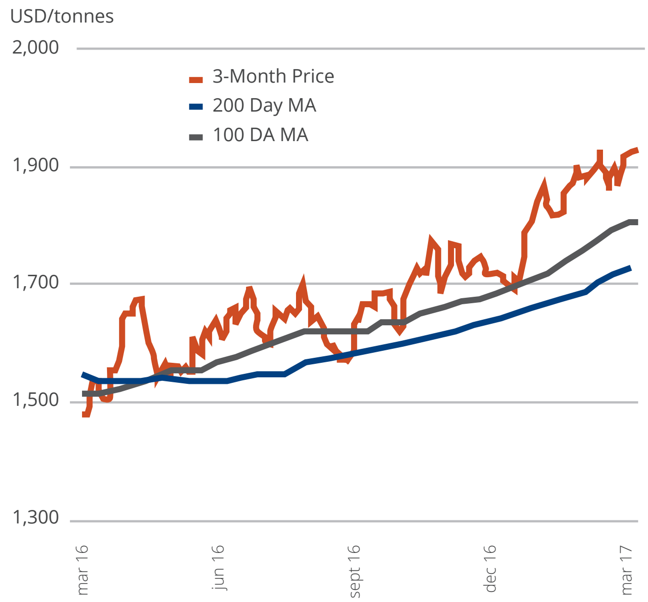
The methods for the inclusion of costs and inventory management are established accordingly.

Collateral is usually provided primarily by guaranteeing adequate actual raw material sources. Only the missing or excess amount is subject to forward purchases or sales on forward markets.

It is important to mention that the management of the price risk arising from changes in quoted aluminium prices is affected by completely random changes in aluminium prices on the stock exchange. Those prices nevertheless form the basis for establishing daily purchase and sales prices of aluminium and of Impol's aluminium products.

Changes in the prices of aluminium on the LME

Figure 13: Changes in the prices of aluminium on the LME



Given the large share of LME prices in the purchase and sales prices, the changes in quoted aluminium prices constitute one of the greatest risks faced by the Group in its operations. Already nine years ago the Company established The Futures Trading Department already and an IT system was developed in order to study sales and purchase agreements together from the point of view of LME prices and automatically link all "back-to-back" transactions. The established difference in prices constitutes the daily risk on the physical market that is hedged on the forward market with the help of brokers directly on the London Metal Exchange.

The fact is that Impol needs to operate with great flexibility on the market and offer all available pricing alternatives to its customers. In doing so we must make sure that the contractually agreed sales margin remains unchanged. In 2016, trading in LME prices was efficient, successful and profitable on the Group level, which we achieved through appropriate forward sales of all excess raw material inventories and by successfully closing these forward positions.

The continuity and stability of the hedging process are provided by continuously monitoring of the developments by a specialised department and by continuous control by the Risk Management Committee (RMC).

Foreign Exchange Risk

The majority of sales and purchasing are performed in the same currency, therefore changes in foreign exchange rates do not cause any problems.
However, the Group is exposed to such changes during two major activities, i.e. when it purchases the aluminium raw materials and when it takes out loans denominated in a currency that is different from the currency of the company's accounts.
A major part of raw materials imported by Impol from outside the European Union is purchased in USD, which represents an open FX position of Impol d.o.o.

Table 23: Values of key exchange rates in 2016 and 2015 according to the Bank of Slovenia exchange rates

Exchange rate EUR	Value as of 31/12/2015	Value as of 31/12/2016	% of change in value (2016 2015)	Minimum value in 2016	Maximum value in 2016	% of change between the minimum and maximum value	Average value in 2015	Average value in 2016	% of change between the average values (2016 / 2015)
USD	1.089	1.0541	-3.20%	1.0364	1.1569	11.63%	1.1095	1.1069	-0.23%
RSD	121.23	123.6	1.95%	121.67	124.55	2.37%	120.56	122.9	1.94%
HRK	7.638	7.5597	-1.03%	7.466	7.671	2.75%	7.6137	7.5333	-1.06%

In 2016, a certain part of open USD positions was hedged by Impol d.o.o. in line with the foreign exchange risk management policy by using derivative financial instruments, while the remaining part was left unsecured. Open positions were hedged by simple derivative instruments, such as forward contracts.

There are also foreign exchange risks in Serbia related to the EUR/RSD exchange rate and in Croatia related to the EUR/HRK exchange rate.

The Group adopted a measure to reduce the impact of exchange differences on the operating profit in the Serbian and Croatian part of the Group and to minimise the need for financing a substantial share of raw materials. A large part of the sales in the European Union is thus organised through Impol d.o.o. The later provides aluminium to be processed and in this way eliminates the risk of major foreign exchange differences.

Interest Rate Risk

At the end of the year, the Impol Group had long-term loans tied to EURIBOR reference interest rate. The Impol Group has 47% of long-term financial liabilities with a fixed interest rate. EURIBOR still remains at a historically low level.

Table 24: Values of the interest rate - EURIBOR in 2016 and 2015

EURIBOR	Value as of 31/12/2016	Value as of 31/12/2015	Change in the interest rate expressed in percentage points (31/12/2015 – 31/12/2016)	Minimum value in 2016	Maximum value in 2016	Change between the minimum and maximum value in percentage points	Average value in 2016	Average value in 2015	Change in the average interest rate in percentage points (2016–2015)
6-month in %	-0.221	-0.042	0.179	-0.221	-0.041	0.180	-0.165	0.053	0.218
3-month in %	-0.319	-0.132	0.187	-0.319	-0.132	0.187	-0.265	0.047	0.312
1-month in %	-0.366	-0.202	0.164	-0.374	-0.210	0.164	-0.338	-0.072	0.266

Total interest rate at which the Impol Group was borrowing was lower than in 2015.

Credit Risk

The credit control process includes customer credit rating which is carried out regularly together with a selected insurance company and foreign insurance firms by using our customer solvency monitoring system. The majority of the Group customers are insured, in particular the large ones. The Group policy is that an individual customer should not exceed 7% of total sales.

The Impol Group keeps its credit exposure within acceptable limits given the strained conditions on the market by regularly monitoring open and past due trade receivables, the ageing structure of receivables and average payment deadlines. In 2016, the Group managed to reduce trade receivables compared to 2015. It managed to do that because of the fall in aluminium prices on the stock exchange which serve as the basis for the sales price formulation and because of the advanced information system for managing individual trade receivables. In 2016, adjustments of trade receivables amounted to EUR 5.4 million. The amount of the compensations received was EUR 0.3 million.

Risks of Claims for Damages, Lawsuits and Damage to Property

The objective of the Impol Group is to have an ensured financial compensation for the damage to property and for the profit lost because of a business interruption. The Group also wants to insured against third-party claims for damages. In terms of insurance, the entire Group implements a uniform approach. Fire safety is provided by technical protection, implementation of preventive technical tasks and training of the employees.
Equipment insurance is taken out on the basis of the equipment book value. The same approach is used for the machinery breakdown insurance. The insurance sum in business interruption insurance is calculated by adding labour costs and depreciation.

As regards insurance of products transported from Impol to the customer, Impol concluded agreements with transport providers that oblige them to conclude their own damage liability insurance.

Impol is aware of its potential liability in the event of any potential damage resulting from the sales of its products on the market and has therefore adjusted its product liability and product recall insurance accordingly. Product liability insurance has been concluded for the rods, tubes and profiles programme used in automotive industry.

Impol has also insured general liability for damage to third parties caused inadvertently by its operations or possession of items. Technical expertise tasks (equipment verification, statutory monitoring, employee trainings etc.)are carried out by the Occupational Health and Safety Service.

Risks in Production

Impol regularly follows technological development trends and includes them in its operations as soon as possible within its possibilities. The development departments are therefore organised within individual production programmes which

enables them to quickly apply new trends.

Information Technology Risks

All databases exchanged between different applications are monitored through a common database (IT backbone). The IT system is managed at the operational transactional level with a highly advanced hardware providing sufficient capacities and performance. Key components are duplicated and redundantly connected. Applied solutions are compatible with the IT infrastructure and standards.

Impol stores data on a daily basis (backup of all databases) by introducing data protection policies and the associated management processes. The Company strives to minimise risks and therefore uses consolidated data infrastructure, separated solutions to protect data from the rest of the infrastructure, two location-independent copies of protected data and the support for the stored copy of the data.

Internal Audit

There are two Internal Audit departments within the Impol Group.

An Internal Audit Department operates within the parent company and provides assistance to the Management and Supervisory Boards in the decision-making process so as to minimise risks. The Internal Audit Department operates in line with the plan defined by the Management Board and in compliance with prompt resolutions adopted by the Management Board in respect of the department's engagement in the process for the resolution of problems. In 2016, the Internal Audit Department was engaged in 69 projects and issued 126 proposals for improvement. In its proposals it specified shortcomings and drew up plans to resolve problems or presented direct solutions. It prepared relevant draft decisions to be adopted by the responsible bodies.

The Internal Audit Department reported on its work to the Management Board and two executive directors on monthly basis. The Department operates within the scope of the entire Impol Group.

According to the Serbian legislation, the Serbian part of the Group must appoint a special internal auditor to monitor the legality and efficiency of operations. Therefore a special Internal Audit Department was established at the subsidiary Impol Seval a.d.

The Internal Audit Department functions in line with the operating standards and generally accepted guidelines.

The Department was granted additional training and is therefore qualified to perform certain controlling tasks. In this way it ensures immediate and high-quality implementation of the findings of internal audits. This has a direct impact on the reduction of operating costs and improves operating results.

> Creating a successful and stable business environment and building a better world are not mutually exclusive. Both are a key ingredient for long-term success.
>
> *Bill Ford*

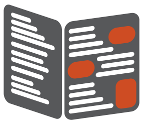
Sustainable development – is our motto

Sustainable development

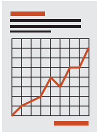
Key indicators

Our achievements in 2016 ...

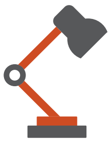
Figure 14: Key sustainable development indicators



... Following the new system arrangements, the number of the **employees' useful proposals** in the Slovenian part of the Impol Group has grown from 178 to **433**.



... **Governance standards** are introduced at the level of all management functions.



... **Control of individual lines is implemented in 80% of the processes**. It facilitates systematic identification of risks and the implementation of preventive measures.

... According to the survey on the organisational atmosphere, **93% of the employees are proud to be a part of the Impol Group.**

Commitment to sustainable development

We are committed to the establishment of sound working conditions for our employees, the preservation of their health and safety, the establishment of a fair relationship with our co-workers, and to the promotion of motivation and willingness to work.

We strive to minimise negative impact on the environment and to promote coexistence with nature.

We operate in a transparent and fair way in compliance with high moral and ethical standards. We act in accordance with the Impol Code of Business Conduct (available at: http://www.impol.si/files/default/ certifikati/Kodeks_splet.pdf) that defines our values, method of work, the Company's expectations vis-à-vis employees and the rules of cooperation between the companies in the Impol Group.

Since we are integrated in the local environment, we continuously foster care for coexistence with the local inhabitants, accelerate the development of social activities and contribute to a better quality of life.

Table 25: Our responsibilities

Our responsibility towards ...		2016	2025
... the employees	Salary	• Higher than the average wage in Slovenia and the average wage in the industry sector. • All employees received a 13th month pay. • The employees receives a Christmas bonus at the end of the year in the amount of net EUR 500.	• • Higher than the average wage in Slovenia and the average wage in the industry sector. • • The employees entitled to a 13th month pay and Christmas bonus provided that the goals are met.
	Health and safety	• 39 industrial accidents in Slovenia • 21 industrial accidents in Serbia	• Zero accidents
	Loyalty	• Employee turnover at the Impol Group is 3.86% (total) and 0.66% (due to voluntary termination of work contracts / dismissals).	• Employee turnover is 4%.
	Knowledge and understanding	• An employee underwent 13.8 hours of training per year on average. • Employees submitted 439 useful proposals.	• An employee undergoes 25 hours of training per year on average and the management receives 40 hours of training per year. • Each employee submits at least one useful proposal per year.
	Self-actualization	• 10% of employees receive an annual feedback assessment of progress.	• 75% of employees receive an annual feedback assessment of progress.
... nature	Recycling	• Separate waste collection has been introduced at all levels at the Impol Group. • Regular monitoring and planning of waste generation.	• Ensured processing of 98% of the generated waste.
	Efficient energy use	• The consumption of natural gas amounted to 127,71 Sm^3/t. • The consumption of process water amounted to 1,48 m^3/t.	• Renovated energy infrastructure providing the lowest possible loss rates. • Introduction of energy management and an energy supervision system. • Introduction of BAT techniques to maintain low specific use of energy products and process water, achieved with projects implemented in previous years.
	Emission reduction	• CO_2 emissions amounted to 31,514 tonnes.	• Further projects for the reduction of natural gas consumption by replacing plants with more advanced and efficient ones. • Introduction of the use of waste heat.
... the local environment	Noise reduction	• Regular implementation of activities for the reduction of noise.	• No complaints over the noise from local residents.
	Local community development	• The biggest and most successful employer in the region.	• The biggest and most successful employer in the region Active participation in the promotion of entrepreneurship in the region.

Responsibility towards the employees

Our almost 200-year long tradition is based on a fair attitude towards employees that gave rise to the growth and development of the Impol Group. The Impol Group focuses on satisfying all common needs of the employees, and their satisfaction is shown by numerous indicators.

A programme for the sustainable development of employees is based on the needs pyramid (Maslow) and aims to comprehensively develop employees' potentials.

Activities of the Impol Group

Fair payment

- Employees in Slovenia and Serbia earn wages that are above the average in the industry sector and above the national average.
- Employees receive the maximum permissible holiday pay.
- As the business objectives were attained, employees were entitled to a 13th month pay.
- Employees received a Christmas bonus.

Table 26: Average wage of the employees

	Gross net wage in 2016 in the Impol Group companies	National average wage
Slovenia	2,059.63 EUR	1,584.66 EUR
Serbia	820,00 EUR	508,00 EUR
Croatia	1,076.50 EUR	1,029.16 EUR

Health and safety

- The occupational health and safety system is continuously being improved.
- We have a system of line controls in place.
- We are improving working conditions.
- Training in the field of safety and health at work was renewed.
- We take part in national projects aimed at the reduction of sick leave absences and the reduction of industrial accidents.
- The Impol Health Promotion Society has been established to help improve the quality of life of our employees.
- The company pays for the supplementary pension insurance of its employees. The savings scheme includes all employees who also pay an insurance premium on an individual basis. The monthly premium paid individual Impol Group Impol companies per employee amounts to EUR 25.04 or to EUR 34.95 depending on an individual's own input.

Loyalty

- Every year, events are organised to promote loyalty and sense of belonging of the Impol Group employees.
- Employees receive awards for 10, 20, 30 or 40 years of service at the Impol Group in Slovenia and for 10, 20, 30 and 35 years of service at Impol Seval (Serbia). A similar programme will be established in Croatia as well.
- Internal magazines Metalurg (in Slovenia) and Seval (in Serbia) are regularly published so as to promote the culture of belonging and mutual respect. A magazine Metalurgov poročevalec is published in Croatia.
- There is a PTDSI operating within the Impol Group composed of members elected by the employees. Its task is to elect a worker-director.

Knowledge and understanding

- We develop the competences of managers and expect them to have maintain positive relations with co-workers. These relations were defined by the governance standards that apply to all managers within the Impol Group.
- We support the development of competencies of all key Impol Group employees.
- Our employees are provided with education and training in accordance with the needs of the Impol Group.

Self-actualization

- A system for the rewarding of innovation and useful proposals has been set up.
- Employees are engaged in project teams and provided with opportunities to prove their abilities.

Statistical Data on the Employees

Table 27: Employees by Impol Group companies

Country	Company	2009	2010	2011	2012	2013	2014	2015	2016
Slovenia	Impol 2000 d.d.	34	33	32	32	32	33	41	41
	Impol d.o.o.	23	32	12	12	12	11	18	38
	Impol FT d.o.o.	282	285	296	295	276	290	294	282
	Impol PCP d.o.o.	344	336	374	422	382	455	451	449
	Impol LLT d.o.o.	93	92	101	101	101	133	138	135
	Impol R and R d.o.o.	24	23	23	26	24	32	34	33
	Impol Infrastruktura d.o.o.	25	25	26	26	27	24	23	24
	Stampal SB d.o.o.	33	32	33	37	37	41	41	50
	Rondal d.o.o.				53	55	60	61	65
	Impol Stanovanja d.o.o.	3	2	2	2	2	2	2	2
	Unidel d.o.o.	42	39	36	34	35	35	37	37
	Kadring d.o.o.	10	11	11	13	16	15	14	16
	- Work at the user's premises	54	97	97	59	119	0	0	0
	- Work at the user's premises	3	23	9	10	10	0	0	0
	Impol Servis d.o.o.	7	7	7	7	7	7	7	7
	Impol-Montal d.o.o.		1	1	1			0	0
	Total Slovenian companies	**974**	**1,015**	**1,051**	**1,104**	**1,125**	**1,138**	**1,161**	**1,179**
Serbia	Impol Seval a. d.	581	580	576	587	598	569	553	544
	Impol Seval PKC d.o.o.	11	12	11	11	11	12	12	85
	Impol Seval Tehnika d.o.o.	97	92	92	92	87	86	85	25
	Impol Seval Final d.o.o.	29	24	26	26	24	26	25	10
	Impol Seval President d.o.o.			10	10	10	9	9	12
	Total Serbian companies	**718**	**708**	**715**	**726**	**722**	**702**	**684**	**676**
Croatia	Impol-TLM d.o.o.	0	0	0	0	0	0	0	342
	Impol ulaganja d.o.o.	0	0	0	0	0	0	0	0
USA	Impol Aluminum Corporation	3	3	3	3	3	3	3	3
Hungary	Impol Hungary Kft.					2	2	2	2
Impol Group	**Total number of employees**	**1,695**	**1,726**	**1,769**	**1,833**	**1,852**	**1,845**	**1,850**	**2,202**

Table 28: Staff turnover at the Group

	Arrivals		Departures		% of total turnover		% of turnover due to consensual termination of a work contract	
	2015	2016	2015	2016	2015	2016	2015	2016
Slovenia	64	56	41	38	3.53%	3.22%	0.69%	0.59%
Serbia	3	11	21	19	3.03%	2.93%	0.29%	0.29%
Croatia	0	342	0	28	0	8.19%	5	1.46%
USA	0	0	0	0	0	0	0	0
Hungary	0	0	0	0	0	0	0	0
Impol Group	**67**	**409**	**62**	**85**	**3.35%**	**3.86%**	**0.49%**	**0.66%**

Table 29: Employee gender structure at the Impol Group

	USA	Hungary	Slovenia	Serbia	Croatia	Impol Group
Men	2 (66%)	0	978 (83%)	536 (79%)	299 (87%)	1,815 (82%)
Women	1 (34%)	2 (100%)	201 (17%)	140 (21%)	43 (13%)	387 (18%)
Total	**3**	**2**	**1,179**	**676**	**342**	**2,202**

Table 30: Age structure of the employees

	Under 25 years	26 to 35 years	36 to 45 years	46 to 55 years	Over 55 years	General age
Slovenia	6%	25%	28%	34%	7%	42.40
Serbia	4%	22%	14%	30%	30%	46.61
Croatia	6%	12%	24%	40%	18%	46.09

Table 31: Education and qualification structure

	PhD	MSc	University	Higher education	College	Second-ary edu-cation	Qualified	Semi-qualified	Non-qualified
Slovenia	0.3%	0.9%	7.1%	7.0%	6.4%	33.0%	34.6%	6.0%	4.7%
Serbia	0%	0%	12.3%	0.0%	2.0%	38.3%	39.1%	5.9%	2.4%
Croatia	0%	0%	10.8%	0%	4.4%	51.2%	16.1%	15.2%	2.3%
Total	**0.2%**	**0.5%**	**9.3%**	**5.1%**	**4.0%**	**36.9%**	**33.1%**	**7.4%**	**3.6%**

Table 32: % of employees under special protection and the disabled

	% of the employees under special protection (age)	% of the disabled
Slovenia	11.5%	6.1%
Serbia	0%	10.8%
Croatia	0%	1.75%

Table 33: Utilisation of working time

	Utilisation of working time	% absence due to sickness, chargeable to the Company
Slovenia	80.59%	2.97%
Serbia	82.52%	3.54%
Croatia	86.10%	1.32%

Table 34: Training and education of the employees

	Slovenia	Serbia	Croatia	Impol Group
Number of hours of training per employee	12 hours	19 hours	10 hours	13.8 hours
Costs of training per employee	EUR 150	EUR 30	EUR 22	EUR 93
Number of employees who are part-time students	4	0	0	4
Number of beneficiaries of grants	9	5	0	14

Further Guidelines in the Field of Human Resources for 2017

Planned activities:

- Renovation of the Personnel and Information System and involvement of all Impol Group companies within the System.
- Development of competences of all key employees of the Impol Group.
- Introduction of line control in all production processes.
- Drawing up of a manual for the employees.
- Transfer of good practices to various locations within the Impol Group.

Responsibility towards nature

Environmental Management Programme and New Objectives

Our lasting commitment to environmental protection is reflected in the efficient implementation of environmental programmes aimed at the mitigation of negative impacts on the environment. We try to protect the environment by preventing the pollution of the Bistrica stream, reducing the emissions into the atmosphere as well as by using hazardous substances in a limited, controlled and prudent way, by using alternative energy sources and by contributing to global energy efficiency. All this is possible because we are using and processing our own and external sources of secondary aluminium.

Investments in Environmental Protection

We planned out investments within the Environmental Management Programme.

The most important project in 2016 was the upgrading of the air treatment plant in the company Impol LLT. It was included in a network together with plants from the foundry within the Rondal company. We were given an environmental permit to implement those changes.

Main goals and projects

We plan to implement environmental projects on a larger scale that would be completed over a two-year period. The most important priorities are to:

- Ensure comprehensive supply of cooling water for IC Impol. This includes the following activities: construction of a water storage pool B, establishment of a system for a central control over the use of process water, renovation of the asbestos pipeline for the supply of process water.
- Lower the amount of noise in the surroundings. Implementation of measures to reduce the generation of noise, anti-noise barriers for profile cooling fans.

Fire Protection

Fire protection activities and measures in Impol Group companies are aimed at the protection of the employees, assets, animals and the environment against fire and explosions. Special attention is paid to the implementation of preventive activities mostly in order to reduce the possibility of fire and to ensure safe evacuation of people and assets in the event of a fire outburst and to prevent the fire from spreading. Fire protection measures are observed in the designing of new facilities, as well as during reconstruction works, the use of facilities and the implementation of technological processes.

Responsibility towards the local environment

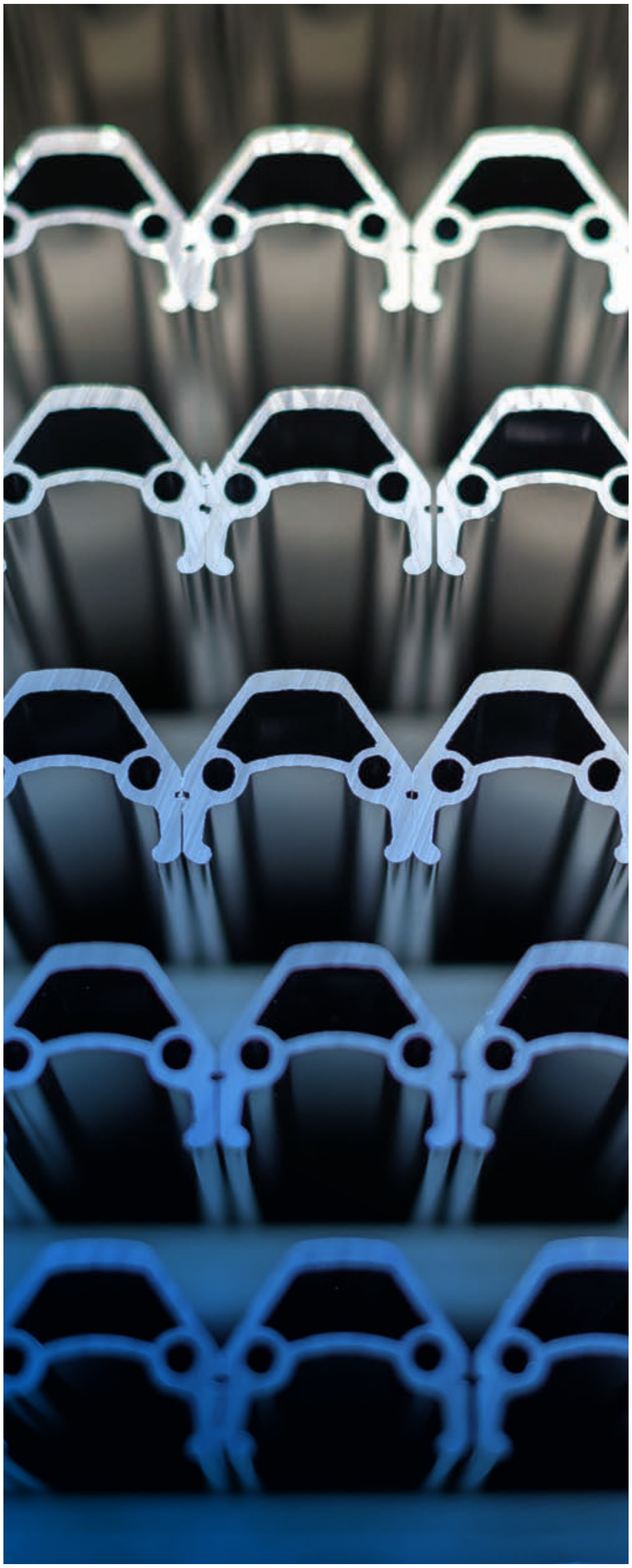
Impol wishes to make its operations as transparent as possible and for them to be carried out in synergy with other stakeholders in the local environment. The Impol Group is the largest employer and the most important company in the municipality of Slovenska Bistrica. It is the sixth largest exporting company in Slovenia. Whereas Impol Seval, together with its subsidiaries, is one of the most important exporting company in Serbia.

We contribute to the development of the local environment through numerous activities by:

- Supporting sports clubs, cultural and other societies from the local environment through sponsorships and donations in Slovenia and Serbia,
- Sponsoring important local events and we help with the organisation,
- Cooperating with local companies in the search for synergies,
- Trying to find new business opportunities and create new jobs.

Activities planned for 2017:

- We plan to further support high-potential sports clubs, cultural and other societies through sponsorship.
- We will continue raising the awareness among preschool and school children about the importance of recycling.
- We will continue our cooperation with the local media.
- We will further invest in the renovation of the Bistriški vintgar gorge.



> Teamwork is what makes common people capable of uncommon results.
>
> *Pat Summitt*

Financial Report of the Impol Group for 2016

Executive Directors' Liability Declaration

The Executive Directors are responsible for preparing an Annual Report of the Impol Group that provides a true and fair view of the financial situation of the Impol Group as well as of its operating results for 2016.

Executive Directors hereby confirm to have diligently applied the appropriate accounting policies and that accounting estimates have been prepared following the principle of prudence and good management. The Executive Directors also confirm that the Financial Statements including notes are drawn up based on the assumption of future operations of the Company and in compliance with the legislation in force and the International Financial Reporting Standards as adopted by the EU.

The Executive Directors are responsible for proper accounting, adoption of appropriate measures for preservation of property, constant monitoring of other risks when conducting business and adoption and implementation of measures for minimization of such risks, and prevention and detection of fraud and other irregular or illegal activities.

Edvard Slaček
(Chief Executive Officer)

Irena Šela
(Executive Director of Finance)

Slovenska Bistrica, 13 April 2017

Management Boards' Liability Declaration

The Management Board confirms consolidated financial statements and financial statement of the company Impol 2000 d.d. for the year ending on 31 December 2016 and for the applied accounting guidelines. This Annual Report was adopted by the Company's Management Board at its session held on 25 April 2017.

Jernej Čokl
(President of the MB)

Vladimir Leskovar
(Vice President of the MB)

Janko Žerjav
(Member of the MB)

Milan Cerar
(Member of the MB)

Bojan Gril
(Member of the MB)

Slovenska Bistrica, 25 April 2017

Independent Auditor's Report for the Impol Group

AUDITOR
REVIZIJSKA DRUŽBA d.o.o. PTUJ

This is a translation of the original report in Slovene language

INDEPENDENT AUDITOR'S REPORT

To the shareholders of IMPOL 2000 d.d.,
Slovenska Bistrica,

Opinion

We have audited the consolidated financial statements of IMPOL 2000, d.d., Partizanska 38, Slovenska Bistrica, and its subsidiaries (hereinafter 'the IMPOL Group'), which comprise the consolidated balance sheet as at December 31, 2016, consolidated income statement, consolidated statement of other comprehensive income, consolidated statement of changes in equity and consolidated cash flow statement for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the IMPOL Group as at December 31, 2016, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Slovenia, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Business combinations

In March 2016, the IMPOL group acquired 100% controlling interest in the company IMPOL ULAGANJA d.o.o.. Details are provided in the financial part of the annual report of the IMPOL group under Note 19 Business combinations and acquisitions of minority interests.

Determining the purchase price of the business combination, evaluation of fair value of the assets and

Our audit procedures consisted of assessing the appropriateness of the determination of purchase price of the business combination in accordance with IFRS 3 Business Combinations, an assessment of the appropriateness of the measurement of fair value of acquired assets and liabilities, the assessment of the appropriateness and accuracy of allocating the purchase price of

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liabilities acquired and allocation of purchase price to the assets and liabilities acquired requires a high degree of management judgment and estimates, therefore we considered this matter to be a key audit matter.

the business combination to the assets and liabilities acquired and assessing the adequacy of disclosures in financial statements regarding the business combination in stake.

Regarding the valuation of fair value of real estate as a key element of the acquired assets in the acquired company, we assessed appropriateness of valuation approaches and methods used in determining the fair value by an independent appraiser of real estate, engaged as a management's expert, and the suitability of individual valuation assumptions used for given purposes in determining the fair value of real estate.

Other information

Management is responsible for other information. The other information comprises the business report, which is an integral part of the Annual report of the IMPOL Group and IMPOL 2000, d.d., but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover other information.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, assess whether the other information is materially inconsistent with the consolidated financial statements, legal requirements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. In addition, our responsibility is to report, based on the knowledge and understanding obtained in the audit, on whether the other information contains any material misstatements of fact. Based on the procedures we have performed on the other information obtained, we have nothing to report in this regard. Company's business report is consistent with the audited consolidated financial statements and prepared with law requirements, applicable in Slovenia.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs adopted by the European Union, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Audit committee and Management board are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit

AUDITOR
REVIZIJSKA DRUŽBA d.o.o. PTUJ

conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- *Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.*
- *Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the organization's internal control.*
- *Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.*
- *Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the organization's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the organization to cease to continue as a going concern.*
- *Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.*

We communicate with Management board and Audit committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide Management board and Audit committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with Management board and Audit committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Ptuj, April 21, 2017

AUDITOR
REVIZIJSKA DRUŽBA d.o.o. Ptuj
Murkova 4, Ptuj

Simon Pregl, univ. dipl. ekon.
Certified auditor

Simon Pregl

Consolidated Financial Statements of the Impol Group

The accounting policies and notes are an integral part of the financial statements presented below and should be read in conjunction with them.

Consolidated Income Statement

Table 35: Consolidated Income Statement for 2016 in EUR

Item			Note	2016	2015
1.		Net sales revenues	1	543,467,944	546,146,705
	a)	Net sales revenues from domestic market		34,669,369	34,947,271
	b)	Net sales revenues from abroad		508,798,575	511,199,434
2.		Change in the value of product inventories and unfinished production		-1,531,435	1,347,967
3.		Capitalised own products and services		569,725	247,960
4.		Other operating revenue (including revaluatory operating revenues)	1	6,239,657	4,099,165
5.		Costs of goods, materials and services	2	435,375,543	450,117,088
	a)	Cost of sold goods and materials, and costs of materials used		395,891,538	413,787,562
	b)	Costs of services		39,484,005	36,329,526
6.		Labour costs	2	54,221,164	46,412,251
	a)	Costs of wages and salaries		37,419,153	32,011,539
	b)	Social security costs (pension insurance costs disclosed separately)		8,859,164	7,612,872
	c)	Other labour costs		7,942,847	6,787,840
7.		Write-offs	2	15,556,185	20,770,680
	a)	Depreciation		15,335,390	15,116,688
	b)	Revaluatory operating expenses of intangible assets and tangible fixed assets		27,757	261,080
	c)	Revaluatory operating expenses of current assets		193,038	5,392,912
8.		Other operating expenses	2	2,076,432	1,275,768
9.		Financial revenues from participating interests	3	130,051	183,025
	a)	Financial revenues from participating interests in associated companies		28,149	31,083
	b)	Financial revenues from participating interests in other companies		42,061	32,702
	c)	Financial revenues from other investments		59,841	119,240
10.		Financial revenues from loans granted	3	32,286	11,720
	a)	Financial revenues from loans granted to others		32,286	11,720
11.		Financial revenues from operating receivables	3	4,328,615	2,053,289
	a)	Financial revenues from operating receivables due from others		4,328,615	2,053,289
12.		Finance expenses from impairments and write-offs of financial investments	3	0	105,066
13.		Finance expenses from financial liabilities	3	6,100,761	6,659,163
	a)	Finance expenses from loans from banks		3,284,120	5,253,653
	b)	Finance expenses from bonds issued		1,818,795	385,205
	c)	Finance expenses from other financial liabilities		997,846	1,020,305
14.		Finance expenses from operating liabilities	3	4,753,249	2,744,452
	a)	Finance expenses from trade creditors and bills of exchange payable		212,160	18,637

Item			Note	2016	2015
	b)	Finance expenses from other operating liabilities		4,541,089	2,725,815
15.		Income tax	4	4,151,951	2,975,456
16.		Deferred taxes	5	577,926	496,275
17.		Net profit or loss for the financial year		30,423,632	22,533,632
	a)	Of which profit/loss attributable to non-controlling interest		3,336,131	2,439,035
	b)	Profit/loss attributable to owners of the parent company		27,087,501	20,094,597

Second comprehensive consolidated income statement

Table 36: Consolidated statement of other comprehensive income in EUR

		Note	2016	2015
Net profit or loss for the financial year			30,423,632	22,533,632
Changes in the fair value of hedging against risk (interest rate swaps) (+ / -)		20	-144,597	-73,355
Gains or losses from the conversion of financial statements of companies abroad (impact of exchange rate changes) (+/-)		14	-614,806	33,708
Actuarial gains and losses from defined benefit plans (employee benefits) (+/-)		14	-327,671	-90,667
Other items of total comprehensive income (+/-)		5	41,411	0
Total comprehensive income in the financial year			29,377,969	22,403,318
•	of which total comprehensive income of non-controlling interest		3,151,583	2,405,170
•	of which total comprehensive income attributable to owners of the parent company		26,226,386	19,998,148

Consolidated balance sheet

Table 37: Consolidated balance sheet in EUR

					Note	31/12/2016	31/12/2015
A.				**Long-term assets**		**151,058,105**	**133,040,860**
	I.			Intangible assets and non-current deferred costs and accrued revenue	6	1,748,912	1,786,630
		1.		Long-term property rights		1,429,683	1,467,401
		2.		Goodwill		319,229	319,229
	II.			Tangible fixed assets	7	143,734,277	125,043,592
		1.		Land and buildings		49,372,773	36,795,864
			a)	Land		9,432,999	3,740,137
			b)	Buildings		39,939,774	33,055,727
		2.		Production equipment and machinery		72,602,957	72,068,086
		3.		Other machinery and equipment		3,850,617	3,599,838
		4.		Fixed assets being acquired		17,907,930	12,579,804
			a)	Tangible fixed assets under construction and manufacture		12,493,338	11,502,974
			b)	Advances to acquire tangible fixed assets		5,414,592	1,076,830

				Note	31/12/2016	31/12/2015
	III.			Investment property	8	1,787,917	3,696,605
	IV.			Long-term financial investments	9	2,874,714	1,554,417
		1.		Long-term financial investments, excluding loans		1,197,703	1,169,046
			a)	Shares and stakes in Group companies		684,766	656,633
			b)	Other shares and stakes		512,937	512,413
		2.		Long-term loans		1,677,011	385,371
			a)	Long-term loans to others		1,677,011	385,371
	V.			Long-term operating receivables		39,705	1,250
		1.		Long-term operating receivables from others		39,705	1,250
	VI.			Deferred tax receivables		872,580	958,366
B.				**Short-term assets**		**229,660,426**	**229,328,199**
	I.			Inventories	10	139,707,423	97,858,243
	II.			Material		117,265,075	72,182,684
		1.		Work in process		8,247,859	9,830,248
		2.		Products and merchandise		13,784,255	14,521,829
		3.		Advances for inventories		410,234	1,323,482
		4.		Short-term financial investments	11	7,680,427	6,179,902
	III.			Short-term financial investments, excluding loans		6,273,266	0
		1.		Other short-term financial investments		6,273,266	0
			a)	Short-term loans		1,407,161	6,179,902
		2.		Short-term loans to others		1,407,161	6,179,902
			a)	Short-term operating receivables	12	62,790,491	54,452,700
	III.			Short-term trade debtors		48,839,260	47,453,396
		1.		Short-term operating receivables from others		13,951,231	6,999,304
		2.		Monetary assets	13	19,482,085	70,837,354
	IV.			Short-term accrued costs and deferred revenue		394,802	109,974
C.				**TOTAL ASSETS**		**381,113,333**	**362,479,033**
				Equity	14	154,015,227	127,562,535
A.				**Minority equity**		**14,525,139**	**11,742,184**
	I.			Called-up capital		4,451,540	4,451,540
		1.		Share capital		4,451,540	4,451,540
	II.			Capital reserves		10,751,254	10,751,254
	III.			Revenue reserves		7,432,528	6,906,327
		1.		Reserves for own shares and own business shares		506,406	506,406
		2.		Own shares and own business shares (as a deductible item)		-506,406	-506,406
		3.		Statutory reserves		1,699,947	1,173,746
		4.		Other revenue reserves		5,732,581	5,732,581
	IV.			Reserves resulting from valuation at fair value		-593,451	-169,318
	V.			Revaluation adjustment of capital		-1,103,373	-670,221

				Note	31/12/2016	31/12/2015
	VI.		Net profit brought forward		91,990,290	74,934,946
	VII.		Net profit for the financial year		26,561,300	19,615,823
B.			**Provisions and long-term accrued expenses and deferred revenue**	**15**	**3,319,311**	**2,414,420**
		1.	Provision for pensions and similar obligations		2,646,567	1,752,717
		2.	Other provisions		1,251	1,251
		3.	Long-term accrued costs and deferred revenues		671,493	660,452
C.			**Long-term liabilities**	**16**	**110,561,759**	**117,899,807**
	I,		Long-term financial liabilities		108,570,941	116,274,737
		1.	Long-term financial liabilities to banks		69,981,389	75,616,919
		2.	Long-term financial liabilities from bonds payable		30,000,000	40,000,000
		3.	Other long-term financial liabilities		8,589,552	657,818
	II.		Long-term operating liabilities		237,830	294,767
		1.	Other long-term operating liabilities		237,830	294,767
	III.		Deferred tax liabilities		1,752,988	1,330,303
D.			**Short-term liabilities**	**17**	**111,615,175**	**113,687,948**
	I.		Liabilities included in the disposal group		0	0
	II.		Short-term financial liabilities		67,191,008	78,704,151
		1.	Short-term financial liabilities to banks		51,385,673	63,074,607
		2.	Short-term financial liabilities from bonds payable		10,000,000	10,000,000
		3.	Other short-term financial liabilities		5,805,335	5,629,544
	III.		Short-term operating liabilities		44,424,167	34,983,797
		1.	Short-term business liabilities to suppliers		33,178,976	26,711,391
		2.	Short-term operating liabilities from advance payments		1,588,225	1,834,256
		3.	Other short-term operating liabilities		9,656,966	6,438,150
E.			**Short-term accrued costs and deferred revenue**		**1,601,861**	**914,323**
			TOTAL LIABILITIES TO SOURCES OF ASSETS		381,113,333	362,479,033

Consolidated statement of changes in equity in 2016

Table 38: Consolidated statement of changes in equity in 2016 in EUR

		Called-up capital	Minority equity	Capital reserves	
		I	II	III	
		Share capital			Reserves for own shares and own business shares
		I	II	III	IV/1
A.1	**Balance at the end of the previous financial year as of 31/12/2015**	4,451,540	11,742,184	10,751,254	506,406
A.2	**Initial balance of the reporting period as of 01/01/2016**	4,451,540	11,742,184	10,751,254	506,406
B.1	**Changes in equity – transactions with owners**		-368,628		
	Purchase of non-controlling interest in Impol- TLM, d. o. o		34,731		
	Purchase of non-controlling interest in Kadring d.o.o.		-223,628		
	Disbursement of dividends		-179,731		
B.2	**Total comprehensive income in the financial year**		3,151,583		
	Entry of net profit/loss in the financial year		3,336,131		
	Change in reserves resulting from valuation of financial investments at fair value		-3,559		
	Gains and losses arising from the translation of financial statements of foreign operations (impact of changes in exchange rates) (+ / -)		-181,654		
	Actuarial gains/losses, recognised under reservations for retirement benefits		-354		
	Adjustment of reserves resulting from valuation of financial investments at fair value for deferred tax liabilities		1.019		
B.3	**Changes in equity**				
	Reallocation of a part of the net profit from the comparative financial year to other equity items				
C.	**Reallocation of a part of the net profit from the financial year to other equity items following decisions of the management and supervisory boards**				
D.	**Other changes in equity**				
E.	**Closing balance of the financial year as of 31/ 12/ 2016**	4,451,540	14,525,139	10,751,254	506,406

		Revenue reserves	Reserves resulting from valuation at fair value	Revaluation adjustment of capital	Net profit brought forward	Net profit for the financial year	Total EQUITY
		IV	V	VI	VII	VIII	IX
Own shares and own business shares (as a deductible item)	Statutory reserves	Other revenue reserves			Retained net profit	Net profit for the current year	TOTAL
IV/2	IV/3	IV/4	V	VI	EQUITY	VIII/1	IX
-506,406	**1,173,746**	**5,732,581**	**-169,318**	**-670,221**	**74,934,946**	**19,615,823**	**127,562,535**
-506,406	**1,173,746**	**5,732,581**	**-169,318**	**-670,221**	**74,934,946**	**19,615,823**	**127,562,535**
					-2,531,471		**-2,900,099**
					-1,234,731		-1,200,000
					91,628		-132,000
					-1,388,368		-1,568,099
			-427,963	**-433,152**		**27,087,501**	**29,377,969**
						27,087,501	30,423,632
			-141,038				-144,597
				-433,152			-614,806
			-327,317				-327,671
			40,392				41,411
	526,201		**3,830**		**19,586,815**	**-20,142,024**	**-25,178**
					19,615,823	-19,615,823	0
	526,201					**-526,201**	**0**
			3,830		**-29,008**		**-25,178**
-506,406	**1,699,947**	**5,732,581**	**-593,451**	**-1,103,373**	**91,990,290**	**26,561,300**	**154,015,227**

Table 39: Consolidated statement of changes in equity in 2015 in EUR

		Called-up capital	Minority equity	Capital reserves	
		I	II	III	
		Share capital			Reserves for own shares and own business shares
		I	II	III	IV/1
A.1	**Balance at the end of the previous financial year as of 31/ 12/ 2014**	**4,451,540**	**9,427,165**	**10,751,254**	**506,406**
A.2	**Initial balance of the reporting period as of 01/ 01/ 2015**	**4,451,540**	**9,427,165**	**10,751,254**	**506,406**
B.1	**Changes in equity – transactions with owners**		**-90,151**		
	Disbursement of dividends		-88,837		
	Disbursement of bonuses to the management and supervisory boards		-1,314		
B.2	**Total comprehensive income in the financial year**		**2,405,170**		
	Entry of net profit/loss in the financial year		2,439,035		
	Changes in the surplus from revaluation of investments		-1,805		
	Other items of the total comprehensive income in the financial year		-32,060		
B.3	**Changes in equity**				
	Reallocation of a part of the net profit from the comparative financial year to other equity items				
	Reallocation of a part of the net profit from the financial year to other equity items following decisions of the management and supervisory boards				
C.	**Closing balance of the financial year as of 31/ 12/ 2015**	**4,451,540**	**11,742,184**	**10,751,254**	**506,406**

		Revenue reserves	Reserves resulting from valuation at fair value	Revaluation adjustment of capital	Net profit brought forward	Net profit for the financial year	Total EQUITY
		IV	V	VI	VII	VIII	IX
Own shares and own business shares (as a deductible item)	Statutory reserves	Other revenue reserves			Retained net profit	Net profit for the current year	TOTAL
IV/2	IV/3	IV/4	V	VI	EQUITY	VIII/1	IX
-506,406	**694,972**	**5,732,581**	**-7,721**	**-735,989**	**63,914,120**	**11,949,216**	**106,177,138**
-506,406	**694,972**	**5,732,581**	**-7,721**	**-735,989**	**63,914,120**	**11,949,216**	**106,177,138**
					-927,770		**-1,017,921**
					-925,580		-1,014,417
					-2,190		-3,504
			-161,597	**65,768**	**-620**	**20,094,597**	**22,403,318**
						20,094,597	22,533,632
			-71,550				-73,355
			-90,047	65,768	-620		-56,959
	478,774				**11,949,216**	**-12,427,990**	**0**
					11,949,216	-11,949,216	0
	478,774					-478,774	0
-506,406	**1,173,746**	**5,732,581**	**-169,318**	**-670,221**	**74,934,946**	**19,615,823**	**127,562,535**

Consolidated cash flow statement

Table 40: Consolidated cash flow statement in EUR

Item			Note	2016	2015
A.		**Cash flows from operating activities**			
	a)	Profit & Loss Statement items		49,822,070	49,397,703
		Operating revenue (except from revaluation) and financial revenue from operating receivables	1	552,962,747	551,840,168
		Operating revenue excluding depreciation (except from revaluation) and finance expenses from operating liabilities	2	-498,410,800	-498,970,734
		Income tax and other taxes not included in operating expenses	4	-4,729,877	-3,471,731
	b)	Changes of net working assets (and accrued costs and deferred revenues, provisions and deferred tax receivables and liabilities) of the balance sheet operating items		-38,373,758	8,466,596
		Opening minus closing operating receivables	12	-8,557,741	6,982,314
		Opening minus closing deferred costs and accrued revenue		-284,828	983,183
		Opening minus closing deferred tax receivables	5	127,197	302,700
		Opening minus closing assets (groups for disposal) for sale		0	1,226
		Opening minus closing inventory	10	-41,854,520	11,053,048
		Closing minus opening operating debts	17	10,104,653	-12,089,661
		Closing minus opening accrued costs and deferred revenues and provisions		1,668,796	1,047,219
		Closing minus opening deferred tax liabilities	5	422,685	186,567
	c)	Net cash flows from operations or net cash flows applied to operations (a + b)		11,448,312	57,864,299
B.		**Cash flows from investing activities**			
	a)	Cash receipts from investing activities		14,806,992	7,201,119
		Cash receipts from interest and participation in profit of others relating to investing activities	3	15,751	44,906
		Cash receipts from the disposal of tangible fixed assets	1	406,559	1,550,860
		Cash receipts from the disposal of long-term financial investments	3	75,059	144,345
		Cash receipts from the disposal of short-term financial investments	3	14,309,623	5,461,008
	b)	Cash disbursements from investing activities		-50,177,724	-24,247,279
		Cash disbursements for the acquisition of intangible assets	6	-593,524	-216,143
		Cash disbursements for the acquisition of tangible fixed assets	7	-32,475,162	-12,665,274
		Cash disbursements for the acquisition of investment property		-49,870	0
		Cash disbursements for the acquisition of long-term financial investments	9	-1,411,136	-266,834
		Cash disbursements for the acquisition of short-term financial investments	11	-15,648,032	-11,099,028
	c)	Net cash from investment activities or net outflows from investment activities (a + b)		-35,370,732	-17,046,160
C.		**Cash flows from financing activities**			
	a)	Cash receipts from financing activities		63,593,360	145,445,237
		Cash receipts from the increase of long-term financial liabilities	16	30,979,016	98,937,787
		Cash receipts from the increase of short-term financial liabilities	17	32,614,344	46,507,450
	b)	Cash disbursements from financing activities		-91,026,209	-127,921,231
		Cash disbursements for given interests from financing activities	3	-6,277,015	-6,600,195
		Cash disbursements for the repayment of equity		-1,332,000	0
		Cash repayments of long-term financial liabilities	16	-1,072,285	-6,334,025

Item			Note	2016	2015
		Cash repayments of short-term financial liabilities	17	-80,776,810	-113,969,090
		Cash repayments of dividends and other profit shares paid	14	-1,568,099	-1,017,921
	c)	Net cash from financing activities or net outflows from financing activities (a + b)		-27,432,849	17,524,006
D.		**Monetary assets at the end of the period**		**19,482,085**	**70,837,354**
	a)	Net cash flow for the period		-51,355,269	58,342,145
	b)	Monetary assets at the beginning of the period		70,837,354	12,495,209

Notes to the financial statements

Parent company

In compliance with the Companies Act, Impol 2000 d.d., having its head office in Slovenska Bistrica, Partizanska 38, and being a large public limited company, is obliged to have its operations audited. The Company is classified under the activity code 70.100 – management of companies. The share capital of the Company amounted to EUR 4,451,540 and was divided into 1,066,767 ordinary registered no-par value shares. The shares are held by 942 shareholders.

The consolidated financial statements for the financial year that ended on 31 December 2016 are presented hereafter. The consolidated financial statements include the company Impol 2000 d.d. and its subsidiaries and participations in associates.

Introductory note on reporting standards

For the financial year 2015, the Impol Group for the first time prepared its financial statement in accordance with the International Financial Reporting Standards as they were adopted by the European Union. The transition to the first application of IFRS was presented in the 2015 annual report.

Statement of compliance with IFRS

The Management Board confirmed the financial statements and the consolidated financial statements on 25 April 2017.

The 2016 financial statements of the company Impol 2000 d.d. and the consolidated financial statements of the group were drawn up in accordance with the International Financial Reporting Standards (IFRS), as they were adopted by the European Union, including the notes that were adopted by the International Financial Reporting Interpretations Committee (IFRIC) and that were also adopted by the European Union, and in accordance with the Slovenian Companies Act (ZGD-1).

At the balance sheet date, regarding the standard-setting process in the European Union and the financial reporting guidelines of the company Impol 2000 d.d. and the Impol Group, there are no differences between the IFRS used and the IFRS adopted by the European Union.

The financial statements have been drawn up on the basis of the going concern assumption. The applied accounting policies remain the same as in previous years.

a) Amendment in the existing accounting standards applicable for the current accounting period

The following amendments in the existing accounting standards and the new notes, issued by the International Accounting Standards Board and adopted by the European Union, apply for the current accounting period:

- Amendments to IAS 1 Financial Statement Presentation – Disclosure Initiative, adopted by the EU on December 18, 2015 (effective for annual periods beginning on or after January 1, 2016);
- Amendments to IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets – Methods of Acceptable Amortisation and Depreciation, adopted by the EU on December 2, 2015 (effective for annual periods beginning on or after January 1, 2016);
- Amendments to IAS 16 Property, Plant and Equipment and IAS 41 Agriculture – Agriculture: Bearer Plants, adopted by the EU on November 23, 2015 (effective for annual periods beginning on or after January 1, 2016);
- Amendments to IAS 19 Employee benefits – Defined Benefit Plans: Employee Contributions, adopted by the EU on December 17, 2014 (effective for annual periods beginning on or after February 1, 2015);
- Amendments to IAS 27 Separate Financial Statement – Equity Method in Separate Financial Statements, adopted by the EU on December 18, 2015 (effective for annual periods beginning on or after January 1, 2016);
- Amendments to IFRS 10 Consolidated Financial Statements, IFRS 12 Disclosure of Interests in Other Entities and IAS 28 Investments in Associates and Joint Ventures – Investment Entities: Applying the Consolidation Exception, adopted by EU on September 22, 2016 (effective for annual periods beginning on or after January 1, 2016);
- Amendments to IFRS 11 Joint Arrangements – Accounting for shares in joint operations, adopted by the EU on November 24, 2015 (effective for annual

periods beginning on or after January 1, 2016);
- Amendments to various standards Improvements to IFRSs (period 2010 to 2012) resulting from the annual improvements project of IFRS (IFRS 2, IFRS 3, IFRS 8, IFRS 13, IAS 16, IAS 24 and IAS MRS 38) primarily with a view to removing inconsistencies and clarifying wording, adopted by the EU on December 17, 2014 (effective for annual periods beginning on or after February 1, 2015);
- Amendments to various standards Improvements to IFRSs (period 2012 to 2014) resulting from the annual improvement project of IFRS (IFRS 5, IFRS 7, IAS 19, and IAS 34) primarily with a view to removing inconsistencies and clarifying wording , adopted by the EU on December 15, 2015 (effective for annual periods beginning on or after February 1, 2016);

The adoption of these amendments to the existing standards did not result in significant changes in the consolidated financial statements of the Impol Group.

b) Standards and amendments to existing standards issued by the International Financial Reporting Standards and adopted by the European Union, but not yet applied

The standards adopted by the EU and notes, but not yet applied up to the date of the consolidated financial statements, are presented hereafter. The Group intends to take these standards and notes into account in drawing up financial statements after their implementation. The Group did not adopt any of the standards specified below before the commencement of their application.

IFRS 9 Financial Instruments, adopted by the EU on November 2016 (effective for annual periods beginning on or after January, 2018);
IFRS 15 Revenue from Contracts with Customers: The new standard replaces all existing requirements of IFRS relating to revenue recognition. Complete applicability of the new standards applies to previous annual periods, whilst the adjusted form of the standard shall apply for annual periods beginning on or after January 1, 2018. Earlier application of the standard is permitted.

The Group decided that it shall not adopt or apply these standards, adjustments or notes before they come into effect. The Group assumes that the introduction of these new standards and amendments in the initial phase of application shall not significantly affect its consolidated financial statements.

c) New standards, standard amendments and notes not yet adopted by the EU

Currently, the IFRSs, as adopted by the EU, do not considerably differ from those adopted by the International Accounting Standards Board with the exception of the following new standards, amendments to the existing standards and new interpretations which were not approved for use in the EU at the time of drawing up or approval of financial statements:
- Amendments to IAS 7 Statement of Cash Flows – Disclosure Initiative (effective for annual periods beginning on or after January 1, 2017);
- Amendments to IAS 12 Income Taxes – Recognition of Deferred Tax Assets for Unrealised Losses (effective for annual periods beginning on or after January 1, 2017);
- Amendments to IAS 40 Investment Properties – Transfer of Investment Property (effective for annual periods beginning on or after January 1, 2018);
- Amendments to IFRS 2 Share-based Payment – Classification and measurement of share-based payment transactions (effective for annual periods beginning on or after January 1, 2018);
- Amendments to IFRS 4 Insurance contracts – Application of IFRS 9 Financial Instruments in conjunction with IFRS 4 Insurance contracts (effective for annual periods beginning on or after January 1, 2018 or at the time of first application of IFRS 9 Financial Instruments);
- Amendments to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associated and Joint Ventures – Sale or contribution of Assets between an Investor and its Associate or Joint Venture and further amendments (effective date was deferred indefinitely until the research project on the equity method has been concluded);
- IFRS 14 Regulatory deferral Accounts (effective for annual periods beginning on or after January 1, 2016) – the European Commission has decided not to launch the endorsement process of this interim standard and to wait for the final standard;
- Amendments to IFRS 15 Revenue from Contracts with Customers – Notes to IFRS 15 Revenue from Contracts with Customers (effective for annual periods beginning on or after January 1, 2018);
- IFRS 16 Leases (effective for annual periods beginning on or after January 1, 2019);
- Amendments to various standards Improvements of IFRS (period 2014 to 2016) resulting from the annual improvement project of IFRS (IFRS 1, IFRS 12 and IAS 28) primarily with a view to removing inconsistencies and clarifying wording (amendments to IFRS 12 are effective for annual periods beginning on or after January 1, 2017, amendments to IFRS 1 and IAS 28 are effective for annual periods beginning on or after January 1, 2018);
- IFRIC 22 Foreign Currency Transactions and Advance Consideration (effective for annual periods beginning on or after January 1, 2018).

Impol 2000 d.d. estimates the potential impact of these amendments on its separate financial statements. Despite the above-mentioned, Impol 2000 d.d. estimates that the implementation of these new standards and amendments will not have a significant impact on its separate financial statements during the period of initial application

Basis and estimates for preparing financial statements

The financial statements of the Group and financial statements of the company Impol 2000 d.d. were drawn up taking into consideration the historical cost, except in case of derivatives.
In accordance with the legislation, Impol 2000 d.d. shall ensure independent auditing of these financial statements.

The financial statements in this report are in EUR (without cents), and EUR is also the functional currency of the Group.

Use of estimates and judgements

The preparation of financial statements requires the management of the controlling company to make judgements, estimates and assumptions that affect the carrying amounts of assets and liabilities of the Group as well as the reported income and expenses. Estimates and assumptions are based on previous experiences and many other factors which are considered in given circumstances as justified and based on which we can determine the carrying amount of assets and liabilities that are not clearly evident from other sources. Actual results can differ from these estimates. Estimates and assumptions have to be regularly reviewed. Changes in accounting estimates may only be recognised for the period in which the estimates were changed, if the changes apply only to this period, or both for the current and future periods, if the changes affect both the current and future periods. Assessments and assumptions are mostly present in the following estimates:

- **Estimate of useful life of depreciable assets**

For estimating the useful life of assets, the company considers the expected physical wear, technical ageing, economical ageing, and the expected legal and other restrictions of use. The company annually reviews the useful life of more significant assets. If the expected pattern of using future economic gains based on depreciable assets changes significantly, the depreciation method shall also change to meet the changes of the pattern. These changes are regarded as changes in accounting estimates.

- **Impairment testing of assets**

Impairment testing of assets is performed by the management to ensure that the carrying amount does not exceed the recoverable amount On every reporting date, the management estimates if there are any signs of impairment. Critical estimates were used for the following assessments of value:

- Investment property (Note 8),
- Goodwill (Note 6),
- Investments in associates (Note 9),
- Financial receivables (Notes 9, 12, 13),
- Estimate of fair value of assets (Note 20).

Fair value is used in case of financial assets measured by fair value through profit or loss, and in case of derivatives. All other items in financial statements represent the purchase or the amortised value. All assets and liabilities that are measured by fair value in financial statements are classified in a hierarchy of fair value based on the lowest level of inputs that are important for measuring the total fair value:

- Level one includes quoted prices (unadjusted) on functioning markets for the same assets and liabilities;
- Level two includes inputs that besides quoted prices from level one are also noted directly (i.e. prices) or indirectly (i.e. derived from prices) as assets or liabilities;
- Level three includes inputs for assets or liabilities that are not based on observable market data.

Quoted prices are used as the basis for determining fair value of financial instruments. If a financial instrument is placed on an organised market or if the market is estimated as not functioning, inputs from levels two and three are used for determining the fair value.

- **Estimate of fair value of available-for-sale financial assets**

Available-for-sale financial investments are presented at fair value or at purchase value if fair value cannot be reliably determined. Profit or loss is recognised in equity as net unrealised gains from available-for-sale financial investments until the investment is sold or disposed of. Purchase and sale of available-for-sale investments are recognised on the day of purchase.
Equity investment in subsidiaries, associates and other companies are measured at fair value.

- **Estimate of net recoverable value of inventories**

At least at the end of the financial year, the net recoverable value of inventories and the need for inventories to be written off is assessed. Partial write-offs of inventories under their original value or costs up to the net recoverable value is in accordance with the policy that assets cannot be recognised at values higher than expected from their sale or utilisation. Inventories are usually partially written off to their net recoverable value under individual items.

- **Estimate of recoverable value of claims**

At least once annually, namely before preparing the annual statement of account, the suitability of recognised amounts of individual claims is assessed. Claims that are not settled within the agreed period are recognised as 'doubtful' and 'at issue', and a correction of their value is recognised to debit of the re-evaluated operating charges, and usually legal proceedings are brought about (lawsuit or enforcement).

- **Estimate of the possibility of utilising deferred tax assets and tax liabilities**

The Group forms deferred tax assets for provisions for jubilee and retirement benefits, impairments of financial investments, impairment of claims, and tax losses. Deferred tax liabilities are formed as temporary deductible differences between the carrying value and the tax value of fixed assets.

At the end of a financial year, the amount of the recognised deferred tax assets and tax liabilities is estimated. Deferred tax assets are recognised in case of a probable available future profit against which the deferred tax assets can be utilised.

- **Assessment of provisioning**

Within the requirements regarding certain post-employment and other benefits, the present value of retirement and jubilee benefits is recognised based on the actuarial assessment. The actuarial assessment is based on the assumptions and estimates valid at the time of the assessment and can differ from actual assumptions in the future due to certain changes (discount levels, assessment of turnover of staff, assessment of mortality, and assessment of wage growth).
The Group had no other provisioning.

Important Accounting Policies of the Group

Foreign currency transactions

Transactions in foreign currencies are converted to the respective functional currencies of Group entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated into the functional currency at the prevailing exchange rate at that date. Positive or negative foreign currency differences are differences between the purchase value in the functional currency at the beginning of the period, adjusted by the amount of effective interest and payments during the period, and the purchase value in foreign currency converted at the exchange rate at the end of the period. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated into the functional currency at the exchange rate at the date when the fair value was determined. Non-cash items measured at historical costs in foreign currency are translated into the functional currency by applying the exchange rate valid at the date of the transaction. Foreign currency differences are recognised in profit or loss, under financial revenues or finance expenses.

Financial statements of companies in the Group

The consolidated financial statements are presented in EUR. Items of every company in the Group that are included in the financial statements are converted into the reporting currency for the purpose of the consolidated financial statements as follows:

- Assets and liabilities in the balance sheet are converted according to ECB exchange rates on the date of reporting.

For converting balance sheet items from national currencies into EUR, the following reference ECB exchange rates were used:

Table 41: Reference ECB exchange rates for converting balance sheet items

Currency	31/12/2016
USD	1.0541
HUF	309.83
RSD	123.60
HK	7.5597

- Revenue and expenditure of foreign companies are converted into EUR according to average annual exchange rates of the financial year.

For converting balance sheet items from national currencies into EUR, the following exchange rates were used:

Table 42: Exchange rates for converting profit or loss

Currency	Average annual in 2016
USD	1.1069
HUF	311.44
RSD	122.90
HK	7.5333

Currency differences are recognised under other comprehensive income and reported under the item exchange differences in equity. If a foreign entity is disposed of in a way that there is no longer a controlling or significant influence, the corresponding cumulative amount in the exchange difference in equity is translated into gains and losses on disposal. If the Group disposes of only part of its share in a subsidiary that includes a foreign company, while maintaining a controlling influence, the corresponding share of the cumulative amount is reclassified as non-controlling share. If the Group disposes of only part of its investment in a subsidiary of joint venture that includes a foreign company, while maintaining a controlling influence, the corresponding share of the cumulative amount is reclassified as profit or loss.

Subsidiaries

Subsidiaries are entities controlled by the parent company Impol 2000 d.d. Control exists when the controlling company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. Accounting policies of subsidiaries are harmonised with the accounting policies of Impol 2000 d.d.

After loss of control, the Group recognises assets and liabilities of the subsidiary, non-controlling shares and other components of equity in connection with the subsidiary. Any surpluses or deficits that arise at the loss of control are recognised in profit or loss. If the Group retains a share in a previous subsidiary, this share is measured at fair value at the date of the loss of control. Later, this share is recognised in equity as an investment in a subsidiary (using the equity method) or as available-for-sale financial assets, depending on the level of control. Investments in subsidiaries are measured at cost. Costs, which can be connected with purchasing a subsidiary, increase the value at cost of the equity investment. Sharing in profit of the subsidiary is recognised in profit or loss after the subsidiary acquires the right to profit-sharing. Consolidated financial statements do not include revenue/expenditure and loss based on transaction within the Group.

More on this in the section presenting the parent company Impol 2000 d.d., and the Impol Group.

Investments in associates

Associates are entities where the Group has a significant influence but does not control their financial and business policies. A significant influence exists if an entity owns 20 to 50 percent of voting rights in another entity. Investments in associates are recognised in individual statements at cost and in consolidated statements using the equity method. Consolidated financial statements include the share of the entity in profit or loss, using the equity method, from the date of the beginning ant until the date of the end of the significant influence. Accounting policies of subsidiaries are harmonised with the accounting policies of Impol 2000 d.d.

If the share of the company in the loss of the associate is bigger than its share, the carrying value of the share in the associate is reduced to zero, and it is no longer recognised in future losses. Costs that can be connected with the purchase increase the value at cost of the equity investment.
More on this in the section presenting the parent company Impol 2000 d.d., and the Impol Group.

Intangible assets

Intangible assets include:
- Investments in licences and other long-term property rights (IT, software).
- Goodwill.

At initial recognition, intangible assets are valued at cost. The carrying value of intangible assets with a finite useful life is reduced with depreciation. Later expenditure in connection with intangible assets are only capitalised if they increase future economic gain. All other costs are recognised in profit and loss as expenditure at the moment they arise.

Among intangible assets with a finite useful life, the Group recognises software and licences. For the acquired software, the value at cost also includes the costs of acquisition and training for use, and for material rights, only the costs of acquisition. Within the whole useful life of individual intangible assets, the company consistently allocates its depreciable amount to individual financial periods as the current depreciation.

Depreciation is calculated using the straight-line method, while considering the useful life of the intangible asset. Depreciation starts at the value of cost, after the asset is made available for use. Depreciation methods, useful life and other values are reviewed and, when necessary, adjusted at the end of every financial year.

Depreciation rates based on the estimated useful life of individual types of intangible assets:

Table 43: Depreciation rates used for intangible fixed assets

Depreciation rates used in the Group	Depreciation rate in %	
	Lowest	Highest
Intangible assets		
Software	20.00 %	50.00 %
Intangible investments	10.00 %	10.00 %

Goodwill, which occurred at consolidation, represents the excess of the cost of an acquisition over the entity's share in fair value of the acquired identifiable assets, liabilities and contingent liabilities of subsidiaries at the date of acquisition. Negative goodwill is recognised immediately in the consolidated profit and loss account. Goodwill is considered as an asset with a finite useful life and is tested at least once a year regarding possible impairment.

Every impairment is recognised immediately in the consolidated profit and loss account and is not removed later. At a disposal of a subsidiary, the corresponding amount of goodwill is included in profit and loss.

Property, plant and equipment

Property, plant and equipment are recognised using the cost model. At initial recognition, they are measured at cost, reduced by depreciation and impairment loss, except land, which is not subject to depreciation and are recognised at cost, reduced by all impairments. Value at cost includes costs that can be directly attributed to individual assets.

Important parts of fixed assets that have different useful lives are recognised as individual tangible fixed assets.

Borrowing costs that are directly connected with purchasing, building or creating an asset in acquisition are recognised within the value at cost of this asset.

Value at cost of assets created in the Group includes material costs, direct costs of labour, indirect production costs, and (if required) the initial assessment of costs of decommissioning, removal and restoring the site where the asset is held. Immovable property that was built for future use as investment property is considered as a tangible fixed asset and is recognised at cost at the date of completion of construction when immovable property becomes investment immovable property.

Positive or negative differences between the net recoverable value and the carrying value of the disposed asset are recognised in profit or loss. The costs of replacing a part of a tangible fixed asset are recognised at the carrying value of this asset, if it is probable that future economic gains of this part of the asset will flow into the Group and if the value at cost can be reliably measured.

All other costs (repairs, maintenance) for preserving or renewing future economic gain are recognised in the profit and loss account as expenditures immediately after they occur. Depreciation is calculated using the straight-line method, considering the useful life of individual tangible fixed assets and the residual value,while residual value is only determined for significant assets. Land is not subject to depreciation. Depreciation starts after the asset is made available for use.

Depreciation rates based on the estimated useful life of individual types of tangible fixed assets (Table 44).

Investment property

Investment property is property that is owned with the intention to collect rent (land, buildings or parts of buildings or both). They are recognised at cost, reduced by depreciation and impairment loss. Depreciation is calculated using the straight-line method, while considering the useful life of the investment property Depreciation rates are between 1.3 and 3 percent.

For reporting and disclosure in annual statements fair value of investment property is valued using the cash flow capitalisation method, where cash flow mostly consists of rent received from renting investment property. Investment property that is rented within the Group is reclassified as tangible fixed assets, except in cases where ancillary services are so insignificant that the property does not meet the reclassification criteria.

Table 44: Depreciation rates used for tangible fixed assets

Depreciation rates used in the Group	Depreciation rate In %	
	Lowest	Highest
Tangible fixed assets		
Real property:		
• Buildings	1.30 %	3.00 %
• Other constructions	1.30 %	2.50 %
Equipment:		
• Production equipment	1.93 %	33.33 %
• Other equipment	5.00 %	33.33 %
Computers:	50.00 %	50.00 %
Motor vehicles:		
• Transport vehicles	6.20 %	20.00 %
• Personal vehicles	12.50 %	15.50 %
Other tangible fixed assets	10.00 %	10.00 %
Investment property (cost model)	**1.30 %**	**3.00 %**

Financial instruments

Financial instruments include:
- Non-derivative financial assets,
- Non-derivative financial liabilities,
- Derivative financial instruments.

At initial recognition, financial instruments are recognised at fair value. Fair value is the amount that can be obtained by selling the asset or exchanging the liability well-informed and willing parties in an arm's length transaction. After the initial recognition, they are measured according to value as described hereafter.

After determining the fair value of financial instruments, the following hierarchy of determining fair value is taken into account:
- Level one includes quoted prices (unadjusted) on functioning markets for the same assets and liabilities;
- Level two includes inputs that besides quoted prices from level one are also noted directly (i.e. prices) or indirectly (i.e. derived from prices) as assets or liabilities;
- Level three includes inputs for assets or liabilities that are not based on observable market data.

Quoted prices are used as the basis for determining fair value of financial instruments. If a financial instrument is placed on an organised market or if the market is estimated as not functioning, inputs from levels two and three are used for determining the fair value.

Non-derivative financial assets

Non-derivative financial assets include cash and cash equivalents, claims and loans, and investments.

Financial assets at fair value through profit or loss

Financial assets intended for trade are classified as assets at fair value through profit or loss. At initial recognition, assets are valued at fair value, which is the same as the paid amount. Changes in fair value of assets are recognised directly in profit or loss. The Group has no such assets recognised in its financial statements.

Financial assets held to maturity

If the Group has the intention and possibility to hold debit securities to maturity, these are classified as financial assets held to maturity, which are carried at amortised cost using the effective interest method and reduced by impairment loss. The Group has no such assets recognised in its financial statements.

Loans and receivables

Loans and receivables are non-derivative financial assets that are not quoted in an active market. They are included in short-term assets, except with maturity longer than 12 months after the date of the financial statement, in which case they are classified as long-term assets. In the balance sheet, loans and receivables are recognised under business, financial and other receivables at amortised value, considering the current interest rate.

Available-for-sale financial assets

Available-for-sale financial assets are those non-derivative financial assets that are classified as available-for-sale or are not classified as loans and receivables or financial assets at fair value through profit or loss. Available-for-sale financial investments are presented at fair value or at purchase value if fair value cannot be reliably determined. Profit or loss is recognised in equity as net unrealised gains from available-for-sale financial investments until the investment is sold or disposed of. Purchase and sale of available-for-sale investments are recognised on the day of purchase.

Equity investment in subsidiaries, associates and other companies are measured at fair value.

Cash and cash equivalents

Cash and cash equivalents include cash, bank deposits up to three months, and other short-term, highly liquid investments with initial maturity of three months or less. They are carried at cost. Overdrafts are included under short-term financial liabilities.

Non-derivative financial liabilities

Non-derivative financial liabilities include business, financial and other liabilities. Financial liabilities are initially recognised at fair value, increased by costs directly attributable to the transaction. After initial recognition, financial liabilities are measured at amortised value using the effective interest method. Financial liabilities are classified under long-term liabilities, except with maturity shorter that 12 months after the date of the consolidated statement of financial position, in which case liabilities are classified as short-term liabilities.

Derivative financial instruments

Derivative financial instruments are initially recognised at fair value. Costs connected with the transaction are recognised in profit or loss after they arise. After initial recognition, derivative financial instruments are measured at fair value, while changes are recognised as described hereafter.

When a derivative financial instrument is used as a hedge of the exposure to variability in cash flows that is attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction and could affect profit or loss, the effective part of changes in fair value of derivative financial instruments is recognised under the comprehensive income of the period and disclosed under the revaluation surplus. The ineffective part of changes in fair value of derivative financial instruments is recognised directly in profit or loss. The Group usually stops using the instrument as a hedge of the exposure to variability in cash flows if the financial instrument no longer meets the criteria for hedging or if the financial instrument is sold, terminated or used. The accumulated profit or loss recognised under other comprehensive income remains recognised under the revaluation surplus, until the forecasted transaction does not affect profit or loss. If the forecasted transaction can no longer be expected, the amount in other comprehensive income has to be recognised directly in profit or loss. In other cases, the amount recognised under other comprehensive income is transferred to profit or loss of the same period in which the hedged item affects profit or loss.

The effects of other derivative financial instruments that are not used as a hedge of the exposure to variability in cash flows or that cannot be attributed to individual risks in connection with a recognised asset or liability are recognised in profit or loss.

The Group uses the following derivative financial instruments:

- **Future transactions (forwards)**

Effective management of the whole raw material field of the Impol Group is focused on two areas: currency risk management and management of risks regarding changes in aluminium prices. Both areas are closely linked and are managed by the Group with forwards and futures.

In case of aluminium raw materials or hedging of LME risks, the Impol Group follow the principle that profit or loss from a forward is recognised in profit or loss at liquidation or after settling individual forwards on the stock market on the day of maturity, which is usually the same as the period of the realisation of the sale transaction on the physical market, or after realising the actual processing margin, which is the subject of hedging. In the presented manner, possible fluctuations in the achieved processing margin of sales on the physical market due to changes in prices of aluminium raw material at the time of sale, which are used as the base for determining the sales price (LME + sales premium), are balanced or neutralised by the effects of the realised forward, both being recognised in profit or loss of the same period. With this principle, the Impol Group provides profitability, which mostly depends on the difference between the purchase premium and the achieved sales premium and not on the fluctuations of aluminium prices. Profit or loss from these forwards is recognised in profit and loss under other financial income and expenses.

Currency risk management through forward currency contracts is also directly connected with managing aluminium prices and fluctuations of LME prices of aluminium. The Group purchases aluminium in US dollars and realises most of sales in EUR. Purchasing and selling in different currencies leads to inconsistencies between purchase and sales prices, which is harmonised by the Group by using futures (forwards). Profit or loss from these currency forwards is recognised in profit and loss under other financial income and expenses.

Futures (forwards) include fair value of open transactions on the date of the statement of financial position, which is determined based on publicly available information on the value of futures on the organised market on the date of reporting for all open transactions.

- **Interest rate swaps**

Interests of received loans bear the interest rate change risk, against which the Group uses interest rate swaps. Interest rate swaps value the fair value of open swaps on the date of the balance sheet with discounting of future cash flows in connection with variable interest (receipt of interest from swaps) and fixed interest (payment of interest from swaps). When interest rate swaps are defined as a safety instrument against the variability of cash flows of recognised assets or liabilities or the intended transaction, profit or loss resulting from the instrument that is defined as a successful safety against risk is recognised directly under other comprehensive income and the revaluation surplus item in the balance sheet. Profit or loss resulting from the instrument that is defined as unsuccessful is recognised in profit or loss under other financial expenditure.

Inventories

The Group follows the following inventories:
- inventory of raw materials,
- inventory of materials,
- inventory of incomplete production,
- inventory of finished goods and merchandise.

Inventories are measured at the lower of cost and net recoverable value. Net recoverable value is the estimated selling price at the reporting date less sales expenses and other possible administrative expenses, which are usually connected with the sale.

Inventories of materials and merchandise are valued at cost including the purchase price, import duties and other non-refundable purchase taxes, and the direct costs of purchase. For valuing inventories of merchandise and measuring use, the FIFO method is used.

Inventories of incomplete production are valued at cost of production depending on the percentage of completion.

In consolidation, unrealised profit or loss in inventories purchased within the Group are excluded by reducing the corresponding part of inventories and increasing operational expenditure. The calculation of profit is performed based on the achieved EBIT margin of the financial year.

Impairment of inventories is described in detail under in chapter on impairment

Equity

Called-up capital

Called-up capital of the controlling company is present as share capital, which is nominally defined in the statute of the parent company registered with the court and paid-in by the company's owners.

As of 31/12/2016, the share capital of the parent company Impol 2000 d.d., amounts to EUR 4,451,540 is divided into 1,066,767 ordinary no-par value shares. Dividends are paid in accordance with the decisions of the General Meeting.

Capital reserves

Capital reserves of the Group include all amounts of payments that exceed the lowest emission amounts of shares, and the amounts based on eliminating the general revaluation adjustment.

Capital reserves of the parent company Impol 2000 d.d. include paid-in capital surplus and the general revaluation adjustment.

Own shares

If the controlling company or its subsidiaries buy shares of the controlling company, the paid amounts, including transaction costs and excluding taxes, are deducted from the total capital as own shares, until these shares are cancelled, reissued or sold. If own shares are reissued or sold, all the received payments excluding transaction costs and connected tax effects are included in capital reserves.

Statutory reserves

Statutory reserves of the controlling company are formed based on the statute of the company in the amount of 15 percent of net profit of the financial year.

Reserves resulting from valuation at fair value and capital revaluation adjustment

Reserves resulting from valuation at fair value include actuarial gains or losses based on provisions for retirement allowances and the effects of fair value changes of derivative financial instruments that are classified as hedging instruments (currency swaps). Capital revaluation adjustment includes the effects based on revaluations of financial statements of foreign companies.

Provisions and long-term accrued expenses and deferred revenue

Provisions are formed for present obligations that are the outcome of past events and that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation.

Provisions for jubilee and retirement benefits

In accordance with legal requirements and its internal rules, the Group is bound to pay jubilee and retirement benefits to its employees, for which it formed long-term provisions. There are no other retirement obligations. Provisions are formed in the amount of the expected future payments of jubilee and retirement benefits discounted on the date of the statement of financial position. Calculations are made for individual employees by including the costs of all expected retirement and jubilee benefits.

Actuarial calculation is based on assumptions and assessments applicable at the time of the calculation that due to changes in the following year may differ from actual assumptions that will apply at that time. This mostly considers the discount rate, assessment of turnover of staff, assessment of mortality, and assessment of wage growth.

Long-term accrued costs and deferred revenues

Long-term accrued costs and deferred revenue refer to received non-returnable funds for co-financing the purchase of equipment for improving the working conditions for the disabled. Grants related to assets are recognised as income in the statement of comprehensive income and in the useful life of the asset.

Impairments

Financial assets

A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows from that asset.

A financial asset is impaired if its carrying value is higher than the estimated replacement value. The financial asset is revalued if there is an objective evidence of impairment. The replacement value represents the present value of the estimated future cash flows discounted at the original effective interest rate of this instrument. All impairment losses are recognised in profit or loss.

A financial investment is assessed at each reporting date by the accounting department to determine its suitability. If a financial investment is losing value (e.g. due to unsuccessful operations of the entity where the company has its equity participation, insufficient solvency etc.), it mus be determined what kind of corrections have to be made to the initially recognised value of cost and debited to revaluation financial expenditures. The person responsible also has to order a partial or total cancellation of the financial investment as soon as reasons for this occur.

Impairment of receivables and loans granted

Impairments of receivables are formed based on the assessment of recoverability time analysis.

If it is assessed that the carrying value of a receivable exceeds its fair value, which is its recoverable value, the receivable is impaired. Receivables that are assessed not to be collected within the regular deadline or in the whole amount are considered as doubtful. If proceedings were already brought before the court, receivables are considered as disputed. Impairment of loans granted is assessed for every individual loan. Impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. All impairment losses are recognised in profit or loss.

Impairment of available-for-sale financial assets

An impairment loss in respect of an available-for-sale financial asset is recognised by transferring the possible cumulative loss, previously recognised under other comprehensive income of the financial period and carried under reserves at fair value, to profit or loss. A later increase of fair value of impaired available-for-sale equity securities, which are available for sale, is recognised under other comprehensive income or fair value reserves. An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. For financial assets measured at amortised cost and available-for-sale financial assets that are debt securities, the reversal is recognised in profit or loss.

Non-financial assets

Tangible and intangible assets

The carrying amounts of the Company's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its estimated recoverable amount. A cash-generating unit is the smallest group of assets that generate financial income that are to a greater extent independent from financial income from other assets and groups of assets. Impairment losses are recognised in profit or loss. The recoverable amount of an asset or cash-generating unit is the higher of its value in use and its fair value, less costs to sell. In assessing value in use, estimated future cash flows are discounted to their present value by using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment loss of goodwill is not reversed.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the assets' recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation write-off, if no impairment loss had been recognised in the previous periods.

Inventories

Inventories are impaired if their carrying amount exceeds their estimated recoverable amount. Additionally, individual types of inventories are also analysed regarding their time structure. Depending on the group of inventories, the amount of impairment loss according to their age is determined as a percentage of their value. Impairment also includes expert judgement on possible utilisation or sale of such inventories. At least at the end of every financial period, the company measures the net recoverable amount of inventories and the need for write-offs. Costs of inventories are not reversible if inventories are damaged, partially or completely obsolete, or if their sales price is reduced. Costs of inventories are also not reversible if the estimated costs of completion or costs in connection with sales increase. Partial write-offs of inventories under their original value or costs up to the net recoverable value is in accordance with the policy that assets cannot be recognised at values higher than expected from their sale or utilisation. Inventories are usually partially written off to their net recoverable value under individual items.

Recognition of income and expenses

Income is recognised if the increase of economic gain in the financial year is connected with an increase of an asset or a decrease of a liability, and if this increase can be reliably measured.

Operating income includes:
- Revenues from the sale of products, merchandise and materials are measured based on sale prices indicated on invoices or other documents, reduced by discounts approved upon sale or later on, also due to early payments. Income from sale of products is recognised in profit or loss after the company transfers significant risks and gains in connection with the ownership of products to the buyer.
- Income from sale of services, except services that lead to financial income, are measured according to sales prices of completed services. They are recognised in the period in which the service is performed.
- Incomplete production and complete products at warehouse are valued at production costs. The degree of completion of performed services in case of incomplete production is assessed with an inventory.
- Other operating income occurs in case of disposal of property, devices, equipment and intangible assets, compensations received, subventions, removal of provisions, payment of previously written off operating receivables, liability write-offs and other.

Operating expenses in a financial period are in principle the same as costs increased by costs of initial inventories of incomplete production and complete products, and reduced by accrued charges of final inventories. Costs of sales and costs of general activities are immediately after their occurrence included in income.

For calculating consumption, the Group uses the FIFO method.

Financial revenue and expenses

Financial income comprises interest income on funds invested, dividend income, gains on the disposal of available-for-sale financial assets, changes in the fair value of financial assets at fair value through profit or loss, and foreign exchange gains and gains on hedging instruments that are recognised in profit or loss, interest from receivables not paid on time and positive currency differences. Interest income is recognised as it accrues in profit or loss by using the effective interest method. Dividend income is recognised on the date that the shareholder's right to receive payment is established.

Finance expenses comprise interest expenses on borrowings (part of borrowing costs can be capitalised under property, devices and equipment), foreign exchange losses, changes in the fair value of financial assets at fair value through profit or loss, impairment losses recognised on financial assets, losses on hedging instruments that are recognised in profit or loss.

Taxes

Income tax comprises current and deferred tax.

Income tax is recognised in profit or loss, except to the extent that it relates to items recognised directly in other comprehensive income. Current tax is the expected tax payable on the taxable income for the year.

Deferred tax is recognised by using the balance sheet liability method providing for temporary differences between the carrying amounts of tax values of assets and liabilities and their values in individual financial statements. Deferred tax is determined by using tax rates that are valid on the date the balance sheet and that are expected to be used when the deferred tax receivable is realised or the deferred tax liability is settled. Deferred tax receivables are recognised in the extent of the probability that there will be taxable profit available in the future that can be used to cover the deferred tax receivable.

Deferred tax due to insignificant amounts are not additionally recognised in consolidated financial statements.

Cash flow statement

The cash flow statement for the part regarding operations is composed using the indirect method from the data of the balance sheet on 31/12 of the financial year and balance sheet on 31/12 of the previous financial year and additional data necessary for adjusting inflows and outflows, and for a suitable breakdown of significant items. The part regarding investing and financing is composed using the indirect method. Paid and received interest from trade receivables are distributed between cash flows from operating activities. Interest from loans and paid and received dividends are distributed between cash flows from financing.

Segment reporting

Because the nature of product groups, the production procedure and distribution are very similar, the Group defined only one operating segment. At segment reporting, it is considered that the main operating section of the Group is the aluminium business activities. Other activities have an insignificant effect on presenting financial information.

The group reports on sales by geographical area. The defined geographical areas are Slovenia, European Union, other European countries and the rest of the world.

Disclosures to individual items of group financial statements

1. Operating revenues

Table 45: Operating revenues

Operating revenue in EUR	Operating revenue generated by associates	Operating revenue generated by others	2016	2015
Net sales revenues	83,599	543,384,345	543,467,944	546,146,705
Change in inventories of finished goods and work in progress		-1,531,435	-1,531,435	1,347,967
Capitalised own products and services		569,725	569,725	247,960
Other operating revenues	0	6,239,657	6,239,657	4,099,165
TOTAL	83,599	548,662,292	548,745,891	551,841,797

Net sales revenues in EUR	2016	2015
From sales of products	459,676,080	481,429,147
From sales of services	3,193,118	3,201,201
From sales of goods and materials	80,598,746	61,516,357
Total net sales revenues	543,467,944	546,146,705

Other operating revenues in EUR	2016	2015
Revenues from the reversal of provisions	372,107	368,101
Revenues from business combinations (revaluation surplus - negative goodwill)*	106,007	0
Other revenues associated with operating effects (subsidies, grants, compensations, premiums, damages, etc.)	4,165,104	2,304,181
Revaluation operating revenue	1,596,439	1,426,883
TOTAL	6,239,657	4,099,165

*This is negative goodwill or bad name identified in the accounting of a business combination upon acquiring the 100% share in the company Impol ulaganja d.o.o. (more on this in Note 19 - Business combinations and acquisitions of non-controlling shares).
**The Impol Group also recognises among other revenue the compensation for damages in the amount of EUR 1,992,487 (HRK 15,010,000) by the insurance company, received by Impol-TLM, d.o.o. due to the fire at the enod of May 2016.

Revaluation operating revenue in EUR	2016	2015
From disposal of tangible fixed assets*	156,396	30,765
From operating receivables**	895,077	1,335,993
From operating liabilities***	544,966	60,125
TOTAL	1,596,439	1,426,883

*The highest amount represents the sale of the used-up cold-rolling mill Bistral II, whereby the revenue from the sale amounted to EUR 138,550.
**The amounts refer to the compensations for damages received from insurance companies due to secured receivables and payments based on the recovery of receivables for which value adjustments were previously formed due to impairment.
***The majority refers to the write-off of liabilities due to received advance payments by the company Sevojno Overseas Corporation New Jersey in Impol Seval, a. d., i.e. in the amount of EUR 505,631 (RSD 62,142,093).

Net sales revenue by business segment

Table 46: Net sales revenue by business segment in EUR

	2016	2015
Revenue from sales in Slovenia	34,669,369	34,947,271
• Associates	83,599	81,068
• Other companies	34,585,770	34,866,203
Revenue from sales in the EU	458,466,075	459,707,674
• Other companies	458,466,075	459,707,674
Revenue from sales in other European countries	13,564,050	14,756,878
• Other companies	13,564,050	14,756,878
Revenue from sales on other markets	36,768,450	36,734,882
• Other companies	36,768,450	36,734,882
TOTAL	543,467,944	546,146,705

Net sales revenue from the sale of aluminium products (per state) is specified in detail under section Market and Customers.

2. Operating expenses

Table 47: Operating expenses in EUR

	Manu-facturing costs	Sales costs	Costs of general activities	TOTAL 2016	TOTAL purchases in 2016 in:		TOTAL 2015
					Associated companies	Other companies	
Cost of merchandise and materials sold	0	66,332,877	0	66,332,877	0	66,332,877	52,828,324
Costs of material	323,061,162	4,369,939	2,127,560	329,558,661	0	329,558,661	360,959,238
Costs of services	10,446,194	19,463,440	9,574,371	39,484,005	2,155,259	37,328,746	36,329,526
Labour costs	36,182,192	2,854,643	15,184,329	54,221,164	0	54,221,164	46,412,251
Depreciation	14,625,429	106,518	603,443	15,335,390	0	15,335,390	15,116,688
Revaluation operating expenses*	12,947	30,679	177,169	220,795	0	220,795	5,653,992
Other operating expenses	580,351	444,891	1,051,190	2,076,432	0	2,076,432	1,275,768
TOTAL	384,908,275	93,602,987	28,718,062	507,229,324	2,155,259	505,074,065	518,575,787

Table 48: Revaluation operating expenses in EUR

	2016	2015
From disposal of tangible fixed assets	27,757	261,080
From inventories	5,340	5,807
From operating receivables	186,065	5,387,105
From operating liabilities	1,633	0
TOTAL	220,795	5,653,992

Other operating expenses represent expenditure on environmental protection, donations and costs that are re-invoiced.

Labour costs

Table 49: Labour costs in EUR

	2016	2015
Costs of wages and salaries	37,419,153	32,011,539
Costs of pension insurance	6,683,928	5,717,491
Costs of other insurance	2,175,236	1,895,381
Other labour costs	7,942,847	6,787,840
TOTAL	54,221,164	46,412,251

3. Financial revenue and expenses

Table 50: Financial revenue from financial investments in EUR

	Total 2016	Of which from		Total 2015
		Associated companies	Other companies	
Financial revenue from participating interests – in profits, dividends	70,210	28,149	42,061	63,785
Financial revenue from other investments – revenue from disposal	59.841	0	59.841	119.240
of long-term financial investments	59,841	0	59,841	119,240
Financial revenue from loans - interests	32,286	0	32,286	11,720
Financial revenue from operating receivables - interests	32,063	0	32,063	756,063
Financial revenue from forwards	187,213	0	187,213	233,744
Financial revenue from operating receivables – foreign exchange differences	4,109,339	0	4,109,339	1,063,482
TOTAL	4,490,952	28,149	4,462,803	2,248,034

Financial revenue from participating interests of profits of associated companies represent shares in the amount of EUR 28,149, calculated according to the equity method in the consolidated financial statements.

Table 51: Finance expenses from financial investments in EUR

	Total 2016	Of which from Other companies	Total 2015
Finance expenses from (excluding bank loans) – interests	108,034	108,034	176,888
Finance expenses from (excluding bank loans) – foreign exchange differences	385,433	385,433	0
Finance expenses from loans received from banks – interests	3,284,120	3,284,120	5,253,653
Finance expenses from bonds – interests	1,818,795	1,818,795	385,205
Finance expenses from other financial liabilities – interests	83,809	83,809	668,660
Finance expenses from other financial liabilities – foreign exchange differences	420,570	420,570	174,757
Finance expenses from operating liabilities – interests	16,087	16,087	9,132
Finance expenses from forwards	1,144,088	1,144,088	891,627
Finance expenses from operating liabilities – foreign exchange differences	3,593,074	3,593,074	1,843,693
Finance expenses from impairment	0	0	105,066
TOTAL	10,854,010	10,854,010	9,508,681

4. Income tax

Table 52: Income tax in EUR

	2016	2015
Revenue determined under accounting regulations*	949,703,156	967,503,635
Revenue recognised for tax purposes	945,115,455	957,603,137
Expenses determined under accounting regulations*	912,158,516	940,031,202
Expenses recognised for tax purposes	909,431,767	927,839,818
DIFFERENCE BETWEEN EXPENSES AND REVENUES RECOGNISED FOR TAX PURPOSES	35,683,688	29,763,319
TAX BASE	34,523,588	24,953,916
TAX	4,151,951	2,975,456
EFFECTIVE TAX RATE IN %	11.81	11.44

*This is the sum of unconsolidated revenue and expenditure items, without deferred taxes, of individual companies of the Impol Group.

Income tax is accounted for in accordance with laws that apply in individual countries where the Group has its subsidiaries. The applicable income tax rate in Slovenia in 2016 was 17 percent (in 2015: 17 percent), while the applicable income tax rate in Croatia is 20 percent, in Serbia 15 percent, in the USA between 25 to 39 percent, and in Hungary 10 percent.

Table 53: Overview of current income tax by companies in EUR

Income tax	2016	2015
Impol 2000 d.d.	83,882	132,694
Impol d.o.o.	2,686,597	1,265,750
Impol LLT d.o.o.	325,546	152,985
Impol FT d.o.o.	103,075	208,442
Impol PCP d.o.o.	414,801	622,563
Impol Infrastruktura d.o.o.	17,292	29,304
Impol R in R d.o.o.	3,237	0
Rondal d.o.o.	90,012	147,398
Impol-Montal d.o.o.	20,180	18,850
Impol Servis d.o.o.	17,298	12,533
Impol Stanovanja d.o.o.	2,428	2,966
Kadring d.o.o.	7,124	30,017
Stampal SB d.o.o.	220,647	192,739
Štatenberg d.o.o.	0	108
Unidel d.o.o.	24,451	24,927
Impol Aluminium Corporation	82,961	105,702
Impol Seval a.d.	0	0
Impol Seval Tehnika d.o.o.	27,013	7,988
Impol Seval Final d.o.o.	3,287	774
Impol Seval President d.o.o.	0	321
Impol Seval PKC d.o.o.	1,974	0
Impol Hungary Kft.	20,146	0
Impol-FinAl d.o.o.	0	
Impol-Ulaganja d.o.o.	0	
Impol-TLM d.o.o.	0	19,395
Total income tax	4,151,951	2,975,456

5. Deferred tax assets and liabilities

Table 54: Deferred tax assets and liabilities in EUR

	Deferred tax assets	Deferred tax liabilities
Deferred tax assets as of 31/12/2015 (+)	958,366	1,330,303
Opening balance adjustment (+/-)	0	0
Deferred tax assets as of 01/01/2016	958,366	1,330,303
Deductible temporary differences (+)	92,998	
Taxable temporary differences (+)		448,193
Utilisation of deductible temporary differences (-)	-253,648	
Change of unused opening-balance amounts due to change in the tax rate	74,864	-25,508
Deferred tax assets as of 31/12/2016	872,580	1,752,988

Table 55: Changes in deferred-tax assets and liabilities in EUR

Changes in deferred-tax assets and liabilities were recognised in:	2016	2015
• Profit or loss account (+ / -)	-577,926	-496,275
• Capital – Reserves resulting from valuation at fair value (+/-)	41,411	0
• Capital – Retained profit or loss brought forward (+ / -)	28,044	7,008
TOTAL	-508,471	-489,267

Fluctuation of deferred tax receivables – consolidated

Table 56: Fluctuation of deferred tax receivables – consolidated in EUR

	Carrying depreciation exceeds the depreciation for tax purposes	Impairments (revaluation operating expenses)	Provisioning	Tax loss	Adjustment of reserves for fair value for deferred tax	Total
Deferred tax liabilities as of 31/12/2015	891	311,328	117,074	529,073	0	958,366
Deferred tax liabilities as of 01/01/2016	891	311,328	117,074	529,073	0	958,366
Occurrence of deductible temporary differences (+)	19	6,056	42,964	0	41,411	90,450
Utilisation of deductible temporary differences (-)	0	-85,119	-3,466	-169,041	0	-257,626
Change of unused opening-balance amounts due to change in the tax rate	-17	26,613	13,196	41,598	0	81,390
Deferred tax liabilities as of 31/12/2016	893	258,878	169,768	401,630	41,411	872,580

Fluctuation of deferred tax liabilities – consolidated

Table 57: Fluctuation of deferred tax liabilities – consolidated in EUR

	Carrying amount of fixed assets less tax base of fixed assets
Deferred tax liabilities as of 31/12/2015 (+)	1,330,303
Deferred tax liabilities as of 1/1/2016	1,330,303
Occurrence of deductible temporary differences (+)	448,193
Change of unused opening-balance amounts due to change in the tax rate	-25,508
Deferred tax liabilities as of 31/12/2016	1,752,988

The deferred tax receivables are to mainly formed for written-off receivables, for which impairments are temporarily not recognised for tax purposes upon recognition, for formed provisions for retirement and jubilee benefits, for fair value of financial instruments, which is recognised under other comprehensive income as negative amount, and for tax losses. Deferred tax liabilities are formed as deductible temporary differences between the carrying amount and the tax base of fixed assets in the company Impol Seval a.d.

The consolidated balance sheet still includes deferred tax receivables and deferred tax liabilities that arise in different states or refer to different tax jurisdictions, and are unsettled both as receivables and as liabilities.

Earnings per share

Basic earnings per share are calculated by dividing net earnings attributable to shareholders by the weighted average of the number of regular shares during the year, excluding the average number of own shares.

Table 58: Earnings per share in EUR

	2016	2015
Profit or loss attributable to owners of the controlling company	27,087,501	20,094,597
Weighted average of the number of regular shares	984,659	984,659
Basic earnings per share (in EUR)	27.51	20.41

Table 59: Weighted average of the number of regular shares as of 31/12/2016 in EUR

	2016	2015
Regular shares as of 1/ 1/	1,066,767	1,066,767
Effect of own shares*	-82,108	-82,108
Weighted average of the number of regular shares as of 31/ 12/	984,659	984,659

*These are shares of the controlling company Impol 2000 d.d., owned by companies in the Group, which are Impol-Montal d.o.o. (80,482 shares) and Kadring d.o.o. (1,626 shares).

Because the Impol Group has no preference shares or bonds that could be converted to shares, the diluted earnings per share is the same as the basic earnings per share.

Changes in other comprehensive income

Changes in other comprehensive income in 2016 include:

- Change of fair value of hedges (interest swaps) in the amount of EUR -144,597, while the derivatives were intended for hedging the cash flow from loans received. Foreign exchange differences from converting financial statements of foreign companies included
- consolidation in the amount of EUR -614,806.
- Actuary losses based on the re-calculation of provisions for retirement benefits for the financial year 2016, in the amount of EUR -327,671.
- Other items of total comprehensive income refer to the adjustment of the value of reserves resulting from interest rate swaps at fair value for deferred tax receivables in the amount of EUR 41,411.

6. Intangible assets and non-current deferred costs and accrued revenue

Table 60: Intangible assets in 2016 in EUR

Description	Long-term property rights	Goodwill	TOTAL
Cost as of 31/ 12/ 2015	7,760,713	319,229	8,079,942
Opening balance adjustments			0
Cost as of 1/1/2016	7,760,713	319,229	8,079,942
Direct increases – acquisitions	593,524		593,524
Foreign exchange differences	-5,502		-5,502
Decreases – exclusions, other decreases	-36,503		-36,503
Cost as of 31/12/2016	8,312,232	319,229	8,631,461
Value adjustment as of 31/12/2015	6,293,312		6,293,312
Opening balance adjustment			0
Value adjustment as of 1/1/2016	6,293,312	0	6,293,312
Depreciation during the year	598,918		598,918
Foreign exchange differences	-5,109		-5,109
Decreases – exclusions, other decreases	-4,572		-4,572
Value adjustment as of 31/ 12/ 2016	6,882,549	0	6,882,549
Carrying amount as of 31/12/2016	1,429,683	319,229	1,748,912
Carrying amount as of 31/12/2015	1,467,401	319,229	1,786,630

Table 61: Intangible assets in 2015 in EUR

Description	Long-term property rights	Goodwill	Other non-current deferred costs and accrued revenue	TOTAL
Cost as of 31/12/2014	7,620,816	319,229	46,623	7,986,668
Cost as of 1/1/2015	7,620,816	319,229	46,623	7,986,668
Direct increases – acquisitions	216,143			216,143
Transfer from investments in progress	14,420			14,420
Foreign exchange differences	-1,503			-1,503
Decreases – exclusions, other decreases	-89,163		-46,623	-135,786
Cost as of 31/12/2015	7,760,713	319,229	0	8,079,942
Value adjustment as of 31/12/2014	5,648,097			5,648,097
Value adjustment as of 1/1/2015	5,648,097	0	0	5,648,097
Depreciation during the year	705,150			705,150
Foreign exchange differences	-1,289			-1,289
Decreases – exclusions, other decreases	-58,646			-58,646
Value adjustment as of 31/12/2015	6,293,312	0	0	6,293,312
Carrying amount as of 31/12/2015	1,467,401	319,229	0	1,786,630
Carrying amount as of 31/12/2014	1,972,719	319,229	46,623	2,338,571

The disclosed intangible assets are owned by the Group and are free of debts.

More than half of all intangible assets that were used on 31/12/2016 were fully depreciated.

Goodwill

Structure of goodwill according to business combinations that generated it:

Table 62: Structure of goodwill in EUR

	31/12/2016	31/12/2015
Stampal SB d.o.o.	319,229	319,229

On 31/ 12/ goodwill was tested for possible impairment and no need for impairment was determined.

7. Tangible fixed assets

Table 63: Tangible fixed assets in 2016 in EUR

Description	Land	Buildings	Property being acquired	Advances for property	Total property
Cost as of 31/12/2015	3,740,137	77,266,566	1,659,821		82,666,524
Opening balance adjustment					0
Cost as of 1/1/2016	3,740,137	77,266,566	1,659,821	0	82,666,524
Direct increases – acquisitions	1,807,359	2,307,382	1,707,576	110,400	5,932,717
Direct increases – finance lease					0
Transfer from construction in progress		2,965,254	-2,859,518		105,736
Transfer to investment property			-14,827		-14,827
Transfer to non-current assets					0
Transfer from investment property	365,777	1,877,837			2,243,614
Transfers of tangible fixed assets of companies in the group upon acquisition	3,549,500	2,216,500			5,766,000
Foreign exchange differences	8,488	-237,382			-228,894
Decreases – sales					0
Decreases – exclusions, other decreases	-38,262	-10,054			-48,316
Cost as of 31/12/2016	9,432,999	86,386,103	493,052	110,400	96,422,554
Value adjustment as of 31/12/2015		44,210,839			44,210,839
Opening balance adjustment					0
Value adjustment as of 01/01/2016	0	44,210,839	0	0	44,210,839
Depreciation		1,958,131			1,958,131
Transfer from investment property		423,197			423,197
Foreign exchange differences		-135,782			-135,782
Decreases – sales					0
Decreases – exclusions, other decreases		-10,056			-10,056
Value adjustment as of 31/12/2016	0	46,446,329	0	0	46,446,329
Carrying amount as of 31/12/2016	9,432,999	39,939,774	493,052	110,400	49,976,225
Carrying amount as of 31/12/2015	3,740,137	33,055,727	1,659,821	0	38,455,685

	Production equipment and machinery	Other machinery and equipment	Equipment and other tangible fixed assets being acquired	Advances to acquire tangible fixed assets	Total equipment	TOTAL
	294,881,964	17,787,372	9,843,153	1,076,830	323,589,319	406,255,843
					0	0
	294,881,964	17,787,372	9,843,153	1,076,830	323,589,319	406,255,843
	1,611,408	36,215	14,708,379	8,109,631	24,465,633	30,398,350
			97,881		97,881	97,881
	11,119,119	1,372,355	-12,597,210		-105,736	0
					0	-14,827
					0	0
					0	2,243,614
	186,633				186,633	5,952,633
	-957,989	2,032	-51,917	-6,448	-1,014,322	-1,243,216
	-6,210,646	-37,182			-6,247,828	-6,247,828
	-170,240	-207,598		-3,875,821	-4,253,659	-4,301,975
	300,460,249	18,953,194	12,000,286	5,304,192	336,717,921	433,140,475
	222,813,878	14,187,534			237,001,412	281,212,251
					0	0
	222,813,878	14,187,534	0	0	237,001,412	281,212,251
	11,492,316	1,150,366			12,642,682	14,600,813
					0	423,197
	-300,339	2,120			-298,219	-434,001
	-5,999,103	-36,853			-6,035,956	-6,035,956
	-149,460	-200,590			-350,050	-360,106
	227,857,292	15,102,577	0	0	242,959,869	289,406,198
	72,602,957	3,850,617	12,000,286	5,304,192	93,758,052	143,734,277
	72,068,086	3,599,838	9,843,153	1,076,830	86,587,907	125,043,592

Table 64: Tangible fixed assets in 2015 in EUR

Description	Land	Buildings	Property being acquired	Advances for property	Total property
Cost as of 31/12/2014	3,723,907	78,249,195	274,017	15,000	82,262,119
Opening balance adjustment					0
Cost as of 1/1/2015	3,723,907	78,249,195	274,017	15,000	82,262,119
Direct increases – acquisitions	22,319	216,543	1,846,391		2,085,253
Transfer from construction in progress		460,426	-460,426		0
Transfer to investment property		-1,581,598			-1,581,598
Foreign exchange differences	-6,089	-77,353	-161		-83,603
Decreases – sales					0
Decreases – exclusions, other decreases		-647		-15,000	-15,647
Transfers between categories of tangible fixed assets					0
Cost as of 31/12/2015	3,740,137	77,266,566	1,659,821	0	82,666,524
Value adjustment as of 31/12/2014		42,861,493			42,861,493
Opening balance adjustment					0
Value adjustment as of 1/1/2015	0	42,861,493	0	0	42,861,493
Depreciation		1,810,292			1,810,292
Transfer to investment property		-423,313			-423,313
Foreign exchange differences		-36,986			-36,986
Decreases – sales					0
Decreases – exclusions, other decreases		-647			-647
Transfers between categories of tangible fixed assets					0
Value adjustment as of 31/12/2015	0	44,210,839	0	0	44,210,839
Carrying amount as of 31/12/2015	3,740,137	33,055,727	1,659,821	0	38,455,685
Carrying amount as of 31/12/2014	3,723,907	35,387,702	274,017	15,000	39,400,626

Production equipment and machinery	Other machinery and equipment	Equipment and other tangible fixed assets being acquired	Advances to acquire tangible fixed assets	Total equipment	TOTAL
289,811,858	17,218,838	8,659,272	1,024,466	316,714,434	398,976,553
				0	0
289,811,858	17,218,838	8,659,272	1,024,466	316,714,434	398,976,553
1,864,995	19,413	7,279,090	1,416,523	10,580,021	12,665,274
5,368,819	696,407	-6,079,646		-14,420	-14,420
				0	-1,581,598
-249,891	14,029	-15,563	-568	-251,993	-335,596
-218,398	-16,399			-234,797	-234,797
-1,696,919	-143,416		-1,363,591	-3,203,926	-3,219,573
1,500	-1,500			0	0
294,881,964	17,787,372	9,843,153	1,076,830	323,589,319	406,255,843
213,292,379	13,138,630			226,431,009	269,292,502
				0	0
213,292,379	13,138,630	0	0	226,431,009	269,292,502
11,246,243	1,193,316			12,439,559	14,249,851
				0	-423,313
-68,176	12,345			-55,831	-92,817
-217,195	-16,399			-233,594	-233,594
-1,440,723	-139,008			-1,579,731	-1,580,378
1,350	-1,350			0	0
222,813,878	14,187,534	0	0	237,001,412	281,212,251
72,068,086	3,599,838	9,843,153	1,076,830	86,587,907	125,043,592
76,519,479	4,080,208	8,659,272	1,024,466	90,283,425	129,684,051

More than half of all tangible fixed assets that were used on 31/12/2016 were fully depreciated.

Assets under finance lease

The carrying amount of equipment under finance lease as of 31/12/2016 amounted to EUR 1,437,281 (31/12/2015: EUR 1,011,709).

Table 65: Value of assets under finance lease in EUR

	Cost (+)	Value adjustment (+)	Carrying amount (=)
Equipment	1,296,074	322,188	973,886
TOTAL	1,296,074	322,188	973,886

Pledged tangible fixed assets

Tangible fixed assets of the Group are pledged as security for settlement of liabilities in the amount presented in the following table:

Table 66: Assets pledged as security for settlement of liabilities (without asserts under finance lease) in EUR

Value by type of assets		Cost (+)	Value adjustment (+)	Carrying amount (=)
1	Immovable property	66,733,652	36,673,649	30,060,002
2	Equipment	95,556,458	69,771,675	25,784,783
Total		162,290,110	106,445,324	55,844,785

Assets are pledged as security for the settlement of liabilities by the following companies: Impol d.o.o., Impol Seval a. d., and Impol-Montal d.o.o.

8. Investment property

In the period under observation the investment property only includes buildings and associated land held to earn rentals.

Table 67: Investment property in 2016 in EUR

Description	Land	Buildings	TOTAL
Cost as of 31 12/2015	372,928	7,232,259	7,605,187
Opening balance adjustment			0
Cost as of 1/1/2016	372,928	7,232,259	7,605,187
Direct increase (+)		49,870	49,870
Transfer from tangible fixed assets (+)		14,827	14,827
Foreign exchange differences	-7,151	-36,711	-43,862
Transfer between tangible fixed assets (-)	-365,777	-1,877,837	-2,243,614
Cost as of 31/12/2016	0	5,382,408	5,382,408
Value adjustment as of 31/12/2015		3,908,582	3,908,582
Opening balance adjustment			0
Value adjustment as of 1/1/2016	0	3,908,582	3,908,582
Depreciation (+)		117,380	117,380
Foreign exchange differences		-8,274	-8,274
Transfer between tangible fixed assets (-)		-423,197	-423,197
Value adjustment as of 31/12/2016	0	3,594,491	3,594,491
Carrying amount as of 31/12/2016	0	1,787,917	1,787,917
Carrying amount as of 31/12/2015	372,928	3,323,677	3,696,605

Table 68: Investment property in 2015 in EUR

Description	Land	Buildings	TOTAL
Cost as of 31/12/2014	138,929	5,652,866	5,791,795
Transfer from tangible fixed assets (+)		1,581,598	1,581,598
Transfer from non-current assets (+)	234,721		234,721
Foreign exchange differences	-722	-2,205	-2,927
Cost as of 31/12/2015	372,928	7,232,259	7,605,187
Value adjustment as of 31/12/2014		3,341,043	3,341,043
Depreciation (+)		144,585	144,585
Transfer from tangible fixed assets (+)		423,313	423,313
Foreign exchange differences		-359	-359
Value adjustment as of 31/12/2015	0	3,908,582	3,908,582
Carrying amount as of 31/12/2015	372,928	3,323,677	3,696,605
Carrying amount as of 31/12/2014	138,929	2,311,823	2,450,752

We estimate that the book value of investment property qualifies as fair value. The carrying amount of investment property pledged as security for settlement of liabilities is presented in the following table.

In 2016, the Group generated income with investment property in the amount of EUR 308,098 (EUR 308,426 in 2016). Connected depreciation costs in 2016 were EUR 117,380 (EUR 144,585 in 2015).

Table 69: Pledged investment property of the Impol Group as of 31/12/2016 in EUR

		Cost (+)	Value adjustment (+)	Carrying amount (=)
1	Investment property	5,039,593	3,400,280	1,639,313
Total		5,039,593	3,400,280	1,639,313

The investment property of Impol d.o.o. is pledged.

9. Long-term financial investments

Table 70: Long-term financial investments in EUR

LONG-TERM FINANCIAL INVESTMENTS	Cost/fair value/am-ortised cost of long-term financial investments as of 31/ 12/	Of which long-term financial investments in companies:		Avg. value as of 31/12	Carrying amount	
		Associated companies	Other companies	Impairment	31/12/2016	31/12/2015
	=	+	+	-	=	
Long-term financial investments (+)	3,150,144	719,413	2,430,731	-170,354	2,979,790	1,554,417
Short-term part of long-term financial investments (-)	-105,076	0	-105,076	0	-105,076	0
TOTAL NON-CURRENT FINANCIAL INVESTMENTS	3,045,068	719,413	2,325,655	-170,354	2,874,714	1,554,417

LONG-TERM FINANCIAL INVESTMENTS	Cost/fair value/am-ortised cost of long-term financial investments as of 31/ 12/	Of which long-term financial investments in companies:		Avg. value as of 31/12	Carrying amount	
		Associated companies	Other companies	Impairment	31/12/2016	31/12/2015
	=	+	+	-	=	
Investments in shares and stakes	1,100,388	719,413	380,975	-34,647	1,065,741	1,037,608
Other long-term financial investments in equity	131,962	0	131,962	0	131,962	131,438
TOTAL long-term financial investments excluding loans	1,232,350	719,413	512,937	-34,647	1,197,703	1,169,046
Long-term loans to companies	1,620,616	0	1,620,616	-135,707	1,484,909	280,843
Other long-term funds invested	169,645	0	169,645	0	169,645	0
Long-term deposits	22,457	0	22,457	0	22,457	104,528
TOTAL long-term loans	1,812,718	0	1,812,718	-135,707	1,677,011	385,371
TOTAL LONG-TERM FINANCIAL INVESTMENTS	3,045,068	719,413	2,325,655	-170,354	2,874,714	1,554,417

Long-term financial investments as of 31/12/2016 are not are pledged as security for liabilities, except in the amount of EUR 22,457 which is subject to the pledge of the deposit for the bank warranty insurance falling due on 7/8/2020.

Trend in long-term financial investments excluding loans

Table 71: Trend in long-term financial investments excluding loans in EUR

	Cost/fair value						Cost adjustment		Carrying amount	
	Cost/fair value as of 1/1/2016	Purchases	Equity method	Sales, other reductions	Foreign exchange differences	Cost/fair value as of 31/12/2016	Value adjustment as of 1/1/2016	Value adjustment as of 31/12/2016	31/12/2016	1/1/2016
	+	+	+	-	+/-	=	-	=	=	=
Investments in equity of associated companies at home	656,633	0	28,149	0	-16	684,766	0	0	684,766	656,633
Investments in equity of associated companies abroad	34,647	0	0	0	0	34,647	-34,647	-34,647	0	0
Total associated companies	691,280	0	28,149	0	-16	719,413	-34,647	-34,647	684,766	656,633
Investments in equity of other companies	512,413	0	0	-3,791	4,315	512,937	0	0	512,937	512,413
TOTAL investment in shares and stocks	1,203,693	0	28,149	-3,791	4,299	1,232,350	-34,647	-34,647	1,197,703	1,169,046

Investments in shares of associated companies

Table 72: Investments in associated companies in EUR

Associate company	Participating interests of the Group	Investment as of 31/12/2016 – equity method	Value adjustment as of 31/12/2016	Investment as of 31/12/2016	Investment as of 31/12/2015
Simfin d.o.o.	49.51 %	370,316	0	370,316	343,407
Alcad d.o.o.	32.07 %	311,210	0	311,210	307,923
Brezcarinska cona RS	33.33 %	3,240	0	3,240	5,303
Impol Brazil	50.00 %	34,648	-34,648	0	0
TOTAL		719,414	-34,648	684,766	656,633

Trend in long-term financial investments – loans

Table 73: Trend in long-term financial investments – loans in EUR

	Cost, fair value/amortised cost							Value adjustment		Carrying amount	
	Cost as of 1/1/2016	New loans	Other increase	Loans repaid	Foreign exchange differences	Transfer to short-term financial investments	Cost as of 31/12/2016	Value adjustment as of 1/1/2016	Value adjustment as of 31/12/2016	31/12/2016	1/1/2016
Long-term loans by types of loans	+	+	+	-	+/-	-	=	-	=	=	=
Loans to other companies	416,550	1,359,068	29,063	-11,427	-2,993	0	1,790,261	-135,707	-135,707	1,654,554	280,843
Deposits to banks	104,528	23,005	0	0	0	-105,076	22,457	0	0	22,457	104,528
TOTAL long-term loans	521,078	1,382,073	29,063	-11,427	-2,993	-105,076	1,812,718	-135,707	-135,707	1,677,011	385,371

Long-term loans mostly include loans granted to other companies and long-term bank deposits. The long-term loan in the amount of EUR 1,356,992 (HRK 10,258,455) is secured by a mortgage on immovable property owned by a Croatian company, which the loan was granted to. The interest rate for the given loan amounts to 4.5% p.a., and the loan falls due in a single amount on 30/6/2018. Other loans are not secured.

10. Inventories

Table 74: Inventories in EUR

		31/12/2016	Of which inventories as of 31/12:	31/12/2015
	Cost (+)	Carrying amount	pledged as security for liabilities	
Raw material and material	117,059,822	117,059,822	9,058,823	72,182,684
Low-value items	205,253	205,253	0	0
Work in progress and services	8,247,859	8,247,859	0	9,830,248
Products	12,078,869	12,078,869	0	12,416,936
Merchandise	1,705,386	1,705,386	0	2,104,893
Advances for inventories	410,234	410,234	0	1,323,482
TOTAL	139,707,423	139,707,423	0	97,858,243

The inventories of material inventories according to the previous year, as stated on 31/12/2016, is the consequence of the inclusion of new processing capacities in Croatia, the consequence of the fire in hot rolling mill in Croatia and of the failure to achieve the sales and production objectives due to the fire. We estimate that the Impol Group had to invest EUR 15 million more in stocks of raw material, as should be optimal. In the first months of 2017, the Impol Group has successfully reduced these stocks, despite the increase in the price of aluminium at the stock market.

Write-offs of inventories due to a change in their quality or value

Table 75: Write-offs of inventories due to a change in their quality or value in EUR

Type of inventory	2016	Impairments	Write-offs
Merchandise	5,340	0	5,340
TOTAL	5,340	0	5,340

Inventory surpluses and deficits

Table 76: Inventory surpluses and deficits in EUR

Type of inventory	2016	Surpluses (+)	Deficits (-)
Raw material and material	548,627	550,567	-1,940
Merchandise	-2,030	397	-2,427
TOTAL	546,597	550,964	-4,367

The inventories were pledged as security for liabilities based on received loans in the amount of EUR 9,058,823.

Received goods and material to be processed are recorded as foreign goods and only their quantity is monitored.

At the end of 2016, the Group's inventories of goods given on consignment amounted to EUR 969,577.

11. Short-term financial investments

Table 77: Short-term financial investments in EUR

	Cost as of 31/12	Of which short-term financial investments in companies: Associated	Of which short-term financial investments in companies: Other	Value adjustment due to im-pairment	Carrying amount 31/12/2016	Carrying amount 31/12/2015
	=	+	+	-	=	
Short-term financial investments (+)	7,913,291	7,913,291	-337,940	7,575,351	7,575,351	6,179,902
Short-term part of long-term financial investments (+)	105,076	105,076	0	105,076	105,076	0
TOTAL SHORT-TERM FINANCIAL INVESTMENTS	8,018,367	8,018,367	-337,940	7,680,427	7,680,427	6,179,902

	Cost as of 31/12		Of which short-term financial investments in companies: Other	Value adjustment due to im-pairment	Carrying amount 31/12/2016	Carrying amount 31/12/2015
	=	+		-	=	
Other securities acquired for sale	58,659		58,659	0	58,659	0
Receivables acquired for sale	6,214,607		6,214,607	0	6,214,607	0
TOTAL short-term financial investments excluding loans	6,273,266		6,273,266	0	6,273,266	0
Short-term loans granted	407,772		407,772	-337,940	69,832	75,623
Short-term deposits	1,337,329		1,337,329	0	1,337,329	6,104,279
TOTAL short-term loans granted	1,745,101		1,745,101	-337,940	1,407,161	6,179,902
TOTAL SHORT-TERM FINANCIAL INVESTMENTS	8,018,367		8,018,367	-337,940	7,680,427	6,179,902

Table 78: Trend in short-term financial investments excluding loans in EUR

	Cost/fair value				Cost adjustment		Carrying amount	
	Cost/fair value as of 1/ 1/ 2016	Purchases	Measured at higher fair value	Cost/fair value as of 31/ 12/ 2016	Value adjustment as of 1/ 1/ 2016	Value adjustment as of 31/ 12/ 2016	31/ 12/ 2016	1/ 1/ 2016
	+	+	+	=	-	=	=	=
Receivables acquired for sale*	13,326	6,214,607	0	6,227,933	-13,326	-13,326	6,214,607	0
Financial derivatives - foreign exchange swap**	0	0	58,659	58,659	0	0	58,659	0
TOTAL SFI, excluding loans	13,326	6,214,607	58,659	6,286,592	-13,326	-13,326	6,273,266	0

*The amount of EUR 6,214,607 refers to the purchase of receivables toward TLM Aluminium and TLM TPP by IMPOL TLM d.o.o. The purpose of the purchase is the acquisition of tangible assets of the insolvent TLM Aluminium d.o.o., for carrying out business operations in Croatia. The receivable is secured by pledging these assets.
** Currency futures (forwards) include fair value of open transactions on the date of the balance sheet, which is determined based on publicly available information on the value of futures on the organised market for all open transactions. Changes in fair value of derivatives are recognised in profit or loss.

Table 79: Trend in short-term financial investments – loans in EUR

	Cost, fair value/amortised cost						Value adjustment		Carrying amount	
	Cost, fair value/amortised cost as of 1/1/2016	New loans	Loans repaid	Foreign exchange differences	Transfer from long-term fin. inv.	Cost as of 31/12/2016	Value adjustment as of 1/1/2016	Value adjustment as of 31/12/2016	31/12/2016	1/1/2016
	+	+	-	+/-	+	=	-	=	=	=
Loans to other companies	413,563	422,218	-195,100	-1,650	0	639,031	-337,940	-337,940	301,091	75,623
Short-term deposits to banks	6,104,279	9,011,207	-14,114,523	31	105,076	1,106,070	0	0	1,106,070	6,104,279
TOTAL short-term loans	6,517,842	9,433,425	-14,309,623	-1,619	105,076	1,745,101	-337,940	-337,940	1,407,161	6,179,902

Short-term financial investments are not pledged as security for liabilities, except in the amount of EUR 105,076 which is subject to warranty insurance with a 100% deposit for the period until 7/2/2017.

12. Short-term operating receivables

Carrying amounts of all trade receivables and other receivables in significant amounts correspond to their fair value.

Table 80: Short-term operating receivables in EUR

	Short-term operating receivables	Short-term operating receivables from different companies: Associated	Other	Value adjustment due to impairment*	31/12/2016	31/12/2015
	=	+	+	-	=	+
Short-term receivables from customers	55,189,335	14,137	55,175,198	-6,348,421	48,840,914	47,453,611
Given short-term advances and collaterals	1,562,139	0	1,562,139	0	1,562,139	321,768
Short-term receivables associated with financial revenues	149,588	0	149,588	-103,693	45,895	52,656
Short-term receivables due from government institutions*	12,064,602	0	12,064,602	0	12,064,602	6,495,134
Other short-term operating receivables	3,008,674	12	3,008,662	-2,731,733	276,941	129,531
TOTAL short-term operating receivables	71,974,338	14,149	71,960,189	-9,183,847	62,790,491	54,452,700

Short-term operating receivables from customers	48,840,914
• Domestic market	5,176,851
• Foreign market	43.664.063

* This mostly considers an increase due to receivables after the VAT return. In 2016, Impol d.o.o. registered for purposes of VAT return due to transactions carried out in Croatia.

Value adjustment of current operating receivables due to impairment

Table 81: Value adjustment of current operating receivables due to impairment in EUR

	2016	Of which average values of short-term receivables from companies: other	2015
Balance as of 1/ 1/ (+)	11,341,009	11,341,009	7,447,274
Decrease in value due to settlement of receivables (-)	-994,127	-994,127	-1,501,225
Decrease in value due to write-offs of receivables (-)	-1,337,745	-1,337,745	-79,657
Value adjustment due to impairment (+)	174,710	174,710	5,474,617
Transfers of formed adjustments of companies in the group upon acquisition	0	0	
Balance as of 31/ 12/	9,183,847	9,183,847	11,341,009

Analysis of outstanding trade receivables in EUR	31/12/2016
Due in 2016	10,611,425
Due in 2015	327,786
Due in 2014	451,235
Due in 2013	307,496
Due in 2012 or earlier	5,339,127
TOTAL receivables from customers already due	17,037,068

13. Monetary assets

Table 82: Cash and cash equivalents in EUR

	31/12/2016	31/12/2015
Cash in hand and immediately cashable securities	4,694	5,478
Cash in banks and other financial institutions	19,477,391	70,831,876
TOTAL	19,482,085	70,837,354

The Group has no cash deposits of under three months. Daily deposits are included under Cash in banks.

Short-term accrued costs and deferred revenue

Table 83: Short-term deferred costs and accrued revenues in EUR

	31/12/2016	31/12/2015
Short-term deferred costs or expenses	371,003	86,460
Short-term deferred income	733	0
Securities	0	0
VAT from received advances	23,066	23,514
TOTAL	394,802	109,974

14. Equity

Table 84: Equity in EUR

	31/12/2016	31/12/2015
Equity	154,015,227	127,562,535
Minority shareholders' equity	14,525,139	11,742,184
Called-up capital	4,451,540	4,451,540
Share capital	4,451,540	4,451,540
Uncalled-up capital (as deductions)	0	0
Capital reserves	10,751,254	10,751,254
Revenue reserves	7,432,528	6,906,327
Legal reserves	0	0
Reserves for own shares and own business shares	506,406	506,406
Own shares and own business shares (as a deductible item)	-506,406	-506,406
Statutory reserves	1,699,947	1,173,746
Other revenue reserves	5,732,581	5,732,581
Reserves resulting from valuation at fair value	-593,451	-169,318
Revaluation adjustment of capital	-1,103,373	-670,221
Net profit brought forward	91,990,290	74,934,946
Net profit for the financial year	26,561,300	19,615,823

Share capital

The share capital of Impol 2000 d.d. equals EUR 4,451,549 and is divided into 1,066,767 ordinary no-par value shares.

Reserves

The Group's reserves include capital reserves, reserves from profit and the reserves resulting from valuation at fair value and the revaluation adjustment of capital. None of these reserves can be used to pay dividends or other participating interests.

Capital reserves

Capital reserves as of 31/12/2016 amount to EUR 10,751,254. Capital reserves include paid-in capital surplus in the amount of EUR 9,586,803 and the general revaluation adjustment of capital in the amount of EUR 1,164,451.

Revenue reserves

Revenue reserves as of 31/12/2016 amount to EUR 7,432,528, which include own shares (as deduction) and the corresponding reserves for own shares, statutory reserves and other reserves from profit.

As of 31/12/2016, the Impol Group owned 82,108 own shares in the total amount of EUR 506,406 (as deduction of capital). These are shares of the controlling company Impol 2000 d.d. owned by the following companies in the Group: Impol-Montal d.o.o. (80,482 shares) and Kadring d.o.o. (1.626 shares). Reserves for own shares are disclosed in the same amount under Reserves from profit.

Table 85: Repurchased own shares in EUR

	Balance as of 1/1/2016			Balance as of 31/12/2016		
	no.	%	Value	no.	%	Value
Own shares acquired	82,108	7.70 %	506,406	82,108	7.70 %	506,406
TOTAL		7.70 %	506,406		7.70 %	506,406

Statutory reserves in the amount of EUR 1,699,947 represent the amount of reserves formed based on the statute of the controlling company. In 2016, these reserves increased by EUR 526,201 that were debited to the annual profit.

Other revenue reserves as of 31/12/ 016 amount to EUR 5,732,581. They include the rest of the retained earnings of previous years.

Revaluation adjustment of capital

As of 31/12/2016, the revaluation adjustment of capital amounts to EUR -1,103,373 EUR and decreased in 2016 by EUR 433,152, which corresponds to an increased due to foreign exchange differences that occurred when including financial reports of foreign subsidiaries into consolidated financial statements.

Reserves resulting from valuation at fair value

Reserves resulting from valuation at fair value include changes of value of effective hedges of cash flow (interest rate swaps) in the amount of EUR -217,952, actuarial gains/losses based on provisions for retirement allowances in the amount of EUR -421,609, and the adjustment of reserves resulting from valuation of financial investments at fair value for deferred tax liabilities in the amount of EUR 41,411 (due to the positive amount of the adjustment these are effectively deferred tax receivables), as shown in the table 86.

Table 86: Reserves resulting from valuation at fair value in EUR

	Balance as of 1/1/2016	Formed	Removed	Total as of 31/12/2016
Reserves resulting from valuation at fair value	+/-	+/-	-/+	=
Reserves resulting from valuation financial investments at fair value	-73,355	-144,597	0	-217,952
Actuarial gains/losses, recognised under reservations for retirement benefits	-97,768	-327,671	3,830	-421,609
Adjustment of reserves resulting from valuation of financial investments at fair value for deferred tax liabilities	0	41,411	0	41,411
TOTAL	-171,123	-430,857	3,830	-598,150
Of which reserves for fair value belonging to non-controlling interest	-1,805	-2,894	0	-4,699
Of which reserves for fair value belonging to owners of the controlling company	-169,318	-427,963	3,830	-593,451

Disbursement of dividends

In 2016, based on the resolution of the general meeting of shareholders, the controlling company Impol 2000 d.d. paid dividends in the gross amount of EUR 1.41 per share or a total of EUR 1,504,141. Since the receivers of dividends are also the companies Impol-Montal d.o.o. that owns 80.482 shares of Impol 2000 d.d. and Kadring d.o.o. that owns 1,626 shares of Impol 2000 d.d., the actual payment of dividends outside the group was EUR 1,388,368, while Impol-Montal d.o.o. received dividends in the amount of EUR 113,480 and Kadring d.o.o. in the amount of EUR 2,293.

15. Provisions and long-term accrued expenses and deferred revenue

Table 87: Provisions and non-current accrued expenses and deferred revenue in EUR

	Provisions		Long-term accrued costs and deferred revenues		
	Provisions for retirement, jubilee and retirement benefits	Other provisions due to long-term accrued costs	Received government grants	Other long-term deferred costs and accrued revenue	Total
Balance as of 31/12/2015	1,752,717	1,251	523,846	136,606	2,414,420
Balance as of 01/01/2016	1,752,717	1,251	523,846	136,606	2,414,420
Formation (+)	733,176	0	271,045	0	1,004,221
Other increase (+)	269,901	0	707	75,000	345,608
Utilisation (-)	-68,213	0	-298,895	-3,757	-370,865
Reversal (-)	-36,876	0	-102	-31,932	-68,910
Other decreases (-)	-4,138	0	-1,025	0	-5,163
Balance as of 31/12/2016	2,646,567	1,251	495,576	175,917	3,319,311

It is estimated that, with the exception of the previously stated provisions, no other provisions need to be formed. The provisions refer to the business entities outside the Group. Provisions for post-employment and other long-term benefits of the employees are created in the amount of the estimated future payments for termination benefits and jubilee benefits, discounted to the end of the reporting period. Labour costs and interest expenses are recognised in profit or loss, while the conversion of post-employment benefits and/or unrealised actuarial gains and losses are recognised in other comprehensive income as equity.

The calculation of provisions for retirement and jubilee benefits is based on the following conditions:

- Discount rate based on information on the return of long-term government bonds of the Republic of Slovenia or Republic of Serbia,

- currently valid amounts of retirement and jubilee benefits from internal rules.
- Fluctuation of employees mostly depending on their age
- Mortality based on last available mortality tables of the local population.

Received government grants include assets from disposed of contributions of disabled persons and subsidies for improving the working conditions for disabled persons in the total amount of EUR 495,576: Their balance and trend in 2016 was as follows:

Table 88: Received government grants in EUR

	Disposed of contributions	Assets from disposed of contributions for covering depreciation costs	Calculated interest from unused contributions	Total received government grants
Balance as of 31/12/2015	199,127	323,694	1,025	523,846
Balance as of 1/1/2016	199,127	323,694	1,025	523,846
Formation – disposed of contributions (+)	258,585			258,585
Formation – subsidies	12,460			12,460
Other increase (+)			707	707
Utilisation (75% of pays of disabled persons)	-254,599			-254,599
Utilisation (acquisition of fixed assets from disposed of contributions)	-19,240	19,240		0
Utilisation (covering depreciation costs)		-44,296		-44,296
Utilisation (covering the residual value of fixed assets at disposal)	-102			-102
Annulment of interest from previous years			-1,025	-1,025
Balance as of 31/12/2016	196,231	298,638	707	495,576

16. Long-term financial and operating liabilities

Table 89: Long-term financial and operating liabilities in EUR

	Entire debt as of 31/12/2016	The part falling due in 2017	31/12/2016	31/12/2015
	+	-	=	
Long-term financial liabilities regarding bonds	40,000,000	-10,000,000	30,000,000	40,000,000
Long-term financial liabilities to banks	96,347,063	-26,365,674	69,981,389	75,616,919
Long-term financial liabilities (excluding liabilities from finance lease) to other companies	8,250,907	-48,115	8,202,792	218,708
Long-term financial liabilities from finance lease of other companies	527,024	-140,264	386,760	439110
Other long-term operating liabilities – other companies	237,830	0	237,830	294,767
TOTAL long-term financial and operating liabilities	145,362,824	-36,554,053	108,808,771	116,569,504

*Future minimum lease payments and their present values in connection with finance lease liabilities are as follows in Table 100.

Table 90: Future minimum lease payments and their present value in EUR

	Future minimum lease payments	Present net value of future lease payments
Up to 1 year	160,934	140,264
1 to 5 years	413,544	386,760
Over 5 years	0	0

Table 91: Trend in long-term financial liabilities - without financial lease liabilities in EUR

Type of long-term financial liabilities	Debt as of	New loans	Reimbursements in the current year	Foreign exchange differences	Total debt as at 31/12/2016	Of which the proportion falling in 2017	after 1/1/2018
		+	-	+/-	=	-	=
Bonds	40,000,000	0	0	0	40,000,000	-10,000,000	30,000,000
Loans - other companies	218,708	8,000,000	32,871	-672	8,250,907	-48,115	8,202,792
Loans - banks	75,616,919	22,979,050	-1,095,239	-1,153,667	96,347,063	-26,365,674	69,981,389
TOTAL	115,835,627	30,979,050	-1,062,368	-1,154,339	144,597,970	-36,413,789	108,184,181

Table 92: Trend in long-term financial liabilities due to financial lease liabilities in EUR

Total debt as at 1/1/2016	New financial leases	Reimbursements in the current year	Total debt as at 31/12/2016	Of which the part falling due on: in 2017	after 1/1/2018
439,110	97,830	-9,916	527,024	-140,264	386,760

In 2015, the Impol Group issued 5-year bonds in the amount of EUR 50,000,000 with the intention to finance the investment cycle for additional long-term growth and development. Bonds are traded at the Ljubljana Stock Exchange since 26 December 2015. The annual interest rate is 3.8 percent. Coupons are paid annually. The final maturity date is 19/10/2020. The remaining principal with interests falls due on 19/10/2017, 19/10/2018, 19/10/2019 and 19/10/2020, each time in the principal amount of EUR 10,000,000 plus interest. The short-term part of the liabilities based on bonds, which falls due on 19/ 10/2017, is stated under short-term financial liabilities.

The maturity of non-current financial obligations is disclosed under chapter 20: Financial instruments and risks.

Interest rates for non-current loans:

- In EUR, ranging from fixed 1% to EURIBOR6 + 4.5% (depending on the field, maturity, insurance and credit institutions range).

Long-term financial obligations are insured with mortgages, business share, equipment, inventories, receivables and bills of exchange. Part of long-term financial liabilities in the amount of EUR 78,570,941 is insured, while part of the debt in the amount of EUR 30,000,000 is not insured. Carrying amounts of assets given as insurance for long-term financial liabilities are disclosed under individual disclosures of group assets.

17. Short-term liabilities

Table 93: Short-term liabilities in EUR

Short-term operating and financial liabilities	31/12/2016	31/12/2015
Short-term trade creditors – associated companies	313,206	328,196
Short-term trade creditors – other companies	32,865,770	26,383,195
Short-term operating liabilities based on advances to other companies	1,588,225	1,834,256
Other short-term operating liabilities – other companies	9,656,966	6,438,150
TOTAL short-term operating liabilities	44,424,167	34,983,797
Short-term part of long-term financial liabilities – banks	26,365,674	38,744,072
Short-term part of long-term financial liabilities (excluding liabilities from finance lease) – other companies	48,115	5,045,575
Short-term part of long-term financial liabilities – bonds	10,000,000	10,000,000
Short-term part of long-term financial liabilities from financial lease – other companies	140,264	122,515
Short-term financial liabilities – banks	25,019,999	24,330,535
Short-term financial liabilities (excluding liabilities from financial lease) – other companies	5,600,702	454,399
Short-term financial liabilities from the distribution of profit	11,736	7,052
Short-term financial liabilities from financial lease – other companies	4,518	3
TOTAL short-term financial liabilities	67,191,008	78,704,151
TOTAL short-term financial and operating liabilities	111,615,175	113,687,948
Short-term operating and financial liabilities	31/ 12/ 2016	31/ 12/ 2015
Short-term financial liabilities	30,636,955	24,791,989
Short-term part of long-term financial liabilities	36,554,053	53,912,162
Total short-term financial liabilities	67,191,008	78,704,151
Short-term operating liabilities	44,424,167	34,983,797
Total short-term operating liabilities	44,424,167	34,983,797
TOTAL short-term financial and operating liabilities	111,615,175	113,687,948

Short-term operating liabilities	31/12/2016	31/12/2015
Short-term liabilities to associated companies as suppliers	313,206	328,196
Short-term liabilities to other companies as suppliers	32,865,770	26,383,195
Total short-term liabilities to suppliers	33,178,976	26,711,391
Short-term liabilities for advances	1,588,225	1,834,256
Total short-term liabilities for advances	1,588,225	1,834,256
Short-term liabilities to employees	6,102,784	2,955,319
Short-term liabilities to government	2,556,074	2,993,736
Short-term liabilities from interests – other companies	194,669	361,744
Other short-term operating liabilities – other companies	803,439	127,351
Total other short-term operating liabilities	9,656,966	6,438,150
TOTAL short-term operating liabilities	44,424,167	34,983,797

*Itemisation of short-term liabilities from interests	31/12/2016	31/12/2015
Interest associated with finance expenses from operating liabilities	12,535	3,356
Interest associated with finance expenses from financial liabilities	182,134	358,388
Total short-term liabilities from interests	194,669	361,744

Table 94: Trend in short-term financial investments in EUR (excluding liabilities from financial lease)

Type of short-term financial liabilities	Total debt as of 1/1/2016	New loans in current year	Measured financial derivatives at fair value	Transfer of the short-term part of the long-term liability	Transfers of short-term financial liabilities of companies in the group upon acquisition	Foreign exchange differences	Reimbursements in the current year	Total debt as of 31/12/2016
	+	+		+		+/-	-	=
Bonds - short-term part	10,000,000	0		10,000,000		0	-10,000,000	10,000,000
Loans - other companies	5,426,619	7,587,776		48,115	1,967*	24	-7,633,636	5,430,865
Fair value of interest rate swaps	73,355		144,597					217,952
Loans - banks	63,074,607	25,020,000		26,365,674		-53,951	-63,020,657	51,385,673
TOTAL	78,574,581	32,607,776	144,597	36,413,789	1,967	-53,927	-80,654,293	67,034,490

*The amount of EUR 1,967 refers to the commitment at the acquisition of Impol ulaganja d.o.o.

Table 95: Trend in short-term financial liabilities due to financial lease liabilities in EUR

Total debt as of 1/1/2016	New financial leases in the current year	Transfer of the short-term part of the long-term liability	Other reductions (change in interest rates)	Reimbursements in the current year	Total debt as of 31/12/2016
122,518	4,684	140,264	-167	-122,517	144,782

Table 96: Analysis of outstanding liabilities to suppliers in EUR

Analysis of outstanding liabilities to suppliers in EUR	
Due in 2016	3,326,814
Due in 2015	55,885
Due in 2014	73,312
Due in 2013	892
Due in 2012 or earlier	10,164
TOTAL liabilities to suppliers already due	3,467,067

Interest rates for short-term loans from credit institutions range from EURIBOR6 + 1.25% to fixed EURIBOR6 + 3.20%.

Current liabilities are partly secured with a mortgage and others with equipment, bills of exchange, assignment of receivables and guarantees. Part of current financial liabilities in the amount of EUR 57,191,008 is insured, while part of current financial liabilities in the amount of EUR 10,000,000 is not insured.

Short-term accrued costs and deferred revenue

Table 97: Short-term accrued costs and deferred revenue

Short-term accrued costs and deferred revenue	31/12/2016	31/12/2015
Accrued deferred costs or expenses	1,554,479	688,905
Short-term deferred income	45,187	37,400
VAT from given advances	2,195	188,018
TOTAL	1,601,861	914,323

Short-term deferred costs or expenses include accrued costs of provisions for agents for transactions in 2016, costs of interest of issued bonds accrued until 31/12/2016, calculated amounts of unused leaves after the balance as of 31/12/2016, and deferred income based on accruals and VAT from given advances as of 31/12/2016.

18. Contingent liabilities

The Impol Group has issued guarantees in the amount EUR 2,259,588, mostly in connection with custom duties upon importation of goods and materials, and liabilities in the amount of EUR 87,003 in connection with recalculated VAT at bankruptcy.

There are currently lawsuits against the Impol Group in the total amount of EUR 559,452 in connection with employment litigations for compensation for damages and other economic actions in the amount of EUR 36,500 EUR. The Group estimates that these claims are unjustified, which is why the Group did not form short-term provisions for these purposes. Employment litigations, insured by an insurance company, are not included among contingent liabilities.

19. Business combinations and acquisitions of non-controlling shares

Business combinations

On 2/3/2016, the company obtained controlling influence over the company Adrial ulaganja d.o.o. (the company was later renamed to Impol ulaganja d.o.o.) by acquiring a 100% share in the company. The acquisition of the owner's share is a strategic and long-term investment with which the Impol Group ensures infrastructural production capacities as part of the production process in Šibenik (Impol-TLM). The Group assessed the fair values of the assets, the liabilities and the potential liabilities of the acquired company and took them into account in the initial accounting of the business combination, as shown in the table below.

Table 98: Fair values of the assets, liabilities and potential liabilities of the acquired company in EUR

	Fair value as of 2/3/2016	Carrying amount as of 2/3/2016
Assets		
Immovable property	5,766,000	7,553,440
Machinery, devices and equipment	186,633	186,633
Operating receivables	1,360,427	1,360,427
Cash and cash equivalents	2,345	2,345
Total assets	7,315,405	9,102,845
Liabilities		
Operating liabilities	1,449,315	1,449,315
Financial liabilities	1,967	1,967
Total liabilities	1,451,282	1,451,282
Net acquisition assets	5,864,123	7,651,563
Purchase price	5,758,116	
Negative goodwill	106,007	

In the 10 months since the acquisition of the company the Group generated EUR 54,736 of revenue as a consequence (the majority of sales in the total amount of EUR 2,277,839 was generated with the controlling company Impol-TLM, d. o. o and as such it was excluded from the consolidation), whereas the net profit and loss was negative, i.e. EUR 21,255. If the company was acquired on 1/1/2016, the revenue of the Group would be the same, and the profit and loss would be lower by EUR 87,319, since the acquired company was not actively operating in the period of time before the acquisition.

Acquisitions of non-controlling shares

The acquisitions of non-controlling shares by the Impol Group, where there are no changes in the control over the company, are accounted for as transactions with owners, consequently the goodwill is not recognised. The change of non-controlling shares is based on the relative share of the net assets of the subsidiary. All surpluses/difference between the additional investment costs and the carrying value of the assets are recognised under equity.

In 2016, the following acquisitions of non-controlling shares were carried out:

- In 2016, Impol 2000 d.d. acquired a 35% equity share in Impol-TLM d.o.o., Šibenik, Croatia, from a non-controlling owner in the amount of EUR 1,200,000, thus becoming its 100% owner (65% owner before the acquisition). The effect of the acquisition of the non-controlling share was recognised in the consolidated financial statements as a reduction of the profit and loss of the Impol Group carried forward in the amount of EUR 1,234,731.
- In 2016, Kadring d.o.o. acquired a 33% own equity share from non-controlling owners in the amount of EUR 132,000, on the basis of which it effectively increased its controlling owner capital from 62.50% to 93.2836 %. The effect of the acquisition of the non-controlling share was recognised in the consolidated financial statements as an increase of the profit and loss of the Impol Group carried forward in the amount of EUR 91,628.
-

20. Financial instruments and financial risks

Financial risks of the Impol Group are assessed as high considering their probability and importance, which is why special attention is put to these risks Numerous processes are actively included in monitoring and controlling, among which finances, economics, risk management (RM) and other relevant processes in companies of the Impol Group operating outside Slovenia.

Liquidity risks

When it comes to liquidity risk management, the Impol Group examines whether it is able to settle all current operating liabilities and whether it is generating a sufficiently large cash flow to settle financing liabilities.

Floating weekly and monthly planning of cash flows allows us to establish the liquid asset requirements. Potential short-ages of cash are covered by bank credit lines, whereas any short-term surpluses are invested in liquid current financial assets.

The Impol Group is able to cover all matured obligations at any given time. Successful performance enables us a long-term ability to pay and capital increases.

Long-term financial liabilities

Table 99: Long-term financial liabilities in EUR

	31/12/2016	31/12/2015
Long-term financial liabilities regarding bonds	30,000,000	40,000,000
Long-term financial liabilities to banks	69,981,389	75,616,919
Long-term financial liabilities (excluding liabilities from financial lease) to other companies	8,202,792	218,708
Long-term financial liabilities from financial lease – other companies	386,760	439,110
TOTAL long-term financial liabilities	108,570,941	116,274,737

Maturity of long-term financial liabilities by years

Table 100: Maturity of long-term financial liabilities by years in EUR

Maturity of long-term financial liabilities by years in EUR	31/12/2016
Due in 2017	x
Due in 2018	40,962,008
Due in 2019	29,908,134
Due in 2020	25,807,484
Due in 2021	7,814,229
Due in 20212or later	4,079,085
Total long-term financial liabilities	108,570,941

Table 101: Short-term financial and operating liabilities in EUR

Short-term operating and financial liabilities	31/12/2016	31/12/2015
Short-term financial liabilities	30,636,955	24,791,989
Short-term part of long-term financial liabilities	36,554,053	53,912,162
Total short-term financial liabilities	67,191,008	78,704,151
Short-term operating liabilities	44,424,167	34,983,797
Total short-term operating liabilities	44,424,167	34,983,797
TOTAL short-term financial and operating liabilities	111,615,175	113,687,948

Risk of changes in aluminium prices

The primary objective of the Group is to regulate fluctuations, to try to coordinate purchases and sales and protect possible inconsistencies by concluding derivatives.

In the last quarter additional forwards had to be concluded, the state of which is shown in table 102, due to the drop in demand.

Table 102: Forward purchases/sales in 2016

	Quantity in t	Average price in EUR/t
Forward purchases	13,500	1,551.40
Forward sales	13,500	1,478.21
Open forward positions	0	

The activity of forward operations generated the forward balance of EUR -1,011.063.

Table 103: Financial revenue from forwards in EUR

	2016	2015	2014
Financial revenue from forwards – forward purchases/sales of aluminium	88,462	193,344	836,774
Financial expenditure from forwards – forward purchases/sales of aluminium	1,099.525	833,740	402,829

Table 104: Balance of open forward position as of 31/ 12/ 2016

	Quantity in t	Average price in EUR/t
Forward purchases	1,500	1,380
Forward sales	19,800	1,530

Fair value of these financial instruments as of 31/ 12/ 2016 – EUR 938,767.

The change in price of the concluded forward, increased or decreased by 10%, would mean EUR 2.8 million of revenue or loss due to concluded forwards. However, it should be pointed out that the impact of potential changes of concluded forwards is neutral, since values are neutralised on the physical market.

Foreign exchange risks

In 2016, a certain portion of open USD positions was hedged by Impol d.o.o. in compliance with the foreign exchange risk management policy by using derivative financial instruments, while the remaining part was left unhedged. For hedging, we used simple derivatives like forwards.

Table 105: Financial revenue/expenses from forwards – foreign exchange swaps in EUR

	2016	2015
Financial revenue from forwards – foreign exchange swaps	98,752	40,400
Finance expenses from forwards – foreign exchange swaps	44,563	57,887

Table 106: Balance of open forward position as of 31/ 12/ 2016

Foreign exchange forward (FX Forward) – purchase	Currency
4,000,000	USD

Since the partners in concluding forwards for the insurance of currency risk are first-class Slovenian banks, we estimate that the risk of failure to fulfil the concluded contracts is minimal.

The fair value of these instruments as of 31/12/2016 amounts to EUR 58,659. The contracts fall due on a monthly basis, namely between 27/11/2017 and 12/12/2017.

Table 107: Overview of USD inflows, outflows and open positions at Impol d.o.o. in millions of USD

	2012	2013	2014	2015	2016
Inflows	19.0	15.0	16.2	18.5	44.0
Outflows	58.0	36.0	45.1	41.5	52.0

Since the Group operates in several countries, the open receivables and liabilities in foreign currencies are distributed by individual countries:

Open short-term operating receivables in foreign currencies as of 31/12/2016 for companies based in Slovenia:
- USD: 1,607,579
- AUD: 161,094
- SEK: 72,778

Open short-term operating liabilities in foreign currencies as of 31/12/2016 for companies based in Slovenia:
- USD: 4,437
- HRK: -2,167

An adverse change of any currency pair by 10% would decrease the operating result by not more than EUR 149,805.

Open short-term operating receivables in foreign currencies as of 31/12/2016 for companies based in Serbia:
- EUR: 1,676,727

Open short-term operating liabilities in foreign currencies as of 31/12/2016 for companies based in Serbia:
- EUR: 2,589,682

Adverse change of the currency pair EUR/SRB by 10% would decrease the operating result by not more than RSD 11,318,542 (which according to the exchange rate of the National Bank of Serbia as of 31/12/2016 amounts to EUR 91,295).

There were no open short-term operating receivables in foreign currencies as of 31/12/2016 for companies in Croatia.

Open short-term operating liabilities in foreign currencies as of 31/12/2016 for companies based in Croatia:
- EUR: 893,973

Adverse change of the currency pair EUR/HRK and CHF/HRK by 10% would decrease the operating result by not more than HRK 677,509 (which according to the exchange rate of the National Bank of Croatia as of 31/ 12/ 2016 amount to EUR 89,644).

In 2016, the Group generated a positive financial result from foreign exchange differences in the amount of EUR 95,695.

Table 108: Revenue and expenses from foreign exchange differences in EUR

	Total 2016	Total 2015
Financial revenue from operating receivables – foreign exchange differences	4,109,339	1,063,482
TOTAL revenue from foreign exchange differences	4,109,339	1,063,482
Finance expenses from other financial liabilities – foreign exchange differences	420,570	174,757
Finance expenses from operating liabilities – foreign exchange differences	3,593,074	1,843,693
TOTAL expenses from foreign exchange differences	4,013,644	2,018,450

Interest Rate Risk

If the Interbank Offered Rate (EURIBOR) is negative (less than 0%), banks charge contractual interest based on the EURIBOR reference interest rate of 0% plus a surcharge.

Table 109: Short-term and long-term financial liabilities at a fixed interest rate in EUR

	31/12/2016	31/12/2015
Financial liabilities	56,973,654	53,821,307

Table 110: Short-term and long-term financial liabilities at a variable interest rate in EUR

	31/12/2016	31/12/2015
Financial liabilities	118,558,607	141,077,173

Table 111: Value of financial liabilities secured with interest rate swaps in EUR

	31/12/2016	31/12/2015
Balance of concluded interest rate swaps	25,781,250	26,250,000

Table 112: Impact of the exchange rate changes on the operating result in EUR

	31/12/2016	31/12/2015
Increase of the interest rate by 50 bp	-463,887	-574,136
Increase of the interest rate by 100 bp	-927,774	-1,148,272
Decrease of the interest rate by 50 bp	463,887	574,136
Decrease of the interest rate by 100 bp	927,774	1,148,272

The change of the interest rate by 50 or 100 basic points at the reporting date would increase/decrease the net operating result by the amount listed in Table 112. The analysis of the sensitivity of the operating result with an indebtedness with a variable interest rate presupposes that all other variables remain unchanged. In the calculation the liabilities at a variable interest rate are reduced by the entire amount of interest rate swaps. The Impol Group report does not include essential amounts of financial receivables tied to a variable interest rate or rather the amounts that are essential are tied to a fixed interest rate.

In 2016, the value of financial liabilities secured with interest rate swaps amount to EUR 25,781,250. In this regard we recognised the successful part of the changes at fair value of the derivatives under the reserves resulting from valuation at fair value, in the amount of EUR -141,597, whereas the total value of interest swaps as of 31/12/2016, in the amount of EUR -217,952, is recognised as a liability within the framework of short-term financial liabilities.

Credit Risk

The credit control process encompasses customer credit rating which is carried out regularly by a chosen credit insurance and foreign insurance firms as well as our customer solvency monitoring system.

The Group had its receivables to customers insured by credit insurance companies. As of 31/12/2016, the insurance companies insured receivables to customers in the amount of EUR 41,272,840, representing 84.51% of all open receivables to customers.

Unsecured receivables are monitored in accordance with the open receivables monitoring policy and their maturity structure is the same as for entire receivables. This means regular monitoring of the credit rating of customers, setting internal limits and monitoring risks as part of the Risk Management Committee. Only quality insurances are included under secured receivables. Promissory notes and enforcement drafts are not included due to their low level of redeemability.

By regularly monitoring open and past due trade receivables, the ageing structure of receivables and average payment deadlines, the Impol Group maintains its credit exposure within acceptable limits given the strained conditions on the market. The Group's policy is that individual buyers shall not exceed 7 percent of all sales.

Carrying and fair values of financial instruments

Classification of financial instruments according to their fair value as of 31/12/2016.

Table 113: Carrying and fair values of financial instruments in EUR

	Carrying amount	Fair value	Fair value level
Investments in associated companies	684,766	684,766	3
Long-term financial investments – available-for-sale assets	512,413	512,413	3
Long-term loans granted	1,677,011	1,677,011	3
Long-term operating receivables	39,705	39,705	3
Currency forwards	58,659	58,659	2
Short-term financial investments-receivables, acquired for sale	6,214,607	6,214,607	3
Short-term loans granted	1,407,161	1,407,161	3
Short-term operating receivables	62,790,491	62,790,491	3
Cash and cash equivalents	19,482,085	19,482,085	3
Long-term financial liabilities	78,570,941	78,570,941	3
Long-term financial liabilities from bonds payable*	30,000,000	31,560,000	1
Long-term operating liabilities	237,830	237,830	3
Short-term financial liabilities (excluding bonds and financial derivatives)	56,973,056	56,973,056	3
Short-term financial liabilities based on bonds*	10,000,000	10,596,000	1
Short-term financial liabilities – fair value of financial derivatives	217,952	217,952	2
Short-term operating liabilities	44,424,167	44,424,167	3

*Kotirajoče obveznice

Events after reporting date

The term of the member of the Management Board, Bojan Gril, who was appointed by the Representative Body of Employees of the Impol Group, expired on 20/1/2017. On 27/1/2017, he was re-appointed member of the Management Board.

Other disclosures

On 1/1/2015, the Impol Group changed the form of management of the parent company Impol 2000 d.d. from its two-tier structure to one-tier structure.

Members of the Management Board:
- Jernej Čokl, President,
- Vladimir Leskovar, Vice President,
- Janko Žerjav, Member,
- Milan Cerar, Member,
- Bojan Gril, Member.

The Management Board appointed two executive directors who are not members of the Management Board:
- Edvard Slaček, Chief Executive Officer,
- Irena Šela, Executive Director of Finance

And the Audit Commission:
- Vladimir Leskovar, President,
- Bojan Gril, Member,
- Tanja Ahaj, External Member.

The company has no claims against members of the management bodies and employees on individual contracts.

Table 114: Remuneration of the members of the Management Board and Supervisory Board in EUR

	2016	2015
Members of the Management Board, executive directors and directors of subsidiaries	2,036,768	2,537,693
Members of the Supervisory Board	62,461	62,510
Employees on individual contracts	5,151,520	3,318,725
TOTAL	7,250,749	5,918,928

Table 115: The amount (cost) spent for the auditor (according to ZGD-1, point 20, paragraph 1, Article 69) in EUR

	2016	2015
Auditing of the annual report	109,405	83,794
Other auditing services	3,150	1,840
Tax consultancy services	0	0
Other non-auditing services	0	18,000
TOTAL	112,555	103,634

Signature of the annual report for 2016 and its parts

The president and members of the Management Board and the executive directors of the company Impol 2000 d.d. are familiar with the content of all parts of the consolidated annual report of the Group and with the whole Annual Report of the Impol Group for 2016. We agree with the content and confirm it with our signature.

Jernej Čokl
(President of the Management Board)

Vladimir Leskovar
(Vice President of the Management Board)

Janko Žerjav
(Member of the Management Board)

Milan Cerar
(Member of the Management Board)

Bojan Gril
(Member of the Management Board)

Edvard Slaček
(Chief Executive Officer)

Irena Šela
(Executive Director of Finance)

Don't tell people how to do things, tell them what to do and let them surprise you with their results.

George S. Patton

Financial report of Impol 2000 d.d. for 2016

Executive directors' liability declaration

The Executive Directors are responsible for drawing up the Annual Report of Impol 2000 d.d. so that it gives a true and fair view of the financial situation of Impol 2000 d.d. as well as its operating results for 2016.

The Executive Directors hereby confirm to have diligently applied the appropriate accounting policies and that accounting estimates have been prepared following the principle of prudence and good management. We also confirm that the Financial Statements including notes have been drawn up based on the assumption of future operation of the company and in compliance with the valid legislation and International Financial Reporting Standards as adopted by the European Union.

The Executive Directors are responsible for proper accounting, adoption of appropriate measures for preservation of property, constant monitoring of other risks when conducting business and adoption and implementation of measures for minimization of such risks, and prevention and detection of fraud and other irregular or illegal activities.

Edvard Slaček
(Chief Executive Officer)

Irena Šela
(Executive Director of Finance)

Slovenska Bistrica, 13 April 2017

Management Boards' Liability Declaration

The Management Board hereby approves the Financial Statements of Impol 2000 d. d. for the year ending on December 31, 2016, and the accounting policies applied. This Annual Report was adopted and authorised for publication by the Management Board at its session on April 25, 2017.

Jernej Čokl
(President of the MB)

Vladimir Leskovar
(Vice President of the MB)

Janko Žerjav
(Member of the MB)

Milan Cerar
(Member of the MB)

Bojan Gril
(Member of the MB)

Slovenska Bistrica, 25 April 2017

Independent auditor's report for Impol 2000 d.d.

AUDITOR
REVIZIJSKA DRUŽBA d.o.o. PTUJ

This is a translation of the original report in Slovene language

INDEPENDENT AUDITOR'S REPORT

To the shareholders of IMPOL 2000 d.d.,
Slovenska Bistrica

Opinion

We have audited the financial statements of IMPOL 2000, d.d., Partizanska 38, Slovenska Bistrica (the Company), which comprise the balance sheet as at December 31, 2016, income statement, statement of other comprehensive income, statement of changes in equity and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2016, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Slovenia, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The recoverable amount of investments in subsidiaries

The company IMPOL 2000, d.d., shows as at 31. 12. 2016 short and long term financial investments in subsidiaries in total amount of 96.263 thousand EUR, which equals to 95% of all assets in balance sheet at the balance sheet date. Those investments include the following:
-long term financial investment in equity of subsidiaries in total amount of 70.136 thousand EUR,
-short term loans to subsidiaries in total amount of 26.157 thousand EUR.

Our audit procedures included assessment of the appropriateness of management's assessment and test of key assumptions by the management in determining potential indicators of impairment of investments in subsidiaries as well as determination of the recoverable amount itself.

Regarding the test of impairment and the determination of the recoverable amount of the investment in a subsidiary, as described in Note 8 Long-term financial investment in the financial

AUDITOR
REVIZIJSKA DRUŽBA d.o.o. PTUJ

As described in the section Use of estimates and judgments in the financial part of the annual report of the company Impol 2000 d.d., an assessment in accordance with the provisions of IAS 36 - Impairment of assets on each reporting date is carried out to determine whether there is any indication that an asset may be impaired. If such evidence exists, the impairment test is carried out to assess the recoverable amount of such investments.

Due to the materiality of the items listed above and the need for specific professional assessments in connection with the determination of the recoverable amount we considered identification of indicators of impairment and impairment test itself to be a key audit matter.

report of the company Impol 2000, d.d., our audit procedures included verification of the appropriateness and acceptability of the business projections in relation to the requirements of IAS 36, review of the methodological appropriateness and mathematical accuracy of the discount rate used as well as the nature and extent of participation by an authorized appraiser who was engaged as a management's expert by the Company.

Other information

Management is responsible for other information. The other information comprises the business report, which is an integral part of the Annual report of the IMPOL Group and IMPOL 2000, d.d., but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover other information.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, assess whether the other information is materially inconsistent with the financial statements, legal requirements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. In addition, our responsibility is to report, based on the knowledge and understanding of the Company obtained in the audit, on whether the other information contains any material misstatements of fact. Based on the procedures we have performed on the other information obtained, we have nothing to report in this regard. Company's business report is consistent with the audited financial statements and prepared with law requirements, applicable in Slovenia.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs adopted by the European Union, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Audit committee and Management board are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in

AUDITOR

REVIZIJSKA DRUŽBA d.o.o. PTUJ

accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- *Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.*
- *Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.*
- *Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.*
- *Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.*
- *Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.*

We communicate with Management board and Audit committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide Management board and Audit committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with Management board and Audit committee, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Ptuj, April 21, 2017

AUDITOR
REVIZIJSKA DRUŽBA d.o.o. Ptuj
Murkova 4, Ptuj

Simon Pregl, univ. dipl. ekon.
Certified auditor

Simon Pregl

Financial statements of Impol 2000 d.d.

Accounting policies and notes form an integral part of the financial statements presented below and should be read in conjunction with them.

Statement of profit or loss

Table 116: Statement of profit or loss for 2016 in EUR

Item			Note	2016	2015
1.		Net sales revenues	1	19,362,115	15,944,390
	a)	Net sales revenues from domestic market		15,789,538	13,532,200
	b)	Net sales revenues from abroad		3,572,577	2,412,190
2.		Other operating revenues (including revaluation operating revenues)	1	20,164	5,176
3.		Costs of goods, materials and services	2	13,448,579	11,188,523
	a)	Costs of goods and materials sold, and costs of the materials used		11,892,778	10,051,843
	b)	Costs of services		1,555,801	1,136,680
4.		Labour costs	2	3,819,612	3,161,773
	a)	Costs of wages and salaries		2,508,179	2,052,133
	b)	Social security costs (pension security costs disclosed separately)		420,948	389,254
	c)	Other labour costs		890,485	720,386
5.		Write-offs	2	110,359	86,641
	a)	Depreciation		54,761	49,107
	b)	Revaluation operating expenses for intangible and tangible fixed assets			17
	c)	Operating expenses from revaluation of current assets		55,598	37,517
6.		Other operating expenses	2	183,703	123,823
7.		Financial revenues from shares	3	3,413,957	2,926,163
	a)	Financial revenues from shares in Group companies		3,413,957	2,926,163
8.		Financial revenues from loans granted	3	203,251	40,544
	a)	Financial revenues from loans granted to Group companies		202,184	38,871
	b)	Financial revenues from loans granted to other companies		1,067	1,673
9.		Financial revenues from operating receivables	3	16,938	33,845
	a)	Financial revenues from operating receivables due by other companies		16,938	33,845
10.		Financial expenses from impairments and write-offs of financial investments	3	10,000	36,371
11.		Financial expenses from financial liabilities	3	1,857,505	1,027,647
	a)	Financial expenses from loans received from Group companies		5,236	6,542
	b)	Financial expenses from loans received from banks		27,313	36,605
	c)	Financial expenses from issued bonds		1,818,795	385,205
	d)	Financial expenses from other financial liabilities		6,161	599,295
12.		Financial expenses from operating liabilities	3	1,076	2,245
	a)	Financial expenses from trade creditors and bills of exchange		70	2,243
	b)	Financial expenses from other operating liabilities		1,006	2
13.		Income tax	4	83,882	132,694
14.		Deferred tax	5	-6,300	-1,423
15.		Net profit or loss for the financial year		3,508,009	3,191,824

Statement of other comprehensive income

Table 117: Statement of other comprehensive income in EUR

	Note	2016	2015
Net profit or loss for the financial year		3,508,009	3,191,824
Changes in revaluation reserves from the revaluation of tangible fixed assets (+/-)			0
Changes in reserves from fair value measurement (+/-)			0
Gains or losses from the conversion of financial statements of companies abroad (impact of exchange rate changes) (+/-)			0
Actuarial gains and losses from defined benefit plans (employee benefits) (+/-)	14	-12,078	0
Other elements of comprehensive income (+/-)			0
Total comprehensive income for the accounting period		3,495,931	3,191,824

Balance sheet

Table 118: Balance sheet in EUR

					Note	31/12/2016	31/12/2015
A.				**Long-term assets**		**70,702,466**	**68,126,592**
	I.			Intangible assets and long-term deferred expenses and accrued revenues	6	261,812	2,601
		1.		Long-term property rights		261,812	2,601
	II.			Tangible fixed assets	7	270,822	160,459
		1.		Production machinery and equipment		104,812	115,537
		2.		Other machinery and equipment		166,010	44,922
	III.			Investment property			0
	IV.			Long-term financial investments	8	70,135,645	67,935,645
		1.		Long-term investments, excluding loans		70,135,645	67,935,645
			a)	Shares and stakes in Group companies		70,135,645	67,935,645
	V.			Long-term operating receivables		0	0
	VI.			Deferred tax assets	5	34,187	27,887
B.				**Short-term assets**		**30,130,513**	**39,495,794**
	I.			Assets (disposal groups) available for sale			0
	II.			Inventories	9	24,391	74,396
		1.		Products and merchandise		24,391	74,396
	III.			Short-term financial investments		27,157,337	3,974,518
		1.		Short-term loans	10	27,157,337	3,974,518
			a)	Short-term loans granted to Group companies		26,157,337	3,974,518
			b)	Short-term loans granted to other companies		1,000,000	0
	IV.			Short-term operating receivables	11	2,420,739	2,461,574
		1.		Short-term operating receivables from Group companies		738,687	464,777
		2.		Short-term trade debtors		1,568,056	1,631,510
		3.		Short-term operating receivables from other companies		113,996	365,287

				Note	31/12/2016	31/12/2015
	V.		Cash	12	528,046	32,985,306
C.			**Short-term deferred costs and accrued revenues**	12	**5,164**	**14,161**
			TOTAL ASSETS		100,838,143	107,636,547
A.			**Equity**	13	**57,099,772**	**55,107,982**
	I.		Called-up capital		4,451,540	4,451,540
		1.	Share capital		4,451,540	4,451,540
	II.		Capital reserves		10,751,254	10,751,254
	III.		Income reserves		7,432,528	6,906,327
		1.	Statutory reserves		1,699,947	1,173,746
		2.	Other reserves from profit		5,732,581	5,732,581
	IV.		Reserves from fair value measurement		-12,078	0
	V.		Retained net profit or loss		31,494,720	30,285,811
	VI.		Net profit or loss of financial year		2,981,808	2,713,050
B.			**Provisions and long-term accrued costs and deferred revenues**	14	**98,133**	**67,117**
		1.	Provisions for retirement benefits and similar liabilities		98,133	67,117
C.			**Long-term liabilities**	15	**30,070,056**	**40,861,000**
	I.		Long-term financial liabilities		30,070,056	40,861,000
		1.	Long-term financial liabilities to banks			861,000
		2.	Long-term financial liabilities from bonds		30,000,000	40,000,000
		3.	Other long-term financial liabilities		70,056	0
	II.		Long-term operating liabilities		0	0
	III.		Deferred tax liabilities			0
D.			**Short-term liabilities**	16	**13,098,114**	**11,182,939**
	I.		Liabilities included in the disposal group			0
	II.		Short-term financial liabilities	16	11,540,593	10,627,052
		1.	Short-term financial liabilities to Group companies		650,000	500,000
		2.	Short-term financial liabilities to banks		861,000	120,000
		3.	Short-term financial liabilities from bonds		10,000,000	10,000,000
		4.	Other short-term financial liabilities		29,593	7,052
	III.		Short-term operating liabilities	16	1,557,521	555,887
		1.	Short-term operating liabilities to Group companies		29,363	14,077
		2.	Short-term trade creditors		315,517	148,762
		3.	Short-term operating liabilities from advances		83,754	125,338
		4.	Other short-term operating liabilities		1,128,887	267,710
E.			**Short-term accrued expenses and deferred revenue**	16	**472,068**	**417,509**
			TOTAL LIABILITIES		100,838,143	107,636,547

Statement of changes in equity for 2016

Table 119: Statement of changes in equity for 2016 in EUR

		Called-up capital	Capital reserves	Reserves from profit	
		I	II	III	
		Share capital		Statutory reserves	Other re-serves from profit
		I	II	III/1	III/2
A.1	Balance at the end of the previous reporting period (31/12/2015)	4,451,540	10,751,254	1,173,746	5,732,581
A.2	Opening balance for the reporting period (1/1/2016)	4,451,540	10,751,254	1,173,746	5,732,581
B.1	Changes in equity – transactions with owners				
	Payment of dividends				
B.2	Total comprehensive income for the accounting period				
	Entry of net profit or loss for the reporting period				
	Other elements of the reporting period's comprehensive income				
B.3	Changes in equity			526,201	
	Allocation of the remaining portion of the net profit for the comparable reporting period to other equity components				
	Allocation of a portion of the net profit for the comparable re-porting period to other equity components based on the resolution of management and supervisory bodies			526,201	
C	Closing balance for the reporting period (31/12/ 2016)	4,451,540	10,751,254	1,699,947	5,732,581

Table 120: Statement of changes in equity for 2015 in EUR

		Called-up capital	Capital reserves	Reserves from profit	
		I	II	III	
		Share capital		Statutory reserves	Other re-serves from profit
		I	II	III/1	III/2
A.1	Balance at the end of the previous reporting period (31/12/2014)	4,451,540	10,751,254	694,972	5,732,581
A.2	Opening balance for the reporting period (1/1/2015)	4,451,540	10,751,254	694,972	5,732,581
B.1	Changes in equity – transactions with owners				
	Payment of dividends				
B.2	Total comprehensive income for the accounting period				
	Entry of net profit or loss for the financial year				
B.3	Changes in equity			478,774	
	Allocation of the remaining portion of the net profit for the comparable reporting period to other equity components				
	Allocation of a portion of the net profit for the comparable reporting period to other equity components based on the resolution of management and supervisory bodies			478,774	
C	Closing balance for the reporting period (31/12/2015)	4,451,540	10,751,254	1,173,746	5,732,581

	Revaluation reserves	Reserves from fair value measurement	Retained net profit or loss	Net profit or loss of financial year	TOTAL EQUITY
	IV	V	VI	VII	VII
			Net profit from previous periods	Net profit for financial year	TOTAL EQUITY
	IV	V	VI	VII	VIII
			30,285,811	2,713,050	55,107,982
			30,285,811	2,713,050	55,107,982
			-1,504,141		-1,504,141
			-1,504,141		-1,504,141
		-12,078		3,508,009	3,495,931
				3,508,009	3,508,009
		-12,078			-12,078
			2,713,050	-3,239,251	0
			2,713,050	-2,713,050	0
				-526,201	0
		-12,078	31,494,720	2,981,808	57,099,772

	Revaluation reserves	Reserves from fair value measurement	Retained net profit or loss	Net profit or loss of financial year	TOTAL EQUITY
	IV	V	VI	VII	VII
			Net profit from previous periods	Net profit for financial year	TOTAL EQUITY
	IV	V	VI	VII	VIII
			29,487,622	1,800,950	52,918,919
			29,487,622	1,800,950	52,918,919
			-1,002,761		-1,002,761
			-1,002,761		-1,002,761
				3,191,824	3,191,824
				3,191,824	3,191,824
			1,800,950	-2,279,724	0
			1,800,950	-1,800,950	0
				-478,774	0
			30,285,811	2,713,050	55,107,982

Cash flow statement

Table 121: Cash flow statement in EUR

Item			Note	2016	2015
A.		Cash flows from operating activities			
	a)	Income statement items		1,868,128	1,375,777
		Operating revenues (except for revaluation) and financial revenues from operating receivables	1	19,398,680	15,983,411
		Operating expenses (except for revaluation) and financial expenses from operating liabilities	2	-17,452,970	-14,476,363
		Income taxes and other taxes not included in operating expenses	4	-77,582	-131,271
	b)	Change in net current assets (and accruals, provisions and deferred tax assets, and liabilities) of balance sheet items		1,276,431	-75,029
		Opening less closing operating receivables	11	150,143	-16,637
		Opening less closing deferred costs and accrued revenues	12	8,997	-4,838
		Opening less closing deferred tax assets	5	-6,300	-1,423
		Opening less closing inventories	9	50,005	-24,890
		Closing less opening operating liabilities	16	1,002,327	-81,928
		Closing less opening accrued costs and deferred revenues	16	71,259	54,687
	c)	Net cash flows from operations or net cash flows applied to operations (a + b)		3,144,559	1,300,748
B.		Cash flows from investing activities			
	a)	Cash receipts from investing activities		21,614,710	5,281,529
		Interest and dividends from investing activities	3	3,452,151	2,961,529
		Cash receipts from disposal of long-term investments	3	100	0
		Cash receipts from disposal of short-term investments	3	18,162,459	2,320,000
	b)	Cash disbursements from investing activities		-43,881,732	-4,021,634
		Cash disbursements to acquire intangible assets	6	-259,777	0
		Cash disbursements to acquire property, plant and equipment	7	-66,677	-25,371
		Cash disbursements to acquire long-term investments	8	-2,210,000	-1,745
		Cash disbursements to acquire short-term investments	10	-41,345,278	-3,994,518
	c)	Net cash from investing activities (a + b)		-22,267,022	1,259,895
C.		Cash flows from financing activities			
	a)	Cash receipts from financing activities		650,000	50,500,000
		Cash proceeds from increase in long-term financial liabilities	15	0	50,000,000
		Cash proceeds from increase in short-term financial liabilities	16	650,000	500,000
	b)	Cash disbursements from financing activities		-13,984,797	-21,683,595
		Interest paid on financing activities	3	-1,855,423	-657,955
		Cash repayments of long-term financial liabilities	16	-9,917	-100,000
		Cash repayments of short-term financial liabilities	17	-10,620,000	-19,920,705
		Dividends and other profit participation	13	-1,499,457	-1,004,935
	c)	Net cash from financing activities (a + b)		-13,334,797	28,816,405
D.		Closing balance of cash		528,046	32,985,306
	a)	Net cash flow in the period		-32,457,260	31,377,048
	b)	Opening balance of cash		32,985,306	1,608,258

Notes to the financial statements

Reporting entity

In accordance with the Companies Act, Impol 2000 d.d. (hereinafter referred to as: Company), with head office in Slovenska Bistrica, Partizanska ulica 38, is classified as a large public limited company, and as such, subject to regular annual audit. The company is classified under the activity code 70.100 – company management. The company's share capital in the amount of EUR 4,451,540 EUR is divided into 1,066,767 registered pro rata shares that are not traded in the organized security market. The shares are owned by 942 shareholders.

The following section presents financial statements of Impol 2000 d.d. for the financial year that ended on 31/12/2016.

Introductory note to the reporting standards

All financial statements of the company Impol 2000 d.d. and the notes for 2016 were prepared in accordance with International Financial Reporting Standards (hereinafter referred to as: IFRS), as adopted by the European Union. By 2015, the company prepared financial statements in accordance with the Slovenian Accounting Standards and the notes by the Slovenian Institute of Auditors.

Due to the issue of bonds, which are traded in the organized securities market, and on the basis of the requirements of the Companies Act (ZGD-1), the company Impol 2000 d.d. is obliged to prepare a consolidated annual report for the financial year 2016 in accordance with IFRS. Therefore, the preparation of individual financial statements in compliance with IFRS, as adopted by the European Union, has also been (voluntarily) introduced by Impol 2000 d.d.

Statement of compliance with IFRS

The Management Board and the Executive directors hereby approve the financial statements for the financial year 2016.

Financial statements of Impol 2000 d.d. for financial year 2016 were composed in accordance with the International Financial Reporting Standards (IFRS), as adopted by the European Union, and with the notes adopted by the IFRS Interpretations Committee (IFRIC) and by the European Union, and in accordance with the provisions of the Companies Act (ZGD-1).

On the balance sheet date, there were no differences between the applied IFRS and the IFRS adopted by the European Union in accounting guidelines of Impol 2000 d.d. as regards the process of confirming standards in the European Union.

Financial statements were drawn up under the assumption of a going company. The implemented accounting policies were the same as in previous years.

a) Amendments of the existing accounting standards effective in the current accounting period

In the accounting period under review, the following amendments to the existing standards and new notes issued by the International Accounting Standards Board as adopted by the European Union were taken into account:

- Amendments to IAS 1 Financial Statement Presentation – Disclosure Initiative, adopted by the EU on December 18, 2015 (effective for annual periods beginning on or after January 1, 2016);
- Amendments to IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets – Methods of Acceptable Amortisation and Depreciation, adopted by the EU on December 2, 2015 (effective for annual periods beginning on or after January 1, 2016);
- Amendments to IAS 16 Property, Plant and Equipment and IAS 41 Agriculture – Agriculture: Bearer Plants, adopted by the EU on November 23, 2015 (effective for annual periods beginning on or after January 1, 2016);
- Amendments to IAS 19 Employee benefits – Defined Benefit Plans: Employee Contributions, adopted by the EU on December 17, 2014 (effective for annual periods beginning on or after February 1, 2015);
- Amendments to IAS 27 Separate Financial Statement – Equity Method in Separate Financial Statements, adopted by the EU on December 18, 2015 (effective for annual periods beginning on or after January 1, 2016);
- Amendments to IFRS 10 Consolidated Financial Statements, IFRS 12 Disclosure of Interests in Other Entities and IAS 28 Investments in Associates and Joint Ventures – Investment Entities: Applying the Consolidation Exception, adopted by EU on September 22, 2016 (effective for annual periods beginning on or after January 1, 2016);
- Amendments to IFRS 11 Joint Arrangements – Accounting for shares in joint operations, adopted by the EU on November 24, 2015 (effective for annual periods beginning on or after January 1, 2016);
- Amendments to various standards Improvements to IFRSs (period 2010 to 2012) resulting from the annual improvements project of IFRS (IFRS 2, IFRS 3, IFRS 8, IFRS 13, IAS 16, IAS 24 and IAS MRS 38) primarily with a view to removing inconsistencies and clarifying wording, adopted by the EU on December 17, 2014 (effective for annual periods beginning on or after February 1, 2015);
- Amendments to various standards Improvements to IFRSs (period 2012 to 2014) resulting from the annual improvement project of IFRS (IFRS 5, IFRS 7, IAS 19, and IAS 34) primarily with a view to removing inconsistencies and clarifying wording , adopted by the EU on December 15, 2015 (effective for annual periods beginning on or after February 1, 2016);

The adoption of these amendments to the existing standards did not result in significant changes in the consolidated financial statements of the Impol Group.

b) Standards and amendments of the existing standards issued by the International Accounting Standards Board as adopted by the European Union which have not yet entered into force

The following section presents standards and notes, adopted by the EU, which have not yet entered into force on the date of separate financial statements. Impol 2000 d.d. will apply these standards and notes for drawing up the financial statements after their implementation. Impol 2000 d.d. did not adopt any of the standards indicated below before their application:

- IFRS 9 Financial Instruments, adopted by the EU on November 2016 (effective for annual periods beginning on or after January, 2018);
- IFRS 15 Revenue from Contracts with Customers: The new standard replaces all existing requirements of IFRS relating to revenue recognition. Complete applicability of the new standards applies to previous annual periods, whilst the adjusted form of the standard shall apply for annual periods beginning on or after January 1, 2018. Earlier application of the standard is permitted.

Impol 2000 d.d. decided not to adopt or apply these standards, amendments and notes before their entry into force. Impol 2000 d.d. estimates that the implementation of these new standards and amendments will not have a significant impact on its separate financial statements during the period of initial application.

c) New standards, amendments and notes not yet adopted by the EU

Currently, the IFRSs, as adopted by the EU, do not considerably differ from those adopted by the International Accounting Standards Board with the exception of the following new standards, amendments to the existing standards and new interpretations which were not approved for use in the EU at the time of drawing up or approval of financial statements:
- Amendments to IAS 7 Statement of Cash Flows – Disclosure Initiative (effective for annual periods beginning on or after January 1, 2017);
- Amendments to IAS 12 Income Taxes – Recognition of Deferred Tax Assets for Unrealised Losses (effective for annual periods beginning on or after January 1, 2017);
- Amendments to IAS 40 Investment Properties – Transfer of Investment Property (effective for annual periods beginning on or after January 1, 2018);
- Amendments to IFRS 2 Share-based Payment – Classification and measurement of share-based payment transactions (effective for annual periods beginning on or after January 1, 2018);
- Amendments to IFRS 4 Insurance contracts – Application of IFRS 9 Financial Instruments in conjunction with IFRS 4 Insurance contracts (effective for annual periods beginning on or after January 1, 2018 or at the time of first application of IFRS 9 Financial Instruments);
- Amendments to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associated and Joint Ventures – Sale or contribution of Assets between an Investor and its Associate or Joint Venture and further amendments (effective date was deferred indefinitely until the research project on the equity method has been concluded);
- IFRS 14 Regulatory deferral Accounts (effective for annual periods beginning on or after January 1, 2016) – the European Commission has decided not to launch the endorsement process of this interim standard and to wait for the final standard;
- Amendments to IFRS 15 Revenue from Contracts with Customers – Notes to IFRS 15 Revenue from Contracts with Customers (effective for annual periods beginning on or after January 1, 2018);
- IFRS 16 Leases (effective for annual periods beginning on or after January 1, 2019);
- Amendments to various standards Improvements of IFRS (period 2014 to 2016) resulting from the annual improvement project of IFRS (IFRS 1, IFRS 12 and IAS 28) primarily with a view to removing inconsistencies and clarifying wording (amendments to IFRS 12 are effective for annual periods beginning on or after January 1, 2017, amendments to IFRS 1 and IAS 28 are effective for annual periods beginning on or after January 1, 2018);
- IFRIC 22 Foreign Currency Transactions and Advance Consideration (effective for annual periods beginning on or after January 1, 2018).

Impol 2000 d.d. estimates the potential impact of these amendments on its separate financial statements. Despite the above-mentioned, Impol 2000 d.d. estimates that the implementation of these new standards and amendments will not have a significant impact on its separate financial statements during the period of initial application.

The basis for drawing up financial statements

Financial statements of Impol 2000 d.d. were drawn up on historical cost basis.
In accordance with the legislation, the company shall ensure independent auditing of these financial statements.

Functional and reporting currency

Financial statements from this report have been complied in EUR (without cents), which is the company's functional currency. Due to the rounding off of value data, there may be insignificant deviations from the sums given in the tables.

Use of estimates and judgements

In compiling financial statements, the management must make estimates, judgements and assumptions that affect the application of accounting policies and the reported values of assets, liabilities, revenues and expenses. Estimates and assumptions are based on previous experiences and several other factors which are in given circumstances considered as justified, and based on which we can determine the accounting value of assets and liabilities that are not clearly evident from other sources. Actual results may differ from these estimates. Estimates and assumptions must be reviewed on an ongoing basis. Revisions to accounting estimates are only recognised in the period in which the estimate was revised, if the revisions only applies to this period, or for the period of revision and future years, if the revision affects the current as well as future years.

Estimates and assumptions are mostly present in the following judgements:

- **Estimate of useful life of depreciable assets**

When estimating the useful life of depreciable assets, the company takes into account the expected wear and tear, technical obsolescence, economic conditions and the expected legal and other limitations of use. The company annually checks the useful life of more important assets. The applied depreciation method and useful life are evaluated at the end of each financial year, and if the expected pattern of using future economic gains arising from the depreciable assets changes significantly, the depreciation method shall be amended to fit the changed pattern. Such changes are regarded as changes in accounting estimates.

- **Impairment testing of assets**

Impairment testing of assets is performed by the management in order to ensure that the accounting value of assets does not exceed their recoverable value. On every reporting date, the management estimates potential signs of impairment. Critical estimates were used for the following estimates of value:
- Investment in subsidiaries (Note 8),
- Investment in associates (Note 8),
- Financial receivables (Note 10),
- Estimate of the fair value of assets (Note 17).

All items in financial statements represent the costs or the settlement value. All assets and liabilities, measured and disclosed in financial statements at fair value, are classified in the hierarchy of fair value on the basis of the lowest level of inputs that are important for measuring the total fair value:
- Level one includes quoted prices (unadjusted) in active markets for identical assets or liabilities,
- Level two includes inputs, other than quoted prices included within level one, that are observable for the asset or liability, either directly (i.e. prices) or indirectly (i.e. derived form prices),
- Level three includes inputs for assets or liabilities not based on observable market data,

- **Estimate of the net realizable value of the merchandise inventory**

At least at the end of the financial year, the company shall check the net realizable value of inventories and the need for write-off of inventories. Costs of inventories are not recoverable if inventories are damaged, partially or completely obsolete, or when their sales prices decrease. Costs of inventories are also not recoverable if the estimated costs of completion or costs related to sales increase. Write-down of inventories with their original value or costs to the amount of the net realizable value is in accordance with the policy that assets cannot be recognised with values higher than expected upon their sale or utilization. Inventories are usually written-down to their net realizable value under individual items. There were no such write-downs in 2015.

- **Estimate of the collectible value of receivables**

At least once per year, namely before drawing up the annual statement of accounts, the suitability of the recognised amounts of individual receivables is checked. If, based on the accounting data, the Management Board decides to recognise the receivables not settled within the agreed period as 'doubtful' and 'disputable', the adjustment of their value is charged against the revaluation operating expenses in a proportion defined in the resolution.

Receivables older than 365 days shall be recognised as 'doubtful'. Unless otherwise decided by the management board, such receivables shall be subject to judicial proceedings (action or enforcement). Receivables already subject to a judicial proceeding are recognised as 'disputable' receivables. For 'Doubtful' and 'disputable' receivables, an adjustment of their value shall be made which shall be charged against revaluation operating expenses.

- **Estimate of the possibility to use deferred tax liabilities**

The company has formed deferred tax liabilities in respect of the formulation of provisions and impairment of operating receivables.

The company checks the amount of recognised deferred tax liabilities at the end of the financial year. Deferred tax liabilities are recognised in the case of probable future net profit to which the deferred liability may be charged in the future.

- **Estimate of formed provisions**

The present value of severance pays upon retirement and long-service bonuses is recorded in the commitments for certain post-employment and other benefits. They are recognised on the basis of actuarial calculation. The actuarial calculation is based on the assumption and estimates effective at the time of calculation, which may, as a result of future changes, differ from actual assumptions effective at that time (discount rates, evaluation of employee fluctuation assessment, mortality rates and wage growth assessment).

The company has not formed any provisions for judicial actions, since the company is not subject to any pending actions or claims against it.

Important accounting policies of the company

The accounting policies applied in the preparation of financial statements were the same as were applied in the preparation of financial statements for the financial year that ended on December 31, 2015.

Foreign currency transactions

Transactions expressed in a foreign currency are converted to the appropriate functional currency in accordance with the exchange rate on the day of transaction. Cash and liabilities denominated in foreign currencies at the end of the reporting period are converted to the functional currency according to the valid ECB exchange rate published by the Bank of Slovenia. Positive or negative foreign exchange differences are differences between the settlement value in the functional currency at the beginning of the period adjusted by the amount of effective interest and payments during the period and the settlement value in a foreign currency converted according to the exchange rate valid at the end of the period. Non-monetary assets and liabilities denominated in a foreign currency and measured at fair value shall be converted to the functional currency according to the exchange rate valid on the day when the fair value was determined. Non-monetary items expressed in a foreign currency and measured according to historical cost shall be converted to the functional currency according to the exchange rate valid on the day of transaction. Foreign exchange differences are recognised in the statement of profit or loss.

Subsidiaries

Subsidiaries are entities controlled by Impol 2000 d.d. Control exists when the company is able to make decisions about financial and business policies of the company in order to obtain benefits from subsidiary's operations.

Investments of the company in subsidiaries are measured at cost. If the loss of Impol 2000 d.d. is higher than its share, the accounting value of the company's share shall be reduced to zero and this share shall no longer be recognised in subsequent losses. The costs which the company can relate to the acquisition of a subsidiary increase the cost of the capital investment. The subsidiary's participation in profit is recognised in the statement of profit or loss of Impol 2000 d.d. when the company obtains the profit-sharing right.

For more information see section "Presentation of the parent company Impol 2000 d.d. and the Impol Group".

Investment in associates

Associates are companies where Impol 2000 d.d. has a significant influence but does not control their financial and business policies. A significant influence exists if the company owns 20 to 50 percent of voting rights in another entity.

For more information see section "Presentation of the parent company Impol 2000 d.d. and the Impol Group".

Impol 2000 d.d. recognises investments in associates at cost. Costs which the company can relate to the acquisition increase the cost of the investment.

Intangible assets

Intangible assets of Impol 2000 d.d. include other long-term deferred items (IT – programmes, programme solutions). At initial recognition, intangible assets are valued at cost. The accounting value of an intangible asset with a finite useful life is reduced with depreciation. Subsequent expenses related to intangible assets are only capitalised in cases where the future economic benefits of assets, to which the expenses relate to, increase. All remaining costs are recognised in profit or loss as expenses, the moment they arise.

Depreciation is calculated using the straight-line method of depreciation, taking into account the useful life of the intangible asset. Depreciation starts after the asset is made available for use.

Depreciation rates based on the estimated useful life of individual types of intangible assets:
Each impairment is immediately recognised in the statement of profit or loss and is subsequently not reversed.

Table 122: Applied depreciation rates for intangible fixed assets

Depreciation rates used in the company	Depreciation rate in %	
Intangible assets	Lowest	Highest
Computer software	10.00%	50.00%

Tangible assets

All tangible fixed assets of the company are disclosed according to the cost model. Upon initial recognition they are measured at cost, reduced by the accumulated depreciation and accumulated impairment losses. Cost includes expenses which may be directly attributed to the acquisition of an individual asset.

Important parts of tangible fixed assets with different useful lives are calculated as individual tangible fixed assets.

The costs of borrowing directly related to purchase, construction or manufacture of the asset in acquisition are recognised as a part of the cost of such asset.

The positive or negative difference between the net sales value and the accounting value of the disposed asset is recognised in the statement of profit or loss. The costs of replacement of a certain part of the tangible fixed asset are recognised in the accounting value of this asset when it is probable that the future economic benefits related to the part of this asset will flow to the company and the cost can be measured reliably.

All other costs (repairs, maintenance) for maintenance or renovation of future economic benefits are recognised in the statement of profit or loss as expensed, the moment they arise. Depreciation is calculated using the straight-line method of depreciation, taking into account the useful life of every individual tangible fixed asset and the residual value, where the residual value is defined only for important assets. Lands are not subject to depreciation. Depreciation starts after the asset is made available for use.

Depreciation rates based on the estimated useful life of individual types of tangible fixed assets:

Table 123: Applied depreciation rates for intangible and tangible fixed assets

Depreciation rates used in the company	Depreciation rate in %	
Tangible fixed assets	Lowest	Highest
Equipment		
Production equipment	5.00%	20.00%
Furniture	20.00%	25.00%
Computer hardware	50.00%	50.00%
Motor vehicles		
Personal vehicles	20.00%	20.00%

Financial instruments

In the financial instruments section of its statements, Impol 2000 d.d. discloses the following items:

- Non-derivative financial assets,
- Non-derivative financial liabilities.

In its accounts, the company does not recognise derivative financial instruments.

Non-derivative financial instruments are initially recognised at their fair value. Fair value is the amount at which an asset can be sold or a liability exchanged between knowledgeable, willing parties in an arm's length transaction. After initial recognition, the non-derivative financial instruments are measured using the method defined below.

Determination of the fair value of financial instruments takes into account the following hierarchy of determination levels:

- Level one includes quoted prices (unadjusted) in active markets for identical assets or liabilities,
- Level two includes inputs, other than quoted prices included within level one, that are observable for the asset or liability, either directly (i.e. prices) or indirectly (i.e. derived form prices),
- Level three includes inputs for the asset or liability not based on observable market data.

Quoted prices are applied as the basis for determination of the fair value of financial instruments. If a financial instrument is not traded in an organised market or if the market is estimated as non-active, input data of the second and third level are applied for the estimation of the fair value of the financial instrument.

Non-derivative financial assets

Non-derivative financial assets of the company include cash and cash equivalents, receivables and loans, and investments.
Financial assets at fair value through profit or loss
Financial asset held for trading is classified as a financial asset at fair value through profit or loss. Upon initial recognition it is valued at fair value, which equals the paid amount. Change of fair value of the asset is directly recognised in profit or loss. Impol 2000 d.d. possesses no such assets.

Held-to-maturity financial assets

If the company has the intention and ability to hold debt securities to maturity, such securities are classified as held-to-maturity financial assets. They are measured at repayment value using the effective interest method, reduced by impairment losses. Impol 2000 d.d. possesses no such assets.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Other than maturities longer than 12 months after the date of the statement of financial position, loans and receivables are classified as short-term assets. In this case they are classified as long-term assets.

In the balance sheet of the company, loans and receivables are disclosed among operating, financial and other receivables at repayment value subject to effective interest rates.

Financial assets held for sale

Financial assets held for sale are those non-derivative financial assets designated as held for sale or not classified as loans and receivables or financial assets at fair value through profit or loss. They are valued at fair value when fair value can be determined and profits or losses in the evaluation are recognised directly in equity, except for impairment losses and gains and losses from exchange differences, until derecognition of the financial asset. At derecognition of the investment, the accumulated profits and losses disclosed in equity are brought to profit or loss.

If the fair value cannot be measured reliably because of the significant range of estimates of the established fair value and because the probability of various estimates is difficult to estimate, the financial asset is measured at cost.

Among the financial assets held for sale, Impol 2000 d.d. discloses only equity investments in subsidiaries and associates which it measures at cost.

Cash and cash equivalents

Cash and cash equivalents include cash, bank deposits under three months and other short-term highly liquid investments with original maturity of three months or less. They are disclosed at cost. Bank overdrafts are included among short-term financial liabilities.

Non-derivative financial liabilities

Non-derivative Financial Liabilities include operating, financial and other liabilities. Financial liabilities are initially recognised at fair value increased by costs directly attributed to a transaction. After initial recognition, financial liabilities are measured at repayment value using the effective interest method. Financial liabilities are classified among long-term liabilities, except for liabilities or part of a liability with a maturity of less than months after the date of the consolidated statement of financial position. Such liabilities are recognised as short-term liabilities.

Inventories

Merchandise inventories of Impol 2000 d.d. are valued at cost or net realizable value, whichever is lower. The net realizable value represents the estimated sales price achieved in the ordinary course of operation, reduced by the estimated costs of completion and estimated costs related to sale.

Cost of merchandise inventories consists of the purchase price, import and other non-refundable purchase charges and direct purchase costs. The FIFO method was applied in the evaluation of merchandise inventories and the accounting of utilization. The company does not own any other inventories. The inventory impairment policy is described in section “Impairment”.

Equity

On 31/12/2016, the share capital of Impol 2000 d.d. amounted to EUR 4,451,540 and was divided into 1,066,767 ordinary no-per value shares.
Capital reserves of Impol 2000 d.d. in the total amount of EUR 10,751,254 comprise of the paid-in share premium in the amount of EUR 97,090 and EUR 9,489,713, and a general capital revaluation adjustment of EUR 1,164,451.

In accordance with the Articles of Association, statutory reserves of EUR 526,201 were formed from the net profit of the financial year 2016, which represents 15% of the net profit in 2016.

In accordance with the resolution of the General Meeting held on 15/7/2016, dividends in the amount of EUR 1,504,141 or EUR 1.41 per share were paid in 2016. The accounting value of the share on 31/12/2016 amounted to EUR 53.53 per share, and the net profit amounted to EUR 3.29 per share.

Provisions

Provisions are formed for a present obligation as a result of a past event and when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of obligation.

Provisions for severance pays and long-service bonuses
In accordance with legal provisions, the collective agreement and internal rules, the company is committed to the payment of long-service bonuses to employees and severance pays upon retirement. For this purpose, long-term provisions are formed. There are no other obligations relating to pensions. Provisions are determined in the amount of estimated future payments for severance pays and long-service bonuses, discounted on the day of the statement of financial position. The actuarial calculation is made for each employee, taking into account the costs of severance pays upon retirement and the cost of all expected long-service bonuses until retirement. The

actuarial calculation is based on assumptions and estimates valid at the time of calculation which, as a result of future changes, may differ from actual assumptions, which will be valid at that time. This mainly refers to discount rates, employee fluctuation estimates, mortality rates and wage growth estimates.

Impairment

Financial assets

A financial asset is considered impaired, if there is objective evidence indicating that one or more events caused reduction of the expected future cash flows relating to that asset. Financial asset is impaired, if its accounting value is higher than the estimated recoverable value or if there is objective evidence of the impairment. Recoverable value represents the present value of the expected cash flows subject to effective interest rate of that instrument. The impairment is recognised in the statement of profit or loss.

On the reporting date, the accounting department must verify the suitability of the amount of an individual financial investment. If any financial investment loses value (e.g. as a result of poor business in which the company has a share, or poor financial solvency of the entity, etc.), the accounting department must decide on the correction of the company's initially disclosed cost which needs to be charged to revaluation financial expenses. Likewise, the responsible person must order a write-down or write-off of the financial investment as soon as relevant reasons appear.

Impairment of receivables and loans given

Impairment of receivables are formed based on the estimate of collectability of each individual receivable and age analysis. If it is estimated that when the accounting value of the receivable exceeds its fair value (i.e. the recoverable value), the receivable is impaired. Receivables for which it is assumed that will not be settled by the due deadline or in the full amount are deemed doubtful receivables. If proceedings have already been brought before the court, they are deemed disputable receivables. Impairment of loans granted is estimated for each individual loan. Impairment loss related to a financial asset disclosed at repayment value is calculated as the difference between its carrying amount and the estimated future cash flows, discounted at an original effective interest rate. The loss is recognised in the statement of profit or loss for the period (for more information see section “Estimate of the recoverable value of receivables”).

Impairment of available-for-sale financial assets

Expenditure arising from the impairment of available-for-sale financial assets is recognised by transferring the potential cumulative loss, previously recognised under other comprehensive income of the financial period and disclosed as the revaluation surplus, to profit or loss. Subsequent increase of the fair value of the impaired available-for-sale equity security is recognised under other comprehensive income for the period or the revaluation surplus. An impairment loss is reversed if the reversal of the impairment loss can be related objectively to an event occurring after the impairment loss was recognised.

Non-financial assets

Tangible and intangible assets

The remaining accounting value of non-financial assets, other than deferred tax liabilities, is checked at each reporting date in order to determine whether there is any indication of impairment. If any indication exist, the recoverable value of the asset is estimated.

An impairment loss is recognised when the accounting value of an asset or cash-generating unit exceeds its recoverable value. A cash-generating unit is the smallest group of assets generating financial income that are significantly independent from financial income from other assets and groups of assets. Impairment losses are recognised in the statement of profit or loss. The recoverable value of the asset or cash-generating unit is the value in use or its fair value, reduced by costs of disposal, whichever is higher. When determining the asset's value in use, the estimated future cash flows are discounted to their present value using the pre-tax discount rate reflecting the current market assessment of the time value of money and those risks specific to the asset. Impairment loss of goodwill is not reversed.

In relation to other assets, impairment losses of previous periods are evaluated at the end of the reporting period in order to determine whether the loss was decreased or even eliminated. An impairment loss is reversed if there has been a change in the estimates used to determine the asset's recoverable value. An impairment loss is reversed only to such extent that the asset's accounting value does not exceed the accounting value that would have been determined after deducting the depreciation write-off, if no impairment loss had been recognised for the asset in previous years.

Inventories

Inventories are impaired if their accounting value exceeds their net realizable value. Additionally, individual types of inventories are analysed by their age structure. Depending on the group of inventories, the amount of the impairment loss according to its age is determined as a percentage of their value. Impairment also includes expert judgement on the possible utilization or sale of such inventories. At least at the end of the financial year, the company checks the net realizable value of inventories and the need for write-off of inventories. Costs of inventories are not recoverable if inventories are damaged, partially or completely obsolete, or when their sales prices decrease. Costs of inventories are also not recoverable if the estimated costs of completion or costs related to sales increase. Write-down of inventories with their original value or costs to the amount of the net realizable value is in accordance with the policy that assets cannot be recognised with values higher than can be expected from their sale or utilization. Inventories are usually written-down to their net realizable value under individual items.

Recognition of income

Income is recognised if the increase of economic benefits in the financial year is related to the increase of an asset or decrease of a liability, and if this increase can be measured reliably.

Operating income of Impol 2000 d.d. includes:

- Income from sale of merchandise measured by sales prices, stated on invoices or other documents, reduced by discounts granted at sale or later, even for the reason of earlier payment. Income is recognised in profit or loss after the company has transferred the significant risks and rewards of ownership to the buyer;
- Income from services done, other than services that lead to financial income and are measured by sales prices of completed services. Such income is recognised in the period in which the service is performed;
- Other operating income arising from disposal of property, devices, equipment and intangible assets, reversal of provisions, settlement of written-of receivables and other.

Financial income comprises interest income, investment income, dividend income and positive foreign exchange differences. Interest income is generally recognised at the time of occurrence using the agreed interest rates. Dividend income is recognised on the date that the shareholder's right to receive payment is established.

Financial expenses comprise borrowing costs (part of borrowing costs can be capitalized under property, devices and equipment) and negative foreign exchange differences.

Taxes

Taxes comprise current tax liabilities and deferred tax liabilities.

Current tax liabilities are disclosed in profit or loss, except for the part relating to items disclosed directly in other comprehensive income. Current tax liabilities are based on the taxable profit of the financial year. Taxable profit differs from net profit reported for the financial year since it excludes income or expense items taxable or deductible in other financial years and other items that are never subject to taxation or deduction. The current tax liability is calculated using tax rates effective on the balance sheet date.

Deferred tax is disclosed entirely using the balance sheet liability method, which takes into account temporary differences occurring between the accounting value of an asset or liability and its tax base in profit or loss. Deferred tax is determined using tax rates effective at the date of the statement of financial position that are expected to be used when the deferred tax liability is realised or the deferred tax liability is settled. Deferred tax liability is recognised in the volume for which it is probable that taxable profit will be available, against which the deferred tax liability can be utilised.

Cash flow statement

Cash flow statement for the portion relating to operations is drawn up using the indirect method from the data of the balance sheet on December 31 of the financial year, statement of the financial position on December 31 of the previous year, and the additional data required for the adjustment of inflows and outflows and adequate breakdown of the most relevant items. The part regarding investments and financing is drawn up using the direct method. Settled and received interest from operating receivables are distributed between cash flows from operating activities. Interest from loans and settled and received dividends are distributed between cash flows from financing.

Segment reporting

Because of the very similar nature of product groups, their production procedure and distribution, the company defined only one reporting segment. Presentation of data with segment reporting takes into account that aluminium business activities represent the main operating activities of the group. The effect of other activities on the presentation of accounting data is insignificant.

The group reports data on sales depending on geographical area. The defined geographical areas are Slovenia, European Union, other European countries, and the rest of the world.

Notes to individual items of financial statements

1. Operating revenues

Table 124: Operating revenues in EUR

Operating revenues in EUR	Operating revenues generated with: Group companies	Associates	Other companies	2016	2015
Net sales revenues	6,774,325	799	12,586,991	19,362,115	15,944,390
Other operating revenues			20,164	20,164	5,176
TOTAL	6,774,325	799	12,607,155	19,382,279	15,949,566

Other operating revenues in EUR	2016	2015
Revenues from reversal of provisions	537	0
Other revenues associated with business effects (subsidies, grants, compensations, premiums, etc.)	540	3,054
Revaluation operating revenues (from operating receivables)	19,087	2,122
TOTAL	20,164	5,176

Product, merchandise or service	2016	2015
Revenues from services – Domestic market	6,792,353	5,350,676
Revenues from sale of merchandise – Domestic market	8,997,185	8,181,524
Revenues from sale of merchandise – Foreign market	3,541,302	2,406,590
Revenues from services – Foreign market	31,275	5,600
TOTAL	19,362,115	15,944,390

Net sales revenues by operating segments in EUR	2016	2015
Revenues from sales in Slovenia	15,789,538	13,532,200
• Group companies	6,770,760	5,329,403
• Associates	799	560
• Other companies	9,017,979	8,202,237
Revenues from sales in EU	722,195	2,412,190
• Group companies	3,565	0
• Other companies	718,630	2,412,190
Revenues from sales in other European countries	2,850,382	0
• Other companies	2,850,382	0
TOTAL	19,362,115	15,944,390

2. Operating expenses

Analysis of costs and expenses

Table 125: Analysis of costs and expenses in EUR

	Sales costs	General and administrative costs	Total 2016	TOTAL purchase in 2016 from: Group companies	Associates	Other companies	Total 2015
Costs of merchandise and materials sold	11,767,274		11,767,274	11,646,347		120,927	9,967,297
Costs of materials		125,504	125,504	31,788		93,716	84,546
Costs of services	714,789	841,012	1,555,801	148,027	244,471	1,163,303	1,136,680
Labour costs		3,819,612	3,819,612			3,819,612	3,161,773
Depreciation		54,761	54,761			54,761	49,107
Revaluation operating expenses		55,598	55,598			55,598	37,534
Other operating expenses		183,703	183,703	2,325		181,378	123,823
TOTAL	12,482,063	5,080,190	17,562,253	11,828,487	244,471	5,489,295	14,560,760

Revaluation operating expenses

Table 126: Revaluation operating expenses in EUR

	2016	2015
From tangible fixed assets		17
From operating receivables	55,598	37,517
TOTAL	55,598	37,534

Costs of materials

Table 127: Costs of materials in EUR

	2016	2015
Costs of energy	31,335	22,486
Costs of office supplies and professional literature	81,015	54,472
Other costs of materials	13,154	7,588
TOTAL	125,504	84,546

Costs of services

Table 128: Cost of services in EUR

	2016	2015
Costs of transport services	19,171	14,349
Costs of rent	79,745	86,584
Reimbursement of employee costs	83,723	48,470
Other costs of services	1,373,162	987,277
TOTAL	1,555,801	1,136,680

Auditors cost

Table 129: The amount (cost) spent for the auditor (Article 39, paragraph 1, point 1 of the Companies Act (ZGD-1)) in EUR

	2016	2015
Auditing of the annual report	23,622	22,502
Other audit services		1,840
Other non-audit services		18,000
TOTAL	23,622	42,342

Labour costs

Table 130: Itemization of labour costs in EUR

Itemization of labour costs	2016	2015
Costs of wages and salaries	2,508,179	2,052,133
Pension security costs	236,318	170,661
Other insurance costs	184,630	218,593
Other labour costs	890,485	720,386
TOTAL	3,819,612	3,161,773

Remuneration of the members of the Supervisory Board and Management Board in EUR	2016	2015
Management Board members*	998,972	808,103
Employees on individual contracts	1,357,966	1,216,402
TOTAL	2,356,938	2,024,504

*Remuneration under this item refer to the members of the Management board and the Executive Directors.

Employee education structure on 31/12/2016

Table 131: Education structure

Education level	No.
Doctoral Degree	1
Master's Degree	2
Bachelor's Degree	10
University Degree	9
Post-secondary Degree	10
Secondary School Degree	8
Vocational Degree	1
Total	41

Depreciation

Table 132: Depreciation in EUR

	2016	2015
Depreciation of intangible fixed assets	566	618
Depreciation of tangible fixed assets	54,195	48,489
Total depreciation	54,761	49,107

Other costs and expenses

Table 133: Other costs and expenses in EUR

	2016	2015
Charges independent of operation	57,752	51,541
Grants	125,949	71,648
Other costs	2	634
TOTAL	183,703	123,823

3. 3. Financial revenues and expenses

Financial revenues from financial investments

Table 134: Financial revenues from financial investments in EUR

	Total 2016	Of which from			Total 2015
		Group companies	Associates	Other companies	
Financial revenues from shares – Profit-sharing, dividends	3,413,857	3,413,857			2,926,163
Financial revenues from shares – Revenues from the sale of long-term investments	100	100			0
Financial revenues from loans – Interests	203,251	202,184		1,067	40,544
Financial revenues from operating receivables – Interests	16,938			16,938	33,845
TOTAL	3,634,146	3,616,141	0	18,005	3,000,552

In accordance with the resolution of the General Meeting of the subsidiary Impol d.o.o. held on 25/10/2016, the company Impol 2000 d.d. is entitled to a proportionate (97,5387-percent) share of the accumulated profit, intended for distribution in the total amount of EUR 3,500,000, i.e. in the amount of EUR 3,413,857.

In December 2016, Impol 2000 d.d. sold its 100% share in the Hungarian subsidiary Impol Hungary Kft. for EUR 100 to its subsidiary Impol d.o.o., thus realising a disposal loss in the amount of EUR 11,624 (EUR 1,624 EUR from impairment in 2015 and EUR 10,000 from impairment in 2016).

Financial expenses from financial investments

Table 135: Financial expenses from financial investments in EUR

	Total 2016	Of which from Group companies	Other companies	Total 2015
Financial expenses from loans (other than loans received from banks) – Interests	5,236	5,236	0	6,542
Financial expenses from loans received from banks – Interests	27,313	0	27,313	36,605
Financial expenses from liabilities – Interests	1,818,795	0	1,818,795	385,205
Financial expenses from other financial liabilities – Interests	6,161	0	6,161	599,295
Financial expenses from operating liabilities – Interests*	70	0	70	2,243
Financial expenses from operating liabilities – Foreign exchange differences*	1,006	0	1,006	2
Financial expenses from impairment	10,000	10,000	0	36,371
TOTAL	1,868,581	15,236	1,853,345	1,066,263

Financial expenses from impairment in the amount of EUR 10.00 relate to the financial investment in the equity of the subsidiary Impol Hungary Kft. (for more information see Note 8 – Long-term financial investments). This investment was sold in December 2016 (see note under “Financial revenue from financial investments”).

Financial expenses from operating liabilities

Table 136: Financial expenses from operating liabilities in EUR

	Total 2016	Of which from Other companies	Total 2015
Finance expenses from trade creditors – Interests	70	70	2,243
Finance expenses from other operating liabilities – Foreign exchange differences	1,006	1,006	2
TOTAL	1,076	1,076	2,245

4. Income tax

Table 137: Income tax in EUR

	2016	2015
Revenues determined in accordance with accounting regulations	23,016,425	18,950,118
Revenue adjustment for tax purposes – Decrease (-)	-3,433,026	-2,927,478
Revenue adjustment for tax purposes – Increase (-)	0	0
Deductible revenues	19,583,399	16,022,640
Expenses determined in accordance with accounting regulations (+)	19,430,834	15,627,023
Expense adjustment for tax purposes – Decrease (-)	-352,872	-345,970
Expense adjustment for tax purposes – Increase (+)	11,186	22,655
Deductible expenses	19,089,148	15,303,708
DIFFERENCE BETWEEN DEDUCTIBLE REVENUE AND EXPENSES	494,251	718,932
Change of the tax base when amending tax base when amending accounting policies, error corrections and revaluations (+/-)	-6,039	0
Increase in tax base for predetermined tax relief (+)	170,692	146,308
TAX BASE	658,904	865,240
TAX LOSS	0	0
Decrease in tax base and tax relief (up to the maximum amount of the tax base) (-)	-165,480	-84,689
TAXABLE BASE	493,424	780,551
TAX (17%)	83,882	132,694
Effective tax rate	2.34%	3.99%

In 2016, the effective profit tax rate for Slovenia was 17 percent (in 2015: 17%).

5. Deferred tax receivables

Table 138: Deferred tax receivables in EUR

Change in deferred tax receivables recognised in:	2016	2015
• Profit or loss (+ / -)	6,300	1,423
TOTAL	6,300	1,423

In 2016, deferred tax receivables were formed for additionally written-off trade debtors and for the formed provisions for severance pays and long-service bonuses. The 19% rate was applied in the calculation which is equal to the effective profit tax rate for 2017 in Slovenia.

Trend in deferred tax for Impol 2000 d.d.

Table 139: Trend in deferred tax in EUR

	Impairment (Revaluation operating expenses)	Formation of provisions	TOTAL
Balance of deferred tax receivables on 31/12/2015	22,182	5,705	27,887
Balance of deferred tax receivables on 1/1/2016	22,182	5,705	27,887
Deductible temporary differences (+)	6,056	0	6,056
Utilization of deductible temporary differences (-)	-2,717	0	-2,717
Change in non-utilised amounts from the opening balance resulting from changes to the tax rate	2,290	671	2,961
Balance of deferred tax receivables December 31, 2016	27,811	6,376	34,187

Net earnings per share

Basic net earnings per share is calculated by dividing the net profit belonging to shareholders with the weighted average number of ordinary shares traded during the year, where the average number of own shares is excluded.

Table 140: Basic net earnings per share in EUR

	2016	2015
Profit or loss relating to the owners of the controlling entity	3,508,009	3,191,824
Weighted average of the number of ordinary shares	1,066,767	1,066,767
Basic net earnings per share in EUR	3,29	2,99
	2016	**2015**
Issued ordinary shares on January 1.	1,066,767	1,066,767
Effect of own shares	0	0
Weighted average of the number of ordinary shares on December 12	1,066,767	1,066,767

Because the company does not have any preference shares, nor bonds which could be converted into shares, the adjusted earnings per share equals the basic earnings per share.

6. Intangible assets and long-term deferred costs and accrued revenues

Table 141: Trend in intangible assets in 2016 in EUR

Description	Long-term property rights	Total
Cost on 31/12/2015	23,793	23,793
Adjustments after the opening balance	0	0
Cost on 1/1/2016	23,793	23,793
Direct increases – acquisitions	259,777	259,777
Cost on 31/12/2016	283,570	283,570
Value adjustment on 31/12/2015	21,192	21,192
Adjustments after the opening balance	0	0
Value adjustment on 1/1/2016	21,192	21,192
Depreciation during the year	566	566
Value adjustment on 31/12/2016	21,758	21,758
Accounting value on 31/12/2016	261,812	261,812
Accounting value on 31/12/2015	2,601	2,601

In 2016, the company invested in computer software in the total amount of EUR 259,777 which was not activated by the end of 2016.

Table 142: Trend in intangible assets in 2015 in EUR

Description	Long-term property rights	TOTAL
Cost on 31/12/2014	23,793	23,793
Adjustments after the opening balance	0	0
Cost on 1/1/2015	23,793	23,793
Cost on 31/12/2015	23,793	23,793
Value adjustment on 31/12/2014	20,574	20,574
Adjustments after the opening balance	0	0
Value adjustment on 1/1/2015	20,574	20,574
Depreciation during the year	618	618
Value adjustment on 31/12/2015	21,192	21,192
Accounting value on 31/12/2015	2,601	2,601
Accounting value on 31/12/2014	3,219	3,219

Disclosed intangible assets are the property of Impol 2000 d.d. and encumbrance free. The cost of intangible fixed assets with zero present value, which are still being utilized, amounts to EUR 18,123.

7. Tangible fixed assets

Table 143: Trend in tangible fixed assets in 2016 in EUR

Description	Production machinery and equipment	Other devices and equipment	Equipment and other TFA in acquisition	Total equipment	TOTAL
Cost on 31/12/2015	1,099,476	169,466		1,268,942	1,268,942
Adjustments after the opening balance				0	0
Cost on 1/1/2016	1,099,476	169,466	0	1,268,942	1,268,942
Direct increases – Acquisitions			66,677	66,677	66,677
Direct increases – Financial lease			97,881	97,881	97,881
Transfer from investments in progress	6,130	158,428	-164,558	0	0
Decreases – Exclusions, other decreases		-938		-938	-938
Cost on 31/12/2016	1,105,606	326,956	0	1,432,562	1,432,562
Value adjustment on 31/12/2015	983,939	124,544		1,108,483	1,108,483
Adjustments after the opening balance				0	0
Value adjustment on 1/1/2016	983,939	124,544	0	1,108,483	1,108,483
Depreciation	16,855	37,340		54,195	54,195
Decreases – Exclusions, other decreases		-938		-938	-938
Value adjustment on 31/12/2016	1,000,794	160,946	0	1,161,740	1,161,740
Accounting value on 31/12/2016	104,812	166,010	0	270,822	270,822
Accounting value on 31/12/2015	115,537	44,922	0	160,459	160,459

Table 144: Trend in tangible fixed assets in 2015 in EUR

Description	Production machinery and equipment	Other devices and equipment	Equipment and other TFA in acquisition	Total equipment	TOTAL
Cost on 31/12/2014	1,099,476	175,258		1,274,734	1,274,734
Adjustments after the opening balance				0	0
Cost on 1/1/2015	1,099,476	175,258	0	1,274,734	1,274,734
Direct increases – Acquisitions			24,315	24,315	24,315
Transfer from investments in progress		25,371	-25,371	0	0
Transfer between Group companies – Acquisition			1,056	1,056	1,056
Decreases – Exclusions, other decreases		-31,163		-31,163	-31,163
Cost on 31/12/2015	1,099,476	169,466	0	1,268,942	1,268,942
Value adjustment on 31/12/2014	954,152	136,987		1,091,139	1,091,139
Adjustments after the opening balance				0	0
Value adjustment on 1/1/2015	954,152	136,987	0	1,091,139	1,091,139
Depreciation	29,787	18,703		48,490	48,490
Decreases – Exclusions, other decreases		-31,146		-31,146	-31,146
Value adjustment on 31/12/2015	983,939	124,544	0	1,108,483	1,108,483
Accounting value on 31/12/2015	115,537	44,922	0	160,459	160,459
Accounting value on 31/12/2014	145,324	38,271	0	183,595	183,595

Disclosed tangible assets are the property of Impol 2000 d.d. and encumbrance free. The cost of tangible fixed assets with zero present value, which are still being utilized, amounts to EUR 1,018,892.

Assets under financial lease

On 31/12/2016, the accounting value of equipment under finance lease amounted to EUR 86,462 (on 31/12/2015, the company had no assets under financial lease).

Table 145: Value of assets under financial lease in EUR

	Cost (+)	Value adjustment (+)	Accounting value (=)
Equipment	97,881	11,419	86,462
TOTAL	97,881	11,419	86,462

8. Long-term financial investments

Table 146: Long-term financial investments in EUR

	Cost/fair value/ repayment value of long-term financial investments on December 31	Of which long-term financial investments in: Group companies	Associates	Value adjustment on December 31 (Impairment)	Accounting value 31/12/2016	31/12/2015
	=	+	+	-	=	
Long-term financial investments	70,170,292	70,135,645	34,647	-34,647	70,135,645	67,935,645
TOTAL LONG-TERM FINANCIAL INVESTMENTS	70,170,292	70,135,645	34,647	-34,647	70,135,645	67,935,645
TOTAL long-term loans	0	0	0	0	0	0
TOTAL LONG-TERM FINANCIAL INVESTMENTS	70,170,292	70,135,645	34,647	-34,647	70,135,645	67,935,645

Trend in investments in subsidiaries and associates

Table 147: Trend in investments in subsidiaries and associates in EUR

	Cost				Cost adjustment due to the impairment				Accounting value	
Investment in subsidiary or associate	Cost on 1/1/2016	Acquisitions/ recapitalizations	Sale	Cost on 31/12/2016	Value adjustment on 1/1/2016	Increase in value adjustment	Prodaja	Value adjustment on 31/12/2016	31/12/2016	1/1/2016
Impol Servis d.o.o.	245,037			245,037	0			0	245,037	245,037
Impol d.o.o.	67,588,863			67,588,863	0			0	67,588,863	67,588,863
Impol-FINAL d.o.o.	0	1,000,000		1,000,000	0			0	1,000,000	0
Impol HUNGARY Kft.	1,724	10,000	-11,724	0	-1,724	-10,000	11,724	0	0	0
Rondal d.o.o.	100,000			100,000	0			0	100,000	100,000
Impol-TLM d.o.o.	1,745	1,200,000		1,201,745	0			0	1,201,745	1,745
Total subsidiaries	67,937,369	2,210,000	-11,724	70,135,645	-1,724	-10,000	11,724	0	70,135,645	67,935,645
Impol Brazil Aluminium	34,647			34,647	-34,647			-34,647	0	0
Total associates	34,647			34,647	-34,647			-34,647	0	0
TOTAL FINANCIAL INVESTMENTS IN THE EQUITY	67,972,016	2,210,000	-11,724	70,170,292	-36,371	-10,000	11,724	-34,647	70,135,645	67,935,645

All long-term financial investments are distributed to the group “Financial assets available for sale” and are measured at cost.

In 2016, Impol 2000 d.d. established a solely owned company Impol FinAl d.o.o. and purchased a 35% share of Impol-TLM d.o.o. making it the 100% owner.

In 2016, the investment in Impol Hungary Kft., solely owned by Impol 2000 d.d., was sold to the subsidiary Impol d.o.o.

In 2016, an authorized appraiser performed a verification of the recoverable value of the financial investment in Impol-TLM d.o.o. (on 31/12/2016 the company showed negative equity) through evaluation of the recoverable value as the value in use (financial investment impairment testing in accordance with IAS 36). The result of the evaluation established that the accounting value of the financial investment in Impol-TLM d.o.o. does not exceed the recoverable value of the financial investment determined by the appraisal.

Revaluation of long-term financial investments

Table 148: Revaluation of long-term financial investments in EUR

	2016	Of which revaluation of long-term financial assets to Group companies	2015
	=	+	
Revaluation of long-term financial assets due to the impairment charged to finance expenses	10,000	10,000	36,371

In 2016, the Management Board of Impol 2000 d.d. adopted a resolution of impairment of the financial investment in the subsidiary Impol Hungary Kft. on the basis of the estimate that the accounting value of the investment exceeds its recoverable value (i.e. present value of future cash flows). In accordance with the resolution of the Management Board, this investment was revalued to 0 due to the impairment.

Financial investment in the amount of EUR 100,000 EUR related to the participating interest of Impol 2000 d.d. in the subsidiary Rondal d.o.o. was pledged as a security for liabilities of the received long-term loan which amounted to EUR 861,000 on 31/12/2016. The financial investment in the equity of Impol d.o.o. (97,5387% ownership share) in the amount of EUR 67,588,863 was also pledged in the form of a given guarantee, reserved for liabilities of Impol d.o.o. to banks.

As the controlling company, Impol 2000 d.d. is responsible for preparation of consolidated financial statements for the companies presented above.

9. Merchandise inventories

Table 149: Merchandise inventories in EUR

	31/12/2016		Of which inventories on December 31:			31/12/2015
	Cost (+)	Value adjustment due to the impairment of inventories (-)	Accounting value	Purchased from Group companies	Pledged as security for liabilities	
Merchandise	24,391		24,391	24,391	0	74,396
TOTAL	24,391	0	24,391	24,391	0	74,396

On 31/12/2016, the company inspected the value of merchandise inventories and determined that the net realizable value of inventories exceeds the accounting value, therefore no impairment of inventories was recorded in 2016. Inventories were not pledged as security for liabilities.

10. Short-term financial investments

Table 150: Short-term financial investments in EUR

	Cost/fair value/repayment value of short-term financial investments on December 31	Of which short-term financial investments in:		Value adjustment due to the impairment	Accounting value	
		Group companies	Other companies		31/12/2016	31/12/2015
	=	+	+	-	=	
TOTAL short-term investments, excluding loans	0	0	0	0	0	0
Short-term loans granted (including bonds)	26,157,337	26,157,337			26,157,337	3,974,518
Short-term deposits	1,000,000		1,000,000		1,000,000	0
TOTAL short-term loans granted	27,157,337	26,157,337	1,000,000	0	27,157,337	3,974,518
Short-term unpaid called-up capital	0				0	0
TOTAL SHORT-TERM FINANCIAL INVESTMENTS	27,157,337	26,157,337	1,000,000	0	27,157,337	3,974,518

Trend in loans granted

Table 151: Trend in loans granted in EUR

	Loans granted to Group companies	Bank deposits	Loans granted to other companies	TOTAL
Balance of loans on 1/1/2016	3,974,518	0	0	3,974,518
New loans (+)	32,325,278	9,000,000	20,000	41,345,278
Refunds (-)	-10,142,459	-8,000,000	-20,000	-18,162,459
Balance of loans granted on 31/12/2016	26,157,337	1,000,000	0	27,157,337

The short-term deposit in the amount of EUR 1,000,000 at NKBM shall fall due in October 2017 and shall bear interest at an annual rate of 0.01%.

Short-term loan in the amount of EUR 300,000 granted to Impol ulaganja, d. o .o. shall fall due in May 2017 and shall bear interest at an annual rate of 1.00%.

Short-term loan in the amount of EUR 25,100,000 granted to Impol-TLM, d. o .o. shall fall due in March 2017 and shall bear interest at an annual rate of 1.00%.

Short-term loan in the amount of EUR 757,337 granted to Impol-TLM, d. o .o. shall fall due in December 2017 and shall bear interest at an annual rate of 1.00%.

All loans granted to associates shall bear interest at an established interest rate, increased by one percentage point (if the variable part of the established interest rate would be less than 0%, contractual interests would be used and accounted in accordance with the variable part of the recognised interest rate of 0%, increased by the spread). All loans are secured with bills of exchange.

11. Short-term operating receivables

In Slovenia, company's receivables are secured through SID – Prva kreditna zavarovalnica d.d. in the amount of EUR 705,885 in accordance with the balance on 31/12/2016 (balance on 31/12/2015: EUR 1,282,551).

Trade debtors abroad are converted into the local currency at the exchange rate of the ECB published by the Bank of Slovenia. Exchange rate difference arising until the date of settlement of the receivable or until the balance sheet date are classified as the financial income or expenses item.

Table 152: Short-term operating receivables in EUR

	Short-term operating receivables	Short-term operating receivables from:			Value adjustment due to the impairment	31/12/2016	31/12/2015
		Group companies	Associates	Other companies			
Short-term trade debtors	2,301,043	566,571	207	1,734,265	-166,416	2,134,627	2,089,177
- of which already matured on December 31	447,656	2,434	46	445,176		447,656	453,472
Short-term advances and securities granted	550			550		550	1,281
Short-term receivables related to financial revenues**	210,532	172,116		38,416	-580	209,952	53,412
Short-term receivables from state institutions	57,992			57,992		57,992	297,175
Other short-term operating liabilities	17,618			17,618		17,618	20,529
TOTAL short-term operating liabilities	2,587,735	738,687	207	1,848,841	-166,996	2,420,739	2,461,574

Table 153: Short-term operating receivables in the domestic and foreign market in EUR

	2016	2015
Short-term operating receivables in the domestic market	2,356,748	2.328.731
Short-term operating receivables in the foreign market	63,991	132,843
TOTAL	2,420,739	2,461,574

Analysis of already matured trade debtors

Table 154: Analysis of already matured trade debtors in EUR

	31/12/2016	31/12/2015
Matured in 2016	275,719	
Matured in 2015		260,878
Matured in 2014		4,474
Matured in 2013	25,562	41,745
Matured in 2012 or before	146,375	146,375
TOTAL already matured trade debtors	447,656	453,472

Trend in value adjustment of short-term operating receivables due to the impairment

Table 155: Trend in value adjustment of short-term operating receivables due to the impairment in EUR

	2016	Of which value adjustment of short-term receivables from: other	2015
Balance on January 1 (+)	163,017	163,017	156,131
Decrease in value adjustment due to the settlement of receivables (-)	-18,822	-18,822	-1,315
Decrease in value adjustment due to the write-off of receivables (-)	-19,124	-19,124	-22,655
Created value adjustments for the period due to the impairment (+)	41,925	41,925	30,856
Balance on December 31	166,996	166,996	163,017

On 31/12/2016, the entity had no disclosed receivables from the members of the Management board, the Supervisory Board and owners.

12. Cash

Table 156: Cash in EUR

	31/12/2016	31/12/2015
Cash on hand	97	296
Cash in banks and other financial institutions	527,949	32,985,010
TOTAL	528,046	32,985,306

The company has no short-term deposits under three months, but on 31/12/2016 the so-called over-night deposit in the amount of EUR 424,938 EUR has been formed.

Short-term deferred costs and accrued revenues

Table 157: Short-term deferred costs and accrued revenues in EUR

	31/12/2016	31/12/2015
Short-term deferred costs or expenses	5,162	12,562
VAT from advances received	2	1,599
TOTAL	5,164	14,161

Short-term deferred costs or expenses mainly refer to the costs of professional literature paid in advance.

13. Equity

Table 158: Equity in EUR

	31/12/2016	31/12/2015
Equity	57,099,772	55,107,982
Called-up capital	4,451,540	4,451,540
Share capital	4,451,540	4,451,540
Capital reserves	10,751,254	10,751,254
From revaluation capital adjustment	10,751,254	10,751,254
Reserves from profit	7,432,528	6,906,327
Statutory reserves	1,699,947	1,173,746
Other reserves from profit	5,732,581	5,732,581
Reserves from fair value measurement	-12,078	0
Retained net profit or loss	31,494,720	30,285,811
Net profit or loss for the financial year	2,981,808	2,713,051

In 2016, Impol 2000 d.d. paid out dividends in the amount of EUR 1.41 gross per share or in a total amount of EUR 1,504,141.

Disclosure regarding accumulated profit

Table 159: Trend in reserves from fair value measurement

	Balance on 1/1/2016	Allocation	Reversal	Total on 31/12/2016
Reserves from fair value measurement	+ / -	+/-	-/+	=
Actuarial profit/loss recognised from provisions for severance pays upon retirement	0	-12,078		-12,078
TOTAL	0	-12,078	0	-12,078

Table 160: Accumulated profit in EUR

	31/12/2016	31/12/2015
Net profit or loss for the financial year	3,508,009	3,191,824
Retained profit/loss	31,494,720	30,285,811
Decrease (release) in capital reserves	0	0
Decrease (release) in reserves from profit, itemised separately by type	0	0
Increase (additional allocation) in reserves from profit, itemised separately by type	-526,201	-478,774
Decrease through long-term deferred development costs on the balance sheet date	0	0
Accumulated profit/loss	34,476,528	32,998,861

At the regular General Meeting in 2017, the Management Board shall propose to the General Meeting to adopt the following resolution on the appropriation of the accumulated profit: A portion of the undistributed accumulated profit in the amount of EUR 34,476,528 shall be appropriated for dividends to shareholders in the gross amount of EUR 1.87 per share:

Table 161: Increase in other reserves from profit

Increase in other reserves from profit	In EUR
Dividends to shareholders in the amount of EUR 1.87/share	2,000,000
Participation on the Management Board based on contracts	
Undistributed accumulated profit/loss for 2016 (to the retained profit/loss)	32,476,528

The remaining portion of the accumulated profit in the amount of EUR 32,476,528 shall remain undistributed.

14. Provisions

Table 162: Provisions in EUR

	Provisions for pensions, long-service bonuses and severance pays upon retirement	TOTAL
Balance on 31/12/2015	67,117	67,117
Balance on 1/1/2016	67,117	67,117
Allocation (+)	31,395	31,395
Reversal (-)	-379	-379
Balance on 31/12/2016	98,133	98,133

Table 163: Trend in provisions in EUR

	Provisions for severance pays upon retirement	Provisions for long-service bonuses	Total
Balance on 31/12/2015	57,580	9,537	67,117
Balance on 1/1/2016	57,580	9,537	67,117
Interest costs (+)	2,312	463	2,775
Past and present service costs (+/-)	3,110	921	4,031
Payout of benefits (-)		-379	-379
Actuarial profit/loss (IPI) (+/-)		12,511	12,511
Actuarial profit/loss (other comprehensive income) (+/-)	12,078		12,078
Balance on 31/12/2016	75,080	23,053	98,133

Provisions for pensions, long-service bonuses and severance pays upon retirement to other companies were first allocated in 2015. Provisions for severance pays upon retirement and long-service bonuses were allocated in the amount of the estimated future payments for severance pays and long-service bonuses, discounted to the end of the reporting period. Labour costs and costs of interest are recognised in the statement of profit or loss, while the conversion of such provisions or unrealised actuarial profit or loss due to severance pays upon retirement is recognised in other comprehensive income from equity.

Calculation of provisions for post-employment benefits and other long-term employee benefits is based on actuarial model, which takes into account the following assumptions:

- Annual discount rate arising from the data on the profitability of government bonds of the Republic of Slovenia,
- Currently valid amounts for severance pays and long-service bonuses, defined in internal documents,
- Employee fluctuation, which depends predominantly on the age of employees,
- Mortality rate based on the latest available mortality tables for the local population.

It is estimated that no provisions, other than the above stated, need to be formed.

15. Long-term financial and operating liabilities

Table 164: Long-term financial and operating liabilities in EUR

	Total debt balance on 31/12/2016	Portion maturing in 2017	31/12/2016	31/12/2015
	+	-	=	
Long-term financial liabilities relating to bonds	40,000,000	-10,000,000	30,000,000	40,000,000
Long-term financial liabilities to banks	861,000	-861,000	0	861,000
Long-term financial lease liabilities – Other companies	87,913	-17,857	70,056	0
TOTAL long-term financial and operating liabilities	40,948,913	-10,878,857	30,070,056	40,861,000
	Total debt balance on 31/12/2016	**Portion maturing in 2017**	**31/12/2016**	**31/12/2015**
Long-term financial liabilities	40,087,913	-10,017,857	30,070,056	40,861,000
Long-term operating liabilities	0	0	0	0
TOTAL long-term financial and operating liabilities	40,948,913	-10,878,857	30,070,056	40,861,000

Table 165: Maturity of long-term financial and operating liabilities

	31/12/2016	31/12/2015
Maturing in 2017	x	10,861,000
Maturing in 2018	10,018,995	10,000,000
Maturing in 2019	10,020,207	10,000,000
Maturing in 2020	10,021,497	10,000,000
Maturing in 2021	9,357	0
Maturing in 2022 or later		x
TOTAL long-term financial and operating liabilities	30,070,056	40,861,000

Table 166: Trend in financial liabilities in EUR

Type of long-term financial liability	Interest rate in %	Maturity date	Debt balance on 1/1/2016	Debt balance on 31/12/2016	Of which the portion maturing:		Loan security
					In 2017	After 1/1/2018	
BONDS	3.8	October 19, 2020	40,000,000	40,000,000	-10,000,000	30,000,000	Unsecured
Bank loan at NKBM d.d.	6M EUR + 3.0	March 25, 2017	861,000	861,000	-861,000	0	Pledge of business share in Rondal d.o.o., bills of exchange
TOTAL			40,861,000	40,861,000	-10,861,000	30,000,000	X

On 31/12/2016, Impol 2000 d.d. had a long-term loan at NKBM d.d. in the amount of EUR 861,000, which matures on March 25, 2017. The loan is secured with bills of exchange and the pledged business share in Rondal d.o.o. The interest rate is 6-month EURIBOR + 3.0%.

Issued bonds

In 2015, Impol 2000 d.d. for the first time issued five-year bonds in the amount of EUR 50 million in order to finance the cycle of investments for the subsequent long-term growth and development. The annual interest rate is 3.8%. Coupons are paid on an annual basis. The final date of maturity is October 19, 2020.

Liabilities for issued bonds relate to the bonds listed as IM01. The controlling company issued the bonds in the total nominal value of EUR 50,000,000. The total issue of bonds comprises 50,000 denominations od EUR 1,000.

Table 167: Depreciation schedule for the issued bonds in EUR

Date of maturity of liability	Payment of coupon in EUR (interest)	Payment of principal value in EUR	Total payment in EUR
19/10/2017	1,520,000.00	10,000,000.00	11,520,000.00
19/10/2018	1,140,000.00	10,000,000.00	11,140,000.00
19/10/2019	760,000.00	10,000,000.00	10,760,000.00
19/10/2020	380,000.00	10,000,000.00	10,380,000.00
Total	3,800,000.00	40,000,000.00	43,800,000.00

The interest rate for the issued bonds is stable and amounts to 3.80% annually. Bonds have been traded on the Ljubljana Stock Exchange from December 2015.

Long-term financial lease liabilities

Table 168: Long-term financial lease liabilities in EUR

Lessor, Contract number	Interest rate	Maturity date	Debt balance on 1/1/2016	New financial leases	Repayment in the current year	Debt balance on 31/12/2016	Of which the portion maturing: In 2017	Of which the portion maturing: After 1/1/2018
	%		+	+	-	=	-	=
PORSCHE LEASING SLO d.o.o. (Contract No. 565947)	6.20	May 1, 2021	0	97,830	-9,917	87,913	-17,857	70,056
TOTAL			0	97,830	-9,917	87,913	-17,857	70,056

In 2016, the company did not capitalize borrowing costs (nor in 2015).

16. Short-term liabilities

Short-term financial liabilities in EUR

	Interest rate in %	Maturity date	Debt balance on 1/1/2016	New financial leases in the current year	Transfer of the short-term portion of long-term liabilities	Repayment in the current year	Debt balance on 31/12/2016	Loan security
Bank loan NKBM d.d.	6 M EUR + 3.0	Mar 20, 2017	120,000		861,000	-120,000	861,000	Pledge of the business share in Rondal d.o.o., bills of exchange
IMPOL, d.o.o.	POM + 1%	Dec 27, 2017	0	150,000			150,000	Bills of exchange
BONDS	3.8%	Oct 19, 2017	10,000,000		10,000,000	-10,000,000	10,000,000	Unsecured
RONDAL d.o.o.	POM+1%	Feb 18, 2017	500,000	500,000		-500,000	500,000	Bills of exchange
TOTAL			10,620,000	650,000	10,861,000	-10,620,000	11,511,000	X

Table 170: Short-term financial lease liabilities in EUR

	Interest rate in %	Maturity date	Debt balance on 1/1/2016	Transfer of the short-term portion of long-term liabilities	Debt balance on 31/12/2016	Leasing security
PORSCHE LEASING SLO d.o.o. (Contract No. 565947)	6.20	Monthly, every first day of the month in 2017	0	17,857	17,857	Unsecured
Total			0	17,857	17,857	X

Table 171: The lowest amount of future rents and the present value

	Lowest amount of future rents	Net present value
Up to 1 year	22,806	17,857
From 1 to 5 years	77,918	70,056
Total	100,724	87,913

Table 172: Short-term financial and operating liabilities in EUR

A. Short-term financial and operating liabilities	**31/12/2016**	**31/12/2015**
Short-term trade creditors – Group companies	28,506	13,015
Short-term trade creditors – Associated companies	91,078	12,993
Short-term trade creditors – Other companies	224,439	135,769
Short-term liabilities from advances – Other companies	83,754	125,338
Other short-term operating liabilities – Group companies	857	1,062
Other short-term operating liabilities – Other companies	1,128,887	267,710
TOTAL short-term operating liabilities	1,557,521	555,887
Short-term portion of long-term financial liabilities – Banks	861,000	120,000
Short-term portion of long-term financial liabilities – Bonds	10,000,000	10,000,000
Short-term financial lease liabilities – Other companies	17,857	0
Short-term financial liabilities (other than financial lease liabilities) – Group companies	650,000	500,000
Short-term financial liabilities related to distribution of profit or loss	11,736	7,052
TOTAL short-term financial liabilities	11,540,593	10,627,052
TOTAL short-term financial and operating liabilities	13,098,114	11,182,939
B. Short-term financial and operating liabilities	**31/12/2016**	**31/12/2015**
Short-term financial liabilities	661,736	507,052
Short-term portion of long-term financial liabilities	10,878,857	10,120,000
Total short-term financial liabilities	11,540,593	10,627,052
Short-term operating liabilities	1,557,521	555,887
Total short-term operating liabilities	1,557,521	555,887
TOTAL short-term financial and operating liabilities	13,098,114	11,182,939
C. Short-term operating liabilities	**31/12/2016**	**31/12/2015**
Short-term trade creditors to Group companies	28,506	13,015
Short-term trade creditors to Associates	91,078	12,993
Short-term trade creditors to other companies	224,439	135,769
Total short-term trade creditors	344,023	161,777
- of which already matured on 31/12*	45,350	40,658

	31/12/2016	31/12/2015
Short-term liabilities for advances	83,754	125,338
Total short-term liabilities for advances	83,754	125,338
Short-term liabilities to employees	466,688	194,669
Short-term liabilities to the state	31,400	48,436
Short-term liabilities from interest – Group companies	857	1,062
Short-term liabilities from interest – Other companies	2,099	2,604
Other short-term operating liabilities – Other companies	628,700	22,001
Total other short-term operating liabilities	1,129,744	268,772
TOTAL short-term operating liabilities	**1,557,521**	**555,887**

Table 173: Analysis of the matured trade creditors in EUR

	31/12/2016	31/12/2015
Matured in 2016	45,350	x
Matured in 2015		40,658
TOTAL already matured trade creditors	45,350	40,658

Itemization of short-term liabilities from interest**	31/12/2016	31/12/2015
Interest related to finance expenses from operating liabilities		17
Interest related to finance expenses from financial liabilities	2,956	3,649
Total short-term liabilities for interest	2,956	3,666

Short-term financial liabilities comprise liabilities from the received loans with the maturity of less than one year. These liabilities include liabilities for issued bonds in the amount of EUR 10,000,000, which represents the short-term portion of liabilities maturing in 2017, EUR 861,000 of the short-term portion of the long-term bank loan, EUR 500,000 EUR of liabilities for the short-term loan at Rondal d.o.o., and EUR 150,000 of liabilities for the short-term loan at Impol d.o.o.

Interest for loans between Group companies are calculated at the established interest rate, which applies to loans between associated entities, increased by 1 percentage point. Both loans are insured with a bill of exchange and mature in 2017 (Rondal – February 18, 2017; Impol – December 27, 2017).
Other short-term financial liabilities refer to the portion of the received long-term loans for financial lease maturing in 2017.

All short-term financial liabilities, other than the short-term portion of bonds, are secured.

Table 174: Short-term accrued expenses and deferred revenue in EUR

Short-term accrued costs and deferred revenues	31/12/2016	31/12/2015
Accrued expenses or costs	434,238	385,205
Short-term deferred revenues	37,830	32,278
VAT from advances granted		26
TOTAL	472,068	417,509

Accrued expenses or costs refer to the calculated interest attributable to issued bonds, which occurred from the last payment of the coupon or principal until 31/12/2016, and calculated amounts for unused annual leave on 31/12/2016.

Short-term deferred revenues are formed from charged (yet unpaid) operating interest. At the time of settlement, they are recorded as income.

17. Financial instruments and financial risks

Impol 2000 d.d. faces the following risks in its business process, in particular:

Table 175: Risks

Risk area	Risk description	Risk management method	Exposure
Liquidity risk	Lack of liquid assets for the settlement of operating or financing liabilities.	Pre-agreed credit lines and preparation of inflow and outflow schedules.	Low
Interest rate risk	Risk related to the change of financing and loan-raising conditions.	Monitoring of the ECB's and FED's policies, security with appropriate financial instruments – interest rate swaps, transition from the fixed to a floating interest rate.	Moderate
Credit risk	Customer default risk.	Securing of trade debtors – primarily foreign – through Prva kreditna zavarovalnica and foreign insurance companies, monitoring of customer credit ratings, limitation of the maximum exposure to individual customers. Transactions with customers located in high-risk markets are only performed on the basis of advance payments or prime bank guarantees.	Moderate to high

Liquidity risk

When it comes to liquidity risk management, we examine whether the company is able to settle its running operating liabilities and whether it is generating a sufficiently large cash flow to settle its financing liabilities.

Floating weekly and monthly scheduling of cash flows allow the company to determine liquid asset requirements. Potential cash shortages are covered by bank credit lines and other forms of financing, whereas the potential short-term surpluses are invested in liquid short-term financial investments.

Interest rate risk

If the interbank reference interest rate EURIBOR is negative (less than 0%), banks charge contractual interests at the EURIBOR reference interest rate of 0%, increased by the spread.

Table 176: Short and long-term financial liabilities at a fixed rate in EUR (Impol 2000 d.d.)

	31/12/2016	31/12/2015
Financial liabilities	40,000,000	50,000,000

Table 177: Short and long-term financial liabilities at a variable rate in EUR (Impol 2000 d.d.)

	31/12/2016	31/12/2015
Financial liabilities	1,598,913	1,481,000

Table 178: Effect of interest rate changes on profit or loss in EUR (Impol 2000 d.d.)

	31/12/2016	31/12/2015
Increase of IR for 50 bp	-7,995	-7,440
Increase of IR for 100 bp	-15,989	-14,881
Decrease of IR for 50 bp	7,995	7,440
Decrease of IR for 100 bp	15,989	14,881

SInterest rate changes on the reporting date for 50 or 100 basis points would increase/decrease the net profit or loss for the amounts from the above table. Sensitivity analysis of the profit or loss in case of the indebtedness at a variable interest rate assumes that all other variables remain unchanged. On the reporting date, Impol 2000 d.d. had no significant financial receivables at a variable interest rate. Significant amounts are based at a fixed interest rate.

Credit risk

Credit control process encompasses customer credit rating which is carried out regularly by Prva kreditna zavarovalnica and foreign insurance companies as well as our customer solvency monitoring system. By regularly monitoring of open and matured trade debtors, the age structure of receivables and average payment deadlines, we maintain our credit exposure within acceptable limits given the strained conditions on the market. In 2016, we managed to keep our trade debtors at the same level as in 2015.

Accounting and fair values of financial instruments

Classification of financial instruments depending on their fair value on 31/12/2016.

Table 179: Accounting and fair values of financial instruments in EUR

	Accounting value	Fair value	Fair value level
Long-term investments in associates	0	0	3
Long-term investments in subsidiaries	70,135,645	70,135,645	3
Short-term loans granted to Group companies	26,157,337	26,157,337	3
Short-term loans granted to other companies	1,000,000	1,000,000	3
Short-term operating receivables	2,420,739	2,420,739	3
Cash and cash equivalents	528,046	528,046	3
Long-term financial liabilities	70,056	70,056	3
Long-term financial liabilities from bonds*	30,000,000	31,560,000	1
Short-term financial liabilities	1,540,593	1,540,593	3
Short-term financial liabilities from bonds*	10,000,000	10,520,000	1
Short-term operating liabilities	1,557,521	1,557,521	3

*listed bonds

18.Contingent liabilities

On 31/12/2016, Impol 2000 d.d. had EUR 45,319,972 of guarantees granted to the subsidiary Impol d.o.o. from the received long-term loans at banks. The given guarantee in the amount of EUR 26,250,000 is secured by the pledge of a 97.5% ownership share in Impol d.o.o.

19. Transactions with associates

Table 180: Receivables from Group companies in EUR

Receivables of Impol 2000 d.d. on 31/12/2016 from:	Group companies - Receivables			Total
	Long-term financial investments in equity	Short-term operating receivables	Short-term loans granted	
Impol d.o.o.	67,588,863	329,737		67,918,600
Impol LLT d.o.o.		15,449		15,449
Impol FT d.o.o.		81,915		81,915
Impol PCP d.o.o.		112,962		112,962
Impol Infrastruktura d.o.o.		1,748		1,748
Impol R in R d.o.o.		4,286		4,286
Rondal d.o.o.	100,000	8,129		108,129
Impol-Montal d.o.o.		869		869
Impol Servis d.o.o.	245,037	1,137		246,174
Impol Stanovanja, d. o. o		522		522
Kadring d.o.o.		1,105		1,105
Stampal SB d.o.o.		5,072		5,072
Unidel d.o.o.		2,502		2,502
Impol-TLM d.o.o.	1,201,745	171,377	25,857,337	27,230,459
Impol ulaganja d.o.o.		1,877	300,000	301,877
Impol-FinAl d.o.o.	1,000,000			1,000,000
Total	70,135,645	70,135,645	738,687	97,031,669

Table 181: Liabilities to Group companies in EUR

Liabilities of Impol 2000 d.d. on 31/12/2016 to:	Group companies - Liabilities		Total
	Short-term financial liabilities	Short-term operating liabilities	
Impol d.o.o.	150,000	17,469	167,469
Impol Infrastruktura d.o.o.		1,720	1,720
Rondal d.o.o.	500,000	842	500,842
Impol Servis d.o.o.		854	854
Kadring d.o.o.		7,491	7,491
Unidel d.o.o.		987	987
Total	650,000	29,363	679,363

Table 182: Receivables from Associates in EUR

Receivables of Impol 2000 d.d. on 31/12/2016 from:	Associates – Receivables Short-term operating receivables	Total
Simfin d.o.o.	207	207
Total	207	207

Table 183: Liabilities to Associates in EUR

Liabilities of Impol 2000 d.d. on 31/12/2016	Associates – Liabilities Short-term operating liabilities	Total
Simfin d.o.o.	65,232	65,232
Alcad d.o.o.	25,846	25,846
Total	91,078	91,078

Table 184: Revenues generated with Group companies in EUR

	Group companies – Revenue							
Revenues of Impol 2000 d.d. generated in 2016 with:	Net revenues from the sale of products	Net revenues from the sale of services	Net revenues from the sale of merchandise	TOTAL operating revenues	Financial revenues from investments	Financial revenues from short-term receivables	TOTAL financial revenues from investments	TOTAL revenues
Impol d.o.o.		4,455,728	-10,844	4,444,884	3,413,957	31,188	3,445,145	7,890,029
Impol LLT d.o.o.		151,334	17,837	169,171				169,171
Impol FT d.o.o.		801,016		801,016				801,016
Impol PCP d.o.o.		1,110,748		1,110,748				1,110,748
Impol Infrastruktura d.o.o.		17,196		17,196				17,196
Impol R in R d.o.o.		42,933		42,933				42,933
Rondal d.o.o.		79,956		79,956				79,956
Impol Montal, d. o. o		8,544		8,544				8,544
Impol Servis d.o.o.		8,376		8,376				8,376
Impol Stanovanja, d.o.o.		2,568		2,568				2,568
Kadring d.o.o.		10,872		10,872				10,872
Stampal SB d.o.o.		49,884		49,884				49,884
Unidel d.o.o.		24,612		24,612				24,612
Impol Seval, a.d.	790			790				790
Impol-TLM d.o.o.		2,775		2,775		169,119	169,119	171,894
Impol ulaganja, d.o.o.				0		1,877	1,877	1,877
Total	790	6,766,542	6,993	6,774,325	3,413,957	202,184	3,616,141	10,390,466

Table 185: Expenses generated with Group companies in EUR

Group companies – Expenses

Expenses of Impol 2000 d.d. generated in 2016 with:	Costs of merchandise and material	Costs of services	Costs of material	Other operating expenses	TOTAL operating expenses	Financial expenses for write-offs	Financial expenses for interests and other liabilities	TOTAL expenses from financial investments	Total expenses
Impol d.o.o.	11,635,127	92,286	19,563	2,325	11,749,301		15	15	11,749,316
Impol FT d.o.o.		547			547			0	547
Impol PCP d.o.o.		2,128			2,128			0	2,128
Impol Infrastruktura d.o.o.		16,839			16,839			0	16,839
Impol R in R d.o.o.		448	412		860			0	860
Rondal d.o.o.					0		5,221	5,221	5,221
Impol Servis d.o.o.	11,220	10,988			22,208			0	22,208
Kadring d.o.o.		16,623	9,790		26,413			0	26,413
Unidel d.o.o.		7,306	2,023		9,329			0	9,329
Impol Seval President		862			862			0	862
Impol Hungary Kft.					0	10,000		10,000	10,000
Total	11,646,347	148,027	31,788	2,325	11,828,487	10,000	5,236	15,236	11,843,723

Table 186: Expenses generated with Associates in EUR

Revenue of Impol 2000 d.d. generated in 2016 with:	Net revenues from the sale of services	TOTAL operating revenues	TOTAL revenues from financial investments	Total revenue
Simfin d.o.o.	799	799	0	799
Total	799	799	0	799

Table 187: Odhodki s pridruženimi družbami v evrih

Expenses of Impol 2000 d.d. generated in 2016 with:	Costs of services	TOTAL operating expenses	TOTAL expenses
Simfin d.o.o.	213,744	213,744	213,744
Alcad d.o.o.	30,727	30,727	30,727
Total	244,471	244,471	244,471

Remuneration of members of the Management and Supervisory Board in 2016 (Art. 294, paragraph 5 of ZGD-1)

Table 188: Remuneration of members of the Management and Supervisory Board in EUR

Name and surname of the member of the Management or Supervisory Board	Position	Fixed portion of remuner-ation	Variable portion of remunera-tion	Reimburse-ment of expenses	Options and other bonuses	Insurance premiums	TOTAL remu-neration
Jernej Čokl	President of the MB*	36,000	75,048		18,000		129,048
Vladimir Leskovar	Member of the MB	30,000	66,138		18,000		114,138
Janko Žerjav	Member of the MB	30,000	60,138		18,000		108,138
Milan Cerar	Member of the MB	30,000	62,538				92,538
Bojan Gril	Member of the MB	28,523	67,615				96,138
Edvard Slaček	ED**	151,047	90,143	2,242	1,164	564	245,160
Irena Šela	ED	123,530	85,652	2,918	1,148	564	213,812
Total		429,100	507,272	5,160	56,312	1,128	998,972

*Management Board
**Executive Director

The table shows remuneration for 2016.

The company had no matured receivables from members of the Management Board and employees on individual contracts.

Events after the reporting date

There were no events after the reporting date that would significantly affect the financial statements of Impol 2000 d.d. for 2016.

Signature of the annual report for 2016 and its components

The Chairman and members of the Management Board and the Executive directors of Impol 2000 d.d. are familiar with the content of all components of the annual report of Impol 2000 d.d. for 2016 and with the entire Annual Report of Impol 2000 d.d. for 2016. We agree with the content and approve it with our signature.

Jernej Čokl
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Vladimir Leskovar
(Vice President of the Management Board)

Janko Žerjav
(Member of the Management Board)

Milan Cerar
(Member of the Management Board)

Bojan Gril
(Member of the Management Board)

Edvard Slaček
(Chief Executive Officer)

Irena Šela
(Executive Director of Finance)

The Management Board and the Executive directors

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of the Management
Board

Vladimir Leskovar
Vice President
of the Management
Board

Janko Žerjav
Member
of the Management
Board

Milan Cerar
Member
of the Management
Board

Bojan Gril
Member
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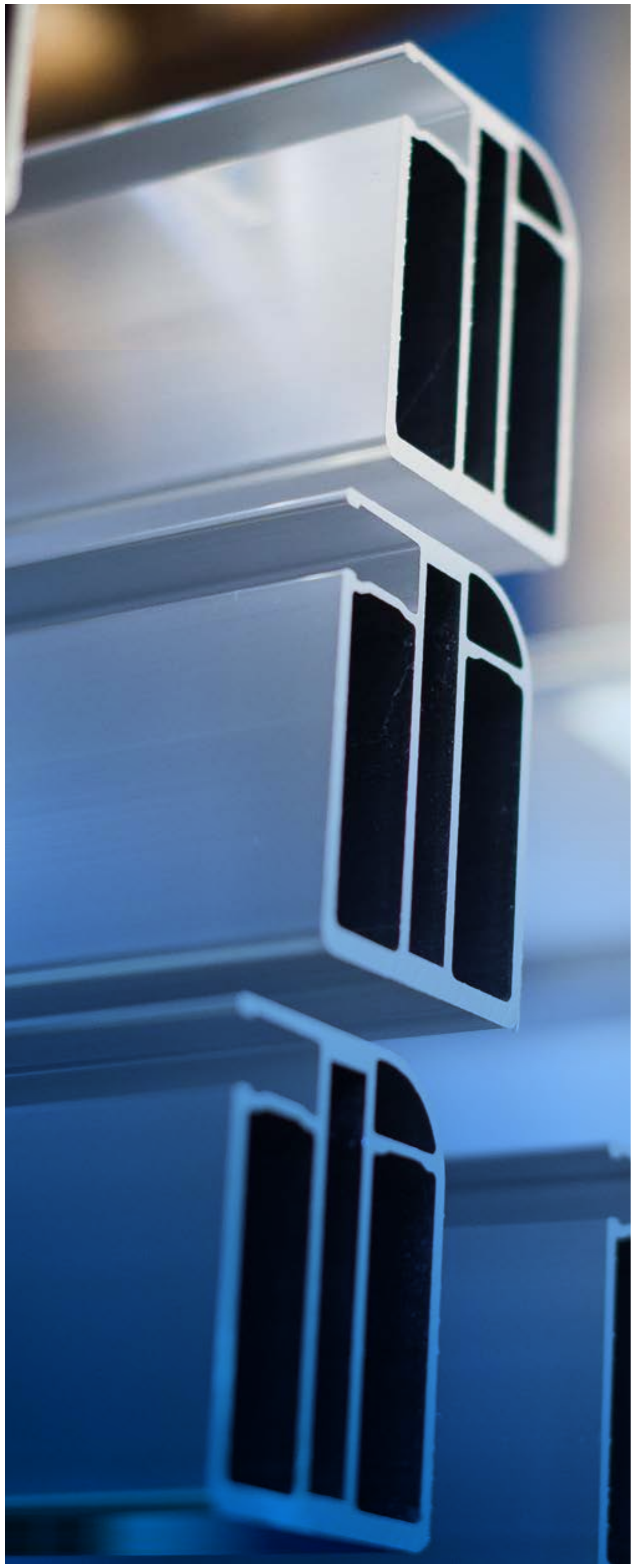

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