



# BUSINESS REPORT

Of the SIJ Group and SIJ d.d.  
for the First Half of

# 2019

# Table of contents

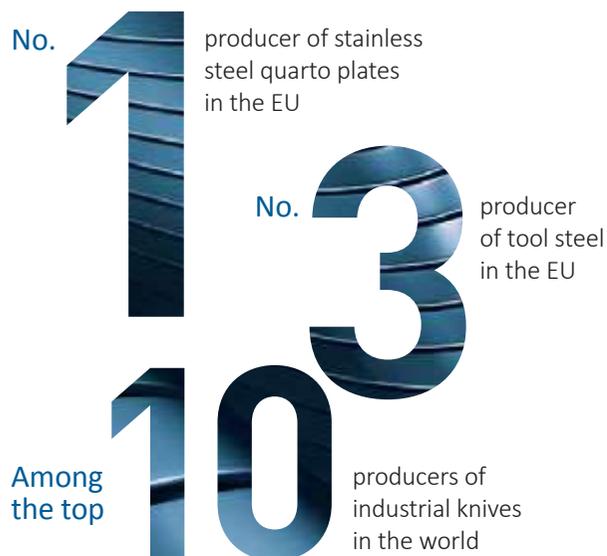
<b>INTRODUCTION</b>	<b>3</b>	<b>FINANCIAL REPORT FOR THE PERIOD ENDING 30 JUNE 2019</b>	<b>23</b>
Operating Highlights	4	Statement of the Management's Responsibility	24
Overview of the SIJ Group	5	Notes to the Consolidated Financial Statements of the SIJ Group and the Financial Statements of SIJ d.d.	25
Overview of the Controlling Company SIJ d.d.	6		
<b>BUSINESS REPORT</b>	<b>7</b>	<b>FINANCIAL REPORT OF THE SIJ GROUP</b>	<b>28</b>
Significant Business Events and Achievements of the SIJ Group in the First Half of 2018	8	Consolidated Financial Statements of the SIJ Group	29
Events after the Reporting Period	10		
Analysis of Operations	11	<b>FINANCIAL REPORT OF SIJ d.d.</b>	<b>43</b>
Analysis of the SIJ Group's Operations	11	Financial Statements of SIJ d.d.	44
Financial Position	15		
Impacts of the External Environment and Opportunities for the SIJ Group	16		
Purchases	17		
<b>Sustainable Development</b>	<b>18</b>		
Natural Environment and Circular Economy	18		
Employees	20		
Local Communities	21		
<b>Risk Management</b>	<b>22</b>		

# 01

## INTRODUCTION

# Operating Highlights

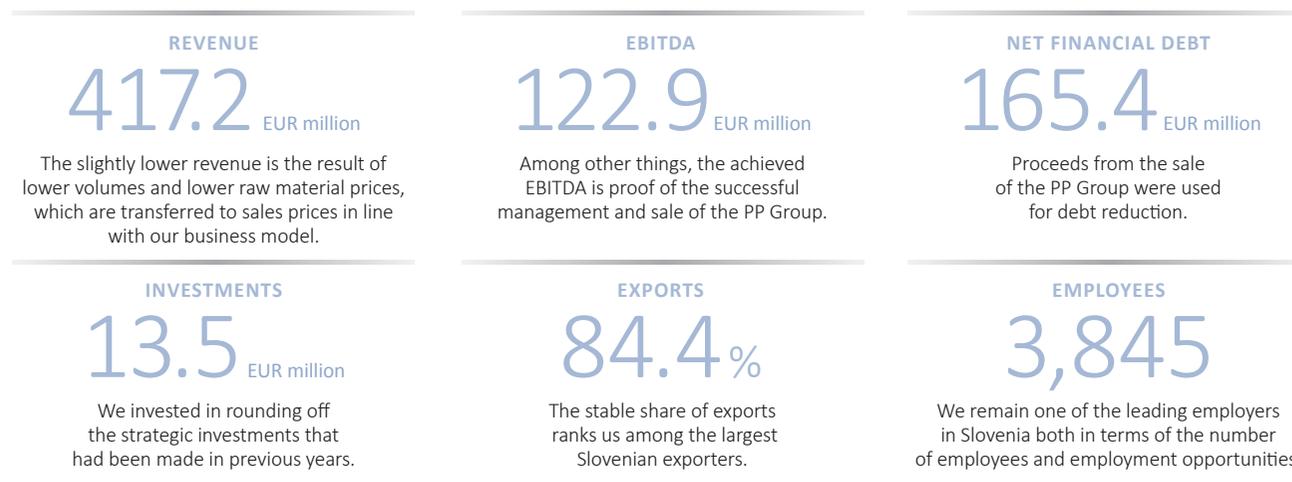
## LEADERS IN NICHE STEEL MARKETS



## VERTICALLY INTEGRATED BUSINESS MODEL

Most of the revenue is generated by steel production, which is connected to other related business divisions – from the collection and sale of steel scrap to steel distribution and its processing into finished products. The semi-finished steel products programme is supplemented by the production of finished metal products with high added value.

## THE FIRST HALF OF 2019 IN FIGURES



## SIJ Group Companies Operate in Five Business Divisions:



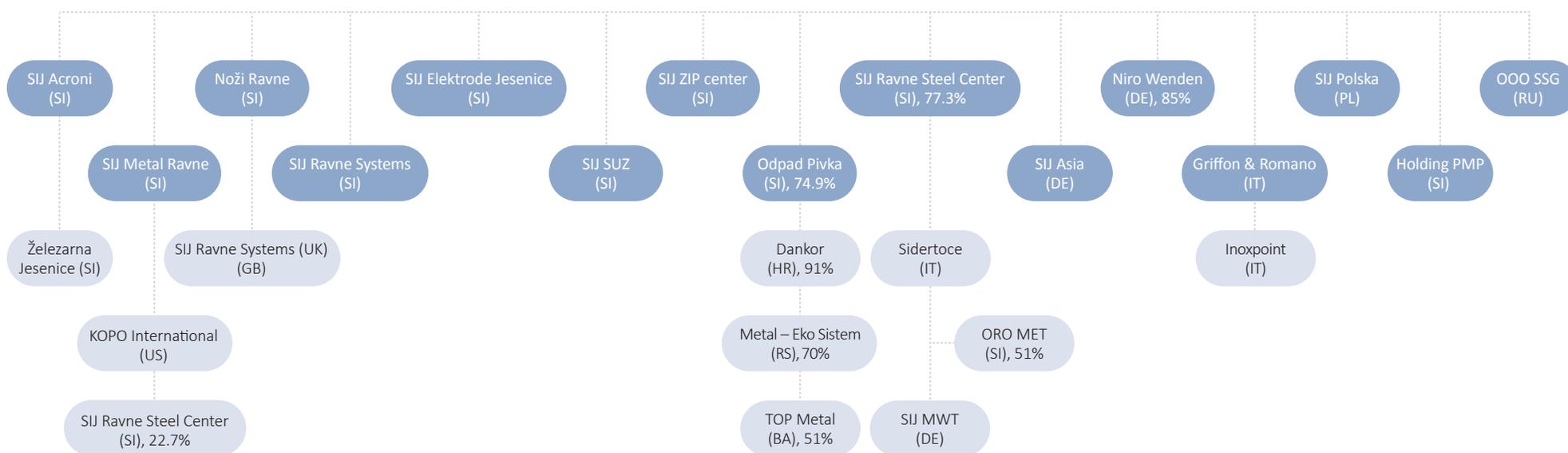
# Overview of the SIJ Group

SIJ d.d. is the controlling company of SIJ Group and has no registered branches. The Management Board of SIJ d.d., together with the executive management team, performs management, guidance, and supervisory activities over the SIJ Group companies in Slovenia and abroad.

SIJ Group consists of 26 companies, 21 of which are established within the European Union, two in countries of the former Yugoslavia, while the remaining companies operate in Eastern Europe and the USA. SIJ d.d. is the sole owner of its subsidiaries. The majority of subsidiaries are established in the form of a limited liability company.

## ORGANISATIONAL STRUCTURE

### SIJ d.d.



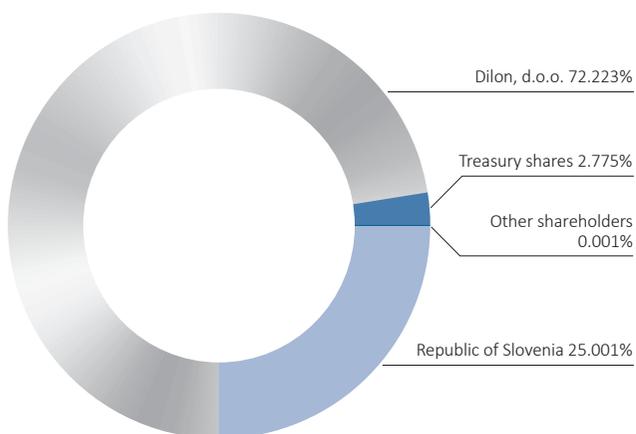
Companies without an indicated percentage of ownership proportion are 100 percent owned by SIJ d.d. or its subsidiaries.

# Overview of the Controlling Company SIJ d.d.

## BASIC INFORMATION ABOUT SIJ D.D.

Company name:	SIJ – Slovenska industrija jekla, d.d.
Abbreviated company name:	SIJ d.d.
Registered address:	Gerbičeva ulica 98, 1000 Ljubljana, Slovenia
Principal activity:	70.100 Activities of head offices
Registered called-up capital:	EUR 145,266,065.76
Number of shares:	994,616 ordinary no-par-value shares

## Ownership structure as at 30 June 2019



## MANAGEMENT AND SUPERVISORY BODIES

### Management Board of SIJ d.d.



**Andrey Zubitskiy**  
President of the  
Management Board



**Tibor Šimonka**  
Member of the  
Management Board



**Igor Malevanov**  
Member of the  
Management Board



**Viacheslav Korchagin**  
Member of the  
Management Board

### Supervisory Board of SIJ d.d.

President of the Supervisory Board:	Evgeny Zverev
Vice-President of the Supervisory Board:	Štefan Belingar
Members of the Supervisory Board:	Mitja Križaj Boštjan Napast Dmitry Davydov Helena Ploj Lajovic Richard Pochon

### Audit Committee

President of the Audit Committee:	Štefan Belingar
Members of the Audit Committee:	Boštjan Napast mag. Alan Maher

# 02

# BUSINESS REPORT

# Significant Business Events and Achievements of the SIJ Group in the First Half of 2019

## FEBRUARY

We launched the first online sales platform of the SIJ Group, which also handles current purchasing habits in the B2B segment. **The online store <http://shop.ravneknives.com> offers industrial knives**, and we also plan to expand the online sales programme in the future.

On 14 February, **the Slovenian Competition Protection Agency adopted a decision stating that the acquisition of Perutnina Ptuj by MHP is compliant with competition rules**. The SIJ Group and MHP were, therefore, able to implement the procedures to finalise the transaction allowing MHP to enter the ownership structure of Perutnina Ptuj.

**The Ukrainian MHP Group**, a leading company in the international agricultural and food processing industry, **obtained slightly more than a 90-per cent share in Perutnina Ptuj on 24 February**. This means that Perutnina Ptuj is no longer a part of the SIJ Group. **The mandates of the existing President of the Management Board of Perutnina Ptuj, Tibor Šimonka, and the Member of the Management Board, Viacheslav Korchagin, have been terminated, but both will continue their mandates as Members of the Management Board of the SIJ Group.**

## APRIL

On 9 April, at the 34<sup>th</sup> meeting of the General Assembly of SIJ d.d., the following **new Members of the Supervisory Board were appointed: Štefan Belingar and Richard Pochon**. On 11 April, Janko Jenko's term of office as Member of the Supervisory Board expired, while Polona Marinko resigned. There were no changes in the terms of office of other Members of the Supervisory Board.

On 12 April, the Supervisory Board of SIJ d.d. appointed **Štefan Belingar as the new Vice-President of the Supervisory Board and as the new Member and President of the Audit Committee**.

## MAY

In addition to supporting top-level sport, the SIJ Group also supports the active endeavours of recreational athletes and enables communities all over Slovenia to exercise on steel outdoor training gyms that are the result of our production. On 23 May, **the local residents of Mozirje**, in cooperation with the Olympic Committee of Slovenia – Association of Sports Federations and with the Olympic athlete Maja Mihalinec, **received the eighth steel outdoor training gym**.



*Donation of steel outdoor sport gym*

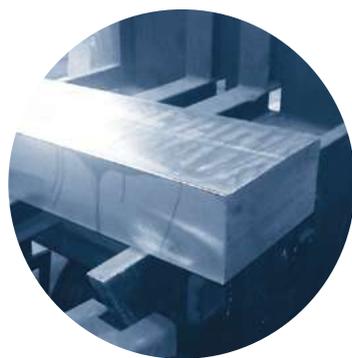
The SIJ Group received five awards in the competition for the best innovations organised by the regional Chambers of Commerce and Industry in Gorenjska and Koroška – two gold and three silver awards. **A superb innovation, the advanced SIHARD S671 – DURAWEAR cold-work tool steel**, will compete for an award at the national level as well as for a special award for innovations that were created in a cooperation between the private sector and a research organisation or institution of knowledge. It is the first steel of its kind in the world – exhibiting better combinations of useful properties with regards to wear resistance, at the same level of alloying.

JUNE

On 5 June, **the regular annual meeting between the European Bank for Reconstruction and Development (EBRD),** under the management of their first Vice-President, Jürgen Rigterink, **and the SIJ Group,** under the management of the President of the Management Board, Andrey Zubitskiy, was held at the headquarters of the SIJ Group. They discussed investment plans and possibilities for cooperation, including EBRD support in further privatisation activities within the ownership of the SIJ Group.

On 6 June, at the final public presentation of the Materials and Technologies for New Applications (MARTINA) **research and development programme,** SIJ Metal Ravne and other project partners presented the **advanced SITHERM S140R tool steel for innovative new generation tools with an extended lifespan.** An international patent application for the innovation has already been submitted to the Slovenian Intellectual Property Office.

With its activities within the **Mind of Steel project,** the SIJ Group enhanced its role as a partner in the field of sports on a local level. From 11 to 24 June, together with Petra Majdič – Mind of Steel ambassador, the former skier and Olympic medalist – the group organised a number of **activities for awakening the “iron will” of more than 170 young athletes and students (school visits and a football camp for children) and also among employees and their families.** The activities took place in the communities in Jesenice and Ravne na Koroškem, where some companies of the SIJ Group are based.



*Innovation: advanced SITHERM S140R tool steel*

On 14 June, SIJ d.d. **published an audited annual report of the SIJ Group and SIJ d.d. for 2018.**

On 14 June, in cooperation with the Olympic Committee of Slovenia – Association of Sports Federations and in the company of the most successful Slovenian athlete and two-time Olympic medalist, Primož Kozmus, **the local residents of Krško** were presented with the **ninth steel outdoor training gym manufactured by the SIJ Group.** Through contact with the outdoor training gym, people learn about the crucial role of steel in sports infrastructure.

On 16 June, a record **4,500 employees of the SIJ Group and their families** poured into the sports park in Jesenice. They took part in the **6<sup>th</sup> SIJ Day** - once again, it proved to be a wonderful and vital sporting and social event. The event had a varied programme, including tributes to the best workers, innovators, and jubilees.

On 20 June, the SIJ Group received the **bronze award in the competition for the best innovations** organised by the Chamber of Commerce and Industry of Slovenia in Central Slovenia for the **application A Minute for Safety.** The application is the result of development within the SIJ Group in the Working Safely, Staying Healthy campaign for improving workplace safety. It allows employees to help improve workplace safety and promotes even more intense efforts to reduce the number of workplace accidents to zero.

# Events after the Reporting Period

## JULY

On 10 July, the **Supervisory Board** held its eighth meeting, at which it considered the audited annual report of the SIJ Group and SIJ d.d. for 2018 and **approved the annual report with the contents that had been drawn up by the Management Board.**

## AUGUST

At the 35th General Assembly of SIJ d.d. on 29 August 2018, the General Assembly has taken note of the SIJ Group and SIJ d.d. Annual Report for 2018 together with Independent Auditor's Report, Supervisory Board Report for 2018 and Information on Remunerations to the Management Board and Supervisory Board for 2018, granted discharge to the Management Board and the Supervisory Board for 2018, and adopted the resolution that the distributable profit for 2018 in the amount of EUR 43,976,225.16 shall remain undistributed.

# Analysis of Operations

## ANALYSIS OF THE SIJ GROUP'S OPERATIONS

### Key Operating Figures

	Unit of measure	1–6 2017	1–6 2018	1–6 2019
<b>Physical ratios</b>				
Cast steel production	t	221,481	260,709	253,769
<b>Financial data</b>				
<b>Revenues</b>	<b>EUR thousand</b>	<b>389,025</b>	<b>426,243</b>	<b>417,191</b>
Exports	%	86.6	84.4	84.4
<b>Operating profit</b>	<b>EUR thousand</b>	<b>20,398</b>	<b>19,052</b>	<b>98,005</b>
<b>EBITDA</b>	<b>EUR thousand</b>	<b>45,653</b>	<b>43,789</b>	<b>122,893</b>
Sale of Poultry Division	EUR thousand	0	0	84,889
EBITDA without sale of Poultry Division	EUR thousand	45,653	43,789	38,005
EBITDA margin	%	11.7	10.3	9.1
<b>Net profit<sup>1</sup></b>	<b>EUR thousand</b>	<b>11,635</b>	<b>18,813</b>	<b>81,160</b>
Capex <sup>2</sup>	EUR thousand	36,999	16,751	13,504
<b>Statement of financial position as at 30 June</b>				
<b>Net financial debt</b>	<b>EUR thousand</b>	<b>345,776</b>	<b>362,182</b>	<b>165,391</b>
SIJ Group	EUR thousand	274,917	280,147	165,391
Business combinations	EUR thousand	70,859	82,035	0
NFD/EBITDA		3.8	3.8	1.3
<b>Employees as at 30 June</b>				
Number of employees		3,655	3,885	3,845

<sup>1</sup> Includes results from discontinued operations.

<sup>2</sup> Investment in subsidiaries are excluded.

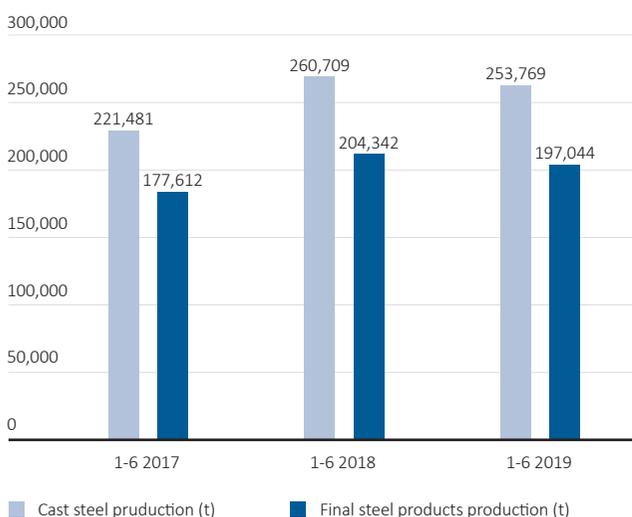
In February, the SIJ Group sold its Perutnina Ptuj shares and thus successfully disposed the Poultry Division in line with its business plans. For the first two months of 2019, the Poultry Division is presented as a discontinued operation, so the SIJ Group is resented without the Poultry Division in the analysis of operations for comparable years.

## CAST STEEL AND FINISHED PRODUCTS PRODUCTION

In the first six months, the production of cast steel in the European Union decreased by 2.4 percent<sup>3</sup>; it was strongly affected by aggressive steel imports from non-European countries. The SIJ Group, which generates the largest share of its revenue on the European market, felt the impact of market trends, i.e. consumption and demand for steel within the European Union.

In the first half of 2019, the total production of cast steel in the SIJ Group was 2.7 percent lower than the production in the same period last year. The production of finished products was 3.6 percent lower as well.

### Production of Cast Steel and Production of Finished Products (in Tonnes)



## LOWER REVENUES, STABLE EXPORTS

Revenues were down two percent compared to the same period in 2018 due to lower steel production volumes and product prices. The negative trend in the prices of raw materials, which started at the beginning of 2019, had a particularly significant impact on prices (raw material prices are transferred to product prices); it was more intense in the second quarter. Raw material prices are currently at their lowest levels in recent years.

### Revenues (in EUR Million) and Share of Exports (in Percent)



The SIJ Group, one of the largest Slovenian exporters, maintained its high level of exports in the first half of the year, generating 84.4 percent of its revenue on foreign markets.

Traditionally, our largest share of revenue is generated in the German market, and this was increased to 24 percent of total exports, which is 1.3 percentage points more than in the first half of 2018.

### Revenue Shares by Markets



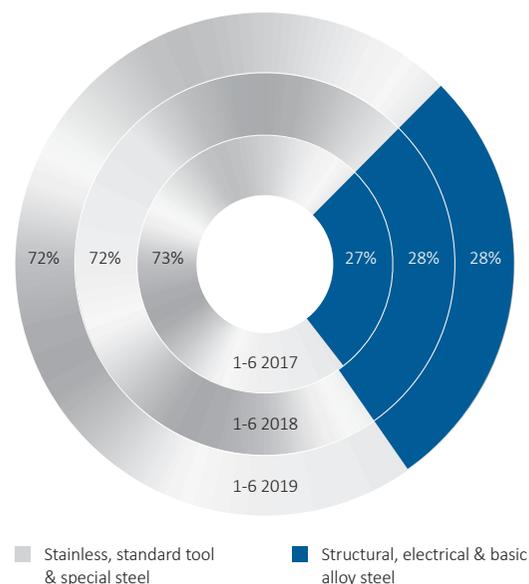
<sup>3</sup> European steel association – Eurofer. July, 2019. Internal documentation: data for association members.

## SPECIALISTS IN STEEL WITH HIGHER ADDED VALUE

The SIJ Group has a clearly defined strategy and is a producer of steel with a higher added value for niche steel markets. Thus, a large part of our assets is used for the development of new steel that is technologically sophisticated and meets the highest standards. By increasing our competitiveness, we are able to maintain leading market shares and cooperate with the most demanding customers.

SIJ Group is ranked as the top supplier of stainless steel quarto plates in the European Union<sup>4</sup>. We are among the three largest producers of tool steel in the European Union<sup>5</sup>.

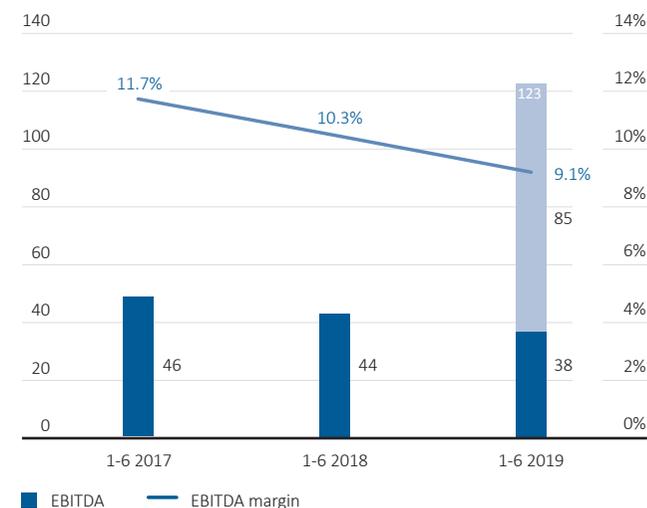
**Sales structure** (in Percent)



## IMPACT OF ONE-OFF EVENTS AND RAW MATERIAL PRICES ON EBITDA

The SIJ Group achieved an EBITDA of EUR 122.9 million in the first half of the year. Among other things, the achieved EBITDA is also proof of the successful management and sale of the PP Group. The impact of the sale of the Perutnina Ptuj on consolidated EBITDA was EUR 84.9 million. EBITDA from continued operations was EUR 38 million.

**EBITDA** (in EUR Million) **and EBITDA Margin** (in Percent)



<sup>4, 5</sup> European steel association – Eurofer. July, 2019. Internal documentation: data for association members.

The low operating result was caused by several factors. The most significant factor for the reduction was incident in SIJ Acroni that harmed a vital part of production. The reasons for their occurrence have been identified and eliminated.

In the first half of 2019, the lower EBITDA was largely caused by lower sales volumes of the Steel Division. The impact of costs on operations amounted to EUR 2.6 million, with the major part of the deviations arising from an increase in variable costs, especially for refractory materials and the energy required in steel production.

The negative impacts were partly neutralised by improving the structure of sales and the net effect between sales prices and the purchase prices of strategic raw materials. Despite all the efforts, the total negative impact of all parameters in the Steel Division amounted to EUR 4.8 million.

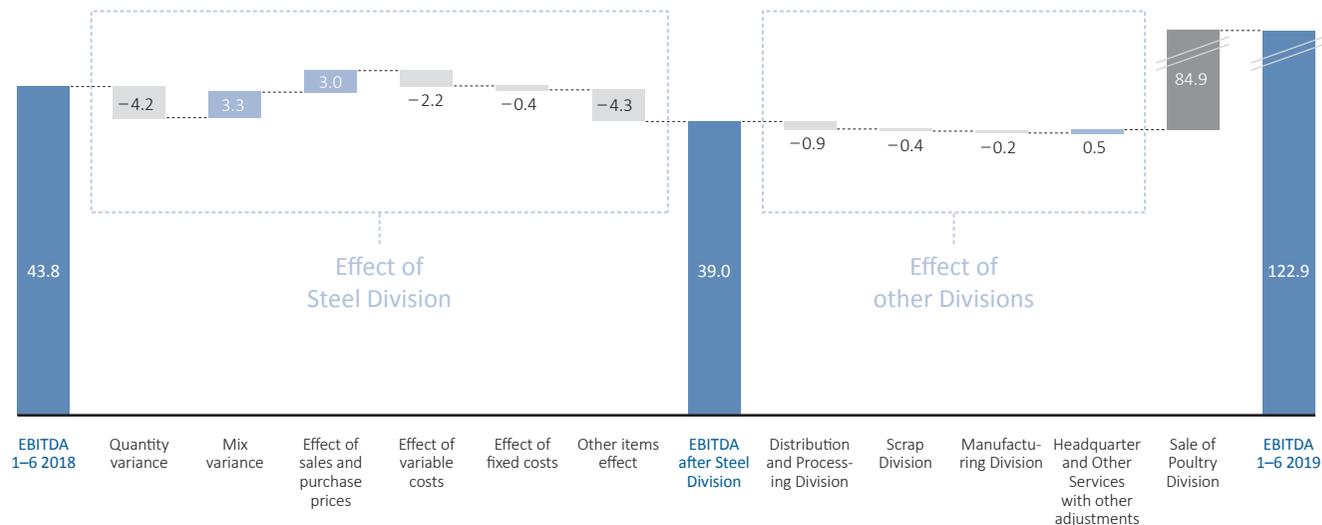
Lower volumes in the Steel Division adversely affected Scrap and Distribution Divisions, which are strongly dependant on the Steel Division's performance.

### HEAVILY REDUCED NET FINANCIAL DEBT

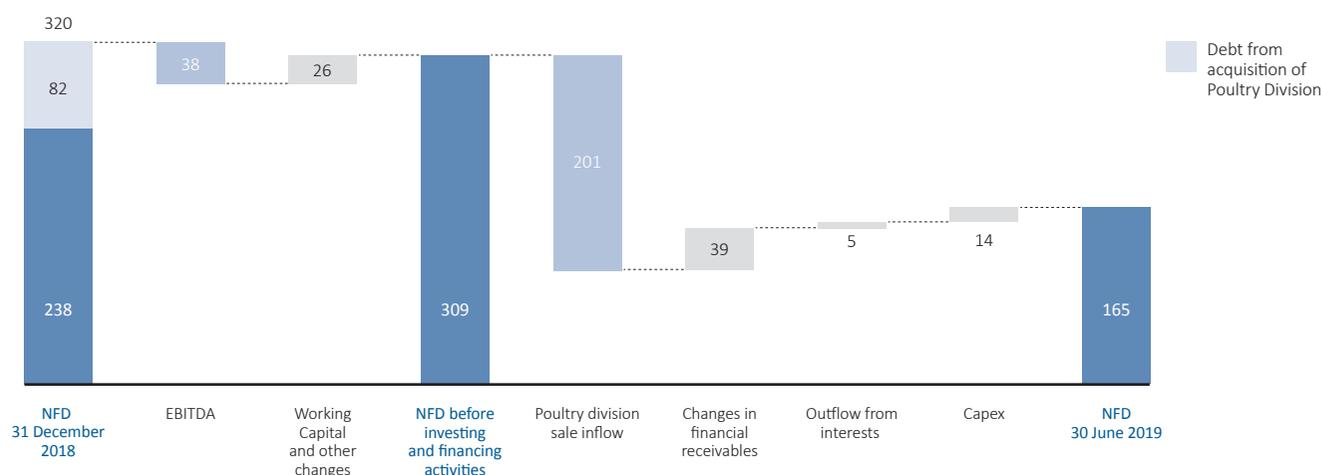
As expected, the net debt of the SIJ Group decreased in the first half of the year, largely due to the sale of the Group's Poultry Division. At the end of June, it amounted to EUR 165 million, which is EUR 155 million less than at the end of 2018.

We spent half of EBITDA on investments and interest payment. Due to the planned slow-down of investment cycle after a decade of intensive investments, the volume of investments will remain low in 2019, and the SIJ Group will continue to reduce its debt in the coming years in line with its long-term strategy.

### EBITDA Bridge (in EUR Million)



### NFD Bridge (in EUR Million) as at 30 June 2019



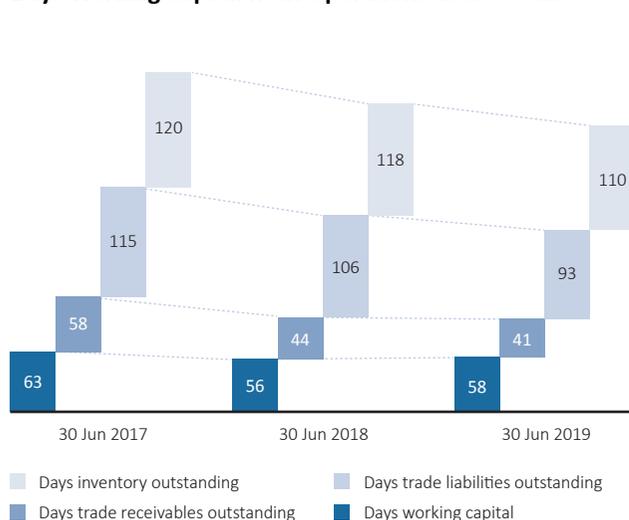
## FINANCIAL POSITION

### STABLE MANAGEMENT OF WORKING CAPITAL

The SIJ Group pays appropriate attention to the management of working capital. Yearly changes in working capital are managed with approved credit lines, while receivables and liabilities are actively and effectively monitored on a daily basis.

Working capital turnover remained at approximately the same level as in previous years. With active management of trade receivables, we further shortened the period of days trade receivables outstanding. The turnover of payables decreased mainly due to the shorter payment terms from the suppliers of auxiliary materials. Better inventory management also shortened our days of inventories outstanding.

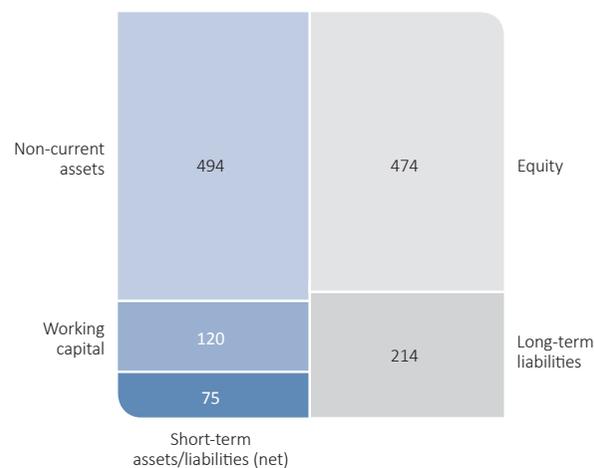
#### Days Working Capital from Operations as at 30 June



### HIGH SHARE OF CAPITAL AND LONG-TERM FUNDS

With its very high share of capital and by ensuring long-term sources of financing, the SIJ Group will continue to maintain a stable structure of assets and liabilities since these cover all liabilities to long-term funds and all needs for working capital. The SIJ Group will continue implementing its existing financial policy, namely to use long-term funds to pursue its investment strategy and largely also working capital, while minimal short-term sources of funding will be used to balance seasonal fluctuations in working capital.

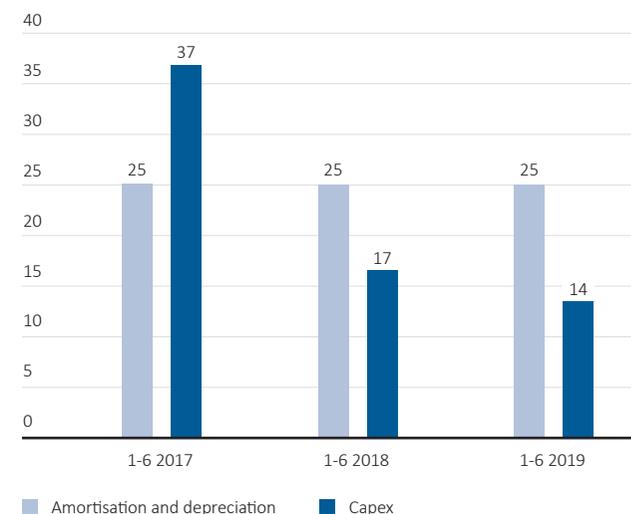
#### Structure of Financial Position (in EUR Million) as at 30 June 2019



### INVESTMENTS AS AN EXTENSION OF THE PREVIOUS YEAR'S CAPEX PROGRAMME

For the second year in a row, after an intensive investment cycle, the SIJ Group has been implementing smaller investment projects as an extension of larger investments from previous years aimed at optimising production and projects for maintaining machinery capacity. In the first half of 2019, capex was down by EUR 3.2 million in comparison to the same period last year, which is in line with our strategy. Amortisation and depreciation remained at a comparable level since we had not carried out larger investments.

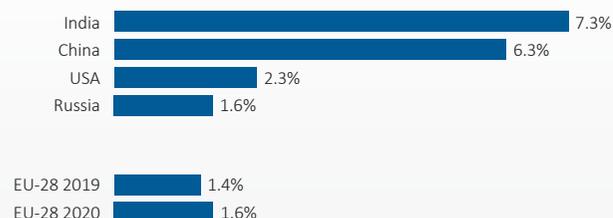
#### Amortisation and Depreciation Costs and Capex (in EUR Million)



# IMPACTS OF THE EXTERNAL ENVIRONMENT AND OPPORTUNITIES FOR THE SIJ GROUP

## GLOBAL ECONOMY TRENDS

### Forecasts for economic growth in 2019



### Observations and Trends

**3.3** % global growth (GDP) in 2019 and forecast for continuing growth in 2020

### Impacts and Opportunities

- Strengthening and deepening relationships with existing customers.
- Increasing sales activities in new markets (Middle East, Eastern Europe).
- Brexit: in 2019, we do not expect a direct impact of Brexit on the demand for our products.
- Searching for the possibilities of producing new products with high added value.

## TRENDS IN STEEL DEMAND

### Growth of steel consumption in 2019



### Growth of steel demand



### Observations and Trends

**2.4** % drop in the growth of EU steel production in the first five months of 2019

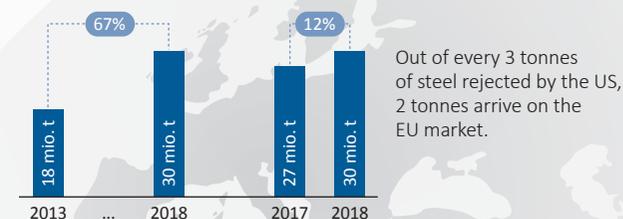
**5.0** % growth of global steel production in the first five months of 2019

### Impacts and Opportunities

- Sales promotion with existing customers and development of new sales activities.
- Prudent understanding of customer needs and searching for satisfactory production offers.
- Monitoring the development of market activities and searching for new business opportunities.

## GLOBAL PROTECTIONISM

### Steel imports to the EU



### Observations and Trends

**456** % tariffs (3 July 2019) on imports of steel products that are produced in Vietnam and that use steel from South Korea and Taiwan as raw material

**4** billion euros in savings on duties with the signing of the trade agreement between the EU and Mercosur countries (28 June 2019)

### Impacts and Opportunities

- Renewing of already established exemptions from US steel import duties.
- Encouraging US customers to support the exemptions of the SIJ Group.
- New opportunities in the markets of South America with an easier access to the Mercosur trade block (Argentina, Brazil, Paraguay, Uruguay).

#### Sources:

European Commission. May 2018. European Economic Forecast, Spring 2019. [Accessible at](#) (10 July 2019).

International Monetary Fund. April 2019. World Economic Outlook. [Accessible at](#) (10 July 2019).

Bloomberg. July 2019. U.S. Slaps Import Duties of More Than 400% on Vietnam Steel. [Accessible at](#) (10 July 2019).

European Commission. June 2019. EU and Mercosur reach agreement on trade. [Accessible at](#) (10 July 2019).

## PURCHASES

The prices of raw materials have a significant impact on the performance of the SIJ Group, while the availability risks of raw materials are managed through long-term strategic relationships with key suppliers. The key raw materials for the Steel Division, for the manufacturing of stainless and special steel, are scrap steel, alloy scrap, and ferro-alloys, while raw materials for companies in the Manufacturing Division include steel products and welding materials. Supplier management exceeds the scope of the price aspect when it comes to providing raw materials for production. Other factors, such as the timeliness of deliveries, quality, and responsiveness, which support our competitive advantages, are also significant.

The first half of 2019 was marked by a decline in economic growth, particularly in China, the trade war, the import duties that had been imposed on imports of steel and aluminium into the US last year and the related retaliation measures of other countries, and the decline of the automotive industry, which all had a significant impact on the demand for steel on a global level. Developments in the external business environment have a significant effect on raw material markets: in the first half of the year, the demand for alloys decreased despite the fact that steel production remained high. For this reason, a surplus has been created for some raw materials, while this imbalance has decreased for others that were expected to have a shortage. The negative trend in the prices of raw materials, which started at the beginning of 2019, continues and was more intense in the second quarter. Prices are currently at their lowest level in recent years.

### STEEL SCRAP RECYCLING

The Steel Division of the SIJ Group produces steel from recyclable material. The main raw material is steel scrap.

Like other raw materials, *steel scrap prices* followed a negative trend, particularly in the second quarter of 2019, but they nevertheless remain at a relatively high level. A significant problem was the availability of scrap of higher quality, as the quantity of industrial returns decreased.

### FLUCTUATIONS IN FERRO-ALLOY PRICES

In addition to secondary raw materials (stainless and non-alloy steel scrap), the key raw materials for the production of stainless and special steel are nickel, chromium, molybdenum, vanadium, silicon, and manganese. Vanadium, as a key element in the production of the most demanding tool steel and in the production of the most profitable programmes of the SIJ Group, continues its negative trend after having reached record price levels in November of last year. The price is currently four times lower.

*Nickel* is one of the raw materials that were expected to see a shortage. Additionally, the price of this raw material does not solely depend on physical trading, because conditions on financial markets also have a significant effect on its price trend. The price of nickel grew in the first quarter and fell in the second. Moreover, the decline in nickel stocks stopped; in last two months of the first halfyear, there was an increase in stocks on the Shanghai Stock Exchange, while stocks on the London Stock Exchange remain low.

### RESPONSIBLE CONSUMPTION AND RE-USE OF OTHER RAW MATERIALS

Even though *graphite electrodes and refractory materials* are not raw materials, they are significantly influenced by any overheating of the economy and by prices on raw materials markets, and they represent a substantial cost for the Steel Division of the SIJ Group.

For example, in 2018, the price of graphite electrodes tripled compared to the average in the previous year, while in the first half of this year, the situation on these two markets slowed down in terms of availability compared to the previous two years, but the price levels have remained significantly higher, which has led to higher production costs.

The SIJ Group devoted special attention to reducing the use of refractories and graphite electrodes last year. By repairing and reusing the electrodes, we generated savings while reducing the impact on the environment. The worn-out refractory bricks are crushed and reused for furnace protection. These activities were also carried out in the first half of 2019.

### Harmonising Purchases and Sales

*The prices of raw materials have a significant impact on the performance of the SIJ Group. The SIJ Group manages this with a business model involving additional payments for alloys, which are passed through to sales prices. The time delay in the pass-through is mitigated by effecting timely purchases.*

# Sustainable Development

Non-financial operations of SIJ d.d. and the SIJ Group are integrated into the foundations of our operations. The SIJ Group is aware that all financial and non-financial success is based on engagement and responsible work with regard to all stakeholders.

## NATURAL ENVIRONMENT AND CIRCULAR ECONOMY

Reducing our carbon footprint, water consumption, and energy per ton of produced steel, reducing the quantity of municipal waste per employee, diligent assessment of environmental impacts in project planning, and other aspects of responsible conduct show the sustainable orientation of the SIJ Group.

The use of secondary raw materials and the logical inclusion of by-products in our own production and for use in other industries, as well as the integration between the companies of the Group and with other companies, place the SIJ Group among the stakeholders that achieve and promote a circular economy.

## RE-USE OF STEEL SCRAP AND A SMALLER CARBON FOOTPRINT

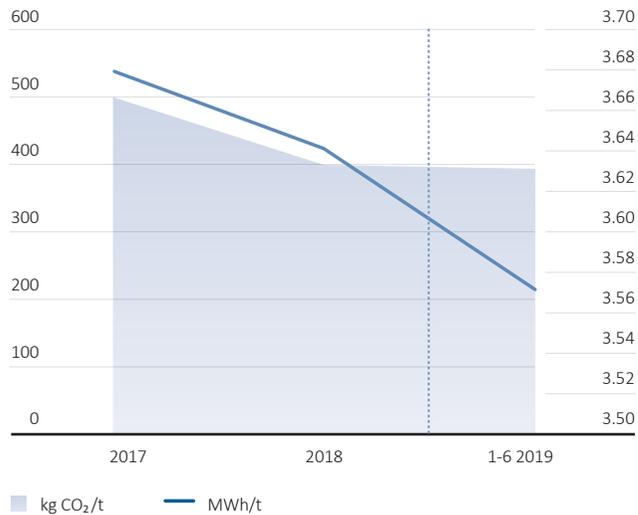
Compared to global iron and steelworks that, according to data of the World Steel Association, on average emitted 1,830 kilograms of carbon dioxide per tonne of produced steel in 2018, our emissions in 2018 amounted to 401 kilograms per tonne and are comparable to modern recycling steelworks. In the first half of 2019, according to the report

### Stakeholders of Sustainable Development of the SIJ Group



of the World Steel Association for 2018, the SIJ Group with 393 kg CO<sub>2</sub>/t of final product was among 15 percent of the most efficient steel producers taking part in the measurements. The lower emissions of the SIJ Group's steelworks compared to the so-called integral ironworks, for which ore is the basic input raw material and coke is the energy source, are primarily facilitated by an operation that follows the principles of the circular economy, in which steel scrap is used as the basic raw material for steel production.

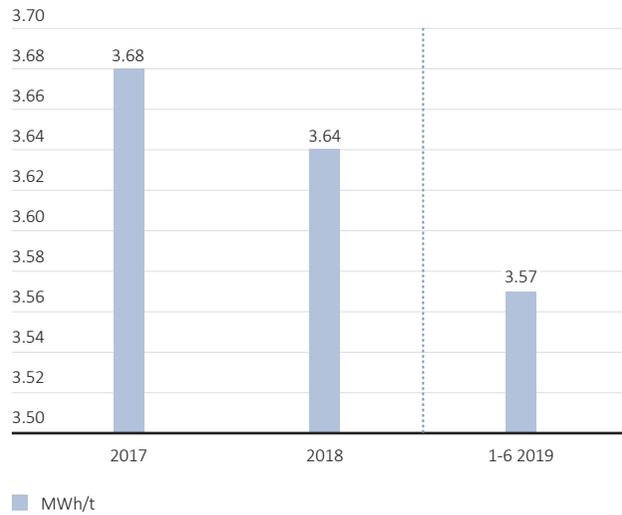
### Energy and carbon footprint



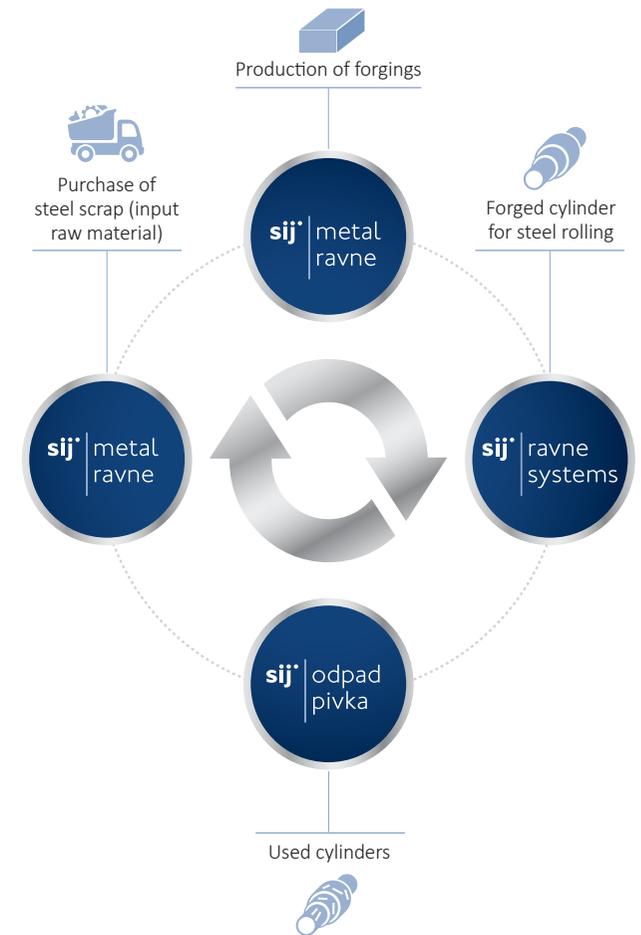
### REDUCING SPECIFIC ENERGY CONSUMPTION

The efficiency of energy consumption is monitored and managed through a unified centralised energy management IT system. In the first half of 2019, energy consumption was down 1.9 percent compared to the same period last year. The reduction in specific energy consumption was primarily achieved through improved yield and the optimisation of processes.

### Reducing specific energy consumption



### An Example of Circular Economy in the SIJ Group



## EMPLOYEES

### Key data regarding employees as at 30 June

	30 June 2017	30 June 2018	30 June 2019
Number of employees	3,655	3,885	3,845
Average age (in years)	43.6	41.1	40.2
Share of women (per cent)	17.0	16.5	16.7
Number of disabled persons	327	327	338
Proportion of employees with at least secondary education	46.0	46.1	46.4
Sick leave (%)	6.5	6.3	6.7
Number of accidents	101	77	81
Factor of the frequency of accidents: F2	31.7	26.0	27.0

The SIJ Group and its companies are among the most important employers in Slovenia. The SIJ Group companies employ more than one third of the active population in the municipality of Ravne na Koroškem and almost one fifth of the active population in Jesenice. Thus, we are considered to be a pillar of employment in the regions of Gorenjska and Koroška.

At the end of the first six months of the year, the SIJ Group employed 3,845 people, which is 40 fewer than in the same period last year. The average age of employees in the Group is gradually declining and amounted to 40.2 years in the first half of the year. Due to the specifics of working in production, SIJ Group employees are predominantly men. The share of women remains at the same level as last year, at 16.7 per cent.

Sick leave in the first half of the year in the SIJ Group reached 6.7 percent, with increased, 81 accidents at work.

### HEALTH AND SAFETY AT WORK

Due to the high average age of employees, the labour intensity in the industry in which we operate, and the management of sick leave and work-related accidents, the SIJ Group pays special attention to measures that ensure safety at work and the protection of health. For the fourth year in a row, within the framework of the Working Safely, Staying Healthy campaign, we have supported systemic measures to ensure safety at work and raised awareness among our employees regarding their role in ensuring health and safety at work.

On 1 January, companies in the Steel Division and Manufacturing Division introduced a single application for recording reports on the implementation of the preventive security protocol A Minute for Safety, which enables a direct and up-to-date dialogue on health and safety at work among employees, other professionals, and the Management Board and thus actively creates better conditions for safe

work and strengthens the culture of safety. We also carried out many other related activities.

In comparison with the first half of 2018 the accident frequency at work worsened slightly. Since we have been putting significant effort into raising the awareness of our employees and carried out additional activities in the first half of the year to collect feedback from our employees regarding the improvement of working conditions, we expect to see improved results in the second half of the year.

**ZNAMO  
VARNO,  
ZMOREMO  
ZDRAVO!**

### Rewarded Innovation

*The application A Minute for Safety is the result of development within the SIJ Group in the Working Safely, Staying Healthy campaign for promoting workplace safety. The application received a bronze award for innovation from the Chamber of Commerce and Industry of Slovenia – Chamber of Central Slovenia.*

## LOCAL COMMUNITIES

Sponsorships and donations, which we primarily dedicate to selected projects in local communities where we operate, are a vital part of the sustainable operations of the SIJ Group. In 2019, we launched a project for enhancing and strengthening relations with organisations sponsored in the Mind of Steel campaign, which is linked to all sponsorship activities, especially in sport.

### Purpose of Participation in Socially Important Projects



### REVIVING MIND OF STEEL IN SPORT

The SIJ Group supports top-class sport achievements *at the national level* through a partnership with the Olympic Committee of Slovenia (OCS) concluded for the Olympic cycle that lasts until 2022. In the first half of 2019, we launched a project for manufacturing a new Slovenian Olympic torch made of steel, which will also bring Mind of Steel values to the 2020 Olympic Games in Tokyo. Within the OCS programme for promoting sport for all, we jointly continued the project of setting up steel outdoor training gyms with the goal of »reviving the mind of steel« in the people of local communities who want to test their capabilities while also promoting steel as a material that is used in sports infrastructure. In the first half of the year, we donated steel outdoor training gyms to the citizens of Mozirje and Krško, and we are planning to set them up in Postojna and Ptuj by the end of the year. Thus, we will have donated 11 steel outdoor training gyms for outdoor fitness to local communities in the last four years.

*At the local level*, we again support mass sport programmes in the communities at Ravne na Koroškem and Jesenice, which also involve SIJ Group employees and their family members. Swimming, volleyball, football, hiking, and other forms of recreation are included. Socialisation among employees also takes place in the SIJ Sports Club. In cooperation with OCS, we awarded four children of employees – young athletes with potential – annual sports scholarships and facilitated mentoring by Petra Majdič, the former Olympic cross-country skier and medalist.

Together with the mass sport partners at the local level and the Mind of Steel ambassador, Petra Majdič, we »revived

the mind of steel« of 170 young people and recipients of sports scholarships at three motivational workshops, while more than 4,500 employees and their children took part in the 6<sup>th</sup> SIJ Day.

### PRESERVATION OF STEEL CULTURAL HERITAGE

*In the field of culture*, we dedicate special attention to partnerships for the preservation of steel cultural heritage. In Jesenice, we have launched activities to celebrate the 150<sup>th</sup> anniversary of Kranjska industrijska družba (Kranj Industrial Company) and the 50<sup>th</sup> anniversary of the foundation of Slovenian Steelworks, the early predecessor of companies belonging to the SIJ Group today. In Ravne na Koroškem, the SIJ Group is part of an organising committee for the commemoration of the 400<sup>th</sup> anniversary of the steel industry in the Mežica Valley in 2020. Together with the Faculty of Natural Sciences and Engineering of the University of Ljubljana and the National Museum of Slovenia, we are involved in the preparation of the national exhibition »Kozapoje kovina« (When Metal Sings).

By supporting professional conferences, with sponsorships, and donations to educational establishments in technical professions, as well as with various competitions for young people, we are promoting the development of metallurgy and steel production and the developmental opportunities of the wider steel industry.

# Risk Management

The SIJ Group has established a comprehensive risk management system. The identification, monitoring, control, and risk management is carried out centrally and is based on a well-rounded and systematic process of planning, coordinating, and reporting. The risk management process is established at all levels of business management and decision-making, and priorities are determined according to the probability estimates for the occurrence of a particular risk and the impact assessment of individual risks on performance.

We monitor and regulate risks in research and development, financial risks (liquidity, credit, exchange rate, and interest rate risks), commercial risks (purchasing, sales, investment, quality-related risks), environmental, IT, HR, reputation and goodwill risks, and legal risks.

In the SIJ Group, identifying and analysing opportunities and managing risks is a continuous process that enables risk reduction and prompt remedies. Thus, we are also monitoring risks in 2019 and do not expect them to have any negative effects on operations.

## Opportunities and Risk Management System at the SIJ Group





# FINANCIAL REPORT

For the Period ending 30 June 2019

# Statement of the Management's Responsibility

The Management Board is responsible for the preparation of the consolidated financial statements and the financial statements of SIJ d.d. (hereinafter: financial statements) for the first half of 2019, together with accounting policies and notes, which give, to the best of its knowledge and belief, a fair view of the development and results of the Group's operations and its financial position, including the description of material risks that the Group is exposed to.

The Management Board confirms that appropriate accounting policies have been applied consistently in the preparation of the financial statements, that accounting estimates were prepared based on the principles of fair value, prudence and sound management and that the financial statements give a true and fair view of the Group's financial position and the results of its operations in the first half of 2019.

The Management Board is also responsible for appropriate accounting and for taking adequate measures to protect the Group's property and other assets, and confirms that the financial statements, together with the notes thereto, have been prepared on the going concern assumption and in accordance with applicable legislation and International Financial Reporting Standards as adopted by the European Union.

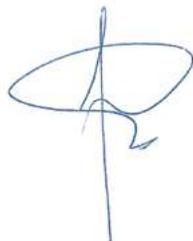
Anytime within 5 years after the end of the year in which the tax assessment should be made, the tax authorities can inspect the operations of the Group. This can result in the occurrence of additional tax liabilities, default interests and fines based on corporate income tax or other taxes and duties. No circumstance which could result in possible liability of this type is known to the Management Board.

Ljubljana, 30 August 2019

**Andrey Zubitskiy**  
President of the Management Board



**Tibor Šimonka**  
Member of the Management Board



**Igor Malevanov**  
Member of the Management Board



**Viacheslav Korchagin**  
Member of the Management Board



# Notes to the Consolidated Financial Statements of the SIJ Group and the Financial Statements of SIJ d.d.

## REPORTING ENTITY

SIJ – Slovenska industrija jekla, d.d. (hereinafter: SIJ d.d. or controlling company or the Company) is a company with its registered office in Slovenia. Its registered address is at Gerbičeva ulica 98, 1000 Ljubljana.

Given below are the unaudited consolidated financial statements of the SIJ Group and the financial statements of SIJ d.d. for the period ending 30 June 2019. The consolidated financial statements include financial statements of the controlling company, its subsidiaries and its shares in associates.

The consolidated financial statements for a selected group of subsidiaries are compiled by SIJ d.d. The consolidated financial statements for the wider group of subsidiaries are compiled by DILON Cooperatief U. A. DILON Cooperatief U. A. didn't compile consolidated financial statements for the first half of 2019. The consolidated annual report for 2018 is available at the registered office of DILON Cooperatief U.A., Luna Arena, Herikerbergweg 238, 1101 CM Amsterdam Zuidoost, Amsterdam, the Netherlands.

## BASIS OF PREPARATION

### Statement of Compliance

The financial statements for the first half of 2019 have been prepared in accordance with the adopted by the EU International Financial Reporting Standards (IFRS) with associated notes, which are being adopted by International Accounting Standards Board (IASB), and the interpretations of the IFRS Interpretations Committee (IFRIC), as well as in accordance with the Companies Act (ZGD).

In the preparation of financial statements for the first half of 2019 the same accounting policies were considered as in the preparation of financial statements for 2018. All the prior period errors have also been taken into account. Therefore, the calculation of net profit

from discontinued operations has been adjusted also in the report for the first half of 2019 (Note 8).

The financial statements in the report are expressed in thousands of euros. Due to the rounding off of value amounts, there may be insignificant deviations to the sums given in tables.

### Basis of Measurement

The financial statements have been prepared based on historical cost, except for financial instruments which are measured at their fair value or amortised cost.

### Functional and Presentation Currency

The financial statements in this report are presented in thousands of euros; the euro is also the functional currency of the Group's controlling company which compiles consolidated financial statements.

### Application of Estimates and Judgments

The preparation of consolidated financial statements requires the management to make estimates, judgments and assumptions that influence the disclosed amounts of assets and liabilities, the disclosed contingent assets and liabilities on the day of the preparation of the consolidated financial statements, and the disclosed amounts of income and expenses during the reporting period.

Since estimates are subject to subjective judgments and a level of uncertainty, the subsequent actual results can differ from those estimated. Estimates are reviewed on an ongoing basis. Amendments to the accounting estimates are recognised during the period in which the estimates were revised if the amendment only applies to this period, or during the period of the amendment and future periods if the amendment applies to future periods.

Estimates and assumptions are included in at least the following judgments:

- estimate of the useful life of assets subject to depreciation;
- impairment test of assets;
- estimation of the fair value of assets;
- estimate of provisions for employee post-employment and other long-term benefits;
- estimate of the possibility for realisation of deferred tax assets.

## COMPOSITION OF THE GROUP OF RELATED PARTIES

The consolidated financial statements of the SIJ Group include the financial statements of the controlling company and the financial statements of the companies of the SIJ Group. The group of companies in which the controlling company holds financial investments includes the following:

in EUR thousand	Activity	% of voting rights	Value of assets as at 30 June 2019	Value of equity as at 30 June 2019	Profit (loss) for the period ending 30 June 2019
<b>Controlling company of the Group</b>					
SIJ – Slovenska industrija jekla, d. d., Gerbičeva ulica 98, Ljubljana, Slovenia	Activities of head offices		463,533	325,177	122,352
<b>SIJ d.d. – subsidiaries</b>					
SIJ ACRONI d.o.o., Cesta Borisa Kidriča 44, Jesenice, Slovenia	Steel production	100	436,270	182,438	428
SIJ METAL RAVNE d.o.o., Koroška cesta 14, Ravne na Koroškem, Slovenia	Steel production	100	224,315	89,381	1,274
NOŽI RAVNE d.o.o., Koroška cesta 14, Ravne na Koroškem, Slovenia	Industrial knives production	100	8,540	459	(197)
SIJ ELEKTRODE JESENICE d.o.o., Cesta železarjev 8, Jesenice, Slovenia	Welding materials production	100	10,731	2,833	(436)
SIJ SUZ d.o.o., Cesta Borisa Kidriča 44, Jesenice, Slovenia	Drawn wires production	100	6,733	2,799	107
SIJ ZIP CENTER d.o.o., Koroška cesta 14, Ravne na Koroškem, Slovenia	Education and training of the disabled	100	2,426	753	41

Continuation of the table →

Continuation of the table

in EUR thousand	Activity	% of voting rights	Value of assets as at 30 June 2019	Value of equity as at 30 June 2019	Profit (loss) for the period ending 30 June 2019
ODPAD d.o.o. Pivka, Velika Pristava 23, Pivka, Slovenia	Recovery of secondary raw materials from scrap	74.90	29,572	8,010	238
NIRO Wenden GmbH, Glück-Auf-Weg 2, Wenden, Germany	Steel cutting, engineering and trade	85	15,926	(2,591)	(433)
SIJ RAVNE STEEL CENTER d.o.o., Litostrojska cesta 60, Ljubljana, Slovenia	Trade	77.28*	34,615	18,275	956
GRIFFON & ROMANO S.P.A., Via Dossetti 11, Loc. Casinello de Dosso, Italy	Heat processing and special steel trade	100	25,777	233	(23)
SIJ Asia GmbH, Berger Str. 2, 40213 Düsseldorf, Germany	Trade	100	101	61	(100)
SIJ RAVNE SYSTEMS d.o.o., Koroška cesta 14, Ravne na Koroškem, Slovenia	Metallurgic machines production	100	45,973	5,890	113
SIJ Polska Sp. Z o.o., ul. Zamkowa 7 lok.11, Poznanj, Poland	Trade	100	1	1	-
HOLDING PMP d. d., Gerbičeva ulica 98, Ljubljana, Slovenia	Financial service activities	100	20,105	16,988	8,261
OOO SSG, Noviy Arbat, house 21, bld. I, floor 21, office 29, 119019 Moskva, Russia	Trade	100	699	699	0
<b>SIJ ACRONI – subsidiary</b>					
ŽELEZARNA JESENICE, d.o.o., Cesta železarjev 8, Jesenice, Slovenia	Trading with own real estate	100	10,813	10,058	270

Continuation of the table →

\* SIJ Metal Ravne has an investment in SIJ Ravne Steel Center in the amount of 22,72 percent. In total, the Group owns 100 percent of SIJ Ravne Steel Center.

Continuation of the table

in EUR thousand	Activity	% of voting rights	Value of assets as at 30 June 2019	Value of equity as at 30 June 2019	Profit (loss) for the period ending 30 June 2019
<b>SIJ METAL RAVNE – subsidiary</b>					
KOPO International Inc., 100 Village Court, Suite # 202, Hazlet, New Jersey 07730, USA	Trade	100	25,995	2,597	575
<b>ODPAD – subsidiaries</b>					
DANKOR, d.o.o., Vukovarska 436, Osijek, Croatia	Recovery of secondary raw materials from scrap	91	1,465	575	63
METAL-EKO SISTEM DOO JAGODINA, Put Kneza Mihaila 107, Jagodina, Serbia	Recovery of secondary raw materials from scrap	70	3,787	1,647	89
"TOPMETAL" d.o.o. Laktaši, Karađorđeva 69, 78250 Laktaši, Bosnia and Herzegovina	Recovery of secondary raw materials from scrap	51	1,235	382	(80)
<b>SIJ Ravne Steel Center – subsidiaries</b>					
SIDERTOCE S. p. A., Via XX. Settembre 198, C. P. 34, Gravellona Toce, Italy	Trade	100	13,589	5,024	410
SIJ MWT GmbH, Celsiusstrasse 17, Germany	Trade	100	4,422	(81)	(216)
ORO MET d.o.o., Neverke 56, Košana, Slovenia	Manufacture of other tools	51	13,355	6,979	604
<b>NOŽI RAVNE – subsidiary</b>					
SIJ Ravne Systems (UK) Limited, 12 Conqueror Court, Sittingbourne, Kent, ME10 5BN, Great Britain	Trade	100	876	82	20

In 2019, disposal activities of the investment in SIJ Asia GmbH are under way. The Management Board estimates to conclude the disposal in 2019.

In April 2019, the controlling company established a new subsidiary, OOO SSG, Russia.



# FINANCIAL REPORT OF THE SIJ GROUP

For the Period ending 30 June 2019

# Consolidated Financial Statements of the SIJ Group

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

in EUR thousand	Note	1–6 2019	1–6 2018 Restated
Revenue	1	417,191	426,243
Cost of sales	2	(342,172)	(327,370)
<b>Gross profit</b>		<b>75,019</b>	<b>98,873</b>
Distribution costs	2	(19,232)	(29,889)
General and administrative expenses	2	(45,424)	(49,908)
Other operating income	3	88,496	1,709
Other operating expenses	3	(967)	(621)
Impairment of trade receivables (gains/losses)		113	(1,112)
<b>Operating profit</b>		<b>98,005</b>	<b>19,052</b>
Finance income	4	1,362	845
Finance expenses	4	(7,812)	(9,411)
<b>Net finance costs</b>		<b>(6,450)</b>	<b>(8,566)</b>
Share of profit in associates		41	41
<b>Profit before tax</b>		<b>91,596</b>	<b>10,527</b>
Income tax expense	5	(7,805)	(1,053)
Deferred income tax	5	(6,828)	(1,402)
<b>Net profit from continuing operations</b>		<b>76,961</b>	<b>8,072</b>
Net profit from from discontinued operations	8	4,199	10,741
<b>Profit for the period</b>		<b>81,160</b>	<b>18,813</b>

Continuation of the table →

Continuation of the table

in EUR thousand	Note	1–6 2019	1–6 2018 Restated
<i>Items that will not be reclassified subsequently to profit or loss</i>			
Income tax related to components of comprehensive income		(7)	(7)
<i>Items that may be reclassified subsequently to profit or loss</i>			
Change in other reserves due to changes of financial assets at fair value		34	34
Exchange rate difference on translating foreign operations		14	(53)
Other comprehensive income from discontinued operations		0	183
<b>Comprehensive income</b>		<b>81,201</b>	<b>18,970</b>
<b>Profit attributed to:</b>		<b>81,160</b>	<b>18,813</b>
Owners of the controlling company		80,467	17,415
Non-controlling interest		693	1,398
<b>Comprehensive income attributed to:</b>		<b>81,201</b>	<b>18,970</b>
Owners of the controlling company		80,508	17,486
Non-controlling interest		693	1,484
<b>Comprehensive income attributed to the owners of the controlling company:</b>		<b>80,508</b>	<b>17,486</b>
Continuing operations		76,309	6,562
Discontinued operations		4,199	10,924

The notes to the consolidated financial statements are an integral part of the consolidated financial statements and should be read in conjunction with them.

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

in EUR thousand	Note	30 June 2019	31 Dec. 2018
<b>ASSETS</b>			
<b>Non-current assets</b>		<b>494,125</b>	<b>512,544</b>
Intangible assets	6	30,338	31,135
Property, plant and equipment	7	429,397	440,555
Investment property		64	65
Investments in associates		1,856	1,815
Financial assets at fair value through other comprehensive income		1,306	1,273
Financial receivables		30	30
Trade receivables		62	75
Other assets		534	330
Deferred tax assets		30,538	37,266
<b>Current assets</b>		<b>525,561</b>	<b>639,441</b>
Assets held for disposal (disposal groups)	8	31	259,972
Inventories	9	201,739	207,135
Financial receivables	10	64,000	24,767
Trade receivables	11	95,180	79,877
Income tax assets		656	976
Cash and cash equivalents	12	157,242	64,080
Other assets	13	6,713	2,634
<b>Total assets</b>		<b>1,019,686</b>	<b>1,151,985</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>	<b>14</b>	<b>474,241</b>	<b>407,410</b>
<i>Equity attributed to the owners of the controlling company</i>		<i>467,997</i>	<i>387,468</i>
Share capital		145,266	145,266
Capital surplus		11,461	11,461
Reserves		508	340
Retained earnings		310,762	230,401
<b>Non-controlling interest</b>		<b>6,244</b>	<b>19,942</b>

Continuation of the table →

Continuation of the table

in EUR thousand	Note	30 June 2019	31 Dec. 2018
<b>Non-current liabilities</b>			
Employee benefits		14,146	14,120
Other provisions		4,658	4,310
Deferred revenues		1,760	1,838
Financial liabilities	15	193,407	231,095
Trade payables		307	633
Deferred tax liabilities		125	17
<b>Current liabilities</b>		<b>331,042</b>	<b>492,562</b>
Liabilities included in disposal groups	8	0	113,582
Financial liabilities	15	129,446	150,303
Trade payables	16	187,978	222,656
Income tax liabilities		7,275	273
Other liabilities		6,343	5,748
<b>Total equity and liabilities</b>		<b>1,019,686</b>	<b>1,151,985</b>

The notes to the consolidated financial statements are an integral part of the consolidated financial statements and should be read in conjunction with them.

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

### Consolidated Statement of Changes in Equity for the Period Ending 30 June 2019

in EUR thousand	Equity attributed to the owners of the controlling company							Total	Non-controlling interest	Total
	Share capital	Capital surplus	Revenue reserves	Fair value reserves	Actuarial gains/losses	Translation differences	Retained earnings			
Balance as at 31 Dec. 2018	145,266	11,461	1,768	317	(2,602)	857	230,401	387,468	19,942	407,410
Sale of non-controlling interest	0	0	0	0	769	(642)	(106)	22	(14,391)	(14,371)
<b>Total transactions with owners</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>769</b>	<b>(642)</b>	<b>(106)</b>	<b>22</b>	<b>(14,391)</b>	<b>(14,371)</b>
Profit for the year	0	0	0	0	0	0	80,467	80,467	693	81,160
Other changes in comprehensive income	0	0	0	27	0	14	0	41	0	41
<b>Total changes in comprehensive income</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>27</b>	<b>0</b>	<b>14</b>	<b>80,467</b>	<b>80,508</b>	<b>693</b>	<b>81,201</b>
Balance as at 30 June 2019	145,266	11,461	1,768	344	(1,833)	229	310,762	467,997	6,244	474,241

### Consolidated Statement of Changes in Equity for the Period Ending 31 December 2018

in EUR thousand	Equity attributed to the owners of the controlling company							Total	Non-controlling interest	Total
	Share capital	Capital surplus	Revenue reserves	Fair value reserves	Actuarial gains/losses	Translation differences	Retained earnings			
Balance as at 31 Dec. 2017	145,266	11,461	1,696	278	(2,645)	593	227,911	384,561	18,376	402,937
Changes from first application of IFRS 9	0	0	0	0	0	0	(3,544)	(3,544)	(323)	(3,867)
<b>Balance as at 1 Jan. 2018</b>	<b>145,266</b>	<b>11,461</b>	<b>1,696</b>	<b>278</b>	<b>(2,645)</b>	<b>593</b>	<b>224,367</b>	<b>381,017</b>	<b>18,053</b>	<b>399,070</b>
Dividends paid	0	0	0	0	0	0	(5,696)	(5,696)	(1,061)	(6,757)
Purchase of non-controlling interest	0	0	0	0	0	0	(78)	(78)	30	(48)
Creation of legal reserves	0	0	72	0	0	0	(72)	0	0	0
<b>Total transactions with owners</b>	<b>0</b>	<b>0</b>	<b>72</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(5,846)</b>	<b>(5,774)</b>	<b>(1,031)</b>	<b>(6,805)</b>
Profit for the year	0	0	0	0	0	0	11,880	11,880	2,775	14,655
Other changes in comprehensive income	0	0	0	39	43	264	0	346	144	490
<b>Total changes in comprehensive income</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>39</b>	<b>43</b>	<b>264</b>	<b>11,880</b>	<b>12,226</b>	<b>2,919</b>	<b>15,145</b>
Balance as at 31 Dec. 2018	145,266	11,461	1,768	317	(2,602)	857	230,401	387,468	19,942	407,410

The notes to the consolidated financial statements are an integral part of the consolidated financial statements and should be read in conjunction with them.

## CONSOLIDATED CASH FLOW STATEMENT

in EUR thousand	Note	1–6 2019	1–6 2018
<b>Cash flow from operating activities</b>			
Profit before tax		91,596	22,063
Adjusted for:			
Depreciation and amortisation	6, 7	24,889	25,867
Share of profit in associates		(41)	(41)
Interest income	4	(1,301)	(710)
Interest expenses	4	6,741	7,884
Profit from sale of Perutnina Ptuj Group	8	(84,889)	0
Net other finance and operating income		(2,289)	(3,358)
<b>Operating cash flow before changes in working capital</b>		<b>34,706</b>	<b>51,705</b>
<b>Changes in working capital</b>			
Change in trade receivables		(16,444)	(19,470)
Change in inventories		5,828	(5,315)
Change in trade payables		(10,108)	(11,692)
<b>Changes in working capital</b>		<b>(20,724)</b>	<b>(36,477)</b>
Change in taxes other than income tax		(528)	1,357
Direct payments		(838)	(1,084)
<b>Net cash (used) generated from operating activities</b>		<b>12,616</b>	<b>15,501</b>
<b>Cash flow from investing activities</b>			
Payments for investments in subsidiaries		(699)	0
Receipts from sale of Perutnina Ptuj Group	8	201,048	0
Payments for property, plant and equipment		(11,830)	(20,485)
Receipts from property, plant and equipment		1,624	640
Payments for intangible assets		(586)	(418)
Payments for loans issued		(39,998)	(9,551)
Receipts from loans issued		47	89
Interests received		14	43

Continuation of the table →

Continuation of the table

in EUR thousand	Note	1–6 2019	1–6 2018
Receipts from other assets		91	72
<b>Net cash generated (used) in investing activities</b>		<b>149,711</b>	<b>(29,610)</b>
<b>Cash flow from financing activities</b>			
Receipts from borrowings		98,669	257,969
Payments for borrowings		(161,942)	(251,590)
Payments for finance lease		(865)	(1,183)
Payments for financial services		(1,086)	(1,238)
Interests paid		(3,930)	(6,101)
Dividends paid		0	(5,696)
<b>Net cash used in financing activities</b>		<b>(69,154)</b>	<b>(7,839)</b>
<b>Cash and cash equivalents as at 1 Jan.</b>		<b>64,080</b>	<b>69,534</b>
Translation differences		(11)	30
<b>Net change in cash and cash equivalents</b>		<b>93,173</b>	<b>(21,948)</b>
<b>Cash and cash equivalents as at 30 June</b>		<b>157,242</b>	<b>47,616</b>

The notes to the consolidated financial statements are an integral part of the consolidated financial statements and should be read in conjunction with them.

## NOTES TO INDIVIDUAL ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS

### 1. REVENUE

in EUR thousand	1–6 2019	1–6 2018
In Slovenia	65,238	66,479
In other countries	351,953	359,764
<b>Revenue</b>	<b>417,191</b>	<b>426,243</b>

#### Revenue by Products and Segments for the Period Ending 30 June 2019

in EUR thousand	Steel Division	Distribution & Processing Division	Scrap Division	Manufacturing Division	Poultry Division (discontinued operations)	Total segments	Headquarter and Other Services	Total	Elimination of discontinued operations	Revenue
Quarto plates	148,721	25,770	0	0	0	174,490	0	174,490	0	174,490
Hot rolled steels	4,792	1,925	0	0	0	6,717	0	6,717	0	6,717
Cold rolled steels	39,685	1,283	0	0	0	40,968	0	40,968	0	40,968
Rolled products	41,325	3,684	0	0	0	45,009	0	45,009	0	45,009
Forged products	31,087	25,388	0	0	0	56,475	0	56,475	0	56,475
Other products and services	3,162	20,840	35,886	32,746	41,459	134,093	898	134,992	(41,459)	93,533
<b>Revenue</b>	<b>268,772</b>	<b>78,889</b>	<b>35,886</b>	<b>32,746</b>	<b>41,459</b>	<b>457,752</b>	<b>898</b>	<b>458,650</b>	<b>(41,459)</b>	<b>417,191</b>

#### Revenue by Products and Segments for the Period Ending 30 June 2018

in EUR thousand	Steel Division	Distribution & Processing Division	Scrap Division	Manufacturing Division	Poultry Division (discontinued operations)	Total segments	Headquarter and Other Services	Total	Elimination of discontinued operations	Revenue
Quarto plates	147,207	35,846	0	0	0	183,053	0	183,053	0	183,053
Hot rolled steels	4,487	2,162	0	0	0	6,649	0	6,649	0	6,649
Cold rolled steels	43,066	2,323	0	0	0	45,389	0	45,389	0	45,389
Rolled products	37,563	5,848	0	0	0	43,411	0	43,411	0	43,411
Forged products	31,285	23,436	0	0	0	54,721	0	54,721	0	54,721
Other products and services	3,076	20,558	36,703	31,895	131,542	223,774	788	224,563	(131,542)	93,021
<b>Revenue</b>	<b>266,684</b>	<b>90,173</b>	<b>36,703</b>	<b>31,895</b>	<b>131,542</b>	<b>556,997</b>	<b>788</b>	<b>557,786</b>	<b>(131,542)</b>	<b>426,243</b>

## 2. OPERATING EXPENSES

in EUR thousand	1–6 2019	1–6 2018
Costs of goods, materials and services	316,478	326,608
Labour costs	62,381	62,436
- <i>wages and salaries</i>	46,902	47,239
- <i>social security costs</i>	8,222	8,264
- <i>other labour costs</i>	7,257	6,933
Depreciation and amortisation costs	24,889	24,737
Other costs	4,364	4,266
Changes in the value of inventories	(1,284)	(10,880)
<b>Operating expenses</b>	<b>406,828</b>	<b>407,167</b>

### Review of Costs by Type for the Period Ending 30 June 2019

in EUR thousand	Cost of sales	Distribution costs	General and administrative expenses	Total
Costs of goods, materials and services	287,047	16,069	13,362	316,478
Labour costs	33,525	2,892	25,964	62,381
Depreciation and amortisation costs	21,090	226	3,573	24,889
Other costs	1,792	45	2,525	4,364
Changes in the value of inventories	(1,284)	0	0	(1,284)
Costs from discontinued operations	24,853	9,854	2,062	36,769
<b>Operating expenses</b>	<b>367,025</b>	<b>29,086</b>	<b>47,486</b>	<b>443,598</b>
Elimination of discontinued operations	(24,853)	(9,854)	(2,062)	(36,769)
<b>Operating expenses</b>	<b>342,172</b>	<b>19,232</b>	<b>45,424</b>	<b>406,829</b>

### Review of Costs by Type for the Period Ending 30 June 2018

in EUR thousand	Cost of sales	Distribution costs	General and administrative expenses	Total
Costs of goods, materials and services	281,610	26,214	18,784	326,608
Labour costs	33,235	3,402	25,799	62,436
Depreciation and amortisation costs	21,233	240	3,264	24,737
Other costs	2,172	33	2,061	4,266
Changes in the value of inventories	(10,880)	0	0	(10,880)
Costs from discontinued operations	88,386	20,426	9,799	118,610
<b>Operating expenses</b>	<b>415,756</b>	<b>50,315</b>	<b>59,707</b>	<b>525,777</b>
Elimination of discontinued operations	(88,386)	(20,426)	(9,799)	(118,610)
<b>Operating expenses</b>	<b>327,370</b>	<b>29,889</b>	<b>49,908</b>	<b>407,167</b>

## 3. OTHER OPERATING INCOME AND EXPENSES

in EUR thousand	1–6 2019	1–6 2018
Revenues from received subsidies	1,042	946
Reversal of allowances for inventories	936	322
Profit from sale of property, plant and equipment	855	0
Profit from sale of Perutnina Ptuj Group (Note 8)	84,889	19
Other income	774	422
<b>Other operating income</b>	<b>88,496</b>	<b>1,709</b>
Expenses for donations and sponsorships	(311)	(183)
Creation of provisions	(195)	(2)
Other expenses	(461)	(436)
<b>Other operating expenses</b>	<b>(967)</b>	<b>(621)</b>
<b>Net other operating income</b>	<b>87,529</b>	<b>1,088</b>

#### 4. NET FINANCE INCOME (COSTS)

in EUR thousand	1–6 2019	1–6 2018
Interest income	1,301	663
Exchange rate differences	57	150
Other income	4	32
<b>Finance income</b>	<b>1,362</b>	<b>845</b>
Interest expenses	(6,741)	(6,859)
Exchange rate differences	(44)	(24)
Other expenses	(1,027)	(2,528)
<b>Finance expenses</b>	<b>(7,812)</b>	<b>(9,411)</b>
<b>Net finance costs</b>	<b>(6,450)</b>	<b>(8,566)</b>

#### 5. TAXES

in EUR thousand	1–6 2019	1–6 2018
Income tax expense	(7,805)	(1,053)
Deferred income tax	(6,828)	(1,402)
<b>Taxes</b>	<b>(14,633)</b>	<b>(2,455)</b>

in EUR thousand	1–6 2019	1–6 2018
<b>Profit before tax</b>	<b>91,596</b>	<b>10,527</b>
<b>Tax at effective tax rate 19%</b>	<b>17,403</b>	<b>2,000</b>
<b>Tax effects from:</b>		
- non-taxable income	(8,882)	(10)
- tax non-deductible expenses	261	203
- tax relief	(627)	(661)
- tax losses for which no deferred tax assets were recognised	6,471	986
- change in tax rates	7	(65)
<b>Taxes</b>	<b>14,633</b>	<b>2,455</b>
<b>Effective tax rate</b>	<b>16%</b>	<b>23%</b>

The tax relief of the Group comprises tax relief realised from the charging of corporate tax, and unused tax reliefs for which deferred tax assets were recorded. The companies of the Group can realize unused tax relief in the following years in accordance with the legislation of the state where they operate.

#### 6. INTANGIBLE ASSETS

in EUR thousand	30 June 2019	31 Dec. 2018
Software	13,205	14,557
Development costs	904	0
Goodwill	15,467	15,467
Assets under construction	762	1,111
<b>Present value as at</b>	<b>30,338</b>	<b>31,135</b>

The intangible assets are not pledged as security for liabilities.

The Group reviewed the value of intangible assets, and established that the present amount does not exceed the recoverable amount.

#### 7. PROPERTY, PLANT AND EQUIPMENT

in EUR thousand	30 June 2019	31 Dec. 2018
Land	34,837	35,366
Buildings	101,257	102,243
Equipment	279,494	286,027
Other	8,217	8,792
Assets under construction	5,592	8,127
<b>Present value</b>	<b>429,397</b>	<b>440,555</b>

As at 30 June 2019, property, plant and equipment with the present value of EUR 3,893 thousand (2018: EUR 6,236 thousand) are pledged as security for liabilities.

The Group reviewed the value of property, plant and equipment, and established that the present amount does not exceed the recoverable amount.

## 8. ASSETS HELD FOR DISPOSAL (DISPOSAL GROUPS)

in EUR thousand	30 June 2019	31 Dec. 2018
Assets held for sale	31	31
Assets of Perutnina Ptuj Group and Holding PMP – discontinued operations	0	259,941
<b>Assets held for disposal (disposal groups)</b>	<b>31</b>	<b>259,972</b>
Liabilities of Perutnina Ptuj Group and Holding PMP – discontinued operations	0	(113,582)
<b>Liabilities included in disposal groups</b>	<b>0</b>	<b>(113,582)</b>

At the end of February 2019, the Ukrainian group MHP, one of the leaders in international agricultural and food processing industry, acquired slightly more than 90 percent share of Perutnina Ptuj. This means that since this date Perutnina Ptuj has not been a part of SIJ Group anymore. On sale, the Group generated EUR 84,889 thousand of profit, net of tax.

### Results of Discontinued Operations

in EUR thousand	1–2 2019	1–6 2018
Revenue	41,459	131,542
Operating expenses	(36,768)	(118,610)
Other operating income (expenses), net	179	789
<b>Operating profit</b>	<b>4,870</b>	<b>13,721</b>
Net finance costs	(257)	(970)
Taxes	(414)	(2,010)
<b>Profit for the period</b>	<b>4,199</b>	<b>10,741</b>

The Group adjusted net profit from discontinued operations for the comparable period of first half of 2018. It eliminated amortisation and depreciation in the amount of EUR 5,261 thousand, and increased profit from discontinued operations by the same amount.

## 9. INVENTORIES

in EUR thousand	30 June 2019	31 Dec. 2018
Raw material	83,462	85,864
Work in progress	64,151	59,482
Finished products	39,922	45,832
Trade goods	14,204	15,957
<b>Inventories</b>	<b>201,739</b>	<b>207,135</b>

As at 30 June 2019, any items of inventories are pledged as security for liabilities. On 30 June 2019, the Group checked the value of the inventories, and determined no signs of impairment.

## 10. CURRENT FINANCIAL RECEIVABLES

in EUR thousand	30 June 2019	31 Dec. 2018
Loans issued	61,165	21,223
Interest receivables	2,603	3,214
Other	232	330
<b>Current financial receivables</b>	<b>64,000</b>	<b>24,767</b>

Loans issued include a loan issued to the controlling company amounting to EUR 60,943 thousand (2018: EUR 20,990 thousand). The interest rate for the loan issued is fixed and amounts to 5 percent. The loan will be repaid according to contractual provisions. Purpose of a loan is sensible use of liquidity surpluses.

## 11. CURRENT TRADE RECEIVABLES

in EUR thousand	30 June 2019	31 Dec. 2018
Trade receivables	94,011	80,524
Allowances for trade receivables	(5,383)	(6,444)
VAT receivables	3,230	3,240
Issued advance payments and cautions	2,312	1,741
Allowances for advance payments	0	(204)
Other receivables	1,101	1,281
Allowances for other receivables	(91)	(261)
<b>Current trade receivables</b>	<b>95,180</b>	<b>79,877</b>

The majority of the Group's trade receivables are insured against commercial risks with an insurance company. Trade receivables whose present value on 31 December 2018 amounts to EUR 10,346 thousand (2018: EUR 10,600 thousand) are pledged as security for liabilities.

The disclosed value of trade receivables does not exceed their realisable value.

## 12. CASH AND CASH EQUIVALENTS

in EUR thousand	30 June 2019	31 Dec. 2018
Cash in national currency	153,206	57,265
Cash in foreign currency	4,036	6,204
Restricted cash	0	611
<b>Cash and cash equivalents</b>	<b>157,242</b>	<b>64,080</b>

Cash and cash equivalents increased compared to end of 2018 due to successfully completed sale of the Perutnina Ptuj Group. Cash in national currency includes bank deposits in the amount of EUR 119,136 thousand with up to three months maturity (2018: EUR 73 thousand). The interest rate for deposits is fixed.

## 13. OTHER CURRENT ASSETS

in EUR thousand	30 June 2019	31 Dec. 2018
Other assets	6,713	2,634
<b>Other current assets</b>	<b>6,713</b>	<b>2,634</b>

Current deferred expenses refer to advance payments of costs, which in short-time will debit against profit or loss. Since the majority of advance payments are divided within a financial year, in the reporting period these assets are higher than on 31 December 2018.

## 14. EQUITY

in EUR thousand	30 June 2019	31 Dec. 2018
<b>Equity attributed to the owners of the controlling company</b>	<b>467,997</b>	<b>387,468</b>
Share capital	145,266	145,266
Capital surplus	11,461	11,461
Reserves	508	340
Retained earnings	310,762	230,401
<b>Non-controlling interest</b>	<b>6,244</b>	<b>19,942</b>
<b>Equity</b>	<b>474,241</b>	<b>407,410</b>

The share capital of the controlling company is recognised in the amount of EUR 145,266 thousand and is distributed among 994,616 shares. The face value of each share is EUR 146,05. The number of shares did not change until this financial report was prepared.

### Ownership Structure of the Controlling Company

Shareholder	Number of shares 30 June 2019	Number of shares 31 Dec. 2018
DILON, d. o. o., Gerbičeva ulica 98, Ljubljana	718,351	718,351
Republika Slovenija, Gregorčičeva ulica 20, Ljubljana	248,655	248,655
SIJ d.d., Gerbičeva ulica 98, Ljubljana	27,600	27,600
UNIOR, d. d., Kovaška cesta 10, Zreče	10	10
<b>Total</b>	<b>994,616</b>	<b>994,616</b>

The ownership structure of the controlling company did not change until this financial report was prepared.

### Capital Surplus

Capital surplus in the amount of EUR 11,461 thousand was formed during the simplified decrease of the controlling company's capital.

## Reserves

in EUR thousand	30 June 2019	31 Dec. 2018
<i>Legal reserves</i>	4,023	4,023
<i>Treasury shares</i>	(6,009)	(6,009)
<i>Reserves for treasury shares</i>	3,754	3,754
Revenue reserves	1,768	1,768
<i>Fair value reserve due to financial assets at fair value through other comprehensive income</i>	426	392
<i>Deferred tax liabilities</i>	(82)	(75)
Fair value reserves	344	317
Net actuarial losses on pension programs	(1,833)	(2,602)
Translation differences	229	856
<b>Reserves</b>	<b>508</b>	<b>340</b>

The controlling company acquired treasury shares in the amount of EUR 2,255 thousand on the basis of the Act Regulating the Incurrence and Settlement of Liabilities of Slovenske železarne as regards the Restructuring Programme (Official Gazette of the RS, nr. 111/2001) and in line with the Privatization of Slovenske železarne Act (Official Gazette of the RS, nr. 13/1998). Treasury shares were acquired by exchanging interests in subsidiaries for shares of the controlling company, owned by authorised companies. The shares were acquired “ex lege” and not in line with the Companies Act, which is why the controlling company did not establish a treasury shares fund. Shares are recognised at cost.

Until the preparation of this report, the controlling company has not acquired any new treasury shares. Treasury shares are recognised at cost.

## 15. FINANCIAL LIABILITIES

in EUR thousand	30 June 2019	31 Dec. 2018
Borrowings	137,725	177,172
Liabilities for bonds issued (SIJ4)	51,210	51,076
Liabilities arising from finance lease	4,472	2,847
<b>Non-current financial liabilities</b>	<b>193,407</b>	<b>231,095</b>
Borrowings	51,135	74,359
Liabilities for bonds issued (SIJ5)	42,832	42,859
Liabilities for commercial papers issued	29,956	29,723
Interest liabilities	3,238	1,542
Liabilities arising from finance lease	2,044	1,487
Other financial liabilities	241	333
<b>Current financial liabilities</b>	<b>129,446</b>	<b>150,303</b>
<b>Total financial liabilities</b>	<b>322,853</b>	<b>381,398</b>

### Borrowings

Borrowings include loans from domestic and foreign banks. Borrowings in the amount of EUR 11,863 thousand (2018: EUR 28,662 thousand) are secured with real estate, movable property, receivables and inventories. Other borrowings are not secured. The interest rate for majority of borrowings is flexible and based on EURIBOR.

### Liabilities for Bonds Issued

Liabilities for bonds issued refer to the bonds issued with the ticker symbol of SIJ5. The controlling company issued bonds with the total nominal value of EUR 51,218 thousand in July 2015. The entire bond issue contains 51,218 denominations of EUR 1 thousand. The bond maturity date is 21 July 2020. The interest rate for the bonds is fixed, i.e. 4.0 percent per annum. Interest is accrued annually in arrears. The nominal value of the principal falls due, in full and in a single amount, on the maturity of the bond. The bonds are traded on the Ljubljana Stock Exchange. Ljubljana Stock Exchange closing quotation as at 30 June 2019 was 103.75, and was used for fair value calculation on the same date.

Liabilities for bonds issued refer to the bonds issued with the ticker symbol SIJ4. The controlling company issued bonds with the total nominal value of EUR 42,897 thousand in November 2014. The entire bond issue contains 42,897 denominations of EUR 1 thousand. The bond maturity date is 24 November 2019. The interest rate for the bonds is fixed, i.e. 4.5 percent per annum. Interest is accrued annually in arrears. The nominal value of the principal falls due, in full and in a single amount, on the maturity of the bond. The bonds are traded on the Ljubljana Stock Exchange. Ljubljana Stock Exchange closing quotation as at 30 June 2019 was 102.00, and was used for fair value calculation on the same date.

### Liabilities for Commercial Papers Issued

Liabilities for commercial papers amounting to EUR 30,000 thousand refer to 12-month commercial papers with the ticker symbol SIK05, issued by the controlling company on 14 December 2018 as a 5th consecutive issue. The total nominal value of the commercial papers is EUR 30,000 thousand, and covers denominations of EUR 1 thousand. The interest rate for a commercial paper is 1.0 percent per annum. Commercial papers are a discounted security. Interest is charged in advance and deducted on payment of a commercial paper in the form of a discount from the nominal value of the commercial paper. Liabilities from commercial papers are payable on 13 December 2019. Commercial papers are traded on Ljubljana Stock Exchange. Ljubljana Stock Exchange closing quotation as at 30 June 2019 was 99.00, and was used for fair value calculation on the same date.

## 16. CURRENT TRADE PAYABLES

in EUR thousand	30 June 2019	31 Dec. 2018
Payables to suppliers	173,207	187,478
Liabilities to employees	7,592	5,969
Received advance payments	1,629	22,927
Tax liabilities	4,536	5,066
Other liabilities	1,014	1,216
<b>Current trade payables</b>	<b>187,978</b>	<b>222,656</b>



## 17. SEGMENT REPORTING

### Segment Reporting for the Period Ending 30 June 2019

in EUR thousand	Steel Division	Distribution & Processing Division	Scrap Division	Manufacturing Division	Poultry Division (discontinued operations)	Total segments	Headquarter and Other Services	Total	Eliminations	Elimination of discontinued operations	Consolidated financial statements
Operating income (external)	268,772	78,889	35,886	32,746	41,459	457,752	898	458,650	0	(41,459)	417,191
Operating income (between segments)	62,071	7,782	10,031	5,205	0	85,089	8,826	93,915	(93,915)	0	0
Revenues	330,843	86,671	45,917	37,951	41,459	542,841	9,724	552,565	(93,915)	(41,459)	417,191
Profit (loss) before tax	2,616	1,767	383	(344)	4,630	9,052	87,174	96,226	0	(4,630)	91,596
Interest income	29	6	56	6	2	99	2,482	2,581	(1,278)	(2)	1,301
Interest expenses	4,389	640	251	415	260	5,955	2,344	8,299	(1,298)	(260)	6,741
Depreciation and amortisation	21,201	1,491	316	1,531	0	24,539	471	25,010	(121)	0	24,889
Share of profit in associates	41	0	0	0	0	41	0	41	0	0	41
Assets	618,247	114,423	25,572	61,381	0	819,623	200,063	1,019,686	0	0	1,019,686
Liabilities	339,483	32,010	10,852	26,381	0	408,726	136,719	545,445	0	0	545,445

## Segment Reporting for the Period Ending 30 June 2018

in EUR thousand	Steel Division	Distribution & Processing Division	Scrap Division	Manufacturing Division	Poultry Division (discontinued operations)	Total segments	Headquarter and Other Services	Total	Eliminations	Elimination of discontinued operations	Consolidated financial statements
Operating income (external)	266,684	90,173	36,703	31,895	131,542	556,997	788	557,786	0	(131,542)	426,243
Operating income (between segments)	70,333	7,269	15,289	4,513	0	97,404	9,102	106,507	(106,507)	0	0
Revenues	337,017	97,442	51,992	36,408	131,542	654,401	9,890	664,410	(106,507)	(131,542)	426,243
Profit (loss) before tax	6,358	2,405	769	(119)	12,751	22,164	1,114	23,278	0	(12,751)	10,527
Interest income	77	9	62	17	102	267	1,604	1,871	(1,106)	(102)	663
Interest expenses	4,225	650	340	350	1,020	6,585	2,400	8,985	(1,107)	(1,020)	6,859
Depreciation and amortisation	21,053	1,599	316	1,412	0	24,380	357	24,737	0	0	24,737
Share of profit in associates	41	0	0	0	0	41	0	41	0	0	41
Assets	613,727	117,082	25,200	61,994	275,493	1,093,495	329,123	1,422,618	0	(275,493)	1,147,125
Liabilities	377,982	36,236	14,502	23,600	125,975	578,295	279,698	857,993	0	(125,975)	732,018

## RELATED PARTIES

Related parties are the controlling company (including its controlling companies and companies in their groups), subsidiaries, associates, other related parties and the management of companies.

### Transactions with the Controlling Company

in EUR thousand	1–6 2019	1–6 2018
Revenues	1,287	643

in EUR thousand	30 June 2019	31 Dec. 2018
Receivables	63,544	24,207
Liabilities	0	95

## CARRYING AMOUNTS AND FAIR VALUES OF FINANCIAL INSTRUMENTS

The table shows carrying amounts and fair values of financial assets and financial liabilities. Fair values of financial and trade receivables, cash and cash equivalents and trade payables are not shown since their carrying amount is adequate approximation of their fair value.

in EUR thousand	30 June 2019		31 Dec. 2018	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets at fair value through other comprehensive income	1,306	1,306	1,273	1,273
Financial receivables	64,030		24,797	
Trade receivables	95,242		79,952	
Cash and cash equivalents	157,242		64,080	
Financial liabilities	(322,853)	(325,332)	(381,398)	(385,270)
Trade payables	(188,285)		(223,289)	

Based on the test of the fair value of financial instruments the Group assesses that there is no significant deviations from their carrying amount.

## Presentation of Financial Assets and Liabilities, Disclosed by Fair Value According to Fair Value Determination Hierarchy

in EUR thousand	30 June 2019	31 Dec. 2018
Financial assets at fair value through other comprehensive income	825	791
<b>Financial assets at fair value of first level</b>	<b>825</b>	<b>791</b>
Financial assets at fair value through other comprehensive income	482	482
<b>Financial assets at fair value of third level</b>	<b>482</b>	<b>482</b>
Bonds and commercial papers	(126,478)	(127,529)
<b>Financial liabilities at fair value of first level</b>	<b>(126,478)</b>	<b>(127,529)</b>
Borrowings	(188,860)	(251,531)
Finance lease	(6,516)	(4,334)
Interest liabilities	(3,238)	(1,542)
Other financial liabilities	(241)	(333)
<b>Financial liabilities at fair value of second level</b>	<b>(198,855)</b>	<b>(257,740)</b>

Second level of liabilities at fair value include secured loans issued, finance leases and interest liabilities, representing, according to the valuation model, carrying amounts of discounted expected future payments with adjusted risk level.

In the first half of 2019, there was no transfers of financial instruments between different levels.

## EVENTS AFTER THE REPORTING DATE

There were no events after the reporting date that could influence the financial statements for the period ending 30 June 2019.

# FINANCIAL REPORT OF SIJ d.d.

For the Period ending 30 June 2019

# Financial Statements of SIJ d.d.

## STATEMENT OF COMPREHENSIVE INCOME

in EUR thousand	Note	1–6 2019	1–6 2018
Revenue	1	8,026	8,182
<b>Gross profit</b>		<b>8,026</b>	<b>8,182</b>
General and administrative expenses	2	(6,685)	(7,203)
Other operating income	3	133,330	112
Other operating expenses	3	(204)	(37)
Impairment of trade receivables (gains/losses)		(5)	(25)
<b>Operating profit</b>		<b>134,462</b>	<b>1,029</b>
Finance income	4	3,165	2,343
Finance expenses	4	(2,430)	(2,578)
<b>Net finance income (costs)</b>		<b>735</b>	<b>(235)</b>
<b>Profit before tax</b>		<b>135,197</b>	<b>794</b>
Income tax expense	5	(6,520)	(70)
Deferred income tax	5	(6,325)	0
<b>Profit for the period</b>		<b>122,352</b>	<b>724</b>
<i>Items that will not be reclassified subsequently to profit or loss</i>			
Income tax related to components of comprehensive income		(7)	(7)
<i>Items that may be reclassified subsequently to profit or loss</i>			
Change in reserves due to change of financial assets at fair value		34	34
<b>Comprehensive income</b>		<b>122,379</b>	<b>751</b>

The notes to the financial statements are an integral part of the financial statements and should be read in conjunction with them.

## STATEMENT OF FINANCIAL POSITION

in EUR thousand	Note	30 June 2019	31 Dec. 2018
<b>ASSETS</b>			
<b>Non-current assets</b>		<b>230,163</b>	<b>205,141</b>
Intangible assets		558	610
Property, plant and equipment		6,403	6,014
Investment property		1	1
Investments in subsidiaries	6	193,119	161,343
Financial assets at fair value through other comprehensive income		1,290	1,256
Financial receivables	7	16,331	17,139
Trade receivables	8	11,296	11,296
Other assets		15	0
Deferred tax assets		1,150	7,482
<b>Current assets</b>		<b>233,370</b>	<b>179,333</b>
Assets held for disposal (disposal groups)	9	31	82,067
Financial receivables	7	146,043	63,135
Trade receivables	8	4,988	5,381
Cash and cash equivalents	10	82,044	28,672
Other assets		264	78
<b>Total assets</b>		<b>463,533</b>	<b>384,474</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>	<b>11</b>	<b>325,177</b>	<b>202,797</b>
Share capital		145,266	145,266
Capital surplus		11,461	11,461
Reserves		2,121	2,093
Retained earnings		166,329	43,977
<b>Non-current liabilities</b>		<b>52,245</b>	<b>71,804</b>
Employee benefits		305	305
Financial liabilities	12	51,940	71,499
<b>Current liabilities</b>		<b>86,111</b>	<b>109,873</b>
Liabilities included in disposal groups	9	0	3,907
Financial liabilities	12	77,331	83,944
Trade payables	13	2,118	21,750
Income tax liabilities		6,497	53
Other liabilities		165	219
<b>Total equity and liabilities</b>		<b>463,533</b>	<b>384,474</b>

The notes to the financial statements are an integral part of the financial statements and should be read in conjunction with them.

## STATEMENT OF CHANGES IN EQUITY

### Statement of Changes in Equity for the Period Ending 30 June 2019

in EUR thousand	Share capital	Capital surplus	Revenue reserves	Fair value reserves	Actuarial gains/losses	Retained earnings	Total
<b>Balance as at 31 Dec. 2018</b>	<b>145,266</b>	<b>11,461</b>	<b>1,768</b>	<b>317</b>	<b>8</b>	<b>43,977</b>	<b>202,797</b>
Profit for the period	0	0	0	0	0	122,352	122,352
Other changes in comprehensive income	0	0	0	28	0	0	28
<b>Total changes in comprehensive income</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>28</b>	<b>0</b>	<b>122,352</b>	<b>122,380</b>
<b>Balance as at 30 June 2019</b>	<b>145,266</b>	<b>11,461</b>	<b>1,768</b>	<b>345</b>	<b>8</b>	<b>166,329</b>	<b>325,177</b>

### Statement of Changes in Equity for the Period Ending 31 December 2018

in EUR thousand	Share capital	Capital surplus	Revenue reserves	Fair value reserves	Actuarial gains/losses	Retained earnings	Total
<b>Balance as at 31 Dec. 2017</b>	<b>145,266</b>	<b>11,461</b>	<b>1,696</b>	<b>278</b>	<b>8</b>	<b>48,381</b>	<b>207,090</b>
Changes from first application of IFRS 9	0	0	0	0	0	(76)	(76)
<b>Balance as at 1 Jan. 2018</b>	<b>145,266</b>	<b>11,461</b>	<b>1,696</b>	<b>278</b>	<b>8</b>	<b>48,305</b>	<b>207,014</b>
Dividends paid	0	0	0	0	0	(5,696)	(5,696)
Creation of legal reserves	0	0	72	0	0	(72)	0
<b>Total transactions with owners</b>	<b>0</b>	<b>0</b>	<b>72</b>	<b>0</b>	<b>0</b>	<b>(5,768)</b>	<b>(5,696)</b>
Profit for the period	0	0	0	0	0	1,440	1,440
Other changes in comprehensive income	0	0	0	39	0	0	39
<b>Total changes in comprehensive income</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>39</b>	<b>0</b>	<b>1,440</b>	<b>1,479</b>
<b>Balance as at 31 Dec. 2018</b>	<b>145,266</b>	<b>11,461</b>	<b>1,768</b>	<b>317</b>	<b>8</b>	<b>43,977</b>	<b>202,797</b>

The notes to the financial statements are an integral part of the financial statements and should be read in conjunction with them.

## CASH FLOW STATEMENT

in EUR thousand	Note	1–6 2019	1–6 2018
<b>Cash flow from operating activities</b>			
Profit before tax		135,197	793
Adjusted for:			
Depreciation and amortisation	2	355	278
Interest income	4	(2,416)	(1,521)
Interest expenses	4	2,243	2,399
Profit from sale of assets held for disposal (disposal groups)	9	(133,227)	0
Net other finance and operating income		(654)	(879)
<b>Operating cash flow before changes in working capital</b>		<b>1,498</b>	<b>1,070</b>
<b>Changes in working capital</b>			
Change in trade receivables		429	804
Change in trade payables		(185)	(694)
<b>Changes in working capital</b>		<b>244</b>	<b>110</b>
Change in liabilities included in disposal groups		(6,617)	0
Change in taxes other than income tax		232	180
Income tax (paid) received		(79)	323
Other payments		0	(31)
<b>Net cash (used) generated from operating activities</b>		<b>(4,722)</b>	<b>1,652</b>
<b>Cash flow from investing activities</b>			
Payments for investments in subsidiaries		(699)	0
Receipts from sale of assets held for disposal (disposal groups)	9	187,576	0
Payments for property, plant and equipment		(32)	(98)
Receipts from property, plant and equipment		17	8
Payments for intangible assets		(21)	0
Payments for loans issued		(111,548)	(24,800)
Receipts from loans issued		8,215	12,423
Interests received		2,897	861
Dividends received		91	92
<b>Net cash generated (used) in investing activities</b>		<b>86,496</b>	<b>(11,514)</b>

Continuation of the table →

Continuation of the table

000 EUR	Pojasnilo	1–6 2019	1–6 2018
<b>Cash flow from financing activities</b>			
Receipts from borrowings		1,100	37,450
Payments for borrowings		(29,836)	(21,780)
Payments for finance lease		(300)	(200)
Receipts for financial services		807	516
Interests paid		(173)	(625)
Dividends paid		0	(5,696)
<b>Net cash (used) generated in financing activities</b>		<b>(28,402)</b>	<b>9,665</b>
<b>Cash and cash equivalents as at 1 Jan.</b>		<b>28,672</b>	<b>312</b>
Net change in cash and cash equivalents		53,372	(197)
<b>Cash and cash equivalents as at 30 June</b>		<b>82,044</b>	<b>115</b>

The notes to the financial statements are an integral part of the financial statements and should be read in conjunction with them.

## NOTES TO INDIVIDUAL ITEMS IN THE FINANCIAL STATEMENTS

### 1. REVENUE

in EUR thousand	1–6 2019	1–6 2018
In Slovenia	8,022	8,178
In other countries	4	4
<b>Revenue</b>	<b>8,026</b>	<b>8,182</b>

### 2. OPERATING EXPENSES

in EUR thousand	1–6 2019	1–6 2018
Costs of goods, materials and services	1,324	1,218
Labour costs	4,860	5,636
- wages and salaries	3,855	4,513
- other security costs	649	754
- other labour costs	356	369
Depreciation and amortisation costs	355	278
Other costs	146	71
<b>Operating expenses</b>	<b>6,685</b>	<b>7,203</b>

### 3. OTHER OPERATING INCOME AND EXPENSES

in EUR thousand	1–6 2019	1–6 2018
Dividends	91	92
Profit from sale of assets held for disposal (disposal groups) (Note 9)	133,227	0
Other income	12	20
<b>Other operating income</b>	<b>133,330</b>	<b>112</b>
Expenses for donations and sponsorships	(203)	(33)
Other expenses	(1)	(4)
<b>Other operating expenses</b>	<b>(204)</b>	<b>(37)</b>
<b>Net other operating income</b>	<b>133,126</b>	<b>75</b>

### 4. NET FINANCE INCOME (COSTS)

in EUR thousand	1–6 2019	1–6 2018
Interest income	2,416	1,521
Guarantee fees	749	822
<b>Finance income</b>	<b>3,165</b>	<b>2,343</b>
Interest expenses	(2,243)	(2,479)
Other expenses	(187)	(99)
<b>Finance expenses</b>	<b>(2,430)</b>	<b>(2,578)</b>
<b>Net finance income (costs)</b>	<b>735</b>	<b>(235)</b>

### 5. TAXES

in EUR thousand	1–6 2019	1–6 2018
Income tax expense	(6,520)	(70)
Deferred income tax	(6,325)	0
<b>Taxes</b>	<b>(12,845)</b>	<b>(70)</b>

in EUR thousand	1–6 2019	1–6 2018
<b>Profit before tax</b>	<b>135,197</b>	<b>793</b>
Tax at effective tax rate 19%	25,687	151
Tax effects from:		
- non-taxable income	(12,655)	0
- tax non-deductible expenses	59	39
- utilisation of previously unrecognised tax losses	(220)	(25)
- tax relief	(26)	(95)
<b>Taxes</b>	<b>12,845</b>	<b>70</b>
<b>Effective tax rate</b>	<b>9.50%</b>	<b>8.83%</b>

## 6. INVESTMENTS IN SUBSIDIARIES

000 EUR	30 June 2019	31 Dec. 2018
SIJ ACRONI d.o.o., Cesta Borisa Kidriča 44, Jesenice, Slovenia	111,337	91,337
SIJ METAL RAVNE d.o.o., Koroška cesta 14, Ravne na Koroškem, Slovenia	46,714	43,714
GRIFFON & ROMANO S.P.A., Via Dossetti 11, Loc. Casinello de Dosso, Italy	4,407	4,017
SIJ RAVNE STEEL CENTER d.o.o., Litostrajska cesta 60, Ljubljana, Slovenia	6,815	6,815
NIRO Wenden GmbH, Glück-Auf-Weg 2, Wenden, Germany	1,758	1,758
NOŽI RAVNE d.o.o., Koroška cesta 14, Ravne na Koroškem, Slovenia	656	656
ODPAD d.o.o. Pivka, Velika Pristava 23, Pivka, Slovenia	4,981	4,981
SIJ ELEKTRODE JESENICE d.o.o., Cesta železarjev 8, Jesenice, Slovenia	1,256	1,256
SIJ SUZ d.o.o., Cesta Borisa Kidriča 44, Jesenice, Slovenia	616	616
SIJ ZIP CENTER d.o.o., Koroška cesta 14, Ravne na Koroškem, Slovenia	67	67
SIJ Asia GmbH, Berger Str. 2, 40213 Düsseldorf, Germany	100	100
SIJ RAVNE SYSTEMS d.o.o., Koroška cesta 14, Ravne na Koroškem, Slovenia	6,025	6,025
SIJ POLSKA Sp. Z.o.o., ul. Zamkowa 7 lok. 11, Poznanj, Poland	1	1
OOO SSG, Noviy Arbat, house 21, bld. I, floor 21, office 29, 119019 Moscow, Russia	699	0
HOLDING PMP d. d., Gerbičeva ulica 98, Ljubljana, Slovenia	7,687	0
<b>Investments in subsidiaries</b>	<b>193,119</b>	<b>161,343</b>

In the first half of 2019, the Company provided an additional payment to its subsidiaries, namely to SIJ Metal Ravne in the amount of EUR 3,000 thousand, to SIJ Acroni in the amount of EUR 20,000, and to Griffon& Romano in the amount of EUR 390 thousand, by transferring to subsidiary a claim against the subsidiary from a current loan. Due to additional payment the registered capital of the subsidiary nor the existing share of the shareholder did not increase.

In April 2019, the Company established a new subsidiary, OOO SSG, Russia.

On 30 June 2019, the Company transferred investment in subsidiary HOLDING PMP d.d. from assets held for disposal back to investments in subsidiaries.

## 7. FINANCIAL RECEIVABLES

in EUR thousand	30 June 2019	31 Dec. 2018
Loans issued	16,331	17,138
<b>Non-current financial receivables</b>	<b>16,331</b>	<b>17,138</b>
Loans issued	142,629	59,194
Interest receivables	3,023	3,504
Other	391	438
<b>Current financial receivables</b>	<b>146,043</b>	<b>63,135</b>

Loans issued include a loan issued to the controlling company amounting to EUR 60,943 thousand. The interest rates for loans issued are fixed as well as flexible and vary between 1.65 and 5.00 percent. The disclosed value of loans issued does not exceed their realisable value. The loans issued fall due until the end of 2021 and are not pledged as security for liabilities. Majority of loans issued is secured with bills.

## 8. TRADE RECEIVABLES

in EUR thousand	30 June 2019	31 Dec. 2018
Dividends receivables	11,296	11,296
<b>Non-current trade receivables</b>	<b>11,296</b>	<b>11,296</b>
Trade receivables	5,015	4,893
Allowances for trade receivables	(144)	(140)
VAT receivables	18	568
Issued advance payments and cautions	43	23
Other receivables	56	37
<b>Current trade receivables</b>	<b>4,988</b>	<b>5,381</b>

The trade receivables are nor secured nor pledged as security for liabilities. The disclosed value of trade receivables does not exceed their realisable value.

## 9. ASSETS HELD FOR DISPOSAL (DISPOSAL GROUPS)

in EUR thousand	30 June 2019	31 Dec. 2018
Investments in subsidiaries	0	82,036
Other assets held for disposal	31	31
<b>Assets held for disposal (disposal groups)</b>	<b>31</b>	<b>82,067</b>
Financial liabilities and trade payables	0	(3,907)
<b>Liabilities included in disposal groups</b>	<b>0</b>	<b>(3,907)</b>

At the end of February 2019, the Ukrainian group MHP, one of the leaders in international agricultural and food processing industry, acquired slightly more than 90 percent share of Perutnina Ptuj. This means that since this date Perutnina Ptuj has not been a part of SIJ Group anymore. On sale, the Company generated EUR 133,227 thousand of profit, net of tax.

The assets are not pledged as security for liabilities. The present value of assets classified as held for sale does not exceed their realisable value.

## 10. CASH AND CASH EQUIVALENTS

in EUR thousand	30 June 2019	31 Dec. 2018
Cash in hand and balances on bank accounts	82,044	28,672
<b>Cash and cash equivalents</b>	<b>82,044</b>	<b>28,672</b>

## 11. EQUITY

in EUR thousand	30 June 2019	31 Dec. 2018
Share capital	145,266	145,266
Capital surplus	11,461	11,461
Reserves	2,121	2,093
Retained earnings	166,329	43,977
<b>Equity</b>	<b>325,177</b>	<b>202,797</b>

The share capital of the Company is recognised in the amount of EUR 145,266 thousand and is distributed among 994,616 shares. The face value of each share is EUR 146,05. The number of shares did not change until this financial report was prepared.

## Ownership Structure

Shareholder	Number of shares 30 June 2019	Number of shares 31 Dec. 2018
DILON, d. o. o., Gerbičeva ulica 98, Ljubljana	718,351	718,351
Republic of Slovenia, Gregorčičeva ulica 20, Ljubljana	248,655	248,655
SIJ d.d., Gerbičeva ulica 98, Ljubljana	27,600	27,600
UNIOR, d. d., Kovaška cesta 10, Zreče	10	10
<b>Total</b>	<b>994,616</b>	<b>994,616</b>

## Capital Surplus

Capital surplus in the amount of EUR 11,461 thousand was formed during the simplified decrease of the Company's capital.

## Reserves

in EUR thousand	30 June 2019	31 Dec. 2018
<i>Legal reserves</i>	4,023	4,023
<i>Treasury shares</i>	(6,009)	(6,009)
<i>Reserves for treasury shares</i>	3,754	3,754
Revenue reserves	1,768	1,768
<i>Fair value reserve due to financial assets at fair value through comprehensive income</i>	426	391
<i>Deferred tax liabilities</i>	(81)	(74)
Fair value reserves	345	317
Net actuarial gains on pension programs	8	8
<b>Reserves</b>	<b>2,121</b>	<b>2,093</b>

The Company acquired treasury shares in the amount of EUR 2,255 thousand on the basis of the Act Regulating the Incurrence and Settlement of Liabilities of Slovenske železarne as regards the Restructuring Programme (Official Gazette of the RS, nr. 111/2001) and in line with the Privatization of Slovenske železarne Act (Official Gazette of the RS, nr. 13/1998). Treasury shares were acquired by exchanging interests in subsidiaries for shares of the Company, owned by authorised companies. The shares were acquired "ex lege" and not in line with the Companies Act, which is why the Company did not establish a treasury shares fund. Shares are recognised at cost.

## 12. FINANCIAL LIABILITIES

in EUR thousand	30 June 2019	31 Dec. 2018
Borrowings	0	19,977
Liabilities for bonds issued (SIJ5)	51,210	51,076
Liabilities arising from finance lease	730	446
<b>Non-current financial liabilities</b>	<b>51,940</b>	<b>71,499</b>
<hr/>		
Borrowings	1,100	9,797
Liabilities for bonds issued (SIJ4)	42,832	42,859
Liabilities for commercial papers issued	29,956	29,723
Interest liabilities	2,947	1,154
Liabilities arising from finance lease	485	409
Other current financial liabilities	11	2
<b>Current financial liabilities</b>	<b>77,331</b>	<b>83,944</b>
<hr/>		
<b>Total financial liabilities</b>	<b>129,271</b>	<b>155,443</b>

### Borrowings

Borrowings include loans from companies in the Group and banks. The interest rate for borrowings is fixed.

### Liabilities for Bonds Issued

Liabilities for bonds issued refer to the bonds issued with the ticker symbol of SIJ5. The Company issued bonds with the total nominal value of EUR 51,218 thousand in July 2015. The entire bond issue contains 51,218 denominations of EUR 1 thousand. The bond maturity date is 21 July 2020. The interest rate for the bonds is fixed, i.e. 4.0 percent per annum. Interest is accrued annually in arrears. The nominal value of the principal falls due, in full and in a single amount, on the maturity of the bond. The bonds are traded on the Ljubljana Stock Exchange. Ljubljana Stock Exchange closing quotation as at 30 June 2019 was 103.75, and was used for fair value calculation on the same date.

Liabilities for bonds issued refer to the bonds issued with the ticker symbol SIJ4. The Company issued bonds with the total nominal value of EUR 42,897 thousand in November 2014. The entire bond issue contains 42,897 denominations of EUR 1 thousand. The bond maturity date is 24 November 2019. The interest rate for the bonds is fixed, i.e. 4.5 percent per annum. Interest is accrued annually in arrears. The nominal value of the principal falls due, in full and in a single amount, on the maturity of the bond. The bonds are traded on the Ljubljana Stock Exchange. Ljubljana Stock Exchange closing quotation as at 30 June 2019 was 102.00, and was used for fair value calculation on the same date.

### Liabilities for Commercial Papers Issued

Liabilities for commercial papers amounting to EUR 30,000 thousand refer to 12-month commercial papers with the ticker symbol SIK05, issued by the Company on 14 December 2018 as a 5th consecutive issue. The total nominal value of the commercial papers is EUR 30,000 thousand, and covers denominations of EUR 1 thousand. The interest rate for a commercial paper is 1.0 percent per annum. Commercial papers are a discounted security. Interest is charged in advance and deducted on payment of a commercial paper in the form of a discount from the nominal value of the commercial paper. Liabilities from commercial papers are payable on 13 December 2019. Commercial papers are traded on Ljubljana Stock Exchange. Ljubljana Stock Exchange closing quotation as at 30 June 2019 was 99.00, and was used for fair value calculation on the same date.

## 13. TRADE PAYABLES

in EUR thousand	30 June 2019	31 Dec. 2018
Payables to suppliers	995	839
Liabilities to employees	338	355
Received advance payments	0	20,000
Tax liabilities	784	552
Other liabilities	1	4
<b>Current trade payables</b>	<b>2,118</b>	<b>21,750</b>

Liabilities arising from received advanced payments decreased due to settlement at completion of sale of a subsidiary. A more detailed explanation of the transaction is disclosed in Note 9.

## RELATED PARTIES

Related parties are the controlling company (including its controlling companies and companies in their groups), subsidiaries, associates, other related parties and the management of companies.

### Transactions with the Controlling Company

in EUR thousand	1–6 2019	1–6 2018
Revenues	1,287	643

in EUR thousand	30 June 2019	31 Dec. 2018
Receivables	63,544	24,207
Liabilities	0	95

### Transactions with Subsidiaries

in EUR thousand	1–6 2019	1–6 2018
Revenues	9,848	9,950
Expenses	140	188

in EUR thousand	30 June 2019	31 Dec. 2018
Receivables	113,726	71,143
Liabilities	146	4,011

### Transactions with Other Related Companies

in EUR thousand	1–6 2019	1–6 2018
Revenues	37	31
Expenses	26	83

in EUR thousand	30 June 2019	31 Dec. 2018
Receivables	1,205	1,007
Liabilities	1,102	5,851

## CARRYING AMOUNTS AND FAIR VALUES OF FINANCIAL INSTRUMENTS

The table shows carrying amounts and fair values of financial assets and financial liabilities. Fair values of financial and trade receivables, cash and cash equivalents and trade payables are not shown since their carrying amount is adequate approximation of their fair value.

in EUR thousand	30 June 2019		31 Dec. 2018	
	Carrying amount	Fair value	Carrying amount	Fair value
<b>Vrsta finančnega instrumenta</b>				
Financial assets at fair value through other comprehensive income	1,290	1,290	1,256	1,256
Financial receivables	162,374		80,723	
Trade receivables	16,284		16,677	
Cash and cash equivalents	82,044		28,672	
Financial liabilities	(129,271)	(131,750)	(155,443)	(159,315)
Trade payables	(2,118)		(21,750)	

### Presentation of Financial Assets and Liabilities, Disclosed by Fair Value According to Fair Value Determination Hierarchy

in EUR thousand	30 June 2019	31 Dec. 2018
Financial assets at fair value through other comprehensive income	825	791
<b>Financial assets at fair value of first level</b>	<b>825</b>	<b>791</b>
Financial assets at fair value through other comprehensive income	465	465
<b>Financial assets at fair value of third level</b>	<b>465</b>	<b>465</b>
Bonds and commercial papers	(126,478)	(127,529)
<b>Financial liabilities at fair value of first level</b>	<b>(126,478)</b>	<b>(127,529)</b>
Borrowings	(1,100)	(29,774)
Finance lease	(1,215)	(855)
Interest liabilities	(2,947)	(1,154)
Other financial liabilities	(10)	(3)
<b>Financial liabilities at fair value of second level</b>	<b>(5,272)</b>	<b>(31,786)</b>

Second level of liabilities at fair value include secured loans issued, finance leases and interest liabilities, representing, according to the valuation model, carrying amounts of discounted expected future payments with adjusted risk level.

In the first half of 2019, there was no transfers of financial instruments between different levels.

## EVENTS AFTER THE REPORTING DATE

There were no events after the reporting date that could influence the financial statements for the period ending 30 June 2019.



# sij

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