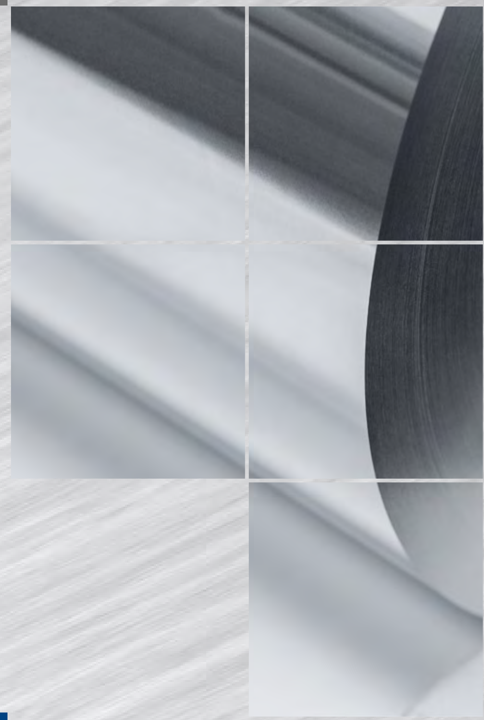
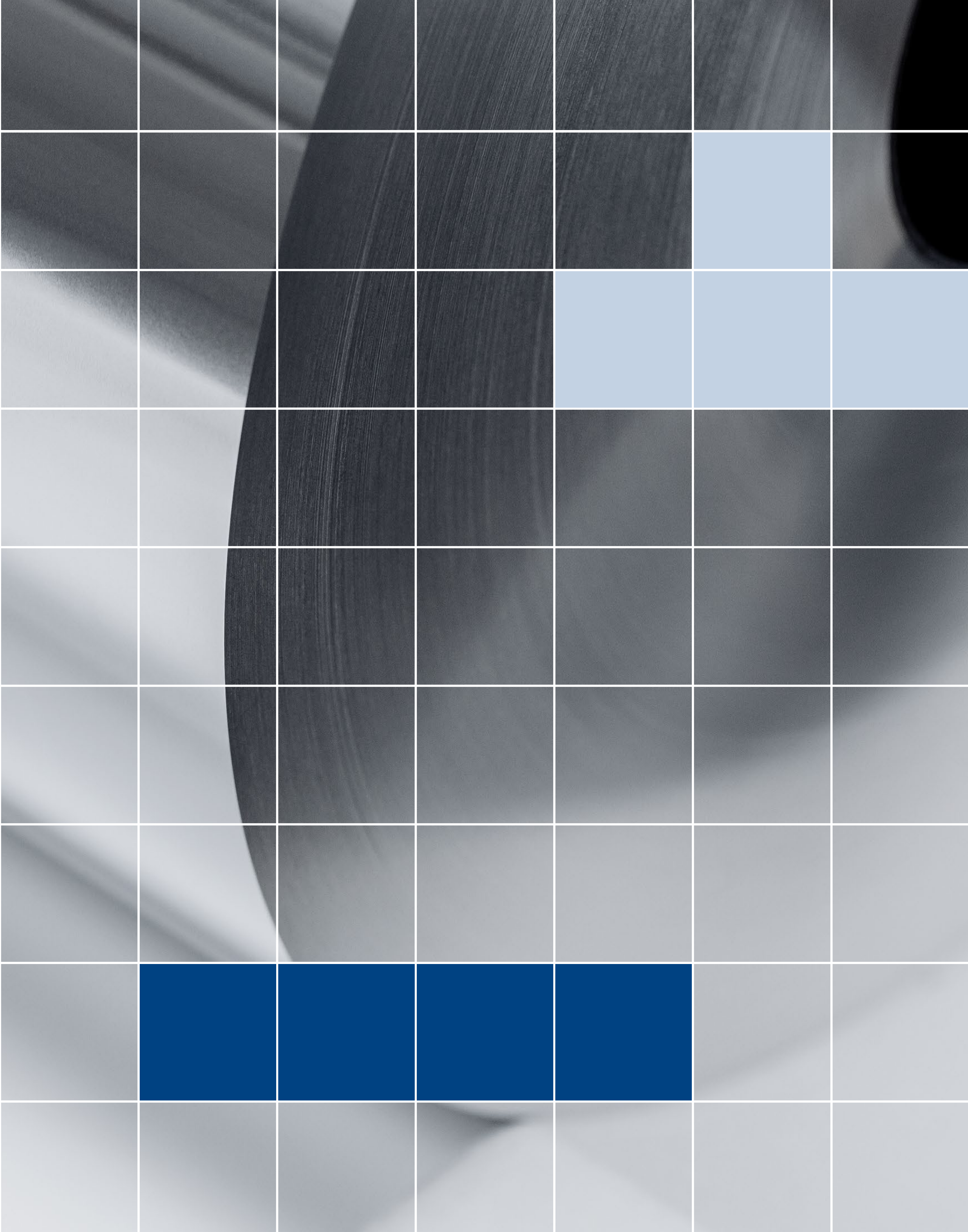
Building the future

2017 ANNUAL REPORT OF THE IMPOL GROUP AND IMPOL 2000, D. D.



impol
Aluminium Industry



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Ratio between net debt and the achieved EBITDA

2.76

6th

the largest Slovenian exporter

EBITDA

EUR 62.6 million

EUR 34.5 million

Net profit after tax

Added value per employee

EUR 54,110

Sales volume

EUR 666.7 million

Becoming larger and stronger

Joint report of the Management Board and Executive Directors on the operations of Impol 2000, d. d., and the Impol Group in 2017

Dear shareholders, business partners and co-workers!

It has already been 192 years of continuous operation of Impol*, an internationally organised business entity that makes around a third of the income in its companies outside Slovenia. 2017 will be remembered as the year of expansion, since the Impol Group acquired at an auction, through the company Impol-TLM, d. o. o., the production assets of the former TLM Aluminium in Šibenik, Croatia. In addition to this, we continue renovating and upgrading programmes in all areas of aluminium production: rolling, pressing, finalization and foundry. This year, the Impol Group also started implementing a comprehensive approach to the introduction of the Industry 4.0 concept.

We generate around 95% of all income in foreign markets, in particular in markets with state-of-the-art technology. In the sales market, the tendency of customers to only confirm those suppliers that have the ability to deliver ordered goods in shorter delivery periods, which we successfully pursued, is still present. The segment of technically more demanding customers, and thus the share of products with higher added value, continues its persistent growth. More demanding customers stipulate as a condition for further business cooperation the management of the entire production process for the manufacture of a particular product and by permanently ensuring an adequate quality of the products. We meet the above requirements in a comprehensive manner by establishing the company Impol-FinAl, d. o. o., within which we develop product finalization.

In 2017, the Impol Group was implementing a one-tyre management system for the third 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 our needs, and the guidelines for further operation were defined in a form of entering modifications of plans and the strategy. As part of its operations, the Management Board adopted 178 decisions at seven meetings in person and numerous correspondence sessions, thus ensuring the conditions for a smooth business operation of all parts of the Impol Group.

In organising our business processes we guarantee transparency by rigorously observing the adopted Impol Group Business Conduct Code.

In 2017, the area of purchase prices, which significantly impact the operating results of the Impol Group, saw a constant growth of the base stock price. Moreover, a slight tendency of the purchase premiums increasing above the base stock price of aluminium raw materials was also present. Since the sales premiums above the base stock price of aluminium remained stable throughout the year, we achieved an improvement of the operating result compared to the previous year by increasing the volume of operations and introducing modifications in the production programme. For this reason, we also managed to achieve an excellent operating result, which was again record-setting compared to past results.

Even the financial environment saw significant changes. The access to additional 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, however, costs of additional external financial sources remained at a lower level and collaterals evened for all external sources of financing without the need for special insurances with assets.

In the procurement area suppliers demand the client's credibility, which we prove by providing comprehensive, regular and completely credible disclosures.

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 half of all the investments in operating receivables. This significantly improves the safety of operations and shortens the reaction time which in some cases plays a decisive role when entering sales and also purchase markets. Most importantly, the Impol Group finances almost 40% of its investments with equity.

In the area of raw materials and energy we stabilise operations by concluding long-term purchase contracts. We prudently

*This name is used for the entire Impol group controlled by Impol 2000, d. d.

invest 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 with optimal contributions.
Despite increasing production capacities, we had to extend the supply date due to the increased demand in certain programmes, particularly in the area of pressing, and adjust as much as possible to the demands of the clients, thus successfully maintaining their satisfaction.

We also intensively developed the area of quality. We established a system of independent verification of product and process quality, which we have been upgrading through the years, thus enabling a sustainable monitoring of the needs of the customers, who demand products of the highest grade of quality. We offer our customers several different technological paths with which we increase production safety and guarantee delivery periods.

The share of operations on the domestic market remains at a low level due to the market being too small. In order to ensure long-term operations, the Impol Group needs to constantly grow, and production and sales growth may only be generated in exports that are playing an increasingly important role. In 2017, the Impol Group achieved 94% of all of its revenues in external markets. Since the majority of exports is directed toward highly economically developed markets – approximately 35% of all sales are generated in the German market – the demand for top quality is even greater.

Impol's production portfolio is 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 demand for products of all programmes to drop at the same time.

In 2017, the conditions in most markets were good and we are optimistic for next year too. In 2017, the demand for pressed, forged and stamped products in individual periods of time exceeded the available capacities, in the rolled product area; however, the demand was in line with the available production capacities. At the Impol Group we improved quality control introducing new devices, we adjusted to new conditions in terms of organizing ourselves and were able to complete orders in significantly shortened delivery periods. In addition to this, we regularly followed key indicators by programmes and took steps in case of deviations from target values, we eliminated bottlenecks in production processes by smaller purpose investments and updated manners of organizing and managing.

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 construction products market is shrinking and we are intensively expanding the technically more demanding programme of products intended for end customers who operate in the means of transport industry. We strive toward the greatest possible exploitation of the market 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 2017 can be expected in the future, which we also envisaged in our planning acts. These forecasts exclude the domestic market where there is no significant growth potential due to its size. The Impol Group is thus slowly turning into an almost entirely export-oriented company.

In 2017, our main market was again the EU, where we export the majority of our products. The Eastern European market still grows slowly. As most of our 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 our production programme can be sold in more remote markets.

The overview of the achieved earnings before the depreciation expenses, the payment of interests and tax from profit (EBITDA) by individual programmes of operation in 2017 shows that the rolling programme generated 31% of the total achieved EBITDA in the Impol Group, the pressed products programme generated 41% and 28% by other activities (foundry, forged products, round blanks, etc.).

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. Despite the relatively stable operating conditions, great attention is paid to ensuring safety of operation. For this reason we provide a comprehensive insurance of all assets, purchases of raw material, receivables from customers and exchange rate risks.

In 2017, the aluminium market once again did not experience any significant changes in terms of organisation and ownership. China continues to reinforce its position as the leading manufacturer of aluminium, producing more than half of all extracted aluminium in the world. Given that in 2017 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, thus increasing its purchase prices.

With the intention of pursuing its development goals and control the growth of the volume of operations and the rise in aluminium prices, in 2017 we invested about EUR 36 million in fixed assets through investments in open projects and the elimination of bottlenecks (CAPEX). We earmarked EUR 64 million for investments in current assets, particularly in inventories and receivables, which is the consequence of the increasing volume of business operations and the increase of aluminium prices.

Table 1: Trends in EBITDA and EBIT

Year/Indicator	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
EBITDA * in EUR 000	27,425	53,859	36,841	27,297	30,343	41,883	39,579	36,721	39,429	48,382	56,851	62,598
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	1.10
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	172,846
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	2.76

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

Given the results achieved, investments in the Impol Group are profitable and safe, evidenced by a timely and full settlement of all liabilities and organise uninterrupted operations. We slightly reduced the credit dependency from external financiers compared to the previous year, which is the consequence of increased permanent and short-term investments with which we reinforced our position in the market.
The debt level is adjusted to the needs for investment in development projects and projects intended to increase the volume of operations, and making sure that the liabilities arising from debt are settled in accordance with the expectations of creditors. A careful management of this area is also evidenced by the long-term trend of the ratio between net debt and the achieved EBITDA.

In 2017, we pursued the following basic goals:
- Generation of EUR 33 million of net profit,
- Generation of net cash flow in the amount of EUR 59 million,
- These results are expected to be achieved with the sale of 239 thousand tonnes of aluminium products.

In actuality, these goals were achieved in the following volumes:
- We nominally generated a net cash flow in the amount of EUR 50 million,
- Net profit after tax in the nominal amount of EUR 34.5 million,
- The volume of quantitative sales amounted to 230,000 tonnes of products,

Due to an intense export orientation of the Impol Group, exposing it to risks and costs more extensively, we achieved our objectives in the expected scope and the results is in line with our expectations. In 2017, the company result was based on an efficient restructuring of the programmes in the direction of products with a higher added value and in the increase of the sales volume by 12%.

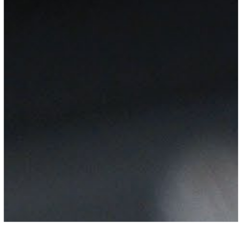
Comparisons with the preceding year and with our plans show:
- That 2017 saw some more favourable effects on the Group's operations, evidenced by
  - relatively stable purchase and sales premiums and consequently by prices,
  - the growth of markets in the most technologically developed area - Germany,
  - possibility of quality collaterals,
  - possibility of obtaining additional external financial resources at low prices and insurance conditions,
- 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 income was higher than the income in 2016, increasing the value of the Impol Group,
- the achieved net cash flow, EBIT and EBITDA are higher than those achieved in the previous year and in line with those 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 2.6% in the past year and amounted to almost EUR 55.07/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% for the second consecutive year and amounts to EUR 159.32/share. Based on the achieved business performance, orientations in the 2025 Strategy and forecasts in our plans for 2018, the Impol Group will establish dividends for its shareholders in the amount of EUR 2.81 per share in accordance with the set 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 most important operating policies in 2018 are as follows:
- We will keep increasing the sale of products with a high added value and develop the sale of pressed and rolled products which are additionally mechanically processed or processed using cold forming technology or mechanical material removal technology.
- 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 and products requiring higher finishing stages) will be further increased.
- The volume of sales of our rolled and pressed products in our existing production programme, by including new capacities or complementing and modernising existing capacities, will be further increased.
- We will provide customers with completely flawless products in terms of quality and safe products, which we will achieve by implementing a sustainable and independent control of the quality of products and by investing intensively.
- We will begin developing products and the automotive industry market in the area of rolling.
- We will maintain the European market, since in this manner we can adequately ensure quality of aftersales activities.
- We will keep increasing the volume of products that play a significant role in our niche programmes with the intention of taking up one of the leading positions in individual niches in Europe.
- We will keep increasing the scope of our business operations on a long-term basis with the cooperation of our customers and end users of our products, and striving toward a joint development of products that would meet the specific needs of each customer.
- We will keep developing products for the aviation industry.
- We will include new purchase sources of aluminium raw material and maximise the purchase of waste aluminium from our customers. In this manner, we will continue increasing the use of cheaper forms of aluminium raw materials using already established casting capacities and at the same time ensuring an adequate product segmentation.
- We will increase the sale of pre-painted strips and sheet metals in accordance with the policies of the Impol Group Strategy 2017-2025, turning mainly toward East European markets.
- We will enable our customers access to the entire range of products of the Impol brand regardless of the point of sale.
- The good name of the Impol brand will be further strengthened as a reliable and quality provider of a broad range of aluminium products.
- As the preservation and development of the existing jobs and the creation of new jobs are directly dependent on sufficiently generated profit, part of the generated profit will be reinvested to ensure at least that EUR 10 thousand are invested in every single post annually.

The fundamental policies of the Impol Strategy 2017-2025 and the plan for 2018 will be realised by achieving the following most important objectives:
- To generate at least EUR 33 million in profit, EBITDA in the amount of EUR 65 million and value added per employee in the amount of EUR 53,600 thousand;
- With the sale in the amount of EUR 741 million, 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 aluminium sales, Impol will continue pursuing the goal of achieving an over 20% share of the market outside the EU, whereas in terms of the EU market, 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.
- To increase the level of self-supply with adequate input raw materials for the production of rolled products with the integration of new capacities within two yeas.
- In 2018, we will achieve the minimum indicative volume of aluminium production for customers outside the system in the total volume of 245,000 tonnes.

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. We will continue improving the direct connection with customers, including the integration of Impol's development and production processes in the processes of customers, which already today represents



two thirds of the business cooperation of the Impol Group with its customers.

We will invest in development, enabling us to exploit all the available capacities and a higher level of stability and safety in business operations. Sources for financing the investments of long-term character will be additionally acquired also from external sources, whereas short-term investments will be in compliance with the trend in raw material prices and the need to guarantee day-to-day liquidity.

We will continue optimizing and upgrading the comprehensive information system which will be used at the Group level. We will intensively implement processes of designing cognitive applications for providing assistance in optimizing production and business processes. Regarding the information system management, we will continue to guarantee the consistency of processes 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. When developing the information system we will mainly pursue economic viability.

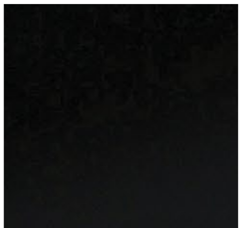
When acquiring major business stakes in other companies, we will pursue the goals of including especially those programmes that upgrade the existing programmes or supplement them in terms of a higher added value, while taking into consideration the fact that the integration of new programmes must not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

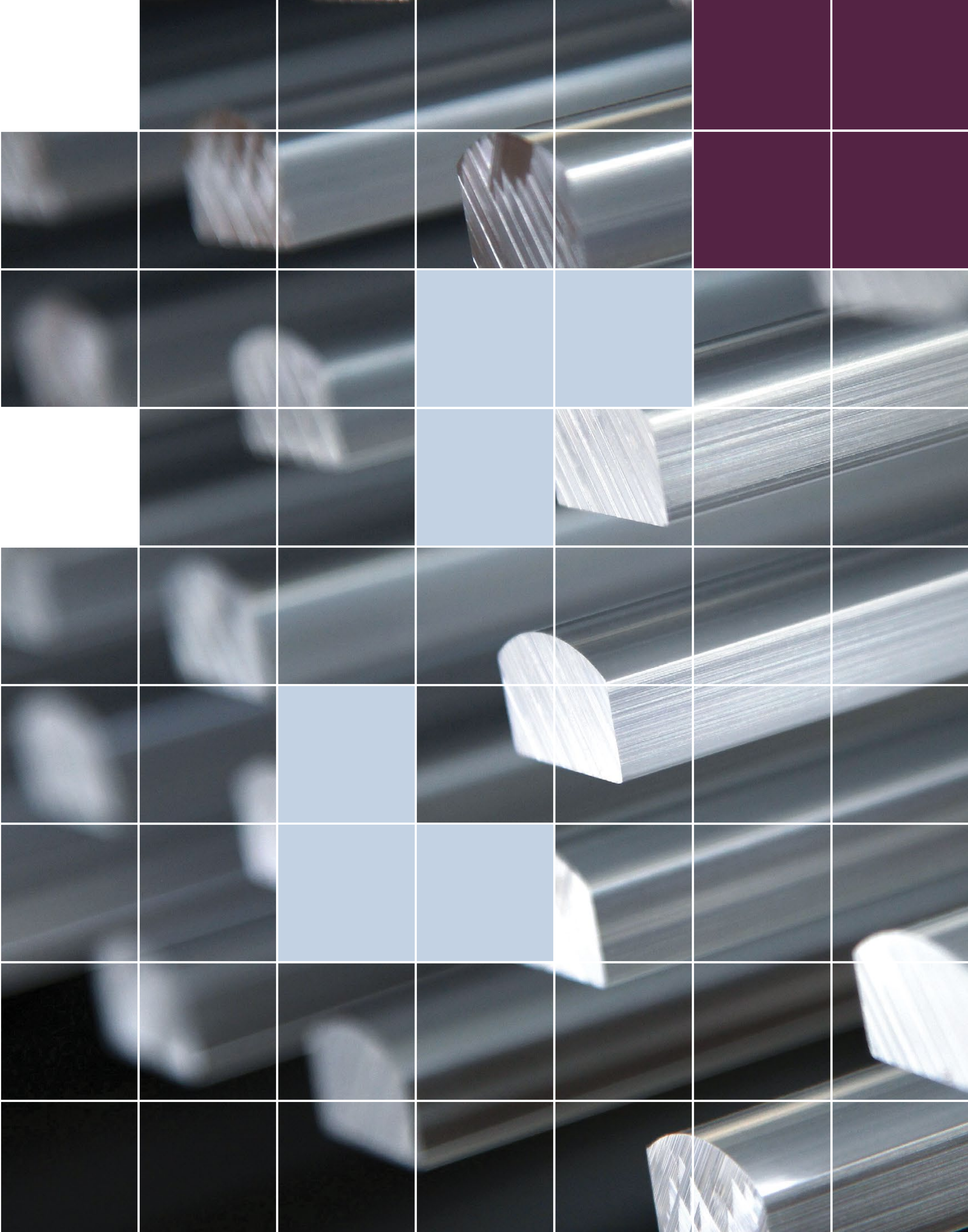
In order to optimise costs, we will continue to promote outsourcing of a large part of its services outside the Group. Supply of raw materials, materials and energy will continue to give priority to those purchase sources that guarantee long-term business cooperation with Impol under conditions agreed 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.

The basic rules of our operation 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 in the market.

Jernej Čokl (Chairman of the Management Board)	Vladimir Leskovar (Deputy Chairman 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)

Andrej Kolmanič (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/ 2/ 2000 with the decision Srg. 1999/03108, and with the entry number 1/10469/00.

After the share capital increase being entered on 15/ 2/ 2000, the company's share capital amounts 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/ 2017, is presented in the table.

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 – excluding the equity of minority shareholders
2017	55.07	175.74	159.32
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 equity method.

The Impol Group operates as part of the holding company Impol 2000, d. d., which has direct subsidiaries Impol, d. o. o., Rondal, d. o. o., Impol Servis, d. o. o., Impol-TLM, d. o. o.,which owns the company Impol ulaganja, d. o. o. based in Croatia, which also holds since 7/ 10/ 2016 the company Impol-FinAl, d. o. o., the main activity of which is the finalization of aluminium products. Impol, d. o. o., operates with fourteen active subsidiaries, four active subsidiaries, and two active associated companies (Table 3).

Table 3: Other operating companies within the Impol Group

	Company	Share
	Impol 2000, d. d. – parent company – directly controls:	
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 in 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.	100 %
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 %

In 2017, Kadring, d. o. o. acquired a 6.7164% own equity share from non-controlling owners in the amount of EUR 18,000, on the basis of which it effectively increased its controlling owner capital from 93.2836% to 100%. 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 Group carried forward in the amount of EUR 22,675.

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., 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	Activity Standard Classification	Carrying amount of the financial investment as of 31/ 12/ 2017 in EUR	Carrying amount of the financial investment as of 31/ 12/ 2016 in EUR	Stake in %	Equity as of 31/ 12/ 2016 in EUR	Net profit or loss in 2016 in EUR	Equity as of 31/ 12/ 2017 in EUR	Net profit or loss in 2017 in EUR
Impol Servis, d. o. o. Partizanska ulica 38, Slovenska Bistrica	5482593	47,250	245,037	245,037	100	966,447	67,907	1,060,271	94,547
Impol, d. o. o. Partizanska ulica 38, Slovenska Bistrica	5040736	24,530, 25,500	67,588,863	67,588,863	97.5387	110,499,049	15,405,599	125,638,593	19,648,427
Rondal, d. o. o. Partizanska ulica 38, Slovenska Bistrica	5888859	25,500	100,000	100,000	100*	8,627,560	960,242	9,096,317	475,418
Impol-TLM, d. o. o., Narodnog preporoda 12, Šibenik, Croatia	4433203	2,442	1,872,415	1,201,745	100	-5,353,110	-5,245,993	-3,855,060	1,579,146
Impol-FinAl, d. o. o. Partizanska ulica 38, Slovenska Bistrica	7176899	25,620	1,000,000	1,000,000	100	998,206	-1,794	835,747	-162,459

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/ 2017, 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	Company registration number	Standard Industrial Classification	Country	Equity as of 31/ 12/ 2016 in EUR	Net profit or loss in 2016 in EUR	Equity as of 31/ 12/ 2017 in EUR	Net profit or loss in 2017 in EUR
Impol-Montal, d. o. o. Partizanska ulica 38, Slovenska Bistrica	5479355	28,120	Slovenia	1,073,815	206,331	1,310,313	236,499
Impol Stanovanja, d. o. o. Partizanska ulica 39, Slovenska Bistrica	5598010	70,320	Slovenia	3,324,590	28,865	3,365,838	41,504
Štatenberg, d. o. o. Štatenberg 86, Makole	5465249	55,301	Slovenia	419,047	-129	426,217	7,171
Unidel, d. o. o. Kraigherjeva ulica 37, Slovenska Bistrica	5764769	85,325	Slovenia	1,017,702	100,185	1,119,713	106,769
Impol Aluminum Corporation, New York (USA)	/	51,520	USA	1,793,093	186,621	1,862,309	303,945
Impol Seval, a. d. Sevojno, Serbia with 4 subsidiaries:	7606265	27,423	Serbia	38,618,140	9,784,680	46,372,847	6,319,750
Impol Seval PKC, d. o. o. Sevojno, Serbia	1761824	70,220	Serbia	53,574	10,960	67,131	11,073
Impol Seval Final, d. o. o. Sevojno, Serbia	1761826	69,200	Serbia	74,409	18,143	86,647	8,935
Impol Seval Tehnika d. o. o. Užice, Serbia	1761825	33,120	Serbia	294,793	128,869	365,994	57,608
Impol Seval President, d. o. o. Zlatibor, Serbia	2070184	55,100	Serbia	-85,992	-27,935	-96,213	-6,492
Stampal SB, d. o. o. Partizanska ulica 38, Slovenska Bistrica	1317610	28,400	Slovenia	6,228,378	1,593,572	7,468,755	1,246,149
Kadring, d. o. o. Trg svobode 26, Slovenska Bistrica*	5870941	74,140	Slovenia	605,605	42,982	669,829	83,861
Impol FT, d. o. o. Partizanska ulica 38, Slovenska Bistrica	2239418	28,400	Slovenia	6,525,256	1,664,178	8,319,600	1,834,354
Impol PCP, d. o. o. Partizanska ulica 38, Slovenska Bistrica	2239442	28,400	Slovenia	8,795,525	2,244,963	11,140,196	2,404,483
Impol LLT, d. o. o. Partizanska ulica 38, Slovenska Bistrica	2239434	27,530	Slovenia	3,770,978	1,764,078	4,566,437	812,310
Impol R in R, d. o. o. Partizanska ulica 38, Slovenska Bistrica	2239400	73,102	Slovenia	700,768	114,302	1,012,706	316,391
Impol Infrastruktura, d. o. o. Partizanska ulica 38, Slovenska Bistrica	2239426	70,320	Slovenia	718,801	100,056	815,501	99,514
Impol ulaganja, d. o. o. Narodnog preporoda 12, Šibenik, Croatia	4203445	6810	Croatia	3,858,357	-3,962,395	3,734,435	-185,407
Impol Hungary Kft. Vecsey Karoly ulica 7, Budapest, Hungary	/	1,724	Hungary	1,422	181,327	19,907	177,534

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Other associated companies are those in which Impol 2000, d. d., directly or indirectly owns more than 20% equity share. Impol 2000, d. d., is the holding company of the Impol Group and is organised as a public limited company.

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

Its capital is divided into 1,066,767 pro rata shares, issued in non-materialised form and registered as such on 5/ 3/ 2007. The shares are transferable and are all of the same class. The central share register is kept by KDD. At the end of the year, 840 shareholders were registered.

All members of the Management Board own 16,588 shares of the company Impol 2000, d. d., or 1.55% in total. In 2017, Member of the Management Board Bojan Gril acquired 406 shares, whereas Member of the Management Board Janko Žerjav acquired 1,000 shares.

As of 31 12/ 2017, natural persons own 541,074 shares or 50.72% of shares.

An overview of the 10 largest shareholders of total 830 shareholders continues to show adequately diversified ownership:

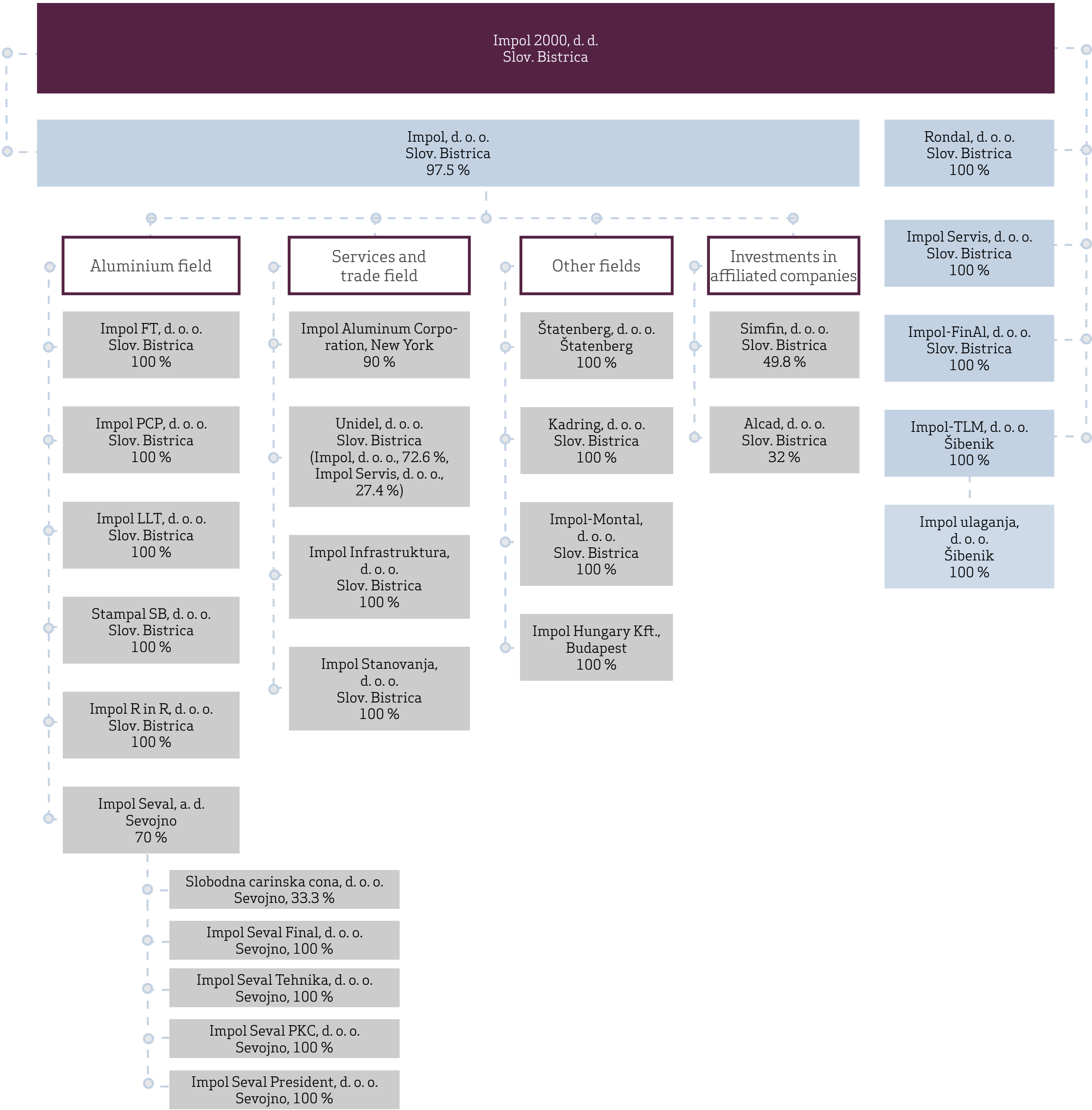
Table 8: Overview of the shareholders as of 31/ 12/ 2017

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	38,015	3.56 %
Simfin, d. o. o.	19,173	1.80 %
Varimat, d. o. o.	17,206	1.61 %
Others (mainly natural persons)	508,438	47.66 %

The share ownership structure in 2017 changed in comparison with the share ownership structure as of 31/ 12/ 2016 as a result of the sale by minor shareholders to whom an investment entails high costs and additional complications due to new statutory regulations on the mandatory management of shares at KDD through an account opened with an authorised broker.

Organisation chart

Figure 1: The Impol Group organisation



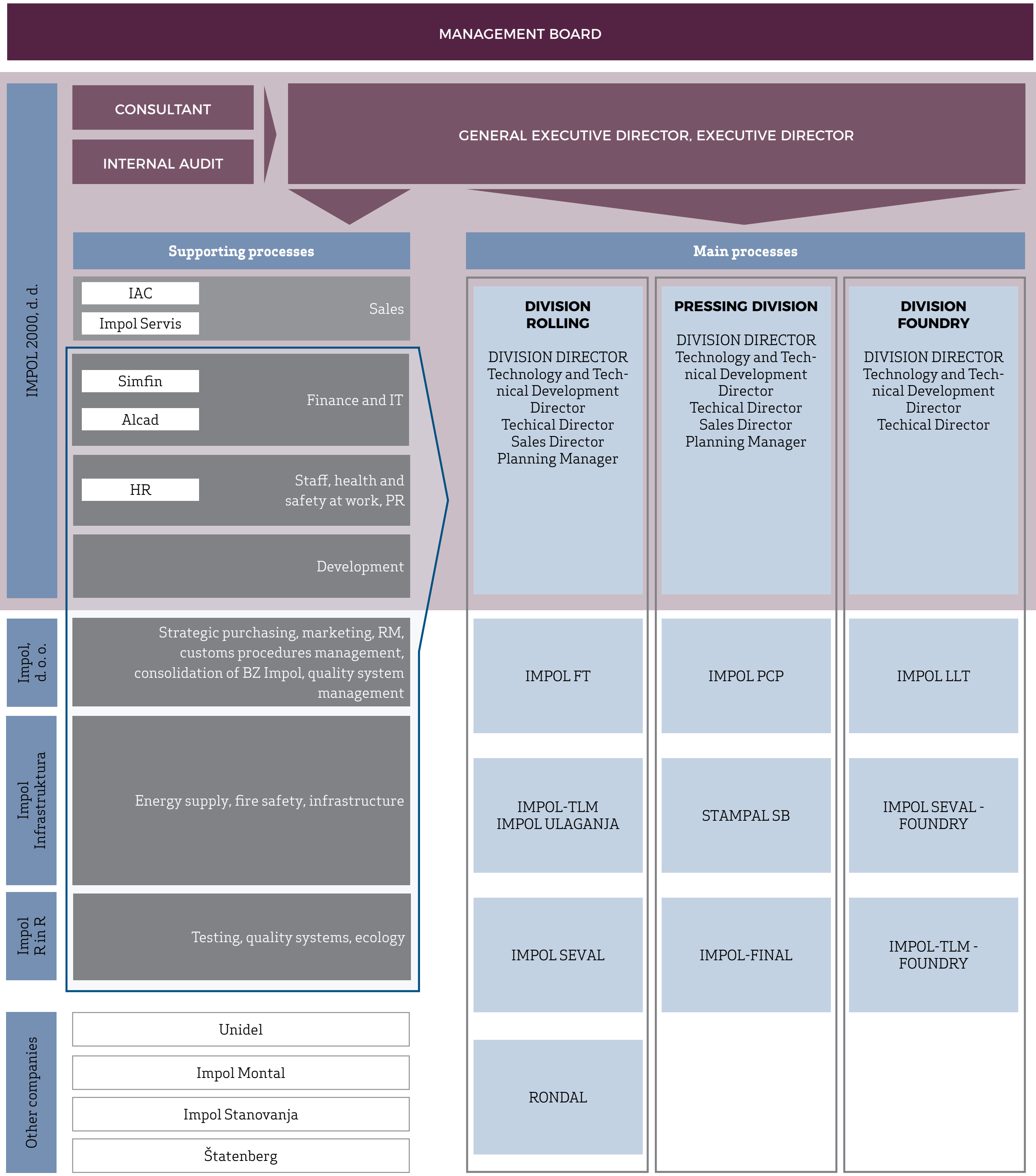
With the Group growing and expanding, we included the division form of organization in our business operation at the beginning of the 2017. The aim of this change is to unify business operations between related programmes on various locations, and at the same time enable a single and comprehensive development of individual areas and accelerate the transfer of good practices.

The Impol Group is divided into three divisions: foundry, rolling and pressing, where we also include the mechanical processing of our products, which is being further developed. Within each individual division the development of the expert field, the achievement of set annual goals, the sale of specialised products to end buyers and ensuring the consistency of operations with corporate rules of the Impol Group are coordinated.

Key corporate supporting processes are:
- Sales,
- Finance and IT,
- HR Management,
- Development,
- Purchasing,
- Energy supply,
- Quality.

With this kind of organization of supporting processes we enable a single system of operation and a balanced development of individual business functions in the entire Impol Group. Consequently, divisions and thus companies within the divisions are provided with an efficient support in achieving the objectives of the Impol Group.

Figure 2: Organization chart of the Impol Group division organization



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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 2017, the Company was subject to its own code entitled the Impol Group Code of Business Conduct*. 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, we perform 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 the 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 2017 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 authorise 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.

* Accessible on the website http://www.impol.si/o-podjetju/organizacija/2763

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 14 July 2017 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 2016, 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 2016, a resolution on the appointment of an auditor for 2017 and amendment or expansion of the company's activity and amendment of the statute of Impol 2000, d. d.

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

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 valid up to 31/ 12/ 2104.

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 there- fore 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,
- Vladimir Leskovar, Vice President of the MB,
- Janko Žerjav, Member,
- Milan Cerar, Member,
- Bojan Gril, Member.

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, whose term expired on 20/ 1/ 2017. On 27/ 1/ 2017, Bojan Gril was re-appointed fifth member of the Management Board.

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 IT.

The executive directors' term started on 1/ 1/ 2015 and ended on 31/ 12/ 2017. Chief Executive Officer Edvard Slaček retired upon the expiration of his term.

At its session held on 13/ 10/ 2017, the Management Board appointed two executive directors who are not members of the Management Board:
- Andrej Kolmanič, Chief Executive Officer,
- Irena Šela, Executive Director of Finance and IT.

The term of office of the Executive Directors will run from 1/ 1/ 2018 to 31/ 12/ 2020.

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, President,
- Bojan Gril, Member,
- 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 2017 five meetings in person and two meetings 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) Reviewed the suitability and comprehensiveness of other measures taken and forwarded opinions to the Management Board;

c) 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. 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;

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

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

f) Monitored the external auditor's independence and established that the independence was ensured;

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

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

i) 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;

j) 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 and presented the opinion to the Management Board;

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

k) Cooperated with the independent 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;

m) 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.

Largest shareholders of Impol 2000, d. d., as of 31/ 12/ 2017, are presented in the table.

Table 9: Overview of the largest shareholders as of 31/ 12/ 2017

Shareholder	Number of shares	Share
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	38,015	3.56 %
Simfin, d. o. o.	19,173	1.80 %
Varimat, d. o. o.	17,206	1.61 %
Others (mainly natural persons)	508,438	47.66 %

As of 31/ 12/ 2017, natural persons own 541,074 shares or 50.72% 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 December 2017, qualified holdings on the basis of the first paragraph Article 77 of the Takeovers Act were as follows:

Table 10: Shareholders with qualifying holdings as of 31/ 12/ 2017

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 a representative body of workers of the Impol Group (hereinafter: 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 purpose of the diversity policy is to provide the fundamental principles with regard to ensuring diversity of the management members with the goal to achieve the best possible efficiency of the management and thus to keep or increase the company's developmental and competitive advantages.
The diversity policy aims to encourage the diversity of the management members and their knowledge and skills.
When determining the optimal composition of the management and in preparing the proposal to the General Meeting of shareholders, we take into consideration especially the following diversity goals or aspects:

- the proposal for the selection management, which is appointed by the Company's General Meeting, should be drawn up in a manner that ensures the heterogeneity of the composition and the operation so that the know-how, skills and personal characteristics of individual management members complement each other. In case of a single-member body, the manager should have the widest possible range of expert knowledge, experience and skills from various different areas so as to contribute to the greatest extent possible to the achievement of the Company's business excellence. We also ask other people responsible for drawing up proposal – company shareholders to take into consideration this principle.
- We ensure proper continuity so as to achieve a suitable relationship between existing and new management members.
- The selection of potential candidates for management members should, if possible, take into account diversity in terms of gender and age.

The diversity policy should be considered particularly in the candidate selection and proposal process for members of the management body. We also ask all the company shareholders, who have the right to give proposals in the General Meeting's decisions, to take into consideration the diversity policy.

We established that the Company is implementing the diversity policy, since its management bodies are composed so as to ensure suitable know-how, experience and personal characteristics that contribute to the Group's growth and development.

Jernej Čokl
(Chairman of the Management Board)

Vladimir Leskovar
(Deputy Chairman 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)

Andrej Kolmanič
(Chief Executive Officer)

Irena Šela
(Executive Director of Finance)

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Creating a stable future

Strategic orientations

Vision, Mission and Values

Vision

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

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 – together with our customers we develop products aimed to meet their needs, their inventiveness and constant personal development.

Diligence – teamwork ensures the involvement of all employees, promoting the reliability and trust in Impol on the market.

Flexibility – our services are distinguished by speed, efficiency and transparency, which are provided.

Excellence – quality from the idea to aftermarket activities is ensured with environmentally-friendly production processes.

Loyalty – to the company, the owners, the employees and the environment by observing regulatory 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 2018

The 2018 orientations for the entire Impol Group are partly based on strategic orientations and plan for 2017–2025.

The production of aluminium products, which are almost entirely used for further processing and increasingly more in further mechanical processing of aluminium semi-finished products, 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 40 million in profit, EBITDA in the amount of EUR 65 million and value added per employee in the amount of EUR 53,600;
- 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;
- We will begin developing products and the automotive industry market in the area of rolling and finalization;
- To continue obtaining the IATF certificate in the rolling division;
- To continue developing products and obtaining the aviation industry certificate;
- To continue developing 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 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.
  We carry out the selection of production programmes and mainly consider the criteria of their contribution to a collectively achieved contribution for covering fixed costs;

Policy:
- With the planned scale of operations in 2018, 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 will be achieved:

Table 11: Planned indicators for 2018

Indicators	
Net sales revenue by business segment in EUR 000	741,125
Cash flow from current operations (net profit after tax + depreciation) (in EUR 000)	54,342
Added value per employee in EUR	53,602
EBITDA (operating profit + depreciation)	64,796
EBIT (operating profit)	44,097
Net debt	179,329
Net debt/EBITDA	2.77

- 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 be focused on the mainly balanced growth of Impol by simultaneously guaranteeing a higher level of security in the provision of input raw materials at an acceptable price.
- 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.
- 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 10,000 are invested in every single post annually to continue preserving jobs.
- Long-term investments will be carried out in 2018 in accordance with plans. 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 50 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. We will continue to deepen our 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, adopt 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

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a change or carry it out incompletely. We 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.
- Business processes are organised on the basis of the Impol Group Code of Business Conduct.
- EUR 2.81 will be spent on dividends per share.
- The entire employee stimulation system will continue to build upon their performance throughout the entire year.

Important highlights from expected results

The expected operating results of the entire Impol Group (consolidated) are as follows (only selected indicator – all value indicators will be determined in EUR thousand unless otherwise specified):

Table 12: Expected results in 2018 (in EUR 000)

		Profit and loss statement	1/ 1/ 2018-31/ 12/ 2018
1		Net sales revenues	741,125
	a)	From the sale of products (tangible)	668,399
		Domestic market	38,763
		Foreign market	629,636
	b)	From sales of services	2,829
		Domestic market	2,689
		Foreign market	140
	c)	From sales of goods and materials	69,897
		Domestic market	14,727
		Foreign market	55,170
2		Change in value of inventory	0
		- Opening inventories	11,759
		- Closing inventories	11,759
3		Own products and services	0
4		Other operating revenues	2,546
		GROSS OPERATING YIELD	**743,672**
5		Costs of goods, materials and services	618,485
	a)	Purchase value of goods sold	69,181
	b)	Costs of used material	503,134
	c)	Costs of services	46,170
6		Labour costs	58,393
	a)	Costs of wages and salaries	43,020
	b)	Costs of social security contributions	9,427
	c)	Other labour costs	5,946
		Of which for supplementary pension insurance	312
7		Write-offs	20,741
	a)	Depreciation	20,698
	b)	Operating expenses from revaluation of intangible assets and tangible assets	20
	c)	Revaluation of operating expenses for current assets	23
	8 a)	Other operating expenses	1,955

	Profit and loss statement	1/ 1/ 2018-31/ 12/ 2018
	TOTAL OPERATING COSTS AND EXPENSES	**699,574**
A	Profit or loss from ordinary activities	44,097
9+10+11	TOTAL FINANCIAL REVENUE	841
9	Financial revenues from participating interests	24
	a) Financial revenue from participating interests in other companies	24
	b) Financial revenue from other investments	0
10	Financial revenues from loans granted	58
	A) financial revenues from loans granted to others	58
11	Financial revenues from operating receivables	
	Financial revenues from operating receivables due from others	760
	From interest rates due from others	17
	Exchange rate surplus	698
	Other financial revenue (discounts and forward transactions)	46
12+13+14	TOTAL FINANCIAL EXPENSES	4,760
12	Financial expenses from the impairment and write-offs of financial investments	0
	Other financial expenses from revaluation	0
	Expenses from sale of financial investments	0
13	Financial expenses from financial liabilities	4,526
	a) Financial expenses from loans from banks	2,311
	Interest rates due for short-term loans	538
	Interest rates due for long-term loans	1,774
	d) Financial expenses from bonds issued	1,140
	e) Financial expenses from other financial liabilities	1,075
	Of which foreign exchange losses	432
14	Financial expenses due to operating liabilities	234
	b) Financial expenses from operating liabilities to suppliers	2
	Of which from associates	
	c) Financial expenses from other operating liabilities	231
	Of which foreign exchange losses	151
	Net profit before taxes	40,180
17	Income tax	6,537
18	Deferred taxes	0
C	Net profit or loss for the financial year:	33,643

Table 13: Estimated balance sheet (in EUR 000)

	Balance Sheet	31/ 12/ 2018
	ASSETS	
A)	**Long-term assets**	**203,633**
I.	**Intangible fixed assets and long-term deferred costs and accrued revenue**	**2,081**
	- Purchase value	314
1	Long-term property rights	1,762
a)	Acquired by means of pecuniary interest	1,762
b)	Acquired by means of own development	0
2	Goodwill	319
3	Advances for intangible fixed assets	0
4	Long-term deferred development costs	0
5	Other long-term deferred costs and accrued revenue	0
II.	**Tangible fixed assets**	**190,832**
	- Purchase value	453,456
1	Land and buildings	42,465
	a) land	10,223
	b) buildings	32,242
	- Purchase value	84,755
2	Production equipment and machinery	106,705
	- Purchase value	347,894
3	Other machinery and equipment	3,599
	- Purchase value	20,909
4	Tangible fixed assets being acquired	38,062
	a) Tangible fixed assets under construction and manufacture	31,947
	b) Advances to acquire tangible fixed assets	6,115
III.	**Investment property**	**6,912**
	- Purchase value	12,797
IV.	**Long-term financial investments**	**2,898**
1	**Long-term financial investments, excluding loans**	**1,346**
	a) Shares and participating interests in associated companies	685
	b) Other shares and participating interests	500
	c) Other long-term investments	160
2	**Long-term loans**	**1,553**
	a) Long-term loans to others	1,553
	- Long-term financial receivables due from associated companies	0
	- Other long-term financial receivables (loans, etc.)	1,553
	b) Long-term unpaid called-up capital	0
V	**Long-term operating receivables**	**38**
1	Long-term operating receivables from customers	38
	- Long-term operating receivables from customers	38
	- Long-term operating receivables due from associated companies	0
2	Long-term operating receivables from others	0

	Balance Sheet	31/ 12/ 2018
VI.	Deferred tax receivables	873
B)	**SHORT-TERM ASSETS**	**319,908**
I.	**Assets (disposal groups) available for sale**	**1,076**
II.	**Inventories**	**146,054**
1	Material	121,338
2	Work in process	15,481
3	Products and merchandise	7,536
	- Products	6,089
	- Merchandise	1,447
4	Advances for inventories	1,699
	- In the domestic market	15
	- In the foreign market	1,685
III.	**Short-term financial investments**	**594**
1	Short-term financial investments, excluding loans	27
	a) Other shares and participating interests	0
	- Of which for the associated companies	0
	b) Other short-term financial investments	27
2	Short-term loans	567
	a) Short-term loans to others	567
	- Of which for the associated companies	0
	b) Short-term unpaid called-up capital	0
IV.	**Short-term operating receivables**	**143,580**
2	Short-term operating receivables from customers	89,422
	- In the domestic market	5,560
	- In the foreign market	83,862
	- Of which short-term receivables due from associated companies	0
3	Short-term operating receivables from others	54,158
	- In the domestic market	17,694
	- In the foreign market	0
	- Other advances given	15,229
	- Other receivables (VAT, etc.)	21,235
V.	**Monetary assets**	**28,604**
C)	**Short-term accrued costs and deferred revenue**	**1,604**
	TOTAL ASSETS	**525,145**
	LIABILITIES TO SOURCES OF ASSETS	
A)	**Equity**	**222,503**
a)	**Minority equity (including profit from the current year)**	**20,599**
I.	Called-up capital	4,452
1	Share capital	4,452
2	Uncalled-up capital (as deductions)	0
II.	Capital reserves	10,751
	From the revaluation adjustment of capital	10,751

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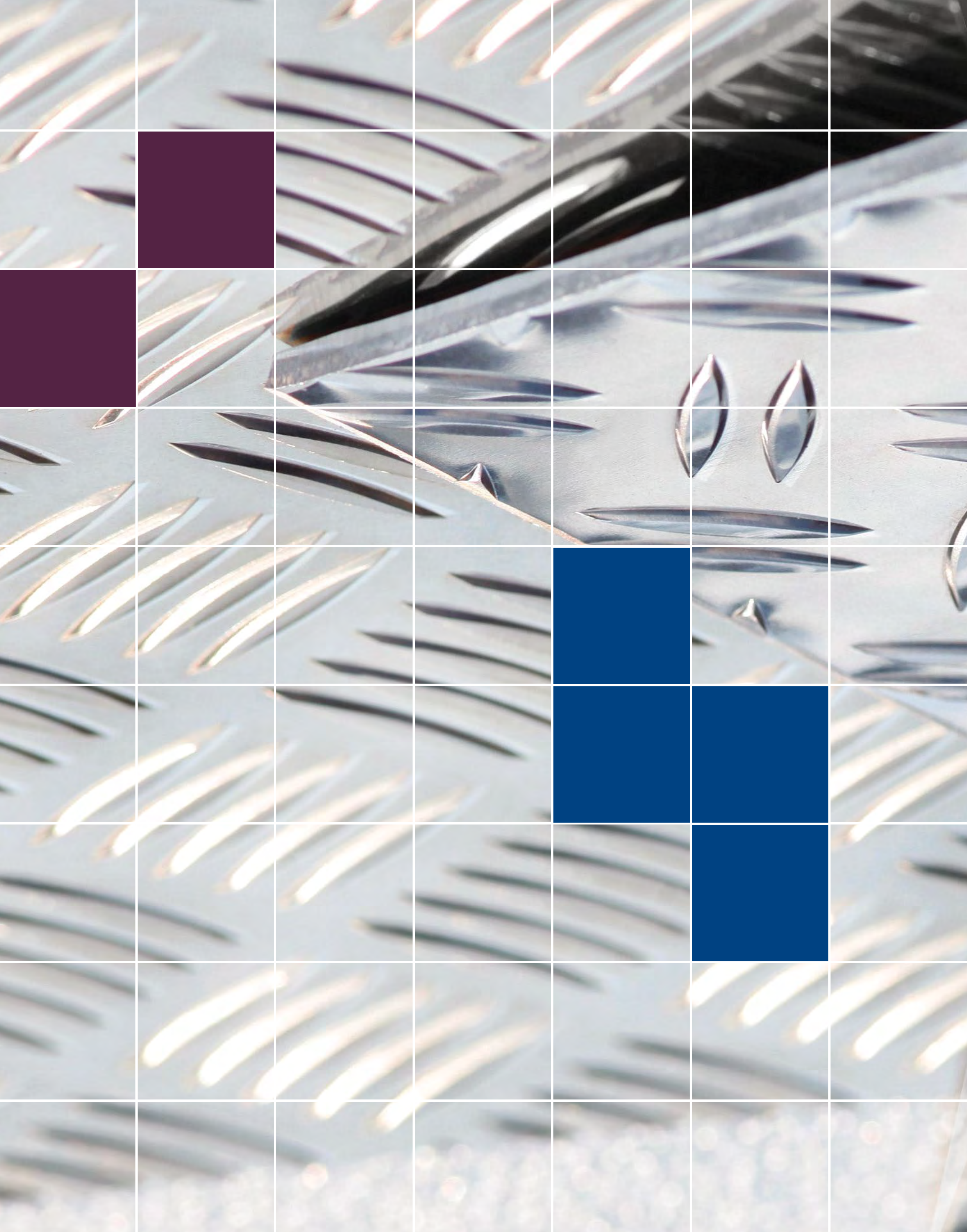
	Balance Sheet	31/ 12/ 2018
III.	Revenue reserves	7,433
1	Legal reserves	
2	Reserves for own shares and own business shares	506
3	Own shares and own business shares (as a deductible item)	-506
4	Statutory reserves	1,700
5	Other revenue reserves	5,733
IV.	Capital revaluation adjustment	-664
V.	Reserves resulting from valuation at fair value	96
VI.	Net profit brought forward	148,919
VII.	Net profit for the financial year	30,918
	Minority equity profit/loss	2,504
B)	**Provisions and long-term accrued expenses and deferred revenue**	**3,274**
1	Provisions for pensions and similar obligations	2,630
2	Other provisions	0
	Of which provisions for supports...	0
	Other provisions	0
3	Long-term accrued costs and deferred revenues	644
C)	**LONG-TERM LIABILITIES**	**140,923**
I.	Long-term financial liabilities	138,779
1	Long-term financial liabilities to banks	120,189
2	Long-term liabilities from bonds payable	10,000
3	Other long-term financial liabilities	8,590
II.	Long-term operating liabilities	291
1	Long-term operating due from suppliers	0
	Liabilities to associated companies	0
2	Long-term bills of exchange payable	0
3	Long-term operating liabilities from advance payments	134
4	Other long-term operating liabilities	157
III.	Deferred tax liabilities	1,853
D.	**SHORT-TERM LIABILITIES**	**151,344**
I.	Liabilities included in groups for disposal	0
II.	Short-term financial liabilities	69,748
1	Short-term financial liabilities to banks	49,287
	- Of which short-term part of long-term liabilities	40,296
2	Short-term financial liabilities from bonds payable	10,000
3	Other short-term financial liabilities	10,461
	a) To other external parties	10,461
	b) To associated companies	0
III.	Short-term operating liabilities	81,596
1	Short-term business liabilities to suppliers	65,430
	a) In the domestic market	19,709
	- Of which to associated companies	639

	Balance Sheet	31/ 12/ 2018
	b) In the foreign market	45,721
	- Of which to associated companies	1
2	Short-term bills of exchange payable	0
3	Short-term operating liabilities from advance payments	1,404
	a) In the domestic market	531
	b) In the foreign market	873
4	Other short-term operating liabilities	14,762
	a) To employees	5,583
	b) Tax liabilities	8,004
	c) Other liabilities	1,175
D)	**Short-term accrued costs and deferred revenue**	**7,101**
	LIABILITIES TO SOURCES OF ASSETS	525,145

Table 14: Estimate of net cash flow (in EUR million) and some expected indicators

Estimate of net cash flow	
Inflows	
- Net profit	33.6
- Depreciation	20.7
- Additionally taken out loans	80.7
Outflows	83.4
- Repayments of loans	80.3
- Dividend payment	3.1
Available for investments	51.6
Planned long-term investments	45.4
Expected indicators	
Rate of self-financing	
Cost recovery ratio (equity + provisions)/(inventories + material investments + non-material investments)	63.6 %
Financial reliability ratios	
a) Equity/all sources of operating assets	42.4 %
b) Equity + long-term liabilities/business liabilities	69.2 %
c) Equity/fixed assets (carrying amounts)	111.3 %
Creditworthiness level	
a) Equity + long-term liabilities/fixed assets + inventories + inventories	103.9 %
b) Golden balance rule = long-term sources/long-term investments	178.5 %
c) Net debt/operating revenue	40.4 %
Level of financial independence in percentage	
(possibility of liability reimbursement with property)	175.4 %
General liquidity indicator–short-term ratio	
(current assets/current liabilities)	211.4 %
Current liquidity indicator–quick ratio	

Expected indicators	
(short-term assets–inventories) / short-term liabilities	114.9 %
Current liquidity indicator–doomsday ratio	
Rapid test = (cash + securities) / current liabilities	**18.9 %**
Financing cost indicators	
a) Financial expenses/expenses	0.6 %
b) Short-term liabilities / (short-term liabilities + long-term liabilities)	51.8 %
Level of liabilities covered with long-term sources	41.5 %
Level of inventories covered with long-term sources	40.1 %
Equity/fixed assets	109.3 %
Total assets turnover ratio	1.42
Days of all assets	258
Turnover coefficient of current assets (based on PC)	4.57
Days of own current assets (based on PC)	79.9
Proportion of net profit/loss in all revenue (tax paid)	5.40 %
Net profit/loss ratio against mater. costs and depreciations	5.76 %
Net profit/loss/business assets	6.41 %
Net profit/loss/(equity - net profit/loss of the current year)	17.56 %
Level of reproductive capacity	27.36 %
Ratio of depreciation to intangible and tangible assets	10.16 %
Total dividends / capital	1.38 %
All revenues /all expenses	106.03 %
Operating revenues/expenses	106.31 %
Operating revenue/equity	334.23 %
Revenue/employees (annual criterion) (EUR 000/employee)	323
Average number of employees (2,088 paid hours/employee)	2,299
Oper. revenue/(fixed and current assets + labour costs)	142.05 %
Ratio (operating revenue/costs)	106.30 %
Ratio (financial revenue/financial expenses)	17.7 %
Revenue profitability in %	5.4 %
Operating revenue/(equity + long-term liabilities)	2.1
Labour costs in % of realisation (revenue from the sale of merchandise excluded)	8.70 %
Labour costs in% (total costs + financ. costs + write-offs)	8.29 %
Service costs in% in all costs+fin.costs+write-offs	6.56 %



Generating successes

Table 15: Important events in 2017

January	February	March
• We concluded the first month of 2017 with record high production and sales. • A spatial placement of the first phase of the construction of Impol's bypass was signed at the Ministry of Economy, thus providing funds in the national budget. • As part of the pipe plant production process we ordered a new lathe for rods, which will replace the existing Wirth lathe.	• A recertification review for the transition to the variant of the ISO 9001:2015 and 14001:2015 standards was conducted at the Stampal SB company.	• At the main celebration of the Municipality of Slovenska Bistrica we received the municipality's Official document for an extraordinary contribution to the development and progress of the municipality. • Activities in the Optial project, which will contribute to the optimal planning of the façade with an increased content of secondary aluminium, were being carried out at a fast pace.

April	May	June
• A review of the quality standards ISO 9001 and OHSAS 16949 was carried out. • The hot-rolling mill at Impol-TLM was brought to a standstill due to damage to the centring guides on the machine's outlet. The mill was quickly and efficiently repaired by joining forces.	• Modernisation and re-purposing of the Blaw Knox rolling mill was initiated in the RRT production process. • The integration of additional new annealing capacities with an inert atmosphere was started at Impol-TM. • We adopted the Act on Ensuring Independent Quality Control with the intention of guaranteeing the highest level of quality when performing analyses and their full traceability. • A presentation of the requirements of the EN 9100 standard, which specifies the requirements for quality management in the aviation industry, was conducted at Impol.	• The Chamber of Commerce of the Štajerska region presented us with the 2017 Golden Innovator of Podravje award. We earned this recognition for developing a special aluminium alloy used for products in the automotive industry. • We also received the award "Good practices in the area of health and safety at work in 2016-2017" for the project "Introducing mentoring in order to improve safety and health at work in the Impol Group." The recognition was presented to us by the Ministry of Labour, Family, Social Affairs and Equal Opportunities.

July	August	September
• The General Meeting of Impol 2000, d. d., was convened. • Our scholarship recipients for the "metallurgy technician" programme were undergoing traineeships during holidays in the companies of the Impol Group for the very first time. The Management Board also confirmed 20 recruitment scholarship for the academic year 2017/2018. • We purchased a furnace for thermal processing for the mechanical and thermal laboratory of the Impol R in R company, and installed a computer-controlled system of isothermal extinguishing of test pieces.	• A hall was built in the new annealing centre at the Rondal company with which we will double our annealing capacities. • A new turning line was installed in the pipe plant, which will enable us to work rounds up to 1,600 mm in length. With the new line we will be able to meet the demands of the automotive industry. • At Impol R in R we acquired a new 50 kN tensile-testing machine with which we will increase the capacities of tensile testing in the rolling and pressing programme. The new machine will also enable better repeatability of the tensile-testing measurements.	• A review of the system in accordance with the standards ISO 14001 and OHSAS 18001 was also carried out. Reviewers identified four inconsistencies and provided numerous recommendations. • Construction work for the construction of the bypass in Slovenska Bistrica was completed. • The Chamber of Commerce and Industry presented us with a silver award for the most innovative company. • We organised 20 sports games in the Impol industrial zone for our employees.

October	November	December
• The Management Board appointed a new CEO of Impol 2000. From 1/ 1/ 2018 on, the Impol Group will be run by Andrej Kolmanič. • In the Alumobil production process we ordered a new chamfering machine that will be installed in the Tehnofinal cutting line. This will enable us to also offer rods with a chamfered edge of shorter lengths. • We organised the 13th Research Symposium of Impol.	• We received the title of the best large company in Podravje for the year 2016. • We were the best bidder at the auction for the purchase of the company TLM Aluminium in liquidation. • The first phase of the modernisation of the 500-tonne press in the RRT production process began. The modernisation will enable the transition to the large coil with which we will reduce the flow factor, improve internal logistics and make work for employees easier. • The certification review for obtaining the IATF 16949:2016 standard was conducted at Rondal. • At Impol Seval the revitalisation of the main drive reducer and rolling mill frame was carried out in order to prepare for equipment installation in the second phase of the V-2 rolling mill modernisation. • At the solemn meeting of innovators and jubilee attendants we awarded Impol's golden badges to 19 innovators. We hosted a total of 103 attendants this year.	• At Impol LLT we prepared for the suspension of the cast strip and removal of the existing melting furnaces and casting machine. • In the profiles production process we started with the removal of the old furnace and the installation of the new equipment for the overhaul of the furnace of the 28-MN press. • Traditional events were taking place at Impol. More than 800 former employees were invited to attend the meeting of retired employees, and the children were visited by Santa Claus who cheered them up with magnificent gifts.

Analysis of the performance

Impol Group Performance

Notes on the Statement of Financial Position of the Impol Group

In the 2017 financial year, we generated net sales revenue of EUR 666.7 million, which is 22.7% more than in 2016. The reason for the increase in revenues is on one hand the increase of the sale of products and on the other hand the increase in aluminium prices on the stock market, which is the basis for establishing sale prices. Revenues generated in the domestic market within the structure of sales revenues represent 5.7%. These increased by 9.5% compared to the previous year. Revenues generated in foreign markets accounted for 94.3% of total revenues and in comparison with 2016 they rose by 23.6%. Most of the revenues we generated 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 632.6 million are by 24.7% higher than in the previous year. The costs of goods, material and services increased by 27% in comparison to the previous year and account for 87.4% in the structure.
The most important category of operating expenses is the cost of material which amounted to EUR 419.1 million in 2017. Their proportion in total operating expenses equals 66.2%. 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 6.9% of total operating expenses amounted to EUR 43.5 million in 2017 and increased by 10.3% compared to 2016.
- Labour costs of EUR 60.3 million increased by 11.21% compared to 2016. 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 of EUR 15.9 million increased by 1.9% compared to 2016. Of which the depreciation charge represented EUR 15.6 million, which is by 2% more than in 2016.
- Other operating expenses in 2017 amounted to EUR 3.35 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, and part of one-off costs that Impol-TLM had to pay for in 2017 when acquiring funds for participating at the auction).
- In the 2017 financial year, we generated EUR 46.9 million of earnings before interest and taxes (EBIT) and EUR 62.6 million of earnings before interest, tax, depreciation and amortisation (EBITDA).
- We generated a negative financing result in the amount of EUR 7.8 million (2016: EUR -6.4 million).
- Financial expenses relating to the interests from the liabilities to banks amounted to EUR 2.6 million (2016: EUR 3.3 million).
- We thus generated net profit of EUR 34.5 million. (2016: EUR 30.4 million).

Notes on the Statement of Financial Position of the Impol Group

At the end of 2017, the assets of the Impol Group equalled EUR 463.4 million, which is EUR 82.3 million more than total assets of the Group at the end of 2016. The changes in assets were influenced by the increase of fixed assets, the increase of inventories and the increase of receivables. The reason for the increase of fixed assets is in the investment cycle, which we started in 2015, since we annually invest over EUR 40 million. We also increased the receivables and inventories due to the growth of production and consequently also the increase of receivables on one side and the increase in the prices of aluminium on the stock market on the other side, which we already mentioned previously. All these increases had to be additionally financed.

Long-term assets increased by EUR 23.7 million, primarily as a result of substantial investments.
As of 31/ 12/ 2017, short-term assets amount to EUR 288.3 million, which is EUR 58.7 million more than on 31 December 2016. Inventories increased by EUR 22.9 million, whereas operating receivables increased by EUR 36.0 million. The reasons for this were already described in the previous paragraph.

As of 31 December 2015, total liabilities of the Impol Group amounted to EUR 463.4 million and increased in 2017 by EUR 82.3 million. The Group increased its short-term liabilities by EUR 48.6 million and lowered its long-term liabilities by EUR 0.6 million, both in comparison to 2016.

Total capital of the Impol Group increased in 2017 by EUR 33.5 million. Net profit after tax contributed most to this result.

Cash flow statement

In 2017, we generated positive operating cash flow in the amount of EUR 20.5 million compared to 2016 when it amounted to EUR 11.4 million.

In 2017, we generated negative investing cash flow in the amount of EUR 42.98 million compared to 2016 when it amounted to EUR 35.4 million.

We thus devoted the generated operating cash flow and generated financing cash flow and part of the monetary assets in the amount of EUR 7.0 million to investment activities.

Performance of Impol 2000, d. d.

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

In 2017, Impol 2000, d. d., (hereinafter: the Company) generated net sales revenues of EUR 21.5 million from the sales of products, services and merchandise, which is 10.85% more than in 2016. In the domestic market we generated net revenues arising from the sales of products, services and merchandise of EUR 18.6 million, which is 18.1% more than in the previous year. In foreign markets we generated net revenues of EUR 2.8 million, which is 21.0% less than in 2016. In 2017, operating expenses increased by 19.5% compared to 2016 and stood at EUR 21.0 million. Costs of goods and material sold account for 62.6% of total operating expenses and are followed by labour costs equalling 28.0%, and costs of services with 8.0%.

In 2017 we generated EUR 0.49 million of operating profit. In 2016, operating profit amounted to EUR 1.82 million.

Operating cash flow (EBITDA) in the amount of EUR 0.57 million was positive. In 2017, we generated EUR 3.15 million of profit from financing mostly resulting from financial revenues from participating interests in the Group and financial expenses based on interests from issued bonds. Financial expenses of EUR 1.60 million are EUR 0.8 million lower than in 2016, mainly due to lower financial expenses from issued bonds in 2015. In 2017, we generated net profit after tax in the amount of EUR 3.6 million while in 2016 it amounted to EUR 3.5 million.

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

- At the end of 2017, the assets of the Company represented EUR 125.1 million, which is 24.1% more than at the end of 2016. Long-term assets in 2017 were higher than long-term assets in 2016 by 1.2%.
- The increase in all of the assets is mainly the result of the increase in short-term financial investments - loans granted to Impol-TLM, d. o. o., and larger receivables from customers. Monetary assets were used to a greater extent for the repayment of the second tranche of bonds (principal + corresponding interests), for the final repayment of the long-term loan granted by Nova KBM and for the contractual payment of the obligations due to the acquisition of the operating share in Impol-TLM, d. o. o. from 2016.

As of 31/ 12/ 2017, the total liabilities stood at EUR 125.1 million and were EUR 24.29 million higher than the liabilities of the previous year. Higher liabilities of the Company stem from increased short-term financial liabilities to companies in the Group, Impol, d. o .o., and larger short-term operating liabilities. In 2017, the Company paid the second instalment of bonds issued in 2015 and paid out entirety the long-term loan to the bank.

The capital of the Company of EUR 58.7 million was 2.9% or EUR 1.6 million higher than in 2016.

As of 31 December 2017, net debt, calculated as a difference between total financial liabilities and cash and cash equivalents and short-term financial investments, amounted to EUR 13.3 million, which is EUR 0.7 million less than in 2016.

Cash flow statement

In 2017, we generated positive operating cash flow in the amount of EUR 0.83 million. In 2016, it amounted to EUR 3.14 million. The reduced cash flow compared to 2016 is the result of greater expenses for the repayment of the Company's obligations, such as cash receipts by customers.

The negative cash flow from investing amounted to EUR 18.37 million at the end of 2017. Cash receipts from investing activities in the amount of EUR 16.3 million are composed mainly of received participating interests of profits of the

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subsidiary of Impol, d. o. o. and returns of deposits, and partly also short-term loans by the subsidiary Impol-TLM, d. o. o. Cash disbursements from investing activities in the amount of EUR 34.7 million mainly refer to short-term loans granted to Impol-TLM, d. o. o. (EUR 24.1 million), to an interim increase of deposits with banks in the amount of EUR 9.6 million, to the repayment of obligations for the acquisition of a share in Impol-TLM, d. o. o. in the amount of EUR 0.7 million, and for the remaining amount to new purchases of fixed assets. The negative cash flow from investing was thus negative and amounted to EUR -18.4 million, whereas at the end of 2016 it amounted to EUR -22.27 million.

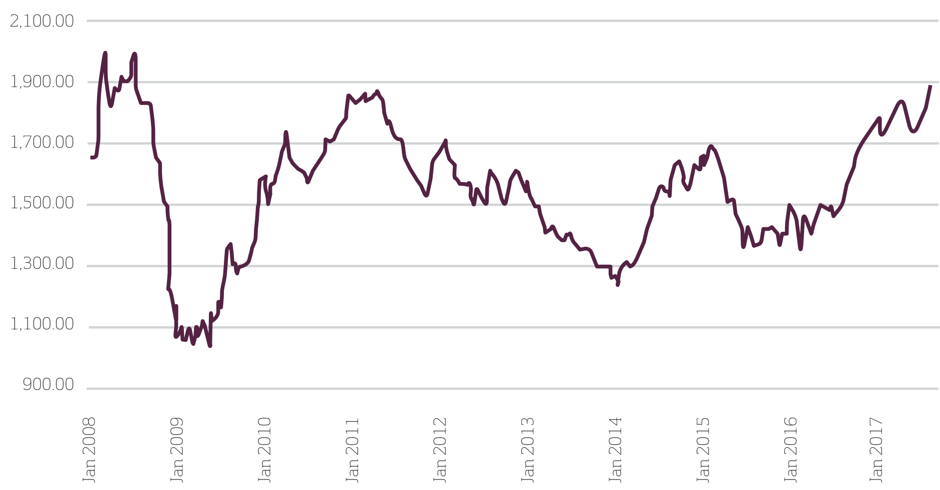
The positive cash flow from financing amounted to EUR 17.58 million in 2017. Cash receipts from financing activities amounted to EUR 38.27 million due to the increase of short-term financial liabilities to companies in the Group, and the cash disbursements from financing activities in the amount of EUR 20.69 million are composed of expenses for the re-payment of bonds (principal + interests), for the return of short-term loans to subsidiaries, for the return of the long-term loan to the bank and for the repayment of dividends to shareholders of Impol 2000, d. d. In 2016, the positive cash flow from financing was negative and it amounted to EUR 13.33 million.
The cash flow in 2017 was EUR 0.037 million (EUR 32.46 million in 2016).

Impol Group in 2017

The most characteristic developments in 2017 can be drawn in the following observations:

- Optimism was preserved in the sales markets facilitating a quantitative increase in sales as a result of which we could enable a full utilisation of manufacturing capacities in the rolling department in Šibenik.
- The extraordinary increase in demand was also noticed in the pressing department and in the sale of forged blanks.
- We also recorded the first revenues from the sale of finished products – products that require mechanical processing – and from receiving a significant volume of orders for 2018.
- In terms of the purchase of aluminium, raw material purchase prices were marked by an increase in basic quoted prices on the LME*, including a tendency of purchase premium decreasing.
- The increase in basic quoted prices on the LME* and the increase of sale, and consequently the increase in receivables, required the increase of our indebtedness.

Figure 3: The trend of aluminium prices on the LME* in 2008-2017

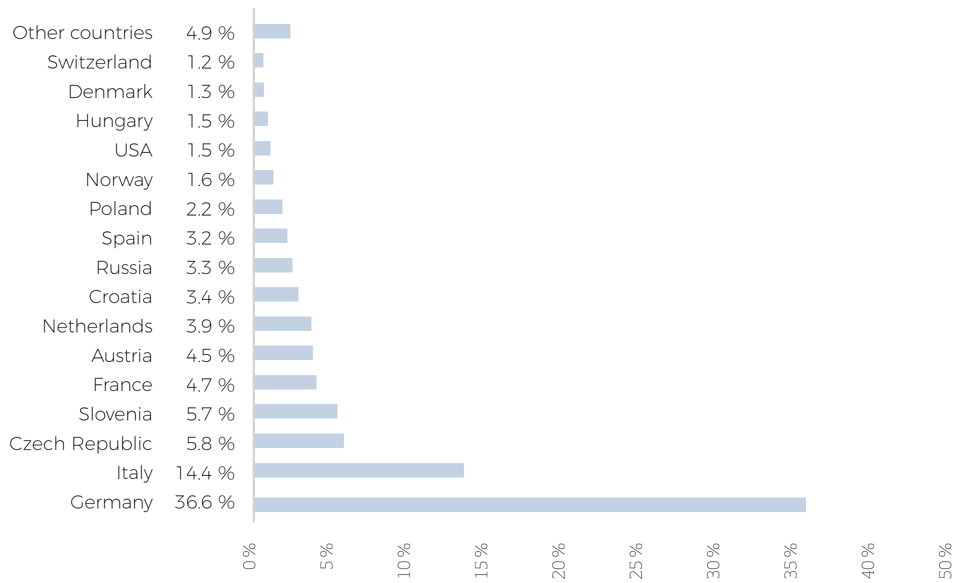


- The status of orders continuously demanded to carry them out in short delivery periods. Such a method of executing orders requires an adjustment of measures pertaining to the purchase of raw materials, stock financing, the adjust-ment of technological and technical procedures and internal organisational solutions, which is why special attention was paid thereto 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.
- Placing at number 6 we remain in the top 10 Slovenian export companies and among the top 15 largest companies in the country in absolute terms.

LME – London Metal Exchange.

- The quantitative volume of our aluminium product sales rose by 14% in 2017 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.
- The impact of market fluctuations is still being 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 our 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.
- 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 our exposure to market fluctuations.
- The share of sales outside the EU continues to rise slightly, and Germany continues to be our largest individual market. We have established a permanent business partnership with customers from around 50 countries, although customers from the EU prevail.

Figure 4: Sales of products by country



- The pre-painted aluminium strip production line continues to require intensive acquisition of new production knowledge, 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.
- Productivity continues to grow as expected. The volume of sale of aluminium products per employee in the Impol Group increased by 10% in 2017 due to the recruitment of new employees in Croatia.
- We use capital to finance 40% of all investments, which remains at the same level as in the previous year despite higher financing the assets. In 2017, we increased the volume of taking out loans from banks by 15.4% compared to the previous year.
- We invested almost EUR 40 million in long-term assets in 2017.
- In 2017, we achieved almost EUR 54,000 of added per employee, recording an 8% growth compared to the previous year.

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Figure 5: Working capital by year

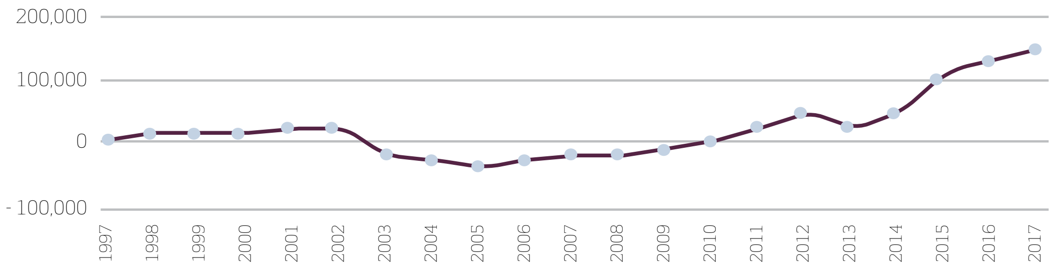


Figure 6: Value of sales in EUR 000

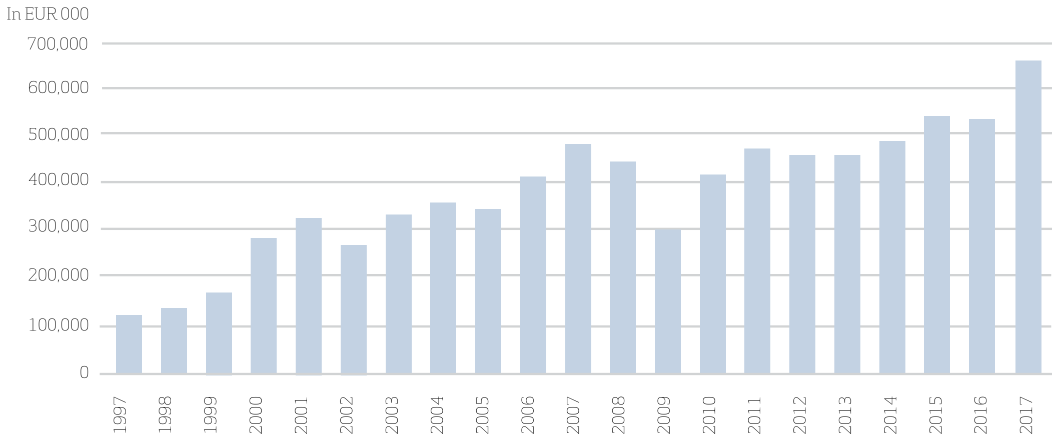


Table 16: Overview of results of the Impol Group (consolidated for the period 2005-2017) in EUR million

Year/Indicator	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
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	666.7
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	632.6
– of which 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	15.6
Operating profit	12.3	12.9	38.7	21.2	15.2	16	26.3	23	21.3	22.8	33.2	41.5	46.9
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	-7.8
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	34.5
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	50.2
Equity	81.7	86.6	53.1	56.9	56.3	60	73.6	83.5	95.6	106.5	127.6	154.0	187.5
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	463.4
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	175.74
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	54,110

* calculated as net profit after tax plus depreciation plus difference in the change of provisions and of long-term accrued costs and deferred revenues at the end of 2017 compared to 2016.

Table 17: Key indicators

Year/Indicator	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
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 %	40.5 %
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 %	170.2 %
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 %	40.8 %
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 %	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 %	0.8 %
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	1.47
Net profit/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 %	22.06 %
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	295.23
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	25,567
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 %	5.17 %
Debt/equity	252 %	287 %	491 %	439 %	420 %	421 %	323 %	282 %	218 %	205 %	182 %	144 %	144.1 %

This list of key performance indicators shows that 2017 was one of the most successful years.

Moreover, we 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

At the end of 2017, the Executive Director, Mr. Edvard Slaček, retired and Mr. Andrej Kolmanič was appointed to his position.

Due to the purchase of assets of the company TLM Aluminium in liquidation at an auction at the end of 2017, on 31/ 12/ 2017 the lease relationship was terminated, since with 1/ 1/ 2018 we became the owners of these assets.

Business overview

Our predominant activity 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.

Demand for our products saw an increase in 2017. We recorded an increase in prices on the LME, however, the increase in EUR was moderate, since the increase of the Euro compared to the US dollar also played a role in this. The mentioned factors facilitated the preservation of stable sales margins and good business performance.

In 2017, we increased the sale of rolled products due to new capacities obtained in Šibenik, Croatia, with which we are pursuing the objective of an efficient volume economy management in the area of rolling.

We upgraded the 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. Given the current market trends and the generated sales of these products, we can conclude that this was the right decision, enabling us to meet the demands of one of the more demanding market segments.

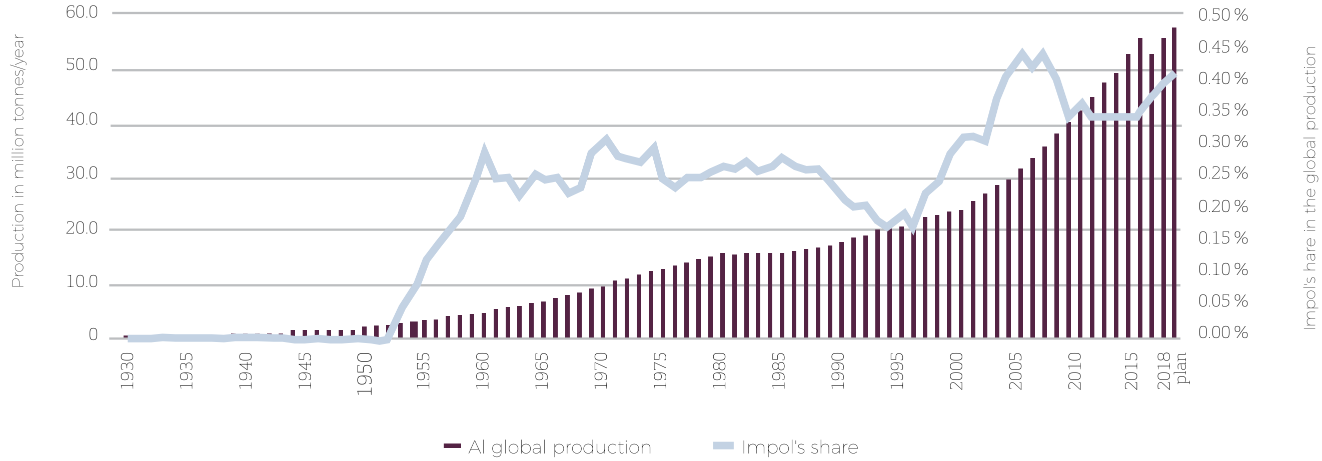
Good business economy was maintained also because of our own foundry enabling us to successfully achieve the defined goals: the increase in the share of own production of input materials, maintenance and achievement of higher quality products, the development of sophisticated alloys and increase in the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

Table 18: Global production of primary aluminium

Year/Indicator	2009	2010	2011	2012	2013	2014	2015	2016	2017p.	2018p.	2019p.
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	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	62.00	64.80	67.50
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	62.30	65.40	68.30
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	-0.25	-0.55	-0.80
LME cash price: USD/tonne – annual average	1.665	2.191	2.423	2.052	1.889	1.867	1.662	1,605	1,965	2,165	2.200

In terms of global processing of produced primary aluminium, we achieved a 0.39% processing share compared to newly produced aluminium. In 2017, the share increased in comparison to 2016. In compliance with our strategic orientations, we continue 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, our share in total processing amounts to slightly less than three parts per thousand (3‰).

Figure 7: The share of Impol in the use of produced primary aluminium in 2017



In 2017, the turnover in terms of value increased compared to the previous year.

Until 1950, we 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 more than 62 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. In 2014, a purchase premium also included a regional annuity, which is becoming constant and normal by making its amount public in Metal Bulletin and together with the addition in Metal Bulletin represents the so called purchase premium. 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. We annually spend EUR 2–3 million 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 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.

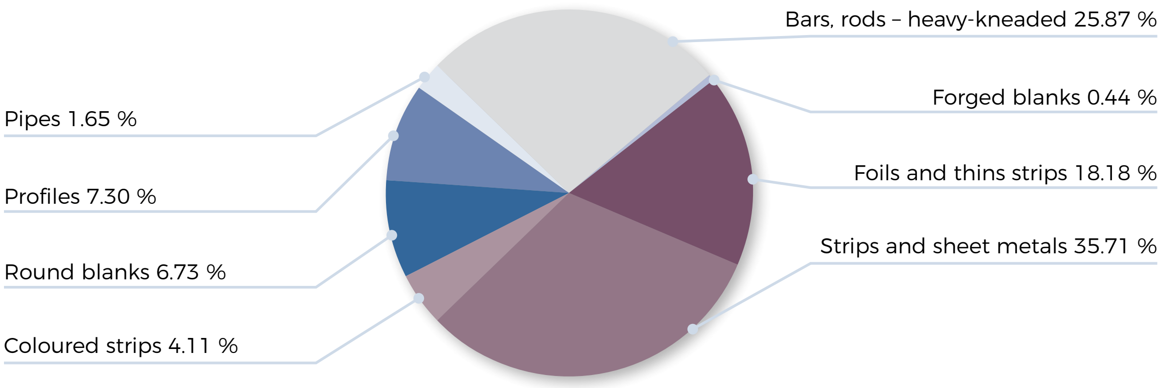
Sales

Products and services

Our sales programme 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, i.e. forgings and slugs. Other products and services 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.

We offer our customers a wide range of aluminium products manufactured in accordance with the customer's specific requests. We also offer further processing of aluminium products - forging, painting, anodising and other mechanical processing. The entire production is set and managed as individual production and is carried out on a mass scale in order to meet the customers' expectations in terms of price. The sales shares by product groups is shown in figure 8.

Figure 8: Shares of sales by product programmes



Market and Customers

In 2017, countries of the European Union once again represented our most important market since almost 90% 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 14% share. The sales in other countries is more dispersed and in all those countries the sales represent less than a 6% market share.

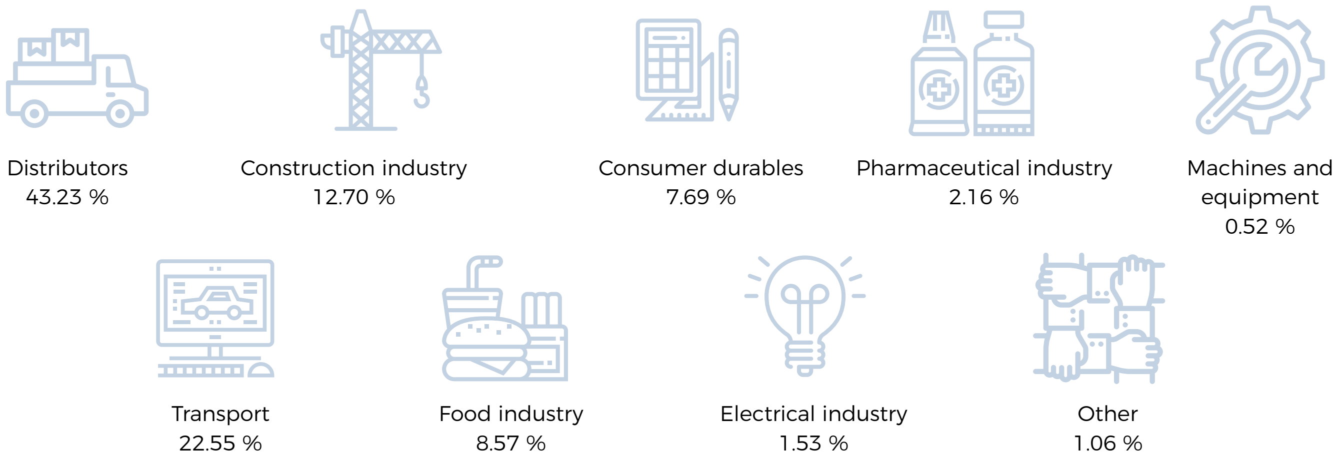
Long-distance transport is not profitable for various reasons (transport costs, impact of the quality of products, various quality and technical conditions) therefore the sales are focused on the markets that are not too far away from the production site. Only certain niche products can be sold to distant markets.

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 (9%).

Figure 9: Sales by region expressed in percentage

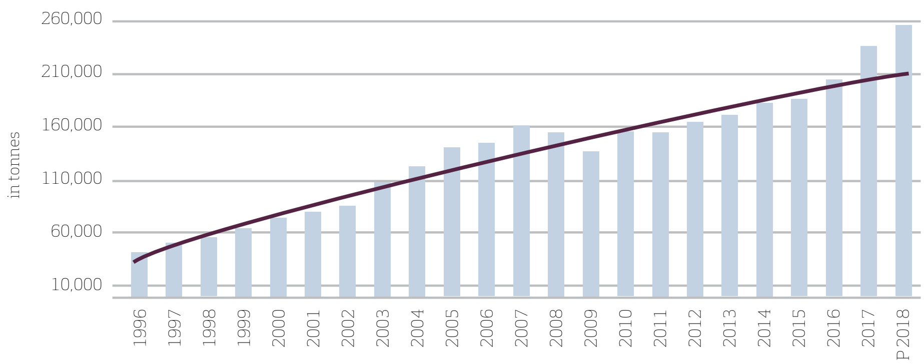
EU	83.85 %
Europe – other	7.73 %
Slovenia	5.68 %
North America	2.05 %
South America	0.24 %
Africa	0.24 %
Asia	0.17 %
Australia	0.04 %

Figure 10: Customers by market segment



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 trends on the LME.

Figure 11: Trend of the sold quantities of products



Organisation of Sales

Within Impol, d. o. o., the sale of aluminium is 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 Impol, d. o. o., continue implementing all services related to the sale of products. Due to the expansion of production capacities and adding a new location (Šibenik), the need for a single sales management increased. For this purpose we established divisions by individual product areas (pressing, rolling and foundry).

The aluminium production programme is divided into standard and specialised programmes. The standard one is intended for the sale to retailers or distributors 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 which 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 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.

Our 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 retain all customers and even increase sales to some of them.
- We gained new customers in demanding markets.
- We managed to increase the sales of products at all segments.
- We increased the sales volume of rolled products and completely filled additional capacities.
- We continue to be the leading supplier of rods for forgings in Europe.
- We increased the sales share of profiles in accordance with plans and concluded long-term contracts.
- We developed a market for end-use products.
- We increased the sales volume of foils.
- We developed an effective and geographically evenly distributed network.
- Price ratios in the market were successfully managed.
- We developed and improved the sales management IT system.
- We strengthened the reputation of Impol's brand.

Forecast for 2018

- We will increase the share of sales of products carrying higher added value.
- We will increase the share of sales of rolled and pressed products in accordance with the increase of production capacities.
- We will validate newly developed products.
- We will keep the European market.
- We will increase export to the US market.
- We will ensure stable demand throughout the entire year.
- We will increase the share of final customers.
- We will introduce activities for the improvement of sales services and for increasing customer satisfaction.

Procurement

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.

The basic tasks of strategic purchasing include the development of a unified purchasing information system in the Impol Group, the development of strategic suppliers of the Impol Group, the development and selection of new suppliers, concluding strategic purchasing contracts enabling a reliable and price-effective supply with raw material, energy products, key materials, services and equipment for all the companies within the Impol Group and creating a unified purchasing policy and purchasing conditions in the Impol Group.

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 we are 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 raw material in the form of formats (40%) and then primary aluminium ingots (39%) and secondary aluminium in a form of aluminium scrap (21%) 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 loop-backs with customers – as well as 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.

Challenges in purchasing raw material in 2017

Due to very high demand on the market and a strong growth of orders, the biggest challenge was to ensure adequate additional raw material so as to take advantage of the favourable market situation. We were successful in this in spite certain operating difficulties on all three location: in Slovenia, Croatia and Serbia. The year was also characterised by the modernization of the hot-rolling mill in Serbia, which causes additional disruptions in the supply of raw material in the field of rolling mills.

Development and investment processes

R&D Activities

R&D activities at the Impol Group are organised in multiple layers. Investments are developed by the parent company Impol 2000. 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 manages coordination, it assists in the formulation of appropriate assignments and supervises the implementation of applied assignments.

In 2017, 31 research-development assignments in the field of applied development and four research-development assignments in the field of technological development were completed. They generated a total of EUR 1.6 million of economic gain.

14 new technologies were developed and successfully introduced into production processes. Five new alloys were developed and the properties of ten existing alloys were improved. On the basis of market demand, 29 new products were developed and successfully launched on the market.

In 2016, we successfully applied for funding and carried out the MARTINA project. The project was intensively implemented in 2017. As part of technological development in cooperation with external research institutions and universities we are implementing 17 research projects.

In October 2017, we organised 13th Research Symposium, where Impol's researchers present their achievements and employees acquaint themselves with cases of good practice of other Slovenian companies.

Investment Activity

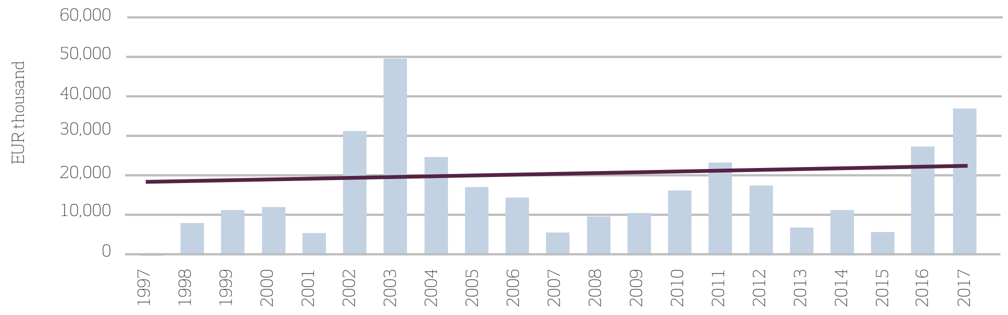
In 2017, we continued updating our hot-rolling capacities, we began modernising the cold-rolling mill, began with intensive investments in order to ensure production in the area of mechanical processing, we began renovating forging capacities and at the end of 2017 we began investing in new casting and pressing capacities.

The table also shows the investments in current assets, which increased significantly compared to 2016 due to the increase in investments in receivables and inventories, which on one hand is the consequence of the increase of sales and production, and on the other hand it is the result of the increase of the aluminium price on the stock market, which is the basis for sales and purchase price formation.

Table 19: Volume of investments (in EUR million)

	2010	2011	2012	2013	2014	2015	2016	2017
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	39.4
Investment in short-term assets	20.6	-0.6	5.6	-10	25.5	40.8	0.8	58.7
Total	40.6	18.2	24.3	2.7	29.5	52.8	31.8	98.1

Figure 12: Volume of investment in fixed assets



Financing and Dividend Policy

In 2016, we continued to preserve 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, we continue 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 23% of total financial liabilities.

We devote 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 us support 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 2018. Establishment of a special reserve fund is not foreseen and we do not intend to intrude upon the ownership structure.

Firmly going forward

Risk management

We regularly monitor the exposure to various risks 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. The basic guidelines of risk management are specified in the Code of Business Conduct of the Impol Group.

In the Impol Group we are constantly building a risk management system. In 2017, we further updated our model. 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 (RMC). Its tasks are to:
- 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;
- Address important business events and identify the most significant risks in advance and the measures to decrease;
- 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.

We face several risks within the scope of our 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)

Business risks	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
Investments	• 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, we start 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

Business risks	Risk description	Risk management method	Exposure
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, we ensure 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)

Financial risks	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 preparation of inflow and outflow schedules.	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 break-down, 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.

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This is why we constantly improve or adapt our organisational structure (this is why the governance system was changed in 2015 from a two-tier to a one-tier system) and also continuously improve 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)

Operational risks	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. Our key advantages 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, and we monitor the changes in the formation of the purchase and sales prices of aluminium and we integrate them into our operations.

The highest market risk is represented by the trend of MB* premiums, which are hedged in the Impol Group in sales and purchase contracts with raw material supplies. The successfulness of hedging depends on the market situation and the achieved formulated sales prices.

The lion's share of the hedging successfulness is represented by annual sales contracts with the automotive industry with which we agreed on the formulation of sales prices, which means that the MB* market prices are automatically integrated into our sales prices. When selling merchandise hedging these premiums is possible only using appropriate fixed purchase contracts or raw materials.

Supplements to the MB premiums reflect the type of raw material and other costs to the factory. The Impol Group's position in South East Europe, in terms of supply of aluminium to its own factories in Slovenia, Serbia and Croatia, is a difficult one, which means that surcharges are usually slightly higher than in North or West Europe. This makes it harder to negotiate deals and supply raw materials. For this reason we make arrangements with local suppliers, if possible, where these surcharges are lower. The surcharges must be transferred to our processing prices, i.e. first to our customers, otherwise our net sales premium** decreases accordingly.
In view of the fact that revenues from financing aluminium inventories in recent times virtually vanished, the accessibili-

* Charging a regional annuity, which is becoming constant and normal by making its amount public in Metal Bulletin (MB) and together with the addition in Metal Bulletin represents the so called purchase premium.
** Difference between sales and purchase premium.

ty of basic raw material is better, since the inventories of retailers and banks do not accumulate, but instead go directly to the market and to the users.

We hedge the supply reliability risk by concluding annual contracts, however, we estimate that these contracts will not be sufficient any more due to the growth of production, for this reason we intend to also conclude long-term partnership contracts with local aluminium manufacturers in the following years.

We sell the majority of our production in Europe, and a smaller portion of pressed products in the USA. When taking into account production costs, which roughly include labour costs, costs of energy products, logistics and other costs, we realised that with our processing prices we are not globally competitive. To a great extent, competitiveness depends on the costs of logistics and sales channels, that is why we cannot compete with supplies from Slovenia, Croatia or Serbia to markets controlled by major local manufacturers with short delivery times and cheap workforce. Our strategy does not envisage setting up our own production in these remote markets. We will continue focusing on the European and North American market. Since cheap manufacturers from Asia are increasingly penetrating European markets, we will face many challenges in the future with regard to developing competitiveness by increasing productivity and decreasing fixed costs. However, the fact remains that in the following years we will keep losing our competitiveness in the area of standard products, for this reason we already established an investment strategy that will also enable us to restructure the production programme toward more complex products, where we estimate that it will be easier to compete with big Asian manufacturers.

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 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, and by the direct decision-making of the Management Board with regard to the approach to each individual investment in fixed assets. We achieve the reduction of investment risks to current assets by setting objectives in advance in the area of forming inventories and dates of recovering receivables from customers as well as by introducing a relevant policy of obtaining and directing external financial sources. 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.

In order to ensure more efficient management, accepting responsibility and improving relationships we organise workshops on all levels of management. We carry out employee profiling on key job positions with the intention to prepare career plans and in this manner promptly train successors before they take those key positions.

Risks associated with R&D

Our products are used in industries where exceptional quality and safety are required. We constantly keep updating our products with development tasks and researches, we work with customers, suppliers, faculties and institutes and participate in various international conferences. Thus, we prevent risks in the area of technical and technological processes and we follow development trends.

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 these risk categories. They are actively monitored and managed by the Finance and Business Administration Department, the Risk Management Department, sales departments and all other relevant departments in companies of the Impol Group operating outside Slovenia. An important role in managing risks is also played by colleges and the Risk Management Committee, which monitor and control individual financial risks. Significant risks, which fall in this category, are described in more detail below.

Liquidity risks

When it comes to liquidity risk management, we examine whether we are able to settle its running operating liabilities and whether we are generating a sufficiently large cash flow to settle our 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.

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.

Purchase prices as well as sales prices are entirely dependant on the trend of aluminium prices on the stock market, consequently managing risks deriving from concluding purchase and sales contracts in relation to the trends of LME prices is one of our greatest risk and hedging it is the basis for preserving the contractual sales margins and purchase premiums. Hedging stock-market prices brings us operating stability and the necessary flexibility in forming sales and purchase prices in accordance with the market's demands.

At least 60% of our sales price consists of the LME stock-market price, whereas this percentage raises to 90% for purchase. This means that when conducting business we are very susceptible to market and stock-market fluctuations of aluminium prices.

In 2017, the stock-market price of aluminium was on average higher by EUR 250/tonne than in 2016. The trend showed an increase, however, it was interrupted several times during the year by drops and steep rises lasting several months.

Figure 13: Changes in the prices of aluminium on the LME (source: LME.com)

With our IT-supported system "LME Risk Management" we monitor LME-exposure on a daily basis, and the system notifies us on the daily risk position at the group level. This means that the programme automatically connects and eliminates "back-to-back" sales and purchase contracts. At the Impol Group we do not protect each individual sales and purchase contract, which significantly decreased the costs of term protection.

Changes in the prices of aluminium on the stock-market are shown in figure 13.

The fact is that we need 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. We entered 2017 with greater inventories of raw material, which we hedged by opening short position on the LME, so that we joined the trend of increase in the LME-price with a low price of physical inventories of raw material in the rolling department, but at the same time with a low price of short position on the LME. In view of the fact that the higher on average level of LME-prices prevented us from abandoning the hedging, we generated a term loss in 2017, however, we generated a positive difference (difference between LME in the raw material costs and LME in the sale of products to customers) on the other, physical side, based on low prices of raw material inventories, which means that trading with LME-prices at the Impol Group level was cumulatively successful.

The MB premium (European DP), which is the basis for formulating purchase premiums, was stable throughout the year, which further influenced the slight drop of premiums for raw material in addition to the increase of the Euro compared to the USD.

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 risks

The majority of sales and purchasing are performed in the same currency, therefore changes in foreign exchange rates do not cause any problems.

However, we are exposed to such changes during two major activities, i.e. when purchasing the aluminium raw materials and when taking out loans denominated in a currency that is different from the currency of the Company's accounts.

A major part of raw materials we import 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 2017 and 2016 according to the Bank of Slovenia exchange rates

Exchange rate EUR	Value as of 31/ 12/ 2016	Value as of 31/ 12/ 2017	% of change in value (2017/2016)	Average value in 2016	Average value in 2017	% of change between the average values (2017/2016)
USD	1.0541	1.1993	13.77	1.1069	1.1297	2.06
RSD	123.6	118.66	-4.00	122.9	121.38	-1.24
HRK	7.5597	7.44	-1.58	7.5333	7.4637	-0.92

In 2017, 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. For hedging, we used simple derivatives like forwards.

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.

We 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 in 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 remunerated at the EURIBOR reference interest rate, and 50% of financial liabilities have a fixed interest rate. EURIBOR still remains at a historically low level.

Table 24: Values of the interest rate - EURIBOR in 2017 and 2016

EURIBOR	Value as of 31/ 12/ 2017	Value as of 31/ 12/ 2016	Change in the interest rate in percentage points (31/ 12/ 2016– 31/ 12/ 2017)	Average value in 2017	Average value in 2016	Change in the average interest rate in percentage points (2017-2016)
6 months in percentage	-0.271	-0.221	0.050	-0.260	-0.165	0.095
3 months in percentage	-0.329	-0.319	0.010	-0.329	-0.265	0.064
1 month in percentage	-0.368	-0.366	0.002	-0.372	-0.338	0.034

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 majority of the customers are insured, in particular the large ones. The Group policy is that an individual customer should not exceed 7% of total sales.

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. In 2017, receivables from customers were increased by around 50% (from EUR 48,839,260 to EUR 72,771,416) compared to 2016. The reason lies in the increased sale due to new production capacities in Croatia. Furthermore, the increase in the receivables is also due to the increase of the aluminium price in 2017 compared to 2016, which is the basis for forming sales prices. In 2017, we formed EUR 0.07 million adjustment of receivables from customers. There were no compensations for damages by the insurance company in 2017, which is the consequence of introducing an advanced information system for managing receivables from individual customers.

Operational risks

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. We also want to be 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.

We are aware of our potential liability in the event of any potential damage resulting from the sales of our products on the market and we therefore adjusted our 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

The Impol Group regularly follows technological and 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.

We store data on a daily basis (backup of all databases) by introducing data protection policies and the associated management processes. We strive to minimise risks and therefore use 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.

Special attention is also paid to the renovation of the ERP system.

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 2017, the Internal Audit Department was engaged in 75 projects and issued 132 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.

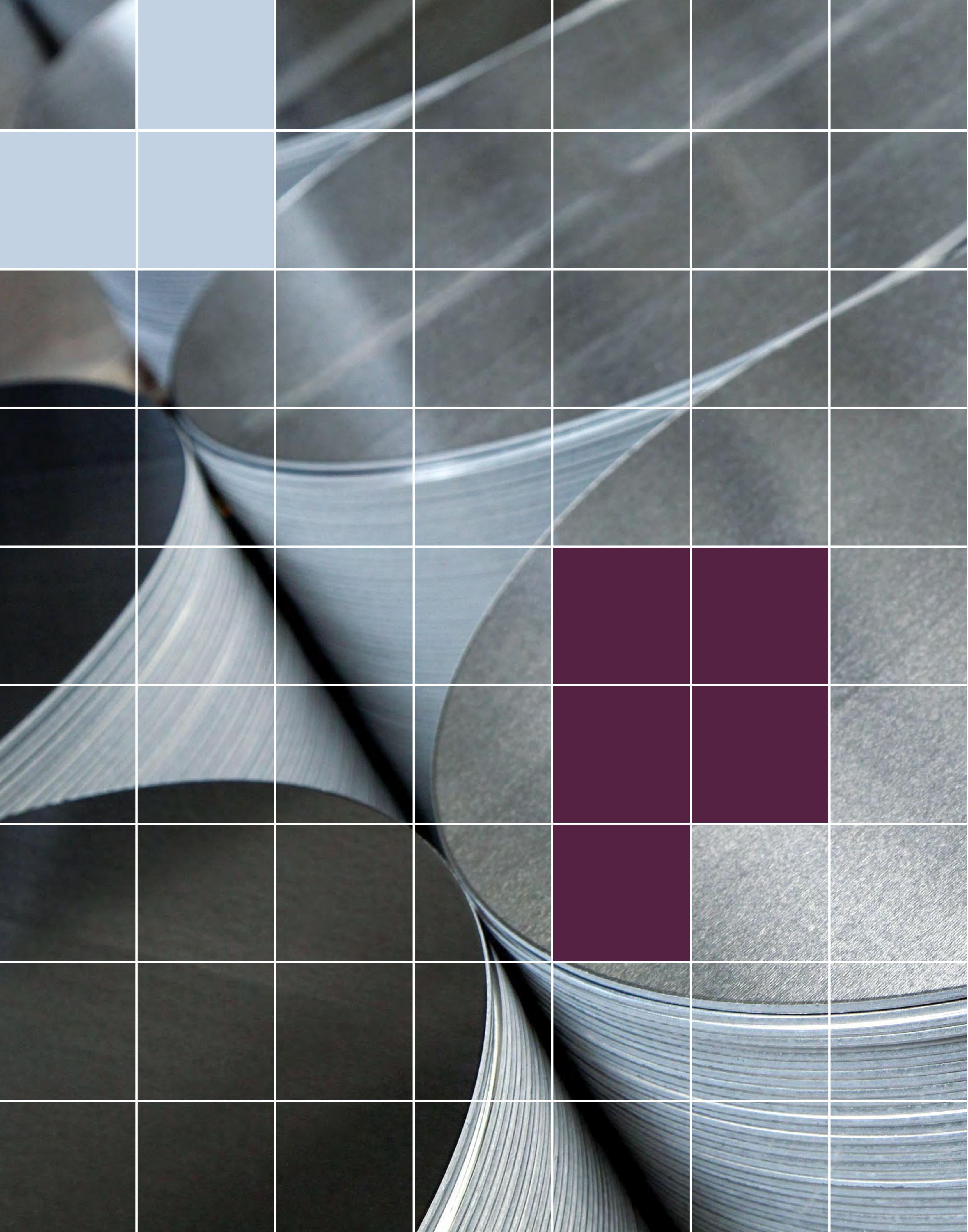
The Internal Audit Department reported on its work to the Management Board, the Audit Commission and two executive directors on monthly basis. It operates within the framework of the entire Impol Group for companies in Slovenia and outside of it.

In accordance with the Serbian legislation, the Serbian division appoints a special internal auditor who monitors the legality of operations and performance, for this reason a special department of internal audit was also established in 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.

An internal audit was conducted in the following areas:

- Sales, purchase process and quality control in the Impol Group, and assessment of business operations from the legal point of view;
- Analysis of the performance of subsidiaries in the Impol Group;
- Analysis of individual costs groups;
- Verification of the consistency of operations of companies in the Impol Group in Slovenia with Article 294 of the Companies Act;
- Overview of internal controls in the accounting of salaries in the Impol Group and accounting system analysis;
- Internal audit of statistics reports, report for the Bank of Slovenia, reports for employees with disability and other reports in subsidiaries in Slovenia;
  Overview of the chargeability of the value added tax, reports on supplies according to Article 76.a of the Value Added Tax Act and recapitalisation report in subsidiaries in Slovenia;
- Internal audit of audit tables for external audit, audit of inventory tables for assets and liabilities to sources of assets and audit of the financial accounts statistics for subsidiaries in Slovenia;
- Overview of the Rules on securities transactions for persons who dispose of internal information, and the filling out of the SONI 1 form.
- Overview of disclosures in Annual reports and Report on the relations with the affiliated companies in subsidiaries in Slovenia, and analysis of the compliance with the Companies Act;
- Cooperation with and reporting to the audit commission;
- Cooperation with the IT Supervisory Board (NOiT) and implementation of IT control, monitoring the IT project "eH-ramba", internal audit of IT contracts, monitoring internal controls in the introduction of the IT programme Cognos Controller for consolidation and controlling purposes;
- Monitoring the consideration of the legal amendments in the companies of the Impol Group (laws and IFRS), review of the taxation of the sale of shares and stocks in the Impol Group;
- Overview and analysis of contracts for the implementation of external audits for companies in the Impol Group;
- Monitoring the transposition of the last amendments to the legislation in the area of transfer prices into practice;
- Audit of the observance of Article 38.a of the Companies Act in companies of the Impol Group in Slovenia;
- Cooperation with the external audit company Auditor in the mandatory annual audit of companies in the Impol Group;
- Cooperation with other external reviewers;
- Control over the implementation of statutory provisions in relation with the sale of shares.



Building trust

Non-financial operation statement

1. Description of the Company’s business model

The Impol Group is a concern with the parent company Impol 2000, d. d. and subsidiaries and affiliated companies in Slovenia, Serbia, Croatia, Hungary and USA.

The mission of the Impol Group

Processing, finishing and finalising 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.
We will satisfy the customers’ expectations by offering the best service for them through established partnership relations.

Fundamental principles

Using advanced technologies we manufacture high-quality aluminium and aluminium alloy products.
We offer our clients services of a high-quality level.
By introducing and implementing constant improvements to processes we wish to achieve the long-term satisfaction and loyalty of our clients.

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 consistently pursue the policies of safety and health at work, and we are constantly improving the working conditions and actively reducing accidents at work.
We care for the well-being of our employees. The salaries they receive are higher than the average in the sector and of the Slovenian average. Each year, employees receive the highest possible (tax-exempted) leave subsidy, and upon achieving the set annual objectives also a bonus at the end of the year.
We organise events with which we promote socialising and good relations between employees on a yearly basis. We also keep in contact with former employees, our retirees, for whom we organise a meeting and prepare small thoughtful gifts each year.
We systematically develop the careers of our employees, accelerating the passing on of knowledge and awarding them in a stimulative manner.

All our activities are aimed at minimising negative impact on the environment and promoting coexistence with nature.
We intensively increase the utilisation of secondary recycled aluminium.
We reduce non-beneficial impacts on the environment with intensive investments.
By analysing the energy-efficiency of our machines we implement the project of systematically reducing the consumption of energy products.
We produce part of electric energy ourselves using a solar power plant.

We operate in a transparent and fair way in compliance with high moral and ethical standards.
Business operations are organised in accordance with the Impol Code of Business Conduct 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.
We sponsor associations and other organisations, and financially support the organisation of local and also national events.

We actively report on our operation, plans and strategies, thus informing all the interested stakeholders.
We reduce negative impacts on the environment, investing mainly in noise reduction.
We organise open-door days for local residents.

We are committed to:

- respect statutory requirements, related to our operation, on all levels of business operations, and other legitimate requirements that we have adopted;
- listen and respond to the needs, expectations, ideas and initiatives of all interested parties, in particular clients, employees and the public;
- take a teamwork approach in achieving the set goals, since in this way we can get the most from of every individual;
- a constant development of competences of employees in order to build commitment and achieve business objectives;
- invest in research and development with the aim of including advanced technologies and creating innovative products;
- gradually invest in the top available production techniques, introduce safer and health-friendly processes in accordance with technological and financial capabilities, and taking into consideration the principles of economy;
- long-term financial safety and business growth with a professional approach and high productivity in all areas;
- meet demands, verify efficiency and constant improvement of the quality system, environmental management and professional health and safety;
- preserve natural resources using return material, secondary raw material and careful use of all resources;
- decrease specific consumption of energy products by investing in more energy-efficient machines.

BY ADOPTING THE POLICY WE COMMIT TO PREVENTING ENVIRONMENTAL POLLUTION AND INJURIES AND DAMAGE TO HEALTH.

We pass on the requirements regarding the knowledge and respect of the principles of our policy and operation in accordance with the statutory requirements to our suppliers and all those who work for the Impol Group or on its behalf.
The policy is accessible to the general public.

2. Pillars of social responsibility

AN INNOVATIVE BUSINESS MODEL – TRANSITIONING TO A CIRCULAR ECONOMY

In a time characterised by hyper-production and limited resources, the care for the environment and the preservation of natural resources became the primary concern. Numerous companies are therefore transitioning to a circular economy, which enables the re-use of raw material. Aluminium processing enables an unlimited re-use of return raw materials with the preservation of its primary characteristics.

RESPONSIBILITY TOWARDS NATURE

Reducing environmental pollution is one of our most important business goals. For this purpose we prepare each year an investment plan outlining our activities. In the last three years, for example, we allocated more than EUR 2 million for investments in environmental protection. The solar power plant also falls among significant investments ecology-wise. We also invest in projects aimed at improving the quality of life in the local community.

SUSTAINABLE PRODUCTS

Aluminium products are the products of the future, which comes as no surprise to manufacturers of many goods. Aluminium is lighter than steel, has excellent processing characteristics and absorbs force better. The use of aluminium in the automotive industry enables the weight of cars to be decreased by 40%, thus contributing to the reduction of fuel consumption and consequently of pollution. Even the construction industry, using up a quarter of the global aluminium production, recognises the effects that the use of aluminium has on the reduction of energy consumption. Aluminium is also an excellent material for packaging in the food industry, since it reduces the weight of the products and ensures excellent protection. On the benefits of the use of aluminium speaks also the fact that aluminium saves more energy than it actually consumes. Aluminium is also indispensable in modern architecture and design.

RECYCLING

By recycling it, aluminium does not lose its original characteristics. It has a high internal material value due to which it is worth returning it, in terms of economy, to the loop that consists of the extraction of metals, use and recycling. As opposed to other metals, aluminium may be recycled multiple times without deteriorating its quality. A correct waste separation during recycling play an important role here. At the Impol Group we invest in employee training and general public awareness with regard to the importance of recycling.

RESPONSIBILITY TOWARDS EMPLOYEES

Responsibility towards employees is primarily reflected in the fair payment for a well-performed job. In addition to this, we organise numerous events for employees, stimulating the feeling of belonging and loyalty to the company, accelerating the exchange of knowledge between employees, spreading awareness among employees on a healthy lifestyle and creating a positive climate in the company. Special attention is given to employee training, encouraging useful proposals and preventing accidents at work.

RESPONSIBILITY TOWARDS THE LOCAL COMMUNITY

We are one of the largest employers in Slovenia and have received multiple awards for the best employer in the Podravska region. We therefore impact significantly the quality of life in the local community. We show our care for the local environment by sponsoring associations and local events, by helping the municipality develop and by supporting the development of local training programs.

LOOKING AHEAD

We are building on a 190-year long tradition. We are one of the oldest Slovenian companies and the sixth largest Slovenian exporter. Management emphasises the importance of strategic orientation toward the future, which is reflected in the fact that we set ambitious long-term goals for growth and development.

Policies, careful review, policy results, main risks and their management, and key indicators of success

Environment

Policy

Our fundamental environmental principles and commitments regarding the prevention of pollution are set out in:
- the policy, which also lays out the environmental policy;
- the environmental management programme;
- the quality system documents.

We established and certified an Environmental Management System according to the requirements of the ISO 14001:2015 standard. The responsibility for fulfilling the environmental requirements is borne by all employees in the companies of the Impol Group, and the management is ensuring all the necessary resources and thus guarantees for their realisation and the achievement of the environmental goals.

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. Our commitments to protect the environment are reflected mainly in:
- preventing water pollution;
- reducing emissions into the air;
- a limited, controlled and careful use of hazardous substances;
- the use of alternative energy sources;
- contributing to global energy efficiency, which we are achieving by using and processing our own and external sources of secondary aluminium.

Due diligence

We carry out our due due diligence as an integral part of environmental management. We perform monitoring, internal reviews, where the compliance with adopted rules, requirements of the ISO 14001 standard and statutory requirements is being verified. Periodic inspections are also a part of our due diligence with regard to environmental management. Reports on the impacts on the environment, amendments to the legislation and opportunities to integrate the environmental management system into the Group's processes are drawn up on a monthly basis. At the management review we verify the environmental policy, assess the results of internal reviews and make relevant decisions for improving the system.

Main risks and their management

We recognised environmental risks at the company-management level in the Group and at the operating level due to the implementation of activities in the companies within the Group.

At the management level a risk of failure to comply with statutory requirements is recognised. We manage risks by consistently following all the changes and new developments in the area of statutory requirements, by participating in public hearings and thus recognising and introducing new obligations in time.

For the recognised environmental aspects we identified and assessed operational environmental risks. At this level we implement preventive measures. These measures include regular inspections of warehouses, inspections of the state of packaging units and of the collecting containers, the tightness of the reservoirs, we monitor quantities and carry out internal monitoring of waste water. Processes include measures to be adopted in case of an emergency. For this purpose we have allocated means of intervention on agreed locations and instructions on how to use these means. Our professional fire brigade is trained and equipped for intervention in case of environmental disasters. We conduct drills for instances of identified accidents on a yearly basis, verifying the competence of employees and critically assessing the efficiency of the performed intervention. The drill results are also used to improve the intervention procedures.

We manage risks:
- by respecting applicable statutory requirements;
- by training employees for a careful management in accordance with the instructions for environmental management and the rules of procedure;
- with instructions and management of third parties entering plants;
- with monitoring and reviews;
- by quick recording and informing about extraordinary events and efficient interventions;
- by providing systems of quality management according to ISO 9001, the 14001 environmental standard and 18001 standard.

We pass on the requirements regarding the introduction of the environmental management system to suppliers and all who work for the organisation.

Key indicators of success

Processing of the return (circular) and secondary aluminium.

At the Impol Group we introduced a return loop system, which means that waste, which is generated during the processing of our products at our end customers, is collected and used as an input raw material in our foundries. In this way we contribute to the sustainable consumption of energy and resources, since we replace primary aluminium and alloy elements, which are necessary for the production of alloys, with return and secondary aluminium.

In 2017, we used the following shares of aluminium for the production of 239,977 tonnes of aluminium products:

- primary aluminium 39%;
- secondary aluminium 21%;
- formats 40%.

Emissions of substances into the air and water, and consumption of process water

We carry out regular measurements of emission into the air and water on all locations. At the location Slovenska Bistrica we also carry out permanent measurements of chlorides and organic substances emitted from the foundry. Reports indicate that there are no exceeding values.

Waste water is generated when changing water in the recirculation cooling systems. Upon changing water, regular monitoring is carried out, which does not indicate that the prescribed limit values are exceeded. Water circulates in the recirculation cooling systems, only losses are replaced with fresh water. By putting in place recirculation cooling systems we reduced the specific consumption of process water by 50% in the last ten years.

CO_2 emissions

Impol, d. o. o, in Slovenska Bistrica, is committed to trade with CO_2 emissions. Emissions are generated by the combustion of natural gas and fuel oil on technological machines and in the boiling room. The CO_2 emission is recorded by years in the spreadsheet:

Table 25: CO_2 emissions

YEAR	Gas consumption Sm³	Fuel oil consumption in tonnes	CO_2 emissions in tonnes
2005	15,007,711	349.10	29,288
2006	15,084,695	175.83	28,829
2007	13,753,685	184.12	26,320
2008	13,074,976	301.93	25,462
2009	11,958,399	277.28	23,408
2010	13,223,117	202.76	25,556
2011	13,831,022	189.80	26,660
2012	13,583,614	186.443	26,184
2013	14,677,504	180.19	28,234
2014	15,937,999	154.26	30,528
2015	16,724,874	127.80	31,932
2016	16,955,249	48.90	32,115
2017	17,905,082	0	33,744

Consumption of energy products in Serbia and Croatia in 2017

Table 26: Consumption of energy products in Serbia and Croatia in 2017

YEAR	Power consumption	Gas consumption Sm³
Serbia (Impol Seval and affiliated companies)	36,804,756 kWh	18,355,396
Croatia (Impol-TLM)	57,473,613 kWh	5,923,119

Since TGP emissions increase with the increase of production capacities, we select technological equipment with a low specific consumption of energy products. We choose technical solutions that are specified in the implementing decision of the commission (EU) 2016/1032 as the best available techniques.

Renewable energy sources

In 2017, the solar power plant, which we own at the location Slovenska Bistrica, produced 1,106,859 kWh of electric energy.

Since the beginning of operation (2011), the power plant produced 7,572 MWh of electric energy, which is sufficient enough to cover the need of 4620 single-family houses. In case that the mentioned energy would be obtained from natural gas, we would need around 1,157,000 m³ of natural gas and would generated 2,625 tonnes of CO_2 emissions. By using solar energy we reduce the consumption of natural resources and consequently the emission of greenhouse gasses.

Comparison between production and needs from the beginning of operation

The power plant covered the needs of 4,159 single-person households, the needs of 2,471 households with two persons or the needs of 1,690 households with four persons.

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. We pay particular attention to this area with regard to implementing preventive activities intended to mainly reducing the chance of a fire occurring. A safe evacuation of people and property is ensured in case of fire and its spreading is prevented. Fire protection measures are observed in the designing of new facilities, during reconstruction works, the use of facilities and the implementation of technological processes.

Social and HR matters and the respect of human rights

Policy

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. We are focused on satisfying all common needs of the employees, and their satisfaction is shown by numerous indicators.

In the Impol Group our social responsibility is primarily substantiated through a fair attitude towards employees, whereby we observe the following principles:

- fair payment for a well-performed job;
- creating opportunities for career development;
- promoting inter-generational cooperation;
- developing own human resources;
- ensuring equal promotion opportunities for all employees;
- promoting innovation;
- actively promoting a healthy lifestyle and preventing accidents;
- finding appropriate solutions for employees with disability;
- respecting employee loyalty.

We are traditionally strongly connected to out local community, which also represents our most important pool of loyal, hard-working and dedicated employees. We establish an even stronger relationship with the local community by organising numerous activities, among which:

- promoting and supporting the “metallurgy technician” programme at the Slovenska Bistrica Secondary School;
- actively cooperating with local educational institutions through donations;
- promoting associations and interest groups which actively contributed to enhancing the quality of life of local residents;
- transparent communication.

Due diligence

We carry out due diligence on systems of employee development and the respect of human rights with the following activities:

- Promoting social dialogue: we established workers’ councils that are active in larger companies in the Impol Group. We work with two representative unions and maintain a constructive social dialogue. In addition to this, we established a Representative Body of Employees of the Impol Group (RBEIG) that connects all employees in the Group on all locations and convenes with the intention of putting in place a framework for promoting social dialogue, exchanging information and electing a worker's director.
- Since 2015 we have in place a single-tier management system. One of the representatives of the Management Board is also the worker's director, elected by the employees of the Impol Group.
- Ensuring compliance with the legislation: we regularly carry out internal reviews of standards and documentation with which we verify the compliance of our operations with the legislation. Furthermore, we regularly train employees and participate in the organisation of expert conferences.
- Monthly reporting: we monitor key indicators in the area of managing employees on a monthly basis and recommend amendments to the legislation.

Main risks and their management

Risks related to human resources were recognised at the company management level in the Impol Group and are shared in several areas.

Table 27: Main risks and their management

Risk area	Possible causes	Management methods
Competences	• Adequate competence of the employees. • Key staff fluctuation.	• Introduced mentoring system for new employees and employees switching job posts. • Regular measurement of the commitment and satisfaction of employees. • Creating and updating competence matrixes.
Lawsuits, court hearings	• Potential hazards at the workplace, resulting in injuries. • Mobbing in the workplace. • Unequal treatment of employees.	• Active promotion of health a lifestyle at the workplace. • Regular employee training. • Working information office for preventing mob-bing. • Training managers for safety and health at work management. • Regular checks of working equipment. • Observing equality principles – specified in the Code of Business Conduct of the Impol Group.
Productivity	• Unused employee potential. • Inadequate management.	• Implementing development discussions with key employees. • Regular training of managers for the develop-ment of management competences. • Audit of the managers' work. • Regular assessment of the employees and stimu-lative salary policy.

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Table 28: Employees by Impol Group companies

Country	Company	2014	2015	2016	2017
Slovenia	Impol 2000, d. d.	33	41	41	53
	Impol, d. o. o.	11	18	38	41
	Impol FT, d. o. o.	290	294	282	286
	Impol PCP, d. o. o.	455	451	449	459
	Impol LLT, d. o. o.	133	138	135	136
	Impol R in R, d. o. o.	32	34	33	35
	Impol Infrastruktura, d. o. o.	24	23	24	21
	Stampal SB, d. o. o.	41	41	50	61
	Rondal, d. o. o.	60	61	65	66
	Impol Stanovanja, d. o. o.	2	2	2	2
	Unidel, d. o. o.	35	37	37	37
	Kadring, d. o. o.	15	14	16	17
	Impol Servis, d. o. o.	7	7	7	7
	Impol-Final, d. o. o.				7
	Total Slovenian companies	1,138	1,161	1,179	1,228
Serbia	Impol Seval, a. d.	569	553	544	539
	Impol Seval PKC, d. o. o.	12	12	12	12
	Impol Seval Tehnika, d. o. o.	86	85	85	82
	Impol Seval Final, d. o .o.	26	25	25	24
	Impol Seval President, d. o. o.	9	9	10	10
	Total Serbian companies	702	684	676	667
Croatia	Impol-TLM, d. o. o.	0	0	342	385
	Impol ulaganja, d. o. o.	0	0	0	0
USA	Impol Aluminum Corporation	3	3	3	1
Hungary	Impol Hungary Kft.	2	2	2	2
Impol Group	**Total number of employees**	**1,845**	**1,850**	**2,202**	**2,283**

Table 29: Staff turnover at the Group

	Arrivals		Departures		% of total turnover		% of turnover due to consensual termination of a work contract	
	2016	2017	2016	2017	2016	2017	2016	2017
Slovenia	56	93	38	44	3.22 %	3.58 %	0.59 %	1.05 %
Serbia	11	14	19	23	2.93 %	3.49 %	0.29 %	0.45 %
Croatia	342	80	28	35	8.19 %	9.09 %	1.46 %	3.12 %
USA	0	0	0	2	0	66.67 %	0	33.33 %
Hungary	0	0	0	0	0	0	0	0
Impol Group	**409**	**187**	**85**	**104**	**3.86 %**	**4.55 %**	**0.66 %**	**1.27 %**

Table 30: Employee gender structure at the Impol Group

	USA	Hungary	Slovenia	Serbia	Croatia	Impol Group
Men	1 (100 %)	0 (0 %)	1,019 (83 %)	529 (79 %)	342 (89 %)	1,891 (83 %)
Women	0 (0 %)	2 (100 %)	209 (17 %)	138 (21 %)	43 (11 %)	392 (17 %)
Total	**1**	**2**	**1,228**	**667**	**385**	**2,283**

Table 31: Age structure of the employees in 2017

	Under 25 years	26 to 35 years	36 to 45 years	46 to 55 years	Over 55 years	General age
Slovenia	4	23 %	27 %	31 %	14 %	42.20
Serbia	3 %	22 %	14 %	27 %	34 %	46.79
Croatia	12 %	15 %	19 %	35 %	19 %	46.98

Table 32: Education and qualification structure

	Doctoral Degree	Master's Degree	University	Higher education	College	W	Qualified	Semi-qualified	Non-qualified
Slovenia	0.5 %	0.8 %	7.5 %	7.4 %	6.6 %	33.5 %	33.7 %	5.8 %	4.3 %
Serbia	0 %	0 %	12.7 %	0 %	2.0 %	38.5 %	40.0 %	5.5 %	12.7 %
Croatia	0.2 %	0 %	10.9 %	0 %	3.6 %	3.6 %	45.2 %	19.7 %	16.6 %
Total	**0.3 %**	**0.4 %**	**9.7 %**	**4.0 %**	**4.7 %**	**29.7 %**	**40.6 %**	**7.2 %**	**3.3 %**

Table 33: % of employees under special protection and the disabled

	% of the employees under special protection (age)	% of the disabled
Slovenia	11 %	6.0 %
Serbia	0 %	10.9 %
Croatia	0 %	2.3%

Table 34: Utilisation of working time

	Utilisation of working time	% absence due to sickness, chargeable to the Company
Slovenia	79.45 %	3.2 %
Serbia	82.10 %	3.9%
Croatia	84.57%	2.7%

Table 35: Training and education of the employees

	Slovenia	Serbia	Croatia	Impol Group
Number of hours of training per employee	14 hours	14 hours	50 hours	21 hours
Number of employees who are part-time students	7	1	2	10
Number of beneficiaries of grants	45	4	0	49

Table 36: Employee satisfaction and commitment

Area	Question	Agreement percentage
INDEPENDENCE AND RESPONSIBILITY AT WORK	Our company gives the chance to our employees to accept a more responsible task and prove themselves.	71 %
	I believe that the work I am carrying out is suitable to what I know and what I am capable to do.	79 %
	I wish I had more responsibilities and opportunities to make decisions at my job post.	85 %
WORK MANAGEMENT AND ORGANISATION	Managers stimulate employees to make proposals for improving work.	67 %
	I believe that the demands of my superior of me are fair and well-founded.	74 %
	The manager cares for and advocates good relations between employees.	71 %
	I know what is asked of me and when the manager will be satisfied with my work.	93 %
ORGANISATION, PROMOTION, SALARIES	I am proud to be employed in this company.	93 %
	I am adequately financially stimulated for carrying out good work in our company.	51 %
SATISFACTION	with work	93 %
	with colleagues	95 %
	with direct superiors	85 %

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 37: Average salary of the employees

	Average gross salary in 2017	National average
Slovenia	EUR 2,182.70	EUR 1,626.95
Serbia	EUR 976.52	EUR 543.00
Croatia	EUR 1,184.73	EUR 1,081.91

Health and safety at work

- The occupational health and safety system is being continuously improved.
- We have a system of line controls in place.
- We are improving working conditions.
- We modernised training in the area of health and safety at work and upgraded the workplace qualification verification system.
- 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.

Table 38: Number of accidents and incidents at work

	Number of accidents at work.	Number of incidents
Slovenia	30	168
Serbia	22	0
Croatia	12	24
Total	64	212

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 in Serbia. A similar system 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 Representative Body of Employees of the Impol Group (RBEIG) operating within the Impol Group composed of members elected by the employees. Its task is to elect a worker-director and exchange information within the Impol Group.

Knowledge and understanding

- We develop the competences of managers and expect them to have maintained 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.

Respecting human rights

We consistently observe all the statutory provisions of the Republic of Slovenia in the area of respecting human rights. Several different mechanisms have been established in order to ensure the welfare of our employees:
- mobbing at the workplace prevention office;
- mobbing officers in every company;
- workers' councils in every company with more than 30 employees;
- operating RBEIG body, the purpose of which is to coordinate demands with regard to the care for employees and working conditions.

Supply chains and conflict materials

We pass on our commitments with regard to environmental management, sustainable development and care for the health and safety of our employees to our suppliers of material and services. For this purpose, we assess them on yearly on the basis of the following criteria: performance quality, environmental management and care for the safety and health of employees. Only suppliers that confirm acting in accordance with the requirements of standards or legislation make it to our list of confirmed suppliers of the Impol Group.

Use of conflict minerals

Tin is used in the production process of the Impol Group. We asked our tin supplier to fill out the CMRT (Conflict minerals reporting template) form and specify the confirmed tin manufacturers. All the tin that we use in the Impol Group originates from confirmed manufacturers from Indonesia and Malaysia.

Anti-corruption efforts

Policy

In carrying out our work we observe high standards of business ethics and in accordance with the Code of Business Conduct of the Impol Group we build a culture that stimulates legal, ethical and transparent treatment of and decision-making by all employees.

Due diligence

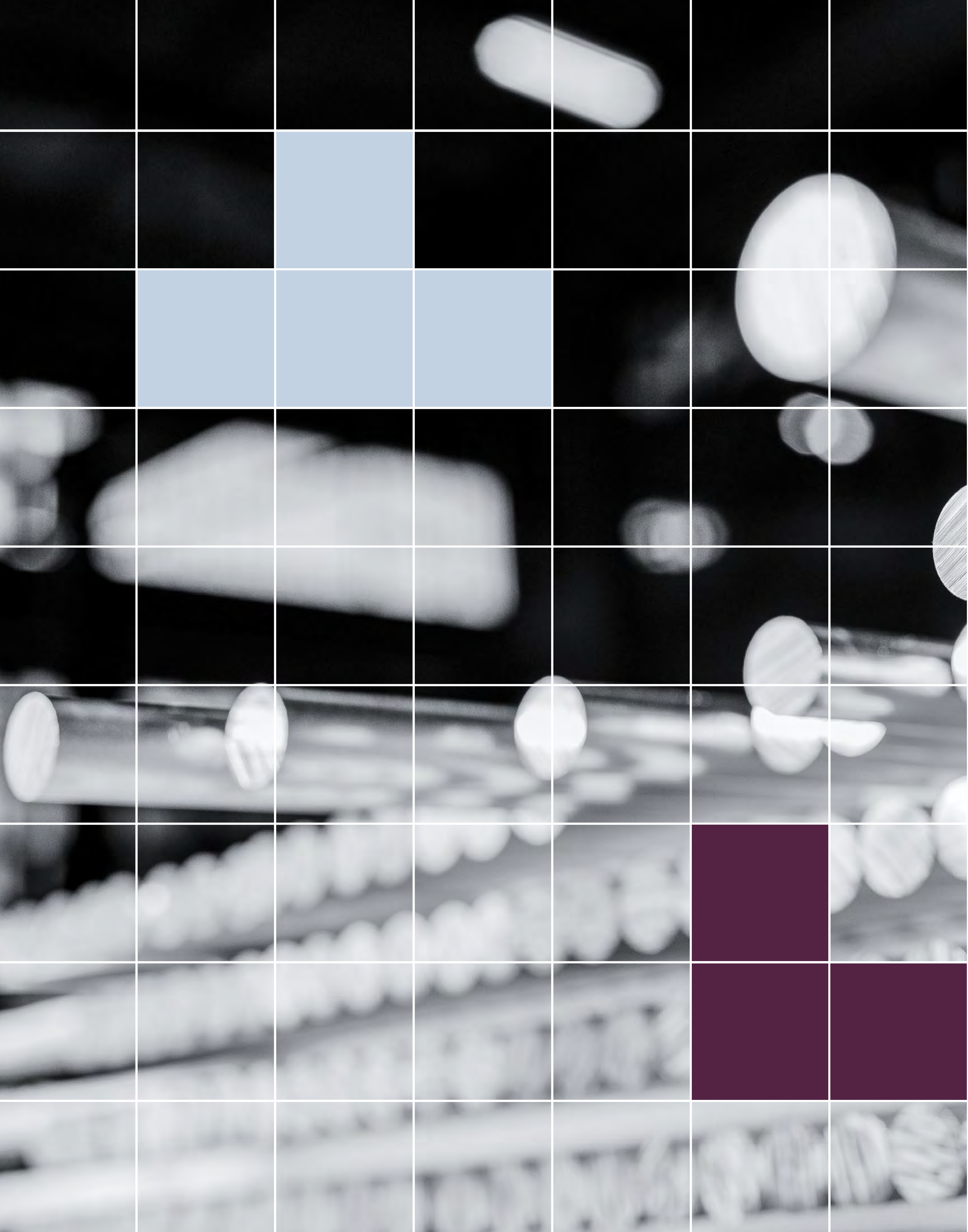
We put in place a system of internal audit, which verifies the compliance of business operations with the Slovenian legislation and includes the prohibition of corruption. At the same time, all employees are bound to respect the Code of Business Conduct of the Impol Group. We also put in place a transparent supply system, involving a greater number of decision-makers who also carry out control over business ethics themselves.

Main risks and their management

The main risks in this area are the loss of reputation in the public, loss of financial assets due to corruptive business conduct and loss of trust of business partners. We prevent this by using an advanced information supply system containing control elements, with regular college meetings with detailed reports, with transparent communication and with a consistent observance of the principles listed in the Code of Business Conduct of the Impol Group. We also set in place a zero tolerance policy toward criminal acts.

Key indicators of success

The key indicators of success are the compliance of business operations with the legislation, which is also evident by the fact that there are no pending court cases against employees of the Impol Group in connection with corruptive behaviour.



Financial report of the Impol Group for the year 2017

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 2017.

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 also responsible for appropriate accounting management and the adoption of appropriate measures to safeguard the property and prevent any irregularities or illegalities.

Andrej Kolmanič (Chief Executive Officer)	Irena Šela (Executive Director of Finance)

Slovenska Bistrica, 13/ 4/ 2018

Declaration of the Management Board

The Management Board confirms consolidated financial statements and financial statement of the company Impol 2000, d. d., for the year ending on 31 December 2017 and for the applied accounting guidelines. This Annual Report was adopted by the Company's Management Board at its session held on 24/ 4/ 2018.

Jernej Čokl (Chairman of the Management Board)	Vladimir Leskovar (Deputy Chairman 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)

Slovenska Bistrica, 24/ 4/ 2018

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, 2017, 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, 2017, 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) and Regulation (EU) No. 537/2014 of the European Parliament and of the Council of 16 April 2014 on specific requirements regarding statutory audit of public-interest entities. 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. We have determined that there are no key audit matters that we would report on in our report.

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.

AUDITOR
REVIZIJSKA DRUŽBA d.o.o. PTUJ

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 performed, we report that:

- *the other information is in all respect consistent with audited financial statements;*
- *the other information is prepared in compliance with applicable law and regulation; and*
- *based on knowledge and understanding of the Group obtained in the audit on the other information, we have not identified any material misstatement on fact.*

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 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.*
- *Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.*

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.

Report on other legal and regulatory requirements

Consistence with the Additional Report to the Audit Committee

We confirm that our audit opinion on the financial statements expressed herein is consistent with the additional report issued to the Audit Committee on 24 April 2018.

Prohibited services

We confirm that we have not performed any services referred to the Article 5 (1) of EU Regulation No. 537/2014. We also remained independent of the audited entity in conducting the audit.

Other audit services

We confirm that apart from the statutory audit of financial statements the auditing company has not performed any other services for the company IMPOL 2000 d.d. and its subsidiaries as disclosed in the annual report.

AUDITOR
REVIZIJSKA DRUŽBA d.o.o. PTUJ

Appointment of the Auditor and Certified Auditor responsible for the audit

We were appointed as the statutory auditor of the Company's unconsolidated and consolidated financial statements for the period ended on December 31, 2017, by the shareholders of IMPOL 2000 d.d. on the General Shareholder's Assembly held on 14 July 2017. The Audit Contract was concluded for a period of 1 year. The total period of uninterrupted engagement on consolidated financial statements audit by the auditing company is 19 years. The company Impol 2000 d.d. became a public-interest entity by the listing of issued bonds on the organized securities market, which was carried out in December 2015.

On behalf of the auditing company Auditor d.o.o. the auditor responsible for the audit performed is Simon Pregl, univ. dipl. ekon., certified auditor.

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

24. april 2018

Certified auditor:

Simon Pregl, univ. dipl. ekon.

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 39: Cumulative Income Statement for 2017 in EUR

Item			Note	2017	2016
1.		Net sales revenues	1	666,722,940	543,467,944
	a)	Net sales revenues in the domestic market		37,948,951	34,669,369
	b)	Net sales revenues in the foreign market		628,773,989	508,798,575
2.		Change in the value of product inventories and unfinished production		7,906,999	-1,531,435
3.		Capitalised own products and services		977,649	569,725
4.		Other operating revenue (including operating revenue from revaluation)	1	3,991,034	6,239,657
5.		Costs of goods, materials and services	2	553,140,186	435,375,543
	a)	Cost of sold goods and materials and costs of materials used		509,605,184	395,891,538
	b)	Costs of services		43,535,002	39,484,005
6.		Labour costs	2	60,297,324	54,221,164
	a)	Costs of wages and salaries		44,037,097	37,419,153
	b)	Social security costs (pension insurance costs are shown separately)		7,730,325	8,859,164
	c)	Other labour costs		8,529,902	7,942,847
7.		Write-offs	2	15,857,949	15,556,185
	a)	Depreciation		15,647,323	15,335,390
	b)	Revaluation operating expenses of intangible assets and tangible fixed assets		92,086	27,757
	c)	Revaluation operating expenses of current assets		118,540	193,038
8.		Other operating expenses	2	3,352,084	2,076,432
9.		Financial revenues from participating interests	3	91,229	130,051
	a)	Financial revenues from participating interests in associate companies		46,201	28,149
	b)	Financial revenues from participating interests in other companies		45,028	42,061
	c)	Financial revenues from other investments		0	59,841
10.		Financial revenues from loans granted	3	68,595	32,286
	a)	Financial revenues from loans granted to others		68,595	32,286
11.		Financial revenues from operating receivables	3	7,758,938	4,328,615
	a)	Financial revenues from operating receivables due from others		7,758,938	4,328,615
12.		Financial expenses from financial liabilities	3	4,958,462	6,100,761
	a)	Financial expenses from loans from banks		2,637,039	3,284,120
	b)	Financial expenses from bonds issued		1,444,000	1,818,795
	c)	Financial expenses from other financial liabilities		877,423	997,846
13.		Financial expenses due to operating liabilities	3	10,776,357	4,753,249
	a)	Financial expenses from trade payables and bills of exchange payable		735	212,160
	b)	Financial expenses from other operating liabilities		10,775,622	4,541,089

Item		Note	735	212,160
14.	Income tax	4	4,856,054	4,151,951
15.	Deferred taxes	5	-193,302	577,926
16.	Net profit or loss for the financial year:		34,472,270	30,423,632
a)	Of which profit/loss attributable to non-controlling interest		2,720,350	3,336,131
b)	Profit / loss attributable to owners of the parent company		31,751,920	27,087,501

Table 40: Group statement of other comprehensive income in EUR

	Note	2017	2016
Net profit or loss for the financial year:		34,472,270	30,423,632
Changes in the fair value of hedging against risk (interest rate swaps) (+ / -)	20	-3,873	-144,597
Gains and losses arising from the translation of financial statements of foreign operations (impact of changes in exchange rates) (+ / -)	14	1,881,880	-614,806
Actuarial gains and losses of defined benefit plans (employee benefits) (+/-)	14	-155,433	-327,671
Other items of total comprehensive income (+/-)	5	736	41,411
Total comprehensive income in the financial year		36,195,580	29,377,969
• of which total comprehensive income of non-controlling interest		3,243,781	3,151,583
• of which total comprehensive income attributable to owners of the parent company		32,951,799	26,226,386

Table 41: Consolidated balance sheet in EUR

				Note	31/ 12/ 2017	31/ 12/ 2016
A.			**Long-term assets**		**174,784,759**	**151,058,105**
	I.		Intangible assets and long-term deferred costs and accrued revenue	6	2,198,163	1,748,912
	1.		Long-term property rights		1,553,110	1,429,683
	2.		Goodwill		319,229	319,229
	3.		Long-term deferred development costs		325,824	0
	II.		Tangible fixed assets	7	167,881,476	143,734,277
	1.	a)	Land and buildings		48,966,907	49,372,773
		b)	Land		9,588,984	9,432,999
		c)	Buildings		39,377,923	39,939,774
	2.		Production equipment and machinery		66,062,362	72,602,957
	3.		Other machinery and equipment		5,723,843	3,850,617
	4.		Fixed assets being acquired		47,128,364	17,907,930

				Note	31/ 12/ 2017	31/ 12/ 2016
		a)	Tangible fixed assets under construction and manufacture		35,498,042	12,493,338
		b)	Advances to acquire tangible fixed assets		11,630,322	5,414,592
	III.		Investment property	8	1,953,479	1,787,917
	IV.		Long-term financial investments	9	1,556,098	2,874,714
	1.		Long-term financial investments, excluding loans		1,221,301	1,197,703
		a)	Shares and participating interests in subsidiaries		724,341	684,766
		b)	Other shares and participating interests		496,960	512,937
	2.		Long-term loans		334,797	1,677,011
		a)	Long-term loans to others		334,797	1,677,011
	V.		Long-term operating receivables		38,262	39,705
	1.		Long-term operating receivables from others		38,262	39,705
	VI.		Deferred tax receivables	5	1,157,281	872,580
B.			**Short-term assets**		**288,365,359**	**229,660,426**
	I.		Inventories	10	162,606,623	139,707,423
	II.		Material		131,443,046	117,265,075
	1.		Work in process		17,089,539	8,247,859
	2.		Products and merchandise		13,406,876	13,784,255
	3.		Advances for inventories		667,162	410,234
	4.		Short-term financial investments:	11	14,498,256	7,680,427
	III.		Short-term financial investments, excluding loans		13,069,598	6,273,266
	1.		Other short-term financial investments		13,069,598	6,273,266
		a)	Short-term loans		1,428,658	1,407,161
	2.		Short-term loans to others		1,428,658	1,407,161
		a)	Short-term operating receivables	12	98,793,088	62,790,491
	IV.		Short-term operating receivables from customers		72,771,416	48,839,260
	1.		Short-term operating receivables from others		26,021,672	13,951,231
	2.		Monetary assets	13	12,467,392	19,482,085
	V.		Short-term accrued costs and deferred revenue		223,138	394,802
C.			**TOTAL ASSETS**		**463,373,256**	**381,113,333**
			Equity	14	187,476,918	154,015,227
A.			**Minority equity**		**17,524,338**	**14,525,139**
	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		7,958,351	7,432,528
	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		2,225,770	1,699,947
	4.		Other revenue reserves		5,732,581	5,732,581
	IV.		Reserves resulting from valuation at fair value		-735,539	-593,451
	V.		Capital revaluation adjustment		251,501	-1,103,373

			Note	31/ 12/ 2017	31/ 12/ 2016
	VI.	Net profit brought forward		116,049,376	91,990,290
	VII.	Net profit for the financial year		31,226,097	25,561,300
B.		**Provisions and long-term accrued expenses and deferred revenue**	**15**	**3,813,483**	**3,319,311**
	1.	Provisions for pensions and similar obligations		3,198,167	2,646,567
	2.	Other provisions		2,764	1,251
	3.	Long-term accrued costs and deferred revenues		612,552	671,493
C.		**Long-term liabilities**	**16**	**109,973,290**	**110,561,759**
	I.	Long-term financial liabilities		107,964,019	108,570,941
	1.	Long-term financial liabilities to banks		87,571,795	69,981,389
	2.	Long-term financial liabilities from bonds payable		20,000,000	30,000,000
	3.	Other long-term financial liabilities		392,224	8,589,552
	II.	Long-term operating liabilities		91,933	237,830
	1.	Other long-term operating liabilities		91,933	237,830
	III.	Deferred tax liabilities	5	1,917,338	1,752,988
D.		**Short-term liabilities**	**17**	**160,264,468**	**111,615,175**
	I.	Liabilities included in groups for disposal		0	0
	II.	Short-term financial liabilities		91,847,378	67,191,008
	1.	Short-term financial liabilities to banks		66,224,618	51,385,673
	2.	Short-term financial liabilities from bonds payable		10,000,000	10,000,000
	3.	Other short-term financial liabilities		15,622,760	5,805,335
	III.	Short-term operating liabilities		68,417,090	44,424,167
	1.	Short-term business liabilities to suppliers		54,342,302	33,178,976
	2.	Short-term operating liabilities from advance payments		1,714,911	1,588,225
	3.	Other short-term operating liabilities		12,359,877	9,656,966
E.		**Short-term accrued costs and deferred revenue**		**1,845,097**	**1,601,861**
		TOTAL LIABILITIES TO SOURCES OF ASSETS		463,373,256	381,113,333

Consolidated statement of changes in equity in 2017

Table 42: Group Statement of Changes in Equity in 2017 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/ 2016**	**4,451,540**	**14,525,139**	**10,751,254**	**506,406**
A.2	**Initial balance of the reporting period as of 1/ 1/ 2017**	**4,451,540**	**14,525,139**	**10,751,254**	**506,406**
B.1	**Changes in equity – transactions with owners**		**-244,582**		
	Purchase of non-controlling interest in Kadring, d. o. o.		-40,675		
	Purchase of non-controlling interest in Impol- TLM, d. o. o				
	Disbursement of dividends		-203,907		
B.2	**Total comprehensive income in the financial year**		**3,243,781**		
	Entry of net profit/loss in the financial year		2,720,350		
	Change in reserves resulting from valuation of financial investments at fair value		-95		
	Gains and losses arising from the translation of financial statements of foreign operations (impact of changes in exchange rates) (+ / -)		527,006		
	Actuarial gains/losses, recognised under reservations for retirement benefits		-3,498		
	Adjustment of reserves resulting from valuation of financial investments at fair value for deferred tax liabilities		18		
B.3	**Changes in equity**				
	Allocation of the remaining portion of the net profit for the comparable reporting period to other equity components				
C.	**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**				
D.	**Other changes in equity**				
E.	**Closing balance of the financial year as of 31/ 12/ 2017**	**4,451,540**	**17,524,338**	**10,751,254**	**506,406**

Revenue reserves			Reserves resulting from valuation at fair value	Capital revaluation adjustment	Net profit brought forward	Net profit for the financial year	Total capital
	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 capital
IV/2	IV/3	IV/4	V	VI	VII/1	VIII/1	IX
-506,406	**1,699,947**	**5,732,581**	**-593,451**	**-1,103,373**	**91,990,290**	**26,561,300**	**154,015,227**
-506,406	**1,699,947**	**5,732,581**	**-593,451**	**-1,103,373**	**91,990,290**	**26,561,300**	**154,015,227**
					-2,489,307		**-2,733,889**
					22,675		-18,000
					-670,670		-670,670
					-1,841,312		-2,045,219
			-154,995	**1,354,874**		**31,751,920**	**36,195,580**
						31,751,920	34,472,270
			-3,778				-3,873
				1,354,874			1,881,880
			-151,935				-155,433
			718				736
	525,823		**12,907**		**26,548,393**	**-27,087,123**	**0**
					26,561,300	-26,561,300	0
	525,823					**-525,823**	**0**
			12,907		**-12,907**		**0**
-506,406	**2,225,770**	**5,732,581**	**-735,539**	**251,501**	**116,049,376**	**31,226,097**	**187,476,918**

Table 43: Group 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 1/ 1/ 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**				
	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				
C.	**Other changes in equity**				
D.	**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	Capital revaluation adjustment	Net profit brought for-ward	Net profit for the financial year	Total capital
	IV		V	VI	VII	VIII	IX
Own shares and own business shares (as a de-ductible item)	Statutory re-serves	Other revenue reserves			Retained net profit	Net profit for the current year	Total capital
IV/2	IV/3	IV/4	V	VI	VII/1	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**

Consolidated cash flow statement

Table 44: Group Cash Flow Statement in EUR

Item			Note	2017	2016
A.		**Cash flows from operating activities**			
	a)	Profit & Loss Statement items		54,450,787	49,822,070
		Operating revenue (except from revaluation) and financial revenue from operating receivables	1	677,793,441	552,962,747
		Operating revenue excluding depreciation (except from revaluation) and financial expenses from operating liabilities	2	-618,679,902	-498,410,800
		Income tax and other taxes not included in operating expenses	4	-4,662,752	-4,729,877
	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		-33,963,480	-38,373,758
		Opening minus closing operating receivables	12	-36,109,238	-8,557,741
		Opening minus closing deferred costs and accrued revenue		171,664	-284,828
		Opening minus closing deferred tax receivables	5	-283,965	127,197
		Opening minus closing inventory	10	-22,902,981	-41,854,520
		Closing minus opening operating debts	17	23,849,034	10,104,653
		Closing minus opening accrued costs and deferred revenues and provisions		1,147,656	1,668,796
		Closing minus opening deferred tax liabilities	5	164,350	422,685
	c)	Net cash from operating activities or net outflows from operating activities (a + b)		20,487,307	11,448,312
B.		**Cash flows from investing activities**			
		Cash receipts from investing activities		11,667,987	14,806,992
	a)	Cash receipts from interest and participation in profit of others relating to investing activities	3	113,608	15,751
		Cash receipts from the disposal of tangible fixed assets	1	73,215	406,559
		Cash receipts from the disposal of investment property		370,000	0
		Cash receipts from the disposal of long-term financial investments	3	21,050	75,059
		Cash receipts from the disposal of short-term financial investments	3	11,090,114	14,309,623
	b)	Cash disbursements from investing activities		-54,649,822	-50,177,724
		Cash disbursements for the acquisition of intangible assets	6	-884,235	-593,524
		Cash disbursements for the acquisition of tangible fixed assets	7	-37,240,397	-32,475,162
		Cash disbursements for the acquisition of investment property		0	-49,870
		Cash disbursements for the acquisition of long-term financial investments	9	-29,215	-1,411,136
		Cash disbursements for the acquisition of short-term financial investments	11	-16,495,975	-15,648,032
	c)	Net cash from investment activities or net outflows from investment activities (a + b)		-42,981,835	-35,370,732
C.		**Cash flows from financing activities**			
	a)	Cash receipts from financing activities		98,849,218	63,593,360
		Cash receipts from the increase of long-term financial liabilities	16	54,286,853	30,979,016
		Cash receipts from the increase of short-term financial liabilities	17	44,562,365	32,614,344
	b)	Cash disbursements from financing activities		-83,369,383	-91,026,209
		Cash disbursements for given interests from financing activities	3	-4,888,372	-6,277,015
		Cash disbursements for the repayment of equity		-688,670	-1,332,000
		Cash repayments of long-term financial liabilities	16	-7,287,408	-1,072,285
		Cash repayments of short-term financial liabilities	17	-68,459,714	-80,776,810
		Cash repayments of dividends and other profit shares paid	14	-2,045,219	-1,568,099
	c)	Net cash from financing activities or net outflows from financing activities (a + b)		15,479,835	-27,432,849
D.		**Monetary assets at the end of the period**		**12,467,392**	**19,482,085**

Item		Note	2017	2016
a)	Net cash flow for the period		-7,014,693	-51,355,269
b)	Monetary assets at the beginning of the period		19,482,085	70,837,354

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 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 840 shareholders.

The consolidated financial statements for the financial year that ended on 31 December 2017 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 24/ 4/ 2018/

The 2017 financial statements of the company Impol 2000, d. d., and the consolidated financial statements of the Impol 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 7 Cash Flow Statement – Disclosure Initiative, adopted by the EU on 6 November 2017 (effective for annual periods beginning on or after 1 January 2017);
- Amendments to IAS 12 Income Taxes – Recognition of Deferred Tax Assets for Unrealised Losses adopted by the European Union on 6 November 2017 (effective for annual periods beginning on or after 1 January 2017);
- Amendments to various standards Improvements to IFRSs (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, adopted by the EU on 8 December 2018 (amendments to IFRS 12 effective for annual periods beginning on or after 1 January 2017);

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 European Union 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.

- Amendments to IFRS 4 Insurance contracts – Application of IFRS 9 Financial Instruments in conjunction with IFRS 4 Insurance contracts, adopted by the European Union on 3 November 2017 (effective for annual periods beginning on or after 1 January 2018 or at the time of first application of IFRS 9 Financial Instruments);
- IFRS 9 Financial Instruments, adopted by the European Union on 22 November 2016 (effective for annual periods beginning on or after 1 January, 2018);
- IFRS 15 Revenue from contracts with customers and amendments to IFRS 15 Date of Entry into Force, adopted by the European Union on 22 September 2016 (effective for annual periods beginning on or after 1 January 2018);
- Amendments to IFRS 15 Revenue from Contracts with Customers – Notes to IFRS 15 Revenue from Contracts with Customers, adopted by the European Union on 31 October 2017 (effective for annual periods beginning on or after 1 January 2018); The Group does not expect significant differences in the temporal recognition of revenues from the specified amendment to IFRS 15. Most of the revenues come from contracts defined as simple supply of goods and services. Contracts of the Impol Group do not contain separately definable liabilities and the Group did not identify revenues recognised on the basis of contracts with customers, where a financial component could be determined;
- IFRS 16 Leases, adopted by the European Union on 31 October 2017 (effective for annual periods beginning on or after 1 January 2019);
- Amendments to various standards Improvements to IFRSs (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, adopted by the EU on 8 December 2018 (amendments to IFRS 1 and IFRS 28 effective for annual periods beginning on or after 1 January 2018);

The Impol 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 International Financial Reporting Standards as they were adopted by the European Union, do not differ significantly from the regulations adopted by the International Accounting Standards Board, with the exception of the following new standards, amendments of existing standards and new notes which were not yet confirmed for application in the European Union when the financial statements were being drawn up/approved.

- Amendments to IAS 19 Employee Benefits – Planning amendments, restrictions and settlements (effective for annual periods beginning on 1 January 2019);
- IAS 28 Investment in companies and joint ventures – Long-terms shares in affiliated companies in joint ventures (effective for annual periods beginning on or after 1 January 2018);
- Amendments to IAS 40 Investment Properties – Transfer of Investment Property (effective for annual periods beginning on or after 1 January 2018);
- Amendments to IFRS 2 Share-based Payment – Classification and measurement of share-based payment transactions (effective for annual periods beginning on or after 1 January 2018);
- Amendments to IFRS 9 Financial Instruments – Prepayment elements with negative compensation (effective for annual periods beginning on or after 1 January, 2019);
- 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 1 January 2016) – the European Commission has decided not to launch the endorsement process of this interim standard and to wait for the final standard;
- IFRS 17 Insurance contracts (effective for annual periods beginning on or after January 1, 2021);
- Amendments to various standards Improvements to IFRSs (period 2015 to 2017) resulting from the annual improvement project of IFRS (IFRS 3, IFRS 11, IAS 12, and IAS 23) primarily with a view to removing inconsistencies and

clarifying wording (effective for annual periods beginning on or after 1 January 2019);
- IFRIC 22 Foreign Currency Transactions and Advance Consideration (applies to financial years starting on 1 January 2018 or later);
- IFRIC 23 Uncertainty in income tax treatment (effective for annual periods beginning on or after 1 January 2019);

The Group estimates a possible impact of these amendments on its consolidated financial statements. Regardless of the above, 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.

The Impol Group estimates a possible impact of these amendments on its consolidated financial statements. Regardless of the above, we assume that the introduction of these new standards and amendments in the initial phase of application shall not significantly affect our consolidated financial statements.

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 consolidated financial statements are presented 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. 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 reviews, as specified below.

- **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 long-service bonuses and severance pays upon retirement, 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).

No other provisions were formed at the Impol Group.

Important Accounting Policies of the Group

Transactions in foreign currency

Transactions in foreign currencies are converted to the respective functional currencies of the Impol 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 financial 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 specified below.

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 45: Reference ECB exchange rates for converting balance sheet items

Currency	31/ 12/ 2017
USD	1.1993
HUF	310.33
RSD	118.66
HK	7.44

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

Table 46: Exchange rates for converting profit or loss

Currency	Average annual exchange rate in 2017
USD	1.1297
HUF	309.19
RSD	121.38
HK	7.4637

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 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 Impol 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.

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 Impol Group 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.

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,
- Long-term deferred development costs.

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 fixed assets:

Table 47: Applied depreciation rates 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 %
Long-term deferred development costs	33.33 %	33.33 %

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.

Long-term deferred development costs are recognised as intangible assets, if the following can be proven:

- the feasibility of the completion of the project so that is is available for use;
- intention to finish the project and use it;
- likelihood of economic benefits of the project;
- availability of technical, financial and other factors for completing the development and using the project;
- ability to reliably measure the costs attributed to the intangible assets during its development.

When calculating the accumulated profit the long-term deferred development costs on the balance-sheet cut-off date are taken into consideration so as to reduce the accumulated profit.

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 48: Depreciation rates used for tangible fixed assets

Depreciation rates used in the Impol 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 %
Computer equipment	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 %**

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 Impol 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.

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 at which an asset can be sold or a liability exchanged between knowledgeable, 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 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. 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 the derivative financial instrument 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 exercised. The accumulated profit or loss recognised under other comprehensive income remains recognised under the revaluation surplus, until the forecast transaction does

not affect profit or loss. If the forecast 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 revenue.

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 forward currency transactions is recognised in profit or loss under other financial income and revenue.

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/ 2017, 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, until they reach half of the share capital of the parent company.

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 Impol Group is bound to pay jubilee and retirement benefits to its employees, for which it formed long-term provisions. There are no other obligations relating to pensions. 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 estimated that when the accounting value of the receivable exceeds its fair value (i.e. the 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 analysed by their age 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 the following:

- Income 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 services done, other than services that lead to financial income and are measured by sales prices of completed services. It is recognised in the period in which the service is performed.
- Incomplete production and finished 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 etc.

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.

Financial 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 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. 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.

Notes to individual items of consolidated financial statements

1. Operating revenues

Table 49: Operating revenue in EUR

Operating revenues	Operating revenue generated with		2017	2016
	associated	others		
Net sales revenues	78,623	666,644,317	666,722,940	543,467,944
Change in the value of product inventories and unfinished production		7,906,999	7,906,999	-1,531,435
Capitalised own products and services*		977,649	977,649	569,725
Other operating revenues	3,006	3,988,028	3,991,034	6,239,657
Total	81,629	679,516,993	679,598,622	548,745,891

Net sales revenues	2017	2016
From the sale of products	611,436,948	459,676,080
From sales of services	3,350,082	3,193,118
From sales of goods and materials	51,935,910	80,598,746
Total net sales revenues	666,722,940	543,467,944

Other operating revenues	2017	2016
Revenues from the reversal of provisions	535,079	372,107
Revenues from business combinations (revaluation surplus - negative goodwill)	0	106,007
Other revenues associated with business effects (subsidies, grants, compensations, premiums, etc.)	2,983,523	4,165,104
Revaluation operating revenue	472,432	1,596,439
Total	3,991,034	6,239,657

Revaluation operating revenue	2017	2016
From disposal of tangible fixed assets	42,706	156,396
From operating receivables	46,287	895,077
From operating liabilities	13,439	544,966
From the disposal of investment property (cost model)***	370,000	
Total	472,432	1,596,439

*Capitalised own products and services are products produced by the Group for its own needs and which it capitalised among tangible or intangible long-term fixed assets. Their value does not exceed the costs of their production or services rendered.
**These are revenues from claims and returned excise duties for electricity and gas.
***It is sale of some holiday properties in Croatia.

Net sales revenue by business segment

Table 50: Net sales revenue by business segment in EUR

	2017	2016
Sales revenues in the domestic market	37,948,951	34,669,369
• Associates	78,623	83,599
• Other companies	37,870,328	34,585,770
Revenue from sales in the EU	567,084,726	458,466,075
• Other companies	567,084,726	458,466,075
Revenue from sales in other European countries	41,648,436	13,564,050
• Other companies	41,648,436	13,564,050
Revenue from sales on other markets	20,040,827	36,768,450
• Other companies	20,040,827	36,768,450
Total	666,722,940	543,467,944

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

2. Operating expenses

Table 51: Operating expenses in EUR

	Manufacturing costs	Cost of sales	Costs of general activities	Total 2017	Total purchase in 2017 from:		Total 2016
					Associate companies	Other companies	
Cost of merchandise and materials sold	74,737	90,397,254	6,974	90,478,965	0	90,478,965	66,332,877
Costs of material	408,571,596	5,469,669	5,084,954	419,126,219	157	419,126,062	329,558,661
Costs of services	17,475,150	18,216,738	7,843,114	43,535,002	2,749,616	40,785,386	39,484,005
Labour costs	39,662,701	3,098,116	17,536,507	60,297,324	0	60,297,324	54,221,164
Depreciation	13,730,586	118,512	1,798,225	15,647,323	0	15,647,323	15,335,390
Revaluation operating expenses	1,574	5,671	203,381	210,626	0	210,626	220,795
Provisions	0	0	1,513	1,513	0	1,513	0
Other operating expenses	1,930,681	35,448	1,384,442	3,350,571	0	3,350,571	2,076,432
Total	481,447,025	117,341,408	33,859,110	632,647,543	2,749,773	629,897,770	507,229,324

Table 52: Revaluation operating expenses in EUR

	2017	2016
From disposal of intangible fixed assets	52	
From disposal of tangible fixed assets	92,034	27,757
From inventories	3,781	5,340
From operating receivables	114,759	186,065
From operating liabilities	0	1,633
Total	210,626	220,795

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

Labour costs

Table 53: Itemization of labour costs in EUR

	2017	2016
Costs of wages and salaries	44,037,097	37,419,153
Costs of pension insurance	4,464,858	6,683,928
Costs of other insurance	3,265,467	2,175,236
Other labour costs	8,529,902	7,942,847
TOTAL	60,297,324	54,221,164

3. Financial revenue and expenses

Table 54: Financial revenue from financial investments in EUR

	Total 2017	Of which from companies		Total 2016
		Associate companies	Other companies	
Financial revenue from participating interests – in profits, dividends	91,229	46,201	45,028	70,210
Financial revenue from other investments – revenue from disposal of long-term financial investments	0	0	0	59,841
Financial revenue from loans - interests	68,595	0	68,595	32,286
Financial revenue from operating receivables - interests	272,389	0	272,389	32,063
Financial revenue from forwards	153,075		153,075	187,213
Financial revenue from operating receivables – foreign exchange differences	7,333,474	0	7,333,474	4,109,339
Total	7,918,762	46,201	7,872,561	4,490,952

Financial revenue from participating interests of profits of associate companies represent shares in the amount of EUR 46,201, calculated according to the equity method in the consolidated financial statements.

Table 55: Financial expenses from financial investments in EUR

	Total 2017	Of which from companies Other companies	Total 2016
Financial expenses from loans (other than loans received from banks) – Interests	399,184	399,184	108,034
Financial expenses from (excluding bank loans) – foreign exchange differences	413,430	413,430	385,433
Financial expenses from loans received from banks – interests	2,626,856	2,626,856	3,284,120
Financial expenses from bonds – interests	10,183	10,183	0
Financial expenses from other financial liabilities – interests	1,444,000	1,444,000	1,818,795
Financial expenses from other financial liabilities – foreign exchange differences	64,809	64,809	83,809
Financial expenses from operating liabilities – interests	0	0	420,570
Financial expenses from forwards	6,809	6,809	16,087
Financial expenses from operating liabilities – foreign exchange differences	4,261,951	4,261,951	1,144,088
Financial expenses from impairment	6,507,597	6,507,597	3,593,074
Total	15,734,819	15,734,819	10,854,010

4. Income tax in EUR

Table 56: Income tax in EUR

Income tax	2017	2016
Revenues determined in accordance with accounting regulations	1,165,178,788	949,703,156
Revenue recognised for tax purposes	1,159,540,340	937,968,033
Expenses determined under accounting regulations	1,121,369,390	912,158,516
Expenses recognised for tax purposes	1,119,432,911	903,047,266
DIFFERENCE BETWEEN DEDUCTIBLE REVENUE AND EXPENSES	40,107,429	34,920,767
TAX BASE	26,598,558	34,523,588
TAX	4,856,054	4,151,951
Effective tax rate in %	12.41	11.81

*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 2017 was 19 percent (in 2016: 17 percent), while the applicable income tax rate in Croatia is 18 percent, in Serbia 15 percent, in the USA 31 percent (between 25 to 39 percent in 2016), and in Hungary 9 percent (in 2016: 10 percent).

Table 57: Overview of current income tax by companies in EUR

Income tax	2017	2016
Impol 2000, d. d.	0	83,882
Impol, d. o. o.	3,378,279	2,686,597
Impol LLT, d. o. o.	168,160	325,546
Impol FT, d. o. o.	151,495	103,075
Impol PCP, d. o. o.	507,008	414,801
Impol Infrastruktura, d. o. o.	18,690	17,292
Impol R in R, d. o. o.	42,919	3,237
Rondal, d. o. o.	48,895	90,012
Impol-Montal, d. o. o.	21,937	20,180
Impol Servis, d. o. o.	20,571	17,298
Impol Stanovanja, d. o. o.	5,235	2,428
Kadring, d. o. o.	18,569	7,124
Stampal SB, d. o. o.	287,543	220,647
Štatenberg, d. o. o.	325	0
Unidel, d. o. o.	19,902	24,451
Impol Aluminium Corporation	131,592	82,961
Impol Seval, a. d.	0	0
Impol Seval Tehnika, d. o. o.	13,834	27,013
Impol Seval Final, d. o. o.	1,590	3,287
Impol Seval President, d. o. o.	0	0

Income tax	2017	2016
Impol Seval PKC, d. o. o.	1,948	1,974
Impol Hungary KFT.	17,562	20,146
Impol-Final, d. o. o.	0	0
Impol ulaganja, d. o. o.	0	0
Impol-TLM, d. o. o.	0	0
Total income tax	**4,856,054**	**4,151,951**

5. Deferred tax assets and liabilities

Table 58: Deferred tax assets and liabilities in EUR

	Deferred tax assets	Deferred tax liabilities
Deferred tax balance as of 31/ 12/ 2016 (+)	872,580	1,752,988
Opening balance adjustment (+/-)	0	0
Deferred tax balance as of 1/ 1/ 2017	872,580	1,752,988
Deductible temporary differences (+)	578,009	
Taxable temporary differences (+)		89,323
Transfers of deferred taxes of companies in the group upon acquisition	0	0
Utilisation of deductible temporary differences (-)	-294,648	
Exchange rate differences (+/-)	1,340	75,027
Deferred tax balance as of 31/ 12/ 2017	1,157,281	1,917,338

Table 59: Changes in deferred-tax assets and liabilities were recognised in

Changes in deferred-tax assets and liabilities were recognised in:	2017	2016
• Profit or loss account (+ / -)	193,302	-577,926
• Capital – Reserves resulting from valuation at fair value (+/-)	736	41,411
• Capital – Retained profit or loss brought forward (+ / -)	-73,687	28,044
Total	120,351	-508,471

Table 60: Fluctuation of deferred tax receivables – consolidated in EUR

	Carrying depreciation exceeds the depreciation for tax purposes	Impairments (revaluation operating expenses)	Provisioning	Tax loss	Unused tax relief for investments	Adjustment of reserves for fair value for deferred tax	Total
Balance of deferred tax receivables as of 31/ 12/ 2016	893	258,878	169,768	401,630	0	41,411	872,580
Opening reclassifications among items			87	-87			0
Balance of deferred tax receivables as of 01/ 01/ 2017	893	258,878	169,855	401,543	0	41,411	872,580
Occurrence of deductible temporary differences (+)	19	9,037	35,018	476,730	56,469	736	578,009
Utilisation of deductible temporary differences (-)	0	-44,604	-6,316	-243,728	0	0	-294,648
Exchange rate differences (+/-)	38	0	0	1,302	0	0	1,340
Deferred tax liabilities as of 31/12/2017	950	223,311	198,557	635,847	56,469	42,147	1,157,281

Fluctuation of deferred tax liabilities – consolidated

Table 61: Fluctuation of deferred tax liabilities – consolidated in EUR

	Depreciation for tax purposes exceeds accounting depreciation
Deferred tax liabilities as of 31/ 12/ 2016 (+)	1,752,988
Deferred tax liabilities as of 1/ 1/ 2017	1,752,988
Occurrence of deductible temporary differences (+)	89,323
Change in non-utilised amounts from the opening balance resulting from changes to the tax rate	0
Automatic exchange rate differences	75,027
Deferred tax liabilities as of 31/ 12/ 2017	1,917,338

The deferred tax receivables are mainly formed for written-off receivables, for which impairments are temporarily not recognised for tax purposes upon recognition, for formed provisions for long-service bonuses and severance pays upon retirement, 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 62: Basic net earnings per share in EUR

	2017	2016
Profit or loss attributable to owners of the controlling company	31,751,920	27,087,501
Weighted average of the number of regular shares	984,659	984,659
Basic earnings per share (in EUR)	32.25	27.51

Table 63: Weighted average of the number of regular shares as of 31/ 12/ 2017 in EUR

	2017	2016
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 2017 include:

- Change of fair value of hedges (interest swaps) in the amount of EUR -3,873, while the derivatives were intended for hedging the cash flow from loans received. Exchange rate differences from converting financial statements of foreign companies included;
- Exchange rate differences from converting financial statements of foreign companies included consolidation in the amount of EUR 1,881,880;
- Actuary losses based on the re-calculation of provisions for retirement benefits for the financial year 2017, in the amount of EUR -155,433;
- 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 736.

6. Intangible assets and long-term deferred costs and accrued revenue

Table 64: Intangible assets in 2017 in EUR

Description	Long-term property rights	Goodwill	Long-term deferred development costs	Total
Cost as of 31/ 12/ 2016	8,312,232	319,229		8,631,461
Opening reclassifications among items	562			562
Cost as of 1/ 1/ 2017	8,312,794	319,229	0	8,632,023
Direct increases – acquisitions	558,596		325,824	884,420
Exchange rate differences (+/-)	12,520			12,520
Decreases – exclusions, other decreases	-33,877			-33,877
Cost as of 31/ 12/ 2017	8,850,033	319,229	325,824	9,495,086
Value adjustment as of 31/ 12/ 2016	6,882,549			6,882,549
Opening reclassifications among items	185			185
Value adjustment as of 1/ 1/ 2017	6,882,734	0	0	6,882,734
Depreciation during the year	404,139			404,139

Description	Long-term property rights	Goodwill	Long-term deferred development costs	Total
Direct increase	185			185
Exchange rate differences (+/-)	11,573			11,573
Decreases – exclusions, other decreases	-1,708			-1,708
Value adjustment as of 31/ 12/ 2017	7,296,923	0	0	7,296,923
Carrying amount as of 31/ 12/ 2017	1,553,110	319,229	325,824	2,198,163
Carrying amount as of 31/ 12/ 2016	1,429,683	319,229	0	1,748,912

Table 65: 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 reclassifications among items			0
Cost as of 1/ 1/ 2016	7,760,713	319,229	8,079,942
Direct increases – acquisitions	593,524		593,524
Exchange rate 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 reclassifications among items			0
Value adjustment as of 1/ 1/ 2016	6,293,312	0	6,293,312
Depreciation during the year	598,918		598,918
Exchange rate 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

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/ 2017 were fully depreciated.

Goodwill

Structure of goodwill according to business combinations that generated it.

Table 66: Structure of goodwill in EUR

	31/ 12/ 2017	31/ 12/ 2016
Stampal SB, d. o. o.	319,229	319,229

On 31/ 12/ 2017, goodwill was tested for possible impairment and no need for impairment was determined.

7. Tangible fixed assets

Table 67: Tangible assets in 2017 in EUR

Description	Land	Buildings	Property being acquired	Advances for property	Total immovable property
Cost as of 31/ 12/ 2016	9,432,999	86,386,103	493,052	110,400	96,422,554
Opening reclassifications among items			166,059	-110,400	55,659
Cost as of 1/ 1/ 2017	9,432,999	86,386,103	659,111	0	96,478,213
Direct increases – acquisitions			4,361,944		4,361,944
Transfer from construction in progress		1,133,222	-1,133,222		0
Transfer between Group companies – acquisition			46,806		46,806
Transfer to investment property			-248,460		-248,460
Transfer from investment property		47,290			47,290
Exchange rate differences (+/-)	160,890	637,704	9,028		807,622
Decreases – sales	-4,905				-4,905
Decreases – exclusions, other decreases					0
Cost as of 31/ 12/ 2017	9,588,984	88,204,319	3,695,207	0	101,488,510
Value adjustment as of 31/ 12/ 2016		46,446,329			46,446,329
Opening reclassifications among items					0
Value adjustment as of 1/ 1/ 2017	0	46,446,329	0	0	46,446,329
Depreciation		2,067,816			2,067,816
Direct increase					0
Transfer from investment property		311			311
Exchange rate differences (+/-)		311,940			311,940
Decreases – sales					0
Decreases – exclusions, other decreases					0
Value adjustment as of 31/ 12/ 2017	0	48,826,396	0	0	48,826,396
Carrying amount as of 31/ 12/ 2017	9,588,984	39,377,923	3,695,207	0	52,662,114
Carrying amount as of 31/ 12/ 2016	9,432,999	39,939,774	493,052	110,400	49,976,225

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
300,460,249	18,953,194	12,000,286	5,304,192	336,717,921	433,140,475
-3,372,959	3,407,115	-166,059	110,400	-21,503	34,156
297,087,290	22,360,309	11,834,227	5,414,592	336,696,418	433,174,631
	35,158	26,534,744	11,380,820	37,950,722	42,312,666
4,931,970	2,196,896	-7,128,866		0	0
		212,521		212,521	259,327
				0	-248,460
				0	47,290
2,060,166	129,919	350,209	157,439	2,697,733	3,505,355
-198,570	-71,991			-270,561	-275,466
-17,004,770	-389,016		-5,322,529	-22,716,315	-22,716,315
286,876,086	24,261,275	31,802,835	11,630,322	354,570,518	456,059,028
227,857,292	15,102,577			242,959,869	289,406,198
-2,166,681	2,201,214			34,533	34,533
225,690,611	17,303,791	0	0	242,994,402	289,440,731
11,507,464	1,570,702			13,078,166	15,145,982
	9,067			9,067	9,067
				0	311
732,525	83,707			816,232	1,128,172
-186,786	-53,840			-240,626	-240,626
-16,930,090	-375,995			-17,306,085	-17,306,085
220,813,724	18,537,432	0	0	239,351,156	288,177,552
66,062,362	5,723,843	31,802,835	11,630,322	115,219,362	167,881,476
72,602,957	3,850,617	12,000,286	5,304,192	93,758,052	143,734,277

In 2017, the Impol Group intensively invested in increasing its production capacities in Slovenia as well as in companies abroad. This is also the reason for the increase of the advances granted and investments in progress in 2017. More information about this is provided in the operating part of the annual report.

Table 68: Tangible assets in 2016 in EUR

Description	Land	Buildings	Property being acquired	Advances for property	Total immovable property
Cost as of 31/ 12/ 2015	3,740,137	77,266,566	1,659,821		82,666,524
Opening reclassifications among items					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 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
Exchange rate 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 reclassifications among items					0
Value adjustment as of 1/ 1/ 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
Exchange rate 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	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

More than half of all tangible fixed assets that were used on 31/ 12/ 2017 were fully depreciated.

Assets under finance lease

The carrying amount of equipment under finance lease as of 31/ 12/ 2017, amounts to EUR 1,285,549 (31/ 12/ 2016: EUR 1,437,281).

Table 69: Value of assets under finance lease in EUR

	Cost (+)	Value adjustment (+)	Carrying amount (=)
Equipment	1,289,335	458,799	830,536
Total	1,289,335	458,799	830,536

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 70: 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	Real property	67,400,144	38,166,619	29,233,525
2	Equipment	108,288,611	78,971,521	29,317,090
Total		175,688,755	117,138,140	58,550,615

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 71: Investment property in 2017 in EUR

Description	Buildings	TOTAL
Cost as of 31/ 12/ 2016	5,382,408	5,382,408
Opening balance adjustments		0
Cost as of 1/ 1/ 2017	5,382,408	5,382,408
Transfer from tangible fixed assets (+)	248,460	248,460
Decreases (-)	-221,078	-221,078
Transfer between tangible fixed assets (-)	-47,290	-47,290
Exchange rate differences (+/-)	81,823	81,823
Cost as of 31/ 12/ 2017	5,444,323	5,444,323
Value adjustment as of 31/ 12/ 2016	3,594,491	3,594,491
Opening balance adjustments		0
Value adjustment as of 1/ 1/ 2017	3,594,491	3,594,491
Depreciation (+)	97,090	97,090
Decreases (-)	-221,078	-221,078
Transfer between tangible fixed assets (-)	-311	-311

Description	Buildings	TOTAL
Exchange rate differences (+/-)	20,652	20,652
Value adjustment as of 31/ 12/ 2017	3,490,844	3,490,844
Carrying amount as of 31/ 12/ 2017	1,953,479	1,953,479
Carrying amount as of 31/ 12/ 2016	1,787,917	1,787,917

Table 72: 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 adjustments			0
Cost as of 01/ 01/ 2016	372,928	7,232,259	7,605,187
Direct increase (+)		49,870	49,870
Transfer from tangible fixed assets (+)		14,827	14,827
Exchange rate 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 adjustments			0
Value adjustment as of 01/ 01/ 2016	0	3,908,582	3,908,582
Depreciation (+)		117,380	117,380
Exchange rate 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

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 2017, the Group generated income with investment property in the amount of EUR 522,711 (EUR 308,098 in 2016). Connected depreciation costs in 2017 were EUR 97,090 (EUR 117.380 in 2016).

Table 73: Pledged investment property of the Impol Group as of 31/ 12/ 2017 in EUR

Value by type of assets		Cost (+)	Value adjustment (+)	Carrying amount (=)
1	Investment property	5,148,799	3,290,761	1,858,038
Total		5,148,799	3,290,761	1,858,038

Impol, d. o. o. has pledged investment property.

9. Long-term financial investments:

Table 74: Long-term financial investments in EUR

LONG-TERM FINANCIAL INVESTMENTS	Purchase value of long-term fin.inv. as of 31/ 12/	Of which long-term financial investments in:			Value adjustment as of 31/ 12/	Accounting value	
		Group companies	Associate companies	Other companies	Impairment	31/ 12/ 2017	31/ 12/ 2016
	=	+	+	+	-	=	
Long-term financial investments (+)	3,069,619	0	758,989	2,310,630	-170,355	2,899,264	2,979,790
Short-term part of long-term financial investments (-)	-1,343,166	0	0	-1,343,166	0	-1,343,166	-105,076
TOTAL LONG-TERM FINANCIAL INVESTMENTS	1,726,453	0	758,989	967,464	-170,355	1,556,098	2,874,714

LONG-TERM FINANCIAL INVESTMENTS	Purchase value of long-term fin.inv. as of 31/ 12/	Of which long-term financial investments in:		Value adjustment as of 31/ 12/	Accounting value	
		Associate companies	Other companies	Impairment	31/ 12/ 2017	31/ 12/ 2016
	=	+	+	-	=	
Investments in shares and participating interest	1,255,949	758,989	496,960	-34,648	1,221,301	1,065,741
Other long-term financial investments in equity	0	0	0	0	0	131,962
Total long-term financial investments, except for loans	1,255,949	758,989	496,960	-34,648	1,221,301	1,197,703
Long-term loans to companies	294,437	0	294437	-135,707	158,730	1,484,909
Other long-term funds invested	153,555	0	153,555	0	153,555	169,645
Long-term deposits	22,512	0	22,512	0	22,512	22,457
Total long-term loans	470,504	0	470,504	-135,707	334,797	1,677,011
Total long-term investments	1,726,453	758,989	967,464	-170,355	1,556,098	2,874,714

Long-term financial investments as of 31/ 12/ 2017 are not are pledged as security for liabilities, except in the amount of EUR 22,512 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 75: Development of long-term financial investments excluding loans in EUR

Type of long-term investments	Purchase value				Cost adjustment		Accounting value	
	Purchase value 1/ 1/ 2017	Change due to the use of the equity method	Ex-change rate differ-ences	Cost as of 31/ 12/ 2017	Value ad-justment as of 1/ 1/ 2017	Value ad-justment as of 31/ 12/ 2017	31/ 12/ 2017	1/ 1/ 2017
Investments in equity of associate compa-nies at home	684,766	39,541	34	724,341	0	0	724,341	684,766
Investments in equity of associate compa-nies abroad	34,647	0	0	34,647	-34,647	-34,647	0	0
Total associate companies	719,413	39,541	34	758,988	-34,647	-34,647	724,341	684,766
Investments in equity of other companies at home	380,975	0	0	380,975	0	0	380,975	380,975
Investments in equity of other companies abroad	131,962	0	-15,977	115,985	0	0	115,985	131,962
Total other companies	512,937	0	-15,977	496,960	0	0	496,960	512,937
Total investment in shares	1,232,350	39,541	-15,943	1,255,948	-34,647	-34,647	1,221,301	1,197,703
TOTAL LFI, excluding loans	1,232,350	39,541	-15,943	1,255,948	-34,647	-34,647	1,221,301	1,197,703

Investments in shares of associate companies

Table 76: Investments in associates in EUR

Associate company	Participating interests of the Group in the	Investment as of 31/ 12/ 2017 – equity method	Value adjustment as of 31/ 12/ 2017	Investment as of 31/ 12/ 2017	Investment as of 31/ 12/ 2016
Simfin, d. o. o.	49.51 %	407,639	0	407,639	370,316
Alcad, d. o. o.	32.07 %	316,769	0	316,769	311,210
Brezcarinska cona RS	33.33 %	-67	0	-67	3,240
Impol Brazil	50.00 %	34,647	-34,647	0	0
TOTAL		758,988	-34,647	724,341	684,766

Trend in long-term financial investments – loans

Table 77: Development of long-term financial investments – loans in EUR

	Purchase value						Value adjustment		Accounting value	
	Cost as of 1/ 1/ 2017	New loans	Loans repaid	Ex-change rate dif-ferences	Transfer to short-term financial investments	Cost as of 31/ 12/ 2017	Value ad-justment as of 1/ 1/ 2017	31/ 12/ 2017	1/ 1/ 2017	1/ 1/ 2016
Long-term loans by types of loans	+	+	-	+/-	-	=	-	=	=	=
Loans to other com-panies	1,790,261	29,160	-21,050	-11,478	-1,338,901	447,992	-135,707	-135,707	312,285	1,654,554
Deposits to banks	22,457	55	0	0	0	22,512	0	0	22,512	22,457
TOTAL long-term loans	1,812,718	29,215	-21,050	-11,478	-1,338,901	470,504	-135,707	-135,707	334,797	1,677,011

Long-term loans mostly include loans granted to other companies and long-term bank deposits. The loans are not secured.

10. Inventories

Table 78: Inventories in EUR

	31/ 12/ 2017		Of which inventories as of 31/ 12:	31/ 12/ 2016
	Cost (+)	Accounting value	Pledged as security for liabilities	
Raw material and material	131,443,046	131,443,046	8,000,000	117,059,822
Low-value items	0	0	0	205,253
Work in progress and services	17,089,539	17,089,539	0	8,247,859
Products	11,661,116	11,661,116	0	12,078,869
Merchandise	1,745,760	1,745,760	0	1,705,386
Advances for inventories	667,162	667,162	0	410,234
Total	162,606,623	162,606,623	8,000,000	139,707,423

* Raw material and material are pledged as security for long-term loans maturing in 2018.

Inventories rose above EUR 20 million in terms of value compared to 2016, whereby raw material inventory increased the most, followed by the increase in the value of inventory of incomplete production.

On one hand the increase is the consequence of the increase in aluminium price on the stock-market, which increased by around EUR 250/tonne compared to the previous year, and on the other hand it is the result of the type of inventory itself. If at the end of 2016 a large part of the inventory was on the input side, at the end of 2017 the portion of inventory of incomplete production increased in the inventory structure. This is the direct result of the inclusion of new processing capacities in Croatia, where part of the production is used to product finished products for the external market, and a part is intended for ensuring the raw material supply for production for the Slovenian market. The inventory of incomplete production increases accordingly, in particular since it is the production of rolled products, where the natural production process from procurement to shipment lasts on average 90 days.

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

Table 79: Write-offs of inventories due to a change in their quality or value

Type of inventory	2017	Write-offs
Raw material and material	369	369
Merchandise	3,781	3,781
Total	4,150	4,150

Table 80: Inventory surpluses and deficits in EUR

Type of inventory	2017	Surpluses (+)	Deficits (-)
Raw material and material	2,069	2,069	0
Incomplete production	10,000	10,000	0
Merchandise	-4,241	3,738	-7,979
Total	7,828	15,807	-7,979

Received goods and material to be processed are recorded as foreign goods and only their quantity is monitored. At the end of 2017, the Group's inventories of goods given on consignment amounted to EUR 1,220,816.

11. Short-term financial investments

Table 81: Short-term financial investments in EUR

	Purchase value of short-term financial investments as of 31/ 12/	Short-term financial investments in: Other companies	Value adjust-ment due to impair-ment	Accounting value	
				31/ 12/ 2017	31/ 12/ 2016
	=	-	=		
Short-term financial investments (+)	13,479,923	13,479,923	-324,833	13,155,090	7,575,351
Short-term part of long-term financial investments (+)	1,343,166	1,343,166	0	1,343,166	105,076
Total short-term financial investments	**14,823,089**	**14,823,089**	**-324,833**	**14,498,256**	**7,680,427**

	Purchase value of short-term financial investments as of 31/ 12/	Short-term financial investments in: Other companies	Value adjust-ment due to impair-ment	Accounting value	
				31/ 12/ 2017	31/ 12/ 2016
	=		-	=	
Other securities acquired for sale	0	0	0	0	58,659
Receivables acquired for sale	13,069,598	13,069,598	0	13,069,598	6,214,607
Total short-term financial investments excluding loans	13,069,598	13,069,598	0	13,069,598	6,273,266
Short-term portion of long-term loans granted*	1,343,166	1,343,166	0	1,343,166	0
Short-term loans granted	409,454	409,454	-324,833	84,621	69,832
Short-term deposits	871	871	0	871	1,337,329
Total short-term loans granted	**1,753,491**	**1,753,491**	**-324,833**	**1,428,658**	**1,407,161**
Total short-term financial investments	**14,823,089**	**14,823,089**	**-324,833**	**14,498,256**	**7,680,427**

* The long-term loan in the amount of EUR 1,338,901 (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

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Table 82: Trend in short-term financial investments excluding loans in EUR

	Purchase value					Purchase value adjustment		Accounting value	
	Cost as of 1/ 1/ 2017	Purchases	Measured at lower fair value	Exchange rate differ-ences	Purchase value as of 31/ 12/ 2017	Value ad-justment 1/ 1/ 2017	Value ad-justment as of 31/ 12/ 2017	31/ 12/ 2017	1/ 1/ 2017
	+	+	-	+/-	=	-	=	=	=
Receivables acquired for sale*	6,227,933	6,733,557	0	121,434	13,082,924	-13,326	-13,326	13,069,598	6,214,607
Financial derivatives - foreign exchange swap	58,659	0	-58,659	0	0	0	0	0	58,659
Total SFI, excluding loans	6,286,592	6,733,557	-58,659	121,434	13,082,924	-13,326	-13,326	13,069,598	6,273,266

*Impol-TLM, d. o. o. purchased receivables from Croatian banks, which they had towards the companies TLM Aluminium in TLM TPP, in the amount of EUR 13,069,598. 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. Receivables are secured by pledging tangible assets. In October 2017, an auction was held, at which Impol-TLM, d. o. o., was the most favourable tenderer. The indicated receivables are subject to the offset with the claim against the debtor in bankruptcy for the payment of the purchase price after the concluded auction, as clarified in the events after the balance sheet date.

Table 83: Trend in short-term financial investments – loans in EUR

	Repayment value						Value adjustment			Accounting value	
	Repay-ment value 1/ 1/ 2017	New loans	Loans repaid	Ex-change rate differ-ences	Transfer from long-term fin. inv.	Purchase value 31/ 12/ 2017	Value ad-justment as of 1/ 1/ 2017	Adjust-ment reduction due to impair-ment reversal	Value ad-justment as of 31/ 12/ 2017	31/ 12/ 2017	1/ 1/ 2017
	+	+	-	+/-	+	=	-	+	=	=	=
Loans to other com-panies	639,031	162,363	-398,086	10,412	1,338,901	1,752,621	-337,940	13,106	-324,834	1,427,787	301,091
Short-term deposits to banks	1,106,070	9,600,055	-10,705,134	-120	0	871	0	0	0	871	1,106,070
Total short-term loans	1,745,101	9,762,418	-11,103,220	10,292	1,338,901	1,753,492	-337,940	13,106	-324,834	1,428,658	1,407,161

Short-term financial investments were not pledged as security for liabilities.

12. Short-term operating receivables

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

Table 84: Short-term operating receivables in EUR

	Short-term operating receivables	Short-term operating receivables from companies: Associate companies	Short-term operating receivables from companies: Other companies	Value adjustment due to impairment	31/12/2017	31/12/2016
	=	+	+	-	=	+
Short-term receivables from customers	81,815,323	7,597	81,807,726	-9,043,907	72,771,416	48,840,914
• of which already matured on 31/12	24,124,334	1,504	24,122,830	0	24,124,334	16,360,264
Short-term advances and securities granted*	12,015,491	0	12,015,491	0	12,015,491	1,562,139
Short-term receivables associated with financial revenues	240,613	6,680	233,933	-103,591	137,022	45,895
Short-term receivables from state institutions	13,497,686	0	13,497,686	0	13,497,686	12,064,602
Other short-term operating receivables	371,473	0	371,473	0	371,473	276,941
Total short-term operating receivables	107,940,586	14,277	107,926,309	-9,147,498	98,793,088	62,790,491

Short-term operating receivables from customers	72,771,416
• domestic market	6,344,998
• foreign market	66,426,418

* This is mainly a paid deposit for the movable and immovable property auction of the company TLM Aluminium in liquidation for EUR 11.7 million of HRK 87 million.

Trend in value adjustment of short-term operating receivables due to the impairment

Table 85: Trend in value adjustment of short-term operating receivables due to the impairment in EUR

	2017	Of which value adjustment of short-term receivables from companies: other	2016
Balance as of 1/1 (+)	9,183,847	9,183,847	11,341,009
Decrease in value due to settlement of receivables (-)	-31,791	-31,791	-994,127
Decrease in value due to write-offs of receivables (-)	-117,186	-117,186	-1,337,745
Created value adjustments for the period due to the impairment and exchange rate differences (+)	112,628	112,628	174,710
Balance as of 31/12	9,147,498	9,147,498	9,183,847

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Table 86: Analysis of outstanding trade receivables in EUR

	31/ 12/ 2017	31/ 12/ 2016 (adjusted due to reclassification in 2017)*	31/ 12/ 2016 (originally reported)
Due in 2017	15,056,533	X	X
Due in 2016	112,517	10,611,425	10,611,425
Due in 2015	297,721	327,785	327,785
Due in 2014	268,961	451,235	451,235
Due in 2013 or earlier	8,388,602	8,378,356	5,646,623
Total receivables from customers already due	24,124,334	19,768,801	17,037,068

*In 2016, the receivables amounting to a total of EUR 2,731,733 together with the corresponding value adjustment due to impairment in the same amount was originally recognised under item "Other short-term operating receivables", whereas in 2017 the Group moved the mentioned receivables together with the corresponding adjustment among receivables from customers. The receivables matured before 2013.

13. Monetary assets

Table 87: Cash in EUR

	31/ 12/ 2017	31/ 12/ 2016
Cash in hand and immediately cashable securities	3,982	4,694
Cash in banks and other financial institutions	12,463,410	19,477,391
Total	12,467,392	19,482,085

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 88: Short-term deferred costs and accrued revenues in EUR

	31/ 12/ 2017	31/ 12/ 2016
Short-term deferred costs or expenses	162,085	371,003
Short-term deferred income	20,439	733
VAT from received advances	40,614	23,066
Total	223,138	394,802

14. Equity

Table 89: Equity in EUR

	31/ 12/ 2017	31/ 12/ 2016
Equity	187,476,918	154,015,227
Minority shareholders' equity	17,524,338	14,525,139
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
Income reserves	7,958,351	7,432,528
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	2,225,770	1,699,947
Other revenue reserves	5,732,581	5,732,581
Reserves resulting from valuation at fair value	-735,539	-593,451
Capital revaluation adjustment	251,501	-1,103,373
Net profit brought forward	116,049,376	91,990,290
Net profit or loss of financial year	31,226,097	26,561,300

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/ 2017 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.

Income reserves

Revenue reserves as of 31/ 12/ 2017 amount to EUR 7,958,351, which include own shares (as deduction) and the corresponding reserves for own shares, statutory reserves and other reserves from profit.

As of 31/ 12/2017, 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 90: Repurchased own shares in EUR

	Balance as of 1/ 1/ 2017			Balance as of 31/ 12/ 2017		
	Number	Percent	Value	Number	Percent	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 2,225,770 represent the amount of reserves formed based on the statute of the controlling company. In 2017, these reserves increased by EUR 525,823 that were debited to the annual profit. Other revenue reserves as of 31/ 12/ 2017 amount to EUR 5,732,581. They include the rest of the retained earnings of previous years.

Capital revaluation adjustment

As of 31/ 12/ 2017, the revaluation adjustment of capital amounts to EUR 251,501 EUR and increased in 2017 by EUR 1,354,874, which corresponds to an increased due to exchange rate differences that occurred when including financial reports of foreign subsidiaries into consolidated financial statements. In 2017, the revaluation adjustment of capital increased mainly due to the impacts from recalculation of financial statements of the companies in the group Impol Seval, a. d., since the appreciation of the Serbian dinar exchange rate compared to the Euro in the period from 1/ 1 to 31/ 1/ 2017 amounted to 4.2%. As part of the revaluation adjustment of capital, the Group also recognised a positive difference in the amount of EUR 487,781, which resulted from exchange rate differences in coordinating loans granted by the parent company Impol 2000, d. d. to companies Impol-TLM, d. o. o., and Impol ulaganja, d. o. o., taking into account IAS 21, specifically Article 32, which requires that exchange rate differences in relation to the monetary item, which is part of the financial investment of the reporting company in business operations abroad, be recognised at the beginning under other comprehensive income.

Reserves from fair value measurement

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 -221,825, actuarial gains/losses based on provisions for retirement allowances in the amount of EUR -563,857, and the adjustment of reserves resulting from valuation of financial investments at fair value for deferred tax liabilities in the amount of EUR 42,147 (due to the positive amount of the adjustment these are effectively deferred tax receivables), as shown in the table.

Table 91: Reserves from fair value measurement in EUR

	State 1/ 1/ 2017	Formation	Reversal	Total 31/ 12/ 2017
Reserves from fair value measurement	+/-	+/-	-/+	=
Reserves resulting from valuation financial investments at fair value	-217,952	-3,873	0	-221,825
Adjustment of reserves resulting from valuation of financial investments at fair value for deferred tax liabilities	41,411	736	0	42,147
Actuarial gains/losses, recognised under reservations for retirement benefits	-421,609	-155,432	13,184	-563,857
TOTAL	-598,150	-158,569	13,184	-743,535
Of which reserves for fair value belonging to non-controlling interest	-4,699	-3,574	277	-7,996
Reserves resulting from valuation at fair value belonging to owners of the controlling company	-593,451	-154,995	12,907	-735,539

Disbursement of dividends

In 2017, 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 1.87 per share or a total of EUR 1,994,854. 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 1,841,312, while Impol-Montal, d. o. o., received dividends in the amount of EUR 150,501 and Kadring, d. o. o., in the amount of EUR 3,041.

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

Table 92: Provisions and long-term accrued expenses and deferred revenue in EUR

		Provisions	Long-term accrued costs and deferred revenues		
	Provisions for retirement, long-service bonuses and severance pays upon retirement	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/ 2016	2,646,567	1,251	495,576	175,917	3,319,311
Opening balance adjustments	0	0	0	0	0
Balance as of 1/ 1/ 2017	2,646,567	1,251	495,576	175,917	3,319,311
Formation (+)	662,686	1,513	286,492	0	950,691
Utilisation (-)	-120,424	0	-297,583	0	-418,007
Reversal (-)	-7,041	0	-707	-47,143	-54,891
Exchange rate differences (+/-)	16,379	0	0	0	16,379
Balance as of 31/ 12/ 2017	3,198,167	2,764	483,778	128,774	3,813,483

It is estimated that no provisions, other than the above stated, 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 long-service bonuses, 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 long-service bonuses and severance pays upon retirement 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 long-service bonuses and severance pays upon retirement 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 483,778. Their balance and trend in 2017 is presented below.

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Table 93: 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 31/12/2016	196,334	298,535	707	495,576
Opening balance adjustments	0	0	0	0
Balance as of 01/01/2017	196,334	298,535	707	495,576
Formation – disposed of contributions (+)	269,063	0	0	269,063
Formation – subsidies (+)	16,790	0	0	16,790
Other increase (+)	0	0	639	639
Utilisation (75% of pays of disabled persons) (-)	-264,204	0	0	-264,204
Utilisation (acquisition of fixed assets from disposed of contributions) (-)	-11,093	11,093	0	0
Utilisation (covering depreciation costs and residual value at disposal) (-)	0	-33,379	0	-33,379
Annulment of interest from previous years (-)	0	0	-707	-707
Balance as of 31/12/2017	206,890	276,249	639	483,778

16. Long-term financial and operating liabilities

Table 94: Long-term financial and operating liabilities in EUR

	Entire debt as of 31/12/2017	The part falling due in 2018	31/12/2017	31/12/2016
	+	-	=	
Long-term financial liabilities regarding bonds	30,000,000	-10,000,000	20,000,000	30,000,000
Long-term financial liabilities to banks	117,273,792	-29,701,997	87,571,795	69,981,389
Long-term financial liabilities (excluding liabilities from financial lease) to other companies	8,202,792	-8,050,747	152,045	8,202,792
Long-term financial liabilities from finance lease of other companies	386,756	-146,577	240,179	386,760
Other long-term operating liabilities – other companies	91,933	0	91,933	237,830
Total long-term financial and operating liabilities	155,955,273	-47,899,321	108,055,952	108,808,771

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

Table 95: 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	160,460	146,132
1 to 5 years	252,542	240,180
Over 5 years	0	0
Total	413,002	386,312

Table 96: Trend in long-term financial liabilities - without financial lease liabilities in EUR

	Total debt as of 01/ 01/ 2017	New loans	Reimburse-ments in the current year	Exchange rate differ-ences	Long-term debt balance on 31/ 12/ 2017	Of which the part falling due in 2018	Of which the part falling due after 1/ 1/ 2019
Long-term financial liabili-ties to companies	8,202,790	0	0	2	8,202,792	-8,050,747	152,045
Long-term financial liabili-ties from bonds payable	30,000,000	0	0	0	30,000,000	-10,000,000	20,000,000
Long-term financial liabili-ties to banks	69,981,391	54,394,973	-7,287,408	184,836	117,273,792	-29,701,997	87,571,795
Total:	108,184,181	54,394,973	-7,287,408	184,838	155,476,584	-47,752,744	107,723,840

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 on an annual basis. The final maturity date is 19/ 10/ 2020/ The remaining principal with interests falls due on 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/ 2018, is stated under short-term financial liabilities.

Table 97: Trend in long-term financial liabilities due to financial lease liabilities in EUR

Total debt as of 1/ 1/ 2017	Exchange rate differ-ences	Total debt as of 31/ 12/ 2017	Of which the part falling due on:	
			in 2018	after 1/ 1/ 2019
386,760	-4	386,756	-146,577	240,179

Table 98: Analysis of outstanding liabilities to suppliers in EUR

MATURITY OF LONG-TERM FINANCIAL AND OPERATING LIABILITIES	31/12/2017	31/12/2016
Due in 2018	x	40,962,008
Due in 2019	39,756,223	29,908,134
Due in 2020	34,366,158	25,807,484
Due in 2021	13,906,792	7,814,229
Due in 2022	9,251,166	4,316,916
Due in 2023 or later	10,775,613	x
TOTAL long-term financial and operating liabilities	108,055,952	108,808,771

Interest rates for long-term loans:

The range of the interest rate for long-term loans is from 1% fixed to 4.9% (depending on the field, maturity, insurance and credit institutions range).

Long-term financial obligations are insured with mortgages, business share, equipment, inventories, and bills of exchange. Part of long-term financial liabilities in the amount of EUR 87,964,019 is insured, while part of the debt in the amount of EUR 20,000,000 is not insured. Carrying amounts of assets given as insurance for long-term financial liabilities are disclosed under individual disclosures of group assets.

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17. Short-term liabilities

Table 99: Short-term liabilities in EUR

A. Short-term financial and operating liabilities	31/ 12/ 2017	31/ 12/ 2016
Short-term operating liabilities to suppliers – associate companies	572,235	313,206
Short-term operating liabilities to suppliers – other companies	53,770,067	32,865,770
Short-term operating liabilities based on advances to other companies	1,714,911	1,588,225
Other short-term operating liabilities – other companies	12,359,877	9,656,966
Total short-term operating liabilities	68,417,090	44,424,167
Short-term portion of long-term financial liabilities – banks	29,701,997	26,365,674
Short-term part of long-term financial liabilities (excluding liabilities from finance lease) – other companies	8,050,747	48,115
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	146,577	140,264
Short-term financial liabilities – banks	36,522,621	25,019,999
Short-term financial liabilities (excluding liabilities from financial lease) – other companies and fair value of financial derivatives	7,416,437	5,600,702
Short-term financial liabilities from the distribution of profit	9,444	11,736
Short-term financial liabilities from financial lease – other companies*	-445	4,518
Total short-term financial liabilities	91,847,378	67,191,008
Total short-term financial and operating liabilities	160,264,468	111,615,175
B. Short-term financial and operating liabilities	**31/ 12/ 2017**	**31/ 12/ 2016**
Short-term financial liabilities	43,948,057	30,636,955
Short-term part of long-term financial liabilities	47,899,321	36,554,053
Total short-term financial liabilities	91,847,378	67,191,008
Short-term operating liabilities	68,417,090	44,424,167
Total short-term operating liabilities	68,417,090	44,424,167
TOTAL short-term financial and operating liabilities	160,264,468	111,615,175
C. Short-term operating liabilities	**31/12/2017**	**31/12/2016**
Short-term liabilities to associate companies as suppliers	572,235	313,206
Short-term liabilities to other companies as suppliers	53,770,067	32,865,770
Total short-term liabilities to suppliers	54,342,302	33,178,976
of which already matured on 31/ 12/	4.4.530,927	3,467,067
Short-term liabilities for advances	1,714,911	1,588,225
Total short-term liabilities for advances	1,714,911	1,588,225
Short-term liabilities to employees	7,778,290	6,102,784
Short-term liabilities to government	1,961,958	2,556,074
Short-term liabilities from interests – other companies	196,486	194,669
Other short-term operating liabilities – other companies	2,423,143	803,439
Total other short-term operating liabilities	12,359,877	9,656,966
TOTAL short-term operating liabilities	**68,417,090**	**44,424,167**
D. Itemisation of short-term liabilities from interest	**31/ 12/ 2017**	**31/ 12/ 2016**
Interest related to finance expenses from operating liabilities	2,921	12,535
Interest related to finance expenses from financial liabilities	193,565	182,134
Total short-term liabilities from interests	196,486	194,669

* Overpayment in 2017.

Table 100: 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/ 2017	New loans in current year	Measured financial derivatives at fair value	Transfer of the short-term portion of long-term liabilities	Exchange rate differences	Reimbursements in the current year	Total debt as of 31/ 12/ 2017
Short-term portion of long-term financial liabilities – bonds	10,000,000			10,000,000		-10,000,000	10,000,000
Short-term financial liabilities to banks	25,019,999	36,522,621				-25,019,999	36,522,621
Short-term portion of long-term financial liabilities – banks	26,365,674			29,701,997	695	-26,366,369	29,701,997
Fair value of interest rate swaps	217,952		3,875				221,827
Fair value of foreign exchange swaps	0		13,667				13,667
Short-term portion of financial liabilities (excluding liabilities from financial lease) to other companies	48,115			8,050,747		-48,115	8,050,747
Short-term financial liabilities to other companies (excluding liabilities due to financial lease) and fair value of financial derivatives	5,382,750	8,680,110			-1,908	-6,880,009	7,180,943
TOTAL	67,034,490	45,202,731	17,542	47,752,744	-1,213	-68,314,492	91,691,802

Table 101: Analysis of outstanding liabilities to suppliers in EUR

Analysis of outstanding liabilities to suppliers	31/ 12/ 2017	31/12/2016
Due in 2017	4,400,463	-
Due in 2016	55,764	3,326,814
Due in 2015	1,396	55,885
Due in 2014	72,928	73,312
Due in 2013 or earlier	375	11,056
Total liabilities to suppliers already due	4,530,927	3,467,067

Interest rates for short-term loans from credit institutions range from EURIBOR6 + 0.95% to fixed EURIBOR6 + 2.00%. Short-term liabilities are partly secured with a mortgage and others with equipment, bills of exchange, assignment of receivables and guarantees.
Part of short-term financial liabilities in the amount of EUR 81,847,378 is insured, while part of short-term financial liabilities in the amount of EUR 10,000,000 is not insured.

Table 102: Short-term accrued expenses and deferred revenue

Short-term accrued costs and deferred revenue	31/ 12/ 2017	31/ 12/ 2016
Accrued deferred costs or expenses	1,669,198	1,554,479
Short-term deferred income	64,955	45,187
VAT from advances granted	110,944	2,195
Total	1,845,097	1,601,861

Short-term deferred costs or expenses include accrued costs of provisions for agents for transactions in 2017, costs of interest of issued bonds accrued until 31/ 12/ 2017, calculated amounts of unused leaves after the balance as of 31/ 12/ 2017, and deferred income based on accruals and VAT from given advances as of 31/ 12/ 2017/

18. Contingent liabilities

The Impol Group has issued guarantees in the amount EUR 2,155,587, 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 Group in the total amount of EUR 609,558 in connection with employment litigations for compensation for damages and other economic actions in the amount of EUR 71,980 EUR.

The Group estimates that these claims are unjustified, which is why the it did not form short-term provisions for these purposes. Employment litigations, insured by an insurance company, are not included among contingent liabilities.

19. 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 2017, the following acquisition of non-controlling share was carried out:

- In 2017, Kadring, d. o. o. acquired a 6.7164% own equity share from non-controlling owners in the amount of EUR 18,000, on the basis of which it effectively increased its controlling owner capital from 93.2836% to 100%. 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 Group carried forward in the amount of EUR 22,675.
- 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. Due to this, an additional payment of contractual obligations amounting to EUR 670,670 was carried out in 2017, since the additional suspensive condition under the 2016 contract on the purchase of shares was fulfilled, and which it was not yet possible to reliably measure and recognise in 2016.

20. Financial instruments and financial risks

Financial risks of the Impol Group have an important role considering their probability and importance, which is why special attention is put to these categories of risk. 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

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 shortages of cash are covered by bank credit lines, whereas any short-term surpluses are invested in liquid current financial assets.

Successful business performance facilitates sustainable solvency and capital increase.

Long-term financial liabilities

Table 103: Long-term financial liabilities in EUR

	Entire debt as of 31/ 12/ 2017	The part falling due in 2018	31/ 12/ 2017	31/ 12/ 2016
	+	-	=	
Long-term financial liabilities regarding bonds	30,000,000	-10,000,000	20,000,000	30,000,000
Long-term financial liabilities to banks	117,273,792	-29,701,997	87,571,795	69,981,389
Long-term financial liabilities (excluding liabilities from financial lease) to other companies	8,202,792	-8,050,747	152,045	8,202,792
Long-term financial lease liabilities – other companies	386,756	-146,577	240,179	386,760
Total long-term financial liabilities	155,863,340	-47,899,321	107,964,019	108,570,941

Maturity of long-term financial liabilities by years

Table 104: Maturity of long-term financial liabilities by years in EUR

Maturity of long-term financial liabilities by years in EUR	31/ 12/ 2017	31/12/2016
Due in 2018	X	40,962,008
Due in 2019	39,756,223	29,908,134
Due in 2020	34,366,158	25,807,484
Due in 2021	13,906,792	7,814,229
Due in 2022	9,251,166	4,079,085
Due in 2023 or later	10,683,680	
Total long-term financial liabilities	107,964,019	108,570,941

Table 105: Short-term financial and operating liabilities in EUR

Short-term operating and financial liabilities	31/ 12/ 2017	31/ 12/ 2016
Short-term financial liabilities	43,948,057	30,636,955
Short-term part of long-term financial liabilities	47,899,321	36,554,053
Total short-term financial liabilities	91,847,378	67,191,008
Short-term operating liabilities	68,417,090	44,424,167
Total short-term operating liabilities	68,417,090	44,424,167
Total short-term financial and operating liabilities	160,264,468	111,615,175

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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.

Table 106: Forward purchases/sales in 2017

	Quantity in tons (t)	Average price in EUR/t
Forward purchases	26,000	1,708
Forward sales	26,000	1,551
Open forward positions	0	

Table 107: Financial revenue from forwards in EUR

	2017	2016	2015
Financial revenue from forwards – forward purchases/sales of aluminium	53,076	88,462	193,344
Financial expenditure from forwards – forward purchases/sales of aluminium	4,183,264	1,099,525	833,740

In 2017, the activity of forward operations generated the forward balance of EUR -4,130,188.

Table 108: Balance of open forward position as of 31/ 12/ 2017

	Quantity in tons (t)	Average price in EUR/t
Forward purchases	0	0
Forward sales	9,000	1,835

Fair value of these financial instruments as of 31/ 12/ 2017 – EUR 395,680.

The change in price of the concluded forward, increased or decreased by 10%, would mean EUR 1.65 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 2017, 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 109: Financial revenue/expenses from forwards – foreign exchange swaps in EUR

	2017	2016
Financial revenue from forwards – foreign exchange swaps	99,999	98,752
Financial expenses from forwards – foreign exchange swaps	78,686	44,563

Table 110: Balance of open forward position as of 31/ 12/ 2017

Foreign exchange forward (FX Forward) – purchase	Currency
10,000,000	USD

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

The fair value of these instruments as of 31/ 12/ 2017, amounts to EUR -13,666 and is recognised as a liability within the framework of short-term financial liabilities. Contracts fall due on 28/ 12/ 2018/

Table 111: Overview of USD inflows, outflows and open positions at Impol d. o. o. in millions of USD

	2012	2013	2014	2015	2016	2017
Inflows	19.0	15.0	16.2	18.5	44.0	18.2
Outflows	58.0	36.0	45.1	41.5	52.0	66.5

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/ 2017 for companies based in Slovenia:
- USD: 1,259,724
- AUD: 181,130
- GBP: 12,959

Open short-term operating liabilities in foreign currencies as of 31/ 12/ 2017 for companies based in Slovenia:
- USD: 4,440,637
- HRK: 31,829
- GBP: 48,895

Open short-term operating receivables in foreign currencies as of 31/ 12/ 2017 for companies based in Serbia:
- EUR: 9,238,853
- GBP: 33,654

Open short-term operating liabilities in foreign currencies as of 31/ 12/ 2017 for companies based in Serbia:
- EUR: 15,737,846
- USD: 1,365
- GBP: 65,295

Open short-term operating receivables in foreign currencies as of 31/ 12/ 2017 for companies based in Croatia:
- EUR: 62,576

Open short-term operating liabilities in foreign currencies as of 31/ 12/ 2017 for companies based in Croatia:
- EUR: 2,232,839

Analysis of the sensitivity to currency pairs to which we are exposed in Slovenia:
Adverse change of any currency pair by 10% would decrease the operating result by not more than EUR 310,407.

Analysis of the sensitivity to currency pairs to which we are exposed in Serbia:
Adverse change of any currency pair by 10% would decrease the operating result by not more than RSD 77,431,032 (which according to the exchange rate of the National Bank of Serbia as of 31/ 12/ 2017 amounts to EUR 653,577). The largest part refers to the currency pair EUR/RSD, where the impact on the operating results amounted to RSD 76,995,322 due to an adverse change (which according to the exchange rate of the National Bank of Serbia as of 31/ 12/ 2017 amounts to EUR 649,899).

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Analysis of the sensitivity to currency pairs to which we are exposed in Croatia:
Adverse change of the currency pair EUR/HKR by 10% would decrease the operating result by not more than HKR 1,630,659 (which according to the exchange rate of the National Bank of Serbia as of 31/ 12/ 2017 amount to EUR 217,026).

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 higher foreign exchange differences.

Table 112: Revenue and expenses from foreign exchange differences in EUR

	Total 2017	Total 2016
Financial revenue from operating receivables – foreign exchange differences	7,333,474	4,109,339
TOTAL revenue from foreign exchange differences	7,333,474	4,109,339
Financial expenses from other financial liabilities – foreign exchange differences	423,612	420,570
Financial expenses from operating liabilities – foreign exchange differences	6,507,598	3,593,074
TOTAL expenses from foreign exchange differences	6,931,211	4,013,644

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. Fair value of interest rate swaps as of 31/ 12/ 2017, in the amount of EUR -221,827, is recognised as a liability within the framework of short-term financial liabilities.

Analysis of the sensitivity to changes in interest rates

Table 113: Short and long-term financial liabilities at a fixed rate in EUR

	31/ 12/ 2017	31/ 12/ 2016
Financial liabilities	100,174,189	56,973,654

Table 114: Short and long-term financial liabilities at a variable rate in EUR

	31/ 12/ 2017	31/ 12/ 2016
Financial liabilities	99,627,663	118,558,607

Table 115: Value of financial liabilities secured with interest rate swaps in EUR

	31/ 12/ 2017	31/ 12/ 2016
Financial liabilities	56,906,250	25,781,250

Table 116: Impact of the operating result changes on the interest rate changes in EUR

	31/ 12/ 2017	31/ 12/ 2016
Increase of the interest rate by 50 bp	-213,607	-463,887
Increase of the interest rate by 100 bp	-427,214	-927,774
Decrease of the interest rate by 50 bp	213,607	463,887
Decrease of the interest rate by 100 bp	427,214	927,774

Interest 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. In the calculation the liabilities at a variable interest rate are reduced by the entire amount of interest rate swaps.

Fair value of interest rate swaps as of 31/ 12/ 2017, in the amount of EUR -221,827, 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 Impol Group had its receivables to customers insured by credit insurance companies.

As of 31/ 12/ 2017, the insurance companies insured receivables to customers in the amount of EUR 63,745,848, representing 86.33% of all open receivables to customers.

The remaining 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/ 2017, is presented in the table.

Table 117: Carrying and fair values of financial instruments in EUR

	Accounting value	Fair value	Fair value level
Investments in associate companies	724,341	724,341	3
Long-term financial investments – available-for-sale assets	496,960	496,960	3
Long-term loans granted	334,797	334,797	3
Long-term operating receivables	38,262	38,262	3
Short-term financial investments-receivables, acquired for sale	13,069,598	13,069,598	3
Short-term loans granted	1,428,658	1,428,658	3
Short-term operating receivables	98,793,088	98,793,088	3
Cash and cash equivalents	12,467,392	12,467,392	3
Long-term financial liabilities	87,964,019	87,964,019	3
Long-term financial liabilities from bonds payable*	20,000,000	21,040,000	1
Long-term operating liabilities	91,933	91,933	3
Short-term financial liabilities (excluding bonds and financial derivatives)	81,611,884	81,611,884	3
Short-term financial liabilities based on bonds*	10,000,000	10,520,000	1
Short-term financial liabilities – fair value of financial derivatives (FV of interest rate swaps and FV of currency swaps) **	235,494	235,494	2
Short-term operating liabilities	68,417,090	68,417,090	3

* Bonds listed on the stock market.
** Fair value of interest rate swaps as of 31/ 12/ 2017 amounts to EUR 221,827, whereas the fair value of foreign exchange swaps amounts to EUR 13,667.

Events after reporting date

At the end of 2017, the Executive Director, Mr. Edvard Slaček, retired and Mr. Andrej Kolmanič was appointed to his position.

Due to the successful acquisition of the assets of TLM Aluminium, d. d., in liquidation, within the framework of the public auction procedure, which was held in October 2017, on 31/ 12/ 2017 the lease relationship of Impol-TLM, d. o. o. was terminated for immovable and movable assets at the location Šibenik, Croatia, owned by TLM Aluminium, d. d., in liquidation, since on 1/ 1/ 2018 Impol-TLM, d. o. o. became the owner of these assets. The accounting of the purchase of assets, which was prepared by the bankruptcy administrator on behalf of the debtor in bankruptcy, TLM Aluminium, d. d., in liquidation, was carried out in the beginning of 2018.

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.

Composition of the Management Board:
- 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;

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.

The Management Board also appointed an Audit Commission composed by:
- Vladimir Leskovar, President of the Commision;
- Bojan Gril, Member of the Management Board;
- Tanja Ahaj, External Member.

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

Table 118: Remuneration of the members of the Management Board and Supervisory Board in EUR

	2017	2016
Management Board members or directors of subsidiaries	2,133,925	2,036,768
Members of the Supervisory Board of Impol Seval, a. d.	62,609	62,461
Employees on individual contracts	5,981,483	5,151,520
Total	8,178,017	7,250,749

Table 119: The amount (cost) spent for the auditor (according to ZGD-1, point 2, paragraph 4, Article 69) in EUR

	2017	2016
Auditing of the annual report	109,405	109,405
Other audit services (review of reports on the relations with affiliated companies)	3,150	3,150
Total	112,555	112,555

Except for the mandatory annual audit of financial statements and legally defined audit overview report on the relations with affiliated companies in Slovenia (Article 546 of the Companies Act (ZGD-1)) for financial year 2017, the auditors of the company in the Impol Group were not carrying out any other audit or non-audit services.

* Edvard Slaček left his CEO position on 31/ 12/ 2017/ Andrej Kolmanič was appointed as his replacement.

Signature of the annual report for 2017 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 2017. We agree with the content and confirm it with our signature.

Jernej Čokl
(Chairman of the Management Board)

Vladimir Leskovar
(Deputy Chairman 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)

Andrej Kolmanič
(Chief Executive Officer)

Irena Šela
(Executive Director of Finance)

Financial report of Impol 2000, d. d., for the year 2017

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 results of operations for 2017.

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 likewise certify that the financial statements, along with the notes to these statements, have been drawn up on the assumption that the Company will continue to operate, and in accordance with the valid legislation and International Accounting Standards.

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.

Andrej Kolmanič	Irena Šela
(Chief Executive Officer)	(Executive Director of Finance)

Slovenska Bistrica, 13/ 4/ 2018

Declaration of the Management Board

The Management Board confirms consolidated financial statements and financial statement of the company Impol 2000, d. d., for the year ending on 31 December 2017 and for the applied accounting guidelines. This Annual Report was adopted by the Company's Management Board at its session held on 24/ 4/ 2018.

Jernej Čokl	Vladimir Leskovar	Janko Žerjav	Milan Cerar	Bojan Gril
(Chairman of the Management Board)	(Deputy Chairman of the Management Board)	(Member of the Management Board)	(Member of the Management Board)	(Member of the Management Board)

Slovenska Bistrica, 24/ 4/ 2018

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, 2017, 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, 2017, 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) and Regulation (EU) No. 537/2014 of the European Parliament and of the Council of 16 April 2014 on specific requirements regarding statutory audit of public-interest entities. 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. 2017 short and long term financial investments in subsidiaries in total amount of 119.827 thousand EUR, which equals to 96% 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 70.806 thousand EUR,
-long term loans to subsidiaries in total amount of 51 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

AUDITOR
REVIZIJSKA DRUŽBA d.o.o. PTUJ

-short term loans to subsidiaries in total amount of 48.970 thousand EUR.

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.

determination of the recoverable amount of the investment in a subsidiary, as described in Note 8 Long-term financial investment in the financial 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 performed, we report that:

- *the other information is in all respect consistent with audited financial statements;*
- *the other information is prepared in compliance with applicable law and regulation; and*
- *based on knowledge and understanding of the Company obtained in the audit on the other information, we have not identified any material misstatement on fact.*

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 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.

AUDITOR
REVIZIJSKA DRUŽBA d.o.o. PTUJ

Report on other legal and regulatory requirements

Consistence with the Additional Report to the Audit Committee

We confirm that our audit opinion on the financial statements expressed herein is consistent with the additional report issued to the Audit Committee on 24 April 2018.

Prohibited services

We confirm that we have not performed any services referred to the Article 5 (1) of EU Regulation No. 537/2014. We also remained independent of the audited entity in conducting the audit.

Other audit services

We confirm that apart from the statutory audit of financial statements the auditing company has not performed any other services for the company IMPOL 2000 d.d. and its subsidiaries as disclosed in the annual report.

Appointment of the Auditor and Certified Auditor responsible for the audit

We were appointed as the statutory auditor of the Company's unconsolidated and consolidated financial statements for the period ended on December 31, 2017, by the shareholders of IMPOL 2000 d.d. on the General Shareholder's Assembly held on 14 July 2017. The Audit Contract was concluded for a period of 1 year. The total period of uninterrupted engagement on financial statements audit by the auditing company is 19 years. The company Impol 2000 d.d. became a public-interest entity by the listing of issued bonds on the organized securities market, which was carried out in December 2015.

On behalf of the auditing company Auditor d.o.o. the auditor responsible for the audit performed is Simon Pregl, univ. dipl. ekon., certified auditor.

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

24. april 2018

Certified auditor:

Simon Pregl, univ. dipl. ekon.

Simon Pregl

Financial statements of Impol 2000, d. d.

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

Profit and loss statement

Table 120: Profit and loss statement in EUR

Item			Note	2017	2016
1.		Net sales revenues	1	21,463,297	19,362,115
	a)	Net sales revenues in the domestic market		18,640,289	15,789,538
	b)	Net sales revenues in the foreign market		2,823,008	3,572,577
2.		Other operating revenue (including operating revenue from revaluation)	1	16,119	20,164
3.		Costs of goods, materials and services	2	14,812,527	13,448,579
	a)	Cost of sold goods and materials and costs of materials used		13,142,672	11,892,778
	b)	Costs of services	2	1,669,855	1,555,801
4.		Labour costs		5,880,449	3,819,612
	a)	Costs of wages and salaries		4,109,461	2,508,179
	b)	Social security costs (pension insurance costs are shown separately)		688,657	420,948
	c)	Other labour costs		1,082,331	890,485
5.		Write-offs	2	77,408	110,359
	a)	Depreciation		77,408	54,761
	b)	Revaluation operating expenses of current assets		0	55,598
6.		Other operating expenses	2	218,576	183,703
7.		Financial revenues from participating interests	3	4,389,251	3,413,957
	a)	Financial revenues from shares in companies in the group		4,389,251	3,413,957
8.		Financial revenues from loans granted	3	346,598	203,251
	a)	Financial revenues from loans granted to companies in the group		346,481	202,184
	b)	Financial revenues from loans granted to others		117	1,067
9.		Financial revenues from operating receivables	3	12,654	16,938
	a)	Financial revenues from operating receivables due from others		12,654	16,938
10.		Financial expenses from the impairment and write-offs of financial investments	3	0	10,000
	a)	Financial expenses from financial liabilities	3	1,595,328	1,857,505
11.		Financial expenses out of loans received by companies in the group		138,945	5,236
	a)	Financial expenses from loans from banks		5,602	27,313
12.		Financial expenses from bonds issued	3	1,444,000	1,818,795
	a)	Financial expenses from other financial liabilities		6,781	6,161
	b)	Financial expenses due to operating liabilities		13	1,076
13.		Income tax	4	0	83,882
14.		Deferred taxes	5	-559	-6,300
15.		Net profit or loss for the financial year:		3,644,177	3,508,009

Second comprehensive income statement

Table 121: Statement of other comprehensive income in EUR

	Note	2017	2016
Net profit or loss for the financial year:		3,644,177	3,508,009
Changes in revaluation reserves from the revaluation of tangible fixed assets (+/-)		0	0
Changes in reserves from fair value measurement (+/-)		0	0
Gains or losses from the conversion of financial statements of companies abroad (impact of exchange rate changes) (+/-)		0	0
Actuarial gains and losses of defined benefit plans (employee benefits) (+/-)	14	-5,941	-12,078
Other items of total comprehensive income (+/-)		0	0
Total comprehensive income in the financial year		3,638,236	3,495,931

Balance Sheet

Table 122: Balance sheet in EUR

				Note	31/ 12/ 2017	31/ 12/ 2016
A.			**Long-term assets**		**71,573,423**	**70,702,466**
	I.		Intangible assets and long-term deferred costs and accrued revenue	6	432,620	261,812
	1.		Long-term property rights		432,620	261,812
	II.		Tangible fixed assets	7	248,742	270,822
	1.		Production equipment and machinery		102,697	104,812
	2.		Other machinery and equipment		146,045	166,010
	III.		Investment property		0	0
	IV.		Long-term financial investments:	8	70,857,315	70,135,645
	1.		Long-term financial investments, excluding loans		70,806,315	70,135,645
		a)	Shares and stocks in companies in the group		70,806,315	70,135,645
	2.		Long-term loans		51,000	0
		a)	Long-term loans to companies in the group		51,000	0
	V.		Long-term operating receivables		0	0
	VI.		Deferred tax receivables	5	34,746	34,187
B.			**Short-term assets**		**53,540,127**	**30,130,513**
	I.		Assets (disposal groups) available for sale		0	0
	II.		Inventories	9	12,409	24,391
	1.		Products and merchandise		12,409	24,391
	III.		Short-term financial investments:		48,970,000	27,157,337
	1.		Short-term loans	10	48,970,000	27,157,337
		a)	Short-term loans to companies in the group		48,970,000	26,157,337
		b)	Short-term loans to others		0	1,000,000
	IV.		Short-term operating receivables	11	3,992,285	2,420,739
	1.		Short-term operating receivables from companies in the group		1,622,810	738,687
	2.		Short-term operating receivables from customers		2,168,315	1,568,056

			Note	31/ 12/ 2017	31/ 12/ 2016
	3.	Short-term operating receivables from others		201,160	113,996
V.		Monetary assets	12	565,433	528,046
C.		**Short-term accrued costs and deferred revenue**	**12**	**16,745**	**5,164**
		TOTAL ASSETS		125,130,295	100,838,143
A.		**Equity**	**13**	**58,743,154**	**57,099,772**
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		7,958,351	7,432,528
	1.	Statutory reserves		2,225,770	1,699,947
	2.	Other revenue reserves		5,732,581	5,732,581
IV.		Revaluation reserves		0	0
V.		Reserves from fair value measurement		-17,838	-12,078
VI.		Net profit brought forward		32,481,493	31,494,720
		Net profit or loss of financial year		3,118,354	2,981,808
B.		**Provisions and long-term accrued expenses and deferred revenue**	**14**	**136,016**	**98,133**
	1.	Provisions for pensions and similar obligations		136,016	98,133
C.		**Long-term liabilities**	**15**	**20,051,040**	**30,070,056**
I.		Long-term financial liabilities		20,051,040	30,070,056
	1.	Long-term financial liabilities from bonds payable		20,000,000	30,000,000
	2.	Other long-term financial liabilities		51,040	70,056
II.		Long-term operating liabilities		0	0
III.		Deferred tax liabilities		0	0
D.		**Short-term liabilities**	**16**	**45,768,397**	**13,098,114**
I.		Liabilities included in groups for disposal		0	0
II.		Short-term financial liabilities	16	42,734,907	11,540,593
	1.	Short-term financial liabilities to companies in the group		32,710,670	650,000
	2.	Short-term financial liabilities to banks		0	861,000
	3.	Short-term financial liabilities from bonds payable		10,000,000	10,000,000
	4.	Other short-term financial liabilities		24,237	29,593
III.		Short-term operating liabilities	16	3,033,490	1,557,521
	1.	Short-term operating liabilities to companies in the group		1,397,242	29,363
	2.	Short-term business liabilities to suppliers		445,972	315,517
	3.	Short-term operating liabilities from advance payments		190,974	83,754
	4.	Other short-term operating liabilities		999,302	1,128,887
E.		**Short-term accrued costs and deferred revenue**	**16**	**431,688**	**472,068**
		TOTAL LIABILITIES TO SOURCES OF ASSETS		**125,130,295**	**100,838,143**

Statement of Changes in Equity in 2017

Table 123: Statement of changes in equity in 2017 in EUR

		Called-up capital	Capital reserves	Reserves from profit	
		I	II	III	
		Share capital		Statutory reserves	Other revenue reserves
		I	II	III	III/1
A.1	Balance at the end of the previous financial year (31/ 12/ 2016)	4,451,540	10,751,254	1,699,947	5,732,581
A.2	Initial balance of the reporting period (01/ 01/ 2017)	4,451,540	10,751,254	1,699,947	5,732,581
B.1	Changes in equity – transactions with owners				
	Disbursement of dividends				
B.2	Total comprehensive income in the financial year				
	Entry of net profit or loss for the reporting period				
	Other items of the total comprehensive income in the financial year				
B.3	Changes in equity			525,823	
	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			525,823	
	Other changes in equity				
C.	Closing balance of the financial year (31/ 12/ 2017)	4,451,540	10,751,254	2,225,770	5,732,581

Revaluation reserves	Reserves from fair value measurement	Net profit brought forward	Net profit or loss of finan-cial year	Total capital
IV	V	VI	VII	VIII
			Retained net profit	Total capital
IV	V	VI	VII	VIII
	-12,078	31,494,720	2,981,808	57,099,772
	-12,078	31,494,720	2,981,808	57,099,772
		-1,994,854		-1,994,854
		-1,994,854		-1,994,854
	-5,941		3,644,177	3,638,236
			3,644,177	3,644,177
	-5,941			-5,941
	181	2,981,627	-3,507,631	0
		2,981,808	-2,981,808	0
			-525,823	0
	181	-181		0
	-17,838	32,481,493	3,118,354	58,743,154

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Statement of Changes in Equity in 2016

Table 124: Statement of changes in equity in 2016 in EUR

		Called-up capital	Capital reserves	Reserves from profit	
		I	II	III	III
		Share capital		Statutory reserves	Other revenue reserves
		I	II	III/1	III/2
A.1	Balance at the end of the previous financial year (31/ 12/ 2015)	4,451,540	10,751,254	1,173,746	5,732,581
A.2	Initial balance of 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				
	Disbursement of dividends				
B.2	Total comprehensive income in the financial year				
	Entry of net profit or loss for the reporting period				
	Other items of the total comprehensive income in the financial year				
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 reporting period to other equity components based on the resolution of management and supervisory bodies			526,201	
C.	Closing balance of the financial year (31/ 12/ 2016)	4,451,540	10,751,254	1,699,947	5,732,581

Revaluation reserves	Reserves from fair value measurement	Retained net profit and loss	Net profit and loss current year	Total equity
IV	V	VI	VII	VIII
Other reserves from profit		Retained net profit	Net profit for the current year	Total capital
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

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Cash flow statement

Table 125: Cash flow statement in EUR

Item			Note	2017	2016
A.		Cash flows from operating activities			
	a)	Profit & Loss Statement items		573,759	1,868,128
		Operating revenue (except from revaluation) and financial revenue from operating receivables	1	21,484,761	19,398,680
		Operating revenue excluding depreciation (except from revaluation) and financial expenses from operating liabilities	2	-20,911,561	-17,452,970
		Income tax and other taxes not included in operating expenses	4	559	-77,582
	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		252,719	1,276,431
		Opening minus closing operating receivables	11	-1,225,719	150,143
		Opening minus closing deferred costs and accrued revenue	12	-11,581	8,997
		Opening minus closing deferred tax receivables	5	-559	-6,300
		Opening minus closing inventory	9	11,982	50,005
		Closing minus opening operating debts	16	1,484,573	1,002,327
		Closing minus opening accrued costs and deferred revenues and provisions	16	-5,977	71,259
	c)	Positive or negative cash flow from operating activities (a + b)		826,478	3,144,559
B.		**Cash flows from investing activities**			
	a)	Cash receipts from investing activities		16,290,142	21,614,710
		Cash receipts from interest and participation in profit of others relating to investing activities	3	4,390,022	3,452,151
		Cash receipts from the disposal of tangible fixed assets		9,450	0
		Cash receipts from the disposal of long-term financial investments		0	100
		Cash receipts from the disposal of short-term financial investments	3	11,890,670	18,162,459
	b)	Cash disbursements from investing activities		-34,657,587	-43,881,732
		Cash disbursements for the acquisition of intangible assets	6	-171,374	-259,777
		Cash disbursements for the acquisition of tangible fixed assets	7	-61,210	-66,677
		Cash disbursements for the acquisition of long-term financial investments	8	-721,670	-2,210,000
		Cash disbursements for the acquisition of short-term financial investments	10	-33,703,333	-41,345,278
	c)	Positive or negative cash flow from investing activities (a + b)		-18,367,445	-22,267,022
C.		**Cash flows from financing activities**			
	a)	Cash receipts from financing activities		38,271,335	650,000
		Cash receipts from paid-in capital		0	0
		Cash receipts from the increase of long-term financial liabilities		0	0
		Cash receipts from the increase of short-term financial liabilities	16	38,271,335	650,000
	b)	Cash disbursements from financing activities		-20,692,981	-13,984,797
		Cash disbursements for given interests from financing activities	3	-1,602,090	-1,855,423
		Cash repayments of long-term financial liabilities		0	-9,917
		Cash repayments of short-term financial liabilities	16	-17,089,526	-10,620,000
		Cash repayments of dividends and other profit shares paid	13	-2,001,365	-1,499,457

Item			Note	2017	2016
	c)	Positive or negative cash flow from financing activities (a + b)		17,578,354	-13,334,797
D.		**Monetary assets at the end of the period**		**565,433**	**528,046**
	a)	Cash flows in the period (sum of cash flows Ac, Bc and Cc)		37,387	-32,457,260
	b)	Monetary assets at the beginning of the period		528,046	32,985,306

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 840 shareholders.

The following section presents financial statements of Impol 2000, d. d. for the financial year that ended on 31/ 12/ 2017/

Introductory note on reporting standards

All financial statements of the company Impol 2000, d. d. and the notes for 2017 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 2017 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 2017.

The 2017 financial statements of the company Impol 2000 d. d. 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).

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.

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 7 Cash Flow Statement – Disclosure Initiative, adopted by the EU on 6 November 2017 (effective for annual periods beginning on or after 1 January 2017);
- Amendments to IAS 12 Income Taxes – Recognition of Deferred Tax Assets for Unrealised Losses adopted by the European Union on 6 November 2017 (effective for annual periods beginning on or after 1 January 2017);
- Amendments to various standards Improvements to IFRSs (period 2014 to 2016) resulting from the annual improve-

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ment project of IFRS (IFRS 1, IFRS 12, and IAS 28) primarily with a view to removing inconsistencies and clarifying wording, adopted by the EU on 8 December 2018 (amendments to IFRS 12 effective for annual periods beginning on or after 1 January 2017);

Adoption of these amendments to standards will not have a significant impact on separate financial statements of Impol 2000, d. d.

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 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:

- Amendments to IFRS 4 Insurance contracts – Application of IFRS 9 Financial Instruments in conjunction with IFRS 4 Insurance contracts, adopted by the EU on 3 November 2017 (effective for annual periods beginning on or after 1 January 2018 or at the time of first application of IFRS 9 Financial Instruments);
- IFRS 9 Financial Instruments, adopted by the EU on November 2016 (effective for annual periods beginning on or after 1 January 2018);
- IFRS 15 Revenue from contracts with customers and amendments to IFRS 15 Date of Entry into Force, adopted by the EU on 22 September 2016 (effective for annual periods beginning on or after 1 January 2018);
- Amendments to IFRS 15 Revenue from Contracts with Customers – Notes to IFRS 15 Revenue from Contracts with Customers, adopted by the EU on 31 October 2017 (effective for annual periods beginning on or after 1 January 2018); Impol 2000, d. d. does not expect significant differences in the temporal recognition of revenues from the specified amendment to IFRS 15. Most of the revenues come from contracts defined as simple supply of goods and services. Contracts of Impol 2000, d. d. do not contain separately definable liabilities and the Company did not identify revenues recognised on the basis of contracts with customers, where a financial component could be determined;
- IFRS 16 Leases, adopted by the EU on 31 October 2017 (effective for annual periods beginning on or after 1 January 2019);
- Amendments to various standards Improvements to IFRSs (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, adopted by the EU on 8 December 2018 (amendments to IFRS 1 and IFRS 28 effective for annual periods beginning on or after 1 January 2018);

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, standard amendments and notes not yet adopted by the European Union

Currently, the International Financial Reporting Standards as they were adopted by the European Union, do not differ significantly from the regulations adopted by the International Accounting Standards Board, with the exception of the following new standards, amendments of existing standards and new notes which were not yet confirmed for application in the EU when the financial statements were being drawn up/approved.

- Amendments to IAS 19 Employee Benefits – Planning amendments, restrictions and settlements (effective for annual periods beginning on 1 January 2019);
- IAS 28 Investment in companies and joint ventures – Long-terms shares in affiliated companies in joint ventures (effective for annual periods beginning on or after 1 January 2018);
- Amendments to IAS 40 Investment Properties – Transfer of Investment Property (effective for annual periods beginning on or after 1 January 2018);
- Amendments to IFRS 2 Share-based Payment – Classification and measurement of share-based payment transactions (effective for annual periods beginning on or after 1 January 2018);
- Amendments to IFRS 9 Financial Instruments – Prepayment elements with negative compensation (effective for annual periods beginning on or after 1 January, 2019);
- 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 1 January 2016) – the European

Commission has decided not to launch the endorsement process of this interim standard and to wait for the final standard;
- IFRS 17 Insurance contracts (effective for annual periods beginning on or after January 1, 2021);
- Amendments to various standards Improvements to IFRSs (period 2015 to 2017) resulting from the annual improvement project of IFRS (IFRS 3, IFRS 11, IAS 12, and IAS 23) primarily with a view to removing inconsistencies and clarifying wording (effective for annual periods beginning on or after 1 January 2019);
- IFRIC 22 Foreign Currency Transactions and Advance Consideration (applies to financial years starting on 1 January 2018 or later);
- IFRIC 23 Uncertainty in income tax treatment (effective for annual periods beginning on or after 1 January 2019);

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

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

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 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**

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. The applied depreciation method and the useful life will be reviewed at least at the end of each financial year. 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 potential signs of impairment. Critical estimates were used for the following assessments of value:
- Investment in subsidiaries (Note 8),
- Investments 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 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.

Impol 2000, d. d. classified all its financial instruments in level three (Note 17), except for listed bonds, which are classified in level one, in accordance with the IFRS 13.

- **Estimate of the net realizable value of the merchandise inventory**

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. There were no such write-downs in 2017.

- **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. If, based on the accounting data, the Management Board decides to recognize 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 recognized 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 recognized as 'disputable'. 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 recognized deferred tax liabilities at the end of the financial year. 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 long-service bonuses and severance pays upon retirement. 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 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 31 December 2016.

Transactions in foreign currency

Transactions in foreign currencies are converted to functional currencies at exchange rates at the dates of the transactions. 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 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 exchange differences are recognized in the statement of 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.

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 recognized in subsequent losses. Costs, which can be connected with purchasing a subsidiary, increase the value at cost of the equity investment. The subsidiary's participation in profit is recognized 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".

Investments 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. recognizes 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 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.

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 fixed assets are presented in the table below.

Each impairment is immediately recognised in the statement of profit or loss and is subsequently not reversed.

Table 126: Applied depreciation rates for intangible fixed assets

Depreciation rates used in the company	Depreciation rate in %	
	Lowest	Highest
Intangible assets		
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. 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.

The positive or negative difference between the net sales value and the accounting value of the disposed asset is recognized in the statement of 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 127: Depreciation rates used for tangible fixed assets

Depreciation rates used in the company	Depreciation rate in %	
	Lowest	Highest
Tangible fixed assets		
Equipment		
Production equipment	20 %	20 %
Furniture	20 %	25 %
Computer hardware	50 %	50 %
Motor vehicles		
Passenger cars	20 %	20 %

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 recognize derivative financial instruments.

Non-derivative financial instruments are initially recognized 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.

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 of the company include cash and cash equivalents, receivables 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. Impol 2000, d. d. possesses no such assets.

Financial assets held to maturity

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 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 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

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. They are valued at fair value. If fair value can be determined, profits or losses in the evaluation are recognized 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 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.

Inventories

Merchandise inventories of Impol 2000, d. d., are valued at cost or net realizable value, whichever is lower. 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.

Cost of merchandise inventories consists of the purchase price, import and other non-refundable purchase charges and direct purchase costs. For valuing inventories of merchandise and measuring use, the FIFO method is used. The company does not own any other inventories. The inventory impairment policy is described in section "Impairment".

Equity

As of 31/ 12/ 2017, the share capital of Impol 2000, d. d., amounts to EUR 4,451,540 and is divided into 1,066,767 ordinary no-par 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 525,823 were formed from the net profit of the financial year 2017, which represents 14% of the net profit in 2017. Thus, the statutory requirement that statutory reserves should be formed to a maximum of half of the company's share capital is fully met.

In accordance with the resolution of the General Meeting held on 14/ 7/ 2017, dividends were paid out in the amount of EUR 1,994,854 or EUR 1.87 per share in 2017. The accounting value of the share as of 31/ 12/ 2017 amounted to EUR 55.07 per share, and the net profit amounted to EUR 3.42 per share.

Provisions

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 long-service bonuses and severance pays upon retirement

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 formed in the amount of the expected future payments of long-service bonuses and severance pays upon retirement discounted on the date 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. 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.

Impairment

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. Financial asset is impaired, if its accounting value is higher than the estimated recoverable value or if there is objective evidence of the 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 estimated that when the accounting value of the receivable exceeds its fair value (i.e. the 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. The loss is recognized 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 recognized by transferring the potential cumulative loss, previously recognized 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 recognized 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 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 analysed by their age 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

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 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 recognized 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. It 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 recognized 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 capitalised under property, devices and equipment) and negative foreign exchange differences.

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. 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 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.

Cash flow statement

The cash flow statement for the part regarding operations is composed using the indirect method from the data of the statement of financial position on 31/ 12 of the financial year and the statement of financial position 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 investments and financing is drawn up using the direct 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 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. 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.

Notes to individual items of financial statements

1. Operating revenues

Table 128: Operating revenue in EUR

Operating revenues	Operating revenue generated with			2017	2016
	Group companies	associated	others		
Net sales revenues	7,658,513	417	13,804,367	21,463,297	19,362,115
Other operating revenues	0	3,006	13,113	16,119	20,164
Total	7,658,513	3,423	13,817,480	21,479,416	19,382,279

Table 129: Other operating revenues in EUR

Other operating revenues	2017	2016
Revenues from the reversal of provisions	4,303	537
Other revenues associated with business effects (subsidies, grants, compensations, premiums, etc.)	8,789	540
Revaluation operating revenues (from operating receivables)	3,027	19,087
Total	16,119	20,164

Table 130: Net sales revenues by the type of merchandise or service in EUR

Product, merchandise or service	2017	2016
Revenues from services – Domestic market	7,686,664	6,792,353
Revenues from sale of merchandise – Domestic market	10,954,048	8,997,185
Revenues from sale of merchandise – Foreign market	2,790,576	3,541,302
Revenues from services – Foreign market	32,009	31,275
Total	21,463,297	19,362,115

Table 131: Net sales revenues by operating segments in EUR

Net sales revenues by operating segments	2017	2016
Revenue from sales in Slovenia	18,640,289	15,789,538
• Group companies	7,657,701	6,770,760
• Associates	417	799
• Other companies	10,982,171	9,017,979
Revenue from sales in the EU	285,641	722,195
• Group companies	812	3,565
• Other companies	284,829	718,630
Revenue from sales in other European countries	2,537,367	2,850,382
• Other companies	2,537,367	2,850,382
Total	21,463,297	19,362,115

2. Operating expenses

Analysis of costs and expenses

Table 132: Analysis of costs and expenses in EUR

	Costs of sale	Costs of general activities	Total 2017	TOTAL purchase in 2017 from:			Total 2016
				Group companies	Associate companies	Other companies	
Cost of merchandise and materials sold	13,019,356	6,785	13,026,141	13,019,356	0	6,785	11,767,274
Costs of material	0	116,531	116,531	26,342	157	90,032	125,504
Costs of services	560,826	1,109,029	1,669,855	207,760	434,032	1,028,063	1,555,801
Labour costs	0	5,880,449	5,880,449	0	0	5,880,449	3,819,612
Depreciation	0	77,408	77,408	0	0	77,408	54,761
Revaluation operating expenses	0	0	0	0	0	0	55,598
Other operating expenses	0	218,576	218,576	9,035	0	209,541	183,703
Total	13,580,182	7,408,778	20,988,960	13,262,493	434,189	7,292,278	17,562,253

Revaluation operating expenses

Table 133: Revaluation operating expenses in EUR

	2017	2016
From disposal of tangible fixed assets	0	
From operating receivables	0	55,598
TOTAL	0	55,598

Costs of material

Table 134: Cost of materials in EUR

	2017	2016
Costs of energy	36,012	31,335
Costs of office supplies and professional literature	48,725	81,015
Other costs of material	31,794	13,154
TOTAL	116,531	125,504

Costs of services

Table 135: Cost of services in EUR

	2017	2016
Costs of transport services	22,482	19,171
Costs of rents	112,729	79,745
Reimbursement of employee costs	167,408	83,723
Other costs of services	1,367,236	1,373,162
TOTAL	1,669,855	1,555,801

Auditors cost

Table 136: The amount (cost) spent for the auditor (according to ZGD-1, point 20, paragraph 1, Article 69) in EUR

	2017	2016
Auditing of the annual report	23,622	23,534
Other audit services		
Other non-audit services		
TOTAL	23,622	23,534

Except for the mandatory annual audit of the financial statements for the financial year of 2017, the audit firm did not carry out any other audit or non-audit services.

Labour costs

Table 137: Itemization of labour costs in EUR

Itemization of labour costs	2017	2016
Costs of wages and salaries	4,109,461	2,508,179
Costs of pension insurance	384,545	236,318
Costs of other insurance	304,112	184,630
Other labour costs	1,082,331	890,485
TOTAL	5,880,449	3,819,612

Remuneration of the members of the Supervisory Board and Management Board in EUR	2017	2016
Management Board members*	1,231,912	998,972
Employees on individual contracts	2,905,845	1,357,966
TOTAL	4,137,757	2,356,938

*Remuneration under this item refer to the members of the Management board and the Executive Directors. The increase in labour costs of employees on the basis of individual contract is mainly the consequence of the Impol Group transitioning to a division form of organization starting on 1/ 1/ 2017, which also involved the redeployment of key staff from subsidiaries to Impol 2000, d. d.

Employee education structure as of 31/ 12/ 2017

Table 138: Education structure

Education level	Number of employees as of 31/ 12/ 2017	Number of employees as of 31/ 12/ 2016
Doctoral Degree	2	1
Master's Degree	4	2
University	17	10
Higher education	11	9
College	10	10
Secondary School Degree	8	8
Qualified	1	1
Total	53	41

Depreciation

Table 139: Depreciation in EUR

	2017	2016
Depreciation of intangible fixed assets	566	566
Depreciation of tangible fixed assets	76,842	54,195
Total depreciation	77,408	54,761

Other costs and expenses

Table 140: Other costs and expenses in EUR

	2017	2016
Charges independent of operation	130,438	57,752
Grants	88,120	125,949
Other costs	18	2
TOTAL	218,576	183,703

3. Financial revenue and expenses

Financial revenues from financial investments

Table 141: Financial revenue from financial investments in EUR

	Total 2017	Of which from companies		Total 2016
		Group companies	Other companies	
Financial revenue from participating interests – in profits, dividends	4,389,251	4,389,251	0	3,413,857
Financial revenues from shares – Revenues from the sale of long-term investments	0	0	0	100
Financial revenue from loans - interests	346,598	346,481	117	203,251
Financial revenue from operating receivables - interests	12,649	0	12,649	16,938
Financial revenue from operating receivables – foreign exchange differences	5	0	5	0
TOTAL	4,748,503	4,735,732	12,771	3,634,146

*In accordance with the resolution of the General Meeting of Impol, d. o. o., held on 22/ 06/ 2017, 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 1,500,000, i.e. in the amount of EUR 1,463,081. In accordance with the resolution of the General Meeting of Impol, d. o. o., held on 21/ 11/ 2017, 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 3,000,000, i.e. in the amount of EUR 2,926,170.

Financial expenses from financial investments

Table 142: Financial expenses from financial investments in EUR

	Total	Of which from companies		Total
	2017	Group companies	Other companies	2016
Financial expenses from loans (other than loans received from banks) – Interests	138,945	138,945	0	5,236
Financial expenses from leasing – Interests	4,940		4,940	3,386
Financial expenses from loans received from banks – Interests	5,602	0	5,602	27,313
Financial expenses from bonds – Interests	1,444,000	0	1,444,000	1,818,795
Financial expenses from other financial liabilities – Interests	1,841	0	1,841	2,775
Financial expenses from operating liabilities – Interests	0	0	0	70
Financial expenses from operating liabilities – Foreign exchange differences	13	0	13	1,006
Financial expenses from impairment	0	0	0	10,000
TOTAL	1,595,341	138,945	1,456,396	1,868,581

Table 143: Financial expenses from operating liabilities in EUR

	Total 2017	Of which from companies Group companies	Total 2016
Finance expenses from trade creditors – Interests	0	0	70
Finance expenses from other operating liabilities – Foreign exchange differences	13	13	1,006
TOTAL	13	13	1,076

4. Income tax

Table 144: Income tax in EUR

Income tax	2017	2016
Revenues determined in accordance with accounting regulations	26,227,919	23,016,425
Revenue adjustment for tax purposes – Decrease (-)	-4,391,423	-3,433,026
Revenue adjustment for tax purposes – Increase (-)	271,561	0
Revenue recognised for tax purposes	22,108,057	19,583,399
Expenses determined in accordance with accounting regulations (+)	22,584,301	19,430,834
Expense adjustment for tax purposes – Decrease (-)	-283,433	-352,872
Expense adjustment for tax purposes – Increase (+)	115,500	11,186
Expenses recognised for tax purposes	22,416,368	19,089,148
DIFFERENCE BETWEEN DEDUCTIBLE REVENUE AND EXPENSES	-308,311	494,251
Change of the tax base when amending tax base when amending accounting policies, error corrections and revaluations (+/-)	-3,061	-6,039
Increase in tax base for predetermined tax relief (+)	219,463	170,692
TAX BASE	0	658,904
TAX LOSS	-91,909	0
Decrease in tax base and tax relief (up to the maximum amount of the tax base) (-)	0	-165,480
TAX BASE	0	493,424
TAX (19 %)	0	83,882

In 2016, the effective profit tax rate for Slovenia was 19 percent (in 2016: 17%).

5. Deferred tax assets

Table 145: Deferred tax receivables in EUR

Change in deferred tax receivables recognized in:	2017	2016
• Profit or loss account (+ / -)	559	6,300
TOTAL	559	6,300

Deferred tax receivables are formed for written-off receivables from customers, for formed provisions for long-service bonuses and severance pays upon retirement, and for tax loss in 2017. The 19% rate was applied in the calculation which is equal to the effective profit tax rate for 2018 in Slovenia.

Table 146: Trend in deferred tax in EUR

	Impairments (re-valuation operating expenses)	Provisioning	Tax loss	Total
Balance of deferred tax receivables as of 31/ 12/ 2016	27,811	6,376	0	34,187
Balance of deferred tax receivables as of 1/ 1/ 2017	27,811	6,376	0	34,187
Occurrence of deductible temporary differences (+)	0	5,482	17,463	22,945
Utilisation of deductible temporary differences (-)	-21,755	-631	0	-22,386
Balance of deferred tax receivables as of 31/ 12/ 2017	6,056	11,227	17,463	34,746

Net 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.

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.

Table 147: Basic net earnings per share in EUR

	2017	2016
Profit or loss relating to the owners of the controlling entity	3,644,177	3,508,009
Weighted average of the number of regular shares	1,066,767	1,066,767
Basic earnings per share (in EUR)	3.42	3.29
Regular shares as of 1/ 1/	1,066,767	1,066,767
Effect of own shares	0	0
Weighted average of the number of regular shares as of 31/ 12/	1,066,767	1,066,767

6. Intangible assets and long-term deferred costs and accrued revenue

Table 148: Intangible assets in 2017 in EUR

Description	Long-term property rights	Intangible assets being acquired	Total
Cost as of 31/ 12/ 2016	23,793	259,777	283,570
Opening balance adjustments	0	0	0
Cost as of 1/ 1/ 2017	23,793	259,777	283,570
Direct increases – acquisitions	0	171,374	171,374
Cost as of 31/ 12/ 2017	23,793	431,151	454,944
Value adjustment as of 31/ 12/ 2016	21,758	0	21,758
Opening balance adjustments	0	0	0
Value adjustment as of 1/ 1/ 2017	21,758	0	21,758
Depreciation during the year	566	0	566
Value adjustment as of 31/ 12/ 2017	22,324	0	22,324
Carrying amount as of 31/ 12/ 2017	1,470	431,151	432,620
Carrying amount as of 31/ 12/ 2016	2,035	259,777	261,812

Table 149: Intangible assets in 2016 in EUR

Description	Long-term property rights	Intangible assets being acquired	Total
Cost as of 31/ 12/ 2015	23,793	0	23,793
Opening balance adjustments	0	0	0
Cost as of 1/ 1/ 2016	23,793	0	23,793
Direct increases – acquisitions	0	259,777	259,777
Cost as of 31/ 12/ 2016	23,793	259,777	283,570
Value adjustment as of 31/ 12/ 2015	21,192	0	21,192
Opening balance adjustments	0	0	0
Value adjustment as of 1/ 1/ 2016	21,192	0	21,192
Depreciation during the year	566	0	566
Value adjustment as of 31/ 12/ 2016	21,758	0	21,758
Carrying amount as of 31/ 12/ 2016	2,035	259,777	261,812
Carrying amount as of 31/ 12/ 2015	2,601	0	2,601

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 150: Tangible fixed assets in 2017 in EUR

Description	Production equipment and machinery	Other machinery and equipment	Equipment and other tangible fixed assets being acquired	Total equipment	TOTAL
Cost as of 31/ 12/2016	1,105,606	326,956		1,432,562	1,432,562
Opening balance adjustments				0	0
Cost as of 1/ 1/ 2017	1,105,606	326,956	0	1,432,562	1,432,562
Direct increases – acquisitions			60,322	60,322	60,322
Transfer from construction in progress		61,210	-61,210	0	0
Transfer between Group companies – acquisition			888	888	888
Decreases – sales		-32,220		-32,220	-32,220
Decreases – exclusions, other decreases		-11,597		-11,597	-11,597
Cost as of 31/ 12/ 2017	1,105,606	344,349	0	1,449,955	1,449,955
Value adjustment as of 31/ 12/ 2016	1,000,794	160,946		1,161,740	1,161,740
Opening balance adjustments				0	0
Value adjustment as of 01/ 01/ 2017	1,000,794	160,946	0	1,161,740	1,161,740
Depreciation	2,115	74,731		76,846	76,846
Decreases – sales		-25,776		-25,776	-25,776
Decreases – exclusions, other decreases		-11,597		-11,597	-11,597
Value adjustment as of 31/ 12/ 2017	1,002,909	198,304	0	1,201,213	1,201,213
Carrying amount as of 31/ 12/ 2017	102,697	146,045	0	248,742	248,742
Carrying amount as of 31/ 12/ 2016	104,812	166,010	0	270,822	270,822

Table 151: Tangible fixed assets in 2016 in EUR

Description	Production equipment and machinery	Other machinery and equipment	Equipment and other tangible fixed assets being acquired	Total equipment	TOTAL
Cost as of 31/ 12/ 2015	1,099,476	169,466		1,268,942	1,268,942
Opening balance adjustments				0	0
Cost as of 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 – finance lease			97,881	97,881	97,881
Transfer from construction in progress	6,130	158,428	-164,558	0	0
Decreases – exclusions, other decreases		-938		-938	-938
Cost as of 31/ 12/ 2016	1,105,606	326,956	0	1,432,562	1,432,562
Value adjustment as of 31/ 12/ 2015	983,939	124,544		1,108,483	1,108,483
Opening balance adjustments				0	0
Value adjustment as of 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 as of 31/ 12/ 2016	1,000,794	160,946	0	1,161,740	1,161,740
Carrying amount as of 31/ 12/ 2016	104,812	166,010	0	270,822	270,822
Carrying amount as of 31/ 12/ 2015	115,537	44,922	0	160,459	160,459

Disclosed tangible 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 1,035,319.

Assets under financial lease

The carrying amount of equipment under finance lease as of 31/ 12/ 2017, amounts to EUR 66,886 (31/ 12/ 2016: EUR 86,462).

Table 152: Value of assets under finance lease in EUR

	Cost (+)	Value adjustment (+)	Accounting value (=)
Equipment	97,881	30,995	66,886
TOTAL	97,881	30,995	66,886

8. Long-term financial investments:

Table 153: Long-term financial investments in EUR

	Cost/fair value/ amortised cost of long-term financial investments as of 31/ 12/	Of which long-term financial investments in companies: Group companies	Associate companies	Value adjustment due to impairment	Accounting value 31/ 12/ 2017	31/ 12/ 2016
	=	+	+	-	=	
Investments in shares and participating interest	70,840,963	70,806,315	34,648	-34,648	70,806,315	70,135,645
Total long-term financial investments, except for loans	70,840,963	70,806,315	34,648	-34,648	70,806,315	70,135,645
Long-term loans granted	51,000*	51,000	0	0	51,000	0
Total long-term loans	51,000	51,000	0	0	51,000	0
TOTAL LONG-TERM FINANCIAL INVESTMENTS	70,891,963	70,857,315	34,648	-34,647	70,857,315	70,135,645

*See clarification under Trend in long-term loans granted

The financial investment in the equity of Impol, d. o. o., (97,5387% ownership share) in the amount of EUR 57,250,000 was pledged in the form of a given guarantee, reserved for liabilities of Impol, d. o. o., to banks.

The investment in Rondal, d. o. o., was pledged as security for liabilities of Impol, d. o. o., under the credit agreement. The state of the loan to Impol, d. o. o., from the contract in question on 31/ 12/ 2017 amounts to EUR 1,562,499.89.

Revaluation of long-term financial investments

Table 154: Revaluation of long-term financial investments in EUR

	2017	2016
Revaluation of long-term financial assets due to the impairment charged to finance expenses	0	10,000

Trend in investments in subsidiaries and associates

Table 155: Trend in investments in subsidiaries and associates

Investment in subsidiary or associate	Purchase value			Cost adjustment due to the impairment		Accounting value		Ownership as of 31/ 12/ 2017 %
	Cost/fair value as of 1/ 1/ 2017	Purchases/ other increase	Cost/fair value as of 31/ 12/ 2017	Value adjustment 1/ 1/ 2017	Value adjustment as of 31/ 12/ 2017	31/ 12/ 2017	1/ 1/ 2017	
	+	+	=	-	=	=	=	
Impol Servis, d. o. o.	245,037		245,037	0	0	245,037	245,037	100%
Impol, d. o. o.	67,588,863		67,588,863	0	0	67,588,863	67,588,863	97.54%
Impol-FinAl, d. o. o.	1,000,000		1,000,000	0	0	1,000,000	1,000,000	100%
Rondal, d. o. o.	100,000		100,000	0	0	100,000	100,000	100%
Impol-TLM, d. o. o.	1,201,745	670,670	1,872,415	0	0	1,872,415	1,201,745	100%
Total subsidiaries	70,135,645	670,670	70,806,315	0	0	70,806,315	70,135,645	
Impol Brazil Aluminium	34,648		34,648	-34,648	-34,648	0	0	50%
Total associate companies	34,648	0	34,648	-34,648	-34,648	0	0	
TOTAL	70,170,293	670,670	70,840,963	-34,648	-34,648	70,806,315	70,135,645	

*In accordance with the sales contract and the transfer of the 35% operating share in Impol-TLM, d. o. o., from 2016, the contractual obligation was paid for in 2017. The obligations toward the seller were thus entirely fulfilled.

In 2017, a verification of the recoverable value of the financial investment in the subsidiary Impol-TLM, d. o. o., was performed. (on 31/ 12/ 2017, the Company states negative capital), i.e. with the evaluation the recoverable value as the value during use carried out by an authorised appraiser (test of the financial investment impairment, in accordance with the provisions of IFRS 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. After starting up production and normalising business operations, the Company already achieved a positive operating result in 2017 and operates in accordance with plans.

The investment in Impol-FinAl, d. o. o., which was founded by Impol 2000, d. d., in 2016, is not yet fully operational in 2017, since investments were needed to enable production. On the basis of the performed analyses and plans of operations, the management reasonably expects that the investment in the company will be profitable, which is also evident from the already concluded contracts with customers.

All long-term financial investments are distributed to the group "Financial assets available for sale" and are measured at cost.

As the controlling company, Impol 2000, d. d., is responsible for preparation of consolidated financial statements for the companies presented above.

Trend in long-term loans granted

In 2017, a long-term loan was granted to subsidiary in the amount of EUR 51,000, which falls due on 1/ 1/ 2022. The loan is secured with a bill of exchange and is calculated at the established interest rate, which applies to loans between associated entities, increased by 1 percentage point due to maturity.

Table 156: Trend in long-term loans granted in EUR

	Loans granted to Group companies	Total
Balance of debts as of 1/ 1/ 2017	0	0
New loans (+)	51,000	51,000
Refunds (-)	0	0
Balance of loans granted as of 31/ 12/ 2017	51,000	51,000

9. Merchandise inventories

Table 157: Merchandise inventories in EUR

	31/ 12/ 2017		31/ 12/ 2016
	Cost (+)	Accounting value	
Merchandise	12,409	12,409	24,391
TOTAL	12,409	12,409	24,391

On 31/ 12/ 2017, 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 158: Short-term financial investments in EUR

	Cost/fair value/ amortised cost of long-term financial investments as of 31/ 12/	Of which short-term financial investments in:	Accounting value	
		Group companies	31/ 12/ 2017	31/ 12/ 2016
	=	+	=	
Total short-term financial investments excluding loans	0	0	0	0
Short-term loans granted (including bonds)	48,970,000	48,970,000	48,970,000	26,157,337
Short-term deposits	0	0	0	1,000,000
TOTAL short-term loans granted	48,970,000	48,970,000	48,970,000	27,157,337
TOTAL SHORT-TERM FINANCIAL INVESTMENTS	48,970,000	48,970,000	48,970,000	27,157,337

Table 159: Trend in loans granted in EUR

	Loans granted to Group companies	Deposits to banks	Loans to other companies	TOTAL
Balance of debts as of 1/ 1/ 2017	26,157,337	1,000,000	0	27,157,337
New short-term loans (+)	54,483,333	9,600,000	20,000	64,103,333
Refunds (-)	-31,670,670	-10,600,000	-20,000	-42,290,670
Balance of loans granted as of 31/ 12/ 2017	48,970,000	0	0	48,970,000

Loans granted in the Group as of 31/ 12/ 2017, amounting to EUR 48,670,000, refer to loans to Impol-TLM, d. o. o., whereas the remaining amount of EUR 300,000 refers to loans to Impol ulaganja, d. o. o. New loans in 2017 were approved for covering loans from 2016 and for larger investments in tangible fixed assets and current financing. In 2018, all short-term loans granted to Impol-TLM, d. o. o., were converted to long-term loans.

Loans granted after the balance on 31/ 12/ 2017 are calculated at a 1.00 % annual interest rate (all short-term loans granted to associated companies will 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 recognized 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 1,771,037 in accordance with the balance as of 31/ 12/ 2017 (balance as of 31/ 12/ 2016: EUR 705,885).

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 160: Short-term operating receivables in EUR

	Short-term operating receivables	Short-term operating receivables from different companies:		Value adjustment due to impairment	31/ 12/ 2017	31/ 12/ 2016
		Group companies	Other companies			
Short-term receivables from customers	3,325,093	1,104,862	2,220,231	-51,916	3,273,177	2,134,627
of which already matured on 31/ 12/	661,585	280,651	380,934	0	661,585	447,656
Short-term advances and securities granted	24,357	0	24,357	0	24,357	550
Short-term receivables associated with financial revenues	555,470	517,948	37,522	-560	554,910	209,952
Short-term receivables from state institutions	121,441	0	121,441	0	121,441	57,992
Other short-term operating receivables	18,400	0	18,400	0	18,400	17,618
TOTAL short-term operating receivables	4,044,761	1,622,810	2,421,951	-52,476	3,992,285	2,420,739

Table 161: Short-term operating receivables in the domestic and foreign market in EUR

	2017	2016
Short-term operating receivables in the domestic market	3,347,882	2,356,748
Short-term operating receivables in the foreign market	644,403	63,991
TOTAL	3,992,285	2,420,739

Analysis of already matured trade debtors

Table 162: Analysis of outstanding trade receivables in EUR

	31/ 12/ 2017	31/ 12/ 2016
Due in 2017	602,239	
Due in 2016	11,119	275,719
Due in 2015	0	0
Due in 2014	0	0
Due in 2013 or earlier	48,227	171,937
TOTAL receivables from customers already due	661,585	447,656

Trend in value adjustment of short-term operating receivables due to the impairment

Table 163: Trend in value adjustment of short-term operating receivables due to the impairment in EUR

	2017	Of which value adjustment of short-term receivables from companies: other	2016
Balance as of 1/ 1/ (+)	166,996	166,996	163,017
Decrease in value due to settlement of receivables (-)	-20	-20	-18,822
Decrease in value due to write-offs of receivables (-)	-114,500	-114,500	-19,124
Created value adjustments for the period due to the impairment (+)	0	0	41,925
Balance as of 31/12	52,476	52,476	166,996

On 31/ 12/ 2017, the Company had no disclosed receivables from the members of the Management board, Executive Directors or internal owners.

12. Monetary assets

Table 164: Cash in EUR

	31/ 12/ 2017	31/ 12/ 2016
Cash on hand	323	97
Cash in banks and other financial institutions	565,110	527,949
TOTAL	565,433	528,046

The Company has no short-term deposits under three months, but on 31/ 12/ 2017 the so-called over-night deposit in the amount of EUR 243,727 has been formed.

Short-term accrued costs and deferred revenue

Table 165: Short-term deferred costs and accrued revenues in EUR

	31/ 12/ 2017	31/ 12/ 2016
Short-term deferred costs or expenses	13,830	5,162
VAT from received advances	2,915	2
TOTAL	16,745	5,164

Short-term deferred costs or expenses mainly refer to the costs of professional literature and advertising paid in advance.

13. Equity

Table 166: Equity in EUR

	31/ 12/ 2017	31/ 12/ 2016
Equity	58,743,154	57,099,772
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
Income reserves	7,958,351	7,432,528
Statutory reserves	2,225,770	1,699,947
Other reserves from profit	5,732,581	5,732,581
Reserves from fair value measurement	-17,838	-12,078
Net profit brought forward	32,481,493	31,494,720
Net profit or loss of financial year	3,118,354	2,981,808

In 2017, Impol 2000, d. d. paid out dividends in the amount of EUR 1,87 gross per share or in a total amount of EUR 1,994,854.

In accordance with the Articles of Association, statutory reserves of EUR 525,823 were formed from the net profit of the financial year 2017, which represents 14% of the net profit in 2017. Thus, the statutory requirement that statutory reserves should be formed to a maximum of half of the company's share capital is fully met.

Table 167: Trend in reserves from fair value measurement

	Balance as of 1/ 1/ 2017	Formation	Reversal	Total as of 31/ 12/ 2017
Reserves from fair value measurement	+/-	+/-	-/+	=
Actuarial gains/losses, recognised under reservations for retirement benefits	-12,078	-5,941	181	-17,838
TOTAL	-12,078	-5,941	181	-17,838

Disclosure regarding accumulated profit

Table 168: Accumulated profit in EUR

	31/ 12/ 2017	31/ 12/ 2016
Net profit or loss for the financial year:	3,644,177	3,508,009
Retained profit	32,481,493	31,494,720
Increase (additional allocation) in reserves from profit, itemised separately by type	-525,823	-526,201
Accumulated profit/loss	35,599,847	34,476,528

At the regular General Meeting in 2018, 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 3,000,000 shall be appropriated for dividends to shareholders in the gross amount of EUR 2.81 per share. The remaining portion of the accumulated profit in the amount of EUR 32,599,847 shall remain undistributed.

Table 169: Increase in other reserves from profit

Increase in other reserves from profit	
Dividends to shareholders in the amount of EUR 2.81/share	3,000,000
Participation on the Management Board based on contracts	
Undistributed accumulated profit/loss for 2017 (to the retained profit/loss)	32,599,847

14. Provisions

Table 170: Provisions in EUR

	Provisions for pensions, long-service bonuses and severance pays upon retirement
Balance as of 31/ 12/ 2016	98,133
Opening balance adjustments	0
Balance as of 1/ 1/ 2017	98,133
Formation (+)	44,527
Utilisation (-)	-6,644
Balance as of 31/ 12/ 2017	136,016

Table 171: Trend in provisions in EUR

	Provisions for severance pays upon retirement	Provisions for long-service bonuses	Total
Balance as of 31/ 12/ 2016	75,080	23,053	98,133
Balance as of 1/ 1/ 2017	75,080	23,053	98,133
Interest costs (+)	1,433	409	1,842
Past and present service costs (+/-)	25,114	7,693	32,807
Payout of benefits (-)	-3,873	-2,771	-6,644
Actuarial profit/loss (IPI) (+/-)		3,937	3,937
Actuarial profit/loss (through other comprehensive income) (+/-)	5,941		5,941
Balance as of 31/ 12/ 2017	103,695	32,321	136,016

Provisions for pensions, long-service bonuses and severance pays upon retirement to other companies were first allocated in 2015. They 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 recognized 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 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.

It is estimated that no provisions, other than the above stated, need to be formed.

15. Long-term financial and operating liabilities

Table 172: Short-term financial and operating liabilities in EUR

	Entire debt as of 31/12/2017	The part falling due in 2018	31/12/2017	31/12/2016
	+	-	=	
Long-term financial liabilities relating to bonds	30,000,000	-10,000,000	20,000,000	30,000,000
Long-term financial lease liabilities – Other companies	70,052	-19,012	51,040	70,056
TOTAL long-term financial and operating liabilities	30,070,052	-10,019,012	20,051,040	30,070,056
	Entire debt as of 31/12/2017	**The part falling due in 2018**	**31/12/2017**	**31/12/2016**
	+	-	=	
Long-term financial liabilities	30,070,052	-10,019,012	20,051,040	30,070,056
Long-term operating liabilities	0	0	0	0
TOTAL long-term financial and operating liabilities	30,070,052	-10,019,012	20,051,040	30,070,056

Table 173: Maturity of long-term financial and operating liabilities

	31/12/2017	31/12/2016
Due in 2018	x	10,018,995
Due in 2019	10,020,210	10,020,207
Due in 2020	10,021,484	10,021,497
Due in 2021	9,346	9,357
Due in 2022	0	0
Due in 2023 or later	0	x
TOTAL long-term financial and operating liabilities	20,051,040	30,070,056

Table 174: Trend in financial liabilities in EUR

Type of long-term financial liabilities	Interest rate in percent	Date of maturity	Total debt as of 1/1/2017	Total debt as of 31/12/2017	Of which the part falling due on:		Loan security
					in 2018	after 1/1/2019	
BONDS	3.8	19/10/2020	30,000,000	30,000,000	-10,000,000	20,000,000	Unsecured
TOTAL			30,000,000	30,000,000	-10,000,000	20,000,000	X

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 maturity date is 19/10/2020.

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 of EUR 1,000.

Table 175: 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/ 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	2,280,000.00	30,000,000.00	32,280,000.00

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 176: Long-term financial lease liabilities in EUR

Interest rate	Maturity date	Total debt as of 1/ 1/ 2017	Exchange rate differences	Total debt as of 31/ 12/ 2017	Of which the part falling due on:	
					in 2018	after 1/ 1/ 2019
%		+	+	=	-	=
6.20	1/ 5/ 2021	70,056	-4	70,052	-19,012	51,040
		70,056	-4	70,052	-19,012	51,040

In 2017, the company did not capitalize borrowing costs (nor in 2016).

Table 177: Value of rents

	Future minimum lease payments	Present net value of future lease payments
Up to 1 year	22,777	19,012
From 1 to 5 years	55,043	51,041
Over 5 years	0	0
Total	77,820	70,053

16. Short-term liabilities

Table 178: Short-term financial liabilities in EUR

	Total debt as of 01/01/2017	New loans in current year	Transfer of the short-term portion of long-term liabilities	Reimburse-ments in the current year	Total debt as of 31/12/2017
	+	+	+	-	=
Loans from banks	861,000			-861,000	
Loans from other lenders (companies in the Group)	650,000	38,271,340		-6,210,670	32,710,670
Issued bonds	10,000,000		10,000,000	-10,000,000	10,000,000
TOTAL	11,511,000	38,271,340	10,000,000	-17,071,670	42,710,670

Short-term loans will bear interest at an established interest rate applicable to associated persons, increased by one percentage point. All short-term loans are secured with bills of exchange. The interest rate for the issued bonds amounts to 3.80% annually. This is an unsecured obligation.

Table 179: Short-term financial lease liabilities in EUR

Interest rate in %	Date of maturity	Total debt as of 01/01/2017	Transfer of the short-term portion of long-term liabilities	Exchange rate differences	Reimburse-ments in the current year	Total debt as of 31/12/2017	Leasing security
		+	+	+/-	-	=	
6.20	Monthly, every first day of the month	17,857	19,012	-5	-17,852	19,012	Unsecured

Table 180: Short-term financial and operating liabilities in EUR

A. Short-term financial and operating liabilities	31/ 12/ 2017	31/ 12/ 2016
Short-term trade creditors – Group companies	1,326,890	28,506
Short-term operating liabilities to suppliers – Associate companies	200,141	91,078
Short-term operating liabilities to suppliers – Other companies	245,831	224,439
Short-term operating liabilities based on advances – Other companies	190,974	83,754
Other short-term operating liabilities – Group companies	70,352	857
Other short-term operating liabilities – Other companies	999,302	1,128,887
TOTAL short-term operating liabilities	**3,033,490**	**1,557,521**
Short-term portion of long-term financial liabilities – Banks	0	861,000
Short-term part of long-term financial liabilities – Bonds	10,000,000	10,000,000
5,045,575 Short-term part of long-term financial liabilities from financial lease – Other companies	19,012	17,857
Short-term financial liabilities (other than financial lease liabilities) – Group companies	32,710,670	650,000
Short-term financial liabilities from the distribution of profit	5,225	11,736
TOTAL short-term financial liabilities	**42,734,907**	**11,540,593**
TOTAL short-term financial and operating liabilities	**45,768,397**	**13,098,114**
B. Short-term financial and operating liabilities	**31/ 12/ 2017**	**31/ 12/ 2016**
Short-term financial liabilities	32,715,895	661,736
Short-term part of long-term financial liabilities	10,019,012	10,878,857
Total short-term financial liabilities	**42,734,907**	**11,540,593**
Short-term operating liabilities	3,033,490	1,557,521
Total short-term operating liabilities	**3,033,490**	**1,557,521**
TOTAL short-term financial and operating liabilities	**45,768,397**	**13,098,114**
C. Short-term operating liabilities	**31/ 12/ 2017**	**31/ 12/ 2016**
Short-term trade creditors to Group companies	1,326,890	28,506
Short-term liabilities to associate companies as suppliers	200,141	91,078
Short-term liabilities to other companies as suppliers	245,831	224,439
Total short-term liabilities to suppliers	1,772,862	344,023
of which already matured on 31/ 12/	1,325,688	45,350
Total short-term bills of exchange liabilities	0	0
Short-term liabilities for advances	190,974	83,754
Total short-term liabilities for advances	190,974	83,754
Short-term liabilities to employees	830,681	466,688
Short-term liabilities to government	122,626	31,400
Short-term liabilities from interest – Group companies	70,352	857
Short-term liabilities from interest – Other companies	0	2,099
Other short-term operating liabilities – Other companies	45,995	628,700
Total other short-term operating liabilities	**1,069,654**	**1,129,744**
TOTAL short-term operating liabilities	**3,033,490**	**1,557,521**

Table 181: Analysis of outstanding liabilities to suppliers in EUR

	31/ 12/ 2017	31/ 12/ 2016
Due in 2017	1,325,688	x
Due in 2016	0	45,350
Due in 2015	0	0
Due in 2014	0	0
Due in 2013 or earlier	0	0
TOTAL liabilities to suppliers already due	1,325,688	45,350

Short-term financial liabilities comprise liabilities from the received loans with the maturity of less than one year. They include liabilities in the amount of EUR 10,000,000 from bonds, which represents the short-term portion of the liabilities, falling due in 2018, and other loans presented in the table "Short-term financial liabilities in EUR".

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.

Other short-term financial liabilities refer to the portion of the received long-term loans for financial lease maturing in 2018.

All short-term financial liabilities, other than the short-term portion of bonds, are secured.

Table 182: Short-term accrued expenses and deferred revenue in EUR

Short-term accrued costs and deferred revenue	31/ 12/ 2017	31/ 12/ 2016
Accrued expenses or costs	393,369	434,238
Short-term deferred income	37,989	37,830
VAT from advances granted	330	0
TOTAL	431,688	472,068

Accrued deferred costs or expenses refer to calculated interest from issued bonds, resulting from the day of the last payment of the coupon up to and including 31/ 12/ 2017, calculated amounts of unused leaves after the balance as of 31/ 12/ 2017/ 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, shown in the table.

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Table 183: Risks

Risk area	Risk description	Risk management method	Exposure
Liquidity risk	Lack of liquid assets required to settle operating and financing liabilities.	Pre-agreed credit lines and preparation of inflow and outflow schedules.	Minor
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, security with appropriate financial instruments – interest rate swaps, transition from the 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

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 planning of cash flows allows us to establish the 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
In 2017, Impol 2000, d. d., settled the long-term loan tied to the reference interest rate 6-month EURIBOR. Due to the realisation that the offers for swapping the interest rates are cost ineffective and due to the projections that the interest rate will not increase, insurances of interest rates for this loan were not concluded. The Company has no other loans with a variable interest rate.

Analysis of the sensitivity to changes in interest rates is presented in the tables.

Table 184: Short and long-term financial liabilities of Impola 2000, d. d., at a fixed rate in EUR

	31/ 12/ 2017	31/ 12/ 2016
Financial liabilities	30,000,000	40,000,000

Table 185: Short and long-term financial liabilities of Impola 2000, d. d., at a variable rate in EUR

	31/ 12/ 2017	31/ 12/ 2016
Financial liabilities	32,780,722	1,598,913

Table 186: Value of financial liabilities secured with interest rate swaps

	31/ 12/ 2017	31/ 12/ 2016
Interest rate swaps amount	0	0

Table 187: Impact of the exchange rate changes on the operating result of Impol 2000, d. d., in EUR

	31/ 12/ 2017	31/ 12/ 2016
Increase of the interest rate by 50 bp	-163,904	-7,995
Increase of the interest rate by 100 bp	-327,807	-15,989
Decrease of the interest rate by 50 bp	163,904	7,995
Decrease of the interest rate by 100 bp	327,807	15,989

Interest 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.

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 2017, receivables from customers increased compared to 2016, for this reason attention is given to their recovery.

Accounting and fair values of financial instruments

Classification of financial instruments according to their fair value as of 31/ 12/ 2017, is shown in the following table.

Table 188: Carrying 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	70,806,315	70,806,315	3
Long-term loans granted to Group companies	51,000	51,000	3
Short-term loans granted to Group companies	48,970,000	48,970,000	3
Short-term operating receivables	3,992,285	3,992,285	3
Cash and cash equivalents	565,433	565,433	3
Long-term financial liabilities	51,040	51,040	3
Long-term financial liabilities from bonds payable*	20,000,000	21,040,000	1
Short-term financial liabilities	32,734,907	32,734,907	3
Short-term financial liabilities from bonds payable	10,000,000	10,520,000	1
Short-term operating liabilities	3,033,490	3,033,490	3

* Bonds listed on the stock market.

18. Contingent liabilities

As of 31/ 12/ 2017, Impol 2000, d. d., had EUR 74,453,390 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 57,250,000 is secured by the pledge of a 97.5% ownership share in Impol, d. o. o.

As of 31/ 12/ 2017, Impol 2000, d. d., granted EUR 3,080,000 of guarantees of payment to the subsidiary Impol Seval, a. d., and EUR 4,473,001 of guarantees granted to Impol-TLM, d. o. o.

19. Transactions with associates

Table 189: Receivables from Group companies in EUR

Receivables of Impol 2000, d. d. as of 31/ 12/ 2017 from:	Group companies - Receivables				
	Long-term financial investments in equity	Long-term loans granted	Short-term operating receivables	Short-term loans granted	Total
Impol, d. o. o.	67,588,863		467,266		68,056,129
Impol LLT, d. o. o.	0		102,346		102,346
Impol FT, d. o. o.	0		262,613		262,613
Impol PCP, d. o. o.	0		228,675		228,675
Impol Infrastruktura, d. o. o.	0		1,224		1,224
Impol R in R, d. o. o.	0		4,233		4,233
Rondal, d. o. o.	100,000		5,479		105,479
Impol-Montal, d. o. o.	0		583		583
Impol Servis, d. o. o.	245,037		788		245,825
Impol Stanovanja, d. o. o	0		217		217
Kadring, d. o. o.	0		2,140		2,140
Stampal SB, d. o. o.	0		22,736		22,736
TGP Štatenberg, d. o. o.	0	51,000	513		51,513
Unidel, d. o. o.	0		1,467		1,467
Impol-TLM, d. o. o.,	1,872,415		512,982	48,670,000	51,055,397
Impol ulaganja, d. o. o.	0		4,876	300,000	304,876
Impol-FinAl, d. o. o.	1,000,000		4,672		1,004,672
TOTAL	70,806,315	51,000	1,622,810	48,970,000	121,450,125

Table 190: Liabilities to Group companies in EUR

Liabilities of Impol 2000, d. d. as of 31/ 12/ 2017 to:	Group companies - Liabilities		
	Short-term financial liabilities	Short-term operating receivables	Total
Impol, d. o. o.	32,210,670	1,357,697	33,568,367
Impol LLT, d. o. o.		2,367	2,367
Impol FT, d. o. o.		1,470	1,470
Impol PCP, d. o. o.		713	713
Impol Infrastruktura, d. o. o.		3,229	3,229
Rondal, d. o. o.	500,000	750	500,750
Impol Servis, d. o. o.		8,949	8,949
Kadring, d. o. o.		19,274	19,274
Unidel, d. o. o.		2,793	2,793
TOTAL	32,710,670	1,397,242	34,107,912

Table 191: Liabilities to Associates in EUR

Liabilities of Impol 2000, d. d. as of 31/ 12/ 2017 to:	Associates – Liabilities	Total
	Short-term financial liabilities	
Simfin, d. o. o.	165,510	165,510
Alcad, d. o. o.	34,631	34,631
Slobodna carinska cona, d. o. o.,		0
TOTAL	200,141	200,141

Table 192: Revenues generated with Group companies in EUR

Revenues of Impol 2000, d. d. generated in 2017 with:	Group companies – Revenue					
	Net revenues from the sale of services	Total operating revenues	Financial revenues from investments	Financial revenues from short-term receivables	TOTAL revenues from financial investments	TOTAL revenues
Impol, d. o. o.	4,286,276	4,286,276	4,389,251	0	4,389,251	8,675,527
Impol LLT, d. o. o.	542,860	542,860	0	0	0	542,860
Impol FT, d. o. o.	1,282,169	1,282,169	0	0	0	1,282,169
Impol PCP, d. o. o.	1,157,141	1,157,141	0	0	0	1,157,141
Impol Infrastruktura, d. o. o.	10,226	10,226	0	0	0	10,226
Impol R in R, d. o. o.	31,454	31,454	0	0	0	31,454
Rondal, d. o. o.	49,421	49,421	0	0	0	49,421
Impol-Montal, d. o. o.	5,560	5,560	0	0	0	5,560
Impol Servis, d. o. o.	7,256	7,256	0	0	0	7,256
Impol Stanovanja, d. o. o.	1,806	1,806	0	0	0	1,806
Kadring, d. o. o.	9,184	9,184	0	0	0	9,184
Stampal SB, d. o. o.	216,240	216,240	0	0	0	216,240
TGP Štatenberg, d. o. o.	0	0	0	513	513	513
Unidel, d. o. o.	12,880	12,880	0	0	0	12,880
Impol-TLM, d. o. o.	812	812	0	342,969	342,969	343,781
Impol ulaganja, d. o. o.	0	0	0	2,999	2,999	2,999
Impol-FinAl, d. o. o.	45,228	45,228	0	0	0	45,228
TOTAL	7,658,513	7,658,513	4,389,251	346,481	4,735,732	12,394,245

Table 193: Expenses generated with Group companies in EUR

Expenses of Impol 2000, d. d. generated in 2017 with:	Group companies – Expenses							
	Costs of merchandise and material	Costs of services	Costs of material	Other operating expenses	Total operating expenses	Financial expenses for interests and other liabilities	Total expenses from financial investments	TOTAL expenses
Impol, d. o. o.	13,010,821	91,680	16,641	5,373	13,124,515	134,386	134,386	13,258,901
Impol FT, d. o. o.	0	4,786	0	0	4,786	0	0	4,786
Impol PCP, d. o. o.	-1,315	8,729	406	122	7,942	0	0	7,942
Impol Infrastruktura, d. o. o.	0	15,475	385	100	15,960	0	0	15,960
Impol R in R, d. o. o.	0	16,008	0	0	16,008	0	0	16,008
Rondal, d. o. o.	0	0	0	0	0	4,559	4,559	4,559
Impol Servis, d. o. o.	9,850	6,919	0	3,440	20,209	0	0	20,209
Kadring, d. o. o.	0	55,492	5,437	0	60,929	0	0	60,929
Unidel, d. o. o.	0	8,671	3,473	0	12,144	0	0	12,144
TOTAL	13,019,356	207,760	26,342	9,035	13,262,493	138,945	138,945	13,401,438

Table 194: Revenue generated with Associates in EUR

Revenues of Impol 2000, d. d. generated in 2017 with:	Net revenues from the sale of services	Other operating revenues	TOTAL operating revenues	TOTAL revenues from financial investments	TOTAL revenues
Simfin, d. o. o.	340	3,006	3,346	0	3,346
Alcad, d. o. o.	77		77	0	77
TOTAL	417	3,006	3,423	0	3,423

Table 195: Expenses generated with Associates in EUR

Expenses of Impol 2000, d. d. generated in 2017 with:	Costs of services	Costs of material	TOTAL operating expenses	Total expenses
Simfin, d. o. o.	424,355	157	424,512	424,512
Alcad, d. o. o.	9,677	0	9,677	9,677
TOTAL	434,032	157	434,189	434,189

Remuneration of members of the Management and Supervisory Board in 2017 (Art. 294, paragraph 5 of ZGD-1)

Table 196: Remuneration of members of the Management and Supervisory Board in EUR

Name and surname of the member of the Management and Supervisory Board	Position	Fixed portion of remuneration	Variable portion of remuneration:	Remuneration for management and other bonuses	Reimbursement of expenses	Insurance premiums	Other payments	Total remuneration
Jernej Čokl	President of the MB*	36,000	105,424	18,000				159,424
Vlado Leskovar	Member of the MB	30,000	90,439	18,000				138,439
Janko Žerjav	Member of the MB	30,000	84,439	18,000				132,439
Milan Cerar	Member of the MB	30,000	86,839					116,839
Bojan Gril	Member of the MB	30,000	90,439					120,439
Edvard Slaček	Executive Director	162,907	91,138	17,861	1,901	613	59,721	334,140
Irena Šela	Executive Director	136,952	88,962	1,333	2,331	613		230,191
Total		455,859	637,681	73,194	4,232	1,226	59,721	1,231,912

*Management Board.

The table shows remuneration for 2017.

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

Events after reporting date

After the reporting date, all short-term loans granted to Impol-TLM, d. o. o., including interests accrued up to 31/ 12/ 2017, were converted to long-term loans. At the end of 2017, the Executive Director, Edvard Slaček, retired and Andrej Kolmanič was appointed to his position.

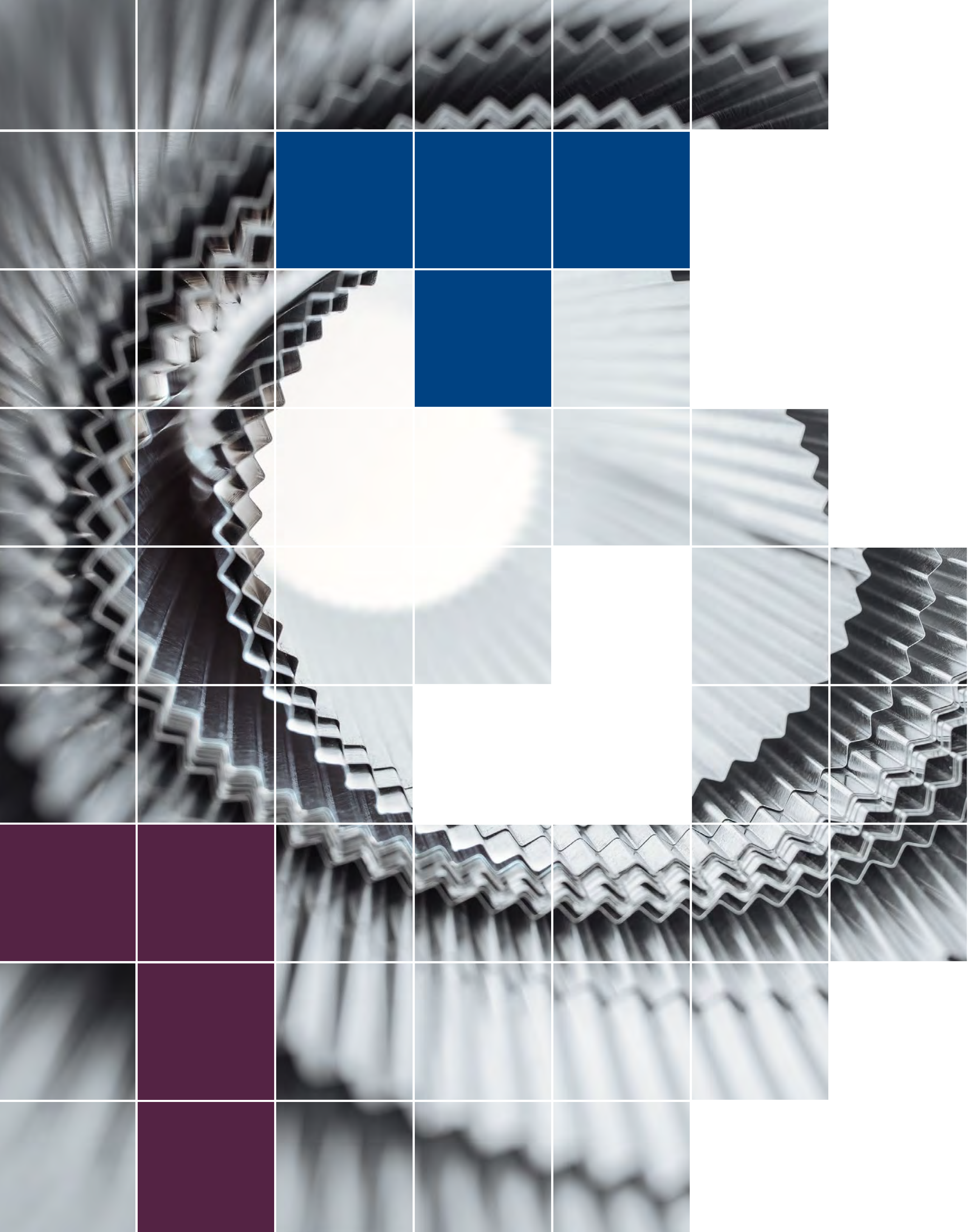
There were no other events that would significantly affect the financial statements of Impol 2000, d. d., for 2017.

Signature of the annual report for 2017 and its parts

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 2017 and with the entire Annual Report of Impol 2000, d. d. for 2017. We agree with the content and confirm it with our signature.

Jernej Čokl (Chairman of the Management Board)	Vladimir Leskovar (Deputy Chairman 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)

Andrej Kolmanič (Chief Executive Officer)	Irena Šela (Executive Director of Finance)



Management Board and Executive Directors

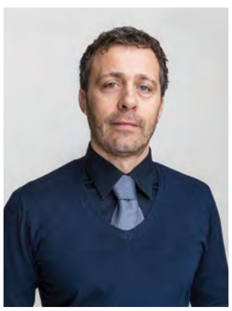
Jernej Čokl
Chairman of the Management Board

Vladimir Leskovar
Deputy Chairman of the Management Board

Janko Žerjav
Member of the Management Board

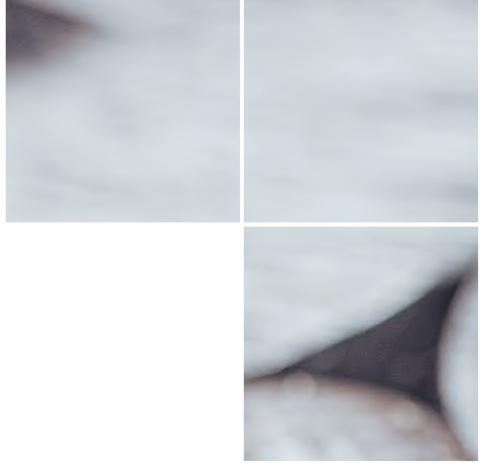
Milan Cerar
Member of the Management Board

Bojan Gril
Member of the Management Board

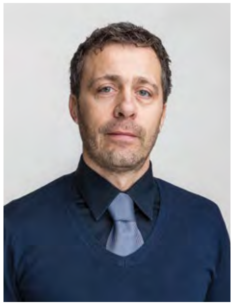


Andrej Kolmanič
Chief Executive Officer

Irena Šela
Executive Director of Finance



Management of the Impol Group



Impol 2000, d. d.

Andrej Kolmanič
Chief Executive Officer
02 845 31 01
andrej.kolmanic@impol.si

Impol 2000, d. d.

Irena Šela
Executive Director of Finance
02 845 31 05
irena.sela@impol.si

Impol, d. o. o.

Tanja Brkljačič, BA
Company director
02 845 31 01
tanja.brkljacic@impol.si

Impol PCP, d. o. o.

Miro Slatinek
Company director
02 845 32 74
miro.slatinek@impol.si

Impol FT, d. o. o.

Tomaž Smolar
Company director
02 845 39 25
tomaz.smolar@impol.si

Impol R in R, d. o. o.

Dr. Varužan Kevorkijan
Company director
02 845 38 41
varuzan.kevorkijan@impol.si

Impol LLT, d. o. o.

Jure Čretnik
Company director
02 845 37 07
jure.cretnik@impol.si

Stampal SB, d. o. o.
Impol-FinAl, d. o. o.

Urh Knuplež, BA
Company director
02 805 54 40
urh.knuplez@stampal-sb.si

Impol Infrastruktura, d. o. o.

Rafko Atelšek
Company director
02 845 31 63
rafko.atelsek@impol.si

Rondal, d. o. o.

Dominik Strmšek
Company director
02 805 56 00
dominik.strmsek@rondal.si

Unidel, d. o. o.

Marta Baum
Company director
02 805 52 30
marta.baum@unidel.si

Kadring, d. o. o.

Nina Potočnik
Company director
02 805 52 00
nina.potocnik@kadring.si

Impol Stanovanja, d. o. o

Mojca Gričnik
Company director
02 818 40 88
stanovanja_doo@siol.net

Impol Servis, d. o. o.

Marko Žunec
Company director
02 845 38 97
marko.zunec@impol.si

Impol Seval, a. d.

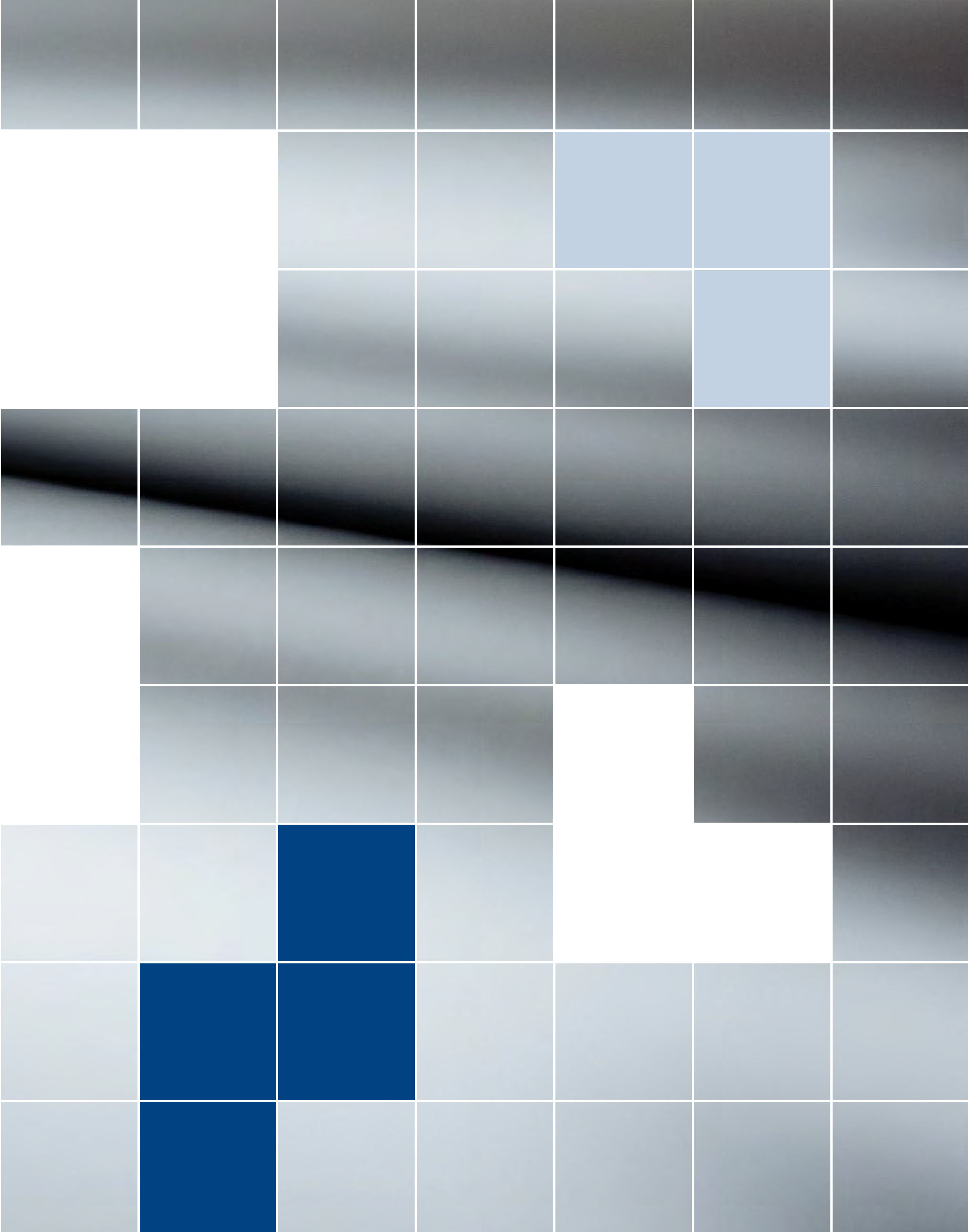
Ninko Tesić
Company director
+381 31 591 100
office@seval.rs

Impol-TLM, d. o. o.

Marjana Lažeta
Company director
02 845 37 90
marjana.lazeta@impol.si

Impol Aluminum Corporation

Jan Škrlj
Company director
+1 914 636 26 06
sales@impol.si



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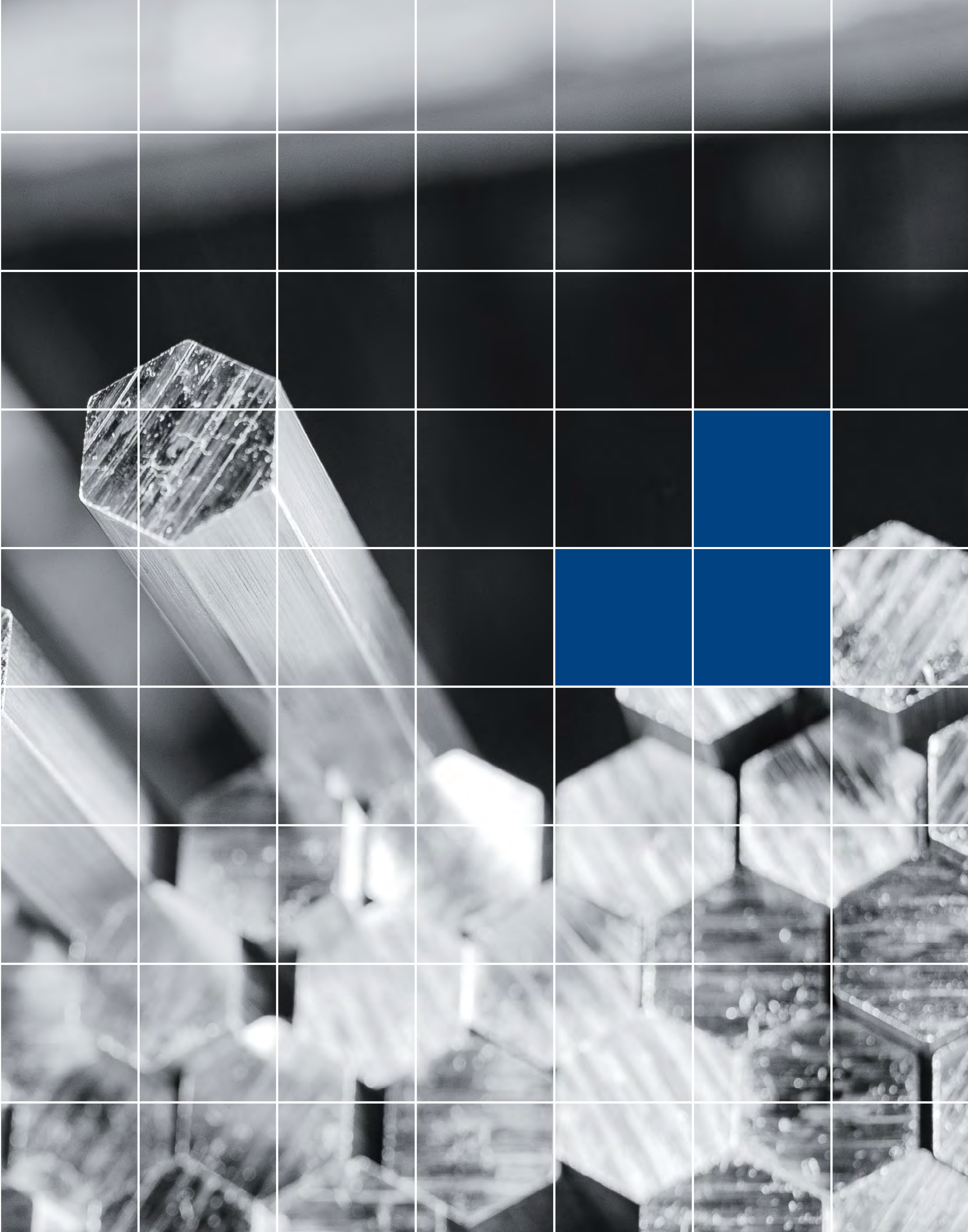

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