2013 ANNUAL REPORT

LIVAR, d. d.

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FOR 2013

1. INTRODUCTION

1.1. BASIC DATA

Name: Livar, proizvodnja in obdelava ulitkov, d. d.

Address: Ljubljanska cesta 43, 1295 Ivančna Gorica

Telephone: +386 (01) 786-99-00

E-mail: info@livar.si

Registration Number: 5504813

Tax ID Number: 58984771

Activity: (24.510) Casting of iron

Management Board: Chairman of the Management Board: Franc Rovere

Supervisory Board:

	1 January–27 June, 2013		28 June–31 December, 2013
Chairman:	Janko Čevka	Chairman:	Janko Čevka
Vice chairman:	Ivo Judnič	Vice chairman:	Jože Kaligaro
Member:	Mitja Škrbec	Member:	Mitja Škrbec
Member:	Jože Strmole	Member:	Jože Strmole
Member:	Vojko Rovere	Member:	Vojko Rovere
Member:	Tomaž Švigelj	Member:	Janko Šteharnik

Ownership structure:

75.0%	Vimpro, d. o. o.
6.1%	Societa finanziaria di promozione della
4.6%	Adriano Corsi, s. p. a.
4.5%	Niobe, d. o. o.
3.3%	Dinos, d. d.
1.6%	Mecum, d. o. o.
4.9%	Others

1.2. REPORT OF THE CHAIRMAN OF THE BOARD

In 2013, LIVAR, d. d was comprehensively restructured after facing the desperate prospect of liquidity at the end of 2012, following several years of economic crisis. The largest lending banks had a decisive effect on the improvement of the company's financial situation, which enabled the restructuring of business operations. Restructuring measures and activities encompassed all business functions and all levels of the organization. The company successfully completed an organizational and human resources restructuring project, thoroughly redefining and adjusting all business processes, especially development, production and logistics. A greater emphasis was placed on quality, continuous improvement and innovation. In the finance department, the company saw radical changes and welcome trends, with an emphasis on positive cash flow from operations. To improve the financial situation, doors to investments and serious maintenance were opened, especially in those production units where technological setbacks were most obvious. Operating costs were optimized, managed and carefully controlled. The sales department saw diversification for its programme, with a shift into the medium and high price brackets, and to products with higher added value. The foundations for this process were mainly the newly defined roles of IT and controlling, and the renewed system for calculations. After a decade of high losses, Livar ended 2013 with profit in the amount of 3.4 million EUR. All this was possible only thanks to harmony between the company's goals and interests, and those of shareholders and all social partners.

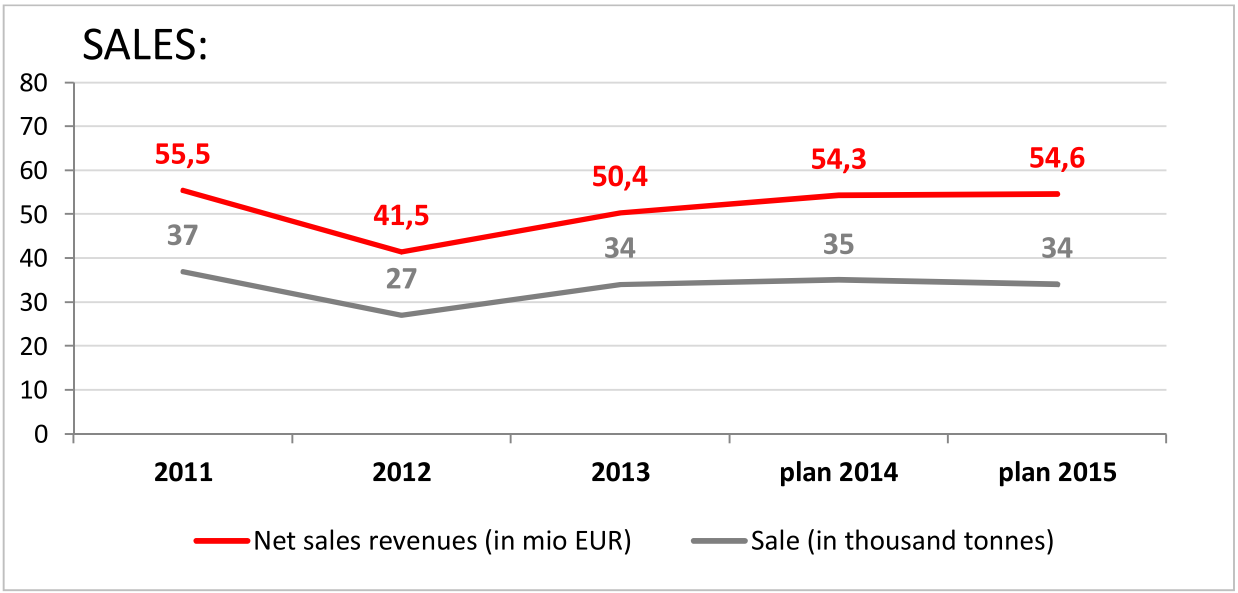
In terms of content, the restructuring process is half way towards completion, and we will see further financial restructuring (reprogramming of loans) and stabilisation and strengthening of what has already been achieved. The system has not yet been stabilized; the processes are not yet established and routine. Achieving the ambitious goals that were set is not yet a matter of course. A great deal of knowledge and experience is required for setting up the organizational culture that will support long-term stable operations. The programme and market restructuring, which demands a good deal of time, is half way towards completion. It is in 2014 that Livar will therefore come to the end of its restructuring period, to become stable in terms of finances, staffing and organization. We expect that our ambitious development goals will be realised.

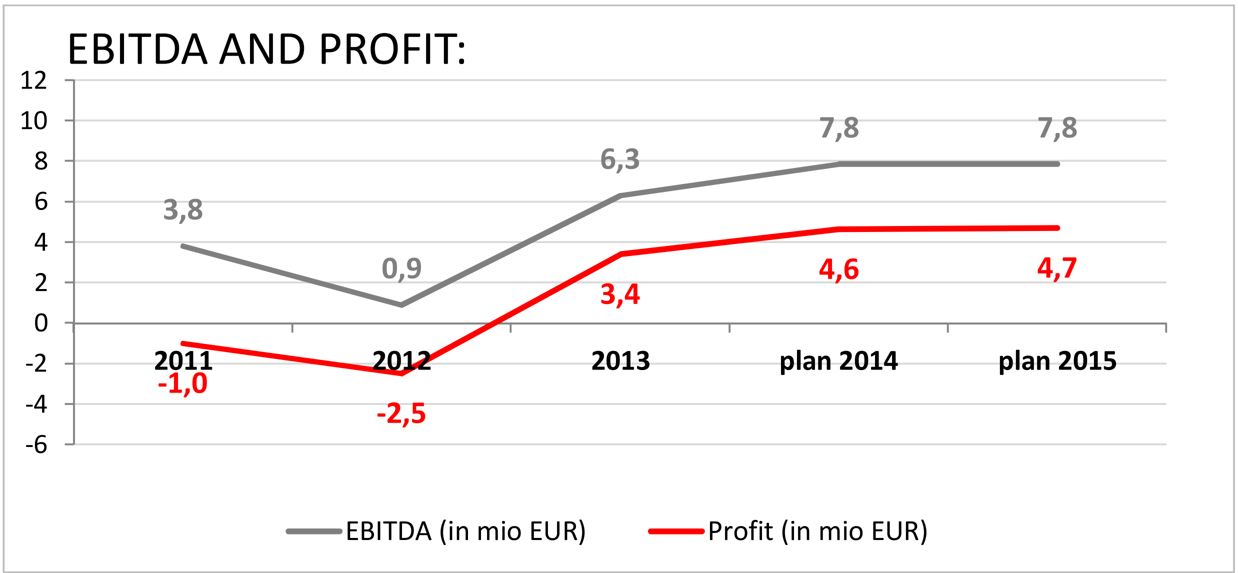
In 2013, the company prepared a Projection of the Company's Development by 2020. The document was six months in the making and involved more than 90 employees, 47 workshops and three development conferences. The main idea behind the development projection is the transition from a foundry based purely on brawn, to one based on knowledge and technology. Subject to this goal are all the projections, including everything from the organizational culture on which it is based to technological breakthroughs, human resources structure, openness to the world and the generation of increasingly higher profits. At the end of this period, Livar will have been re-invigorated both in terms of technology and staffing, to feature an optimal structure for sources of capital and excellent operational results.

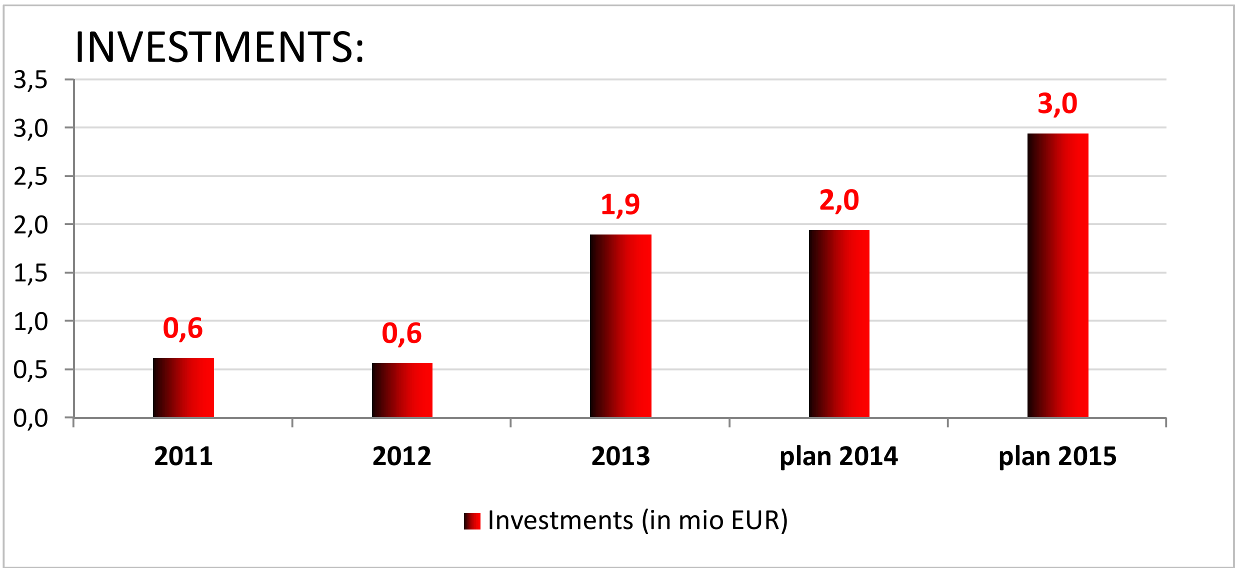
Chairman of the Management Board of Livar, d. d.:

Franc Rovere

1.3. MAIN INDICATORS TREND





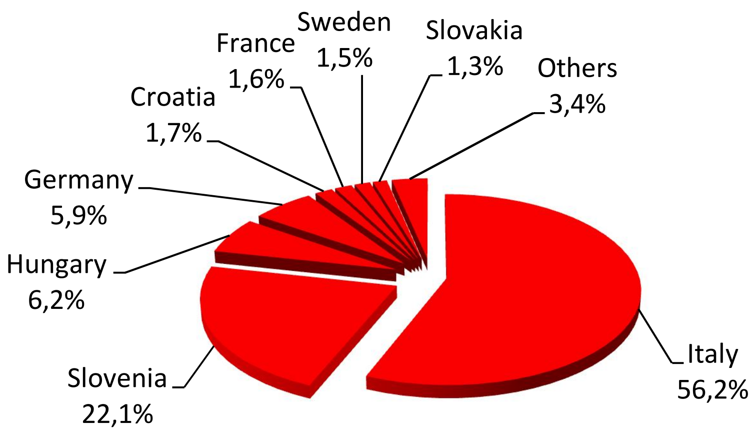


2. FINANCIAL REPORT

2.1. SALES

The 2013 sales plan was 94% achieved, with generated revenue amounting to 50.4 million EUR. In the first half of the year, there were sufficient orders, but a significantly negative impact on sales prices came from the commodities exchange (steel, pig iron, coke) to which Livar's sale prices are bound, since prices for raw materials at the exchange fell consistently. Despite this, revenue from the first half of the year accorded with what was predicted. The commodities exchange steadied in the second half of the year due to a decline in orders. Mainly in the case of Italian buyers, sales revenue from the second half of the year saw a 10 percent difference in revenue from what was forecast.

The sales structure by countries in 2013:



Despite the set goals, dependence on the Italian market has not waned, and sales to this market represent 56.2% of the turnover. In accordance with the above, the activities of the sales service have moved in the direction of finding new buyers and expanding cooperation with existing buyers in the area of the European Union, outside Italy.

Structure concerning sold products improved in 2013. In accordance with set goals, the sale of mechanically treated casts with higher added value increased, as did the sale of those from nodular casting. The sales programme also changed, in the sense that sales increased for more complex casts requiring greater investment in terms of knowledge and labour.

In 2013, the sales service was restructured in terms of its organization and human resources. A stable HR structure was set up, and the sales service managed to align itself with the market even further thanks to its reorganisation and newer, more modern methods.

2.2. ANALYSIS OF OPERATIONS

INCOME STATEMENT

Net sales revenue generated in 2013 amounted to 50.4 million EUR, which was 6% lower than planned. Operating costs amounted to 46.4 million EUR, a figure 2% lower than planned. Compared to planned costs, those for material and services were 5% lower, with cost depreciation exceeding the plan by 1%, and labour costs by 8%.

In 2013 there was a special emphasis on optimising operating costs and control. In the course of preparing the 2013 business plan, the company also appointed cost managers. The cost manager cooperated in setting a planned amount for costs, and also confirmed the amount. Success in achieving planned costs varied from month to month throughout the year, and each eventual discrepancy was also carefully analysed.

Livar's sales prices are tied to changes in those for raw materials on the stock exchange. During the first half of the year, decline on the commodities exchange was significant. Also, where procurement was concerned and due to dependence on local suppliers, it was not possible to respond to the rapid decline in real time, which resulted in a negative impact on material cost recovery, and so on Livar's results.

Labour costs were higher than planned in 2013. The reason for the discrepancy was an increase in the sale of mechanically treated casts, which led to more employees being required in the mechanical treatment plant. The sale of mechanically treated casts exceeded those forecast by 26%. Increasing the sales volume for mechanically treated casts, and the number of employees in the relevant plant, is in accordance with Livar's long-term goals. Higher labour costs than planned also result from the fact that the restructuring of human resources, which began at the start of the year, envisaged a somewhat greater reduction in the number employees than was later carried out.

In 2013, the structure for ordered products also changed. Buyers were ordering more of the pre-existing, more complex, and more labour intensive casts than planned, while the new programme for non-complex products, which was also planned for 2013 and for which less labour input was envisaged, did not gain momentum. Livar's long-term goal is the sale of more complex casts and mechanically treated ones that will sell "brains, not brawn", so the change in structure regarding complexity is welcome for Livar. However, it was determined according to newly established calculations that existing complex casts do not have sufficient coverage. The sales service remedied the situation that arose by visiting buyers and raising prices for the aforementioned casts, so this will have a positive effect on future results.

In Livar, the ambitious profit goal for 2013 was not achieved in full. However, satisfactory results were achieved. It is important that after a decade of high losses the company turned a profit, and that we know which areas to improve on. In our case, this is the area of sales; through improvement in this area, it will be possible to realise even more ambitious goals in the future. Livar ended 2013 with profit in the amount of 3.4 million EUR, however, the planned profit was 17% higher and would have amounted to 4.1 million EUR.

The income statement from 1 January, 2013 to 31 December, 2013

in EUR

		2013	**2012**	**Index**
1.	Net sales revenues	50,398,211	41,483,323	121
2.	Change in inventories of finished goods and work in progress	227,604	1,354,111	17
3.	Capitalised own products and services	400,292	100,405	398
4.	Other operating income (with revaluating operating income)	412,767	257,873	160
5.	Cost of goods, materials and services	34,125,057	33,515,776	102
6.	Labour cost	10,625,675	7,555,601	141
7.	Write-offs	1,653,523	2,271,053	73
8.	Other operating expenses	406,657	682,146	60
9.	Financial revenue from shares and interests	0	0	-
10.	Financial revenue from loans	48,558	52,990	92
11.	Financial revenue from operating receivables	105,997	18,779	564
12.	Financial expenses due to impairment and write-offs of investments	223,111	0	-
13.	Financial expenses for financial liabilities	1,496,706	1,238,329	121
14.	Financial expenses for operating liabilities	228,458	528,981	40
15.	Other income	202,872	711,858	28
16.	Other expenses	215,451	329,588	65
17.	Income tax	113,823	0	-
18.	Deferred taxes	685,786	–371,668	–184
19.	Net profit of loss for the period	3,393,626	–2,513,801	–135

Profit generated by Livar from its operations in 2013 amounted to 3.4 million EUR. The 2013 income statement in particular also includes financial expenses related to the Jelšingrad investment, which reduced the result by 578 thousand EUR but deferred taxes to increase the result by 686 thousand EUR.

The generated profit without the impact of the effects of the Livar Jelšingrad investment and deferred taxes

in EUR

	2013
Net profit of loss for the period in 2013 income statement	3,393,625
Expenses related to the Jelšingrad investment	578,704
Deferred taxes	–685,786
Net profit or loss – operations of Livar, d. d., 2013	3,286,543

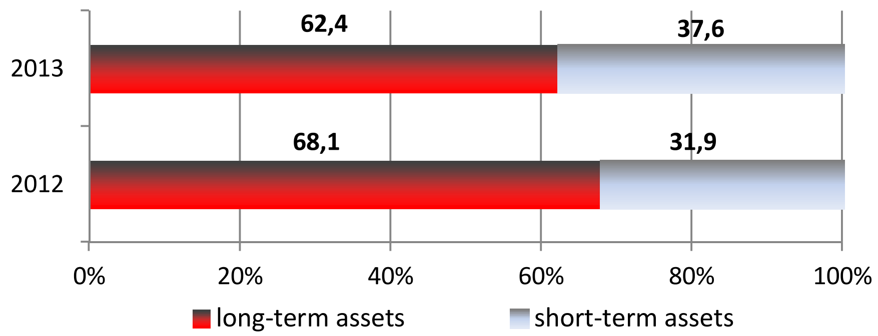
BALANCE SHEET

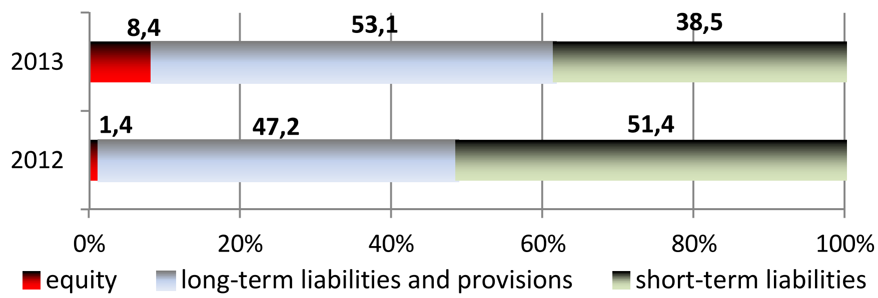
The **Balance sheet total** of Livar, d. d. at the end of 2013 amounted to 43.1 million EUR. Compared to 2012, the amount of the balance sheet total increased by 11% or 4.3 million EUR.

Among **assets**, **long-term assets** increased by 2% or 465 thousand EUR and amounted to 26.9 million EUR. Property, plant and equipment remained at the same level, increasing due to investment but decreasing as a result of depreciation. Long-term financial investments decreased by 12% or 163 thousand EUR, and long-term financial investment in the Jelšingrad associate company decreased by 379 thousand EUR and after a valuation report was adjusted to show a lower fair value; at the same time, the maturity of the short term loan given to the associate company in the amount of 216 thousand EUR also changed from a short-term into a long-term loan. In 2013, deferred tax assets increased by 48% or 686 thousand EUR.

Short-term assets amount to 16.1 million EUR; in 2013, they increased in value by 31% or 3.8 million EUR. As part of its short-term assets, and compared to the beginning of 2013, inventories increased by 11% or 379 thousand EUR, and short-term operating receivables were higher by 49% or 3.8 million EUR, which is the result of higher sales in 2013; net sales revenue is 9.0 million EUR, or 21% higher than in 2012. Higher growth in receivables compared to growth in sales in 2013 is the result of a slower turnover for receivables in December compared to the annual average. Specifically, the majority of buyers close their factories in December and pay what they owe after the holidays, namely by the middle of January.

Structure of Assets and Liabilities as of 31 December





Among **liabilities**, **equity** fell in terms of value by 3.0 million EUR compared to the situation at the start of 2013, and amounted to 3.6 million EUR, representing a structure for liabilities of 8.4%.

Provisions and long-term accrued and deferred liability items in 2013 went down by 6% or 125 thousand EUR.

Due to changes in the maturity of loans, long-term liabilities in 2013 increased by 29% or 4.7 million EUR, and amounted to 20.8 million EUR. Short-term liabilities amounted to 15.1 million EUR and fell by 3.5 million EUR in 2013.

Balance Sheet of Livar, d. d. as of 31 December, 2013

in EUR

		31 December, 2013	31 December, 2012	Index
	ASSETS	**43,052,970**	**38,755,762**	**111**
A.	**LONG-TERM ASSETS**	**26,862,407**	**26,397,075**	**102**
I.	Intangible assets and long-term accrued and deferred asset items	86,759	119,766	72
II.	Property, plant and equipment	17,469,454	17,493,901	100
IV.	Long-term financial investments	1,249,876	1,412,876	88
V.	Long-term operating receivables	5,946,524	5,946,524	100
VI.	Deferred tax assets	2,109,794	1,424,007	148
B.	**SHORT-TERM ASSETS**	**16,121,349**	**12,304,650**	**131**
I.	Assets (disposal groups) held for sale	0	0	-
II.	Inventories	3,980,300	3,600,976	111
III.	Short-term financial investments	275,500	491,500	56
IV.	Short-term operating receivables	11,670,417	7,834,092	149
V.	Cash	195,132	378,082	52
C.	**LONG-TERM ACCRUED AND DEFERRED ASSET ITEMS**	**69,214**	**54,037**	**128**

		31 December, 2013	31 December, 2012	Index
	LIABILITIES	**43,052,970**	**38,755,762**	**111**
A.	**EQUITY**	**43,052,970**	**558,447**	**645**
I.	Called-up capital	6,069,276	6,069,276	100
	1. Share capital	6,069,276	6,069,276	100
II.	Capital surplus	7,156	4,821,497	0
IV.	Revaluation surplus	6,678,020	7,030,451	95
VI.	Retained profit or loss from previous years	–9,154,810	–14,848,977	61
VIII.	Net profit or loss for the financial year	0	–2,513,801	-
B.	**PROVISIONS AND LONG-TERM ACCRUED AND DEFERRED LIABILITY ITEMS**	**2,066,431**	**2,191,209**	**94**
C.	**LONG-TERM LIABILITIES**	**20,791,998**	**16,084,412**	**129**
I.	Long-term financial liabilities	19,436,394	14,660,405	133
III.	Deferred tax liabilities	1,355,604	1,424,007	95
D.	**SHORT-TERM LIABILITIES**	**15,092,354**	**18,606,164**	**81**
II.	Short-term financial liabilities	5,521,603	7,875,565	70
III.	Short-term operating liabilities	9,570,751	10,730,599	89
E.	**SHORT-TERM ACCRUED AND DEFERRED LIABILITY ITEMS**	**1,502,545**	**1,315,530**	**114**

2.3. INVESTMENTS

The stabilization of the company's operations revived the area of investments, which had been neglected in the previous decade as a result of the poor financial situation. Investments in 2013 were made with a view to ensuring smooth production operations, raising productivity and lowering costs. In 2013, 1.9 million EUR were spent with this in mind. Significant investments in 2013 were:

- Replacement of the receptacle at the Črnomelj foundry.

The smaller 18 tonne receptacle was replaced with a larger, 65 tonne receptacle. The replacement of the receptacle brought savings in costs as well as energy, and mainly improved the stability of the process.

- Replacement of the Disamatic moulding line in the Ivančna Gorica foundry.

The old Disamatic MK3 moulding line was replaced with a modern MK5 line. This investment increased the option of manufacturing more complex casts, improved on stability for producing forms and decreased the number of rejects.

- Purchase of two horizontal treatment centres in Mechanical Treatment in Črnomelj.

The investment was carried out with the purpose of upgrading and expanding machine capacities in accordance with Livar's long-term policy requiring a higher share of treated casts in the sales structure, and thus an improved added value for sold products.

- Start up of a core-making machine in the Ivančna Gorica foundry.

Due to the increasing number of casts with cores, the core making facility became a bottleneck for the foundry in Ivančna Gorica, a fact remedied by the implementation an additional core-making machine.

Other investments in 2013 were smaller in scope. Among them, special emphasis was placed on those affecting improvement of working conditions and worker well-being (dressing room, sanitary facilities, work clothes etc.) and investments in other accessories related to work.

2.4. EMPLOYEES

During the first months of 2013, a project for organizational and staffing restructure was underway in Livar. Following this, Livar's organization is based on the principle of "flat organization" to encompass a maximum of three organizational levels, and so the human resources structure must be adapted to this model. Reorganization resulted in 40 workers, primarily in administrative roles, being made redundant; to the majority of workers, Livar offered employment under changed working conditions.

On 31 December, 2013, there were 473 employees with Livar. Compared to the start of 2013, this number had decreased by 11. In 2013, there were 469 employees on average, where 452 were planned for. In calculations based on effective hours, there were an additional 105 contractual employees employed on average.

The number of employees by level of professional education of Livar, d. d. as at 31 December, 2013:

Level of professional education	Number of employees	%
I	110	23.3
II	25	5.3
III	23	4.9
IV	173	36.6
V	92	19.5
VI/1	16	3.4
VI/2	16	3.4
VII	13	2.7
VIII	5	1.1
Total	**473**	**100.0**

In the second half of the year, Livar began discussing organizational culture. In the interweaving of values, modes of behaviour and personal characteristics of employees, this is a factor evident in day-to-day activities, and something that connects employees in their efforts to achieve common goals. The difference between an ideal organizational culture supporting set development goals and an actual culture within the company was determined with the aid of a specific and globally established methodology. The results of the study show that the current actual culture at Livar differs from what would be ideal, and to a significant extent. Changing the organizational culture will be a demanding and long-term process that will require the mastery of new knowledge. We must bring about certain values and behaviours, while abandoning others.

2.5. DEVELOPMENT

Development activity under the management of the development and technology department is divided into several main sections at Livar: strategic development, the development of new products, and application development. The activity of involving development engineers in the work of the sales and procurement department increased significantly, and open communication with suppliers and buyers resulted in closer relationships and rapid and effective solutions to the foundry's technological issues.

A new acquisition that has significantly aided the work of development engineers and the control department is the Atos system – 3D laser scanning device. It is used for reverse engineering, for development purposes. By capturing an image of the surfaces of a cast or a foundry tool, and through applying our extensive knowledge regarding the use of design tools, we can produce the correct geometry for a cast and thus make a new foundry tool without the need for any 2D or 3D designs.

At Livar, we are aware that it is necessary to maintain and improve on the long-term competitive advantage. Long-term competitiveness can be increased if we focus on the manufacturing of complex products, the optimization of technological as well as production processes, and encouraging inventiveness and innovation at the company level. We paid a lot of attention to knowledge as the key element of successful operation for the Development and technology department. We upgraded our technical knowledge by providing external as well as internal training, and it is also of note that we currently employ two doctorate students.

2.6. ENVIRONMENT

Protection of the environment is an integral part of Livar's management, because the company affects the environment in which it operates. Livar meets its obligation towards the environment with its environmental policy, the ISO 14001 international standard and the environmental permit issued by the Slovenian Environment Agency (ARSO).

The main guidelines behind Livar's relationship with the environment are provided in the company's environmental policy, according to which Livar undertakes at all times to ensure a living and working environment that conforms to legal and other requirements in terms of its impact on the wider environment, and to try to reduce this impact so that it's at the lowest level possible.

Operations in 2013 took a dramatic turn towards positive trends, and this fact is also reflected in the field of ecology. After a few years of inaction, in 2013 part of the resources were allocated for procuring new systems or devices to reduce substance emissions into the air. Most of the work was mainly focused on the functioning of the cupola furnace. By introducing various measures and resetting the functions of the furnace, we succeeded in reducing the levels of hazardous gas fractions of halogenated organic compounds to below the limit value.

In 2013, we also managed to prove that we are moving in the right direction according to the recertification evaluation of the ISO 14001 environmental management system, and successfully extended the validity of these certificates for three years. The evaluation was one of the most successful to date, since we passed it without any non-compliance, which shows that we are following the company's vision and an environmental policy that emphasizes investment in the environment.

As stated in the environmental policy, one of Livar's main focuses in the future will be monitoring and preparing all planned action aimed at implementing environmental goals and programmes, and supporting and encouraging awareness regarding continuous improvement and reducing the burden placed on the environment.

2.7. EVENTS AFTER THE CLOSE OF THE FINANCIAL YEAR

After the close of the 2013 financial year, no significant events occurred that would affect profit or loss for 2013. Livar closed the first two months of 2014 in line with plans, and sales results surpassed those projected by 5%. Delivered output also exceeds what was projected.

3. RISK MANAGEMENT

Exposure to various risks, business as well as financial, is a part of everyday operations in the business world. Therefore, awareness that risks exist, and monitoring risks, is key to survival.

Liquidity risk

Risk related to ensuring solvency is managed by planning all expected and known outflows, and from another angle through planning and ensuring suitable cash inflows to cover the outflows. We are in constant contact with banks regarding the settlement of financial liabilities, primarily the two largest creditors with whom we consistently reach a solution acceptable to all involved parties.

Credit risk

The risk that buyers will not fulfil their obligations, namely through paying what is due for what they have received, is controlled by means of checking the credit rating of buyers, mainly new clients, and through the process of claims recovery.

Interest rate risks

These are managed by constantly monitoring events in the money market and through maintaining partnership relations with commercial banks. Long-term and short-term financial liabilities towards banks and leasings are bound to EURIBOR, a fact that affects their exposure to interest rate risk.

Currency risk

There was no currency risk in Livar larger than exchange rate variation in import and export, because the procurement and sales market operates mainly as part of the European Union. Neither does Livar have any short-term operating receivables from buyers or short-term operating liabilities in foreign currencies.

Risk of the reduction of fair value

The company has real estate and financial investments that are valued fairly. These values are monitored by the company on an ongoing basis.

Market risks

These are managed by means of diversifying sales across various industries, through monitoring sales share across individual types of industry and by monitoring sales share across markets. The sales risks encompass relevant marketing strategies (price competitiveness for products). The sales risk is suppressed as much as possible through the constant development of new products, as well as services that will be of interest, of use and suitable in terms of price.

Procurement risks
This relates to changes in the price of raw materials and others, quality levels and delivery dates. They are managed by arranging contractual relationships with suppliers that allow us to operate in a stable environment, and importantly one that is more predictable. Despite this, we have no control over changes to the prices of our main production materials, such as steel, pig iron or energy products. Changes to processes where these materials are concerned are included into the sales prices for our products, by means of a formula.

Product risks
In the field of product risk, we are exposed in terms of our products possibly functioning incorrectly in the marketplace. Product risks are contained through ensuring quality in the manufacturing process, and by complying with all standards. Our guideline is quality management, because only with high quality processes, original and technologically perfected products, treated to a top quality standard, can we strengthen our position even further in the field of renowned casting manufacturers.

Human-resources-related business risk
Risks related to human resources include the threat of disruption, losses in terms of key manpower and the shortage of professionally qualified workers. We try to manage these risks by providing various training courses, and through rewarding individual achievements etc. We try to provide for future needs for professionally qualified staff by continuously searching the labour market for key individuals.

Investment risks
These are related to achieving and successfully activating investments and the implementation of new technologies that will be urgently needed in the future.

The key **risks to property**, such as fire, machinery breakdown or production failure, are transferred to the insurance company.

4. PLANS FOR 2014

For 2014, Livar expects sales revenue in the amount of EUR 54.7 million which is 7% higher than revenue achieved in 2013. The 2014 sales plan follows Livar's long-term policy that prescribes decreasing the sales volume and simultaneously raising the profitability of products and thus the sales income and the change of the structure of sale in terms of increasing the share of mechanically treated casts.

The restructuring of the company that was successfully carried out in 2013 will continue in 2014 in terms of stabilising and strengthening of what was achieved. Restructuring the financial liabilities will be of key importance, since Livar, despite good results, is not capable of following the existing payment dynamic that was agreed upon with contracts. In 2014, Livar will thus complete the restructuring period, become stable and will be capable of achieving its ambitious goals.

For 2014, Livar plans investments in the amount of EUR 1.95 million, in subsequent years; however, the amounts shall be significantly higher, because financial stabilisation will still be under way during 2014. The majority of assets in 2014 will be intended for the cleaning facility of the cupola furnace in Črnomelj which will significantly lower the consumption of coke and for the expansion and modernisation of mechanical treatment.

A total profit in the amount of EUR 4.6 million is foreseen for Livar, d.d. in 2014. The planned operating profit (EBIT) for 2014 amounts to EUR 6.0 million, and EBITDA in the amount of EUR 7.8 million.

5. STATEMENTS

5.1. STATEMENT OF THE MANAGEMENT'S RESPONSIBILITY

The management board of Livar, d.d. is responsible for preparing the annual report and accounting statements with notes in a manner that reflects the true and fair view of the financial condition and economic outturn for 2013 in accordance with Slovene Accounting Standards and the Companies Act (ZGD-1).

The management board confirms the financial report and accounting statements with notes for the year that ended on 31 December, 2013 and states:

- that accounting statements have been prepared upon the assumption that the company shall continue to operate in the future,
- that it is using the selected accounting policies consistently and that it has disclosed all changes in accounting policies,
- that the accounting evaluations have been prepared fairly and with care and in accordance with the principle of prudence and with due care and attention,
- that accounting statements have been prepared in accordance with the applicable legislation and Slovenian Accounting Standards.

The management board is also responsible for suitable management of the accounting, for the establishment, operation and maintenance of the internal control in relation to the preparation and fair presentation of accounting statement that do not contain any significantly false statements due to fraud or error and for accepting suitable measures for insuring the property and other assets and for implementing measures with which it ensures the value of company's property is maintained.

Ivančna Gorica, 15 April, 2014

Franc Rovere
Chairman of the Management Board of Livar, d. d.

5.2. CORPORATE GOVERNANCE STATEMENT

In its operation, the company does not use any code.

5.3. STATEMENT ON SUBSIDIARIES

The company has no subsidiaries.

ACCOUNTING REPORT FOR 2013

1. INDEPENDENT AUDITOR'S REPORT

KPMG

Poročilo neodvisnega revizorja

Delničarjem družbe Livar, d.d., Ivančna Gorica

Poročilo o računovodskih izkazih

Revidirali smo priložene računovodske izkaze družbe Livar, d.d., Ivančna Gorica, ki vključujejo bilanco stanja na dan 31. decembra 2013, izkaz poslovnega izida, izkaz vseobsegajočega donosa, izkaz gibanja kapitala in izkaz denarnih tokov za tedaj končano leto ter povzetek bistvenih računovodskih usmeritev in druge pojasnjevalne opombe.

Odgovornost poslovodstva za računovodske izkaze

Poslovodstvo je odgovorno za pripravo in pošteno predstavitev teh računovodskih izkazov v skladu s slovenskimi računovodskimi standardi in za tako notranje kontroliranje, kot je v skladu z odločitvijo poslovodstva potrebno, da omogoči pripravo računovodskih izkazov, ki ne vsebujejo pomembno napačne navedbe zaradi prevare ali napake.

Revizorjeva odgovornost

Naša odgovornost je izraziti mnenje o teh računovodskih izkazih na podlagi revizije. Revizijo smo opravili v skladu z mednarodnimi standardi revidiranja. Ti standardi zahtevajo od nas izpolnjevanje etičnih zahtev ter načrtovanje in izvedbo revizije za pridobitev sprejemljivega zagotovila, da računovodski izkazi ne vsebujejo pomembno napačne navedbe.

Revizija vključuje izvajanje postopkov za pridobitev revizijskih dokazov o zneskih in razkritjih v računovodskih izkazih. Izbrani postopki so odvisni od revizorjeve presoje in vključujejo tudi ocenjevanje tveganj napačne navedbe v računovodskih izkazih zaradi prevare ali napake. Pri ocenjevanju teh tveganj prouči revizor notranje kontroliranje, povezano s pripravljanjem in poštenim predstavljanjem računovodskih izkazov družbe, da bi določil okoliščinam ustrezne revizijske postopke, ne pa, da bi izrazil mnenje o uspešnosti notranjega kontroliranja družbe. Revizija vključuje tudi ovrednotenje ustreznosti uporabljenih računovodskih usmeritev in utemeljenosti računovodskih ocen poslovodstva kot tudi ovrednotenje celotne predstavitve računovodskih izkazov.

Verjamemo, da so pridobljeni revizijski dokazi zadostna in ustrezna podlaga za naše revizijsko mnenje.

Mnenje

Po našem mnenju so računovodski izkazi v vseh pomembnih pogledih poštena predstavitev finančnega položaja družbe Livar, d.d., Ivančna Gorica, na dan 31. decembra 2013 ter njenega poslovnega izida in denarnih tokov za tedaj končano leto v skladu s slovenskimi računovodskimi standardi.

Poudarjanje zadeve

Ne da bi izrazili mnenje s pridržki, opozarjamo na pojasnila v okviru poglavju računovodskega poročila z naslovom »Negotovost glede predpostavke delujočega podjetja«, ki predstavljajo, da je družba po letih izgub v poslovnem letu 2013 realizirala čisti dobiček v višini 3.393 tisoč EUR in na ta način za enak znesek zmanjšala bilančno izgubo na znesek 9.155 tisoč EUR, ki sicer na dan 31.12.2013 še vedno presega več kot polovico osnovnega kapitala in je ni mogoče pokriti v breme drugih sestavin kapitala. Družba na dan 31.12.2013 izkazuje primanjkljaj kratkoročnih sredstev glede na kratkoročne obveznosti v višini 404 tisoč EUR (na dan 31.12.2012 v višini 7.563 tisoč EUR), skupne finančne obveznosti pa znašajo 24.958 tisoč EUR, od katerih jih glede na trenutno pogodbeno dogovorjeno dinamiko odplačevanja 5.521 tisoč EUR zapade v letu 2014, preostanek pa v nadaljnjih štirih letih. Razpoložljivi denarni tok v

KPMG

poslovnem letu 2014 po oceni družbe še ne omogoča poplačila celotnega kratkoročnega dela finančnih obveznosti, pogajanja o odobritvi kratkoročno in dolgoročno vzdržnih reprogramov odplačevanja finančnih obveznosti z upniki pa se odvijajo in še niso zaključena. Ob izboljšanem poslovanju je bodoča solventnost družbe odvisna od uspešnosti teh pogajanj. Obstoj te okoliščine nakazuje pomembno negotovost, ki lahko vzbudi bistven dvom v sposobnost družbe, da nadaljuje kot delujoče podjetje.

Poročilo o zahtevah druge zakonodaje

V skladu z zahtevo Zakona o gospodarskih družbah potrjujemo, da so informacije v poslovnem poročilu skladne s priloženimi računovodskimi izkazi.

KPMG SLOVENIJA,
podjetje za revidiranje, d.o.o.

Boštjan Mertelj
pooblaščeni revizor

mag. Simona Korošec Lavrič
strokovna direktorica

KPMG Slovenija, d.o.o.
1

Ljubljana, 15. april 2014

Report of an Independent Auditor
To the Shareholders of Livar, d.d., Ivančna Gorica

Report on Accounting Statements

We have audited the attached accounting statements of Livar d.d., Ivančna Gorica that include the balance sheet of 31 December, 2013, the income statement, the comprehensive income statement, statement of changes in equity and cash flow statement for the then completed year and a summary of key accounting policies and other explanatory notes.

Management's Responsibility for Accounting Statements

The management is responsible for preparing and fair presentation of these accounting statements in accordance with Slovenian Accounting Standards and for such internal control that in accordance with the management's decision is required to enable the preparation of accounting statements that do not contain important false statements due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these accounting statements based on the audit. The audit was performed in accordance with international auditing standards. These standards require us to meet ethical requirements and to plan and implement the audit to obtain an acceptable assurance that accounting standards do not contain any significantly false statements.

The audit encompasses the implementation of procedures for acquiring evidence on amounts and disclosures in accounting statements. The selected procedures depend on the auditor's judgement and also include the evaluation of the risk of false statement in accounting statements due to fraud or error. When evaluating these risks, the auditor examines internal control related to preparing and fair presentation of the company's accounting statements in order to determine auditing procedures suitable for the circumstances, and not to express an opinion on the successfulness of the company's internal control. The audit also includes the evaluation of the suitability of used accounting policies and the merits of the management's accounting estimates as well as evaluation of the entire presentation of accounting standards.

We believe that the acquired auditing evidence is a satisfactory and suitable basis for our auditing opinion.

Opinion

According to our opinion, the accounting statements are in all aspects a fair presentation of the financial condition of Livar, d.d., Ivančna Gorica as at 31 December, 2013 and its profit or loss and cash flows for the then completed year in accordance with Slovenian accounting standards.

Emphasizing the Matter

Without expressing opinion with reservations, we call attention to notes that are a part of the chapter of the accounting report titled "Uncertainty Regarding the Going-Concern Assumption" which state that the company after years of losses in 2013 has achieved profit in the amount of EUR 3,393 thousand and has thus for the same amount decreased the balance sheet loss to the amount of EUR 9,155, which otherwise as at 31 December, 2013, still exceeds more than half of the share capital and cannot be covered to the debit of other component parts of equity. The company on 31 December, 2013 presents a shortage of short-term assets considering the short-term liabilities in the amount of EUR 404 thousand (on 31 December, 2013 in the amount of EU 7,563 thousand), and total financial obligations amount to EUR 24,958 thousand, of which considering current contractual repayment dynamic EUR 5,521 thousand shall become due in 2014, and the remainder in the following four years. The available cash flow in the 2014 financial year according to the estimate of the company does not enable the repayment of the short-term part of financial liabilities and negotiations on the approval of short-term and long-term bearable reprogramming of the financial obligations repayment with creditors are still underway and not yet complete. In the event of improved operations, the future solvency of the company depends on the successfulness of these negotiations. The existence of this circumstance shows a significant uncertainty that might raise a significant doubt in the company’s capability to continue as a going concern.

Report on Requirements of Other Legislation

In accordance with the Companies Act, we confirm that information in the financial report is in accordance with the attached accounting statements.

KPMG SLOVENIJA,
Podjetje za revidiranje, d.o.o.

Boštjan Mertelj
authorised auditor

Mag. Simona Korošec Lavrič
expert manager

Ljubljana, 15. april 2014

2. BALANCE SHEET AS OF 31 DECEMBER, 2013

ASSETS

in EUR

		Notes	31 December, 2013	31 December, 2012	Index
	ASSETS		**43,052,970**	**38,755,762**	**111**
A.	**LONG-TERM ASSETS**		**26,862,407**	**26,397,075**	**102**
I.	**Intangible Assets and Long-Term Accrued and Deferred Asset Items**	**1**	**86,759**	**119,766**	**72**
1.	Concessions, patents, licences, trademarks and similar rights		86,759	119,766	72
2.	Other long-term accrued and deferred asset items		0	0	-
II.	**Property, plant and equipment**	**2**	**17,469,454**	**17,493,901**	**100**
1.	Land and buildings		12,210,003	12,319,061	99
	a) Land		5,547,480	5,843,496	95
	b) Buildings		6,662,523	6,475,565	103
2.	Production machinery and equipment		4,840,216	4,921,022	98
3.	Property, plant and equipment being acquired		419,235	253,818	165
	a) Property, plant and equipment under construction		419,235	253,818	165
	b) Advance payments for acquisition of property, plant and equipment		0	0	-
IV.	**Long-term financial investments**	**3**	**1,249,876**	**1,412,876**	**88**
1.	Long-term investments, excluding loans		821,876	1,200,876	68
	a) Shares and stakes in the Group		30,000	30,000	100
	b) Shares and stakes in associated companies		789,000	1,168,000	68
	c) Other long-term investments		2,876	2,876	100
2.	Long-term loans		428,000	212,000	202
	Long-term loans to associated companies		428,000	212,000	202
	Long-term loans to others		0	0	0
V.	**Long-term operating receivables**	**4**	**5,946,524**	**5,946,524**	**100**
VI.	**Deferred tax assets**	**31**	**2,109,794**	**1,424,007**	**148**
B.	**SHORT-TERM ASSETS**		**16,121,349**	**12,304,650**	**131**
I.	**Assets (disposal groups) held for sale**		**0**	**0**	**0**
II.	**Inventories**	**5**	**3,980,300**	**3,600,976**	**111**
1.	Material		1,063,839	912,119	117
2.	Work in progress		813,478	764,270	106
3.	Products and merchandise		2,102,983	1,924,587	109
4.	Advance payments for inventories		0	0	-
III.	**Short-term financial investments**	**6**	**275,500**	**491,500**	**56**
1.	Short-term loans		275,500	491,500	56
	Short-term loans to associated companies		272,000	488,000	56
	Short-term loans to others		3,500	3,500	100
IV.	**Short-term operating receivables**	**7**	**11,670,417**	**7,834,093**	**149**
1.	Short-term operating receivables due from group companies		67,600	82,518	82
2.	Short-term operating trade receivables		9,443,462	6,035,021	156
3.	Short-term operating receivables due from others		2,159,355	1,716,554	126
V.	**Cash**	**8**	**195,132**	**378,082**	**52**
C.	**SHORT-TERM ACCRUED AND DEFERRED ASSET ITEMS**	**9**	**69,214**	**54,037**	**128**
	Off-balance assets	**15**	**206,262**	**206,262**	**100**

LIABILITIES

in EUR

		Notes	31 December, 2013	31 December, 2012	Index
	LIABILITIES		**43,052,970**	**38,755,762**	**111**
A.	**EQUITY**	**10**	**3.599.643**	**558,447**	**645**
I.	**Called-up capital**		**6,069,276**	**6,069,276**	**100**
	1. Share capital		6,069,276	6,069,276	100
II.	**Capital surplus**		**7,156**	**4,821,497**	**0**
IV.	**Revaluation surplus**		**6,678,020**	**7,030,451**	**95**
VI.	**Retained profit or loss from previous years**		**−9,154,810**	**−14,848,977**	**61**
VIII.	**Net profit or loss for the financial year**		**0**	**−2,513,801**	**-**
B.	**PROVISIONS AND LONG-TERM ACCRUED AND DEFERRED LIABILITY ITEMS**	**11**	**2,066,431**	**2,191,209**	**94**
	1. Provisions for pensions and similar liabilities		362,943	380,892	95
	2. Other provisions		1,703,488	1,810,317	94
C.	**LONG-TERM LIABILITIES**	**12**	**20,791,998**	**16,084,412**	**129**
I.	**Long-term financial liabilities**		**19,436,394**	**14,660,405**	**133**
	1. Long-term financial liabilities to banks		15,058,447	10,205,154	148
	2. Long-term financial liabilities for bonds		0	820,000	0
	3. Other long-term financial liabilities		4,377,947	3,635,251	120
III.	**Deferred tax liabilities**	**31**	**1,355,604**	**1,424,007**	**95**
D.	**SHORT-TERM LIABILITIES**	**13**	**15,092,354**	**18,606,164**	**81**
II.	**Short-term financial liabilities**		**5,521,603**	**7,875,565**	**70**
	1. Short-term financial liabilities to banks		4,126,572	6,602,628	62
	2. Other short-term financial liabilities		575,030	1,272,938	45
	3. Short-term financial liabilities for bonds		820,000	0	0
III.	**Short-term operating liabilities**		**9,570,751**	**10,730,598**	**89**
	1. Short-term operating liabilities to group companies		286,454	458,612	62
	2. Short-term trade payables		6,054,562	7,404,370	82
	3. Short-term bills of exchange payables		0	0	-
	4. Short-term operating liabilities from advanced payments		3,729	1,098	340
	5. Other short-term operating liabilities		3,226,005	2,866,518	113
E.	**SHORT-TERM ACCRUED AND DEFERRED LIABILITY ITEMS**	**14**	**1,502,545**	**1,315,530**	**114**
	Off-balance sheet liabilities	**15**	**206,262**	**206,262**	**100**

3. INCOME STATEMENT FOR THE PERIOD 1 JANUARY, 2013 TO 31 DECEMBER, 2013

in EUR

		Notes	2013	2012	Index
1.	**Net sales revenues**	**16**	**50,398,211**	**41,483,323**	**121**
2.	**Change in inventories of finished goods and work in progress**	**17**	**227,604**	**1,354,111**	**17**
3.	**Capitalised own products and services**	**18**	**400,292**	**100,405**	**398**
4.	**Other operating income (with revaluating operating income)**	**19**	**412,767**	**257,873**	**160**
5.	**Cost of goods, materials and services**	**20**	**34,125,058**	**33,515,776**	**102**
	a) Procurement value of sold goods and materials sold and costs of materials used		28,471,380	25,974,787	110
	b) Costs of services		5,653,678	7,540,989	75
6.	**Labour cost**	**21**	**10,625,675**	**7,555,601**	**141**
	a) Costs of wages and salaries		6,506,436	4,542,749	143
	b) Costs of pension insurance		682,123	474,728	144
	c) Social security costs		1,834,612	1,241,023	148
	d) Other labour costs		1,602,504	1,297,101	123
7.	**Write-offs**	**22**	**1,653,523**	**2,271,053**	**73**
	a) Amortisation/depreciation		1,628,034	1,694,343	96
	b) Revaluation operating expenses associated with intangible assets and property, plant and equipment		7,382	68,000	5
	c) Revaluation operating expenses associated with current assets		18,107	508,710	9
8.	**Other operating expenses**	**23**	**406,657**	**682,146**	**60**
9.	**Financial revenue from shares and interests**		**0**	**0**	**-**
	a) Financial revenue from shares in group companies		0	0	-
	d) Financial revenue from other investments		0	0	-
10.	**Financial revenue from given loans**	**24**	**48,558**	**52,990**	**92**
	a) Financial revenue from loans given within the group		48,486	52,122	92
	b) Financial revenue from loans to others		72	868	9
11.	**Financial revenue from operating receivables**	**25**	**105,997**	**18,779**	**564**
	b) Financial revenue from operating receivables due from others		105,997	18,779	564
12.	**Financial expenses due to impairment and write-offs of investments**	**26**	**223,111**	**0**	**-**
13.	**Financial expenses for financial liabilities**	**27**	**1,496,706**	**1,238,329**	**121**
	a) Financial expenses for loans received from banks		1,047,254	1,070,122	98
	b) Financial expenses for other financial liabilities		449,452	168,207	277
14.	**Financial expenses for operating liabilities**	**28**	**228,458**	**528,981**	**40**
	a) Financial expenses for trade payables and bills payable		96,565	389,418	24
	b) Financial expenses for other operating liabilities		131,893	139,563	94
15.	**Other income**	**29**	**202,872**	**711,858**	**28**
16.	**Other expenses**	**30**	**215,451**	**329,588**	**65**
17.	**Income tax**	**32**	**113,823**	**0**	**-**
18.	**Deferred taxes**	**31**	**685,786**	**–371,668**	**–184**
19.	**Net profit of loss for the period**	**33**	**3,393,626**	**–2,513,801**	**–135**

4. COMPREHENSIVE INCOME STATEMENT FOR THE PERIOD FROM 1 JANUARY, 2013 TO 31 DECEMBER, 2013

in EUR

			2013	2012	Index
19.	**Net profit of loss for the period**		**3,393,626**	**–2,513,801**	**–135**
20.	Change in the revaluation surplus of intangible assets and tangible fixed assets		–209,791	300,261	–70
21.	Change in the revaluation surplus on investments available for sale		–142,638	–1,196,461	12
21.	Profit and loss arising from the translation of accounting statements of companies abroad		0	0	-
22.	Other elements of the comprehensive income		0	0	-
23.	**Total comprehensive income for the accounting period**		**3,041,197**	**–3,410,001**	**–89**

5. CASH FLOW STATEMENT FOR 2013

in EUR

	2013	2012
Cash flows from operating activities		
Income statement items		
Operating revenue (except from revaluation) and financial revenue from operating receivables	51,110,834	42,471,833
Operating expenses excluding depreciation or amortisation (except from revaluation) and financial expenses from operating liabilities	–44,991,510	–41,666,286
Income taxes and other taxes not included in operating expenses	571,963	–371,668
	6,691,287	**433,879**
Changes in the net operating assets in the operating balance sheet items (including accruals and deferrals, provisions and deferred tax assets and liabilities)		
Opening less closing operating receivables	–3,787,850	3,817,924
Opening less closing accrued and deferred asset items	–15,177	–42,455
Opening less closing deferred tax asset	–617,382	371,669
Opening less closing assets held for sale	0	0
Opening less closing inventories	–379,324	–708,699
Closing less opening operating liabilities	–1,246,804	–1,680,011
Closing less opening accrued and deferred liability items, and provisions	62,237	265,946
Closing less opening deferred tax liabilities	–68,403	0
	–6,052,704	**2,024,373**
Net cash from operating activities (a + b)	**638,583**	**2,458,252**
Cash flows from investment activities		
Cash receipts from investment activities		
Interest and dividends received from investing activities	83	52,990
Cash receipts from disposal of intangible assets and tangible fixed assets	29,933	20,867
Cash receipts from disposal of long-term investments	0	0
Cash receipts from disposal of short-term investments	0	0
	30,016	**73,857**
Cash disbursements from investing activities		
Cash disbursements to acquire intangible assets	–5,740	–10,000
Cash disbursements to acquire tangible fixed assets	–1,858,086	–559,216
Cash disbursements to acquire long-term investments	0	0
Cash disbursements to acquire short-term investments	0	–1,500
	–1,863,826	**–570,716**
Net cash from investing activities (a + b)	**–1,833,811**	**–496,859**
Cash flows from financing activities		
Cash receipts from financing activities		
Cash proceeds from paid-in capital	0	0
Cash proceeds from increase in long-term financial liabilities	3,311,715	89,606
Cash proceeds from increase in short-term financial liabilities	22,123	300,000
	3,333,838	**389.606**

in EUR

	2013	2012
Cash disbursements from financing activities		
Interest paid on financing activities	–1,405,030	–951,560
Cash repayments of long-term financial liabilities	–891,531	–28,152
Cash repayments of short-term financial liabilities	–25,000	–1,043,944
	–2,321,561	**–2,023,656**
Net cash from (used in) financing activities	**1,012,277**	**–1,634,050**
Closing balance of cash	**195,132**	**378,082**
Net cash flow in the period	**–182,949**	**327,343**
Opening balance of cash	**378,082**	**50,739**

6. STATEMENT OF CHANGES IN EQUITY

2013

in EUR

		Share capital	Capital surplus	Revaluation surplus	Retained net loss	Net profit or loss for the financial year	Total
A.1.	**State at the end of previous reporting period**	**6,069,276**	**4,821,497**	**7,030,451**	**–14,848,978**	**–2,513,801**	**558,447**
A.2.	**Opening state of the reporting period**	**6,069,276**	**4,821,497**	**7,030,451**	**–14,848,978**	**–2,513,801**	**558,447**
B.1.	**Changes in equity – transactions with owners**	**0**	**0**	**0**	**0**	**0**	**0**
B.2.	**Total comprehensive income of the reporting period**	**0**	**0**	**–352,429**	**0**	**3,393,626**	**3,041,197**
a)	Net profit or loss for the period	0	0	0	0	3,393,626	3,393,626
c)	Change in the revaluation surplus on real estate	0	0	–209,791	0	0	–209,791
d)	Change in the revaluation surplus on investments	0	0	–142,638	0	0	–142,638
B.3.	**Movements within equity**	**0**	**–4,814,341**	**0**	**5,694,166**	**–879,825**	**0**
a)	Allocation of remaining net loss of the comparative period to other capital components	0	0	0	–2,513,801	2,513,801	0
b)	Allocation of a part of net profit of the reporting period to other capital components according to a decision by management board and supervisory board	0	0	0	3,393,626	–3,393,626	0
d)	Covering loss as deduction capital component	0	–4,814,341	0	4,814,341	0	0
g)	Other movements within equity	0	0	0	0	0	0
C.	**Closing state of the reporting period**	**6,069,276**	**7,156**	**6,678,022**	**–9,154,810**	**0**	**3,599,644**

2012

in EUR

		Share capital	Capital surplus	Revaluation surplus	Retained net loss	Net profit or loss for the financial year	Total
A.1.	**State at the end of previous reporting period**	**6,331,660**	**7,156**	**7,926,651**	**–13,829,916**	**–1,019,062**	**–583,511**
A.2.	**Opening state of the reporting period**	**6,331,660**	**7,156**	**7,926,651**	**–13,829,916**	**–1,019,062**	**–583,511**
B.1.	**Changes in equity – transactions with owners**	**4,551,957**	**0**	**0**	**0**	**0**	**4,551,957**
d)	Input of additional capital pay-ups	4,551,957	0	0	0	0	4,551,957
B.2.	**Total comprehensive income of the reporting period**	**0**	**0**	**–896,200**	**0**	**–2,513,801**	**–3,410,001**
a)	Net profit or loss for the period	0	0	0	0	–2,513,801	–2,513,801
c)	Change in the revaluation surplus on real estate	0	0	300,261	0	0	300,261
d)	Change in the revaluation surplus on investments	0	0	–1,196,461	0	0	–1,196,461
B.3.	**Movements within equity**	**–4,814,341**	**4,814,341**	**0**	**–1,019,062**	**1,019,062**	**0**
a)	Allocation of remaining net loss of the comparative reporting period to other capital components	0	0	0	–1,019,062	1,019,062	0
b)	Allocation of a part of net profit of the reporting period to other capital components according to a decision by management board and supervisory board	0	0	0	0	0	0
d)	Covering loss as deduction capital component	0	0	0	0	0	0
b)	Other movements within equity	–4,814,241	4,814,341	0	0	0	0
C.	**Closing state of the reporting period**	**6,069,276**	**4,821,497**	**7,030,451**	**–14,848,978**	**–2,513,801**	**558,447**

APPENDIX 1 TO THE STATEMENT OF CHANGES IN EQUITY

2013 BALANCE SHEET PROFIT/(LOSS) STATEMENT

in EUR

	2013	**2012**
NET PROFIT OR LOSS FOR THE FINANCIAL YEAR	3,393,626	−2,513,801
RETAINED NET PROFIT (RETAINED LOSS)	−12,548,436	−14,848,977
DECREASE (RELEASE) OF CAPITAL SURPLUS	0	0
DECREASE (RELEASE) OF PROFIT RESERVES	0	0
a) legal reserves	0	0
b) reserves for own shares and interests	0	0
c) other profit reserves	0	0
INCREASE OF PROFIT RESERVES ACCORDING TO MANAGEMENT BOARD'S DECISION	0	0
a) legal reserves	0	0
b) reserves for own shares and interests	0	0
c) statutory reserves	0	0
INCREASE OF PROFIT RESERVES ACCORDING TO MANAGEMENT BOARD'S AND SUPERVISORY BOARD'S DECISION	0	0
a) other profit reserves	0	0
BALANCE SHEET PROFIT AND ITS ALLOCATION (LOSS)	**−9,154,810**	**−17,362,778**
a) to shareholders	0	0
b) other reserves	0	0
c) transfer to the following year	**−9,154,810**	−17,362,778
d) other purposes (increasing share capital)	0	0

7. NOTES TO ACCOUNTING STATEMENTS FOR 2013

Notes to accounting statement of the Livar, d.d. joint stock company in accordance with Slovenian Accounting Standards (hereinafter referred to as: Livar).

GENERAL DISCLOSURES

General disclosures (company name and head office, activity, employees, names of management board and supervisory board members) and all risks have been presented in the financial report.

ACCOUNTING POLICIES

BASES FOR PREPARING ACCOUNTING STATEMENTS

Accounting statements and notes to the statements in this report have been prepared based on Slovenian Accounting Standards that entered into force on 1 January, 2006. When evaluating items for which the standards permit the option of selecting between various methods of evaluation, the company used policies described below. Accounting also takes into account all the changes prescribed by the supplemented and amended Slovenian Accounting Standards in 2010.
When preparing statements, general rules on subdividing the balance sheet statement, income statement, statement of other comprehensive income and on evaluation of items in accounting statements, on the content of appendixes to statements and requirements regarding the financial report It also takes into account the basic accounting assumptions: taking into account of the origination of underlying transactions and taking into account the going concern.

Qualitative characteristics of the financial statements, and thus of the entire accounting, are understandability, relevance, reliability and comparability.

Accounting statements are in Euros, without cents.

The balance sheet only includes those assets and liabilities that refer to the company’s operations.

The company’s management board has confirmed the accounting standards on 7 March, 2014.

INDIVIDUAL ACCOUNTING POLICIES

LONG-TERM ASSETS

Intangible Assets and Long-Term Accrued and Deferred Items

An intangible asset is a recognised non-monetary asset which generally does not exist physically and exists in the form of an intangible long-term asset; it encompasses those assets with final useful life and those with undefined useful life. The company does not have any assets with undefined useful life.
These include:

- long-term accrued and deferred asset items, deferred development costs,
- investments into acquired long-term property rights (patents, trademarks, licences and other rights, goodwill of the acquired company),
- advances paid for intangible assets presented in the balance sheet in relation to intangible assets that are presented in the books as receivables.

On initial recognition, an intangible asset is measured at cost. In addition to its purchase price, the cost of an intangible asset comprises import duties and non-refundable purchase taxes, after deducting trade discounts and rebates and any directly attributable cost of preparing the asset for its intended use.

Depreciation rates used for depreciating software licences amount to 10–25% annually and are depreciated for the useful life. Forming revaluation for depreciation is charged to the depreciation costs. The revaluation of intangible assets is the adjustment of their carrying value. Due to strengthening, the intangible assets are not revaluated. Their carrying value can only be decreased based on impairment. Loss due to impairment is presented as revaluation operating charge in relation to intangible assets.

Tangible Fixed Assets

Tangible fixed assets (hereinafter referred to as TFA) are recognised in books of account or balance sheet, if it is likely that economic benefits will inflowing and if its purchase value can be measured reliably.

TFA are land, buildings, production equipment and other equipment. As tangible fixed assets, the company also presents equipment taken as financial leasing that is depreciated by rates of similar equipment in the company. After the contractual period of financial leasing, the ownership is transferred to the lessor.

- **Land and Buildings**

When valuating land and buildings, the company uses the **revaluation model**. Revaluation is the change of the originally presented value of economic categories or every revaluation that was performed based on valuation reports. To evaluate fair value of land, appraiser uses the model of comparative sales, to evaluate the value of buildings, they use the purchase value method.

The revaluation surplus of land and buildings that is an integral part of equity is transferred to the profit or loss brought forward when the asset is derecognised. The entire surplus is transferred when the asset is eliminated from use or disposed.

- **Production Equipment and Other Equipment**

The company uses the purchase value model and thus keeps the production equipment and other equipment according to their purchase value, depreciated by revaluation values and accrued loss due to impairment. Tangible fixed assets are depreciated with time depending on their useful life. Forming revaluation is charged to the depreciation costs.

Purchase value of tangible fixed assets encompasses purchase value and all costs that can be directly attributed to the fixed asset. Costs arising subsequently that provide higher future benefits compared to original valuation increase the purchase value. Costs that enable the extension of the useful life of an asset decrease the previously charged revaluation.

Fixed assets purchased in foreign currency are converted into national currency according to the reference rate of the Bank of Slovenia that is valid at the day of the occurrence of the business change. Subsequent exchange rate differences in the settlement of liabilities are treated as an item of financial income or expense.

Advance payments for fixed assets are valuated according to nominal value.

Tangible fixed assets are no longer the subject of accounting recording, if they are disposed of or eliminated, because no benefit can be expected from them any longer.

Depreciation and Amortisation Expense

The carrying amount of an item of tangible fixed asset and the intangible asset is decreased through amortisation. The start of depreciation is the first day of the following month when the asset is available for use. Land, advance payments for fixed assets and assets in construction or manufacture are not depreciated.

Depreciation is calculated at rates determined individually depending on the expected useful life of an individual fixed asset according to the method of straight-line depreciation.

With the transition to a new model of valuating buildings and land, we have recalculated the depreciation rates depending on the remaining useful life of individual fixed assets.

In 2013, an examination of useful lives for buildings was performed that also involved the cooperation of an authorized appraiser of real estate.

When calculating the depreciation, the company takes into account the following annual depreciation rates:

	in %
Intangible assets	10–25%
Investments into foreign fixed assets	10–20%
Buildings	1,43–10%
Equipment for performing the main activity	2–33%
Other equipment	7–25%
Computer equipment	33–50%
Transport equipment	12,5–25%

Financial Investments

Investments are part of financial instruments of an entity and represent financial assets held by the investor entity for the purpose of increasing its financial revenue through returns from investments; financial revenue (financial income) differs from operating revenue which derives from the sale of products and provision of services within the scope of the entity's regular operation.

The majority are investments into the equity of associated and affiliated companies as well as financial debts of other companies (investments into loans) and other investments.

Financial investments into the equity of associated, affiliated companies and other investments are allocated into the category for sale of available assets and are presented at fair value. Fair value is determined based on the valuation report by the authorised appraiser of companies who is registered in the registry of authorised company appraisers at the Slovenian Institute of Auditors. Fair value of an investment is determined as the present value of future profits by using the method of discounted cash flow.

The received profit-sharing increases financial income.

The revaluation of investments is adjustment of their carrying value. It usually appears as adjustment of investments to fair value, revaluation of investments resulting from impairment or revaluation of investments resulting from reversal of their impairment. For each balance sheet day, the company evaluated whether there is any unbiased evidence on possible impairment of the investment. If there is such evidence, the investment is revaluated due to impairment.

Long-term and short-term financial investments are presented separately.

A part of the long-term investments into loans that becomes due in one year after the balance sheet date is presented as a short-term financial investment.

Long-term and short-term financial investments stated in foreign currencies are converted into national currency according to the exchange rate valid at the date when it occurred. Exchange rate differences that occur after the balance sheet date are considered as a financial income item related to long-term and short-term investments or financial expenses related to the same.

In 2013, the company based on valuation report revaluated a long-term financial investment into an equity share of Livnica Jelšingrad, a.d. with the use of the method of discounted future cash flows while taking into account "static" defined values of unnecessary property.

SHORT-TERM ASSETS

Inventories

The company keeps track of inventories in subsidiary books and generally in the general ledger; it harmonizes their stats on a monthly basis after completing all material and goods accounts. When presenting inventories, it takes into account the Slovenian Accounting Standards 4 (SRS 4).

Inventories that the company keeps track of are inventories of raw materials, other materials and auxiliary material, spare parts for regular maintenance and small tools with the useful life of one year. The company also keeps track of inventories of work in progress, semi-manufactured products, finished products and commercial goods.

<u>Inventories of merchandise and materials</u> are valued at procurement prices, which consist of the purchase price, import duties, non-refundable purchase taxes and direct costs of acquisition. When presenting inventories, the company uses standard prices with deviations. The consumption of inventories is evaluated according to the method of weighted average prices.

<u>Inventories of work in progress, semi-manufactured products and finished products</u> are evaluated according to manufacturing costs, whereby the quantity unit of a product and semi-manufactured product is evaluated with direct costs of materials, direct labour costs, direct costs of depreciation and direct services costs. The part of costs, that arise at productive cost centres and in terms of their content are indirect production costs, are according to a key shifted onto a cost unit, namely onto a product or semi-manufactured product.
When presenting inventories of work in progress, semi-manufactured products and finished products, the company uses standard prices with deviations.

Inventories are revaluated due to impairment, if their accounting value exceeds net realisable value. The amount of impairment of accounting value is recognised as an increase of revaluation financial expenses related to current assets. It is of extreme importance that their currency or non-currency is also taken into account.

Decreasing the value of the inventories of raw materials, other materials and small tools is presented as the increase of the costs of materials, and the decrease of the value of inventories of products and commercial goods as the increase of financial expenses.
Normal and surplus ullage and shortages incurred to the company are shown in the decreased value of inventories and the increase of financial expenses.

Amount of normal ullage is prescribed by the decision of the company's management board and harmonised with the published rules in the Official Gazette of the Republic of Slovenia 101/1999.

Receivables

The majority of accounts receivable is comprised of sold products, commercial goods, materials and services. After initial recognition, receivables of all kinds are shown as the amounts arising from appropriate documents with the assumption they are to be paid. Original receivables may subsequently be increased or reduced by any contractually justified amount, irrespective of the received payment or another form of settlement.

They are divided into long-term and short-term operating receivables. Receivables from legal entities abroad are converted into the national currency according to the reference exchange rate of the Bank of Slovenia, effects increase the financial income or expenses. Interests are calculated based on underlying contracts and increase financial income.

Receivables for which there exists an assumption that they will not be settled within the deadline or in full are presented as questionable and doubtful.

When forming revaluations of receivables, we have taken into account the individual evaluation of the enforceability of an individual receivable and the period of limitation of individual receivables.

We approached the formation of amendments primarily from the aspect of the content of the repayment of receivables. We took into account the concluded commercial agreements. The basis for well-founded formation of amendments was mainly the expert evaluation and opinion of the sales department.

Write-offs and amendments of the values of receivables represent the revaluated financial expenses of operating assets.

Cash

Cash comprises ready cash, deposit money and cash in transit. Cash is money in the cash register, in the form of banknotes and coins. Deposit money is cash in bank accounts or deposited with another financial institution to be used for payments. Cash in transit is cash being transferred from a cash register or a safe deposit box to a relevant account in a bank or another financial institution, and is not credited to that account on the same day.
Upon initial recognition, cash is presented in the amounts arising from appropriate documents.
Assets in foreign currencies are converted according to reference exchange rate of the Bank of Slovenia on the day of balancing, and the exchange rate difference is presented as the difference between financial income and financial expenses.

Equity

Equity is a form of financing a business entity by its owners and, from the viewpoint of the entity, represents its liability to the owners. It is determined by both the amounts invested by owners and the amounts generated in the course of operation.

Total equity is composed of called-up capital, capital surplus, profit reserves, revaluation surplus, retained net profit or loss from previous years and unallocated net profit or loss for the financial year. Share capital is recorded in national currency.

Revaluation of equity is the adjustment of its accounting value as the consequence of the revaluation of assets. Calculating new receipts, disbursements and amounts arising from simultaneous net profit or net loss is not considered to be revaluation. It is carried out either at the end of or during the financial year.

Revaluation surplus occurs due to the increase of accounting values of tangible fixed assets, intangible assets, long-term and short-term investments presented according to the model of revaluation and is presented separately depending on its formation. It enables the coverage of subsequent reduction of accounting value or impairment of the same economic categories.

Long-term Provisions

The value of long term provisions represents the value of disbursements required for settling long-term liabilities determined on the balance sheet day by taking into account risks and uncertainties.

Long-term provisions for the account of accrued costs or expenses decrease directly for costs or expenses for which they were formed.

Long-term provisions are transferred for the account of deferred income to the financial income of the business year during which the costs or expenses were incurred.

The purpose of provisions is to collect amounts in the form of accrued costs or expenses which in the future will enable the coverage of the incurred costs or expenses. Such provisions are also provisions for jubilee benefits and severance pay upon retirement. Each year, the company checks the amount of formed provisions and depending on calculations adjusts them appropriately.

Accounting value of provisions is equal to their original value, less the spent amounts, until the need arises for their increase or decrease.

Provisions are not revaluated and at the end of the accounting period are corrected so that their value is equal to the present value of expenses that according to expectations are required for the settlement of liabilities.

Provisions are formed in the event when the liability can be reliably measured. At the end of the financial year, they must not be presented with an amount that would represent an unfounded hidden reserve.
Pursuant to the law, the Collective Agreement and the internal rules, the Company is obliged to pay its employees jubilee benefits and severance pay upon retirement for which long-term provisions are formed. There are no other pension liabilities. Provisions are formed in the amount of estimated future disbursements for severance payments and jubilee benefits discounted on the balance sheet day. The calculation was made for each employee so that the cost of severance upon retirement and the cost of all expected jubilee benefits before retirement are taken into account. The calculation was prepared by an authorised actuary by using a projected unit. The value of a long-term provision represents the present value of disbursements required for settling a long-term liability determined on the balance sheet day by taking into account risks and uncertainties.

DEBTS

Financial and Operating Debts

Upon initial recognition, all debts are evaluated with amounts from suitable documents about their creation that prove the receipt of cash or settlement of any operating debt; in the event of long-term operating debts, the receipt of tangible fixed assets; in the event of short-term operating debt, the receipt of any product or service or performed work or calculated cost, expense or share in profit or loss.

Short-term and Long-term Debts

Debts can be financial and operating debts.

Short-term financial debts are acquired short-term loans based on loan agreements and are divided into those the company acquires from banks or other financial institutions or other legal and natural persons acting as financiers. Debts are also subdivided depending on whether they are debts owed to associated companies or not.

Short-term operating debts are short-term supplier credits for purchased goods or services, short-term liabilities to employees for the work performed, short-term liabilities to financiers regarding interests and similar items, and short-term liabilities to the state in relation to taxes, including the charged value added tax. A special type are also liabilities to buyers for acquired advance payments as well as for received short-term security given.

Long-term financial debts are acquired loans based on loan agreements and issued long-term debt securities. A subtype of acquired long-term loans are also debts to lessors in the event of a financial lease.

Long-term operating debts are long-term supplier credits for purchased goods or services. A subtype of long-term operating debts are liabilities to buyers from received long-term securities given.

Liabilities are subsequently increased with attributed profits (interests, other compensations) for which there is an agreement with the creditor and are decreased for paid amounts and possible other settlements in agreement with the creditor. The part of the long-term liabilities that is already due for payment and the part of long-term liabilities that will become due within a year are in the balance sheet transferred to short-term liabilities.

Short-term and long-term debts presented in foreign currency are converted into national currency according to the reference rate of the Bank of Slovenia on the balance sheet day. The increase of short-term debts increases regular financial expenses and the decrease increases regular financial income.

Short-term Accrued and Deferred Items

Are receivables and other assets and liabilities that will appear according to predictions within one year and which are likely to occur and have been reliably measured in terms of size.
Short-term accrued and deferred items:

RECEIVABLES ITEMS are treated as receivables in a broad sense, because they differ from funds as well as from property and encompass short-term deferred costs that are defined as prepaid amounts that upon payment have not represented cost and debited the profit or loss.

LIABILITIES ITEMS are treated as debts in a broad sense and differ from the equity as liability to owners and encompass short-term deferred income or short-term prepaid calculated expenses and are created based on equal debit of activity or profit or loss as well as inventories with expected costs that have not occurred yet.

Short-term accrued and deferred items are not revaluated. The reality and eligibility of their existence is examined during the year and upon preparing accounting statements

RECOGNITION OF REVENUE

Revenue

is an increase of economic benefit during the accounting period in the form of increase of assets (for example, money or receivables due to the sale of goods) or reduction of debts (for example, due to the waiver of its settlement). It affects equity through profit or loss. Revenue is divided into operating, financial and other revenue. Operating and financial revenue is considered regular revenue.

Sales revenue comprises sales values during the accounting period of sold products, commercial goods, services, materials, on the domestic as well as foreign market. It is actually recognized when the goods leave the warehouse and the relevant documents are recorded. It is measured based on sales prices stated on the invoices or other documents, less discounts approved upon sale or subsequently, also due to early payment. Any approved discounts reduce the sales revenue and are not recognised as financial expenses. Generally, they are recorded according to the principle of the sales basis of revenue. The stated revenue is recognised under the following conditions:

- the company transfers to the buyer all important risks and benefits arising from the ownership,
- the company does not participate in management, not even to the extent usual for ownership, neither does it actually make any decisions on sold products,
- it is probable that the transaction-related economic benefits will flow into the company,
- it is possible to evaluate the amount of revenue reliably,
- costs that arose or shall arise in relation to the transaction can be reliably measured.

If there is any uncertainty, the revenue is deferred temporarily and is recognised when doubt is removed. In consignment sales where the consignee undertakes to sell goods in deliverer's name, revenue is recognised when the goods are sold.

Revenue from the performed services is measured using the selling prices of completed services or the selling prices of uncompleted services with respect to the stage of their completions (of course, there should be no doubt on completion or doubt on whether the service will be paid or not).

Revenue from the performed services, other than services from which financial revenue is earned, is measured using the selling prices of completed services or the selling prices of uncompleted services with respect to the stage of their completions.

Operating revenue also includes other operating revenue together with revaluation revenue and is also related to products and services. These are especially subsidies, government grants, recourse, compensations, awards and similar income that are otherwise presented on the account. This also encompasses revenue from reversal of provisions and revenue from business combinations.
Revaluated operating revenue includes profits from sales of tangible fixed assets, reduction of amendment of the value of operating receivables due to the elimination of their impairment and write-offs of operating debts.
The following financial revenue is presented:

- Financial revenue from shares in group companies and other companies and financial revenue from other investments. As part of revaluated financial revenue, mainly positive differences that occur in the sale of the latter are presented when their sales value exceeds the accounting value, less the eventual revaluation surplus, if the revaluation was previously recognised in equity.
- Financial revenue from given loans to group companies or other companies. Given loans are financial investments into the debts of other companies. The balance sheet separately presents long-term and short-term loans, while in the income statement financial revenue from both is shown together. Interests are calculated according to the contractual interest rate.
- Financial revenue from operating receivables from group companies and others. These are accrued interests and positive exchange rate differences arising from long-term operating receivables as well as short-term operating receivables. Interests are calculated at agreed interest rate and the company usually also charges late payment interests for receivables that were paid late.

Other revenue includes unusual items that during the relevant year have nothing in common with regular operations. These include: financial revenue from valuation of investment real estate at fair value, grants, subsidies that are not related to sales volumes or certain costs, received compensations and penalties and other. During the financial period, they increase the company's operating result.

RECOGNITION OF EXPENSES

Expenses

are decreases of economic benefits during the accounting period in the form of a decrease of assets (for example, of inventories due to sale) or increase of debts (for example, due to accrued interest); through operating result they have the effect on the size of equity.
They are divided into operating, financial and other expenses. Operating and financial expenses are regular expenses.

Operating expenses are equal to calculated costs in the accounting period, increased for costs retained in initial inventories of products and work in progress, and decreased for costs retained in final inventories of products and work in progress. This also includes purchase value of sold goods and materials.
In terms of their content, the operating expenses are divided according purpose (function) into production costs of sold quantities and in commercial units into procurement value of sold quantities and into indirect costs of procurement and selling, direct costs of selling, indirect costs of administration.

Revaluated operating expenses present the negative difference between net sell value and accounting value of the sold tangible or intangible fixed asset. The loss due to impairment of a tangible fixed asset, intangible asset, impairment of inventories of raw materials, other materials, small tools, products and unfinished products is treated similarly. The impairment of receivables is also recorded among mentioned expenses.

The following financial expenses are presented:

- Financial expenses for financial liabilities arising from received loans from group companies, banks and other companies. Here, expenses for interests and negative exchange rate differences from short-term and long-term financial debts are presented. Debts bear interests based on contractually agreed interest rates and do not significantly differ from effective interest rates; they are measured according to initial recognised value less payments. Negative exchange rate differences related to debts in foreign currency are determined on the balance sheet date based on the exchange rate on the day.
- Financial expenses from operating liabilities from group companies and others and financial expenses from other operating liabilities. Here, expenses from interests and negative exchange rate differences from short-term and long-term operating debts are presented. This includes calculated interest due to late payment of operating liabilities to suppliers.

Other expenses are mainly expenses related to investment real estate, which also includes depreciation of investment real estate and also impairments of investment real estate. Other expenses also include financial penalties and compensations and other unusual items.

Operations with Foreign Currencies

Assets and sources expressed in foreign currency are in the balance sheet on 31 December, 2013 converted according to the reference rate of the Bank of Slovenia. Positive and negative exchange rate differences are recognised in the income statement.

Corporate Income Tax

Corporate income tax is calculated based on revenue and expenses that are presented in the income statement and in accordance with the applicable tax legislation.

Deferred Tax Liabilities

Deferred tax liabilities are recognised for income tax amounts the company will have to additionally pay in future tax periods and are the consequence of taxable temporary differences; they are namely amounts that are added when determining the taxable profit (tax loss) in future periods when the accounting value of an asset is returned or the accounting value of a liability is settled. Deferred tax liabilities are not discounted.

Deferred Tax Assets

Deferred tax assets are recognised for income tax amounts that will be returned in future tax periods and are the consequence of deductible temporary differences, the transfer of unutilised tax loss and unutilised tax credit entries into future periods; they are namely amounts that are deducted when determining the taxable profit (tax loss) in future periods when the accounting value of an asset is returned or the accounting value of a liability is settled. Deferred tax assets are recognised only if it is likely that in the future taxable profit will be available charged to the debit of which it will be possible to utilise deductible temporary differences, unutilised tax loss and tax credit entries. Deferred tax assets are not discounted.

Reporting By Segments

A segment is a recognisable integral part of the company that engages in products or services (business segment) or products and services in a special economic environment (geographical segment) and is subject to risks and relations different from those in other segments. When preparing and presenting accounting statements, the company has not disclosed the business segments, because it only deals with one business activity. The company does not report geographical segments, because it does not keep suitable records that would enable this.

STATEMENT OF CASH MOVEMENTS

It is composed according to the indirect method of balance sheet data of 31 December, 2014, from balance sheet data of 31 December, 2012, data from 2013 income statement and additional data required for adjusting the receipts and disbursements and for suitable breakdown of more important items.

8. NOTES TO THE BALANCE SHEET

..... NOTE 1

INTANGIBLE ASSETS AND LONG-TERM ACCRUED AND DEFERRED ASSET ITEMS

in EUR

	31. 12. 2013	31. 12. 2012
Long-term property rights	86,759	109,766
Other long-term ADAI	0	10,000
Total	**86,759**	**119,766**

In 2013, the following trends in intangible assets were seen:

in EUR

	Long-term property rights	Long-term deferred expenses	Long-term property rights in acquisition	Total
ACQUISITION PRICE				
Figures on 31 December 2012	**386,779**	**0**	**10,000**	**396,779**
Acquisitions	0	0	5,740	5,740
Disposals, write-offs	0	0	0	0
Transfer from current investments	5,740	0	–5,740	0
Transfer between TFA	0	0	0	0
Figures on 31 December 2013	**392,519**	**0**	**10,000**	**402,519**
REVALUATION				
Figures on 31 December 2012	**277,013**	**0**	**0**	**277,013**
Disposals, write-offs	0	0	0	0
Depreciation and amortisation expense	38,747	0	0	38,747
Transfer between TFA	0	0	0	0
Figures on 31 December 2013	**315,760**	**0**	**0**	**315,760**
Carrying amount on 31 December 2012	**109,766**	**0**	**10,000**	**119,766**
Carrying amount on 31 December 2013	**76,759**	**0**	**10,000**	**86,759**

In 2013, intangible assets were reduced by 27% compared to 2012. Investment in foreign fixed assets is recorded under tangible fixed assets.

Long-term property rights (EUR 76,759) and assets in acquisition (EUR 10,000) apply to computer software.

..... NOTE 2

TANGIBLE FIXED ASSETS

in EUR

	31. 12. 2013	**31. 12. 2012**
Land and buildings	12,210,003	12,319,061
a) Land	5,547,480	5,843,496
b) Buildings	6,662,523	6,475,565
Production machinery and equipment	4,840,216	4,921,022
Tangible fixed assets in acquisition	419,235	253,818
a) Tangible fixed assets in construction and manufacture	419,235	253,818
b) Cash disbursements to acquire tangible fixed assets	0	0
Total	**17,469,454**	**17,493,901**

The trends seen for tangible fixed assets in 2013 were:

in EUR

	Land	**Buildings**	**Equipment and spare parts**	**Investment into foreign fixed assets**	**Tangible fixed assets in production**	**Total**
ACQUISITION PRICE						
Figures on 31 December 2012	**5,843,496**	**6,497,020**	**27,377,050**	**147,187**	**253,818**	**40,118,571**
New acquisitions	0	0	0	0	1,858,087	1,858,087
Reduct./Revaluat.	–311,016	–196,323	0	0	0	–507,339
Increases/Revaluat.	0	46,356	0	0	0	46,356
Transfer from current investments	15,000	336,925	1,340,190	556	–1,692,670	0
Disposals/Reductions	0	–21,455	–84,263	–20,866	0	–126,584
Figures on 31 December 2013	**5,547,480**	**6,662,523**	**28,632,977**	**126,877**	**419,235**	**41,389,091**
REVALUATION						
Figures on 31 December 2012	**0**	**21,455**	**22,563,422**	**39,793**	**0**	**22,624,670**
Disposals/Reductions	0	–21,455	–76,826	0	0	–98,281
Reduct./Revaluat.	0	–196,038	0	0	0	–196,038
Depreciation and amortisation expense	0	196,038	1,371,616	21,633	0	1,589,287
Figures on 31 December 2013	**0**	**0**	**23,858,212**	**61,425**	**0**	**23,919,638**
Carrying amount 31. 12. 2012	**5,843,496**	**6,475,565**	**4,813,628**	**107,394**	**253,818**	**17,493,901**
Carrying amount 31. 12. 2013	**5,547,480**	**6,662,523**	**4,774,764**	**65,452**	**419,235**	**17,469,454**

Based on the valuation report, which was carried out by an authorised real-estate appraiser, we revaluated land and buildings to their fair value on 31 December 2013.
If the Livar, d.d. Company had not revaluated its land and buildings, the carrying amount for land on 31 December 2013 would have been EUR 1,220,418, while the carrying amount for buildings on 31 December 2013 would have been EUR 2,955,960.

In 2013, we activated equipment with an accounting value of EUR 1,340,190 and invested EUR 336,925 in buildings.

It is worth listing activated equipment with a substantial value:

- Acquisition of the Okuma machine in the amount of EUR 267,700.
- Changing the receptor in the amount of EUR 263,000.
- Restoring the pavement and changing the roof covering for physical treatment in the amount of EUR 114,000.
- Acquisition of the Mori Seiki NH-5000 machine in the amount of EUR 48,500.
- Restoring a sandblasting machine in the amount of EUR 40,000.
- Asphalt-paving of courtyard and parking lot in Črnomelj in the amount of EUR 33,000.
- Refurbishing the sanitary facilities in Ivančna Gorica and Črnomelj in the amount of EUR 37,500.
- Installing a CSD105t-SPC Kaeser compressor in the amount of EUR 25,000.
- Other equipment worth smaller individual amounts.

The carrying amount of fixed assets, which were acquired on the basis of finance lease agreements, on 31 December 2013 amounted to EUR 1,429,813. On 31 December 2013, obligations arising from financial leasing amounted to EUR 4,314,089.

Land with an accounting value of EUR 5,547,480 and buildings with a value of EUR 6,662,523 are pledged for the benefit of the banks in order to ensure the repayment of long-term and short-term loans.

On 31 December 2013, the Company did not have any obligations to acquire tangible fixed assets.

.... NOTE 3

LONG-TERM FINANCIAL INVESTMENTS

in EUR

	31. 12. 2013	31. 12. 2012
1. Long-term investments, excluding loans	821,876	1,200,876
a) Shares and stakes in the Group's companies	30,000	30,000
b) Shares and stakes in associated companies	789,000	1,168,000
c) Other long-term financial investments	2,876	2,876
2. Long-term loans	428,000	212,000
a) Long-term loans to associated companies	428,000	212,000
b) Long-term loans to other companies	0	0
Total	**1,249,876**	**1,412,876**

The trends in long-term financial investments in 2013 were the following:

in EUR

	Interests in group companies	Fair value shares in associated companies	Other long-term financial investments	Long-term loans granted	Total
ACQUISITION PRICE OR FAIR VALUE					
Figures on 31 December 2012	**722,217**	**1,168,000**	**332,971**	**212,000**	**2,435,188**
Increase	0	0	0	216,000	216,000
Decrease	0	0	0	0	0
Revaluation	0	–379,000	0	0	–379,000
Figures on 31 December 2013	**722,217**	**789,000**	**332,971**	**428,000**	**2,272,188**
REVALUATION					
Figures on 31 December 2012	**–692,217**	**0**	**–330,095**	**0**	**–1,022,312**
Increase	0	0	0	0	0
Decrease – sale	0	0	0	0	0
Figures on 31 December 2013	**–692,217**	**0**	**–330,095**	**0**	**–1,022,312**
Figures on 31 December 2012	**30,000**	**1,168,000**	**2,876**	**212,000**	**1,412,876**
Figures on 31 December 2013	**30,000**	**789,000**	**2,876**	**428,000**	**1,249,876**

The total value of long-term investments amounts to EUR 1,249,876, a decrease of 11% compared to 2012.

The reason behind the decrease in value of long-term financial investments lies in the decreased value of investment in the Jelšingrad Livar associated company. On 31 December 2013, the 43.03 percent share was valued at EUR 789,000. The financial investment revaluation surplus fell by EUR 155,889, while the profit for 2013 ended up lower by EUR 223,111 because of the revaluation (Note 26).

Stakes in Group companies are represented by investments in four Slovenian companies with a 100% share and the investment into the Topola Livar MO Company – currently bankrupt.

in EUR

Affiliated company	Company headquarters	Country of company	Ownership share 31. 12. 2013	Affiliated company equity 31. 12. 2013	Profit or loss in 2013
Topola Livar MO, d.o.o. – bankrupt	Ul. Milana Blagojevića 9, Topola	Serbia	97.95%	N/A	N/A
Livar Belt, d.o.o.	Ulica Heroja Stariha 17, 8340 Črnomelj	Slovenia	100%	–48,913	–13,213
Livar FMO, d.o.o.	Ulica Heroja Stariha 17, 8340 Črnomelj	Slovenia	100%	–41,946	–3,929
Livar LNL, d.o.o.	Ljubljanska cesta 43, 1295 Ivančna Gorica	Slovenia	100%	–22,135	–11,213
Livar STORITVE, d.o.o. – bankrupt	Ljubljanska cesta 43, 1295 Ivančna Gorica	Slovenia	100%	N/A	N/A

In 2013, it was recommended that the Livar Storitve d.o.o. company file for bankruptcy. Bankruptcy proceedings started on 21 August 2013. From then on, Livar d.d. no longer has access to the Livar Storitve d.o.o. books of account.

Shares in the associated companies are represented by a 43.03 percent investment in the share capital of Jelšingrad Livar, a.d. The EUR 789,000 investment is valued according to fair value through equity. This investment is pledged for an acquired loan (Note 12). Fair valuation is carried out on the basis on the implemented model. The latter is based on the return-based method of assessing value; when carrying out valuations, data on the business operations and assets of the company being valued is used, as well as the results of an analysis of the macroeconomic environment and the line of business. When performing the calculation, we use the environmental and business characteristic factors of the required return rate of equity and debt capital, as well as the growth of free cash flow in the residual.

in EUR

Associated company	Company headquarters	Country of company	Ownership share 31. 12. 2013	Affiliated company equity 31. 12. 2013	Profit or loss in 2013
Jelšingrad Livar, a.d.	Ul. Braće Podgornika 8, Banja Luka	Republika Srpska, Bosnia and Herzegovina	43.03%	EUR 13,042,506	EUR 81,344

Long-term granted loans in 2013 include the loan in the amount of EUR 428,000 granted to the Jelšingrad Livar, a.d. associated company, which has a 7 percent annual interest rate and a 3M EURIBOR mark-up. The short-term part of the loan, which amounts to EUR 72,000 and is due in 2014, is recorded under short-term financial investments. In order to secure the loan, land belonging to the Jelšingrad

Livar, a.d. company was mortgaged in 2013. The long-term part of the loan increased by EUR 216,000 because of the maturity change.

The Livar, d.d. company also owns a 14.04 percent share in the Topola Livar, a.d. company and a 97.95 share in the Topola Livar MO, d.o.o. company, now bankrupt.

.... NOTE 4

LONG-TERM OPERATING RECEIVABLES

in EUR

	31. 12. 2013	31. 12. 2012
Long-Term Operating Receivables	5,946,524	5,946,524
Total	**5,946,524**	**5,946,524**

Long-term operating receivables are represented by receivables due from the Jelšingrad Livar, a.d. associated company, which amount to EUR 5,946,524 and stem from investments in fixed assets. The receivable will be repaid in 40 quarterly instalments, the first instalment being due in 2014 and the last in 2024. The contractual annual interest rate is 5% and the receivable is uninsured. The receivable will be converted into the associated company's equity when legal circumstances permit.

..... NOTE 5

INVENTORIES

in EUR

	31. 12. 2013	31. 12. 2012
Material	1,108,275	928,486
Revaluation of material inventory value	–56,729	–30,424
Small tools	12,293	14,056
Work in progress and semi-manufactured products	813,478	764,270
Products	2,184,328	2,081,561
Revaluation of material inventory value	–81,411	–157,039
Commercial goods	66	66
Total	**3,980,300**	**3,600,976**

In the context of the inventory structure, the share of resources and material represents 27%, unfinished manufacture 20%, and products and merchant goods 53%. In 2013, inventory increased by 10% compared to the end of 2012.
The annual inventory did not reveal any shortages or surpluses.
The inventory is not pledged as security for granted loans or other obligations.

..... NOTE 6

SHORT-TERM FINANCIAL INVESTMENTS

- Short-term loans

in EUR

	31. 12. 2013	31. 12. 2012
Short-term loans	275,500	491,500
Total	**275,500**	**491,500**

In 2013, short-term financial investments were reduced by 44% compared to 2012, because of a change in the maturity of the granted loan transfer.

Short-term financial investments are composed of:

- The short-term part of a long-term loan granted to the Jelšingrad Livar, a.d. associated company in the amount of EUR 72,000 (Note 3), which has an annual interest rate according to 3M EURIBOR + 7%.
- A short-term loan granted to the Jelšingrad Livar, a.d. associated company. (EUR 200,000) – with a 6% fixed annual interest rate.
- A short-term deposit worth EUR 2,000 granted to the Customs Office.
- A loan to an employee (EUR 1,500).

..... NOTE 7

SHORT-TERM OPERATING RECEIVABLES

in EUR

	31. 12. 2013	31. 12. 2012
Short-term operating receivables from affiliated and associated companies	67,600	82,518
Short-term operating trade receivables	9,443,462	6,035,021
Short-term operating receivables due from others	2,159,355	1,716,554
Total	**11,670,417**	**7,834,093**

Compared to the previous year, short-term operating receivables increased by 49%.

- Short-term operating receivables from affiliated and associated companies

in EUR

	Gross value	Revaluation	Pure value 31. 12. 2013	Pure value 31. 12. 2012
Jelšingrad Livar, a.d. – associated company	67,600	0	67,600	82,518
Total	**67,600**	**0**	**67,600**	**82,518**

In 2013, we did not revalue receivables from associated or affiliated companies.

- Short-term operating trade receivables

in EUR

	Gross value	Revaluation	Pure value 31. 12. 2013	Pure value 31. 12. 2012
Buyers in Slovenia	1,824,587	47,312	1,777,275	1,123,196
Buyers abroad	9,582,766	1,916,579	7,666,187	4,911,825
Total	**11,407,353**	**1,963,891**	**9,443,462**	**6,035,021**

In 2013, the Company did not make additional changes to receivables from buyers. All buyer receivables are uninsured.

The age structure on 31 December 2013 was the following:

in EUR

Maturity	Buyers in Slovenia	Buyers abroad	Group companies	Total
Not past due	1,535,884	6,441,159	0	7,977,043
Up to 30 days	202,995	580,348	0	783,342
Up to 60 days	9,802	255,401	0	265,203
Up to 90 days	720	89,269	0	89,989
Over 90 days	27,875	300,010	67,600	395,485
Total	**1,777,275**	**7,666,187**	**67,600**	**9,511,062**

Trends seen in the revaluation of receivables in 2013 were:

in EUR

	Associated and affiliated companies	Other buyers	Total
On 1 January 2013	**745,604**	**1,279,999**	**2,025,603**
Increase	0	0	0
Decrease	0	–61,712	–61,712
Figures on 31 December 2013	**745,604**	**1,218,287**	**1,963,891**

In the 2013 fiscal year, we lowered the adjustments from previous years by EUR 61,712 in order to repay a receivable.
Short-term operating trade receivables amounting to EUR 940,023 were pledged to banks for granted loans.

- <u>Short-term operating receivables due from others</u>

Short-term operating receivables due from others and amounting to EUR 2,159,355 represent:

- Receivables due from the State and State institutions amounting to EUR 362,485 (the main amount comes from returning the value added tax).
- Receivables for granted advance payments amounting to EUR 750,519; the receivables include an advance payment given to the Exoterm Holding, d.d. company.
- Receivables from selling receivables amounting to EUR 67,239.
- Receivables from consignment sales amounting to EUR 617,069.
- Claim of recourse towards Topola Livar, a.d. from paying principals and interest based on a given guarantee amounting to EUR 202,190.
- Other receivables amounting to EUR 159,853.

The gross value of the recourse claim against Topol Livar, a.d. amounting to EUR 2,021,897 has a 90% impairment of receivables.

..... NOTE 8

CASH

in EUR

	31. 12. 2013	**31. 12. 2012**
Cash in hand	2,338	522
Cash in accounts	192,794	377,560
Total	**195,132**	**378,082**

Cash kept in bank accounts at national banks amounted to EUR 163,319, while banks abroad held EUR 29,475.

..... NOTE 9

ACCRUED AND DEFERRED ASSET ITEMS

Accrued and deferred asset items apply to short-term deferred costs or expenditure.

in EUR

	31. 12. 2013	**31. 12. 2012**
Short-term accrued and deferred asset items	69,214	54,037
Total	**69,214**	**54,037**

..... NOTE 10

EQUITY

in EUR

	31. 12. 2013	31. 12. 2012
Called-up capital	6,069,276	6,069,276
• Share capital	6,069,276	6,069,276
Capital surplus	7,156	4,821,497
Revaluation surplus	6,678,021	7,030,451
Net profit or loss from previous periods	–9,154,810	–14,848,977
Net profit or loss for the financial year	0	–2,513,801
Total	**3,599,643**	**558,447**

The Company's equity on 31 December 2013 amounted to EUR 3,599,643; the equity is composed of 6,069,276 shares; the accounting value of the stock on 31 December 2013 was EUR 0.59 per share. In accordance with the Companies Act, the Company Management Board used profit from the 2013 fiscal year to cover previous losses.
The capital surplus is represented by payments exceeding the nominal value of subscribed shares.

Based on a decision taken at the general meeting on 27 June 2013, the losses incurred in past years were partially covered by capital surplus.

Trends in surplus from revaluation in 2013 were:

in EUR

	Real Estate	Long-term financial investment in Jelšingrad	Deferred taxes	Total
Initial situation on 1 January 2012	**8,298,569**	**155,889**	**–1,424,007**	**7,030,451**
Revaluation	–264,944	–155,889	68,404	–352,429
Change in the tax rate	0	0	0	0
Final situation on 31 December 2013	**8,033,625**	**0**	**–1,355,603**	**6,678,021**

In the event of equity revaluation on the basis of a calculation using the 2013 consumer price index (0.7%), the net profit would come to EUR 3,389,717.

..... NOTE 11

PROVISIONS AND LONG-TERM ACCRUED AND DEFERRED LIABILITY ITEMS

in EUR

	31. 12. 2013	31. 12. 2012
Provisions for onerous contracts	218,404	372,447
Provisions for jubilee benefits and severance pay	362,943	380,892
Provisions for warranties given	1,485,084	1,400,004
Other provisions from accrued costs	0	37,866
Total	**2,066,431**	**2,191,209**

Provisions in detail:

in EUR

	31. 12. 2013	31. 12. 2012
Provisions for onerous contracts	**218,404**	**372,447**
• Ongoing lawsuits	218,404	372,447
Provisions for pensions, jubilee benefits and severance pay	**362,943**	**380,892**
• Provisions for jubilee benefits	128,236	115,580
• Provisions for severance pay upon retirement	234,707	265,312
Provisions for warranties given	**1,485,084**	**1,400,004**
• Guarantee given to an associated company for a loan granted at a foreign bank	1,485,084	1,400,004
Other provisions from accrued costs	**0**	**37,866**
• Provision for setting up the Suhi Most disposal facility for foundry waste	0	37,866
Total	**2,066,431**	**2,191,209**

Provisions and long-term accrued and deferred liability items went down by 6% in 2013.

in EUR

	Provisions for onerous contracts	Provisions for jubilee benefits	Provisions for severance pay	Provisions for warranties given	Other provisions	Total
Figures on 31 December 2012	**372,447**	**115,580**	**265,312**	**1,400,004**	**37,866**	**2,191,209**
Formation	34,351	32,720	0	0	0	67,071
Reversal	–112,584	–3,095	–4,852	0	0	–120,531
Withdrawal	–75,810	–16,969	–25,753	0	–37,866	–156,397
Transfer from/to the short-term part	0	0	0	85,079	0	85,079
Figures on 31 December 2013	**218,404**	**128,236**	**234,707**	**1,485,083**	**0**	**2,066,431**

Because of ongoing lawsuits worth EUR 218,404, provisions for onerous contracts include accrued costs after lawsuits from suppliers, former employees and others.

Based on new actuarial calculations, we managed to harmonise the status of provisions for severance pay upon retirement and provisions for jubilee benefits on 31 December 2013. In order to accomplish this, we used the Projected Unit Credit Method (PUCM) where all profit and loss, as well as past service costs, are immediately acknowledged. When performing the calculation, we used actuarial assumptions, i.e.:

- Demographic assumptions (mortality and level of employee fluctuation)
- Financial assumptions (inflation, the interest rate curve and bond profitability, the discount rate and future salary levels within the Company and the RS).

The status of employee provisions corresponds to the number of employees, who remain long-term Livar, d.d. employees.

The provisions for the warranties given come from the guarantee, which was given to the Topola Livar, a.d. company. The Topola Livar, a.d. company – in its capacity as the main debtor – took out a loan with the NLB, d.d. bank. The provisions were formed on the basis of past experiences and the probability that the guarantor would be obliged to pay the obligations in the name of the primary debtor. The adequate short-term part of the provisions amounting to EUR 371,271 is recorded under accrued costs and deferred revenues.

..... NOTE 12

LONG-TERM FINANCIAL LIABILITIES

in EUR

	31. 12. 2013	**31. 12. 2012**
Long-term financial liabilities to banks	15,058,447	10,205,154
Long-term financial liabilities based on bonds	0	820,000
Other long-term financial liabilities	4,377,947	3,635,251
Total	**19,436,394**	**14,660,405**

Long-term financial liabilities to banks:

in EUR

	31 March 2013	**31. 12. 2012**
Banks in Slovenia	15,009,366	10,205,154
Banks abroad	49,081	0
Total	**15,058,447**	**10,205,154**

On 31 December 2013, the status of liabilities, specifically long-term bank liabilities, had increased compared to the previous year, which was the result of bank loan reprogramming.
The short-term part of long-term bank loans in the amount of EUR 4,126,572 is recorded under short-term bank liabilities.

All long-term bank loans are denominated in EUR, the main body of which incurs interest on the basis of annual floating interest rates. Reference interest rates vary: 1 Month EURIBOR, 3 Month EURIBOR and 6 Month EURIBOR. The mark-ups amount to anywhere from 1.25 to 7 percentage points onto the reference interest rate.

In accordance with agreements valid on 31 December 2013, the loans are due by 2010 and are insured with a mortgage on the Company's real estate and/or through pledging receivables from buyers. In 5 years after the balance sheet date, EUR 19,318,275 of liabilities fall due.

- Other long-term financial liabilities

Other long-term financial liabilities include:

- Company liabilities based on financial lease agreements, which according to currently valid annuity plans are due in 2018 and amount to EUR 3,859,429. Short-term maturity from leasing agreements amounts to EUR 454,660 and is recorded under short-term financial liabilities. Financial lease agreements have an annual interest rate according to 3 Month or 6 Month EURIBOR + a mark-up from 2.5 to 4.25%.
- Liabilities arising from a loan granted by Exoterm Holding, d.d., which amount to EUR 518,518. The loan has an annual interest rate according to 6 Month EURIBOR + 4.95%. The last instalment is due to be paid in 2015. The Company has pledged an associated company's stocks (Note 3) in order to obtain the loan.

..... NOTE 13

SHORT-TERM LIABILITIES

The following tables reveal short-term liabilities pursuant to contractual stipulations valid on 31 December 2013.

- Short-Term Liabilities

in EUR

	31. 12. 2013	**31. 12. 2012**
Short-term financial liabilities	5,521,603	7,875,565
Short-term operating liabilities	9,570,751	10,730,599
Total	**15,092,354**	**18,606,164**

- Short-term financial liabilities

in EUR

	31. 12. 2013	31. 12. 2012
Short-term financial liabilities to banks	4,126,573	6,602,628
Short-term financial liabilities from bonds	820,000	0
Other short-term financial liabilities	575,030	1,272,937
Total	**5,521,603**	**7,875,565**

- Short-term financial liabilities to banks

in EUR

	31. 12. 2013	31. 12. 2012
Banks in Slovenia	3,842,366	6,128,075
Banks abroad	284,207	474,553
Total	**4,126,573**	**6,602,628**

Short-term financial liabilities to banks include:

- The short-term part of long-term bank loans in the amount of EUR 3,092,366.
- A short-term bank loan amounting to EUR 750,000, which has a 6% fixed annual interest rate and is insured by the pledge of receivables from buyers.
- A short-term part of a foreign bank loan amounting to EUR 284,207.

- Short-term financial liabilities from bonds

In 2009, the Company's Management Board made a decision to issue 340 subordinated registered bonds, each having a nominal value of EUR 10,000 to mature on 31 December 2014. The annual interest rate is 6%.

Until 31 December 2009, the Company – then an important company owner – issued a statement about acquiring 100 subordinated registered bonds amounting to a total nominal value of EUR 1,000,000. The liabilities from bonds were partially settled by offsetting receivables from loans granted in 2011 and 2012. The liability on 31 December 2013 amounted to EUR 820,000 and is due on 31 December 2014.

- Other short-term financial liabilities

The Company records the following under other short-term financial liabilities:

- Short-term liabilities from the short-term part of financial leasing agreements amounting to EUR 454,660.
- Short-term liabilities arising from a short-term part of a long-term loan granted by Exoterm Holding, d.d., which amount to EUR 120,370.

- Short-term operating liabilities

in EUR

	31. 12. 2013	31. 12. 2012
Short-term trade payables to affiliated companies	286,454	458,612
Short-term trade payables to suppliers	6,054,562	7,404,370
Short-term operating liabilities from advance payments	3,729	1,098
Other short-term operating liabilities	3,226,005	2,866,519
Total	**9,570,751**	**10,730,599**

The Livar, d.d. Company settled short-term liabilities to affiliated companies in the amount of EUR 190,158 in 2013. These were mainly liabilities from service costs, which the affiliated companies charged to the parent company. The costs were related to hired labour, which was redeployed to affiliated companies in 2010 as a result of restructuring.

Compared to the previous year, short-term operating liabilities decreased by 11%.

Short-term payables to suppliers in the home market amount to EUR 4,436,258, while those to suppliers abroad amounted to EUR 1,904,759.

Other operating liabilities (EUR 3,226,005) include liabilities to employees for salaries amounting to EUR 800,903, liabilities to government institutions amounting to EUR 510,385, liabilities arising from interest from banks and other loans amounting to EUR 867,778, liabilities from charged interest from suppliers amounting to EUR 178,806, liabilities to the Pirex, d.o.o. company in the amount of EUR 368,493, liabilities from leasing agreements in the amount of EUR 401,511, as well as other liabilities totalling EUR 98,129.

..... NOTE 14

ACCRUED AND DEFERRED LIABILITY ITEMS

- Short-term accrued costs and expenses

in

EUR

	31. 12. 2013	31. 12. 2012
Accrued bank interest	7,593	21,388
Accrued loss from forward purchase of shares	342,342	0
Other accrued costs	671,840	694,906
Accrued costs of 2012 salary cuts	425,097	425,097
Accrued costs of interest on trade payables to affiliated companies	0	115,109
Other accrued and deferred liability items	55,673	59,030
Total	**1,502,545**	**1,315,530**

Accrued and deferred liability items amounting to EUR 1,502,545 apply entirely to short-term accrued costs or expenses, which increased by 14% compared to 2012.

The reason behind the increase in accrued and deferred liability items lies in short-term accrued loss-related costs from the forward purchase of Livar Jelšingrad, a.d. shares. (EUR 342,342).

Other accrued costs apply to accrued costs for which the Company received an invoice in 2014 (EUR 251,369), to the short-term part of the guarantee amounting to EUR 371,271 and to accrued liabilities for bond interest (EUR 49,200).

In 2013, the Company did away with potential liability recognition for interest costs arising from liabilities to affiliated companies in the amount of EUR 115,109.

..... NOTE 15

OFF-BALANCE ASSETS AND LIABILITIES

in EUR

	31. 12. 2013	**31. 12. 2012**
Untapped credit lines at banks	0	0
Guarantees	0	0
Warranties given	206,262	206,262
Total	**206,262**	**206,262**

The off-balance record applies to the guarantee given to the Topola Livar, a.d. company for the contracted bank loan. 90% of the value of unpaid loan principals is recorded under long-term reservations or accrued costs and deferred revenues, while the remaining 10% is in the off-balance records.

9. NOTES TO THE INCOME STATEMENT

INCOME STATEMENT

In accordance with Accounting Standard 25, the Company decided on a graded income statement according to Version I. An overview of costs according to function groups was prepared and based on cost accounting.

in EUR

	2013	**2012**
Purchase cost of goods sold	373,918	268,875
Production costs of sold products	41,726,825	36,464,279
Selling costs	1,633,257	1,854,424
General and administrative expenses	2,823,819	3,506,178
Revaluation operating expenses	25,489	576,709
Total	**46,583,308**	**42,670,465**

….. NOTE 16

NET SALES REVENUE

in EUR

	2013	**2012**
Sales revenue from products	49,961,126	40,627,020
Sales revenue from services	289,913	723,766
Sales revenue from goods	5,592	2,987
Sales revenue from material	141,580	129,550
Total	**50,398,211**	**41,483,323**

in EUR

	2013	**2012**
Sales revenue on the domestic market	10,812,110	9,850,899
• Sales revenue from products and services	10,762,865	9,718,362
• Sales revenue from goods and material	49,245	132,537
Sales revenue on the foreign market	39,586,101	31,632,424
• Sales revenue from products and services	39,586,101	31,632,424
• Sales revenue from goods and material	0	0
Total	**50,398,211**	**41,483,323**

Compared to the previous year, net sales revenues increased by 21%. The majority of net sales revenue (78%) was generated by sales on the foreign market.

..... NOTE 17

CHANGE IN INVENTORIES OF FINISHED PRODUCTS AND WORK IN PROGRESS

in EUR

	2013	2012
Change in inventories for finished products and work in progress	227,604	1,354,111
Total	**227,604**	**1,354,111**

In 2013, we recorded an increase in inventory totalling EUR 227,604, which improves the income statement according to the rules governing the presentation of the outturn account.

..... NOTE 18

VALUE OF CAPITALISED OWN PRODUCTS

in EUR

	2013	2012
Capitalised own products	400,292	100,405
Total	**400,292**	**100,405**

Capitalised own products in the amount of EUR 400,292 record the value of our own products and services, which are used to fulfil Company needs, and above all the value of our own investments carried out with the Company's labour and funds.

..... NOTE 19

OTHER OPERATING INCOME

(WITH OPERATING REVENUE FROM REVALUATION)

in EUR

	2013	2012
Revenue from the use and elimination of provisions for liabilities and charges	239,062	230,682
Other operating revenue from revaluation	173,705	27,191
Total	**412,767**	**257,873**

Revenue from the use and elimination of provisions for liabilities and charges applies to the use and elimination of provisions for onerous contracts, jubilee bonuses and severance pay (see Note 11).

Other operating revenue from revaluation amounting to EUR 173,705 is revenue from:

- Received insurance bonuses amounting to EUR 64,895.
- Write-off of supplier liabilities amounting to EUR 28,761.
- Revenue from selling tangible fixed assets amounting to EUR 9,013.
- Co-financing scholarship recipients amounting to EUR 9,323.
- Paid receivables adjustments amounting to EUR 61,713.

..... NOTE 20

COSTS OF GOODS, MATERIAL AND SERVICES

in EUR

	2013	**2012**
Acquisition price of goods and material sold	373,918	268,875
Cost of materials	28,097,461	25,705,912
Cost of services	5,653,679	7,540,989
Total	**34,125,058**	**33,515,776**

Although it is true that we recorded higher costs in 2013 compared to 2012, the scope of manufacture also markedly increased compared to 2012. Costs were scrutinised by administrators on a monthly basis. Compared to the previous year, the cost of materials went up by 9%, while the cost of services went down by 25% compared to the previous year.

The following is a detailed breakdown of individual material and service cost types:

- Cost of materials

in EUR

	2013	**2012**
Cost of materials	22,614,997	21,387,235
Costs of auxiliary material	460,866	406,670
Energy costs	3,391,549	2,951,525
Costs of replacement parts for fixed assets and material for fixed-asset maintenance	976,730	440,181
Write-off of small tools and packaging	603,949	491,239
Costs of office supplies and trade literature	25,014	29,062
Other material costs	24,356	0
Total	**28,097,461**	**25,705,912**

- Cost of services

in EUR

	2013	2012
Costs of services in producing products and implementing services	2,317,339	4,117,763
Costs of transport services	748,483	585,896
The costs of services relating to the maintenance of tangible fixed assets	422,523	287,864
Rent	276,268	253,731
Reimbursement of work-related costs to employees	55,894	86,573
Costs of payment transactions and banking services and insurance premiums	286,728	363,089
Costs of intellectual and personal services	839,463	1,295,099
Costs of fairs, advertising and representing	33,289	36,697
The costs of the services of natural persons who are not involved in the activity including taxes charged against the company	29,913	23,095
Cost of other services	643,779	491,182
Total	**5,653,679**	**7,540,989**

In 2013, the costs of services in producing products and implementing services were reduced by 25% compared to 2012. In 2012, the labour force was rented from affiliated companies; in 2012 the workers were employed at Livar, d.d. The cost of hiring outside labour for 2013 amounted to EUR 1,675,838.

The costs of other services (EUR 643,778) are represented by costs associated with waste removal and depositing (EUR 370,138), insurance service costs (EUR 177,480), costs for inspection services (EUR 70,232) and other costs (EUR 25,928).

The auditor chosen to conduct the audit of the annual report for the 2013 fiscal year is the KPMG SLOVENIJA, d.o.o. company from Ljubljana. The Company signed an audit agreement with the latter worth EUR 17,500 (excluding VAT). The Company had no other business or expenses with auditors.

..... NOTE 21

LABOUR COSTS

in EUR

	2013	2012
Payroll costs	6,506,436	4,542,749
Social security costs	1,834,612	1,241,023
Pension insurance costs	682,123	474,728
Other labour costs	1,602,504	1,297,101
Total	**10,625,675**	**7,555,601**

In 2013, labour costs increased by 40% compared to 2012. The reason for this lies in the fact that in 2012, the workers were still partly employed by the affiliated company and salaries were reduced by 20–25% for the greater part of 2012.
Other labour costs are associated with holiday pay amounting to EUR 426,375, severance pay costs amounting to EUR 77,332 (the costs of severance pay upon retirement amounted to EUR 25,926, while severance pay for business reasons cost EUR 51,406), jubilee bonus costs amounting to EUR 22,944, the costs of transport to and from work amounting to EUR 532,987, the cost of food for workers amounting to EUR 503,180, the costs of forming reservations for jubilee bonuses amounting to EUR 32,720 and other costs in the amount of EUR 6,966.

The Management Board's receipts of payment, as well as the salaries of employees not bound by the tariff part of the collective bargaining agreement and the Supervisory Board's payments, amounted to the following in 2013:

in EUR

Management Board	106,721
Employees not bound by the tariff part of the collective bargaining agreement	607,743
Members of the Supervisory Board	13,798
Total	**728,262**

The Management Board payments listed above, and the payments to employees not bound by the tariff part of the collective bargaining agreement include gross salaries, perks, holiday pay and the reimbursement of transport costs to work.

The members of the Supervisory Board received meeting fees for doing their jobs.

The Company did not issue any guarantees for Management Board or Supervisory Board member liabilities.

..... NOTE 22

WRITE-OFFS

in EUR

	2013	**2012**
Depreciation and amortisation expense	1,628,034	1,694,343
Revaluation operating expenses associated with intangible assets and tangible fixed assets	7,382	68,000
Revaluation operating expenses associated with current operating assets	18,107	508,710
Total	**1,653,523**	**2,271,053**

- Depreciation and amortisation expenses

in EUR

	2013	2012
Amortisation of intangible assets	38,747	59,856
Depreciation of buildings	196,038	175,827
Depreciation of equipment and spare parts	1,393,249	1,458,660
Total	**1,628,034**	**1,694,343**

- Revaluation operating expenses

in EUR

	2013	2012
Revaluation operating expenses associated with intangible assets and tangible fixed assets	7,382	68,000
Revaluation operating expenses associated with current operating assets	18,107	508,710
Total	**25,489**	**576,710**

Revaluation of operating expenses associated with intangible assets and tangible fixed assets are linked to sales losses or the write-off of fixed assets worth EUR 7,382.

The revaluation of operating expenses associated with current operating assets is made up of the write-off of receivables from buyers worth EUR 18,107.

.... NOTE 23

OTHER OPERATING EXPENSES

in EUR

	2013	2012
The creation of provisions	34,350	175,339
Other costs	372,307	506,807
Total	**406,657**	**682,146**

- Provisions

in EUR

	2013	2012
Provisions for complaints	0	46,301
Provisions for lawsuits incurred	34,350	76,793
Provisions for jubilee benefits and severance pay	0	52,245
Total	**34,350**	**175,339**

According to the new chart of accounts, provisions for jubilee benefits are recorded as part of labour costs. Their creation is thus explained in the framework for labour costs (Note 21).

- Other costs

in EUR

	2013	2012
Duties, which are not dependent on labour costs or other types of cost	57,751	54,050
Environmental protection expenditure	303,688	432,268
Bonuses for secondary school and higher education students during industrial placement, including duties	1,349	1,018
Scholarships for secondary and higher education students	5,069	14,483
Other costs	4,450	4,988
Total	**372,307**	**506,807**

..... NOTE 24

FINANCIAL INCOME FROM LOANS GRANTED

in EUR

	2013	2012
Financial income from loans granted to a) Long-term loans to associated companies	48,486	52,122
Financial income from loans granted to others	72	868
Total	**48,558**	**52,990**

Financial income in the amount of EUR 48,486 includes interest from loans granted to Jelšingrad Livar, a.d.

..... NOTE 25

FINANCIAL INCOME FROM OPERATING RECEIVABLES

in EUR

	2013	2012
Financial revenue from operating receivables due from others	105,997	18,779
Total	**105,997**	**18,779**

Financial revenue from operating receivables worth EUR 105,997 includes, mainly, subsequently acquired cash discounts in the amount of EUR 105,297.

..... NOTE 26

FINANCIAL EXPENSES DUE TO IMPAIRMENT OF FINANCIAL INVESTMENTS

In 2013, we used the profit and loss to lower the value of financial investment in Jelšingrad Livar, a.d. worth EUR 223,111. Investment in Jelšingrad Livar, a.d. is valued according to a fair value based on a report submitted by an authorised assessor.

..... NOTE 27

FINANCIAL EXPENSES FROM FINANCIAL LIABILITIES

in EUR

	2013	**2012**
Financial expenses from loans received from banks and bonds	1,047,254	1,070,122
Financial expenses from other financial liabilities	449,452	168,207
Total	**1,496,706**	**1,238,329**

Financial expenses for loans received from banks include interest from granted bank loans worth EUR 998,054 (EUR 119,181 of which stems from payments from a guarantee made to an affiliated company) and expenses from interest on issued bonds amounting to EUR 49,200.
Financial expenses from other financial liabilities meanwhile include interest from financial leases amounting to EUR 107,110 and financial expenses worth EUR 342,342 from losses incurred through the forward purchase of Jelšingrad Livar, a.d. stock.

..... NOTE 28

FINANCIAL EXPENSES FROM OPERATING LIABILITIES

in EUR

	2013	**2012**
Financial expenses for trade payables and bills payable	96,565	316,050
Expenses from default interest of other operating liabilities	16,959	139,563
Other financial expenses	114,934	73,368
Total	**228,458**	**528,981**

Financial expenses from operating liabilities include interest owed to the Tax Administration of Slovenia (DURS) in the amount of EUR 15,841 and interest owed to government institutions in the amount of

EUR 1,118, while other financial expenses include those from interest arising from the financing of factoring worth EUR 78,198, expenses for interest linked to the buyback of Jelšingrad Livar, a.d. shares worth EUR 33,946 and to later given discounts in the amount of EUR 2,790.

..... NOTE 29

OTHER REVENUE

in EUR

	2013	**2012**
Compensation received	0	6,527
Other Income	202,872	705,331
Total	**202,872**	**711,858**

In the scope of other revenue, the largest share is represented by revenue generated through the elimination of accrued and deferred liability items.

..... NOTE 30

OTHER EXPENSES

in EUR

	2013	**2012**
Compensation and financial penalties	53,013	9,730
Other expenses	162,439	15,025
Total	**215,452**	**24,755**

Other expenses include those from previous years.

..... NOTE 31

DEFERRED TAX

DEFERRED TAX LIABILITIES

Deferred tax liabilities are associated with recording the Company's real estate according to the revaluation model and a tax rate of 17%, and with the revaluation of long-term financial investment in the Jelšingrad affiliated company to suit a fair value with a tax rate of 8.5%.

Trends in deferred tax liabilities in 2013 were as follows:

in EUR

	Real Estate	Long-term financial investments	Total
Figures on 31 December 2012	**1,410,756**	**13,251**	**1,424,007**
Chargeable to / (credit) the income statement	0	0	0
Chargeable to / (credit) the equity	–55,152	–13,251	–68,403
• Recognising deferred tax liabilities	7,881	0	7,881
• Elimination of deferred tax liabilities	–63,033	–13,251	–76,284
• Difference because of the change in the tax rate	0	0	0
Figures on 31 December 2013	**1,355,604**	**0**	**1,355,604**

DEFERRED TAX ASSETS

In 2013, we recognised EUR 754,190 in deferred tax assets from part of the unused tax losses; deferred tax assets have a 17% tax rate.

In 2013, the Company recognised deferred tax assets from part of the existing deductible tax differences and unused tax losses, which surpassed the amount of deferred tax liabilities. The amount of the ascertained positive tax base in 2013, along with other positive changes in company business operations in 2013 lead us to claim confidently that we will have important amounts of positive tax bases in coming years, which we will be able to reduce using deductible temporary tax differences, unused tax losses and unused tax credit.

The trends in deferred tax assets in 2013 were the following:

in EUR

	Unused tax loss	Total
Figures on 31 December 2012	**1,424,007**	**1,424,007**
Chargeable to / (credit) the equity	0	0
(Chargeable) to / credit the income statement	685,786	685,786
• Recognising deferred tax assets	762,070	762,70
• Elimination of deferred tax assets	–76,284	–76,284
• Difference because of the change in the tax rate	0	0
Figures on 31 December 2013	**2,109,793**	**2,109,793**

..... NOTE 32

INCOME TAX

In 2013, the Company recorded a taxable base amounting to EUR 669,548, while the entire tax loss amounted to EUR 18,057,669. The liability from income tax of legal entities for 2013 thus amounted to EUR 113,823, while the monthly prepayment in 2014 amounts to EUR 9,485.

On 31 December 2013, the deductible temporary differences, the unused tax loss and the unused tax credit, which do not have deferred tax assets, amount to:

- Unused tax loss worth EUR 5,647,115
- Long-term provisions worth EUR 1,292,610
- Correction in the value of operating receivables worth EUR 3,284,932
- Depreciation in excess of tax recognised amounting to EUR 404,086
- Financial investments amounting to EUR 223,111

..... NOTE 33

NET PROFIT OR LOSS FOR THE PERIOD

in EUR

	2013	**2012**
Operating profit or loss from regular operations	2,834,241	–2,524,402
• Operating profit or loss	4,627,961	–828,862
• Operating profit or loss from financing	–1,793,720	–1,695,540
Operating profit or loss outside of regular operations	–12,579	382,269
Total profit/loss	2,821,662	–2,142,133
Corporate Income Tax	–113,823	0
Deferred Taxes	685,786	–371,668
Net profit or loss for the period	**3,393,626**	**–2,513,801**
Accumulated loss	**–9,154,811**	**–17,362,778**

10. TRANSACTIONS WITH RELATED PARTIES

Figures on 31 December 2013:

in EUR

Company:		**Short-term operating receivables**	**Long-Term operating receivables**	**Long-term loans granted**	**Short-term loans granted**
Livar LNL, d.o.o.	Affiliated company	0	0	0	0
Livar Belt, d.o.o.	Affiliated company	0	0	0	0
Livar FMO, d.o.o.	Affiliated company	0	0	0	0
Livar storitve, d.o.o. – bankrupt	Affiliated company	0	0	0	0
Topola Livar MO, d.o.o.	Affiliated company	0	0	0	0
Jelšingrad Livar, a.d.	Associated company	67,600	5,946,524	428,000	272,000
Total		**67,600**	**5,946,524**	**428,000**	**272,000**

in EUR

Company		**Short-term operating liabilities**	**Long-term financial liabilities**
Livar LNL, d.o.o.	Affiliated company	0	0
Livar Belt, d.o.o.	Affiliated company	2,546	0
Livar FMO, d.o.o.	Affiliated company	0	0
Livar storitve, d.o.o. – bankrupt	Affiliated company	283,908	0
Topola Livar MO, d.o.o.	Affiliated company	0	0
Jelšingrad Livar, a.d.	Associated company	0	0
Total		**286,454**	**0**

Overview of turnover with related parties in 2013 (in EUR):

in EUR

Company		**Cumulative turnover of operating receivables**	**Cumulative turnover of operating liabilities**	**Cumulative turnover of interest from loans received**	**Cumulative turnover of interest from loans granted**
Livar LNL, d.o.o.	Affiliated company	0	0	0	0
Livar Belt, d.o.o.	Affiliated company	0	0	0	0
Livar FMO, d.o.o.	Affiliated company	0	0	0	0
Livar storitve, d.o.o.	Affiliated company	0	0	0	0
Topola Livar MO, d.o.o.	Affiliated company	0	0	0	0
Jelšingrad Livar, a.d.	Associated company	6,900	0	0	48,474
Total		**6,900**	**0**	**0**	**48,474**

11. RISK MANAGEMENT

Exposure to liquidity risk

Exposure to liquidity risk on 31 December 2013:

in EUR

	Account balance	Maturity of principals up to 1 year	Maturity of principals up to 5 years	Maturity of principals over 5 years
Bank loans received	19,185,019	4,126,572	14,940,328	118,119
Liabilities from bonds	820,000	820,000	0	0
Loans received from others	638,888	120,370	518,518	0
Liabilities from financial leases	4,314,089	454,660	3,859,429	0
Short-term operating liabilities	9,570,752	9,570,752	0	0
Total	**34,528,748**	**15,092,354**	**19,318,275**	**118,119**

Exposure to credit risk

Exposure to credit risk on 31 December 2013:

in EUR

Item	Accounting value
Long-Term Operating Receivables	5,946,524
Long-term loans granted	428,000
Short-term loans granted	275,500
Receivables for associated companies	67,600
Trade receivables	9,443,462
Other short-term operating receivables	2,159,355
TOTAL	**18,317,441**

The long-term operating receivable from the Jelšingrad associated company is not specifically insured and is intended for conversion into equity.

Short-term granted loans are not exposed to high credit risk. Short-term loans are thus partially insured.

Most buyer receivables have not yet matured. In 2013, the Company performed no adjustments to the value of receivables. Short-term operating receivables are uninsured.

Exposure to interest rate risk

Short-term financial liabilities to banks and leasing providers are linked to EURIBOR, which influences the exposure to the risk of interest rate change. Exposure to interest rate risk on 31 December 2013 was seen as follows:

in EUR

Securities with a fixed interest rate	
Financial assets	203,500
Financial liabilities	1,570,000
Securities with a floating interest rate	
Financial assets	500,000
Financial liabilities	23,384,668

Fair value risk

The following table indicates the effect of the change in fair value on 31 December 2013 on equity through a surplus from revaluation and on the income statement (the overview takes into account deferred taxes – in the event that the valuation was done according to fair value through equity).

in EUR

	Accounting value 31. 12. 2013	Fair value change		
Item		**1%**	**5%**	**10%**
Company real estate	12,210,003	101,343	506,715	1,013,430
Long-term financial investments	789,000	6,549	32,744	65,487
Total to equity	**12,999,003**	**107,892**	**539,459**	**1,078,917**

12. CONTINGENT LIABILITIES

The Company has no other contingent liabilities that are not adequately encompassed by and recorded in the financial statement on 31 December 2013.

13. UNCERTAINTY REGARDING GOING-CONCERN ASSUMPTION

The financial statements are prepared on the basis of the going-concern assumption. In 2013, the Company – after years of losses – recorded a net profit of EUR 3,393 thousand, which the Management Board fully redistributed in order to cover the losses transferred from past fiscal years. On 31 December 2013, it recorded an accumulated loss of EUR 9,155 thousand, which is more than half of the fixed assets and cannot be covered by debiting the other parts of equity. On 31 December 2013, the Company recorded a surplus of short-term assets over liabilities in the amount of EUR 1,029 thousand. The Company's total financial liabilities (not including guarantee liabilities, recorded in the framework of provisions and accrued costs and deferred revenues) on 31 December 2013 amount to EUR 24,957,996; should the current repayment dynamic persist, as planned in the valid financing contracts, these liabilities will be paid in full in the next five years. Short-term financial liabilities, arising from valid financing contracts, amount to EUR 5,521 thousand and surpass the available cash flow, which will be available once the 2014 planned results are realised. We constantly maintain active negotiations with banks concerning the granting of short-term and long-term sustainable rescheduling of financial liabilities. Based on the results of the 2013 fiscal year, we see no reason why these negotiations should not be successful.

This going-concern assumption is also deemed adequate by Management because the company is continuing to show superb results into 2014, thus fulfilling its ambitious plans for 2014. The achieved operating results are the consequence of hard work in the commercial sector, of rigid cost control and of the desire to stringently oversee the manufacturing process.

14. EVENTS AFTER BALANCE SHEET DATE

No business events that could influence the figures in the annual report occurred after the balance sheet date.