Dinos d.d.

Annual Report 2016

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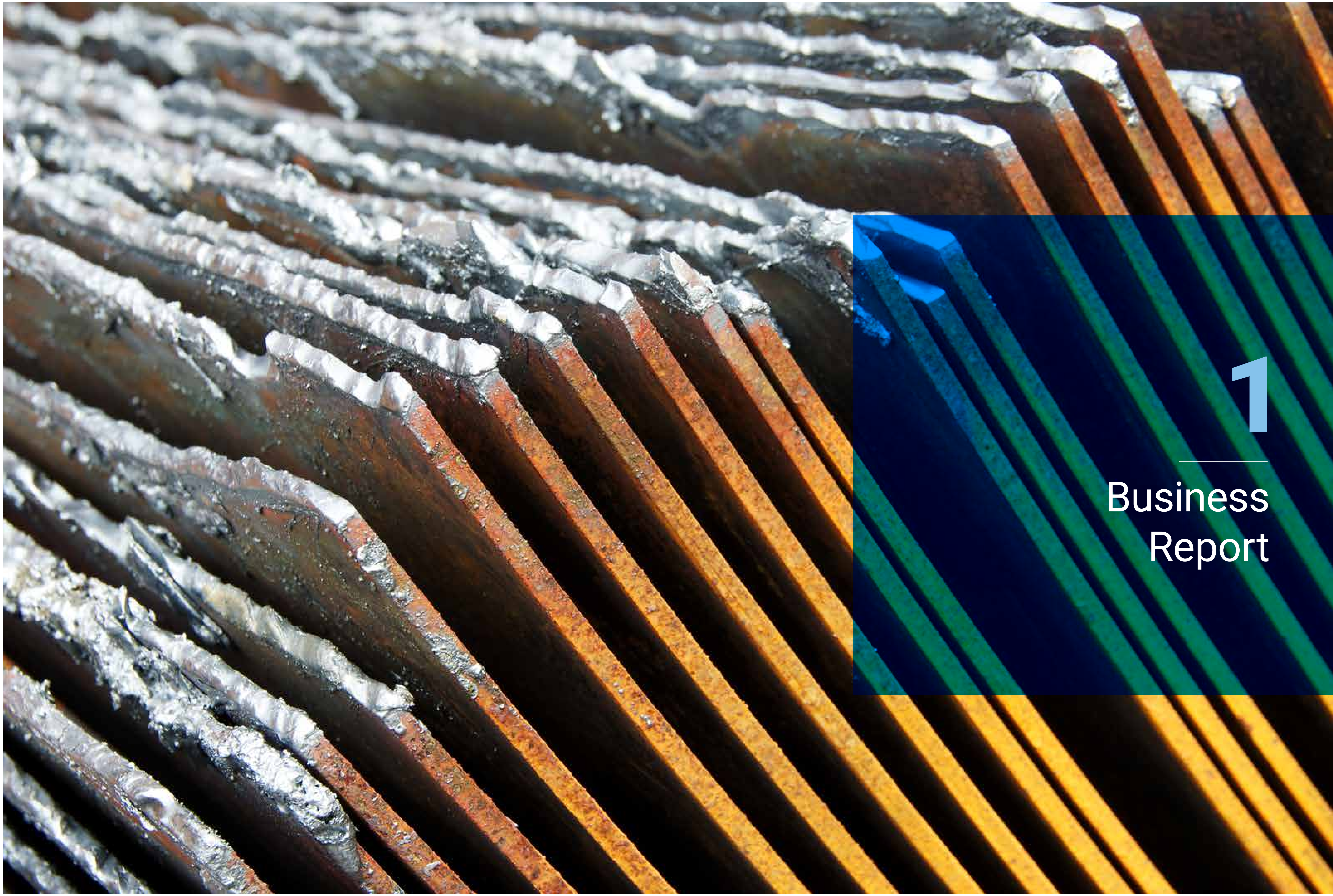


1 Business Report

1.1. Statement of the management board

Statement of management's responsibility

The Management Board confirms the financial statements for the year ended 31 December 2016, the applied accounting policies and the notes to financial statements.

The Management Board is responsible for the preparation of the Annual Report so as to give a true and fair view of the financial position of the company and the results of its operations in the year 2016.

The Management Board confirms to have consistently applied the appropriate accounting policies and made the accounting estimates according to the principle of prudence and due diligence. The Management Board further confirms that the financial statements, together with the notes, have been prepared on the basis of the assumptions of going concern and in line with the applicable legislation as well as the Slovenian Accounting Standards.

The Management Board is also responsible for adequately managed accountancy, the adoption of appropriate measures aimed at protecting property as well as preventing and discovering fraud and other irregularities or illegalities.

The tax authorities are entitled to inspect the company's operations at any time within 5 years after the expiry of the year for which tax must be assessed, which could result in additional liability for the payment of tax, default interest and penalty arising from corporate income tax or other taxes and duties. The Management Board is not aware of any circumstances that could result in potential significant liability in relation thereto.

Ljubljana, July 19, 2017

Damijan Zorko
President of the
Management Board

Benjamin Bambič
member of the
Management Board

Marc Breidenbach
member of the
Management Board

1.2. Report of the president of the management board

Dear partners and associates!

For 70 years now, we have been loyal to our slogan »Let's give back waste raw material to industry« which took on an even greater significance in 2016 as we celebrated a praiseworthy anniversary of our company. We are very pleased about this as we will not remember 2016 only for the jubilee as the year is also a milestone for us on account of the good results that significantly exceeded the targets – despite the fact that conditions on markets for waste raw materials were still strained. These results should, of course, not be taken for granted as they were achieved through hard work in the past, mainly the last three years when we focused all of our efforts into cost rationalisation, optimisation of processes at all levels of operations and the introduction of new services. The correctness of the adopted measures is the fact that we managed to increase net profit by nearly four times YOY despite a 10% decline in revenues.

One of the optimisation measures is the merger of the subsidiary Unirec d.o.o., which is involved in waste packaging management, with the parent company. The integration was a resounding success as we did not only optimise operating costs but also created advantages that were seen by our esteemed customers who can now get all of their services in a single place, i.e. professional consulting, transport and efficient processing of all types of waste raw materials.

In recent years, we have intensively paid down our loans and also deleveraged in 2016 to the extent that we now rank among the companies that are not indebted or have low debt levels. The net financial debt to EBITDA ratio is at 2.2, which ranks us among companies with an excellent credit rating. This has boosted our borrowing potential that we will use for investments into the updating of equipment and new development projects aimed at process digitalisation.

The year was also a milestone one for our German owner, the Scholz company which managed after years of restructuring to attract a new owner, Chiho-Tiande Group (CTG), which stabilised the company in financial terms. CTG comes from our industry and we therefore expect to benefit from synergies that will positively affect Dinos as well.

The vision of a circular economy has been in the forefront of economic thought recently and is yielding guidelines for efficient sustainable management of raw materials and waste. We are gearing all out efforts into becoming an active protagonist in this story that requires measures at all levels of the process ranging from the collection of raw materials to their recycling and finally their return as a primary material. We adhere strictly to our packaging scheme programme and aspire to give a plastic bottle, a piece of metal and paper a new lease on life.

We have been working for years as a socially responsible company and collaborating with the Ecoschool and the Tandem society on the project entitled »Old Plastic Bottle for a New Life«, within the scope of which we collect plastic bottles and symbolically allocate profits to one of the Slovenian maternity hospitals for the purchase of equipment for infants. The Kranj maternity hospital was selected in 2016 and received a new incubator as part of the project. The project will certainly not be a one-off fad in the coming years as we are planning numerous waste collection campaigns for humanitarian purposes that will hopefully attract members of all generations.

We are convinced that a clear vision, positive attitude and dedication of our employees will allow us to maintain the leading role in our industry despite the increasing competition.

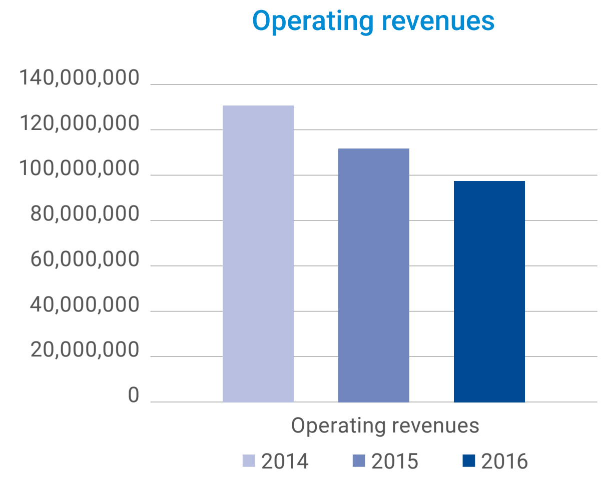
We would like to thank all those who contributed to the success of our company over the period of 70 years through their hard work and dedication. Winners are those who see further, which is why I believe that the first 70 years represents only the beginning.

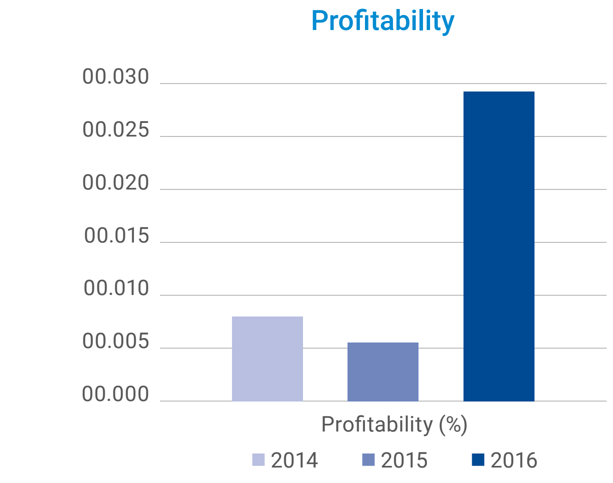
Damijan Zorko
President of the Management Board

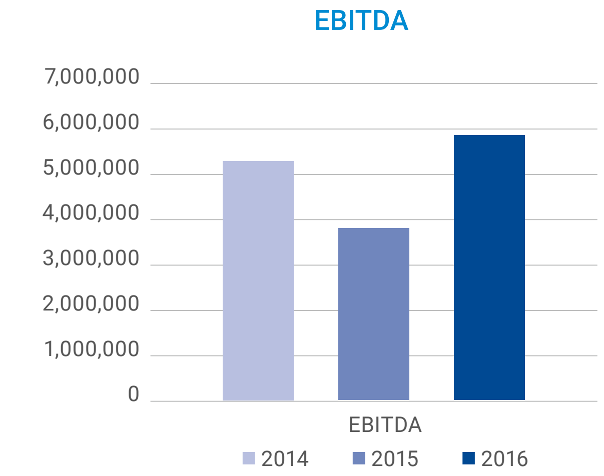
1.3. Operating highlights in 2016

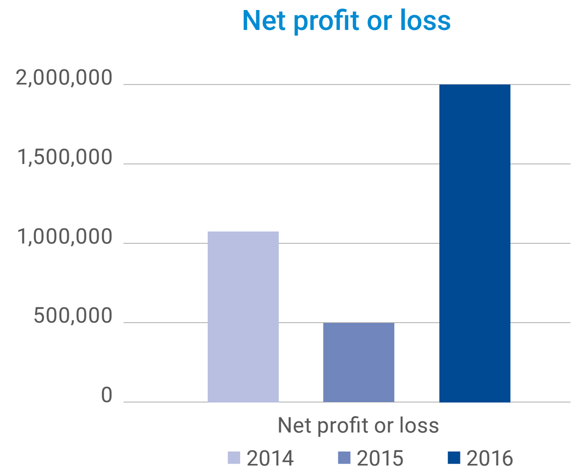
	2016	2015	Index 2016/2015
Operating revenue	**97,903,758**	112,191,588	87
Net sales revenue	**97,744,064**	111,653,792	88
Operating profit/EBIT	**2,932,999**	967,524	303
EBITDA[1]	**5,864,538**	3,899,167	150
Total profit	**2,306,174**	585,508	394
Net profit or loss	**1,990,685**	524,193	380
Employees on the last day of the financial year	**307**	291	105
Profitability ratio (%)[2]	**2.44**	0.53	460
Operating efficiency indicator[3]	**1.03**	1.01	102
Profit per employee	**6,484**	1,759	369
Total company assets	**65,246,831**	62,960,391	104
Equity	**38,825,210**	36,756,403	106
Share of EBIT in sales revenues	**3.00%**	0.90%	333
EBITDA margin[4]	**6.00%**	3.50%	171
Net debt to equity[5]	**0.33**	0.45	73
ROE[6]	**5.13**	1.43	359
Equity to fixed assets ratio[7]	**1.12**	1	112
Equity financing rate[8]	**0.6**	0.58	103

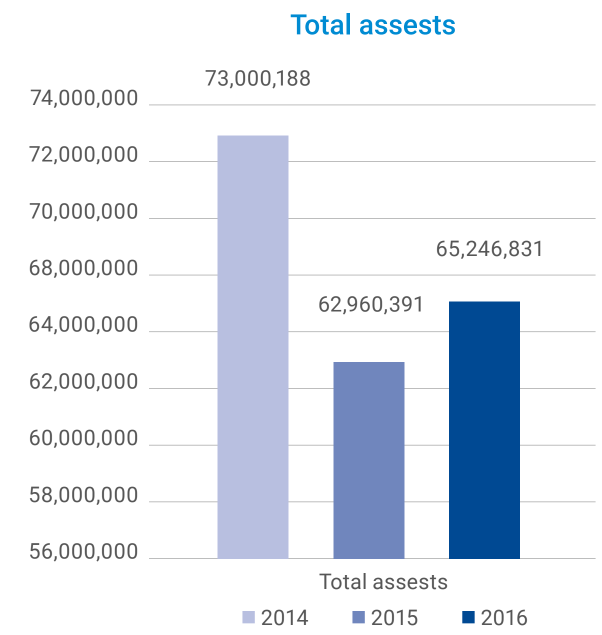
[1] EBITDA = EBIT + write-offs
[2] Profitability ratio = net profit / operating revenue
[3] Operating efficiency ratio = operating revenue / operating expenses
[4] EBITDA MARTGIN = ebitda / operating revenue
[5] Net debt to equity = (current and non-current financial liabilities – cash) / equity
[6] ROE = net profit/equity
[7] Equity to fixed assets ratio = equity / fixed assets
[8] Equity financing rate = equity / liabilitie

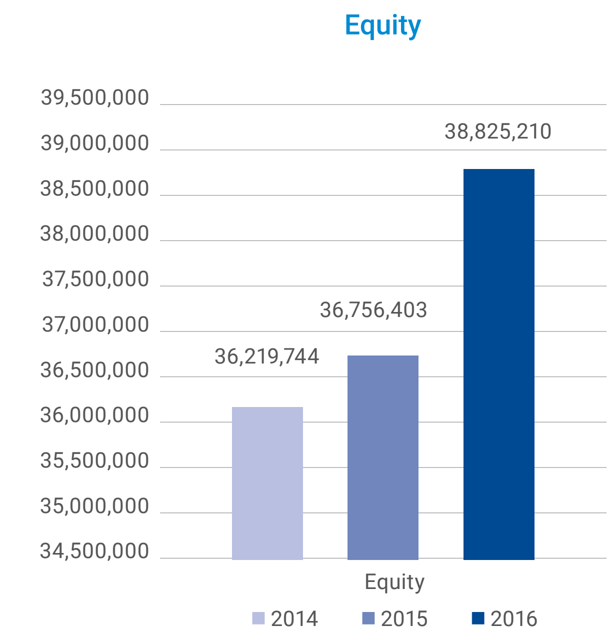












1.4. Presentation of the history of the company Dinos d.d.

Company history

The company Dinos was founded in 1946 under the name Odpad; as a state-owned company, it was founded to collect waste for further use. The then Republic of Slovenia thus reduced its dependence on the imports of primary raw materials. Alongside the company Surovina, Dinos was the first company to carry out this activity. The former is still its biggest competitor on the market of waste raw material.

So far, the company and its business units have remained geographically dispersed within Slovenia. However, over time it has passed through many changes of organisational structure and legal form. In 1963, there was a competition for the selection of a new company name. The result of this competition was a new title - and since then, the company has been called Dinos. The change also concerned the substance, as at that time the Company already surpassed the technological development in the activity and was changing from a collector and buyer of waste material to a processor of secondary raw materials for the industrial processing of the materials. The removal of waste material in containers from the source of the waste to the end user was carried out during the years 1963 to 1965, and was a considerable novelty at that time.

A period of prosperity was brought by the 1980s, when new warehouses were built and new raw material processing technologies were introduced. Containers for separate collection of glass and paper began to be installed, with which Dinos showed the way to waste separation, which only became well established a decade later. In the beginning of the 1990s, political changes strongly influenced the operations and organisation of the company. In 1991, the socially-owned company was reorganised to Dinos holding d.d. and nine public limited companies. This organisational structure was in place until 1997, when six limited liability companies in 100% ownership of the parent company were integrated in Dinos holding. An increasingly strict environmental legislation included new requirements and regulations concerning company operation; therefore, the business units had to meet the environmental criteria. During this period, the warehouses were technologically upgraded.

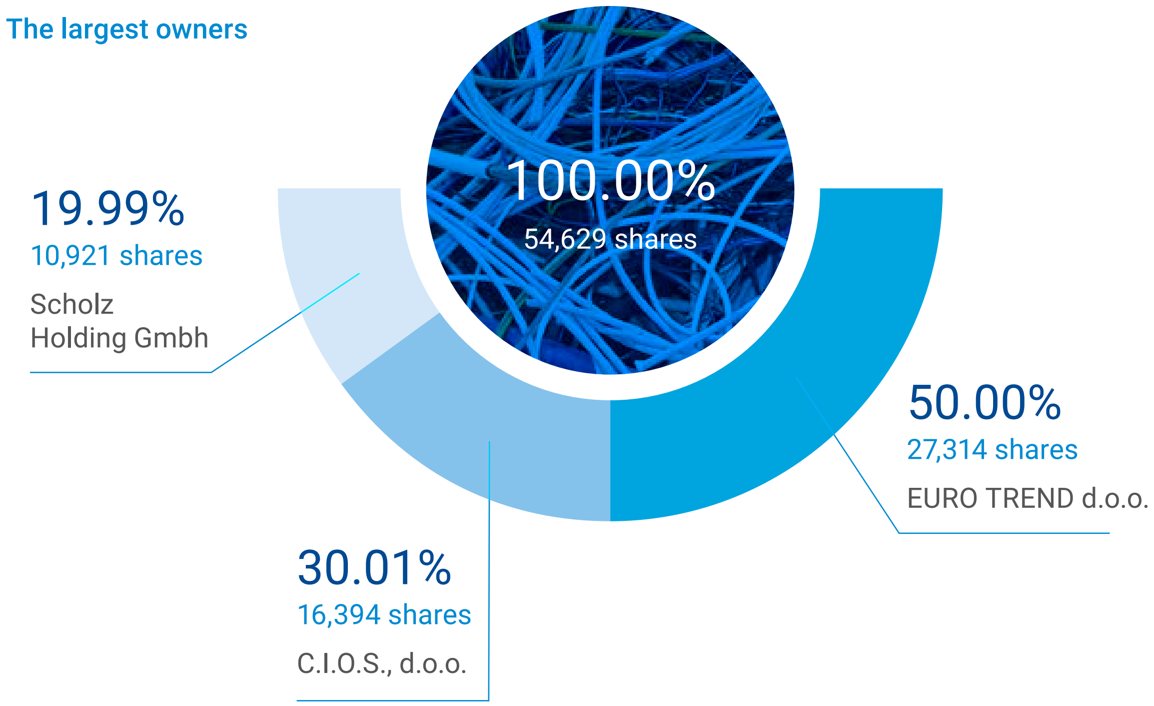
The entry into the new millennium was also a turning point for Dinos. In 2001, to further strengthen confidence in the company, we obtained the certificates ISO 9001 Quality Management System and SIST EN ISO 14001:1997 Environmental Management System. In 2005, an extensive reorganisation of the company took place, namely a decision was taken on the acquisition of subsidiaries by the parent company, whereby a uniform system was established. In 2013, we also established a strategic capital tie with the enterprise Scholz Holding GmbH (previously Scholz AG[1]), which is one of the biggest companies engaged in the collection and recycling of waste raw material in Europe.

In 2014, Scholz AG changed its legal status and, since May, has operated as Scholz Holding GmbH. This is a German limited liability company. Changing the legal status specifically facilitates effective company management.

[1] Scholz Holding GmbH is a German company that entered our company's shareholder structure in 2005 and became our sole owner in 2012. The company has been operating since 1872 and has expanded its business worldwide. It is currently the largest company in the world in this industry. In addition to Europe, it has companies in North America, Mexico, China, Africa, Australia and New Zealand.

Below is the ownership structure (beneficial owners in accordance with the Prevention of Money Laundering and Terrorist Financing Act (ZPPDFT)) as at 31 December 2016.

The largest owners



Entering the new millennium, we began a period of intensive investment in the technological modernisation of warehouses since some of them did not comply with the environmental requirements. Dinos thus became the most modern and technologically advanced company in the branch in the territory of Slovenia.

2016 ushered in extensive changes to the Scholz Group in terms of the shareholder and management structure. In the second half of the year, a takeover was announced with the entry of the new owner, Chiho-Tainde Group (CTG), whereby the takeover process lasted by the end of the year.

Chiho Tainde was established in 1995 and has its registered office in Hong Kong. As of 2010, the company has been operating as a group under the name Chiho-Tainde Group Ltd or the abbreviation CTG and its shares are quoted on the Hong Kong stock exchange (HKEx code: 00.976). The company has been growing and strengthening its global market share through continuous expansion.

The Scholz Group underwent a restructuring that was successful thanks to the extensive financial and operational support from CTG. In December 2016, the CTG Group met at an extraordinary General Meeting in Hong Kong where the shareholders approved and confirmed the proposed takeover and the Scholz Group became fully owned by CTG. A short, medium and long-term development strategy was drafted.

1.5. Corporate governance statement

In accordance with Article 70 of the Companies Act (ZGD1-I), Dinos d.d. hereby declares that it observes the applicable legislation, regulations, other statutes and implementing regulations as well as internal rules and instructions in its operations. The company applies the »Corporate Governance Code for Unlisted Companies« (hereinafter: the Code), which is available on the website of the Slovenian Directors' Association:

http://www.zdruzenjens.si/uploads/Kodeks_upravljanja_za_nejavne_druzbe_maj_2016.pdf.

Dinos d.d. is managed to the benefit of the company by the Management Board which does so independently and at their own risk. The Management Board is appointed by the Supervisory Board in accordance with the company's Articles of Association. The Management Board performs its work in accordance with the applicable legislation and the company's Articles of Association. The Management Board of Dinos d.d. is represented by:

- President of the Management Board Damijan Zorko,
- member of the Management Board Benjamin Bambič and
- member of the Management Board Marc Breidenbach.

Supervision is performed by the Supervisory Board which is appointed by the General Meeting of Shareholders in accordance with the company's Articles of Association. The Supervisory Board is composed of three members, i.e.:

- President of the Supervisory Board Berndt Urlich Scholz,
- member of the Supervisory Board Oliver Scholz and
- member of the Supervisory Board Gregor Turk acting as the workers' representative.

The General Meeting of Shareholders is represented by three shareholders, i.e.:

- Euro Trend d.o.o.,
- C.I.O.S., d.o.o. and
- Scholz Holding Gmbh.

All of the competences and tasks of the General Meeting of Shareholders, the Supervisory Board and the Management Board are laid down in the company's Articles of Association published on the website of the Agency of the Republic of Slovenia for Public Legal Records and Related Services, i.e. the Slovenian Business Register – public database on all business entities having their principal place of business located on the territory of the Republic of Slovenia (www.ajpes.si).

Clarifications regarding the provisions of the Code not observed in their entirety by Dinos d.d.:

Point 2.1.1. The Dinos company does not have objectives defined in the Articles of Association. The company's management pursues the objective defined by the Code, i.e. to maximise the company's value.

Point 2.4. The company's Articles of Association are published on the website of the Agency of the Republic of Slovenia for Public Legal Records and Related Services, i.e. the Slovenian Business Register – public database on all business entities having their principal place of business located on the territory of the Republic of Slovenia (www.ajpes.si).

Point 2.5.3. Members of the supervisory body were simultaneously company members in 2016.

Point 2.5.4. The Statement of Independence is not signed. The management as well as the Supervisory Board thus avoid any conflict of interest and act in the spirit of the due skill, care and diligence principle.

Point 4.3.2. The supervisory body has not appointed an independent expert who not associated with the company or the company members.

Point 5.1.1. The supervisory body convenes as appropriate or less as envisaged by the Code.

Members of the management body are obliged vis-à-vis the company to perform their work responsibly, professionally, with the due skill, care and diligence, conscientiously and diligently as well as to continuously apply their knowledge required for the performance of their current or future work.

Ljubljana, July 19, 2017

Damijan Zorko
President of the
Management Board

Benjamin Bambič
member of the
Management Board

Marc Breidenbach
member of the
Management Board

1.6. Vision, mission statement, strategy, and development

The vision reflects the desired future image of the organisation, its achievements, and its position in relation to influential participants and a mission statement that concisely summarises the philosophy and purpose for the existence of the company.

Vision:

"To remain a global leader in the collection and processing of waste using state-of-the-art technologies and in synergy with all the participants in the process of taking care of the environment and sustainable development."

Mission:

"With our ecologically-oriented and socially responsible operations, we help preserve the natural environment in Slovenia and the broader European region. Our task is to collect and recycle waste into marketable and high quality secondary raw materials for our customers. This gives us the possibility of intensive investment in new technological procedures for collecting and recycling waste, and investment in the expertise of our employees, which is our main competitive advantage, providing value for the owners and making the company attractive for business cooperation."

The main objectives we are pursuing are as follows:

- to maintain and consolidate the leading position in the market;
- to achieve stable annual growth;
- to maintain the Dinos trademark as trustworthy and attractive for long-term business relations;
- to increase the automation and flexibility of production, while cutting the costs of processing;
- to establish a lean organisational structure that can rapidly respond and adapt to market changes;
- to invest in the knowledge and expertise of the employees at all levels;
- to introduce activities and processes that prevent or reduce environmental impacts;
- to remain an ecologically and environmentally aware company and to be a reliable, trustworthy business partner.

Basic values:

- open-mindedness;
- team spirit;
- respect;
- goal focus;
- efficiency; and
- commitment.

1.7. Quality and environmental management policy of Dinos d.d.

The basic orientation of the company is running its business in accordance with the principles of due diligence with the help of system tools, such as awareness of environmental impacts due to business activity, a focus on home and foreign markets, achieving objectives in order to enhance the stability of the company based on profit-making.

The basic aim of the operation of each business unit is the qualitative performance of the collection, recycling, submission, transportation, and trading of waste with a tendency to achieve better business results than the competition in the area of waste management services and similar materials, and a demonstrable reduction of environmental risk.

Through the mechanisms described in the organisational regulations (OR) and work instructions (WI), the company carries out and fulfils the requirements of the quality management and environmental management systems according to the principle "plan - perform - verify - correct".

The management and employees are committed to the constant improvement of the quality of work and the final products, with the implementation of new technologies for collecting, sorting, recycling and destroying waste raw material and adaptation to new circumstances. The company is involved in a constant search for new solutions and improvements aimed at reducing environmental pollution, increasing the rate of recycling and processing, and therefore aiming at significantly reducing the amount of waste in landfills.

These objectives set in the annual plans are reviewed and verified by the management at periodic meetings. The objectives and plans are set and adjusted according to the actual situation and the findings. The plans and goals include programmes to improve the environmental management system and the introduction of processes to prevent pollution and adverse effects on the environment.

The basis of successful work is cooperation, horizontal and vertical communication within Dinos, and the cooperation and communication between the management and other organisational levels and interested parties.

We operate in a way that satisfies the owners and employees, and work within the immediate environment in which the business is conducted. We care about the awareness of employees concerning operation in an environmentally friendly way.

The company's management provides the necessary conditions for the implementation and achievement of quality objectives and environmental objectives at the management level through continuous education, training of employees at all organisational levels and checking the quality management system and the environmental management systems with managerial reviews and audits.

The company's management provides operations based on statutory and industry regulations mostly in the area of waste management and environmental management necessary for well-regulated, successful and environmentally-oriented business operation. The company takes into account and implements the requirements of the applicable legislation and adapts to international regulations that are necessary for quality operations without impact on the environment.

The policy of qualitative environmental management of the company is available to all employees to see by posting on billboards, web pages, and in the Quality Management Manual. The company's management introduces the policy of quality and environmental management to its employees with the intent of understanding and implementing it in the areas of its operation.

The objectives of quality and environmental management support the policy, and are defined in the annual business plan.

1.7.1. The main activities of the company related to the quality policy

The main activity of the company Dinos d.d. is the collection and pre-processing of waste in order to ensure the highest possible proportion of recycling of such waste. The very name of the company suggests its purpose: Let's give back waste raw material to industry. The company can provide this because it has warehouses across Slovenia intended for collecting waste and four Centres for processing waste in Ljubljana, Celje, Maribor and Naklo. For all of its 19 active sites, it has obtained the appropriate administrative acts, building and operating permits, certificate of registration in the register of waste collectors and environmental permits.

With such an organisation and appropriate technical equipment, as well as technically competent and professionally skilled staff and appropriate business connections with other companies dealing with waste, the company Dinos d.d. can provide global waste management services for a variety of production companies where various types of waste are generated.

For many years, the company Dinos d.d. has had in place a documented, operationally implemented and maintained quality and environmental management system constantly carrying out improvements at the level of the divisions and centres for processing. It has obtained the ISO 9001:2008 Quality Management System and the ISO 14001:2004 Environmental Management System certificates.

The basic orientation of the company is running its business in accordance with the principles of due diligence with the help of system tools, such as awareness of environmental impacts due to business activity, a focus on home and foreign markets, achieving objectives in order to enhance the stability of the company based on profit-making. The basic objective of the operations of individual business unit is the quality performance of the company activities with a desire to achieve ever better business results, while not forgetting that we must and are able to carry out this activity in a way that reduces environmental risks. Through mechanisms that are described in the organisational regulations (OR) and work instructions (WI), the company implements and complies with the requirements of the quality management and environmental management systems according to the principle "plan - perform - verify - correct".

The company Dinos d.d. provides operations based on legal and industry regulations, preferably regulations in the field of environmental protection that are necessary for legitimate, effective and environmentally oriented operations. The company takes into account and implements the requirements of the applicable legislation and adapts to international regulations that are necessary for quality operations that do not impact the environment.

Ecology

The company Dinos d.d. carries out its activities in 19 locations across Slovenia. It obtained suitable environmental permits for all these locations, for waste management, emissions into the air and water. However, time and again, new needs and/or opportunities arise for further activities in the field of waste management. Therefore, the company Dinos d.d. makes sure that it obtains additional relevant licences and certificates.

In 2016, the Dinos parent company acquired the subsidiary Unirec in a merger and received the decision of the Slovenian Environment Agency thus becoming Dinos d.d., DROE Unirec, a waste packaging management company.

In line with its policy of quality and environmental, Dinos concurrently monitors legislative amendments and changes in the area of environmental protection. In 2016, 14 regulations in the area environmental and water protection were either adopted or amended, including a new amendment of the Environmental Protection Act and the associated regulations. In the field of waste management, eight new regulations or amendments to existing regulations were adopted, the more important of which was the adoption of the new Decree on the implementation of the Regulation (EC) on shipments of waste. The latter entails only the change of the transfer of competences for the resolution of applications and issue of approvals from the Slovenian Environment Agency to the Inspectorate of the Republic of Slovenia for the Environment and Spatial Planning. It should also be noted that the Rules on the characterisation of waste prior to landfill, the characterisation of hazardous waste prior to incineration and the performance of chemical analysis of waste for control purposes were adopted in 2016 and will have to be observed in the performance of our activity.

In 2016 we received environmental approvals and permits for the Ljubljana Processing Centre, which incorporates an investment to modernise the sorting line at this location.

Every year we prepare a measurement and monitoring plan for the current year, both to carry out measurements of noise, water, air pollutant emissions and in the assessment and analysis of waste. In 2016, the execution of 29 monitoring operations of wastewater was planned and we performed every one of them. Furthermore, 4 noise measurements and 15 measurements of air pollutant emissions were planned. All the planned measurements were carried out showing that the activity of the company in all locations has no negative impact on the environment or that activities are carried out within the prescribed emission limits.

Management

Environmental risks and fire risks as well as risks arising from extraordinary events are managed by implementing the ISO 14001:2004 system. In accordance with the applicable system and legislation in the field of health and safety at work and fire safety, we prepare assessments of the environmental aspects and impacts of fire and workplace hazards.

The company employees are constantly educated in the field of health and safety at work; and instructions and warning signage are prepared in order to manage those risks to the greatest possible extent.

Realisation of the guideline »Let's give back waste raw material to industry«

As part of the realisation of the »Let's give back waste raw material to industry« guideline, the company establishes ties with all stakeholders in the circular economy cycle. Special attention was and still is devoted to establishing ties with liable persons within the waste packaging management cycle. We thus realise another one of our guidelines of giving waste packaging and other collected waste a new lease on life.

We realised several awareness-building objectives in 2016. In terms of the timeline, communications campaigns were coordinated so as to align them with the essential periods for change and adaptation to market conditions.

1.8. Organisation and personnel policy

The company is managed by a three-member Management Board. The implementation of the company activity is organised into four departments:

1. Marketing Department
2. Technical Department
3. Financial Department
4. General Affairs Department

The company carries out its activity in 19 units across Slovenia, which are organised into a set of four regions: the regions of Ljubljana, Celje, Maribor and Novo mesto.

Organisational Chart Dinos d. d.

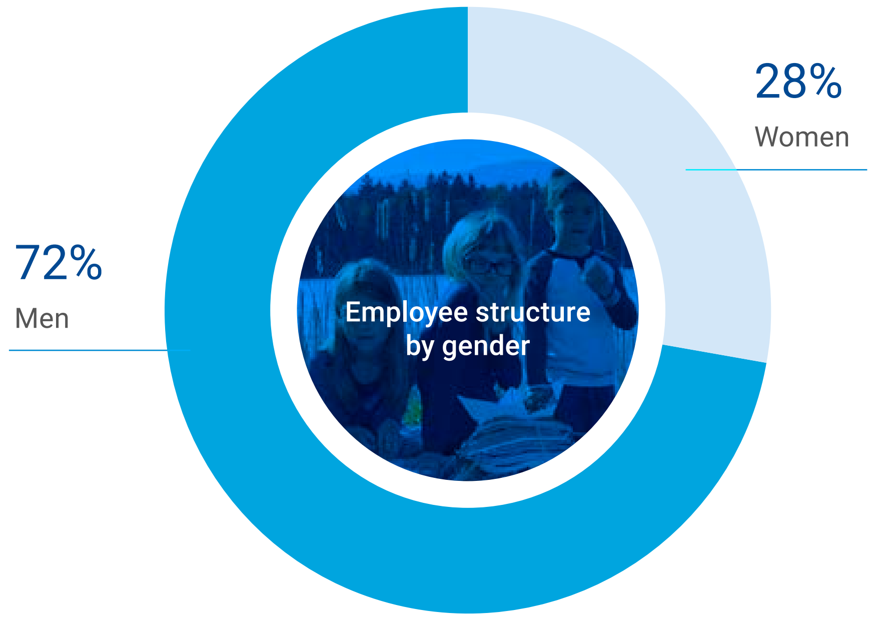
Management	**Management Board**			
Sectors	**Marketing Department**	**Financial Department**	**Technical Department**	**General Affairs Department**
Regions	**Region Ljubljana**	**Region Celje**	**Region Maribor**	**Region Novo mesto**
Processing Centres, Warehouses	CP Ljubljana CP Naklo Kranj Jesenice Nova Gorica Koper	CP Celje Velenje Slovenske Konjice Trbovlje	Maribor Murska Sobota Lendava Ptuj Dravograd	Novo mesto Zalog Novo mesto Kočevje Brežice

Personnel policy

As at 31 December 2016, the company Dinos d.d. employed 307 people, 86 of whom were women and 221 were men. In comparison with 2015, the number of employees increased by 5%. In 2016, there were 53 new employees, while 37 left the company. At the end of the year, the company employed 23 people with a fixed term contract. As at 31 December 2016, the company employed 18 people with disabilities, 6 of whom were working as part-time employees and the remaining as full-time employees.

Diversity of employment

Dinos d.d. strives to implement a policy of diversity when hiring people, which includes the assurance of equal opportunities and equal treatment of all employees irrespective of their circumstances. The company has not adopted any special diversity policy relating to representation in the company's management or supervisory bodies or criteria relating to the aspects such as gender, age or education.



Educational structure

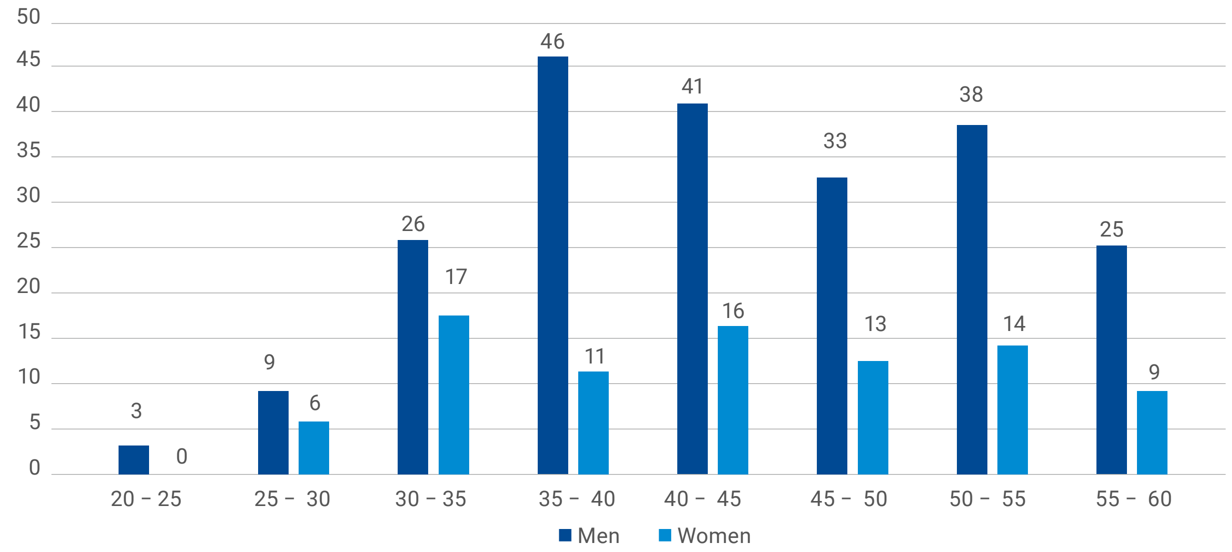
	Number of employees as at 31 December 2016								
	I	II	III	IV	V	VI	VII	VIII	
2016	4	103	70	54	38	19	7	12	307

Age structure of the employees

	Number of employees by age category								
	do 20	20 do 25	25 do 30	30 do 35	35 do 40	40 do 45	45 do 50	50 do 55	55 do 60
Men	0	3	9	26	46	41	33	38	25
Women	0	0	6	17	11	16	13	14	9
Total	0	3	15	43	57	57	46	52	34

Average salary in 2016 was EUR 1,397.89 gross.

Employee structure according to age and gender



Posted employees

As at December 31, 2016, there were 19 posted employees, 2 retired persons and 2 students.

The cost of posted and hired employees in 2016 came in at EUR 269,161.20, while occasional work by retired persons cost the company EUR 12,882.30 and the hiring of students including contributions and agency fees came in at EUR 32,357.82.

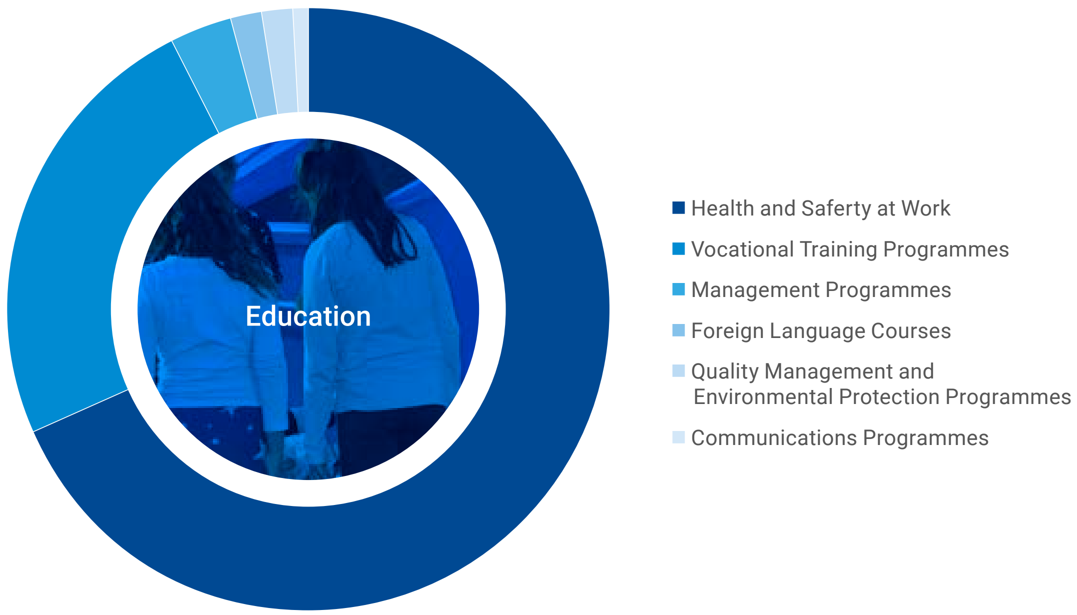
Work-related accidents

In 2016, 24 work-related accidents occurred, but they were all minor.

Training

In 2016, we carried out regular training in accordance with the requirements of legislation for specific areas of work. The total number of participants at the various sessions was 322, namely:

- Management Programmes - 7 participants
- Communications Programmes - 2 participants
- Quality Management and Environmental Protection Programmes - 4 participants
- Health and Safety at Work - 217 participants
- Foreign Language Courses - 4 participants
- Vocational Training Programmes (machinery operation, industrial siding, etc.) - 88 participants



1.9. Services and products

With knowledge and modern equipment, we provide a comprehensive solution for waste management to companies. We accept kinds of useful waste that can be recycled through material processing. We take all kinds of scrap steel, non-ferrous metals and paper, various types of plastic, wood packaging, etc. We also acquire waste electronic equipment, batteries and packaging, which we then process and ensure their reuse in the context of schemes for the treatment of individual types of waste.

We are also service-oriented and offer services for shredding business records and other types of materials, which may also be conducted in the presence of company representatives. The service of waste acceptance is adapted to the specificities of the producer of waste and, in cooperation with them, we take responsibility for collection, transport and acceptance. With the resources that we provide for the reverse process, we facilitate collection for companies and enable handling that is transparent and harmonised with the legislation. We collect waste from the waste producer using modern vehicles, take care of transport to one of the our warehouses or processing centres, where the material is weighed, and arrange pick-up and all required documentation.

1.9.1. Presentation of the services of the company Dinos d.d.

Waste collection:

For separate collection of useful waste, we provide our business partners with containers adapted for the collection of individual types of useful waste. We strive to adapt the method of collection of useful waste to the needs and requirements of the individual business partners. In Dinos d.d., we have at our disposal 4000 containers for our business partners. Thus, we guarantee the smooth collection of useful waste.

Waste transport:

We carry out the acceptance and transport of waste from the waste producer to our storage facilities with our own means of transport, which have been adapted to transport various types of waste. We have at our disposal modern transport equipment, which is constantly modernised and adapted to the needs and requirements of our business partners. We provide safe, reliable, and environmentally-friendly transport of useful waste.

Processing of waste:

Dinos d.d. provides the following processing services for useful waste:

- SORTING: the process where waste is sorted into groups according to its further processing.
- CRUSHING: the process where a crusher breaks plastics and wood into small pieces.
- GRINDING: the process performed on a milling line for hard plastics and in a wood mill for wood. During the milling process for plastics and wood, no emissions are released into the air.
- BALING: a process forming bales of waste.
- SCRAPPING: a process where steel waste is reduced to suitably sized pieces. The cutting is performed by means of an iron cutter or an autogenous cutting process.
- SHREDDING: is a process for obtaining the highest-quality steel input for processing from steel and used motor vehicles

1.9.2. Presentation of the material programmes of the company Dinos d.d.

Metal Waste and Scrap

We collect and buy all types of old and new industrial scrap iron, steel, stainless steel and alloys, from which we prepare an insert according to international standards and the special requirements of our clients. Steel scrap has become a global commodity that knows no boundaries.

Non-Metal Waste and Scrap

One tonne of waste paper saves 3.5m³ of trees.

The process of collecting and recycling non-metallic waste has a long tradition and contributes to the protection of the environment, as recycling non-metallic waste is among the simplest forms of recycling. Companies separating non-metallic waste and material rationalise the costs of municipal services and thus help reduce the quantities of waste disposal. We collect all types of waste paper, plastic, wood and glass, from which we make secondary raw materials that are important for our buyers for reuse, especially in technical products (when speaking of plastics) and recycled paper.

Non-Ferrous Metals

Recycling one aluminium can saves enough electrical energy for 3 hours of TV. Imagine how much we save by recycling one tonne (14,000 kWh).

Dinos d.d. specialises in collecting and recycling all types of waste non-ferrous metals, from the most common, such as aluminium and copper, to those that are much rarer like nickel and tin. We also buy alloys, such as various brasses and bronzes. Our task is to sort out a huge number of alloys, clean them and prepare them for reuse in the smelting plants in Slovenia and widely across Europe.

1.10. Market communication

At the company Dinos d.d., we are acutely aware that quality and prompt communication is key to customer satisfaction. The strategic diversification of sales in several markets requires adapting the marketing communication to the individual market. The communication method and tools at the company Dinos d.d. are therefore strongly adapted to the end-customers and registered waste brokers. Basic communication in the sales process is primarily carried out on a personal level, through daily visits to customers and via electronic and telephone communication with them. The timely provision of information is ensured through the regular updating of our website, which is updated technically and content-wise if necessary. We use notice boards for internal communications.

Realisation of the Guideline that Entails Giving Old Packaging a New Lease on Life

We establish ties and associate with all of the stakeholders in the waste packaging management cycle, especially the liable persons, and thus realise our guiding principle of giving old packaging a new lease on life.

We realised several awareness-building objectives in 2016. In terms of the timeline, communications campaigns were coordinated with the essential periods for change and adaptation to market conditions.

- Using creatively designed direct mail aimed at drawing attention to our professional management of various types of packaging, we addressed existing liable persons and potential new customers in September in order to make them think about using the packaging, which they handed in, for new purposes.
- We sent quarterly e-newsletters to existing liable persons thus keeping them up-to-date on all legislative and system news and deadlines for the submission of reports.
- We participated in numerous professional events as lecturers: at the Environment and Waste conference, the conference of ecoshool coordinators and the Business Environmental Day conference.
- Using didactic games and creative workshops, we raised public awareness about the correct and consistent handling of waste packaging at the Food Festival in Vrhnika and at the 10th Ecomarket of the Kostak d.d. company. At the Food Festival in Vrhnika, we provided all food stands with instructions on the correct and consistent handling of generated waste packaging and other waste.
- In order to improve awareness-building for primary school goers, we participated in the creation of a multiplication table for third-graders featuring the »Wise Dino« who teaches about the separation of waste plastic bottles.
- As professional partners, we work on projects for the closure of material cycles, among others in the Slovenia-wide awareness-building and humanitarian project entitled I, You, Us for Slovenia – Old Plastic Bottle for a New Life that included more than 58,000 school-going children, students and employees of other institutions.
- We are an active partner in the project for the circular management of waste plastic bottles in Slovenia that are returned to the Slovenian market following special treatment, i.e. as new plastic bottles within the scope of the project entitled Plastic Bottle for a Plastic Bottle in cooperation with the companies Fructal and Gastropet.

- As a professional partner in the pilot project KEMS - Consistently for Our Hygiene Paper, within the scope of which we work with schools and the Komunala Novo mesto municipal utility company as well as the partner Ecoinitiative (Ekoiniciativa) in the territory served by Komunala Novo mesto, we build awareness of young people on the importance on consistent separation of waste packaging, whereby we emphasise the so-called waste tetra pak packaging. This type of packaging is processed and used in the manufacture of hygiene paper used in schools and other institutions in the territory served by Komunala Novo mesto.
- We worked on awareness-building and provision of information with numerous general and specialised media: Finance, Delo, Dnevnik, EOL, Bogastvo zdravja, Glas Gospodarstva, Radio Aktual and Radio Gorenc.
- We worked with utilities in Slovenia as part of the Green Euro initiative and informed the public and end users of the purpose, objectives and methods of waste packaging collection.
- We regularly updated website contents on www.unirec.si and used this communication channel for awareness-building and provision of information to the public about any new features.

1.11. Social responsibility

Dinos d.d. supports activities in sports, cultural and educational organisations in the local environment, thus contributing to the success of the environment in which we live and create.

Among other things, we are a major sponsor and donate to the following organisations:

- the Srebrni sokoli sports society,
- the Črnuče Football Association,
- the Benedikt volleyball club,
- Red Cross of Slovenia - Kranj.

1.12. Risk management at Dinos d.d.

In the company Dinos d.d., like all economic entities, we daily face risks and opportunities that could potentially have a negative or positive impact on the financial position and profit or loss account of the company, business continuity, employees and the realisation of objectives and strategies. The biggest impact on the business in recent years was the economic crisis. We are aware of exposure to various risks, both internal and external factors that are constant in conducting business. Therefore, for effective regular monitoring and risk management a holistic approach is necessary. Thus, risk management is integrated into all areas of activity.

In 2016, the company identified the key risks, which were categorised into three main groups, namely business risks, financial risks and IT risks.

Business and operating risks

Risk	Description Of Risk	Method Of Management	Exposure	
Business risks	Purchasing risks	Instability of raw material prices, unsuitability of input material, unreliable service	Multiple supplier policy, long-term collaboration, minimum stock, purchasing price hedging	Moderate
	Sales risks	Instability of raw material prices, competition, buyer's negotiating power	Search for new sales opportunities, expansion to the global market, sales price hedging, FX forwards	Moderate
	Environmental risk	Risk of incidents, unsuitable substance handling	Regular preventative inspections of functioning, implementation of improvements, employee training	Moderate
	Personnel area	Replaceability of essential staff, professional qualifications, social dialogue with employees	Systematic work with personnel, regular education and training	Moderate
	Risks related to health and safety at work	Accidents at work, unplanned extended absences	Defined in the Risk Assessment and Risk Statement	Moderate
	Fire safety risk	Fire hazards	Compiled fire safety order for an individual location, defined in the Fire Hazard Assessment	Moderate
Financial risks	Solvency (liquidity) risk	Decrease in liquidity reserves for the coverage of operating and financial liabilities	Supervision of the matching of maturities, revolving loan	Moderate
	Credit risk	Irregular inflows	Active supervision of the changes in receivables and liabilities, regular buyer and supplier rating monitoring, security for receivables, recovery of receivables	Moderate
	Price and currency risk	Volatility of prices and the EUR/USD exchange rates	Price hedging using derivatives	Moderate
	Interest rate risk	Sudden rise in the variable part of interest rates	Hiring loans in the domestic currency (EUR) and the interest rates are linked to the EURIBOR	Low
IT risk	IT risk	Malfunctioning of IT	Data archiving, regular upgrades and updates, regular maintenance	Moderate

Purchasing risks

Definition

The industry in which the company operates is exposed to the volatility of raw material prices, as these are influenced solely by the law of supply and demand. The risks on the markets of raw materials last year increased to a high degree due to the dropping oil prices and China's debt crisis, which continued in 2016 and paralysed the financial markets and heightened the fear of recession recurrence. Conditions on the raw materials market began improving in third trimester of the year and continued in the positive direction until the end of the year with only minor negative corrections. This risk level is assessed as moderate.

Control

As far as possible the company uses the appropriate instruments to reduce risk, whereby it reduces its exposure to volatility in the raw materials market. The purchasing department manages risk by conducting a multiple supplier policy in order to limit the dependency on a single supplier and target building long-term stable relationships. The company enters into contracts with different maturities and thus controls purchase-related risks. We strive to pursue a policy of minimum stock and short inventory turnover. We operate globally while continuously searching for alternative sources in Europe and the markets of the former Yugoslavia. Price volatility is managed by forward purchases of quantities and prices of purchases as well as sales on the stock market through the Scholz Group.

The management estimates that the exposure to purchase risks is moderate.

Sales risks

Definition

These are the risks associated with the possibility of successful sales of raw materials to the target market and price volatility. They relate to the growing power of competitors, the negotiating power of customers and substantial dependence on a particular market or customer. This risk level is assessed as moderate.

Control

We were able to establish new sales channels, which allows the diversification of a risk of exposure to individual customers or regions. The company Dinos is both more flexible and can focus its sales to different markets in relation to the movement of prices. For a consistent supply, we use the synergies with strategic partners in the Scholz Group.

Environmental risks, risks relating to health and safety at work and fire safety risks

Environmental risk

Definition

Since the company Dinos performed its activity at 19 locations in 2016, the environmental risks, risks involving health and safety at work and fire safety risks are defined and identified for each location separately. We are aware that the implementation of the company's activities may have negative effects on all segments of the environment either due to the implementation of the activity itself or to environmental or other disaster (fire, floods, extreme wind conditions, etc.). Furthermore, the implementation of the company's activity may itself also have negative impacts on human health. This risk level is assessed as moderate.

Control

Environmental risks and fire risks and risks arising from extraordinary events are managed by implementing the ISO 14001:2004 system. In accordance with the applicable system and legislation in the field of health and safety at work and fire safety, we prepare assessments of the environmental aspects and impacts of fire and workplace hazards.

The company employees are constantly educated in the field of health and safety at work, instructions and warning signage are prepared in order to manage those risks to the greatest possible extent.

Risks related to health and safety at work

We are committed to ensuring that each individual acts responsibly and to thus creating safe working conditions and doing everything to prevent accidents at work. Over the decades of our operations, we have been setting up mechanisms and implementing activities in this area. We are aware at the company that health and safety in the workplace and in the working environment, in addition to their basic purpose, ensure employee satisfaction. Therefore we constantly strive to reduce the level of risk that results from the implementation of work processes and procedures. Due to the development and introduction of new work processes, the work environment is changing and we follow all changes successfully. We are looking for solutions that are healthy and safe for the employees. A Risk Assessment has been produces for all our locations and a Safety Statement was adopted, of which all employees are informed. In accordance with the above-mentioned document and legal framework, we also carried out inspections of the working environment, work equipment, periodical medical examinations of employees, introductory and periodical training of employees – theoretically and practically, in the field of health and safety at work. Employees conducting first aid training courses are specified for individual locations. The company strives for additional training of employees in handling individual devices for work.

The new processes and projects include the latest developments in the field of health and safety at work and monitor the risk of accidents and health problems. Risks are assessed periodically and are kept at acceptable levels using safety precautions. Priority in the development of health and safety at work is to reduce the risk in exposed positions of employment and linking that with other areas of safety, especially in the field of fire protection, environmental protection and chemical safety. In accordance with the applicable legislation, the company drafted and adopted the statutorily prescribed regulations on internal control.

Fire safety risk

We are aware at the company that fire safety is an important segment for the successful and safe operation of the company. Fire safety is managed in accordance with the applicable legislation in this area. The area is supported by the Fire Hazard Assessment, the Fire Safety Order and an extract of the Fire Safety Order for an individual location about which employees have been familiarised. Periodic inspections of the status of fire safety, prescribed measurements for lightning protection devices, electrical installations, hydrant networks, smoke detectors, emergency lighting and fire extinguishers are performed in accordance with these documents and legislation. Employees are involved in recurrent training in fire protection, fire drills are carried out, and certain employees are also trained to carry out initial fire fighting and safe evacuation training.

Financial risks

The company identified four risks, namely:

- Solvency risk
- Credit risk
- Currency risk
- Interest rate risk

Solvency (liquidity) risk

Definition

Solvency – liquidity risk comprises the risks related to a deficit in available financial sources and the resulting inability of the company to fulfil financial and operating liabilities within the agreed deadlines. The responsibility for managing solvency risk lies with the Management Board.

This risk level is assessed as moderate.

Control

The risk of short-term solvency is well under control owing to effective cash management, adequate available credit lines for short-term matching of cash flows (revolving loan), a high level of financial flexibility and good access to financial markets.

We ensure long-term solvency with an adequate financial balance of equity and debt capital and sustainable ability to generate cash flows from operations, improve the structure of maturities of financial liabilities as well as the appropriate capital structure. This risk level is assessed as moderately managed.

Credit risk

Definition

Credit risk refers to the risk of default of the counter party, which is reflected in the loss from operations and financing. This risk level is assessed as moderate.

Control

The company has formulated a policy of active credit risk management, which includes the concurrent monitoring of outstanding receivables, limiting the exposure to individual customers through a limit system, charging default interest and using a debt collection policy.

The following procedures are performed in credit risk management:

- definition of significant receivables and insuring material credit exposure through an insurance company;
- obtaining appropriate security (in terms of granted loans usually securities, mortgage, etc.) for the remaining customers, defining limits for customers depending on the customer's credit rating and estimated annual turnover);
- limits of customers are checked at least once a year;
- checking the creditworthiness of new and existing customers (at least once a year);
- the credit rating department obtains collateral in the form of bank guarantees or letters of credit for customer receivables in classes with high risk, weekly monitoring of outstanding and overdue receivables and the anticipated repayment and recovery;
- sales to a buyer are suspended when one of the following conditions is met: exceeded limit, overdue receivables by more than 90 days, the customer's bank account is frozen or other external information is obtained indicating significant financial difficulties on the part of the debtor.

Price and currency risk

Definition

It represents a risk if the company performs sales and purchases in the global market. This risk level is assessed as moderate.

Control

The exposure to EUR/USD exchange rate risk arose with the expansion of operations to the global market and is tied to the growth of the group of which Dinos is a part. The company hedges currency risk through the FX forwards through the Scholz Group. As at 31 December 2016, the company recorded no currency risks. Furthermore, it has no other foreign currency assets and liabilities. We use derivatives primarily to hedge price and currency risks and not for speculative purposes.

Interest rate risk

Definition

Despite the continuation of the process of reducing financial indebtedness to banks, the company is still exposed to the risk of rising interest rates on the money market. The company is exposed to interest rate risk due to variable interest rates. This risk level is assessed as low.

Control

All the liabilities arising from borrowings are EUR-denominated and the interest rates are linked to the EURIBOR. The interest rates remain at a low level, in the short term it a rapid increase thereof is not expected. The balance of liabilities arising from borrowings continues to fall in line with amortisation plans. The fixed interest rate as a hedging instrument is currently much higher than the expected interest rates. In the event of major investments and the consequent raising of long-term loans, we use suitable derivatives.

IT risk

Definition

The risks of uninterrupted functioning of hardware and software are associated with the uninterrupted functioning of said equipment. The requirement is for the continuity of operations.

Current risks relating to IT are risk of intrusion into the secured IT system via different access points.

This risk level is assessed as moderate.

Control

System architecture and the relevant system equipment was regularly upgraded and updated. The entire system is stable and smoothly running, without emergency halts, both at the central location and dislocated units. The entire system has been regularly maintained.

In 2016, we implemented a system architecture upgrade in line with the plan. We updated the key servers and thus ensured the urgently needed expandability of the users' working environment. We devoted a lot of attention to consistent archiving of essential content and security against unwanted content. We also arranged an additional security filtering of content received, which requires additional financial sources and assets. It turned out that the investment was more than warranted. It was only thus that we could ensure a state of practically zero downtimes of the entire system and maximum availability of IT capabilities for uninterrupted work of users.

1.13. Performance analysis

1.13.1. Operational performance in 2016

	31 December 2016	in EUR 31 December 2015	2016/2015 index
Total net sales revenue	97,744,064	111,653,792	88
Total operating revenue	97,903,758	112,191,588	87
Total costs of goods, material, and services	-83,217,032	-101,041,085	82
Total labour costs	-7,367,922	-6,253,870	118
5. Write-downs	-2,931,539	-2,931,643	100
a) Depreciation and amortisation	-2,727,376	-2,910,326	94
Total costs	-94,970,759	-111,224,064	85
Operating profit/EBIT	2,932,999	967,524	303
Total finance income from loans	32,358	32,182	101
Total finance income	127,623	324,461	39
Total finance expenses from financial liabilities	-457,535	-792,652	58
Total finance expenses	-862,546	-792,707	109
Profit from ordinary activity	2,198,076	499,278	440
Total profit	2,306,174	585,508	394
15. Corporate income tax	-359,799	-61,204	588
17. Net profit or loss for the period	1,990,685	524,193	380

Dinos d.d. generated **sales revenues** worth EUR 97.7 million in 2016, down 12% on 2015. The amount of operating revenues is affected by the extremely low prices on the global market in 2016, which in turn affects the entire structure of operating profit or loss.

EBIT came in at EUR 2.9 million, up 303% on 2015. The biggest impact on the EBIT v in 2016 was the positive ratio between purchasing and sales prices.

The rationalisation processes in previous years represented the beginning of cost management to the extent of us being able to raise efficiency of all processes which was in turn reflected in higher profitability.

Of the financial indicators of operating performance, it was interest that had the biggest impact on the amount of expenses which dropped 42% because of the deleveraging in 2016. Financial expenses from derivatives were recognised for the first time in 2016; we used these instruments as a hedge against price swings on the world market. They came in at EUR 102 thousand.

Operating costs

Operating costs	2016	2015	Index 2016/2015
Cost of goods and materials sold	67,173,523	84,313,479	80
Cost of material	2,497,286	2,601,447	96
Cost of services	13,546,223	14,126,159	96
Labour costs	7,367,922	6,253,870	118
Write-downs	2,931,539	2,931,643	100
Other operating expenses	1,454,266	997,465	146
Total costs	94,970,759	111,224,064	85

Operating costs in 2016 came in at EUR 94.9 million, down 15% on 2015. The cost of goods and materials sold had the biggest impact on costs as they were down 20% on 2015. The reason was the lower level of prices on the world market.

Labour cost in 2016 came in at EUR 7.4, up EUR 1.1 million or 18% on 2015. The reason for the increase was the larger number of employees and higher salaries resulting from improved operating performance.

The biggest increase in percentage terms in 2016 was recorded by other operating costs that came in at EUR 1.4 million, up EUR 0.5 million on 2015. The increase of 46% was the result of the increase in the costs of further management of waste generated after processing and because of hazardous waste that we collected from the companies, to which we provide the global waste management service.

1.13.2. Balance of assets and liabilities as at 31 December 2016

	31.12.2016	v EUR 31.12.2015	Index 2016/2015
Assets			
A. Non-current assets	38,128,067	41,107,479	93
B. Current assets	26,792,634	21,801,936	123
I. Inventories	6,026,706	3,511,754	172
II. Short-term financial assets	1,665,223	1,641,223	101
III. Short-term financial assets Short-term operating receivables	18,971,441	16,335,397	116
IV. Cash	129,264	313,561	41
C. Short-term deferred costs and accrued revenues	326,131	50,976	640
Total assets	65,246,831	62,960,391	
	31.12.2016	**31.12.2015**	
Equity and Liabilities			
A. Equity	38,825,210	36,756,403	106
VI. Net profit or loss for the year	1,990,685	524,193	380
B. Provisions and long-term accrued costs and deferred revenues	529,828	459,900	115
C. Long-term financial liabilities	6,335,780	7,717,543	82
D. Short-term liabilities	19,154,144	17,853,620	107
I. Short-term financial liabilities	6,545,672	9,104,882	72
II. Short-term operating liabilities	12,608,472	8,748,738	144
E. Short-term accrued costs and deferred revenues	401,869	172,924	232
Total equity and liabilities	65,246,831	62,960,391	

Non-current assets

The most important part of non-current assets is property, plant and equipment, buildings worth EUR 17.6 million, land worth EUR 9.1 million and long-term financial assets worth EUR 3.5 million.

Current assets

Current assets represent 41% of total assets. The biggest share of current assets is represented by trade receivables, and the borrowing from suppliers and banks depends on the volume of these receivables. At the end of 2016, current assets came in at EUR 26.8 million while they were EUR 21.8 million at the end of 2015 meaning that they rose by 23%. The biggest increase among these was posted by inventories which were worth EUR 6 million at the end of 2016, up 72% on 2015.

Liabilities

As at the last day of the period under consideration, net current assets[1] of Dinos d.d. amounted to EUR 12.3 million, up 12% on the end of 2015.

Net debt at the end of 2016 was EUR 12.7 million, down EUR 3.7 million or 23% on 2015.

Equity

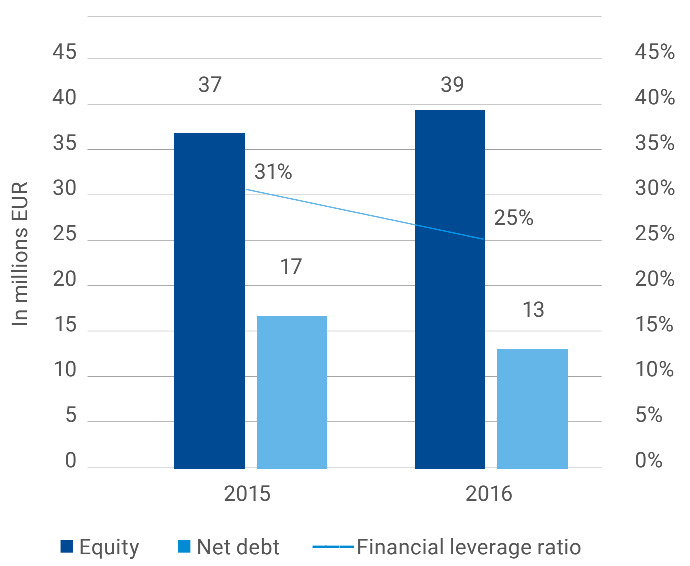
The equity of Dinos d.d. as at the last day of 2016 was EUR 38.8 million while it was EUR 36.8 million at the end of 2015. The biggest impact on the 6% increase in equity was that of the annual operating result. In addition to net profit for the financial year, the changes in equity in 2016 were most affected by the merger with the subsidiary Unirec, share premium of EUR 80 thousand and provisions from actuarial recalculations.

[1]Net current assets =(operating receivables + inventories – current operating liabilities)

	2016	2015	index 2016/2015
Equity	38,825,210	36,756,403	106
Net debt[2]	12,752,188	16,508,864	77
Financial leverage ratio[3]	25%	31%	80

[2]Net debt = (non-current and current financial liabilities – cash)
[3]Financial leverage ratio = net debt/(equity + net debt)

Equity, net debt, financial leverage ratio



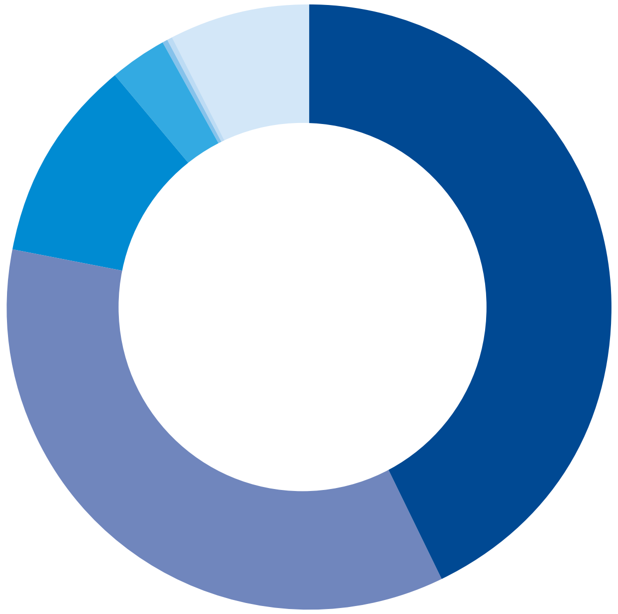
1.13.3. Sales analysis by programme

Overview of revenues generated by programme with respect to the plan and the previous year:

Sales					Value
Programme	2016	Plan	Index 16/pl	2015	Index 16/15
Iron Industry	42,000,614	50,562,597	0.83	47,852,673	0.88
Non-Ferrous Metals	33,991,148	47,529,070	0.72	43,589,695	0.78
Paper	11,027,303	11,341,509	0.97	10,035,176	1.10
Plastic	2,945,417	4,719,150	0.62	4,244,256	0.69
Glass	279,337	233,105	1.20	203,538	1.37
Wood	255,432	67,626	3.78	58,209	4.39
Services	7,244,813	4,560,000	1.59	5,670,245	1.28
Total	97,744,064	119,013,057	0.82	111,653,792	0.88

The shown 2016 cumulative data for sales compared to 2015 and the sales plan indicate that the revenues achieved are 18% lower than planned and 12% lower YOY.

Share in the sales revenues by sales programme



Overview of purchasing – realised, planned and previous year:

Purchasing Programme	2016	Plan	index 16/pl	2015	Value index 16/15
Iron Industry	32,273,629	40,716,374	0.79	38,368,454	0.84
Non-Ferrous Metals	31,873,655	42,576,524	0.75	37,725,580	0.84
Paper	4,387,460	4,249,253	1.03	4,229,082	1.04
Plastic	1,087,227	1,966,314	0.55	1,957,007	0.56
Glass	4,306	0	0	5,797	0.74
Total	69,626,277	89,508,465	0.78	82,655,910	0.84

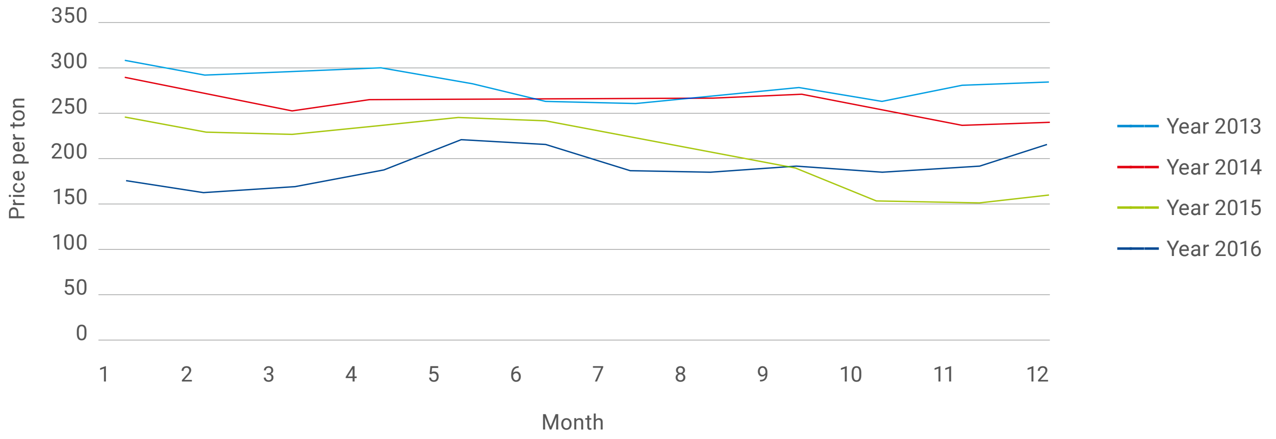
Purchasing prices are down 22% compared to the plan and 16% compared tom 2015, which is due to the decrease in purchasing prices.

The company has developed quite a few hedging mechanisms that help us react rapidly to quick and sudden changes to market prices. In doing so, we use the information from the Scholz Group which is one of the leading companies in the world in the waste raw material collection and processing industry. We are in constant contact and receive on-time information about trends in the global economy, to which we can react accordingly. Synergies with the owner with an extensive global network are definitely a great competitive advantage for us.

We try to operate with minimal inventories, without any speculation about future price movements. Therefore, we buy and sell at prices that are known in advance thereby minimising price risk.

Following several drops, prices of steel waste stabilised in 2016 and exhibit a constant growth trend that was somewhat stronger in Q4. We considered the sudden jump in May to be an anomaly as prices dropped after only two weeks. The pronounced price volatility is a reflection of their being subject to speculation.

Changes in the prices of steel waste



1.14. Significant business events after the end of the 2016 financial year

We started 2017 in accordance with the plans in terms of quantitative and value realisation, and we even exceeded these plans. The favourable level of prices on the waste raw materials markets continued in Q1, however with few adjustments. Economic growth and growth in orders received by our biggest partners was reflected in the increased volume of business of our company. In March, we recorded the biggest monthly realisation in the history of our company in terms of quantities.

In March 2017, improved conditions allowed us to secure two new sources of financing, i.e. a long-term loan and a revolving loan. We used these to finally repay the financial liabilities to two banks and for the purposes of financing current operations.

In 2016 and Q1 of 2017, we fulfilled our financial obligations to other lenders which means that we are now controlling the level of financing costs.

A new Supervisory Board with the following composition was appointed in July 2017:

- President of the Supervisory Board Petar Pripuz;
- member of the Supervisory Board Kai Lohman;
- member of the Supervisory Board Gregor Turk.

There were no events after the reporting date that would materially affect the disclosed financial statements for 2016.

1.15. Plans for 2017

The guidance in planning is to keep getting better, remain the largest in the industry of collecting and processing waste materials and maintain all our competitive advantages. With the use of new technology, which we have developed in-house at the Scholz Group level, we began monitoring the efficiency of production in 2016 in the area of steel scrapping in Ljubljana. We were thus able to set suitable norms in production for the first time, because due to the nature of work we have so far only been able to assess the quantities processed only based on experience. We intend to implement this solution at all other processing cells and connect all of them into a rounded-off system. Productivity and optimum use of resources improved significantly and point the way towards further optimisation. This will be followed by a step involving the use of a mobile application developed for the industry that will help us monitor the daily plan in real time and thus contribute significantly to the optimisation of sales logistics.

The main projects in 2017 include the continuation of the integration of mobile solutions into the robust environment of the IT system as well as the continuation of optimisation of the paper document flow into the e-document flow.

Dinos d.d. is a registered legal entity in Slovenia. Its registered address is at Šlandrova ulica 6, 1000 Ljubljana. The financial statements have been prepared for the year ended 31 December 2016. The values are presented in EUR.

The company Dinos d.d. is one of the subsidiaries of the company Scholz Holding GmbH from Germany. C.I.O.S. is subordinated to the Scholz Group, while CTG is the parent of the entire group.

The financial statements of the company Dinos d.d. are also included in the consolidated financial statements of the C.I.O.S. Group, which are available at the headquarters of C.I.O.S., d.o.o., Josipa Lončara 15, 10000 Zagreb, Croatia.

In 2016, Dinos d.d. does not prepare consolidated financial statements for the narrower circle of group companies because it merged with the Unirec d.o.o. company.

2.1. Profit and loss account for the year ended 31 December 2016

	Note	in EUR 2016	in EUR 2015
1. Net sales revenue			
a) Sales revenue - related parties		0	3,390,005
b) Revenue from the sales to foreign companies of the Group		1,827,444	3,733,542
c) Revenue from sales on the domestic market		50,651,531	52,845,508
d) Revenue from sales on foreign markets		45,265,089	51,684,736
Total net sales revenue	2.6.4.	97,744,064	111,653,792
2. Other operating revenues and revaluation operating revenues	2.6.5.	159,694	537,796
Total operating revenue		97,903,758	112,191,588
3. Costs of goods, material, and services			
a) Cost of goods and materials sold		-67,173,523	-84,313,479
b) Costs of materials		-2,497,286	-2,601,447
c) Costs of services		-13,546,223	-14,126,159
Total costs of goods, material, and services	2.6.6.	-83,217,032	-101,041,085
4. Labour costs			
a) Cost of wages and salaries		-5,307,845	-4,498,603
b) Costs of social insurance		-393,960	-349,021
c) Pension insurance costs		-469,744	-398,126
d) Other labour costs		-1,196,373	-1,008,120
Total labour costs	2.6.7.	-7,367,922	-6,253,870
5. Write-downs			
a) Depreciation and amortisation		-2,727,376	-2,910,326
b) Operating expenses from revaluation of fixed assets		-95,321	-269
c) Operating expenses from revaluation of current assets		-108,842	-21,048
Total write-downs	2.6.8.	-2,931,539	-2,931,643
6. Other operating expenses	2.6.9.	-1,454,266	-997,465
Total costs		-94,970,759	-111,224,064
Operating profit		2,932,999	967,524
7. Finance income from participations			
a) Finance income from other shares and interests		0	125,842
b) Finance income from other investments - interest		35,858	99,737
Total finance income from shares and interests	2.6.11.	35,858	225,579

	Note	in EUR 2016	in EUR 2015
8. Finance income from loans granted			
a) Finance income from loans to Group companies		32,358	32,182
Total finance income from loans		32,358	32,182
9. Finance incomes from operating receivables			
a) Finance income from operating receivables due from others		59,407	66,700
Total finance income from operating revenue		59,407	66,700
Total finance income		127,623	324,461
10. Finance expenses from impairments and write-offs of financial assets			
a) Finance expenses due to impairment and write-off of investments in Group companies		0	0
b) Finance expenses due to impairment and write-off of other investments		-275,234	0
Total finance expenses from impairment and write-off of financial assets		-275,234	0
11. Finance expenses from financial liabilities			
a) Finance expenses for bank borrowings		-374,683	-577,771
b) Finance expenses for other financial liabilities		-82,852	-214,881
Total finance expenses from financial liabilities		-457,535	-792,652
12. Finance expenses from operating liabilities			
a) Finance expenses from operating liabilities to Group companies		-101,793	0
b) Financial expense from other operating liabilities		-27,984	-55
Total finance expenses from operating liabilities		-129,777	-55
Total finance expenses	2.6.12.	-862,546	-792,707
Profit from ordinary activity		2,198,076	499,278
13. Other revenue		232,158	105,175
14. Other expenses		-124,060	-18,946
Total profit		2,306,174	585,508
15. Corporate income tax	2.6.13.	-359,799	-61,204
16. Deferred taxes		44,310	-111
17. Net profit or loss for the period		1,990,685	524,193

Accounting policies and notes are a constituent part of these financial statements and should be read in conjunction with these financial statements.

2.2. Statement of other comprehensive income for the year ended 31 December 2016

	Note	in EUR 2016	in EUR 2015
17. Net profit or loss for the period		1,990,685	524,193
18. Other elements of comprehensive income		-2,320	12,465
19. Total comprehensive income for the period		1,988,365	536,658

Accounting policies and notes are a constituent part of these financial statements and should be read in conjunction with these financial statements.

2.3. Balance Sheet as at 31 December 2016

	Note	in EUR 31.12.2016	in EUR 31.12.2015
Assets			
A. Non-current assets			
I. Intangible assets and long-term deferred costs and accrued revenue			
1. Long-term property rights		158,003	165,686
2. Other intangible assets		8,124	10,763
Total intangible assets	2.6.16.	166,127	176,450
II. Property, plant, and equipment			
1. Land		9,169,296	9,519,296
2. Buildings		17,663,243	18,604,176
3. Production plants and machinery		7,304,647	8,260,355
4. Other plant, and equipment		140,062	180,981
5. Property, plant, and equipment under construction or development		74,500	73,310
6. Advances for property, plant, and equipment		0	46,694
Total tangible fixed assets	2.6.17.	34,351,748	36,684,812
III. Long-term financial assets			
1. Long-term financial assets, excluding loans			
a. Shares and stakes in Group companies		7,500	146,374
b. Other long-term financial assets		3,500,063	3,775,296
Total long-term financial assets, excluding loans		3,507,563	3,921,670
Total long-term financial assets	2.6.18.	3,507,563	3,921,670
IV. Long-term operating receivables			
1. Long-term operating receivables due from others		0	266,229
Total long-term operating receivables	2.6.21.	0	266,229
V. Deferred tax assets		102,628	58,318
Total non-current assets		38,128,067	41,107,479
B. Current assets			
I. Inventories			
1. Material		5,728,514	3,062,099
2. Products and merchandise		17,932	64,451

	Note	in EUR 31.12.2016	in EUR 31.12.2015
Assets			
3. Advances for inventories		280,260	385,205
Total inventories	2.6.20.	6,026,706	3,511,754
II. Short-term financial assets			
1. Short-term loans			
a. Short-term loans to Group companies		1,665,223	1,641,223
Total short-term loans		1,665,223	1,641,223
Total short-term financial assets	2.6.19.	1,665,223	1,641,223
III. Short-term operating receivables			
1. Short-term operating receivables due from Group companies		285,070	485,975
2. Short-term operating receivables due from customers		17,841,891	14,648,839
3. Short-term operating receivables due from others		844,481	1,200,583
Total short-term operating receivables	2.6.21.	18,971,441	16,335,397
IV. Cash	2.6.22.	129,264	313,561
Total short-term assets		26,792,634	21,801,936
C. Short-term deferred costs and accrued revenues	2.6.23.	326,131	50,976
Total assets		65,246,831	62,960,391

	Note	in EUR 31.12.2016	in EUR 31.12.2015
Equity and Liabilities			
A. Equity			
I. Called-up capital		2,279,668	2,279,668
II. Capital surplus		9,410,703	9,330,261
III. Revenue reserves		13,530,308	13,530,308
1. Legal reserves		966,100	966,100
2. Other reserves		12,564,208	12,564,208
Total revenue reserves		13,530,308	13,530,308
IV. Reserves from valuation at fair value		12,755	15,075
V. Net profit or loss brought forward		11,601,091	11,076,898

	Note	in EUR 31.12.2016	in EUR 31.12.2015
Assets			
VI. Net profit or loss for the year		1,990,685	524,193
Total equity	2.6.24.	38,825,210	36,756,403
B. Provisions and long-term accrued costs and deferred revenues			
I. Provisions for pensions and similar obligations		529,828	459,900
Total provisions and accrued costs and deferred revenues	2.6.25.	529,828	459,900
C. Long-term liabilities			
I. Long-term financial liabilities			
1. Long-term financial liabilities to banks		5,050,172	5,790,911
2. Other long-term financial liabilities		1,285,609	1,926,632
Total long-term financial liabilities	2.6.26.	6,335,780	7,717,543
Total long-term liabilities		6,335,780	7,717,543
D. Short-term liabilities			
I. Liabilities included in disposal groups			
II. Short-term financial liabilities			
1. Short-term financial liabilities to banks		5,946,298	8,508,832
2. Other short-term financial liabilities		599,374	596,050
Total short-term financial liabilities	2.6.26.	6,545,672	9,104,882
III. Short-term operating liabilities			
1. Short-term operating liabilities to Group companies		177,089	338,722
2. Short-term operating liabilities to suppliers		11,424,903	7,756,638
3. Short-term operating liabilities from advances		75,778	16,039
4. Short-term liabilities to the state		533,852	258,112
5. Other short-term operating liabilities		396,849	379,227
Total short-term operating liabilities	2.6.27.	12,608,472	8,748,738
Total short-term liabilities		19,154,144	17,853,620
E. Short-term accrued costs and deferred revenues	2.6.28.	401,869	172,924
Total equity and liabilities		65,246,831	62,960,391

Accounting policies and notes are a constituent part of these financial statements and should be read in conjunction with these financial statements.

2.4. Cash flow statement for the year ended 31 December 2016

	in EUR 2016	in EUR 2015
A. Cash flows from operating activities		
a) Net profit		
Profit or loss before tax	2,306,174	585,508
Corporate income tax and any other taxes not included in operating expenses	-359,799	-61,204
b) Adjustments for		
Amortisation/Depreciation	2,727,376	2,910,326
Operating revenue from revaluation	-30,182	0
Operating expenses from revaluation	479,396	21,317
Finance income excluding finance income from operating receivables	-68,215	-257,721
Finance expenses excluding finance expenses from operating liabilities	559,328	780,763
Total cash flow derived from the profit and loss account items	5,614,077	3,978,988
c) Changes in net current assets - operating balance sheet items		
Opening less closing operating receivables	-2,369,815	6,192,395
Opening less closing deferred costs and accrued revenues	-275,155	61,718
Opening less closing deferred tax assets	-44,310	111
Opening less closing assets (disposal groups) held for sale	0	0
Opening less closing inventories	-2,514,952	1,452,586
Closing less opening operating liabilities	3,859,735	-4,566,823
Closing less opening accrued costs and deferred revenues, and provisions	298,872	12,680
Closing less opening deferred tax liabilities		
Total items of other operating assets and liabilities	-1,045,624	3,152,666
d) Net cash from (used in) operating activities	4,568,453	7,131,655
B. Cash flows from investing activities		
a) Cash receipts from investing activities		
Cash receipts from interest and profit participations (investment activities)	68,215	257,721
Cash receipts from disposal of intangible assets	0	0
Cash receipts from disposal of property, plant, and equipment	0	0
Cash receipts from disposal of investment property	0	0
Cash receipts from disposal of long-term financial assets	138,874	0
Cash receipts from disposal of short-term financial assets	0	0
Total cash receipts from investing activities	207,089	257,721

	in EUR 2016	in EUR 2015
b) Disbursements from investing activities		
Cash disbursements for the acquisition of intangible assets	-49,357	-1,842
Cash disbursements for the acquisition of property, plant, and equipment	-344,651	-376,758
Cash disbursements for the acquisition of investment property	0	0
Cash disbursements for the acquisition of long-term financial asset	0	0
Cash disbursements for the acquisition of short-term financial assets	-24,000	-6,616
Total cash disbursements from investing activities	-418,008	-385,216
c) Net cash from (used in) investing activities	-210,919	-127,495
C. Cash flows from financing activities		
a) Cash receipts from financing activities		
Cash receipts from paid-up capital and interest	0	0
Cash receipts from increase in long-term financial liabilities	0	1,500,000
Cash receipts from increase in short-term financial liabilities	1,672,000	4,400,000
Total cash receipts from financing activities	1,672,000	5,900,000
b) Disbursements from financing activities		
Cash disbursements from paid interest pertaining to financing	-559,328	-780,763
Cash repayments of equity	0	0
Cash disbursements from repayment of long-term financial liabilities	0	-6,102,887
Cash disbursements from repayment of short-term financial liabilities	-5,654,504	-5,830,000
Cash disbursements for the distribution of dividends and other profit participations	0	0
Total cash disbursements from financing activities	-6,213,832	-12,713,650
c) Net cash from (used in) financing activities	-4,541,832	-6,813,650
D. Cash and cash equivalents at end of period		
a) Net cash for the period	-184,297	190,510
b) Opening balance of cash	313,561	123,052
c) Total losing balance of cash	129,264	313,561

Accounting policies and notes are a constituent part of these financial statements and should be read in conjunction with these financial statements.

2.5. Statement of changes in equity for the year ended 31 December 2016

	Called-up capital				Revenue reserves					
	Share capital	Uncalled capital		Capital surplus	Legal reserves	Other revenue reserves	Reserves from valuation at fair value	Net operating profit or loss brought forward	Net profit or loss for the year	Total in EUR
A.1. Opening balance – 31 December 2015	**2,279,668**			**9,330,261**	**966,100**	**12,564,208**	**15,075**	**11,076,898**	**524,193**	**36,756,403**
A.2. Opening balance of the reporting period	2,279,668	0		9,330,261	966,100	12,564,208	15,075	11,076,898	524,193	36,756,403
B.1. Changes in equity – transactions with owners										
a) Other changes in equity (merger)				80,442						80,442
Total changes in equity	0	0		80,442	0	0	0	0	0	80,442
B.2. Total comprehensive income for the reporting period										
a) Entry of net profit/loss for the reporting period									1,990,685	1,990,685
b) Other components of total comprehensive income for the reporting period							-2,320			-2,320
Total comprehensive income	0	0		0	0	0	-2,320	0	1,990,685	1,988,365
B.3. Changes within equity										
Total changes in equity	0	0		0	0	0	0	524,193	-524,193	0
C. Closing balance – 31 December 2016	2,279,668	0		9,410,703	966,100	12,564,208	12,755	11,601,091	1,990,685	38,825,210

	Called-up capital				Revenue reserves					
	Share capital	Uncalled capital		Capital surplus	Legal reserves	Other revenue reserves	Reserves from valuation at fair value	Net operating profit or loss brought forward	Čisti poslovni izid poslovnega leta	Total in EUR
A.1. Opening balance – 31 December 2014	2,279,668			9,330,261	966,100	12,564,208	2,609	10,021,918	**1,054,980**	**36,219,744**
A.2. Opening balance of the reporting period	2,279,668	0		9,330,261	966,100	12,564,208	2,609	10,021,918	1,054,980	36,219,744
B.1. Total comprehensive income for the reporting period										
a) Entry of net profit/loss for the reporting period									524,193	524,193
b) Other components of total comprehensive income for the reporting period							12,466			12,466
Total comprehensive income	0	0		0	0	0	12,466	0	524,193	536,659
B.2. Changes within equity										
a) Allocation of remaining net profit of the comparative reporting period to other equity components								1,054,980	-1,054,980	0
Total changes in equity	0	0		0	0	0	0	1,054,980	-1,054,980	0
C. Closing balance – 31 December 2015	2,279,668	0		9,330,261	966,100	12,564,208	15,075	11,076,898	524,193	36,756,403

Accounting policies and notes are a constituent part of these financial statements and should be read in conjunction with these financial statements.

2.6. Notes to financial statements

2.6.1. Company profile

Company Name	Dinos, družba za pripravo sekundarnih surovin d.d.
Registered Office and Company Address	Šlandrova ulica 6, 1231 Ljubljana – Črnuče
Activity Code	38.320 – Recovery of secondary raw materials from residues and wastes
Company Registration Number	5003318000
Tax Number	SI 44905793
Legal Status of the Company	Public limited company Plc.
Financial Year	2016
Status of the Entity	Registered/Registration number: 061/10072600
Date of Entry in the Companies Register:	January 3, 1990
Shares	54,629 shares
Share Capital	EUR 2,279,668
Management Board	President of the Management Board Damijan Zorko Member of the Management Board Benjamin Bambič Member of the Management Board Marc Breidenbach

The consolidated financial statements for the broader circle of group companies are available at the headquarters of the company C.I.O.S., d.o.o., Josipa Lončara 15, 10000 Zagreb, Croatia.

2.6.2. Basis for compiling the financial statements

The financial statements were compiled in line with the Slovenian Accounting Standards and the Companies Act (ZGD-1). The financial statements have been prepared by taking into account the fundamental accounting assumptions of going concern and accrual basis. The qualitative characteristics of the financial statements are based on understandability, relevance, reliability, and comparability.

Slovenian Account Standards 2016 are applied for financial years starting on January 1, 2016 or later. The company applied Slovenian Account Standards 2006 for previous financial years.

Upon the transition to SAS 2016 (January 1, 2016), there were no effects requiring recalculations in the company's financial statements presented in this report.

In accordance with the Companies Act (ZGD-1), the company size places it among the large companies.

The financial statements were approved by the Management Board of the Company on July 19, 2017.

The application of estimates and assessments

The financial statements are also based on certain estimates and assumptions of the management, which influence both the carrying amount of assets and liabilities as well as the disclosure of revenues and expenses for the accounting period. The management's estimate includes, among other, determining the life and residual value of property, plant, and equipment and intangible fixed assets, value adjustments of inventories and receivables, deferred taxes, assumptions relevant for actuarial calculations related to certain employee benefits, assumptions included in the calculation of potential provisions for claims.

Notwithstanding the fact that during the preparation of assumptions, the management carefully considers all the factors that may affect this, it is possible that the actual consequences of business transactions differ from those estimates. Therefore, the accounting estimates have to be made by assessing and taking into account any changes in the business environment, new business events, additional information and experience.

Conversion into foreign currencies

The assets and liabilities in foreign currencies are translated into the functional currency using the exchange rate applicable on the date of the respective transaction. Exchange rate differences arising from such transactions, and the revaluation of monetary assets and liabilities denominated in foreign currencies at the balance sheet date into the functional currency, are recognised in the profit or loss account.

Monetary items denominated in foreign currencies are converted at the reference rates of the European Central Bank or the Bank of Slovenia exchange rate (for the currencies for which the ECB does not publish reference rates) on the last day of the year. Non-monetary items that are measured in terms of historical cost in a foreign currency are converted using the exchange rates on the transaction date, monetary items that are measured at fair value in a foreign currency are converted using the exchange rate on the date when the fair value was determined.

2.6.3. Summary of significant accounting policies

Intangible assets and long-term deferred costs and accrued revenue

Intangible assets comprise long-term deferred development costs, investments in the acquired industrial property and other rights. Long-term prepayments and accrued income are long-term deferred costs.

Intangible assets are recognised when it is probable that the economic benefits associated with them and their cost will flow to the company. On initial recognition, these assets are carried at cost.

Intangible assets with finite useful lives are depreciated over their useful life. The straight-line depreciation method is applied. Amortisation rates applied to intangible assets are the following and are the same as the year before:

Licences and patents	5% - 10%
Material rights	5% - 10%

Subsequent expenses related to an item of property, plant, and equipment increase its cost increase the future benefits of this item in excess of the originally assessed.

Intangible assets are derecognised upon disposal. In the bookkeeping records, their cost and depreciation charge are disclosed separately. The balance sheet only states the carrying amount.

Property, plant, and equipment

Property, plant, and equipment (tangible fixed assets) comprise land, buildings, plant and other equipment.

An intangible asset is recognised if it is probable that the future economic benefits that can be attributed to the asset will flow to the company and its cost can be reliably measured. On initial recognition, these assets are carried at cost. Subsequent expenses related to items of property, plant, and equipment increase their cost if they increase its future economic benefits in excess of the originally assessed. Repairs or maintenance of property, plant, and equipment are intended for renovation or preservation of future economic benefit, expected on the basis of initially assessed efficiency level of these assets. As such, they are recognised as a cost or operating expense.

Items of property, plant, and equipment are depreciated individually over their useful life. The following depreciation rates were applied, identical to those used the year before:

Buildings	1.5% - 10%
Computer equipment	20% - 50%
Transport equipment	10% - 33.30%
Production plant and equipment	10% - 33.30%

Items of property, plant, and equipment are derecognised upon disposal when no future benefits are expected from their use. In the bookkeeping records, their cost and depreciation charge are disclosed separately. The balance sheet only states the carrying amount.

Financial assets

Financial assets are investments are investments in the equity of other companies or in financial debts of other companies, countries, regions and municipalities or other issuers (investments in loans).

Financial investments are broken down into the following categories: financial assets at fair value through profit or loss, financial assets held to maturity, financial assets in loans, and available-for-sale financial assets. The classification depends on the purpose of acquisition.

After acquisition, all assets, except for those classified at fair value through profit or loss, are recognised at cost including the costs of acquisition that are directly attributable to the acquisition. Investments classified at fair value through profit or loss are recognised at fair value, whereby the direct costs of acquisition are not included in the cost.

Other long-term financial assets are not revalued due to strengthening.

Long-term financial assets are revalued due to the impairment if the investment loses value and the measured repaid value is less than the carrying value. The difference represents a revaluation financial expense associated with long-term financial asset.

Financial assets at fair value through profit or loss

Financial assets (investments) classified at fair value through profit or loss are measured at fair value. Gains and losses on investments designated at fair value through profit or loss are recognised directly in the profit or loss account.

The fair value of investments actively traded on regulated markets is determined at the quoted closing price on the stock exchange on the balance sheet date. The fair value of investments whose market price is not quoted on financial markets is determined on the basis of a similar instrument or as net present value of future cash flows that the company can expect from a certain financial investment.

Acquisition and sale of investments classified at fair value through profit or loss are recognised on the trading day i.e. on the day of commitment to buy or to sell a financial asset.

Held-to-maturity financial investments

Financial assets with fixed or determinable payments and maturity, other than derivative financial instruments, are recognised as held-to-maturity financial assets, provided there is a positive intention and the ability to hold the investment to maturity. Investments held for an indefinite period of time are not classified into this group.

Investments which are recognised as held-to-maturity are carried at amortised cost using the effective interest rate method. The amortised cost is calculated by allocation of the premium or the discount on acquisition over the period until the maturity of the investment. Gains and losses on investments carried at amortised cost are recognised in the profit or loss (disposal, impairment or effects of the discount/premium amortisation).

Investments classified into the group until maturity are recognised on the settlement date.

Financial investments in loans

Financial investments in loans are financial investments with defined or definable payments that are not traded on a regulated market. This category includes loans acquired by the company and loans originating from the company. Loans are measured at amortised cost using the effective interest rate method. Investments in loans are recognised on the settlement date.

Available-for-sale financial assets

Subsequent to initial recognition, all financial investments included in the category of available-for-sale financial assets are measured at fair value. Gains and losses on available-for-sale investments are recognised in equity in the revaluation surplus as net unrealised capital gains on available-for-sale financial assets until the investments are sold or otherwise disposed of. If the investment is impaired, the impairment is recognised in the profit or loss account.

Acquisition and sale of financial assets classified as available-for-sale financial assets are recognised on the trading date, i.e. on the day of commitment to buy or to sell an individual financial asset.

Investments in subsidiaries, associated companies and joint ventures

Financial subsidiaries, associated companies and joint ventures are initially measured at cost. If the investment is impaired, the impairment is recognised in the profit or loss account.

Impairment of financial assets

Revaluation of financial assets due to impairment is carried out as soon as grounded reasons are provided and no later than at the end of the accounting period. The basis for impairment is objective evidence arising from events after initial recognition, such as data on operations and data on audited book value of investment. Objective reasons for testing financial assets for impairment are deemed to exist if the fair value of a financial asset as at the balance sheet date is 20 percent less than its cost. An impairment test of the investment is carried out separately for each investment or group of investments.

The loss resulting from the permanent impairment of a financial asset and not just a short-term decline in fair value is recognised as a finance expense. The amount of the impairment loss is measured as the difference between the carrying amount and the present value of the expected future cash flows.

Changes in fair value of financial assets available for sale are recognised directly in equity as a revaluation surplus.

Inventories

Inventories consist of stocks of materials, products and merchandise as well as advances for inventories.

Inventories are valued at cost and are valued during the year by using the method of floating average prices.

The cost of inventories may not be fully recoverable if those inventories are damaged, if they have become wholly or partially obsolete, or if their selling prices have declined below the price level.

The cost of inventories may also not be recoverable if the estimated costs of completion or the estimated costs to be incurred to make the sale have increased.

If their carrying amount exceeds their net realisable value, the former has to be decreased to the net realisable value. Inventories shall be decreased item by item; however, it may be appropriate to group similar or related items for this purpose.

A decrease in inventories is charged against operating expenses.

Operating receivables

Operating receivables are initially recognised in the amounts recorded in the relevant documents under the assumption that they will be repaid. Subsequent increases or reductions in receivables increase or decrease operating revenues or expenses or finance income or expenses, respectively. Any subsequent increase or decrease in receivables is represented predominantly by the changes in the amount of receivables due to subsequent discounts, return of goods sold, acknowledged complaints, and subsequently discovered defects.

The receivables are initially measured at amortised cost. The amortised cost of a claim is the amount at which the receivables are measured on initial recognition, minus repayments and impairments due to the uncollectibility. Operating receivables falling due in the next twelve months are disclosed in the balance sheet under short-term operating receivables and those over twelve months are recognised under long-term operating receivables.

If operating receivables are impaired, the revaluation adjustments of receivables as a revaluation cost are established for the difference between the carrying amount and the realisable value.

The company creates a value adjustment according to the system of the individual assessment of the collectability of an individual receivable.

Cash

Cash comprises cash in hand, deposit money and cash equivalents. Cash equivalents are short-term deposits and call deposits with banks with maturity of up to three-months.

Short-term deferred costs and accrued revenue

Short-term deferred items include short-term deferred expenses (costs) and accrued revenues. They are disclosed in amounts that are recorded in the relevant documents proving their origin and existence.

Equity

Total equity consists of called-up capital, capital surplus, revenue reserves, retained earnings or retained net loss, revaluation surplus and temporarily undistributed net profit or unsettled net loss for the business year.

Own shares or interests acquired are deducted from equity. The differences arising on the purchase, sale, issue or withdrawal are set off with capital.

The revaluation surplus relates to an increase in the carrying amount of property, plant, and equipment, intangible assets, long-term financial assets and short-term financial assets using the revaluation model and is stated separately depending on occurrence as well as for unrealised actuarial losses/gains from provisions for the severance pay of employees.

Provisions and long-term accrued costs and deferred revenue

Provisions are formed for current liabilities arising from binding past events and which will presumably be settled in a period that not definitely set and the amount of which can be reliably measured. Amounts recognised as provisions represent the best estimate of the disbursements needed to settle the existing obligations as at the balance sheet date.

Long-term accrued costs and deferred revenue include deferred revenues that will cover estimated expenses in a period longer than one year, as well as accrued costs or expenses that will in the future enable the coverage of costs or expenses that are incurred at that time.

The amounts of provisions and long-term accrued costs or expenses are directly decreased by the amounts of costs or expenses for which they were made.

According to Slovenian legislation, employees are paid jubilee benefits and severance upon retirement. After the completion of the period of service, employees are before retirement entitled to once-off severance pay. They are also entitled to jubilee benefits for every full 10 years of service with the employer.

Financial liabilities

Financial liabilities comprise loans received on the basis of loan contracts and debt securities issued. Loans received comprise deposits repayable and liabilities to lessors arising from a finance lease.

Financial liabilities are divided into long-term, which have to be settled or repaid in a period over one year, and short-term.

They are initially recognised at the amounts arising from the relevant documents that evidence the receipt of cash or the settlement of another liability and then measured at their amortised cost using the effective interest method.

Operating liabilities

Operating liabilities are supplier credits for goods or services purchased, payables to employees for their work performed, liabilities to providers of funds arising from accrued interest and similar items, liabilities to the state arising from taxes, including the value added tax payable, and liabilities associated with the distribution of profit or loss. A special type of operating liabilities is liabilities to suppliers for advances and securities received.

Operating liabilities are divided into long-term liabilities, which have to be settled in a period of over one year, and short-term, which are due (but not yet settled) and those due to be settled within one year.

They are initially recognised at the amounts arising from the relevant documents that evidence the receipt of products or services or the work performed or the calculated cost, expense or interest in the profit or loss.

Short-term accrued costs and deferred revenue

Short-term accrued expenses and deferred revenues include short-term accrued expenses (costs) and short-term deferred revenues. They are disclosed in amounts that are recorded in the relevant documents proving their origin and existence.

Among the short-term accrued costs are accrued, unpaid holiday leave, which is accounted for based on unused vacation days and the average gross salary of the employee, unpaid excess hours on the last day of the period.

Revenues

Revenues are recognised when it is probable that economic benefits will flow and their amount can be reliably measured. They consist of operating revenues, finance income and other revenues.

Sales revenues are recognised when all the significant risks and rewards arising from ownership are transferred to the buyer; the amount of revenue can be reliably estimated; it is probable that economic benefits associated with the transaction will flow to the company. The costs incurred in respect of the transaction can be measured reliably.

Rental income is recognised evenly over the term of each rental agreement.

Operating revenues from revaluation arising from the disposal of property, plant, and equipment, long-term intangible assets and investment property are included among other operating revenue as the surplus of their selling value over the book value and revaluation revenues in relation to impaired receivables when they are paid, and write-downs of operating debts. Other operating revenue also includes revenue from the derecognition of provisions.

Finance income arises from long-term and short-term financial assets and receivables and is recognised upon being charged irrespective of the receipts provided there is no reasonable doubt as to its amount, its maturity or repayment.

Interest is accrued on a time proportion basis taking account the principal outstanding and the rate applicable.

Dividend income is recognised when the company becomes entitled to payment.

Other revenues include unusual items and other income, disclosed in actual amounts.

Cost of material and services

The costs of material and services are expressed as the cost of direct materials and services and of the portion of material and services associated with production overheads, purchasing and selling overheads, and administrative overheads. They are classified by primary type.

The cost of material and services not held in inventories before use is usually be disclosed at actual amounts at the moment of purchase of the material and services. Material costs are posted directly under costs.

Labour costs and employee reimbursements

Labour costs and reimbursements to employees represent all forms of consideration given by the company in exchange for service rendered by employees and are recognised as labour costs or as shares in expanded profit before stating the profit in the income statement. Earnings may also be associated with specific taxes that increase the costs incurred or the profit-sharing volume of employees in the expanded profit.

At the balance sheet cut-off date, the costs of unused annual leave are considered. The expected cost of accumulating compensated absences is measured as the additional amount that is expected to be paid as a result of the unused entitlement that has accumulated at the balance sheet date.

Labour costs are accounted for in accordance with the law, the collective agreement, the internal act of the company, and employment contracts.

Corporate income tax

Current tax assets and liabilities in respect of present and past periods are recognised at amounts which the company expects to be paid to or recovered from the tax authorities. Assets and liabilities for current taxes are measured using tax rates (and tax laws) enacted at the balance sheet date.

The applicable tax rate is 17% of the taxable income.

Deferred taxes

Deferred income tax assets and liabilities are calculated according to the balance sheet liability method. Only deferred tax assets and liabilities arising from temporary differences are recognised. A deferred tax asset is also recognised for unused tax losses and unused tax credits, which are carried forward to the next period, if it is probable that a future taxable profit will be available against which the unused tax losses and unused tax credits can be utilised.

On the balance sheet date, deferred tax assets are revised and impaired on account of those tax assets for which it is no longer probable that future taxable profit will be available against which the unused tax losses and unused tax credits can be utilised.

Deferred tax assets and liabilities are recognised using the tax rate applicable when the asset is expected to be realised or liabilities settled. Tax rates (and tax regulations) enacted as at the balance sheet date are applied.

Deferred tax is charged or credited directly to equity, if it relates to items that are credited or charged directly to equity.

Cash flow statement

Cash flow statement is a fundamental financial statement showing a true and fair view of changes in the balance of cash for the relevant accounting period. The cash flow statement was prepared according to the indirect method, version II of the SAS 22. The cash flow statement presents cash flows from or used in operating, investing and financing activities for the period. Cash flows are posted to the cash flow statements in non-offset amounts. Data from the statement of cash flows arise from the balance sheet and income statement, taking into account appropriate adjustments to cash flows.

2.6.4. Net sales revenue

	in EUR 2016	in EUR 2015
1. Revenue from the sales of products	91,370,284	106,122,917
2. Revenue from sales of services	5,441,057	5,070,294
3. Revenue from the sale of merchandise	613,820	285,205
4. Rental income	318,904	175,376
Total net sales revenues	97,744,064	111,653,792

The biggest impact on the amount of operating revenues was that of extremely low prices on the global market in 2016.

2.6.5. Other operating revenues, including from revaluation

	in EUR 2016	in EUR 2015
1. Revenue from the reversal of provisions	12,981	6,493
2. Revenues from recovered receivables previously written off	908	68,755
3. Operating revenue from revaluation	5,668	112,358
4. Other operating revenue	140,136	350,190
Total other operating revenue	159,694	537,796

Operating revenues from revaluation were generated from the consideration received from the sale of property, plant and equipment. A major item of other operating revenues is the income from excise duties for 2016 in the amount of EUR 119,992 (2015: EUR 139,853).

2.6.6. Costs of goods, material, and services

	in EUR 2016	in EUR 2015
1. Cost of goods and materials sold	-67,173,523	-84,313,479
2. Cost of material	-2,497,286	-2,601,447
3. Cost of services	-13,546,223	-14,126,159
Total costs of goods, material, and services	-83,217,032	-101,041,085
Of which:		
1. Costs of auditing the annual report	13,200	13,000
2. Receipts of the Supervisory Board members	451	1,354

The company is under an audit obligation. The contract value of the cost of the 2016 audit is EUR 13,200, comprising the audit of the company, the audit of the reporting package of the parent company as at 31 December 2016 and of the report on relations with related companies according to Article 546 of ZGD-1.

2.6.7. Labour costs

	in EUR 2016	in EUR 2015
1. Cost of wages and salaries	-5,307,845	-4,498,603
2. Cost of social security	-469,744	-398,126
3. Cost of pension insurance	-393,960	-349,021
4. Other labour costs	-1,196,373	-1,008,120
Total labour costs	-7,367,922	-6,253,870
Of which:		
1. Receipts of the members of the Management Board	323,409	304,557
2. Receipts of employees with service contracts	124,784	92,529

All receipts of the Management Board are fixed and approved by the Supervisory Board. The Management Board receives no insurance premium, fee or other additional payments.

The average number of employees by education	2016	2015
Level I education	4	4
Level II education	103	103
Level III education	70	54
Level IV education	54	54
Level V education	38	38
Level VI education	19	19
Level VII education	7	7
Level VIII education	12	12
Total average number of employees	307	291

2.6.8. Write-downs

	in EUR 2016	in EUR 2015
1. Amortisation of long-term intangible assets	-54,247	-54,682
2. Depreciation of buildings	-951,992	-954,169
3. Depreciation of equipment, spare parts, and small tools	-1,721,138	-1,901,475
4. Operating expenses from revaluation of property, plant and equipment	-95,321	-269
5. Operating expenses for revaluation of inventories and receivables	-108,842	-21,048
Total write-downs	-2,931,539	-2,931,643

2.6.9. Other operating expenses

	in EUR 2016	in EUR 2015
1. Compensation for building land	-278,008	-324,585
2. Other costs	-1,131,204	-665,063
3. Other	-45,053	-7,817
Total other operating expenses	-1,454,266	-997,465

The major part of other operating expenses includes compensation for destruction of hazardous waste accepted from customers.

2.6.10. Costs by functional group

	in EUR 2016	in EUR 2015
1. Costs of merchandise sold	-207,666	-257,719
2. Costs of sale	-93,528,395	-109,431,177
3. General and administrative costs	-1,234,698	-1,535,168
Total costs by functional group	-94,970,759	-111,224,064

2.6.11. Finance income

	in EUR 2016	in EUR 2015
1. Revenues from dividends and profit participations	0	125,842
2. Interest income	86,938	98,789
3. Finance income from revaluation	35,858	99,697
5. Other finance income	4,827	132
Total finance income	127,623	324,461

Higher finance income in 2016 arose from finance income from late fees on customer payments of EUR 53,671 (2015: EUR 66,567). Income from interest charged on loans to related parties amounted to EUR 32,358 in 2016 (2015: EUR 32,182).

2.6.12. Finance expenses

	in EUR 2016	in EUR 2015
1. Expenses from the disposal of financial assets	0	0
2. Interest income	-474,855	-792,707
3. Finance expenses from revaluation - impairment of investments	-275,234	0
4. Finance expenses from revaluation - exchange rate differences	-10,664	0
5. Other finance expenses	-101,793	0
Total finance expenses	-862,546	-792,707

In 2016, we carried out impairments of three investments in the total amount of EUR 212,233. We excluded one investments that we impaired to zero in previous years.

Finance expenses from bank borrowings totalled EUR 374,682.66 in 2016 (2015: EUR 577,770.70). Interest from leases stood at EUR 82,851.92 in 2016 (2015: EUR 202,992.20).

Financial expenses from derivatives worth EUR 101,793.04 were recorded for the first time in 2016; we used these instruments as a hedge against price swings on the world market. We use derivatives primarily to hedge price and currency risks and not for speculative purposes.

2.6.13. Corporate income tax

	in EUR 2016	in EUR 2015
1. Profit or loss before tax	2,306,174	585,508
2. Adjustment of revenues to the level recognised for tax purposes	-221,186	-68,755
3. Adjustment of expenses to the level recognised for tax purposes	378,403	78,135
4. Claimed tax reliefs	-346,802	-218,614
5. Other	-124	-16,249
Total tax base	2,116,465	360,026
Corporate income tax (17%)		
Corporate income tax	-359,799	-61,204

2.6.14. Deferred taxes

	Balance sheet in EUR		Profit or loss account in EUR	
	2016	2015	2016	2015
Deferred tax assets				
1. Value adjustments of financial assets	52,294	19,227	33,067	0
2. Provisions	50,334	39,092	11,242	-111
Total deferred tax assets	102,628	58,319	44,310	-111

Changes in deferred taxes recognised in equity	in EUR 2016	in EUR 2015
1. Opening balance	58,318	58,429
2. Changes in deferred tax assets recognised in equity	44,310	-111
3. Changes in deferred tax liabilities recognised in equity	0	0
Total balance of deferred taxes recognised in equity	102,628	58,318

2.6.15. Effect of the merger with the Unirec company

In accordance with Article 580 of ZGD-1, Dinos carried out the merger in 2016. By way of the merger agreement signed on 7 April 2016, the procedure for the merger with the wholly-owned subsidiary Unirec with the parent company Dinos was initiated.

As part of the merger, the companies claimed tax-neutral treatment by filing an application with the Financial Administration of the Republic of Slovenia on 13 April 2016.

The merger was registered in the register of companies on 8 June 2016 under No. Srg 2016/24126.

As part of the merger, all assets and liabilities of Unirec accounted at their carrying amounts were transferred to the acquiring company Dinos. The surplus from the adjustment of book balances arising from the merger were recognised as capital surplus worth EUR 80,442.

As at 1 January 2016, the acquiring company Dinos assumed all assets valued at their carrying amount of EUR 1,144,688 and all debts and accrued and deferred items valued at their carrying amount of EUR 700,188 from the transferring company Unirec. Receivables due from the acquiring company of EUR 85,747, equity of EUR 219,316 and liabilities to the acquiring company of EUR 310,930 were excluded from the amounts.

In 2016, the Unirec company generated net profit worth EUR 66,715 and the following profit or loss from the accounting of the merger on 1 January 2016 to the registration in the register of companies on 8 June 2016:

	Note	in EUR 2016
1. Net sales revenue		2,638,388
2. Other operating revenues and revaluation operating revenues	2.6.5.	1,803
Total operating revenue		2,640,191
3. Costs of goods, material, and services		-2,491,057
4. Labour costs		-57,779
5. Write-downs		-4,609
6. Other operating expenses	2.6.9.	-4,236
Operating profit		-2,557,681
Dobiček iz poslovanja		82,510
Finance income		601
Finance expenses	2.6.12.	-1,751
Profit from ordinary activity		81,360
9. Other revenue		3
10. Other expenses		-723
Total profit		80,640
11. Corporate income tax	2.6.13.	-13,925
12. Deferred taxes		0
12. Net profit or loss for the period		66,715

Changes in the balance sheet upon the acquisition:

	DINOS d.d. 31.12.2016 in EUR	DINOS d.d. 31.12.2015 in EUR	Unirec d.o.o. 31.12.2015 in EUR	Effect of the merger 31.12.2015 in EUR	Total 31.12.2015 in EUR
Assets					
A. Non-current assets	38,128,067	41,107,479	37,805	-138,874	41,006,410
I. Intangible assets and long-term deferred costs and accrued revenue	166,127	176,450	30,491	0	206,940
II. Property, plant, and equipment	34,351,748	36,684,812	7,314	0	36,692,126
III. Short-term financial assets Investment property	0	0	0	0	0
III. Short-term financial assets Long-term financial assets	3,507,563	3,921,670	0	-138,874	3,782,796
IV. Long-term operating receivables	0	266,229	0	0	266,229
V. Deferred tax assets	102,628	58,318	0	0	58,318
B. Current assets	26,792,634	21,801,936	1,191,959	-396,677	22,597,218
I. Inventories	6,026,706	3,511,754	2,006	0	3,513,760
II. Short-term financial assets	1,665,223	1,641,223	0	0	1,641,223
III. Short-term financial assets Short-term operating receivables	18,971,441	16,335,397	1,065,824	-396,677	17,004,544
IV. Cash	129,264	313,561	124,129	0	437,690
C. Short-term deferred costs and accrued revenues	326,131	50,976	671	0	51,647
Total assets	65,246,831	62,960,391	1,230,434	-535,550	63,655,274

	DINOS d.d. 31.12.2016 in EUR	DINOS d.d. 31.12.2015 in EUR	Unirec d.o.o. 31.12.2015 in EUR	Effect of the merger 31.12.2015 in EUR	Total 31.12.2015 in EUR
Equity and Liabilities					
A. Equity	38,825,210	36,756,403	219,316	-138,874	36,836,845
I. Called-up capital	2,279,668	2,279,668	116,331	-116,331	2,279,668
II. Capital surplus	9,410,703	9,330,261	0	80,442	9,410,703
III. Short-term financial assets Revenue reserves	13,530,308	13,530,308	0	0	13,530,308
IV. Revaluation surplus	12,755	15,075	0	0	15,075
V. Net profit or loss brought forward	11,601,091	11,076,898	56,826	-56,826	11,076,898
VI. Net profit or loss for the year	1,990,685	524,193	46,159	-46,159	524,193
B. Provisions and long-term accrued costs and deferred revenues	529,828	459,900	0	0	459,900
C. Long-term liabilities	6,335,780	7,717,543	0	0	7,717,543
I. Long-term financial liabilities	6,335,780	7,717,543	0	0	7,717,543
D. Short-term liabilities	19,154,144	17,853,620	846,723	-396,677	18,303,667
I. Short-term financial liabilities	6,545,672	9,104,882	0	0	9,104,882
II. Short-term operating liabilities	12,608,472	8,748,738	846,723	-396,677	9,198,784
D. Short-term accrued costs and deferred revenues	401,869	172,924	164,395	0	337,319
Total equity and liabilities	65,246,831	62,960,391	1,230,434	-535,550	63,655,274

2.6.16. Intangible assets

in EUR

2016	Long-term property rights	Good will		Long-term deferred costs of development	Other long-term deferred costs and accrued revenue	Acquisitions in progress	Total
Cost							
1. Opening balance	463,046	0		0	62,684	0	525,730
2. Effect of the merger	35,661	0		0	0	0	35,661
Balance as at 31 December 2015 after the merger	498,706	0		0	62,684	0	561,391
1. Acquisitions	49,357	0		0	0	0	49,357
Closing balance	548,063	0		0	62,684	0	610,747
Value adjustment							
1. Opening balance	327,850	0		0	51,921	0	379,771
2. Effect of the merger	5,170	0		0	0	0	5,170
Balance as at 31 December 2015 after the merger	333,020	0		0	51,921	0	384,941
2. Amortisation/Depreciation	57,040	0		0	2,639	0	59,679
Closing balance	390,060	0		0	54,560	0	444,620
Carrying amount							
1. Opening balance	165,686	0		0	10,763	0	176,450
2. Closing balance	158,003	0		0	8,124	0	166,127

2015	Long-term property rights	Good will		Long-term deferred costs of development	Other long-term deferred costs and accrued revenue	Acquisitions in progress	Total
Cost							
1. Opening balance	496,865	0		0	62,684	0	559,549
2. Acquisitions	1,842	0		0	0	0	1,842
4. Disposals		0		0	0	0	0
Closing balance	498,706	0		0	62,684	0	561,391
Value adjustment							
1. Opening balance	283,850	0		0	46,409	0	330,259
2. Amortisation/Depreciation	49,170	0		0	5,513	0	54,682
3. Disposals	0	0		0	0	0	0
Closing balance	333,020	0		0	51,921	0	384,941
Carrying amount							
1. Opening balance	213,015	0		0	0	0	229,290
2. Closing balance	165,686	0		0	10,763	0	176,450

Intangible assets do not have limited property rights and are not pledged as security for liabilities. No intangible assets were acquired with state support.

There are no financial obligations for the payment of intangible assets.

2.6.17. Property, plant, and equipment

in EUR

2016	Land	Buildings	Production equipment	Other equipment	PPE under construction or development	Advances for property, plant and equipment	Total
Cost							
1. Opening balance	9,519,296	31,879,692	39,198,913	1,738,303	73,310	46,694	82,456,209
2. Effect of the merger	0	0	0	12,161	0	0	12,161
Balance as at 31 December 2015 after the merger	9,519,296	31,879,692	39,198,913	1,750,465	73,310	46,694	82,468,370
2. Acquisitions	0	11,021	676,116	57,401	3,590	-46,694	701,434
3. Disposals	-350,000	0	-224,845	-69,566	0	0	-644,411
4. Other	0	0	0	0	-2,400	0	-2,400
Closing balance	9,169,296	31,890,713	39,650,184	1,738,300	74,500	0	82,522,993
Value adjustment							
1. Opening balance	0	13,275,516	30,938,558	1,564,636	0	0	45,778,710
2. Effect of the merger	0	0	0	4,848	0	0	4,848
Balance as at 31 December 2015 after the merger	0	13,275,516	30,938,558	1,569,484	0	0	45,783,558
2. Amortisation/Depreciation	0	951,954	1,631,824	93,937	0	0	2,677,715
3. Disposals	0	0	-224,845	-65,184	0	0	-290,028
Closing balance	0	14,227,470	32,345,537	1,598,237	0	0	48,171,245
Carrying amount							
1. Opening balance	9,519,296	18,604,176	8,260,355	180,981	73,310	46,694	36,684,812
2. Closing balance	9,169,296	17,663,243	7,304,647	140,062	74,500	0	34,351,748

2015	Land	Buildings	Production equipment	Other equipment	PPE under construction or development	Advances for property, plant and equipment	Total
Cost							
1. Opening balance	9,519,296	31,849,788	39,911,173	1,782,237	58,060	0	83,120,554
2. Acquisitions	0	29,904	260,888	62,647	18,600	46,694	418,732
3. Disposals	0	0	-973,148	-94,419	-3,350	0	-1,070,917
Closing balance	9,519,296	31,879,692	39,198,913	1,750,465	73,310	46,694	82,468,370
Value adjustment							
1. Opening balance	0	12,321,347	30,086,529	1,550,595	0	0	43,958,470
2. Amortisation/Depreciation	0	954,169	1,788,168	113,307	0	0	2,855,644
3. Disposals	0	0	-936,139	-94,418	0	0	-1,030,557
Closing balance	0	13,275,516	30,938,558	1,569,484	0	0	45,783,558
Carrying amount							
1. Opening balance	9,519,296	19,528,441	9,824,644	231,642	58,060	0	39,162,084
2. Closing balance	9,519,296	18,604,176	8,260,355	180,981	73,310	46,694	36,684,812

Dinos d.d. secured two large long-term loans and lease with partly pledged real estate and movable property. Impairment was not made on 31 December 2016 and we also did not impair property, plant and equipment and intangible fixed assets in 2016. Fixed assets of the company are insured with an insurance company.

2.6.18. Financial assets

Shares and stakes in Group companies	Share	31.12.2016 in EUR Investment value	31.12.2016 in EUR Value of interest held	31.12.2016 in EUR Net profit
Long-term investments				
1. Investment in DINEKO	100.00%	7,500	6,232	-250
Total long-term investments		7,500	6,232	-250

Shares and stakes in Group companies	Share	31.12.2015 in EUR Investment value	31.12.2015 in EUR Value of interest held	31.12.2015 in EUR Net profit
Long-term investments				
1. Investment in Unirec	100.00%	138,874	219,316	46,159
2. Investment in Dineko	100.00%	7,500	6,482	-254
Total long-term investment		146,374	225,798	45,905

Shares and stakes	Share	31.12.2016 in EUR Investment value	Number of shares	31.12.2015 in EUR Investment value
Long-term investments in other companies				
1. UNIOR d.d.	0.88%	486,502	24,885	575,765
2. ŠTORE STEEL d.o.o.	15.11%	2,292,561	0	2,292,561
3. LIVAR d.d.	3.30%	721,000	200,000	836,000
4. LITOSTROJ JEKLO d.o.o.	0.60%	0	0	70,970
Total long-term investment		3,500,063		3,775,296

As at 31 December 2016, the company's management made an internal valuation of the fair value of the investments and performed an impairment of three investments. As regards investments, for financial data for 2016 could not be obtained, the management commissioned a valuation by a valuer and performed an impairment with the other balances of investments as at 31 December 2016 remaining unchanged. Financial assets are classified as available for sale. In 2016, a merger with the wholly-owned subsidiary Unirec was carried out.

2.6.19. Short-term financial assets

Loans to Group companies	Obrestna mera	Maturity	31.12.2016	in EUR 31.12.2015
Short-term loans				
1. Euro Trend loan		30 June 2017	1,324,223	1,324,223
2. Euro Trend loan - EUR 7,000	1.2%	30 June 2017	7,000	7,000
3. Euro Trend loan - EUR 300,000	1.3%	30 June 2017	300,000	300,000
4. Euro Trend loan - EUR 10,000	1.6%	30 June 2017	10,000	10,000
5. Euro Trend loan - EUR 4,000	1.2%	30 June 2017	4,000	0
6. Euro Trend loan - EUR 20,000	0.99%	10 May 2017	20,000	0
Total short-term loans			1,665,223	1,641,223
Total loans to Group companies			1,665,223	1,641,223

Euro trend d.o.o. owns 50% of Dinos d.d. and is a member of the Scholz Holding GmbH Group. The new loan worth EUR 20,000 was provided to cover current liquidity needs.

2.6.20. Inventories

Inventories	31.12.2016	in EUR 31.12.2015
1. Material	5,728,514	3,062,099
2. Products and merchandise	17,932	64,451
3. Advances for inventories	280,260	385,205
Total inventories	6,026,706	3,511,754
Changes in inventories due to:	2016	2015
- inventory surpluses	337,776	728,359
- inventory shortages	5,607	1,097

Inventories consist of stocks of materials, products and merchandise as well as advances for inventories.

The carrying amount of inventories as at 31 December 2016 was not less than their net realisable value.

The inventory turnover ratio was 19.

Regular inventory count was carried out in 2016 at all locations of Dinos d.d. and during the year monthly control weighing is conducted. Inventory differences are due to the weather impacts and the work process.

2.6.21. Operating receivables

	31.12.2016 in EUR	31.12.2015 in EUR
Long-term operating receivables		
1. Long-term operating receivables due from others	0	266,229
Total long-term operating receivables	0	266,229
Short-term operating receivables		
1. Short-term operating receivables due from Group companies	285,070	135,045
2. Short-term operating receivables due from associated companies	0	310,930
3. Short-term operating receivables due from customers	17,820,172	14,682,604
4. Receivables from interest	274,515	242,725
5. Receivables from dividends and profit participations	0	125,842
6. Receivables due from state and other institutions	569,966	762,186
7. Other advances and security deposits made	21,718	6,235
8. Other short-term receivables	0	69,829
Total short-term operating receivables	18,971,441	16,335,397
Total operating receivables	18,971,441	16,601,626
Trade receivables by maturity	**31.12.2016**	**31.12.2015**
- non-past due	76.02%	71.66%
- overdue up to 30 days	23.10%	25.91%
- overdue up to 60 days	0.41%	1.00%
- overdue up to 90 days	0.09%	0.32%
- overdue up to 120 days	0.12%	0.00%
- more than 120 days overdue	0.26%	1.11%
Total	100.00%	100.00%
Collateralisation of trade receivables	**31.12.2016**	**31.12.2015**
1. Collateralised trade receivables	73.26%	74.00%
2. Non-collateralised trade receivables	26.74%	26.00%
Total	100.00%	100.00%

Receivables are insured with the credit insurance company for up to 90% of the amount.

Value adjustment of receivables as at 31 December 2015 was EUR 169,970. In 2016, an additional value adjustment of EUR 110,123 was made. The final value adjustment of receivables stood at EUR 280,093 as at 31 December 2016.

2.6.22. Cash

		in EUR
	31. 12. 2016	31. 12. 2015
1. Cash in hand	25,952	28,589
2. Cash in transaction accounts	103,311	284,972
Total cash	129,264	313,561

For the purpose of maintaining current solvency revolving loans were raised from BANK 3 in the amount of EUR 2,000,000 and from BANK 6 in the amount of 3,000,000.

2.6.23. Short-term deferred costs and accrued revenue

		in EUR
	31. 12. 2016	31. 12. 2015
Short-term deferred costs and accrued revenue	326,131	50,976
Total short-term deferred costs and accrued revenues	326,131	50,976

As at 31 December 2016, major items of short-term deferred costs and accrued revenues included uncharged revenues in the amount of EUR 289,716, pre-charged licence fees, membership fees, insurance and other liabilities charged and paid in advance in the amount of EUR 11,793, and deferred costs of spare parts of EUR 6,496 and costs of energy for heating purposes in the amount of EUR 4,309.

2.6.24. Equity

					in EUR
Equity	**31.12.2016**	**Merger**	**Increases**	**Decreases**	**31.12.2015**
1. Share capital	2,279,668	0	0	0	2,279,668
2. Capital surplus	9,410,703	80,442	0	0	9,330,261
3. Revenue reserves	13,530,308	0	0	0	13,530,308
4. Revaluation surplus	12,755	0	0	2,320	15,075
5. Net operating profit or loss brought forward	11,601,091	0	11,076,898	0	11,076,898
6. Net profit or loss for the year	1,990,685	0	524,193	0	524,193
Total equity	38,825,210	80.442	11,601,091	2,320	36,756,403

Capital surplus			31.12.2015	Merger	31.12.2016
1. Paid-in capital surplus			9,330,261	80,442	9,410,703
Total capital surplus			9,330,261	80,442	9,410,703

The capital consists of 54,629 ordinary shares.
Nominal value per share equals EUR 42. As at 31 December 2016, the book value of a share amounted to EUR 711 (EUR 673 as at 31 December 2015).
Other reserves were formed from accumulated profit based on resolutions of the General Meeting.
The main change in equity in 2016 refers to net profit for the year in the amount of EUR 1,990,685 and the increase in capital surplus due to the merger worth EUR 80,442.
Net profit for the year remain unallocated as at 31 December 2016.

Ownership structure of capital

Največji lastniki	Share in %	Number of shares
C.I.O.S., d.o.o.	30.01%	16,394
Scholz Holding Gmbh	19.99%	10,921
Euro Trend d.o.o.	50.00%	27,314
Total	100.00%	54,629

2.6.25. Provisions and long-term accrued costs and deferred revenue

	31.12.2016	in EUR 31.12.2015
Provisions for pensions and similar		
1. Severance pay upon retirement	330,518	314,742
2. Jubilee benefits	199,310	145,159
Total provisions for pensions and similar	529,828	459,900

An actuarial calculation of provisions for jubilee benefits and retirement severance pay was made in accordance with IAS 19 by an authorised actuary, taking into account the number of employees as at 31 December 2016.

					in EUR
Changes in provisions	**Opening balance 1.1.2016**	**Drawdown**	**Formation**	**Reduction**	**Closing balance 31.12.2016**
1. Severance pay upon retirement	314,741.76	9,387.60	25,163.91	0.00	330,518.07
2. Jubilee benefits	145,158.73	16,200.21	70,351.71	0.00	199,310.23
Total provisions for pensions and similar	459,900.49	25,587.81	95,515.62	0.00	529,828.30

Changes in provisions	Opening balance 1.1.2015	Drawdown	Formation	Reduction	Closing balance 31.12.2015
1. Severance pay upon retirement	312,460.36	16,175.14	18,456.54	0.00	314,741.76
2. Jubilee benefits	148,741.95	16,322.63	12,739.41	0.00	145,158.73
Total provisions for pensions and similar	461,202.31	32,497.77	31,195.95	0.00	459,900.49

The assumptions considered in the calculation:

- The growth in the average salary at the company for 2016 is estimated at 1.5%, whereas the 2015 estimate of long-term salary growth made by the actuary was 2.5%.
- The calculation of severance pay is related to the years of pensionable service of the employee.
- The nominal long-term interest rate in accordance with the provisions of IAS 19 is estimated at 1.05% for 2016.
- Mortality table of the Slovenian population for 2000-2002 was taken into account.
- The number of employees as at the balance sheet cut-off date was 307.
- The total period of service and the achieved period of service of an employee as at the balance sheet cut-off date.
- The amount of jubilee benefits and severance according to the relevant collective agreement.
- Staff turnover rate.

2.6.26. Financial liabilities

			in EUR
Loans from banks	**Maturity**	**31.12.2016**	**31.12.2015**
Long-term loans			
1. BANK 1 - 5 MILLION	20.01.2018	125,000	625,000
2. BANK 1 - 10 MILLION	20.09.2018	750,002	1,750,001
3. BANK 1 - 4 MILLION	12.06.2017	0	590,910
4. BANK 1 - 2.5 MILLION	12.10.2016	0	0
5. BANK 1 - 3 MILLION	5.04.2016	0	0
6. BANK 2 - 2 MILLION	18.08.2017	0	0
4. BANK 3 - 4 MILLION	30.09.2019	1,400,000	2,200,000
5. BANK 4 - 1.5 MILLION	26.03.2018	125,000	625,000
6. BANK 5 - 4.4 MILLION	10.12.2020	2,650,169	0
Total long-term loans		5,050,172	5,790,911
Short-term loans			
1. BANK 1 - 5 MILLION	31.12.2017	500,000	500,000
2. BANK 1 - 10 MILLION	31.12.2017	1,000,000	1,000,000
3. BANK 1 - 4 MILLION	12.06.2017	590,909	590,909
4. BANK 1 - 2.5 MILLION	12.10.2016	0	384,590
5. BANK 1 - 3 MILLION	5.04.2016	0	333,333
6. BANK 2 - 2 MILLION	31.12.2016	0	0
6. BANK 3 - 4 MILLION	31.12.2017	800,000	800,000
8. BANK 4 - REVOLVING 3.5 MILLION	25.09.2015	0	0
7. BANK 4 - 1.5 MILLION	31.12.2017	500,000	500,000
8. BANK 5 - 4.4 MILLION	31.12.2017	883,389	4,400,000
9. BANK 6 - REVOLVING 3 MILLION	27.09.2017	1,672,000	0
10. BANK 3 - REVOLVING 2 MILLION	30.11.2017	0	0
Total short-term loans		5,946,298	8,508,832
Total loans received from banks		10,996,470	14,299,743

			in EUR
Other loans received	**Maturity**	**31.12.2016**	**31.12.2015**
Long-term loans			
1. LEASING 1	29.03.2018	1,285,609	1,814,244
2. LEASING 2	18.09.2017	0	24,970
3. LEASING 2	12.10.2017	0	2,492
4. LEASING 2	12.10.2017	0	2,491
5. LEASING 2	12.10.2017	0	2,492
6. LEASING 2	6.11.2017	0	29,835
7. LEASING 2	3.12.2017	0	8,011
8. LEASING 3	1.11.2017	0	2,318
9. INTEREST RATE SWAP		0	39,779
Total long-term loans		1,285,609	1,926,632
Short-term loans			
1. LEASING 1	31.12.2017	526,871	506,090
2. LEASING 2	18.09.2017	24,936	35,465
3. LEASING 2	12.10.2017	2,487	3,158
4. LEASING 2	12.10.2017	2,487	3,159
5. LEASING 2	12.10.2017	2,487	3,158
6. LEASING 2	6.11.2017	29,791	34,219
7. LEASING 2	3.12.2017	8,001	8,423
8. LEASING 3	1.11.2017	2,315	2,378
9. INTEREST RATE SWAP		0	0
Total short-term loans		599,374	596,050
Total other loans received		1,884,983	2,522,682

Maturity of financial liabilities		31.12.2016	31.12.2015
1. Up to 1 year		6,545,672	9,104,882
2. From 1 year to 2 years		3,685,611	663,519
3. From 2 years to 5 years		2,650,169	7,054,024
4. Over 5 years		0	0
Total financial liabilities by maturity		12,881,452	16,822,425

Long-term loans as at 31 December 2016 were raised with banks in Slovenia.

Three largest loans collateralised by real estate and movable property are:

in the amount of EUR 10 million, approved on 31 July 2007, due on 20 September 2018, interest rate EURIBOR for three-month deposits plus 0.75% per year, secured by real estate, as at 31 December 2015 the outstanding balance of the loan was EUR 1,750,002.

BANK 1 in the amount of EUR 5 million, approved on 17 October 2006, due on 20 January 2018, interest rate EURIBOR for three-month deposits plus 0.8% per year, secured by real estate, as at 31 December 2016 the outstanding balance of the loan was EUR 625,000.

LEASING 1 in the amount of EUR 4.8 million, approved on 3 November 2009, due on 29 March 2018, interest rate EURIBOR for three-month deposits plus 3.85% per year, secured by bills of exchange, as at 31 December 2016 the outstanding balance of the loan was EUR 1,812,480.

2.6.27. Operating liabilities

		in EUR
Operating liabilities	**31.12.2016**	**31.12.2015**
Short-term operating liabilities		
1. Short-term operating liabilities to Group companies	177,089	252,975
2. Short-term operating liabilities to associated companies	0	0
3. Short-term trade payables	11,424,903	7,842,385
4. Interest	19,808	22,010
5. Liabilities to state and other institutions	305,926	52,761
6. Liabilities to employees	603,396	561,725
7. Short-term operating liabilities from advances	75,778	16,039
8. Other short-term liabilities	1,572	842
Total short-term operating liabilities	12,608,472	8,748,738
Total operating liabilities	12,608,472	8,748,738
Liabilities to suppliers by maturity	**31.12.2016**	**31.12.2015**
- non-past du	75.85%	72.11%
- overdue up to 30 days	23.52%	27.49%
- verdue up to 60 days	0.00%	0.12%
- overdue up to 90 days	0.00%	0.07%
- overdue up to 120 days	0.00%	0.00%
- more than 120 days overdue	0.63%	0.21%
Total	100.00%	100.00%

2.6.28. Short-term accrued costs and deferred revenue

		in EUR
Short-term accrued costs and deferred revenue	**31.12.2016**	**31.12.2015**
1. Unused annual leave	126,746	81,709
2. Short-term accrued costs and deferred revenue	275,123	91,215
Total short-term accrued costs and deferred revenue	401,869	172,924

The major items of short-term accrued costs and deferred revenue as at 31 December 2016 were accrued costs of removal of waste in the amount of EUR 25,114, charged unused annual leave in previous years totalling EUR 126,746 and short-term deferred revenues totalling EUR 248,083.

2.6.29. Intra-group transactions (Scholz Group)

in EUR		
Sales and purchasing	**2016**	**2015**
Sales to Group companies:		
1. CIAL D.O.O.	0.00	96,144.00
2. CENTAR ZA RECIKLAŽO	0.00	344,471.91
3. CE.ZA.R.	67,702.91	361,806.90
4. CHIHO-TIANDE (HK) Ltd	28,013.83	0.00
5. REMAT SCHOLZ S.R.L.	0.00	40,016.06
6. SCHOLZ HOLDING GMBH	11,000.00	76,714.20
7. SCHOLZ RECYCLING GmbH & Co. .KG	846,938.29	0.00
8. SCHOLZ ROHSTOFFHANDEL GmbH	0.00	0.00
9. SCHROTT UND METALLHANDEL M. KATTSCH	734,594.19	1,226,914.96
10. SCHROTT-WALTNER Ges.m.b.H.	80,049.54	28,594.26
11. SRW METALFLOAT GmbH	45,121.43	392,148.47
12. T.YUE (HONKONG) Ltd	14,024.30	0.00
13. UNIREC d.o.o.	0.00	3,390,005.19
Total sales to Group companies	1,827,444.49	5,956,815.95
Purchases from Group companies		
1. CIAL D.O.O.	0.00	12,787.20
2. C.I.B.O.S.	138,395.36	183,654.36
3. CENTAR ZA RECIKLAŽO	540,054.94	1,020,797.47
4. CE.ZA.R.	2,232,498.85	468,259.64
5. DOO »CENTAR ZA RECIKLAŽU »NIKŠIČ	0.00	224,961.75
6. EKO -FLOR PLUS D.O.O.	31,314.60	19,634.82
7. FRITZ KUTTIN Gmbh	253,213,67	26,364.80
8. GEBRÜDER GRATZ GmbH	41,889.40	321,296.30
9. KUTTIN METALL GmbH	351,319.07	664,294.31
10. METIS D.D.	92,486.52	447,326.59
11. SCHOLZ BULGARIA AD	0.00	0.00
12. SCHOLZ HOLDING GMBH	0.00	76,714.20
13. SCHOLZ HONG KONG Ltd	2,966.68	0.00
14. SCHOLZ MANAGEMENT SERVICE	112,716.89	0.00
15. SCHOLZ RECYCLING GmbH & Co. .KG	153,992.09	16,692.51
16. SCHOLZ ROHSTOFFHANDEL GmbH	0.00	68,254.21
17. SCHROTT -WALTNER Ges.m.b.H.	561,359.99	456,758.70
18. SCHROTT UND METALLHANDEL	0.00	0.00

in EUR		
19. SRW METALFLOAT GmbH	10,802.30	171,219.04
20. UNIREC d.o.o.	0.00	3,098,573.88
Total purchases from Group companies	4,523,010.36	7,277,589.78

Receivables and liabilities	**2016**	**2015**
Receivables from group companies		
1. CIAL D.O.O.	0.00	0.00
2. CENTAR ZA RECIKLAŽO	40,000.00	344,471.91
3. CE.ZA.R.	0.00	57,200.77
4. CHIHO-TIANDE (HK) Ltd	22,710.84	0.00
5. REMAT SCHOLZ S.R.L.	0.00	0.00
6. SCHOLZ HOLDING GMBH	11,000.00	0.00
7. SCHOLZ RECYCLING GmbH & Co. .KG	120,404.02	0.00
8. SCHOLZ ROHSTOFFHANDEL GmbH	0.00	0.00
9. SCHROTT UND METALLHANDEL M. KATTSCH	109,042.56	77,844.09
10. SCHROTT-WALTNER Ges.m.b.H.	0.00	0.00
11. SRW METALFLOAT GmbH	0.00	0.00
12. T.YUE (HONKONG) Ltd	0.00	0.00
13. UNIREC d.o.o.	0.00	310,930.28
Total receivables due from the Group companies	303,157.42	790,447.05
Liabilities to Group companies		
1. CIAL D.O.O.	0.00	0.00
2. C.I.B.O.S.	0.00	21,309.04
3. CENTAR ZA RECIKLAŽO	33,890.91	61,954.77
4. CE.ZA.R.	78,898.10	45,724.00
5. DOO »CENTAR ZA RECIKLAŽU »NIKŠIĆ	0.00	0.00
6. EKO -FLOR PLUS D.O.O.	2,182.00	1,264.80
7. FRITZ KUTTIN Gmbh	39,772.20	0.00
8. GEBRÜDER GRATZ GmbH	0.00	0.00
9. KUTTIN METALL GmbH	0.00	85,164.60
10. METIS D.D.	12,162.24	0.00
11. SCHOLZ BULGARIA AD	0.00	0.00
12. SCHOLZ HOLDING GMBH	0.00	35,000.00
13. SCHOLZ MANAGEMENT SERVICE Gmbh	10,000.00	0.00
14. SCHOLZ RECYCLING GmbH & Co. .KG	6,130.18	201.01
15. SCHOLZ ROHSTOFFHANDEL GmbH	0.00	0.00
16. SCHROTT -WALTNER Ges.m.b.H.	12,141.36	0.00

		in EUR
17. SCHROTT UND METALLHANDEL	0.00	0.00
18. SRW METALFLOAT GmbH	0.00	0.00
19. UNIREC d.o.o.	0.00	85,746.51
Total liabilities to Group companies	195,176.99	336,364.73

Loans and borrowings	2016	2015
Loans to Group companies		
1. EUROTREND D.O.O.	1,665,222.77	1,641,222.77
Total loans to Group companies	1,665,222.77	1,641,222.77

The company received adequate payments for all the transactions that took place with the Group companies and was not deprived on the basis of these transactions. Superior companies did not instruct the company to conclude legal transactions that would cause it damage and received no compensation as a result of such transactions.

2.6.30. Off-balance sheet liabilities

		in EUR
Off-balance sheet liabilities	**2016**	**2015**
Bills of exchange received for securing payments	93,967	165,443
Lien on real estate	9,324,470	16,299,743
Guarantees issued	8,109,438	7,375,229
Guarantees received	3,027,503	2,204,804
Building rights	1,001	1,001
Approved, unused revolving loan	3,328,000	5,000,000
Total	23,884,378	31,046,220

2.6.31. Financial risks

Risks related to health and safety at work				
Risk		**Description of the risk**	**Method of Management**	**Exposure**
Financial risks	Solvency (liquidity) risk	Decrease in liquidity reserves for the coverage of operating and financial liabilities	Supervision of the matching of maturities, revolving loan	Moderate
	Credit risk	Irregular inflows	Active supervision of the changes in receivables and liabilities, regular buyer and supplier rating monitoring, security for receivables, recovery of receivable	Moderate
	Price and currency risk	Volatility of prices and the EUR/USD exchange rates	Price hedging using derivatives	Moderate
	Interest rate risk	Sudden rise in the variable part of interest rates	Hiring loans in the domestic currency (EUR) and the interest rates are linked to the EURIBOR	Low

Financial risks

The company identified four risks, namely:

- Solvency risk
- Credit risk
- Foreign exchange risk
- Interest rate risk

Solvency (liquidity) risk

Definition

Solvency – liquidity risk comprises the risks related to a deficit in available financial sources and the resulting inability of the company to fulfil financial and operating liabilities within the agreed deadlines. The responsibility for managing solvency risk lies with the Management Board.

This risk level is assessed as moderate.

Control

The risk of short-term solvency is well under control owing to effective cash management, adequate available credit lines for short-term matching of cash flows (revolving loan), a high level of financial flexibility and good access to financial markets.

We ensure long-term solvency with an adequate financial balance of equity and debt capital and sustainable ability to generate cash flows from operations, improve the structure of maturities of financial liabilities as well as the appropriate capital structure. This risk is assessed as moderately managed.

Credit risk

Definition

Credit risk refers to the risk of default of the counter party, which is reflected in the loss from operations and financing. This risk level is assessed as moderate.

Control

The company has formulated a policy of active credit risk management, which includes the concurrent monitoring of outstanding receivables, limiting the exposure to individual customers through a limit system, charging default interest and using a debt collection policy.

The following procedures are performed in credit risk management:

- The definition of significant receivables and insuring material credit exposure through an insurance company;
- obtaining appropriate security (in terms of granted loans usually securities, mortgage, etc.) for the remaining customers, defining limits for customers depending on the customer's credit rating and estimated annual turnover);
- limits of customers are checked at least once a year;
- checking the creditworthiness of new and existing customers (at least once a year);
- the credit rating department obtains collateral in the form of bank guarantees or letters of credit for customer receivables in classes with high risk, weekly monitoring of outstanding and overdue receivables and the anticipated repayment and recovery.
- Sales to a buyer are suspended when one of the following conditions is met: exceeded limit, overdue receivables by more than 90 days, the customer's bank account is frozen or other external information is obtained indicating significant financial difficulties on the part of the debtor.

Price and currency risk

Definition

It represents a risk if the company performs sales and purchases in the global market. This risk level is assessed as moderate.

Control

The exposure to EUR/USD exchange rate risk arose with the expansion of operations to the global market and is tied to the growth of the group of which Dinos is a part. The company hedges currency risk through the FX forwards through the Scholz Group. As at 31 December 2016, the company recorded no foreign exchange risks. Furthermore, it has no other foreign currency assets and liabilities. We use derivatives primarily to hedge price and currency risks and not for speculative purposes.

Interest rate risk

Definition

Despite the continuation of the process of reducing financial indebtedness to banks, the company is still exposed to the risk of rising interest rates on the money market. The company is exposed to interest rate risk due to variable interest rates. This risk is assessed as low.

Control

All the liabilities arising from borrowings are EUR-denominated and the interest rates are linked to the EURIBOR. The interest rates remain at a low level, in the short term it a rapid increase thereof is not expected. The balance of liabilities arising from borrowings continues to fall in line with amortisation plans. The fixed interest rate as a hedging instrument is currently much higher than the expected interest rates. In the event of major investments and the consequent raising of long-term loans, we use suitable derivatives.

2.6.32. Events after the balance sheet date

We started 2017 in accordance with the plans in terms of quantitative and value realisation, and we even exceeded these plans. The favourable level of prices on the waste raw materials markets continued in Q1 with few adjustments. Economic growth and growth in orders received by our biggest partners was reflected in the increased volume of business of our company. In March, we recorded the biggest monthly realisation in terms of quantities in the history of our company.

In March 2017, improved conditions allowed us to secure two new sources of financing, i.e. a long-term loan and a revolving loan. We used these to finally repay the financial liabilities to two banks and for the purposes of financing current operations.

In 2016 and Q1 of 2017, we fulfilled our financial obligations to other lenders which means that we are now controlling the level of financing costs.

A new Supervisory Board with the following composition was appointed in July 2017:

- President of the Supervisory Board Petar Pripuz;
- member of the Supervisory Board Kai Lohman;
- member of the Supervisory Board Gregor Turk.

There were no events after the reporting date that would materially affect the disclosed financial statements for 2016.

»Learn from yesterday, live for today, hope for tomorrow. The important thing is not to stop questioning.«

(Albert Einstein)

3 Independent Auditor's Report

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This is a translation of the original report in Slovene language

INDEPENDENT AUDITOR'S REPORT

To the Owners of Dinos d.d.

Opinion

We have audited the financial statements of Dinos d.d. (the Company), which comprise the balance sheet as at December 31, 2016, the income statement, the statement of other comprehensive income, the statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company Dinos d.d. as at December 31, 2016 and its financial performance and its cash flows for the year then ended in accordance with Slovenian Accounting Standards.

Basis for opinion

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

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

Other information

Other information comprises the information included in the Annual Report other than the financial statements and auditor's report thereon. Management is responsible for the other information

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. In addition, we assess whether the other information has been prepared, in all material respects, in accordance with applicable law or regulation, in particular, whether the other information complies with law or regulation in terms of formal requirements and procedure for preparing the other information in the context of materiality, i.e. whether any non-compliance with these requirements could influence judgments made on the basis of the other information.

Based on the procedures performed, to the extent we are able to assess it, we report that:

- The other information describing the facts that are also presented in the financial statements is, in all material respects, consistent with the financial statements; and
- The other information is prepared in compliance with applicable law or regulation.

In addition, our responsibility is to report, based on the knowledge and understanding of the Company obtained in the audit, on whether the other information contains any material misstatement. Based on the procedures we have performed on the other information obtained, we have not identified any material misstatement.

Responsibilities of management and supervisory board for the financial statements

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

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis

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of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The supervisory board is responsible for overseeing the Company's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISA will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;

- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control;

- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;

- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern;

- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation;

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

Ljubljana, July 19, 2017

Sanja Košir Nikašinović
Director
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Dunajska 111, Ljubljana

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svetovanje d.o.o., Ljubljana 1

Barbara Tojić Nikolin
Certified auditor

dinos