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BUSINESS REPORT

of the SIJ Group
and SIJ d.d.
for the First Half
of 2021

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01

INTRODUCTION

OPERATING HIGHLIGHTS

As the recovery cycle begins after a year of being in a state of uncertainty, we shift our focus to improving sales and increasing profitability trends. This is reflected in our half-year results, which have already passed beyond the expectations.

LEADERS IN STEEL NICHE MARKETS

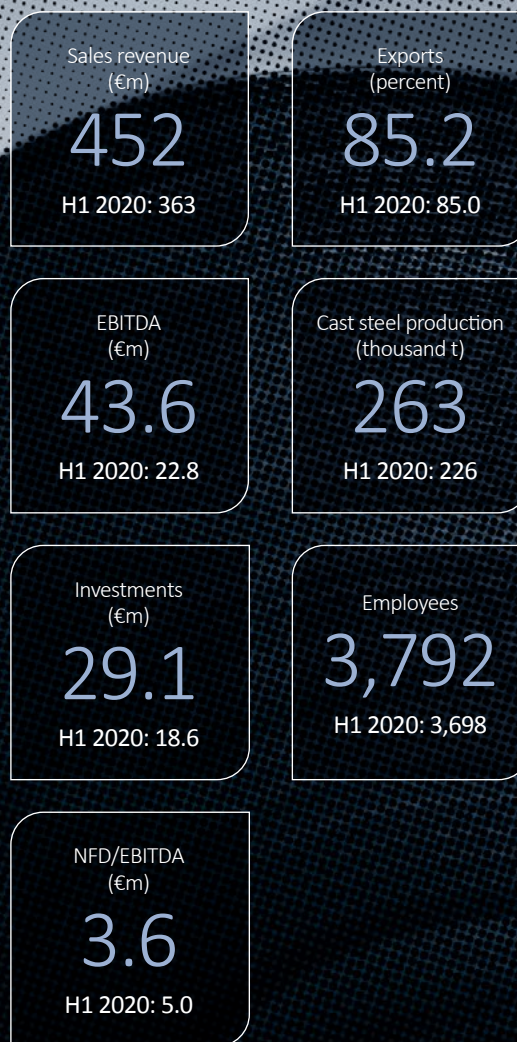
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Top 3 producer of stainless-steel quarto plates in the European Union
- 

Top 3 producer of tool steels in the European Union and founder of a new leading tooling centre to support the region's tooling industry
- 

Top 10 producer of industrial knives in the world

THE FIRST HALF OF 2021 IN FIGURES



VISION

With customer orientation, higher value added products and engaged employees we will achieve sustainable growth and efficiency.

MISSION

To produce a wide range of steel and steel products by meeting the needs of all involved stakeholders.

VALUES

We work in accordance with the values of business excellence: ethics, professionalism, fairness and credibility.

OUR PERSPECTIVE

Our advantage lies in the niche markets. **We will grow our niche steel market positions** leading up to the year 2025.

Our **financial position will be solid**, keeping profitability above the industry average.

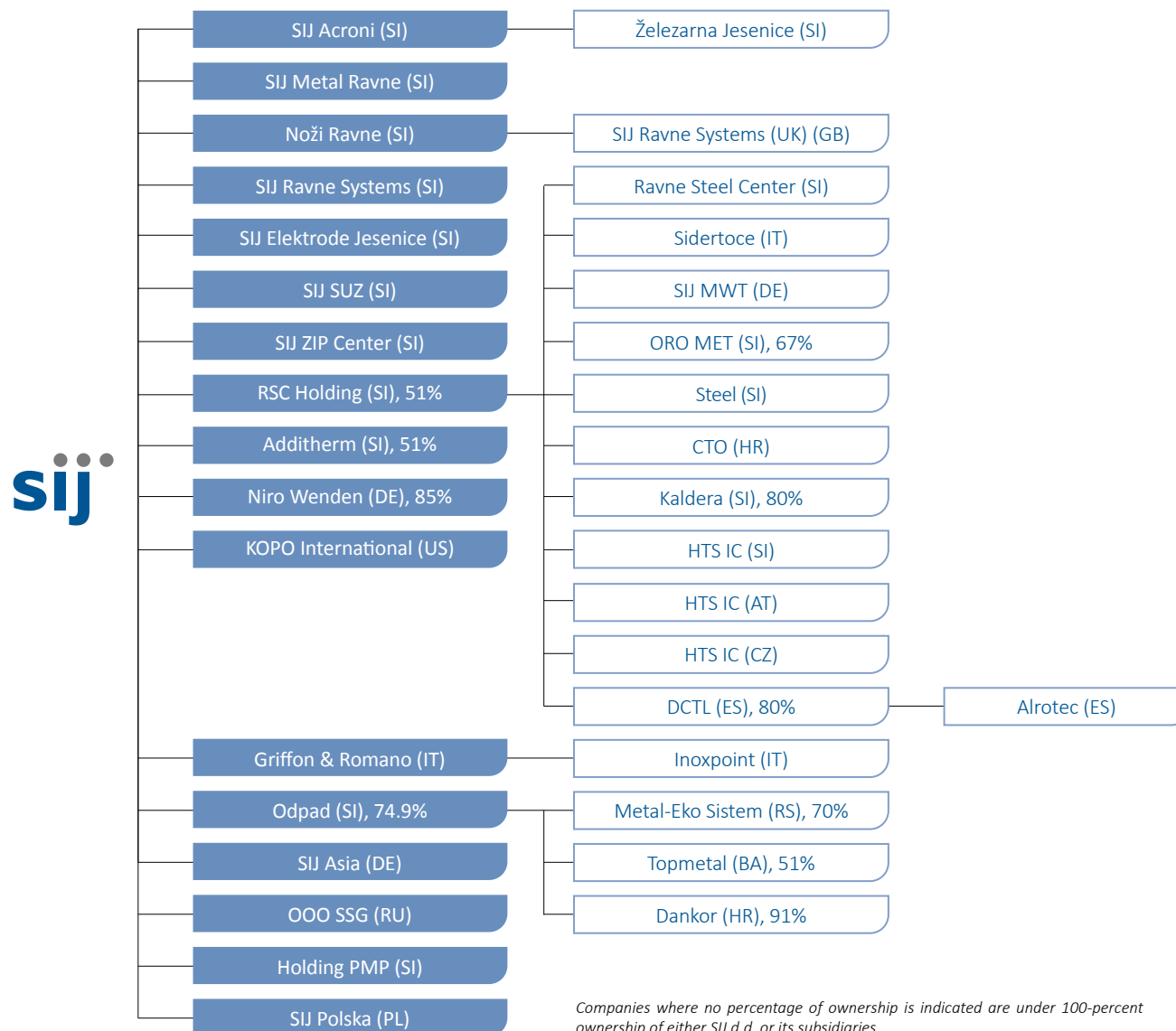
Our value lies in human capital. SIJ Group will be **considered as one of the most desired employers** in Slovenia, giving it the ability to attract talent.

SIJ GROUP AT A GLANCE

SIJ Group is comprised of 36 companies. SIJ d.d. is the controlling company, founder and either the direct or indirect owner of the subsidiaries of SIJ Group, with no registered subsidiaries.

In accordance with the controlling agreement concluded between SIJ d.d. as the parent company and its directly controlled companies, the operations of the main production companies in Slovenia have been under the control of the controlling company. The Contract on the Governance and Organisation of the Contractual Group brings under the wing the controlling company SIJ d.d. the controlled companies SIJ Acroni, SIJ Metal Ravne, SIJ Elektrode Jesenice, Noži Ravne, SIJ SUZ, SIJ ZIP Center and SIJ Ravne Systems. As a rule, other subsidiary companies are either 100-percent owned or under the predominant influence of the parent company.

Organisational Structure



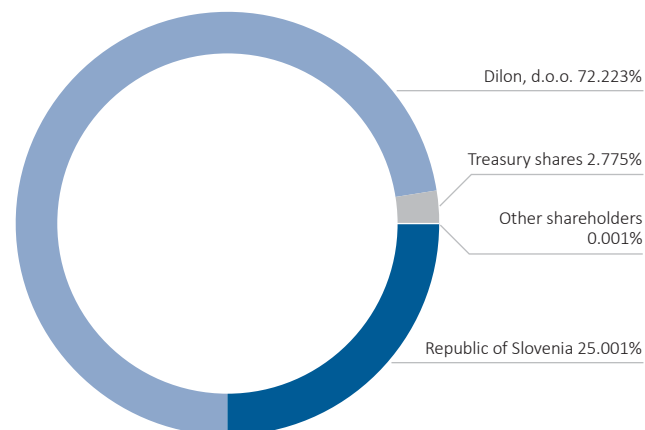


OVERVIEW OF THE CONTROLLING COMPANY SIJ d.d.

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
Core business:	70.100 Activities of head offices
Registered called-up capital:	145,266,065.76 euros
Number of shares:	994,616 ordinary no-par-value shares

Ownership Structure as of 30 June 2021



MANAGEMENT AND SUPERVISORY BODIES

The Management Board of SIJ d.d. and its extended management team thus represents the management of the entire SIJ Group, which strategically manages, guides and supervises the operations of all SIJ Group companies, both in Slovenia and abroad.

Management Board of SIJ d.d.



Andrey Zubitskiy

President of the
Management Board

Extended Management of SIJ d.d.



Tibor Šimonka

Senior Vice President



Viacheslav Korchagin

Vice President and CEO



Igor Malevanov

Vice President and CFO



Evgeny Zverev

Vice President and
Chief Legal and Corporate
Governance Officer

Supervisory Board of SIJ d.d.

President of the Supervisory Board: **Evgeny Zverev**

Vice President of the Supervisory Board: **Štefan Belingar**

Supervisory Board members: **Dmitry Davydov,
Helena Ploj Lajovic,
Richard Pochon**

Audit Committee

President of the Audit Committee: **Štefan Belingar**

Audit Committee Member: **mag. Alan Maher**

On 23 April 2021, Boštjan Napast resigned from the Supervisory Board. Mitja Križaj's term of office expired on 9 June 2021.

02

BUSINESS REPORT

SIGNIFICANT BUSINESS EVENTS AND ACHIEVEMENTS IN THE FIRST HALF OF 2021

FEBRUARY

Entering into the Most Challenging Industries Even More Decisively with the EPŽ4 Investment.

SIJ Metal Ravne launched the investment in the new EPŽ4 electroslag remelting device, which will support production of higher purity steels with improved reworking properties. Our investment follows the SIJ Group Strategy for 2020–2025 and pursues the aim of maintaining our leading position in the niche tool steels market. EPŽ4 device will help **increase production of higher-purity steels with better reworking properties, and thereby support further expansion of the niche tool steels market.** The end users come from the most demanding industries, such as the energy sector, engineering, oil and gas industry, to name but a few. We are also planning to enter the market of high-quality, hi-tech products, the aircraft industry, and we already achieved ISO 9100 certification for this purpose last year.

Pickling Line Upgrade.

In the first half of February of this year, SIJ Acroni finished upgrading the pickling line in the Heavy plate processing Division. This is the company's largest investment undertaken during the past year, with the aim of increasing productivity and safety, as well as lowering costs and reducing our carbon footprint.



APRIL

Annual Report for the Year 2020 Confirmed.

On 29 April 2021, the Supervisory Board reviewed and adopted SIJ Group and SIJ d.d.'s Audited Annual Report for the financial year 2020.



MAY

Signing of a Long-Term Syndicated Loan Agreement.

An international syndicate of five banks with NLB as the principal organiser and agent, signed a long-term syndicated loan agreement with SIJ Group's two largest steel companies, SIJ Acroni and SIJ Metal Ravne, worth EUR 148 million. These funds will be used to refinance the existing syndicated loan of EUR 240 million, which the companies took out in 2017. The funds loaned under more favourable terms will also be used for balancing liquidity reserves in future years as well as ensuring long-term development associated with investment projects. In accordance with SIJ Group's strategy until the year 2025, these investment projects are geared towards increasing production efficiency, environmental projects and energy efficiency.

President of the Slovenian Chamber of Commerce and Industry.

Members General of the Assembly of the Slovenian Chamber of Commerce and Industry (GZS) voted in **Tibor Šimonka** as the president of the GZS for the next term of office. He will continue performing his duties as Chief Vice President of SIJ Group.

Launch of the New Production Line.

In the beginning of June, SIJ Metal Ravne's metalworks production programme launched a new special heat treatment line for processing the most advanced categories of steels with a higher added value.



JUNE

39. General Assembly of Shareholders of SIJ d.d.

On 23 June, the General Assembly unanimously granted a discharge to the Management Board and the Supervisory Board for the financial year 2020. The General Assembly passed the decision that, **out of the EUR 112,339,397.05 of distributable profits for 2020**, EUR 5,811,766.16 **would** be used to pay dividends, while the rest would remain undistributed.

The General Assembly authorised the Management Board to purchase **treasury shares**, whose number, combined with the existing treasury shares the company already owns, must not exceed 2.78 percent equity, or 27,610 company shares.





SIGNIFICANT BUSINESS EVENTS AFTER THE REPORTING PERIOD

JULY

Matej Bastič and Maria (Mascha) Joye appointed as the new Supervisory Board Members.

Their appointment was confirmed on 29 July, at the 40th meeting of the General Meeting of Shareholders of SIJ d.d. The change in membership on the Supervisory Board was necessary because Mitja Križaj's term of office as a Member of the Supervisory Board expired on 9 June, while Boštjan Napast resigned on 23 April. There were no changes in the terms of office of the other Members of the Supervisory Board.

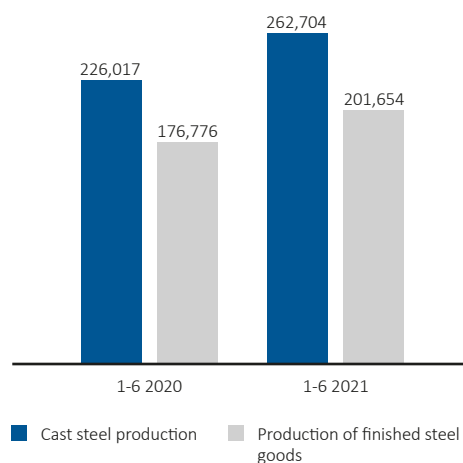
On 30 July, the Supervisory Board of SIJ d.d. appointed Richard Pochon as the new Member of the Audit Committee.

ANALYSIS OF OPERATIONS

CAST STEEL AND FINISHED STEEL GOODS MANUFACTURING

SIJ Group's cast steel production was up 16.2 percent year-on-year during the first half of the year 2021. Production of finished steel goods was also up 14.1 percent.

Production of Cast Steel and Finished Steel Goods (in tonnes)



Key Operating Figures

Financial figures	unit of measure	1–6 2020	1–6 2021
Revenues	EUR thousand	363,050	451,624
EBIT ^a	EUR thousand	-17,721	16,186
EBIT margin	%	-4.9%	3.6%
Depreciation and amortisation	EUR thousand	-24,816	-26,783
EBITDA ^b	EUR thousand	22,843	43,642
EBITDA margin	%	6.3%	9.7%
EBITDA per employee	EUR	6,177	11,509
Profit or loss before taxes	EUR thousand	-21,726	11,470
Net profit or loss	EUR thousand	-26,384	10,018
Capex	EUR thousand	18,611	29,092
Statement of financial position as at 30th June			
Total assets	EUR thousand	877,795	919,622
Equity	EUR thousand	392,345	381,612
Working capital as at 30th June			
Inventories	EUR thousand	188,646	235,215
Trade receivables	EUR thousand	79,465	92,582
Trade payables ^c	EUR thousand	137,994	222,742
Working capital	EUR thousand	130,117	105,055
Net financial debt as at 30th June			
Non-current financial liabilities	EUR thousand	144,683	173,663
Short-term financial liabilities	EUR thousand	147,484	79,648
Cash and cash equivalents	EUR thousand	74,281	41,540
Net financial debt ^d	EUR thousand	217,885	211,771
NFD/EBITDA		5.0	3.6
Number of employees on 30th June			
Number of employees		3,698	3,792

^a EBIT: operating profit or loss.

^b EBITDA: operating profit or loss before depreciation and amortisation + impairments and write-offs of value + elimination of impairments and write-offs of value, for the calculation see description within Alternative Performance Indicators.

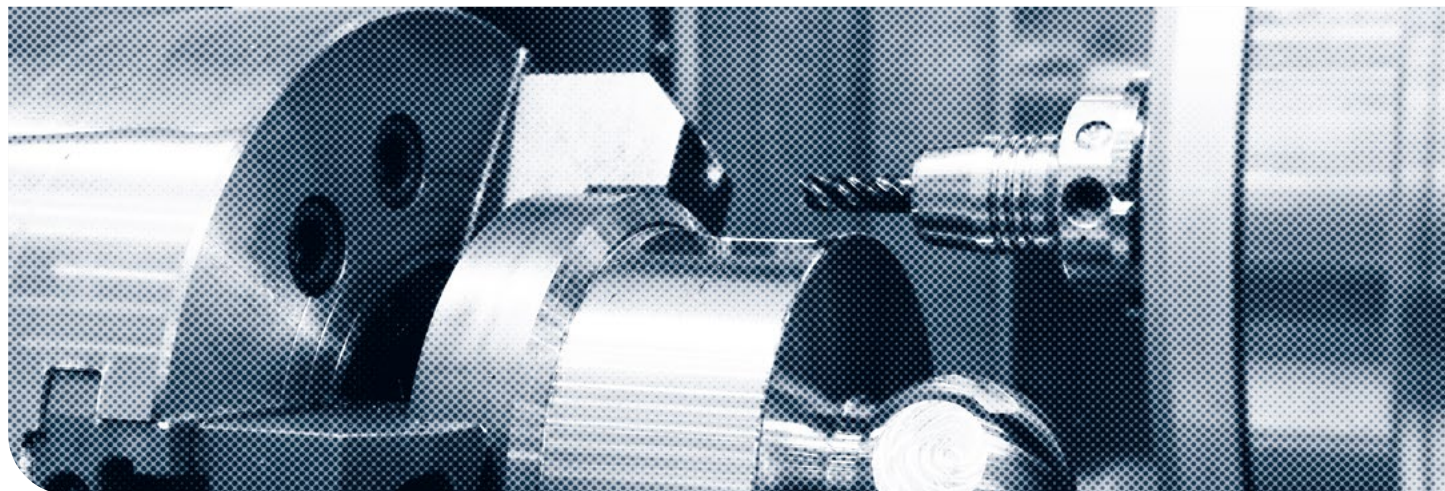
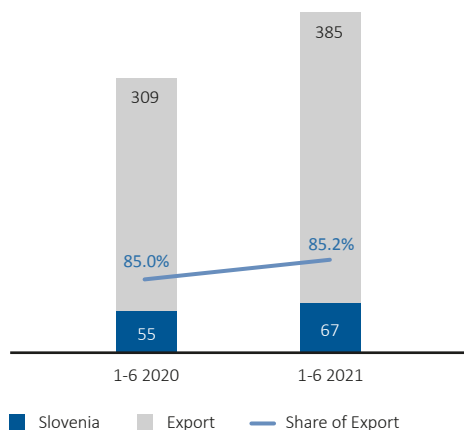
^c Trade payables for operating assets.

^d Net financial debt (NFD): non-current and current financial liabilities – cash and cash equivalents.

HIGHER NET SALES REVENUE, STABLE EXPORTS

Compared to the first half-year period of 2020, net sales revenues were up 24.4 percent. In the first half-year period of 2021, we observed favorable trends and increasing demand for steel and steel products in key sectors, such as energy, petrochemistry, machine-building, construction, tooling, automotive, white goods, etc. The most extensive increase in new orders compared to the lagging year before was observed in the segments of electrical steels, tooling and stainless steels, construction steels and special steels. We are also observing increased demand in industrial knives, tempered steel rolls and welding material.

Revenues (in EUR Million) and Share of Exports (in percentages)



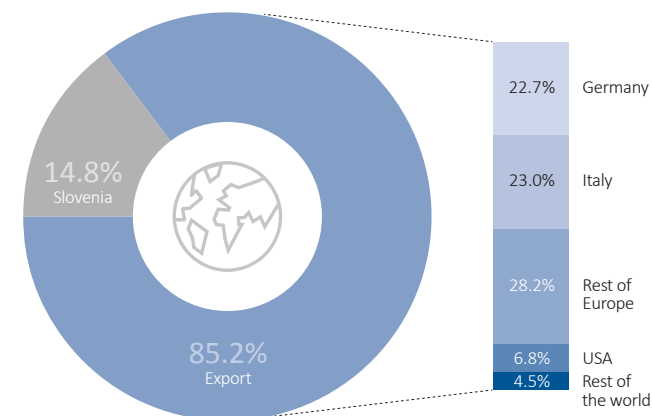
With a market presence in over 70 countries worldwide, SIJ Group remains one of Slovenia's top exporters. We maintained a high share of exports in the first half-year period of 2021, and as much as 85.2 percent of our total revenue was generated in foreign markets.

In keeping with previous trends, we generated the highest share of our revenues on the German market, where we managed to retain a high market share of 22.7 percent. Compared to the first half-year period of 2020, we increased exports to Italy by 4.8 percentage points, while our exports to the USA decreased by 3.0 percentage points.

Compared to the same period last year, we greatly increased the sales of high-quality steels, steel products and welding materials in all key export markets of strategic importance to SIJ Group. Favorable market conditions in the first half-year period of 2021 also allowed us to accelerate and grow our sales, as well as grow our market shares in markets such as North Macedonia, Kosovo, Turkey, Lithuania, China, South Korea, Taiwan and Brazil. Compared to the same period last year, we also increased domestic sales significantly, largely

on account of increased demand for electrical steels, hot rolled construction steel, welding materials and long steels for use in the automotive industry. In the first half of 2021, we also successfully won several tenders involving the sale of industrial rollers to Chinese customers.

Share of Revenues by Market



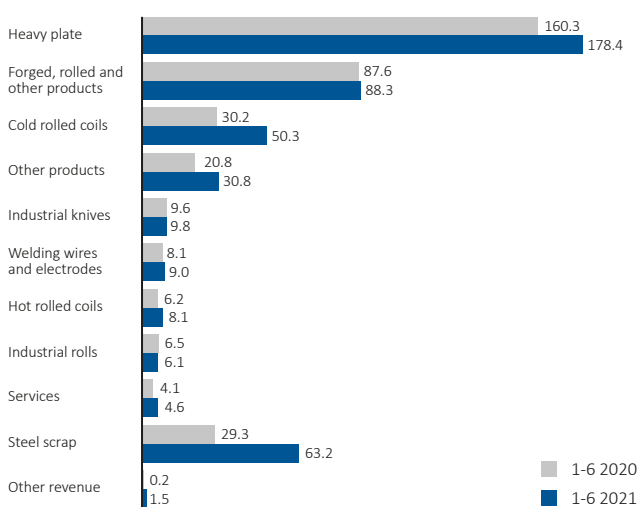
LEADING MARKET SHARES IN STEEL NICHE MARKETS FOR SIJ GROUP

SIJ Group is one of the TOP 3 producers of stainless-steel quarto plates in the European Union¹, and holds a high market share of 29.4 percent.

We are also the third largest producer of tool steels in the European Union.¹

With the exception of the industrial knives segment, sales of industrial rollers and welding wire increased year-on-year. Despite the increase in total sales revenue, we were able to maintain the same product groups sales structure as last year's.

Sales by Product Groups (in EUR million)

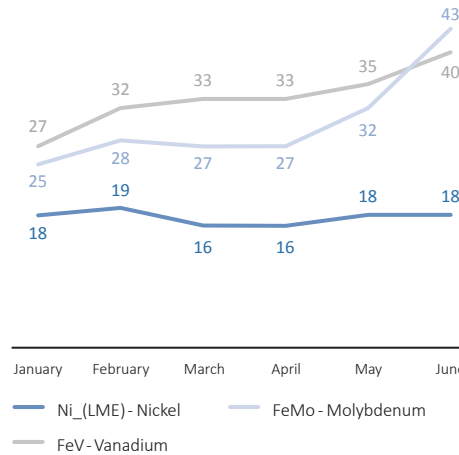


¹ European Steel Association - Eurofer. July 2021. Data sourced from the Association's member database, interim data.

INCREASING PRICES OF RAW MATERIALS

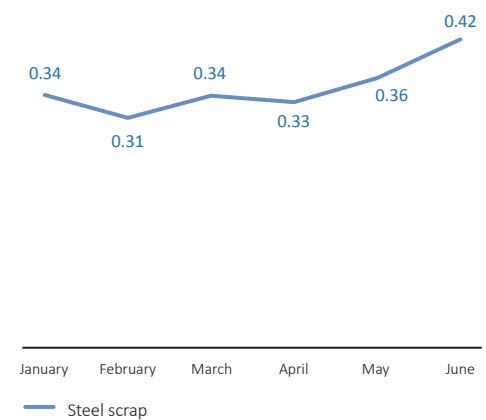
Besides the risk of ensuring stable and reliable supply, which SIJ Group has been managing with good success, we have been observing increasing prices of raw materials across the board throughout the first half-year period of 2021. Production of raw materials and other materials cannot cover the entire market demand due to the lack of raw material inputs owing to the last year's lack of manpower and production shutdowns due to the COVID-19 pandemic, where demand was greatly reduced.

Changes of Prices of Key Raw Materials Used in the Production of Stainless and Tool Steels (in USD per kilogramme)



Two raw materials in particular increased in price in the second quarter of 2021 – scrap iron and molybdenum. Scrap iron fluctuates according to the price of steel and extremely poor availability. Industrial scrap, which is tied to the end product price, is growing depending on the market price of steel. Availability of molybdenum, which is a side product of cobalt production, is low, owing to the latter's high price and profitability. Materials such as scrap iron, alloyed steel scrap, hot rolled wire and alloys, have thus increased prices by 40 to 70 percent, while molybdenum prices increased by almost 90 percent over the last month and a half alone.

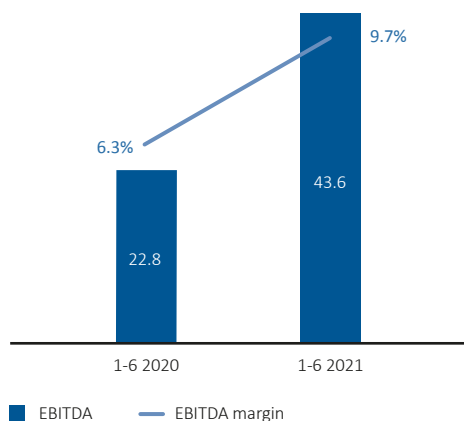
Changes of Prices of Steel Scrap (in EUR per kilogramme)



EBITDA WAS STRONGLY AFFECTED BY THE ECONOMIC CONDITIONS

SIJ Group's cast steel production in the first half-year period of 2021 performed better year-on-year. After a slow down in 2020, recovery started at the beginning of the year, as reflected in higher sales and more balanced production. As a result, the EBITDA margin increased, as well. There are still pressures due to high prices of materials.

EBITDA (in EUR million) and EBITDA Margin (in percentages)



The Steel Division has a marked effect on the EBITDA of the SIJ Group as a whole. The profitability indicator of the Steel Division was particularly driven by higher quantities, successful matching of sales prices to purchase prices of raw materials, as well as lower variable costs, for a total of EUR 19.8 million in aggregate. Despite the unfavorable sales mix, the high overhead and other effects of operations, which amounted to EUR -4.4 million, the Steel Division still generated an EUR 15.4 million higher EBITDA.

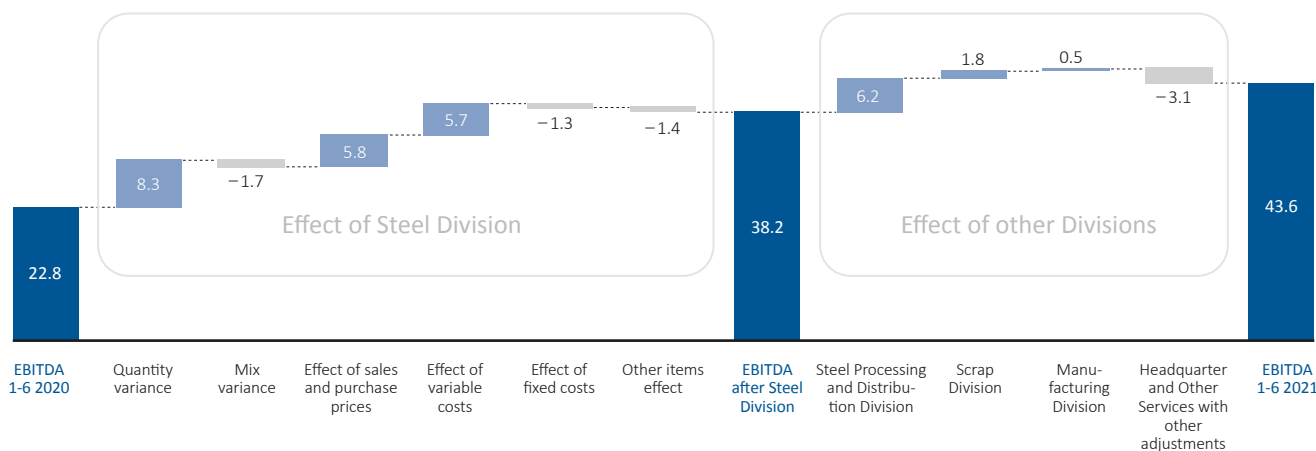
Distribution and Processing Division faced increased demand and higher prices. An important positive impact can

also be attributed to the takeover of the RSC Holding companies and the joining of new companies. The merger took place in July 2020, and so their effects did not yet exist in the comparable period of 2020.

The Scrap and Manufacturing Division had a positive impact on the EBITDA as a result of increased demand and higher prices.

The impact of the Headquarters and Other Services Division relates to higher overhead and negative change of profits in the inventories of SIJ Group.

EBITDA Bridge (in EUR million)

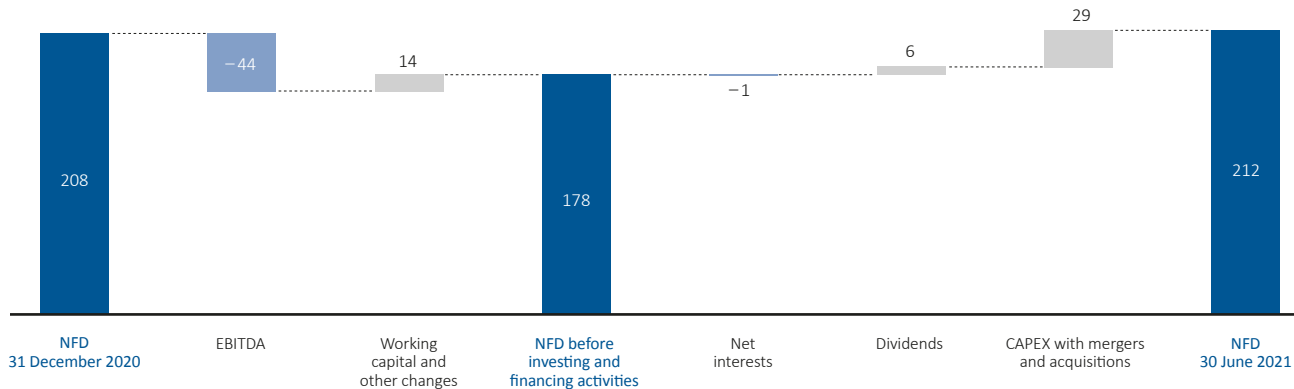


NET FINANCIAL DEBT

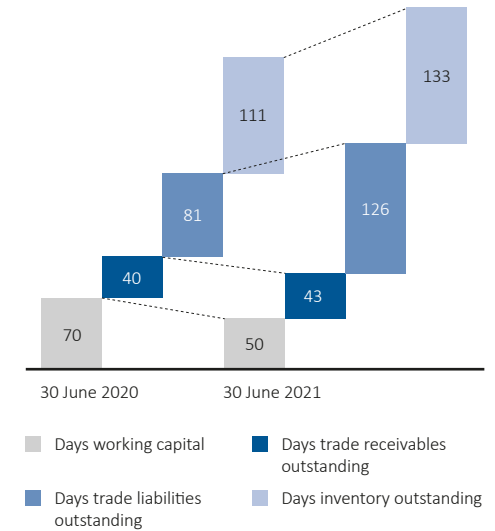
At the end of June 2021, the net financial debt of SIJ Group amounted to EUR 212 million, up by four million euros

compared to the end of 2020. Net debt increased mainly as a result of investments made and dividend payouts.

Net Financial Debt as at 30 June (in EUR million)



Days Working Capital from Operations as at 30 June



WORKING CAPITAL

SIJ Group dedicated particular attention to working capital management, as this is essential to ensure a positive cash flow with a high level of investments. Yearly changes in working capital are managed with approved credit lines, while receivables and liabilities are actively and effectively monitored daily.

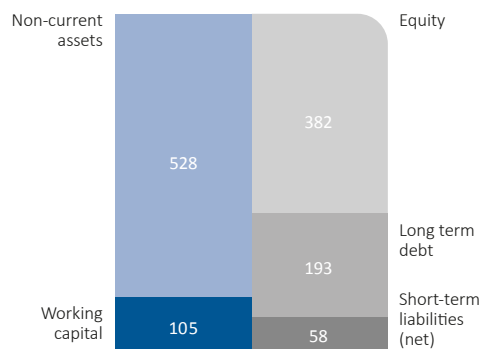
In the first half-year period of 2021, we decreased the Days Working Capital from 70 to 50 days compared to the same

period last year. We increased the level of safety stock of raw materials due to the rapidly increasing market prices, which resulted in a higher inventory turnover ratio in days. There was also an increase in Days in trade liabilities outstanding, compared to the same period last year. As a result of stronger operational performance and increased supplier confidence, we were able to improve our terms of supply, especially the payment terms for procurement of raw materials. By actively managing our trade receivables, we were able to keep the Days in Trade receivables outstanding on par with the same period last year.

HIGH SHARE OF EQUITY AND LONG-TERM SOURCES

With a high share of equity financing and ensuring long-term sources of financing, SIJ Group will continue maintaining a stable structure of funds and sources of financing. Long-term sources cover all our non-current assets, as well as half of our working capital needs. SIJ Group continues implementing the existing financial policy, whereunder we use long-term financing to implement the investment strategy and partially cover our working capital needs, while using minimal short-term sources of financing to address seasonal fluctuations in working capital.

Structure of Financial Position as at 30 June
(in EUR million)

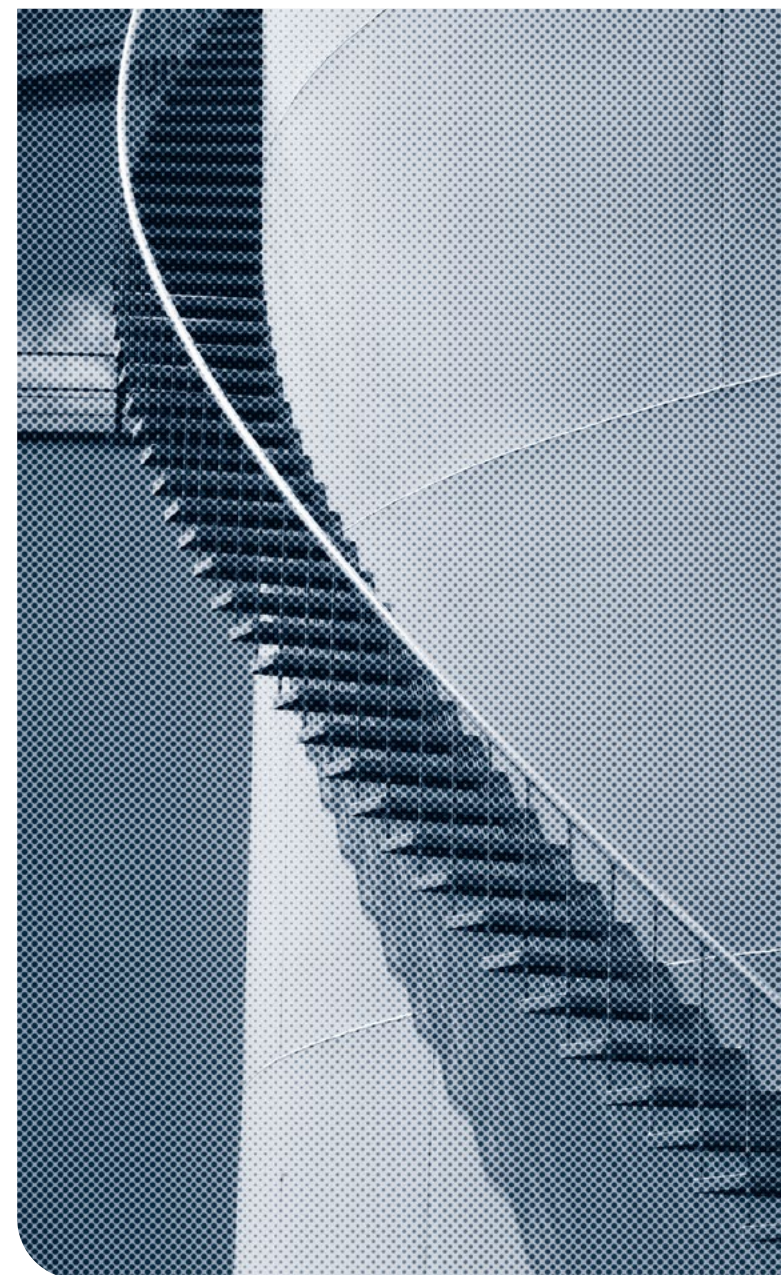
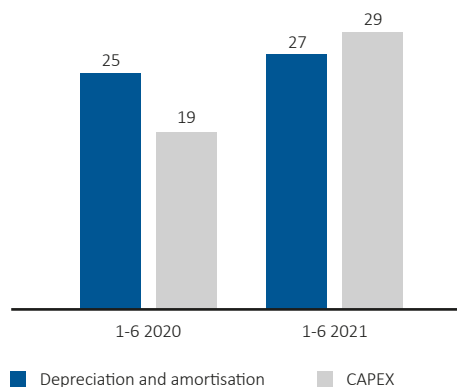


INVESTMENTS

We continue to roll out investments in accordance with our Strategy 2025. In 2020, we pushed forward part of our investments to later periods due to COVID-19 pandemic and its negative impact on business performance. As a result, SIJ Group's expenditure on investments in the first half-year period of 2021 was EUR 10 million higher than in the same period last year.

Amortisation and depreciation remains high due to activation of extensive projects in the past and current period.

Costs of Depreciation and Amortisation and CAPEX
(in EUR million)



ALTERNATIVE PERFORMANCE INDICATORS

SIJ Group also reports its operating performance according to alternative performance indicators defined by the

ESMA.² Net sales revenue and net profit or loss are defined according to International Financial Reporting Standards.

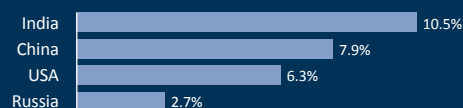
Notes to the Performance Indicators

Indicator	Explanation of calculation	Use
Net sales revenue	Net sales revenues in the statement of comprehensive income (Disclosure 1)	Net sales revenues are part of the EBITDA margin and share of exports indicators.
Share of exports	Non-domestic net sales revenues compared to overall net sales revenues in the statement of comprehensive income (Disclosure 1)	Shows the level of integration in international exchanges and measures the share of exports of goods.
EBIT	Operating profit or loss in the statement of comprehensive income	Shows the operating result and is part of the EBITDA indicator.
EBITDA	Operating profit or loss in the statement of comprehensive income before depreciation and amortisation and impairment (gains/losses) of trade receivables in the state of comprehensive income and reversal of allowances for inventories, impairment of property, plant and equipment and impairment of inventories in Disclosure 3.	EBITDA is one of the indicators of the Group's performance, representing average cash flows from its core business operations. A higher value means a higher operating cash flow, which translates to a lower risk for investors.
EBITDA margin	Share of EBITDA in net sales revenue in the statement of comprehensive income.	As a relative indicator, this is used for comparative analyses with similar companies in the industry.
Net profit or loss	Net profit or loss for the period in the statement of comprehensive income.	The mathematical difference of the total profit or loss, levied income tax and deferred taxes, and represents the profit available for use.
Net financial debt	The sum total of non-current and current financial liabilities minus cash and cash equivalents in the balance sheet.	Net financial debt is part of the NFD/EBITDA indicator.
NFD/EBITDA	NFD/EBITDA	A financial indicator which compares the net financial debt and EBITDA. The indicator shows the company's ability to repay its financial debts. For half-year data, the EBITDA for the past 12 months is used. A lower value of this indicator means that the Group is able to repay its debts to a greater extent and faster, with a lower risk of default vis-a-vis investors.

IMPACTS OF THE EXTERNAL ENVIRONMENT AND OPPORTUNITIES FOR SIJ GROUP

GLOBAL ECONOMIC OUTLOOK

Economic growth projections for 2021



Economic growth projections for 2021 and 2022



OBSERVATIONS AND TRENDS

5.6% global growth (GDP) in 2021

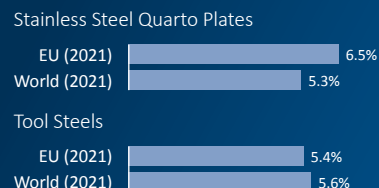
4.3% global growth (GDP) in 2022

ACTIVITIES OF SIJ GROUP

- Utilising the complete range of SIJ Group's legal and business capabilities to protect its interests in the US market.
- Increasing the local presence in the USA and expanding tariff exemptions, including with the help of new customers.
- Increasing sales activities in existing and new markets.
- Improving the supply chain leading to the end-buyers.
- Seeking out opportunities for production of new high added value products.

NEW STEEL DEMAND TRENDS

Projection of the growth in steel consumption



Growth in Steel Demand



OBSERVATIONS AND TRENDS

10.2% projected increase in steel demand in the EU (2021) is the highest growth level since 2010

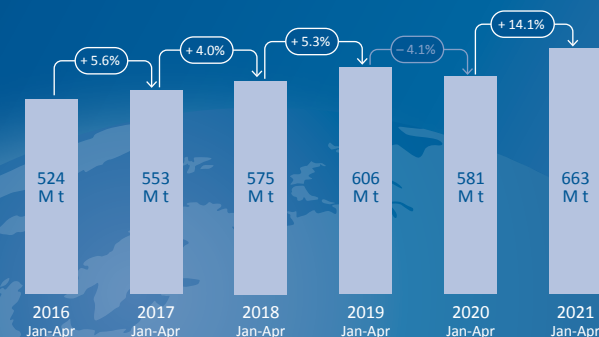
29.0% growth in the raw materials price index between August 2020 and February 2021

ACTIVITIES OF SIJ GROUP

- Efficiently passing rising raw material costs on to customers.
- Active involvement in efforts to protect the EU steel market from low-cost steel imports from third countries through EUROFER.
- Keeping track of development-focused activities on the market and looking for new business opportunities leaning towards environmentally sustainable production of steel.

RECOVERY + SUSTAINABLE DEVELOPMENT

Global growth in steel production growth in the January-April period



OBSERVATIONS AND TRENDS

11.6% steel production growth in the EU in the first four months of 2021

14.1% global steel production growth in the EU in the first four months of 2021

ACTIVITIES OF SIJ GROUP

- Understanding the customers' needs and looking for satisfactory bids.
- Strengthening and solidifying relations with existing customers.
- Increasing sales with existing customers and developing new sales activities.

Sources:

a. European 2021 Economic Forecast. Available at: [link](#)

b. World Economic Outlook. Available at: [link](#)

c. WSA – Steel Demand Forecast. Available at: [link](#)

d. SMR – Steel and Metals Market Research. April 2021. Stainless Steel Plate Mill Plate Market Data. Internal data.

e. SMR – Steel and Metals Market Research. June 2020. Alloy Tool Steel Market Data. Internal data.

PROCUREMENT



Key raw materials for metallurgy companies are steel scrap, alloy steel scrap and ferroalloys, whereas for the Manufacturing Division companies, key raw materials consist of steels and welding materials. Our competitive advantage is also supported by other factors, such as timeliness of supplies, quality and timeliness of supplies.

Supply reliability remains the principal criterion in the first half of 2021. Knowledge and a detailed understanding of the supply chains of our suppliers and participants are key for managing the risk of late delivery.

A substantial increase in demand for almost all categories of raw materials has been noted, whereas low levels of inventories across different markets and insufficient production levels pose a significant challenge in terms of ensuring continuous supply. Various measures have been introduced to manage purchasing risks. Even before the COVID-19 pandemic reached Europe, SIJ Group was closely monitoring the situation in China, where some of our strategic raw materials are sourced (such as graphite electrodes and manganese). We prepared different scenarios for maintaining supplies of strategic materials of non-European origin. We

established a geographic diversification of warehouses belonging to the suppliers of our most crucial alloys. As the transport restrictions intensified, we raised the minimum stock of raw materials originating from critical areas. Intense efforts were put into the induction of substitute materials and suppliers, even in regions where the risk level was lower in the past period. In situations such as this, managing and expanding long-term partnerships, as well as our large base of suppliers, has proved to be an effective purchasing strategy.

With the above measures in place, we did not encounter any substantial material shortages, and so there were no disruptions to our production process. Furthermore, our purchasing process was unaffected by both the Suez canal ship obstruction and the extreme shortage of shipping container transport capacities. During the first half of 2021, supply chain management was critical, and it required a great deal of engagement and a higher share of resources. As a result, we were able to ensure that the supply of key raw materials was never broken during the first half-year period.

Despite global challenges, through long-term partnerships and filigree planning, we have enabled continuity of the supply chain.



SALES

Numerous measures that aim to revive the economies of Europe, the US and Asia, coupled with low levels of inventories of steel and steel products across the supply chain sparked a strong demand for steel and steel products this year. During the first half of the year, steel demand in individual sectors – such as the automotive industry, construction industry, machinery production industry, white goods and small household appliances industry, chemical industry etc. – was already starting to outgrow our production capacities.

SIJ Group quickly responded to increased customer demand, and so we fully utilised our production capacities in the first half of 2021, with the optimal structure of orders. Favourable market conditions on the demand side have also enabled us to balance the purchase prices of raw materials and the sales prices of our products.

Thus, both during the difficult year preceding this one and during the time of economic conjuncture which followed this year, SIJ Group proved itself as an extremely flexible and reliable business partner. Due to the increased demand for steel products, timeliness and reliability of deliveries are of crucial importance. Since customer satisfaction and maintaining our reputation as a reliable business partner to our customers are two of SIJ Group's priority objectives, we have kept our customers apprised about the production and logistical status of their ordered products, as well as of any deviations from the agreed delivery times.

Despite increased demand and being at full capacity, we dedicated part of our production capacities to further expansion of our customer base and expanding into new high-yield market segments. In the first half of 2021, we attracted new customers, some of whom are recovered cus-

High demand and fully occupied capacity – for us an incentive and commitment in gaining new customers and expanding into new and high-yield market segments.

tomers. The greatest share of new and returning customers was achieved in the Steel Division, which has the greatest impact on SIJ Group's business results.

In the first half of 2021, we grew our customer base in the nuclear industry, where we achieved the status of a certified supplier. During the first half of the year, year-on-year, we increased our sales of high-quality, technologically advanced steel products with the highest value added, sold to customers in the aircraft industry, the energy industry (turbine production), the tooling industry, the automotive industry and the machinery manufacturing industry. Our certifications with various customers from these industries are proof of our meeting the highest standards of quality and supply. In 2021, we are continuing our efforts towards becoming a certified supplier of special wear-resistant and high-strength steels for use in the construction industry and in production of earth-moving heavy equipment for construction. In the custom stainless-steel products programme, we became a certified supplier for the nuclear industry and are currently in the process of introducing the most advanced electrical steels and high-tech pure steels with better workability properties, with the aim of expanding our sales offering in the automotive and tooling industries.

SUSTAINABLE DEVELOPMENT

The key objective of SIJ Group’s long-term vision is to work according to the principles of sustainable development and the circular economy. We motivate and guide all stakeholders with whom we cooperate to conduct their operations efficiently and sustainably.

Our operations are based on social responsibility, and we are signatories to the Sustainable Development Charter of the World Steel Association. We respect the seven commitments with which the world’s leading steel producers contribute to reaching the UN’s 17 Sustainable Development Goals.

Commitments of Global Steel Producers and SIJ Group

1. Improving health and safety at work.
2. Respecting and cooperating with local communities.
3. Conducting our business according to high ethical standards.
4. Strengthening the cooperation with the most important stakeholders and creating value for them.
5. Developing our production and products by reducing impacts on the environment.
6. Transparent operations.
7. Expanding the sustainability of operations in sales and procurement.

THE ENVIRONMENT AND THE CIRCULAR ECONOMY

Reducing the 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 sound inclusion of by-products in own production and in the use in other industries, integration between the companies of the Group and with other companies place the SIJ Group among the stakeholders that realise and promote circular economy.

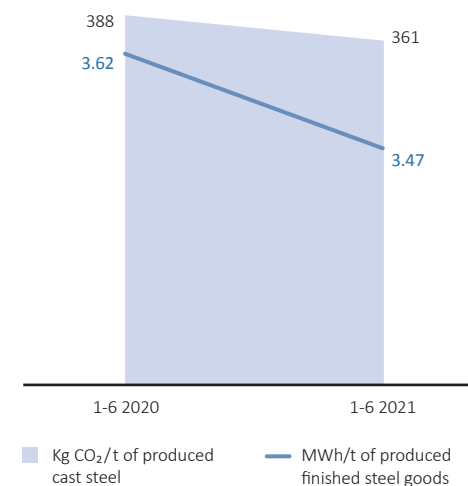
RECYCLING STEEL SCRAP AND THE CARBON FOOTPRINT

Compared to global ironworks and steel factories which, according to World Steel Association data, emitted an average of 2,300 kilograms of carbon dioxide per tonne of produced cast steel (kg CO₂/t) in 2019, our emissions in the first half of 2020 amounted to 388 kg CO₂/t and are on a par with those of modern recycling steel factories. With 361 kg CO₂/t of produced cast steel in the first half-year period of 2021, SIJ Group was ranked among the top 15 percent of the world’s most efficient steel producers included in the measurements according to the World Steel Association 2019 report. Compared to integral ironworks, which use ore as the starting raw material and coke as the energy source, SIJ Group’s steel mills are reducing carbon emissions through implementation of the circular economy principles, where steel scrap is used instead as the basic raw material in steel production.

SPECIFIC ENERGY CONSUMPTION

The efficiency of energy consumption is monitored and managed through a unified centralized energy management IT system. In the first half of 2021, we reduced specific energy consumption compared to the same period last year. This is related to the production increase compared to the first half of 2020 which was marked by a decline in production and demand due to the Covid-19 pandemic.

Carbon Footprint (kg CO₂/t of Produced Cast Steel) and Specific Energy Consumption (MWh/t of Produced Finished Steel Goods)



OUTPUT AND EQUIPMENT UTILISATION LEVEL

By the end of first quarter, we noted increased demand for our products. This meant our production capacities were fully utilised across all our locations, resulting in record production levels. At our Ravne location, we prepared a plan for uninterrupted operation of the steel rolling mill and drawing mill. Realisation of this plan hinges on ensuring sufficient number of additional workers, which presents a significant challenge across all locations.

Steel Producers - the engine of the circular economy, firmly committed to sustainable development.

EMPLOYEES

SIJ Group and its companies are one of the most important employers in Slovenia. Even in the face of unpredictable circumstances we faced in recent years, we have proven ourselves as a reliable and trustworthy employer for the future.

In the first half of 2021, we increased our employee count by 240, of which 85 percent was recruited for work in production. Despite this, we have not yet fully fulfilled our needs for new employments and are still facing a shortage of qualified and professional staff across the board.

	30 th June 2020	30 th June 2021
Number of employees	3,698	3,792
Average age (in years)	43.2	40.8
Share of women (%)	16.7	19.2
Number of persons with disabilities	328	332
Sick leave absenteeism (%)	9.0	8.4
Number of accidents	41	68
Accident frequency (F2)	19.5	20.6

At the end of the half-year period, SIJ Group had 3,792 employees, which is 94 persons more year-on-year. The average age of employees is gradually decreasing and stood at 40.8 years in the first half of the year. Due to the specific nature of the work process in SIJ Group, its employees are predominantly male. The share of women employees increased and stands at 19.2 percent. In the first half-year period, the absenteeism rate due to sick leave stood at 8.4 percent, and 68 work accidents were recorded.

developing new competencies – in particular, this included mandatory periodic professional training programmes and management skill development programmes. For the first time ever, we organized the SIJ Management School, which is based on a management competencies model. We prepared a long-term skills development programme in the area of maintenance. The programme is based on a maintenance competencies model, which we designed and adopted at the start of 2021.

KNOWLEDGE AND COMPETENCIES

In the first half of 2021, as the government began easing measures to counter the pandemic, we actively enrolled our employees in various programmes for training and

We are continuing the project of modernising training programmes and preparing the qualifications matrices for all functional areas at SIJ Group, which will serve as a basis for career development and planning promotions.

SALARY SYSTEM

Employees received a 38 percent higher holiday allowance this year, compared to last year. The holiday allowance level was agreed with the labour union representatives, and it was guaranteed in the same amount for all employees, including employees of those companies which were unable to provide sufficient funds due to suboptimal financial results.

We are working closely with the labour unions to re-examine existing criteria for business performance bonus payouts, and the process is expected to conclude by the end of 2021.

During the first half-year period, we prepared a proposal of a new salary scale, which is aligned with the changes introduced by the new Minimum Wage Act. We will continue negotiations on the new proposal in July.

SIJ Group is continuing efforts to develop a new salary and remuneration system, preparations are underway to adopt new rules on salaries and career promotions, we are actively developing new formulas and rules governing the payout of variable bonus incentives linked to the employees' productivity.

INVESTMENTS IN INCREASING THE EFFICIENCY OF HR RISK MANAGEMENT

In the first half of 2021, we began preparing for the project of introducing a new central HR system, including a single system for maintaining working hour records and payroll calculations. The aim of the project is to create synergies

across all areas of working with employees, increase the quality of HR services for company management, line managers and employees, and introduce a self-service portal.

FOOD QUALITY

We set aside nearly two million euros for the project of modernising kitchens and cafeterias, all with the aim of providing our employees with healthy and delicious food options prepared using modern technology, as well with comfortable resting areas. We expect the project to be completed by the end of the year. We are regularly checking and supervising food quality and we are working with our catering service provider and nutritionists to increase the meal quality and raise employee awareness about the importance of hot meals during working hours.

COVID-19 PANDEMIC

During the first half of 2021, we were still facing challenges associated with the pandemic. By introducing additional safety measures, we were able to bring the entire epidemiological situation within SIJ Group under control. Maintaining cleanliness in the workplace, cafeterias and shared areas, limiting the number of persons attending work meetings, and digitalisation of business processes are some of the foremost factors contributing to the curb of the spread of the coronavirus within SIJ Group companies.

We promote a healthy lifestyle and a balanced diet among our employees, educating them about all preventive measures they have to take at their workplaces in the offices or production halls.



SOCIALLY RELEVANT COOPERATION WITH LOCAL COMMUNITIES

SIJ Group's activities are inseparably linked to the local communities. We designed uniform guidelines for sponsorships and donations, which apply to the entire SIJ Group and related companies belonging to the Group. Key areas of our involvement include sports, culture, education and humanitarian projects.

The Purpose of Participation in Socially Relevant Projects

Strengthening the SIJ brand

Social responsibility



Understanding steel as a multipurpose material in all areas of human activity

RESPONSIBLE PARTNERSHIP WITH SPORTS ORGANISATIONS

In the area of sports, SIJ Group preserved its existing partnerships with all sports organisations on the local level and in the local communities, which are part of our portfolio of strategic sponsorships.

We are also continuing the initiative to promote steel as a material with a wide variety of uses, including in sports and sports infrastructure. As part of our ongoing collaboration with the Olympic Committee of Slovenia – Association of Sports Federations, and with the support of local communities, we have now officially opened the 14th steel outdoor sport grounds in Pivka, with Olympian ambassador, basketball player Tina Jakovina.

The Slovenian torch for the 2020 Tokyo Olympics was fashioned in the Koroška steel factory, and will travel across Slovenia for 81 days, building a mind of steel everywhere. Thus began the project of the Slovenian Torch on the Way to Tokyo, of which SIJ Group - Slovenian Steel Industry is an important partner. It is a project which promotes the upcoming Olympics which will take place in July and August in Japan and is taking place as part of the activities organised by the Olympic Committee of Slovenia – Association of Sports Federations under the slogan: "We have Olympic dreams. We have Tokyo."



With the projects "Mind of Steel" and "Slovenian Torch," we raised, together with our partners, awareness of the importance of perseverance and cooperation throughout Slovenia.

A TRADITION OF STEEL WORKING

To commemorate the 400th anniversary of steel-working in the Mežica Valley, the Koroška Regional Museum, in collaboration with various partners, including SIJ Group, set up and officially opened the exhibition under the title "The Gleam of Steel: Progress, Circular Economy and Care for the Environment" in the Štauharija complex in the town of Ravne na Koroškem. The exhibition essentially expands on the existing "Mother Factory" exhibition and the Museum of Ironworking.



RISK MANAGEMENT

The risks and opportunities system is based on a well-rounded process of **planning, coordinating and reporting**. The management of SIJ d.d. makes decisions on the measures to control and eliminate risks. Risk management is centralised across the entire SIJ Group.

Risk management processes are inseparably linked and integrated into the business processes and into the system of internal controls which are in place in individual SIJ Group member companies, as well as on the level of the entire Group. Risk management processes are in place at various levels, depending on which level SIJ Group companies encounter them in the course of their business, where such risks could potentially have a negative impact on:

- **assets,**
- **cash flows,**
- **profitability,**
- **reputation,**
- **continuity of operations.**

In SIJ Group, risks and opportunities are assessed from the perspective of a broad portfolio of products destined for different markets, from the perspective of the diversification of business divisions and their vertical integration.

Based on the likelihood of manifestation of a certain risk, and in light of the coronavirus epidemic, the most significant and most likely risks in 2020 were human resources

risks, purchasing risks, sales risks, as well as financial risks. These risks are given special attention in 2021, as well. However, we consider these exposures to be at a moderate level in a recovering economic environment.

We are monitoring the risks in 2021 and are not expecting them to have any negative impacts on operations.

We are constantly striving for new opportunities because we know how to manage the risks carefully.

03

FINANCIAL REPORT

for the six-month period
ended 30 June 2021

STATEMENT OF THE MANAGEMENT'S RESPONSIBILITY

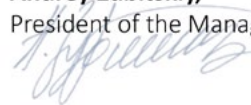
The Management Board is responsible for the preparation of the condensed consolidated financial statements of SIJ Group and the condensed financial statements of SIJ d.d. (hereinafter: condensed financial statements) for the six-month period ended 30 June 2021, together with accounting policies and notes, which give to the best of its knowledge and belief, a fair view of the development and results of the Group's and the Company's operations and its financial position, including the description of material risks that the Group and the Company is exposed to.

The Management Board confirms that appropriate accounting policies have been applied consistently in the preparation of the condensed financial statements, that accounting estimates were prepared based on the principles of fair value, prudence and sound management and that the condensed financial statements give a true and fair view of the Group's and the Company's financial position and the results of its operations in the six-month period ended 30 June 2021.

The Management Board is also responsible for appropriate accounting and for taking adequate measures to protect the Group's and the Company's property and other assets, and confirms that the condensed financial statements, together with the notes thereto, have been prepared based on the assumption of continuing operation 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 and the Company. 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.

Andrey Zubitskiy,
President of the Management Board



Ljubljana, 31 August 2021

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS OF THE SIJ GROUP AND THE CONDENSED FINANCIAL STATEMENTS OF SIJ d.d.

Reporting Entity

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

Given below are the condensed consolidated financial statements of the SIJ Group and the condensed financial statements of SIJ d.d. for the six-month period ended 30 June 2021. The condensed consolidated financial statements include financial statements of the parent company, its subsidiaries and its shares in associates.

The condensed consolidated financial statements for a selected group of subsidiaries are compiled by SIJ d.d. The consolidated financial statements for the broader group of subsidiaries are compiled by DILON Cooperatief U. A. DILON Cooperatief U. A. did not compile consolidated financial statements for the six-month period ended 30 June 2021. The consolidated annual report for 2020 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 condensed financial statements for the six-month period ended 30 June 2021 have been prepared in accordance with the International Financial Reporting Standards (IFRS)

with associated notes, adopted by International Accounting Standards Board (IASB), and the interpretations of the IFRS Interpretations Committee (IFRIC), adopted by the EU.

The financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 31 December 2020 and any public announcements made by SIJ d.d. during the six-month period ended 30 June 2021.

In the preparation of condensed financial statements for the six-month period ended 30 June 2021 the same accounting policies were considered as in the preparation of financial statements for 2020.

Disclosed condensed financial statements for six-month period ended 30 June 2020 in this financial report are different from disclosed financial statement for the six-month period ended 30 June 2020 in the financial report for the six-month period ended 30 June 2020. The differences relate to changes in the recognition of impairments of property, plant and equipment, expenditure on unused annual leave and release of deferred tax assets.

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

BASIS OF MEASUREMENT

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

FUNCTIONAL AND PRESENTATION CURRENCY

The condensed financial statements in this report are presented in thousand euros; the euro is also the functional currency of the parent company.

APPLICATION OF ESTIMATES AND JUDGMENTS

The preparation of condensed financial statements requires the Management to make estimates based on judgments and assumptions which may affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as at the date of the financial statements. They also may affect the reported amounts of income and expenses during the reporting period.

Management uses historical experience and all available information to make these estimates and regularly evaluates the judgements and assumptions used in its estimates, and results could differ from those estimates upon future events and their effects or new information.

Estimates and assumptions include:

- estimate of the useful life of assets subject to amortisation or depreciation;
- impairment test for goodwill;
- 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.

The group and the company has reviewed estimates and based on review concluded that the accounting estimates adopted in the preparation of the condensed financial statements for the six-month period ended 30 June 2021 are consistent with those followed in the preparation of the Group's and Company's annual financial statements for the year ended 31 December 2020. The estimates of provisions related to employee benefits are only determined annually and have not been evaluated in the condensed financial statements.

NEW STANDARDS, INTERPRETATIONS AND AMENDMENTS ADOPTED BY THE GROUP

The accounting policies adopted in the preparation of the condensed consolidated financial statements for the six-month period ended 30 June 2021 are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2020. All applicable new standards and interpretations effective as of 1 January 2021 have been adopted. There was no significant impact on the Group.

Composition of the Group of Related Parties

The condensed 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	Total Assets 30. Jun 2021	Total Equity 30. Jun 2021	Net profit (loss) Jan–Jun 2021
Parent company of the Group					
SIJ – Slovenska industrija jekla, d. d., Gerbičeva ulica 98, Ljubljana, Slovenia	Activities of head offices		417,883	271,701	2,042
SIJ – subsidiaries					
SIJ ACRONI d.o.o., Cesta Borisa Kidriča 44, Jesenice, Slovenia	Steel production	100	404,954	150,106	3,078
SIJ METAL RAVNE d.o.o., Koroška cesta 14, Ravne na Koroškem, Slovenia	Steel production	100	206,674	66,265	1,987
NOŽI RAVNE d.o.o., Koroška cesta 14, Ravne na Koroškem, Slovenia	Renting and managing of own or leased real estate	100	1,073	336	(70)
SIJ ELEKTRODE JESENICE d.o.o., Cesta železarjev 8, Jesenice, Slovenia	Welding materials production	100	13,159	(167)	(328)
SIJ SUZ d.o.o., Cesta Borisa Kidriča 44, Jesenice, Slovenia	Drawn wires production	100	8,117	3,398	388
SIJ ZIP CENTER d.o.o., Koroška cesta 14, Ravne na Koroškem, Slovenia	Education and training of the disabled	100	2,316	812	34
ODPAD d.o.o. Pivka, Velika Pristava 23, Pivka, Slovenia	Recovery of secondary raw materials from scrap	100	41,250	9,368	1,092
NIRO Wenden GmbH, Glück-Auf-Weg 2, Wenden, Germany	Steel cutting, engineering and trade	85	14,450	(5,995)	484
GRIFFON & ROMANO S.P.A., Via Dossetti 11, Loc. Casinello de Dosso, Italy	Heat processing and special steel trade	100	24,015	1,179	528

Continuation of the table →

Continuation of the table

in EUR thousand	Activity	% of voting rights	Total Assets 30. Jun 2021	Total Equity 30. Jun 2021	Net profit (loss) Jan–Jun 2021
SIJ Asia GmbH, Kasernerstr. 1, 40213 Düsseldorf, Germany	Trade	100	205	187	13
SIJ RAVNE SYSTEMS d.o.o., Koroška cesta 14, Ravne na Koroškem, Slovenia	Metallurgic machines production	100	36,175	7,331	(477)
SIJ POLSKA Sp. Z.o.o., ul. Zamkowa 7 lok.11, Poznan, Polska	Trade	100	1	1	0
HOLDING PMP d.o.o., Gerbičeva 98, 1000 Ljubljana, Slovenia	Holding activity	100	15,987	15,970	103
KOPO International Inc., 331 Newman Springs Road Suite, 104, Red Bank, New Jersey, USA	Trade	100	38,121	2,313	607
OOO SSG, Presnenskaya nab. 12, floor 59, office 10, Moskow, Russia	Managing of real estate	100	400	340	(109)
ADDITHERM d.o.o., Litostrojska cesta 60, Ljubljana, Slovenia	Scientific and technical research	100	627	594	23
RSC HOLDING d.o.o., Litostrojska cesta 60, Ljubljana, Slovenia	Holding company	51	58,399	50,983	119
SIJ ACRONI - subsidiaries					
ŽELEZARNA JESENICE, d.o.o., Cesta železarjev 8, Jesenice, Slovenia	Trading with own real estate	100	10,788	10,321	43
ODPAD - subsidiaries					
DANKOR, d.o.o., Vukovarska 436, Osijek, Croatia	Recovery of secondary raw materials from scrap	91	1,369	685	162
METAL-EKO SISTEM DOO JAGODINA, Put Kneza Mihaila 9, Jagodina, Serbia	Recovery of secondary raw materials from scrap	70	3,893	2,066	291
"TOPMETAL" d.o.o. Laktaši, Karađorđeva 69, 78250 Laktaši, Bosnia and Herzegovina	Recovery of secondary raw materials from scrap	51	831	(102)	-

Continuation of the table →

Continuation of the table

in EUR thousand	Activity	% of voting rights	Total Assets 30. Jun 2021	Total Equity 30. Jun 2021	Net profit (loss) Jan–Jun 2021
RSC Holding - subsidiaries					
Ravne Steel Center d.o.o., Litostrojska cesta 60, Ljubljana, Slovenia	Wholesale of metals and metal ores	100	19,447	4,060	976
SIDERTOCE S. p. A., Via XX. Settembre 198, C. P. 34, Gravellona Toce, Italy	Trade	100	13,883	6,147	416
SIJ MWT GmbH, Celsiusstrasse 17, Germany	Trade	100	3,424	378	(117)
ORO MET d.o.o., Neverke 56, Košana, Slovenia	Manufacture of other tools	67/51*	17,598	9,043	542
HTS IC d.o.o., Litostrojska cesta 60, Ljubljana, Slovenia	Manufacture of metal constructions and other parts	100	3,548	1,661	227
HTS IC GmbH, Wienerbergstrasse 11/12A, Wien, Austria	Production and trade	100	675	230	77
HTS IC s.r.o., Viktora Huga 377/4, Praga, Czech Republic	Trade	100	73	4	0
DCTL SL, Avda de les Puntes – Nave 3 Constanti, Tarragona, Spain	Production and trade	80	378	(7)	(2)
STEEL podporni center orodjarske industrije d.o.o., Litostrojska cesta 60, Ljubljana, Slovenia	Manufacture of metal constructions and other parts	100	4,612	2,158	208
CENTAR TOPLINSKE OBRADBE d.o.o., Slavonska avenija 22D, Zagreb, Croatia	Production and trade	100	1,440	491	104
KALDERA d.o.o., Kolodvorska ulica 33A, Slovenska Bistrica, Slovenia	Manufacture of other tools	80	3,691	2,990	127
DCTL SL - subsidiaries					
ARLOTEC SL; Avada de les Puntes – Nave 5 (Esquina calle dinamarca) Poligono, Industrial de Consanti, Tarragona, Spain	Production and trade	100	966	539	108
NOŽI RAVNE - subsidiaries					
SIJ Ravne Systems (UK) Limited, 12 Conqueror Court, Sittingbourne, Kent, ME10 5BH, United Kingdom	Trade	100	671	144	46

*In May 2021, the Group acquired additional 16% of shares of the subsidiary OROMET and became its 67% owner. The Group also entered into an option agreement to acquire the remaining 33% of shares to become its 100% owner (Note 14).

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS OF THE SIJ GROUP

for the Six-Month Period Ended 30 June 2021

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS OF THE SIJ GROUP

Condensed Consolidated Statement of Comprehensive Income

in EUR thousand	Note	Jan–Jun 2021	Jan–Jun 2020
Revenue	1	451,624	363,050
Cost of sales	2	(360,645)	(306,469)
Gross profit		90,979	56,581
Distribution costs	2	(27,297)	(17,192)
General and administrative expenses	2	(47,141)	(42,193)
Other operating income	3	2,736	3,345
Other operating expenses	3	(2,862)	(18,100)
Impairment losses of trade receivables		(229)	(161)
Operating profit (loss)		16,186	(17,720)
Finance income	4	1,991	1,936
Finance expenses	4	(6,707)	(5,941)
Net finance costs		(4,716)	(4,005)
Share of loss in associates		0	(1)
Profit (loss) before tax		11,470	(21,726)
Income tax	5	(1,452)	(4,658)
Profit (loss) for the period		10,018	(26,384)

Continuation of the table →

Continuation of the table

in EUR thousand	Note	Jan–Jun 2021	Jan–Jun 2020
Items that will not be reclassified subsequently to profit or loss			
Income tax (benefit) expense related to components of comprehensive income		(13)	29
Net actuarial gain (losses) on pension programs		65	(1)
Items that may be reclassified subsequently to profit or loss			
Change in other reserves due to changes of financial assets at fair value		70	(151)
Exchange differences on translation of foreign operations		77	(76)
Total other comprehensive income (loss)		199	(199)
Comprehensive income (loss)		10,217	(26,583)
Profit (loss) for the period attributed to:			
Owners of the parent company		8,372	(26,612)
Non-controlling interest		1,646	228
Comprehensive income (loss) attributed to:			
Owners of the parent company		8,581	(26,802)
Non-controlling interest		1,636	219

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

Condensed Consolidated Statement of Financial Position

in EUR thousand	Note	30 Jun. 2021	31 Dec. 2020
ASSETS			
Non-current assets		527,516	529,434
Intangible assets	6	32,339	33,562
Property, plant and equipment	7	389,206	386,924
Investment property		1	1
Investments in associates		1,876	1,876
Financial assets at fair value through other comprehensive income		1,330	1,260
Financial receivables	10	80,714	81,340
Trade receivables		40	61
Other assets		519	3,137
Deferred tax assets		21,491	21,273
Current assets		392,106	337,458
Assets (groups) held for sale	8	30	4,060
Inventories	9	235,215	198,497
Financial receivables	10	5,037	4,012
Trade receivables	11	104,119	81,604
Income tax assets		596	3,057
Cash and cash equivalents	12	41,540	41,208
Contract assets		391	692
Other assets	13	5,178	4,328
Total assets		919,622	866,892
EQUITY AND LIABILITIES			
Equity	14	381,612	381,281
<i>Equity attributed to the owners of the parent company</i>		356,973	354,596
Share capital		145,266	145,266
Capital surplus		11,461	11,461
Other capital reserves		6,136	6,136
Fair value reserves		(2,458)	(2,577)

Continuation of the table

in EUR thousand	Note	30 Jun. 2021	31 Dec. 2020
Translation differences		3	(72)
Retained earnings		196,565	194,382
Non-controlling interest		24,639	26,685
Non-current liabilities		193,150	178,848
Employee benefits		15,976	16,050
Other provisions		529	504
Deferred incomes		1,647	1,649
Financial liabilities	15	173,663	159,035
Trade payables		516	714
Contract liabilities		494	793
Deferred tax liabilities		325	103
Current liabilities		344,860	306,763
Liabilities included in disposal groups	8	0	419
Financial liabilities	15	79,648	90,648
Trade payables	16	247,187	205,904
Income tax liabilities		1,338	242
Contract liabilities		1,929	1,875
Other liabilities	17	14,758	7,675
Total equity and liabilities		919,622	866,892

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

Continuation of the table →

Condensed Consolidated Statement of Changes in Equity

Condensed Consolidated Statement of Changes in Equity for the Six-Month Period Ended 30 June 2021

in EUR thousand	Equity attributed to the owners of the parent company							Non-controlling interest	Total	
	Share capital	Capital surplus	Other capital reserves	Fair value reserves	Actuarial loss	Translation differences	Retained earnings			
Balance as at 31 Dec. 2020	145,266	11,461	6,136	312	(2,889)	(72)	194,382	354,596	26,685	381,281
Dividends paid	0	0	0	0	0	0	(5,812)	(5,812)	0	(5,812)
Acquisition of non-controlling interest	0	0	0	0	(3)	0	(389)	(392)	(3,682)	(4,074)
Total transactions with owners	0	0	0	0	(3)	0	(6,201)	(6,204)	(3,682)	(9,886)
Profit for the period	0	0	0	0	0	0	8,372	8,372	1,646	10,018
Other changes in comprehensive income	0	0	0	57	65	75	12	209	(10)	199
Total changes in comprehensive income	0	0	0	57	65	75	8,384	8,581	1,636	10,217
Balance as at 30 Jun. 2021	145,266	11,461	6,136	369	(2,827)	3	196,565	356,973	24,639	381,612

Condensed Consolidated Statement of Changes in Equity for the Six-Month Period Ended 30 June 2020

in EUR thousand	Equity attributed to the owners of the parent company							Non-controlling interest	Total	
	Share capital	Capital surplus	Other capital reserves	Fair value reserves	Actuarial loss	Translation differences	Retained earnings			
Balance as at 31 Dec. 2019	145,266	11,461	5,940	381	(2,691)	205	252,255	412,817	6,111	418,928
Profit (loss) for the period	0	0	0	0	0	0	(26,612)	(26,612)	228	(26,384)
Other changes in comprehensive loss	0	0	0	(123)	(1)	(67)	1	(190)	(9)	(199)
Total changes in comprehensive loss	0	0	0	(123)	(1)	(67)	(26,611)	(26,802)	219	(26,583)
Balance as at 30 Jun. 2020	145,266	11,461	5,940	258	(2,692)	138	225,644	386,015	6,330	392,345

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

Condensed Consolidated Cash Flow Statement

in EUR thousand	Note	Jan–Jun 2021	Jan–Jun 2020
Cash flow from operating activities			
Profit (loss) before tax		11,470	(21,726)
Adjusted for:			
Depreciation and amortisation	2	26,783	24,816
Share of loss in associates		0	1
Interest income	4	(1,933)	(1,806)
Interest expenses	4	5,172	4,587
Impairment of assets		444	17,061
Reversal of accrued expenses		2,184	561
Net other finance and operating income		902	462
Operating cash flow before changes in working capital		45,022	23,956
Working capital adjustments:			
Increase in trade receivables		(20,818)	(8,454)
(Increase) decrease in inventories		(37,598)	18,920
Increase (decrease) in trade payables		47,319	(42,324)
Decrease in taxes other than income tax		(256)	(110)
Total working capital adjustments		(11,353)	(31,968)
Receipts from government grant		956	4,782
Payments for retirement benefits		(820)	(866)
Income tax received (paid)		2,086	(1,703)
Net cash generated (used) from operating activities		35,891	(5,799)
Cash flow from investing activities			
Payments for investments in subsidiaries (non-controlling interest)		(680)	0
Payments for property, plant and equipment		(26,600)	(17,085)
Receipts from sale of property, plant and equipment		401	339
Payments for intangible assets		(688)	(557)

Continuation of the table →

Continuation of the table

in EUR thousand	Note	Jan–Jun 2021	Jan–Jun 2020
Loans issued		(1,998)	(8,293)
Receipts from loans issued		24	105
Interests received		3,821	5
Dividends received		44	0
Net cash used in investing activities		(25,676)	(25,486)
Cash flow from financing activities			
Receipts from borrowings		348,373	180,931
Repayments of borrowings		(347,187)	(192,140)
Repayments of leases		(2,301)	(1,213)
Interests paid		(2,820)	(2,301)
Dividends paid		(5,812)	0
Net cash used in financing activities		(9,747)	(14,723)
Cash and cash equivalents as at 1. 1.		41,364	120,289
Translation differences		(292)	38
Net change in cash and cash equivalents		468	(46,008)
Cash and cash equivalents as at 30. 6.		41,540	74.319

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

NOTES TO INDIVIDUAL ITEMS IN THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. REVENUE

in EUR thousand	Jan–Jun 2021	Jan–Jun 2020
In Slovenia	66,678	54,533
In other countries:	384,946	308,517
- Germany	102,507	83,324
- Italy	104,016	66,057
- USA	30,780	35,422
- Austria	12,627	10,206
- other countries	135,016	113,508
Revenue	451,624	363,050



Revenue by Products and Segments for the Six-Month Period Ended 30 June 2021

in EUR thousand	Steel Division	Distribution & Processing Division	Scrap Division	Manufacturing Division	Total segments	Headquarters and Other Services	Total
Quarto plates	147,724	30,681	0	0	178,405	0	178,405
Cold rolled strip and sheets	48,169	2,129	0	0	50,298	0	50,298
Hot rolled strip and sheets	5,760	2,324	0	0	8,084	0	8,084
Forged, rolled and other products	58,473	25,359	0	4,509	88,341	0	88,341
Industrial knives	0	1,285	0	8,512	9,797	0	9,797
Industrial rolls	0	0	0	6,131	6,131	0	6,131
Welding wires and electrodes	0	5	0	9,041	9,046	0	9,046
Steel scrap	93	201	62,777	81	63,152	0	63,152
Services and other revenues	1,558	32,491	133	3,612	37,794	576	38,370
Revenue	261,777	94,475	62,910	31,886	451,048	576	451,624

Revenue by Products and Segments for the Six-Month Period Ended 30 June 2020

in EUR thousand	Steel Division	Distribution & Processing Division	Scrap Division	Manufacturing Division	Total segments	Headquarters and Other Services	Total
Quarto plates	132,016	28,301	0	0	160,317	0	160,317
Cold rolled strip and sheets	28,923	1,230	0	0	30,153	0	30,153
Hot rolled strip and sheets	4,287	1,902	0	0	6,189	0	6,189
Forged, rolled and other products	56,188	28,131	0	3,295	87,614	0	87,614
Industrial knives	0	1,388	0	8,232	9,620	0	9,620
Industrial rolls	0	0	0	6,537	6,537	0	6,537
Welding wires and electrodes	0	0	0	8,125	8,125	0	8,125
Steel scrap	148	87	29,083	22	29,340	0	29,340
Services and other revenues	1,639	17,975	90	4,793	24,497	658	25,155
Revenue	223,201	79,014	29,173	31,004	362,392	658	363,050

2. OPERATING EXPENSES

in EUR thousand	Jan–Jun 2021	Jan–Jun 2020
Cost of goods, materials and services	356,573	259,716
Labour costs (Note 20)	68,270	59,180
Depreciation and amortisation costs	26,783	24,816
Other costs	4,041	4,115
Changes in inventories	(20,584)	18,027
Operating expenses	435,083	365,854

Review of Costs by Type for the Six-Month Period Ended 30 June 2021

in EUR thousand	Cost of sales	Distribution costs	General and administrative expenses	Total
Cost of goods, materials and services	321,995	23,398	11,180	356,573
Labour costs	35,186	3,443	29,641	68,270
Depreciation and amortisation costs	22,468	428	3,887	26,783
Other costs	1,580	28	2,433	4,041
Changes in inventories	(20,584)	0	0	(20,584)
Operating expenses	360,645	27,297	47,141	435,083

Review of Costs by Type for the Six-Month Period Ended 30 June 2020

in EUR thousand	Cost of sales	Distribution costs	General and administrative expenses	Total
Cost of goods, materials and services	235,306	14,196	10,214	259,716
Labour costs	30,252	2,692	26,236	59,180
Depreciation and amortisation costs	21,269	242	3,305	24,816
Other costs	1,615	62	2,438	4,115
Changes in inventories	18,027	0	0	18,027
Operating expenses	306,469	17,192	42,193	365,854

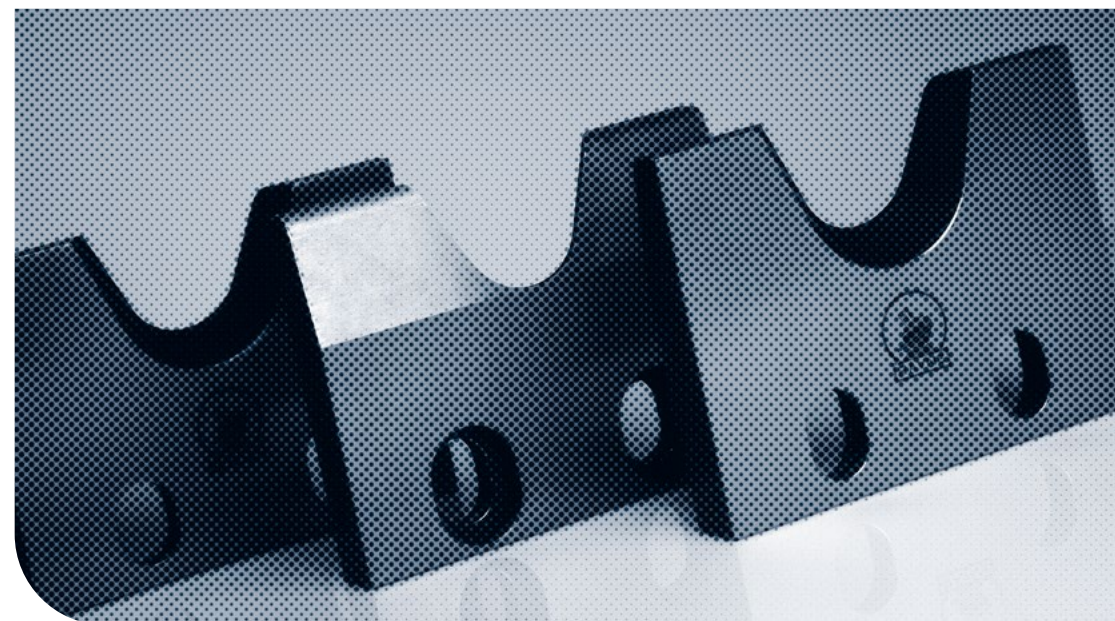
3. OTHER OPERATING INCOME AND EXPENSES

in EUR thousand	Jan–Jun 2021	Jan–Jun 2020
Revenues from received subsidies	1,540	1,362
Reversal of allowances for inventories	0	1,474
Gain from sales of property, plant and equipment	122	118
Dividend income	44	0
Other income	1,030	391
Other operating income	2,736	3,345
Expenses for donations and sponsorships	(152)	(149)
Provisions	(129)	0
Impairment of property, plant and equipment	0	(17,061)
Impairment of inventories	(444)	0
CO ₂ emissions allowances	(1,035)	0
Other expenses	(1,102)	(890)
Other operating expenses	(2,862)	(18,100)
Net other operating expenses	(126)	(14,755)

For the six-month period ended 30 June 2021 report, the Group reviewed the signs of impairment of property, plant, and equipment based on the performance valuation of all individual cash-generating units (hereinafter: CGU) that were impaired in the prior year and performed an interim value assessment where such signs existed. Projections and assessments were prepared from the perspective of the parent company, the projections took into account all the facts available at the date of the financial statements. As part of management's assessment, adjustments for coronavirus were also considered as there continues to impacts from the pandemic.

When determining the recoverable amount of a CGU, the method of present value of the estimated free cash flows was applied. Among the most important assumptions used are a discount rate (WACC) of 9.24 to 9.42 percent and a long-term growth rate of 1.0 to 1.2 percent.

There were no impairment identified as at June 30, 2021. For the previous period the impairment identified at the tested CGUs totaled EUR 17,061 thousand has been allocated to the individual assets of the CGUs based on their carrying amounts.



4. NET FINANCE COSTS

in EUR thousand	Jan–Jun 2021	Jan–Jun 2020
Interest income	1,933	1,806
Exchange rate differences	53	127
Other income	5	3
Finance income	1,991	1,936
Interest expenses	(5,172)	(4,587)
Exchange rate differences	0	(237)
Other expenses	(1,535)	(1,117)
Finance expenses	(6,707)	(5,941)
Net finance costs	(4,716)	(4,005)

5. INCOME TAX

in EUR thousand	Jan–Jun 2021	Jan–Jun 2020
Current income tax expense	(1,973)	(709)
Deferred income tax benefit (expense)	521	(3,949)
Income tax	(1,452)	(4,658)

in EUR thousand	Jan–Jun 2021	Jan–Jun 2020
Profit (loss) before tax	11,470	(21,726)
Tax at statutory tax rate 19% (2020: 19%)	2,179	(4,128)
Tax effects from:		
- non-taxable income	(155)	(7)
- tax non-deductible expenses	293	218
- tax relief	(1,279)	(207)
- tax losses for which no deferred tax assets were recognised	190	4,128
- change in tax rates	224	143
- decrease of deferred tax assets for expired tax reliefs and tax losses	0	4,511
Income tax	1,452	4,658
Effective tax rate	12.7%	(21.4)%

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 Jun. 2021	31 Dec. 2020
Software	10,899	13,417
Development costs	1,276	0
Goodwill	19,252	19,409
Other intangible assets	4	0
Assets under construction	908	736
Intangible assets	32,339	33,562

The intangible assets are not pledged as security for liabilities.

In reporting period, the Group has recognized additions to intangible assets in amount of EUR 309 thousand (Jan–Jun 2020: EUR 272 thousand). Group has not disposed intangible assets.

In six-month period ended 30 June 2021 the goodwill decrease in amount of EUR 1,160 thousand due to remeasurement of fair value of acquired assets, liabilities and contingent liabilities (Note 18) and increase in the amount of EUR 1,003 thousand due to transfer from assets held for sale (Note 8).

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 Jun. 2021	31 Dec. 2020
Land	31,527	31,996
Buildings	80,758	79,613
Equipment	242,738	245,211
Other	8,746	8,838
Assets under construction	25,437	21,266
Property, plant and equipment	389,206	386,924

Major new additions and finished investments in property, plant and equipment are current upgrades and repairs, the biggest ones are the steel plant, upgrade of the filter unit, renovation of compensation unit, purchase of chamber furnaces. Disposals of property, plant and equipment refer to the sale and write-off of equipment and to write-off of unusable and out-dated equipment.

In reporting period, the Group has recognized additions to property, plant and equipment in amount of EUR 22,874 thousand (Jan–Jun 2020: EUR 17,224 thousand). The Group disposed cost value in amount of EUR 1,816 thousand (Jan–Jun 2020: EUR 730 thousand). The Group disposed accumulated depreciation in amount of EUR 1,589 thousand (Jan–Jun 2020: EUR 446 thousand).

As at 30 June 2021, the Group leases assets which include buildings, equipment and cars. The right-of-use asset is not stated as a separate item in the statement of financial position.

It is included in property, plant and equipment. As at 30 June 2021 the Group has the right-of-use asset in carrying amount of EUR 11,960 thousand (2020: EUR 12,083 thousand). Finance expenses related to leases amounted to EUR 116 thousand in the first half of 2021 (Jan–Jun 2020: EUR 85 thousand).

In reporting period, the Group has recognized additions to right-of-use-assets in amount of EUR 883 thousand (Jan–Jun 2020: EUR 1,231 thousand). There were no significant changes in terms of lease contracts in reporting period.

The Group applied practical expedients allowed by IFRS 16, allowed for short-term and for leases of low-value assets. In first half of 2021, the total expenses related to these leases amounted to EUR 219 thousand (Jan–Jun 2020: EUR 294 thousand).

Property, plant, equipment, whose present value as at 30 June 2021 is EUR 6,521 thousand (2020: EUR 4,961 thousand) are pledged as security for liabilities.

The Group reviewed the signs of impairment of property, plant, and equipment based on the performance valuation of individual CGUs and based on review did not recognize signs of impairment (Note 3).

8. ASSETS (GROUPS) HELD FOR SALE

in EUR thousand	30 Jun. 2021	31 Dec. 2020
Assets held for sale	30	30
Assets of Metal-Eko Sistem – discontinued operations	0	4,030
Assets (groups) held for sale	30	4,060
Liabilities of Metal-Eko Sistem – discontinued operations	0	(419)
Liabilities included in groups held for sale	0	(419)

In 2020, the Group had ongoing disposal activities of the investment in Metal-Eko Sistem, however due to the COVID-19 epidemic, the planned activities were not implemented in 2020. In 2021, the Group decided not to sell the investment due to current condition on scrap market. The Group predicts that demand for scrap in the EU will increase and price fluctuation is expected to be volatile. Keeping the scrap collection sites will allow the Group have more access to this raw material in-house while mitigating price fluctuations to some extent.

9. INVENTORIES

in EUR thousand	30 Jun. 2021	31 Dec. 2020
Raw material	106,247	86,316
Work in progress	61,270	48,787
Finished products	51,569	49,117
Trade goods	16,129	14,277
Inventories	235,215	198,497

As at 30 June 2021, inventories are pledged as security for liabilities in amount of EUR 7,051 thousand (2020: EUR 0 thousand). As at 30 June 2021, the Group reviewed the value of the inventories. It found that the net realisable value of finished products is lower than their production value, and impaired the inventories by EUR 444 thousand (Jan–Jun 2020: EUR 0 thousand).

10. FINANCIAL RECEIVABLES

in EUR thousand	30 Jun. 2021	31 Dec. 2020
Loans issued	80,714	81,340
Non-current financial receivables	80,714	81,340
Loans issued	4,706	3,993
Other financial receivables	331	19
Current financial receivables	5,037	4,012

Loans issued include a loan issued to the majority shareholder of the parent company amounting to EUR 84,514 thousand (2020: EUR 84,428 thousand). The interest rate for the loan issued is fixed and amounts to 5 percent. Loans are not insured.

11. CURRENT TRADE RECEIVABLES

in EUR thousand	30 Jun. 2021	31 Dec. 2020
Trade receivables	95,900	74,354
Allowances for trade receivables	(3,318)	(3,405)
Receivables from government and other institutions	4,854	5,185
Advance payments	4,671	3,212
Other receivables	2,083	2,317
Allowances for other receivables	(71)	(59)
Current trade receivables	104,119	81,604

The majority of the Group's trade receivables are insured against commercial risks with an insurance company. Trade receivables whose present value as at 30 June 2021 amounts to EUR 7,051 thousand (2020: EUR 6,818 thousand) are pledged as security for liabilities.

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

12. CASH AND CASH EQUIVALENTS

in EUR thousand	30 Jun. 2021	31 Dec. 2020
Cash in presentation currency	36,072	35,265
Cash in foreign currency	5,467	5,942
Restricted cash	1	1
Cash and cash equivalents	41,540	41,208

Cash in presentation currency includes bank deposits in the amount of EUR 32 thousand with up to three months maturity (2020: EUR 15,500 thousand). The interest rate for deposits is fixed.

13. OTHER CURRENT ASSETS

in EUR thousand	30 Jun. 2021	31 Dec. 2020
Deferred expenses	5,038	3,677
Accrued revenues	140	651
Other current assets	5,178	4,328

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 recognized within the financial year, in the reporting period these assets are higher than on 31 December 2020.

14. EQUITY

30 Jun. 2021	30 Jun. 2021	31 Dec. 2020
<i>Equity attributed to the owners of the parent company</i>	<i>356,973</i>	<i>354,596</i>
Share capital	145,266	145,266
Capital surplus	11,461	11,461
Reserves	3,681	3,487
Retained earnings	196,565	194,382
<i>Non-controlling interest</i>	<i>24,639</i>	<i>26,685</i>
Equity	381,612	381,281

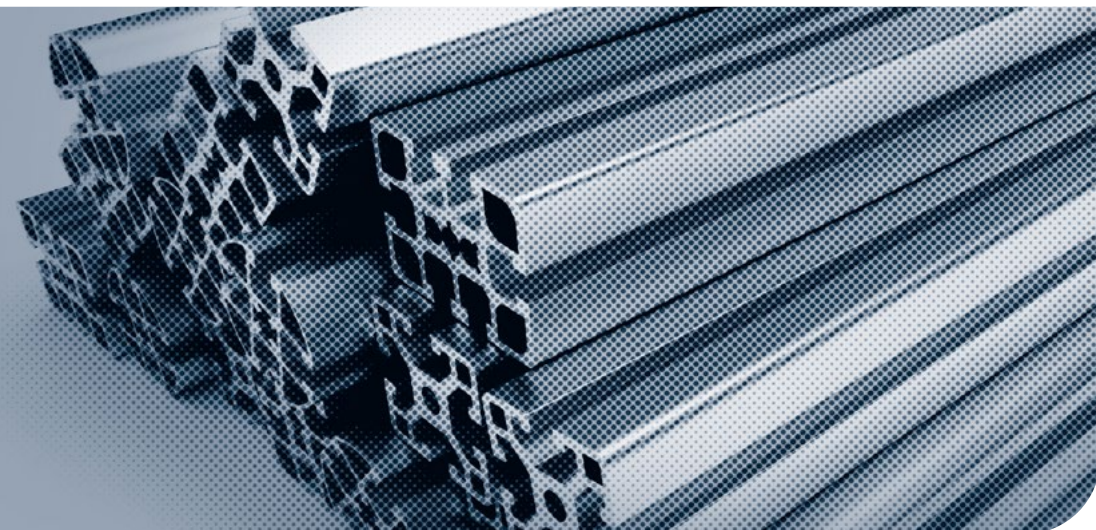
The share capital of the parent company is recognised in the amount of EUR 145,266 thousand and is distributed among 994,616 shares. The face value of each share is EUR 146.05. The number of shares did not change until this financial report was prepared.

As at 28 June 2021 the parent company paid the dividends in the amount of EUR 5,812 thousand.

Ownership Structure of the Parent Company

Shareholder	Number of shares 30 Jun. 2021	Number of shares 31 Dec. 2020
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
Total	994,616	994,616

Ownership structure of the parent 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 parent company's capital.

Reserves

in EUR thousand	30 Jun. 2021	31 Dec. 2020
Legal reserves	8,391	8,391
Treasury shares	(6,009)	(6,009)
Reserves for treasury shares	3,754	3,754
Other capital reserves	6,136	6,136
Fair value reserve due to financial assets at fair value through other comprehensive income	455	385
Deferred tax liabilities	(86)	(73)
Fair value reserves	369	312
Net actuarial losses on pension programs	(2,827)	(2,889)
Translation differences	3	(72)
Reserves	3,681	3,487

Non-controlling Interest

As at 30 June 2021, the gross value of non-controlling interest amounts to EUR 27,999 thousand. Since the parent company has entered into an option agreement to purchase a 33 percent share of the subsidiary OROMET, the gross value of non-controlling interest decreased by the carrying amount of the 33 percent shares equaling EUR 3,360 thousand. Under the option agreement, the liability to purchase the 33 percent share of OROMET as at 30 June 2021 amounts to EUR 3,828 thousand.

15. FINANCIAL LIABILITIES

in EUR thousand	30 Jun. 2021	31 Dec. 2020
Borrowings	99,961	85,524
Liabilities for bonds issued (SIJ6, SIJ7)	65,866	65,808
Lease liabilities	7,836	7,703
Non-current financial liabilities	173,663	159,035
Borrowings	49,301	60,532
Liabilities for commercial papers issued	26,566	26,556
Lease liabilities	3,437	3,152
Other financial liabilities	344	408
Current financial liabilities	79,648	90,648
Total financial liabilities	253,311	249,683

Contractual Maturities of Financial Liabilities as at 30 June 2021

30 Jun. 2021 in EUR thousand	Carrying amount as at	Expected cash flows				Total
		Up to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	
Payables to suppliers	228,331	223,378	4,413	537	3	228,331
Financial liabilities	253,311	12,991	72,801	142,133	51,935	279,860
Other liabilities	1,100	1,081	1	18	0	1,100
Non-financial liabilities	55,268	0	0	0	0	55,268
Total liabilities	538,010	237,450	77,215	142,688	51,938	564,559

Contractual Maturities of Financial Liabilities as at 31 December 2020

31 Dec. 2020 in EUR thousand	Carrying amount as at	Expected cash flows				Total
		Up to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	
Payables to suppliers	191,033	185,863	4,450	720	0	191,033
Financial liabilities	249,683	7,341	89,889	164,670	1,398	263,298
Other liabilities	722	717	5	0	0	722
Non-financial liabilities	44,173	0	0	0	0	44,173
Total liabilities	485,611	193,921	94,344	165,390	1,398	499,226

Borrowings

Borrowings include loans from domestic and foreign banks. Borrowings in the amount of EUR 18,183 thousand (2020: EUR 22,287 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.

In April 2021 the Group's two largest steel companies SIJ Acroni and SIJ Metal Ravne signed a syndicated loan agreement of EUR 148,000 thousand with a term of seven years with an international consortium of five banks, in order to refinance the existing syndicated loan in the amount of EUR 240,000 thousand that the companies raised in 2017. New syndicate facility agreement includes interest cover, equity ratio and leverage covenants, interest rate is determined by margin grid which is based on Group's leverage.

Liabilities for Bonds Issued

Liabilities for bonds refers to the SIJ6 and SIJ7 bonds trading on the Ljubljana Stock Exchange. SIJ6 bond's total nominal value is EUR 40,000 thousand, it carries 2.8 percent per annum fix coupon and matures on 25 November 2024. SIJ7 bond's total nominal value is EUR 26,100 thousand, carries 3.9 percent per annum fix coupon and matures on 2 November 2023.

Liabilities for Commercial Papers Issued

Liabilities for commercial papers refers to the SIK07 commercial paper trading on the Ljubljana Stock Exchange, with the total nominal value of EUR 26,700 thousand, fixed 1.2 percent per annum coupon and maturity as at 10 December 2021.



16. CURRENT TRADE PAYABLES

in EUR thousand	30 Jun. 2021	31 Dec. 2020
Payables to suppliers	227,815	190,319
Liabilities to employees	8,447	7,207
Received advance payments and cautions	4,301	2,217
Tax liabilities	5,524	5,439
Other liabilities	1,100	722
Current trade payables	247,187	205,904

17. OTHER CURRENT LIABILITIES

in EUR thousand	30 Jun. 2021	31 Dec. 2020
Accrued expenses for unused annual leave	4,341	2,232
Accrued expenses for lawsuits	592	747
Accrued expenses for CO ₂ emissions allowances	1,296	3,636
Other liabilities	3,713	824
Liabilities for purchase of non-controlling interest (Note 14)	4,508	0
Deferred revenue	307	236
Other current liabilities	14,758	7,675

Other liabilities as at 30 June 2021 are higher than at year end 2020 due to more accrued expenses for which invoice was not yet received.

18. BUSINESS COMBINATION

In July 2020, the parent company entered into new strategic partnership with TPA. To the existing companies of the RSC Holding Group (Ravne Steel Center, Oromet, Sidertoce and MWT), it bought new companies (Steel podporni center orodjarske industrije, Centar toplinske obrade, HTS IC in Ljubljana, HTS IC in Vienna, HTS IC in Prague, DCTL and Alrotec in Spain and Kaldera and Additherm) from TPA. Before this business combination the parent company controlled 100% of RSC Holding Group. After the entry of a new shareholder TPA, parent company controls 51 percent of RSC Holding Group and 51 percent of Additherm.

In 2020 the Group considered carrying amounts of acquired assets, liabilities and contingent liabilities as temporary fair for the initial accounting for the business combination. The Group reviewed fair values of acquired assets, liabilities and contingent liabilities. Fair values are not significantly different. The effect was taken into consideration at preparation of the financial statements for 2021.

Based on the finalization of the purchase price allocation of acquired assets, liabilities and contingent liabilities the Group resulted a decrease of goodwill in amount of EUR 1,160 thousand.

The following table summarizes the preliminary fair values of assets acquired and liabilities assumed as of the acquisition date 1 July 2020 as well as the including the measurement period adjustments.

in EUR thousand	Preliminary fair values	Adjustments	Fair values
ASSETS			
Cash and cash equivalents	11,415	0	11,415
Property, plant and equipment, intangible assets	18,833	2,807	21,640
Inventories	17,627	0	17,627
Trade receivables	15,377	0	15,377
Financial receivables	423	0	423
Other assets	582	0	582
Assets related to business combination	13,461	0	13,461
EQUITY AND LIABILITIES			
Trade payables	13,505	0	13,505
Financial liabilities	17,866	0	17,866
Other liabilities	1,876	533	2,409
Non-controlling interest	4,574	0	4,574
NET ASSETS	39,897	2,274	42,171
Non-controlling interest (49%)	19,549	1,114	20,663
ACQUIRED NET ASSETS	20,348	1,160	21,508
Acquisition price	38,206	0	38,206
Carrying amount of acquired net assets	20,348	1,160	21,508
GOODWILL	17,858	1,160	16,698



19. CONTINGENT ASSETS AND LIABILITIES

As at 30 June 2021, the contingent liabilities amount to EUR 547 thousand (2020: EUR 2,140 thousand) and refer to guarantees for the good work performance, lawsuits and issued guarantees. The Group expects no outflows from the lawsuits, issued securities and guarantees.

As at 30 June 2021, the contingent assets amount to EUR 1,203 thousand (2020: EUR 815 thousand) and refer to received guarantees and warranties for probable warranty claims. The Group expects no inflows from received guarantees and warranties.

In July 2020, the parent company entered into an option agreement to acquire interests in RSC Holding and Additherm, namely: i) call option 1 in favour of the other member to buy a 2% share in RSC Holding and a 51% share in Additherm; ii) call option 2 in favour of the other member to buy a 51% share in Additherm; iii) call option in favour of the controlling company to buy a 49% share of the other member in RSC Holding and a 49% share of the other member in Additherm; iv) put option 1 in favour of the other member to sell a 49% shares of the other member in RSC Holding and Additherm; v) put option 2 in favour of the

other member to sell a 49 % share of the other member in RSC Holding. The options can be exercised under the terms and conditions set out in the option agreement. As at 30 June 2021, the parent company reviewed the fair value of option agreements and assessed that the fair value was minimal or equal to zero. It will review the fair value annually and recognise possible changes in profit or loss.

20. IMPACT OF COVID-19 ON THE GROUP'S CONDENSED FINANCIAL STATEMENTS IN THE REPORTING PERIOD

Due to the macroeconomic environment caused by the COVID-19 pandemic, the Group reviewed accounting estimates in areas where the pandemic could have a negative impact, in particular on assets, impairments and provisions and labour costs.

- **Financial instruments:** The Group regularly monitors and reviews its model for expected losses in accordance with IFRS 9. The Group did not detect material any factors that would indicate an increase in credit risk due to the continued effects of COVID-19. Therefore, the Group concluded there was not a significant impact on the recovery of receivables as at 30 June 2021.
- **Inventories:** Inventories are measured at cost or net realisable value, whichever is the lowest. At the date of the financial statements, there was not a significant impact to the selling prices of inventories, nor significant impact to the costs to purchase inventories, as a result of the pandemic. The Group concluded there was not a significant impact on the inventories as at 30 June 2021.
- **Financial commitments in loan agreements:** Within the provisions of financial agreements, the Group is obliged to fulfill its debt covenants. As at 30 June 2021 the Group fully complied with all the contractually determined commitments set in loan agreements.
- **Labour costs:** The Group recorded the government grants received based as a result of the COVID-19 pandemic in the amount of EUR 542 thousand (Jan–Jun 2020: EUR 5,525 thousand) as a reduction in labour costs. The Group reviewed the conditions for receiving government grants and assessed that there is no requirement to repay the aid, therefore, a liability was not recognized.

21. SEGMENT REPORTING

Segment Reporting for the Six-Month Period Ended 30 June 2021

in EUR thousand	Steel Division	Distribution & Processing Division	Scrap Division	Manufacturing Division	Total segments	Headquarters and Other Services	Total	Eliminations	Condensed consolidated financial statements
Revenue (external)	261,777	94,475	62,910	31,886	451,048	576	451,624	0	451,624
Revenue (between segments)	67,918	7,347	15,897	5,472	96,634	8,445	105,079	(105,079)	0
Revenue	329,695	101,822	78,807	37,358	547,682	9,021	556,703	(105,079)	451,624
Profit (loss) before tax	5,464	4,464	1,857	(402)	11,383	87	11,470	0	11,470
Interest income	2	73	46	6	127	3,142	3,269	(1,336)	1,933
Interest expenses	3,890	469	253	387	4,999	1,515	6,514	(1,342)	5,172
Amortisation and depreciation	21,059	3,560	313	1,591	26,523	547	27,070	(287)	26,783
Impairment of assets	328	262	67	14	671	2	673	0	673
Impairment of inventories	440	0	0	4	444	0	444	0	444
Trade receivables (gains)/losses	(112)	262	67	10	227	2	229	0	229
Assets	567,672	143,510	40,419	54,968	806,570	113,052	919,622	0	919,622
Liabilities	330,790	48,715	22,808	24,092	426,405	111,605	538,010	0	538,010

Segment Reporting for the Six-Month Period Ended 30 June 2020

in EUR thousand	Steel Division	Distribution & Processing Division	Scrap Division	Manufacturing Division	Total segments	Headquarters and Other Services	Total	Eliminations	Condensed consolidated financial statements
Revenue (external)	223,201	79,014	29,173	31,004	362,392	658	363,050	0	363,050
Revenue (between segments)	56,898	6,649	8,846	5,401	77,794	8,505	86,299	(86,299)	0
Revenue	280,099	85,663	38,019	36,405	440,186	9,163	449,349	(86,299)	363,050
Profit (loss) before tax	(23,427)	8	193	(805)	(24,031)	2,305	(21,726)	0	(21,726)
Interest income	3	7	67	0	77	2,724	2,801	(995)	1,806
Interest expenses	2,675	494	266	289	3,724	1,778	5,502	(1,009)	4,493
Amortisation and depreciation	21,086	1,535	312	1,494	24,427	518	24,945	(129)	24,816
Impairment of assets	16,884	255	39	36	17,214	8	17,222	0	17,222
Property, plant and equipment, and intangible assets	17,061	0	0	0	17,061	0	17,061	0	17,061
Trade receivables (gains)/losses	(177)	255	39	36	153	8	161	0	161
Share of loss in associates	(1)	0	0	0	(1)	0	(1)	0	(1)
Assets	566,868	111,049	34,888	61,271	774,076	103,719	877,795	0	877,795
Liabilities	308,813	55,964	13,862	26,502	405,141	80,309	485,450	0	485,450

Related Parties

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

Transactions with the Majority Shareholder of the Parent Company

in EUR thousand	Jan–Jun 2021	Jan–Jun 2020
Revenue	1,923	1,782

in EUR thousand	30 Jun. 2021	31 Dec. 2020
Financial receivables	84,514	84,428

Carrying Amounts and Fair Values of Financial Instruments

The table shows carrying amounts and fair values of financial assets and financial liabilities. The carrying amounts of financial and trade receivables, cash and cash equivalents, and operating liabilities are an adequate approximation of their fair value.

in EUR thousand	30 Jun. 2021		31 Dec. 2020	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets at fair value through other comprehensive income	1,330	1,330	1,260	1,260
Financial receivables	85,751	85,751	85,352	85,352
Trade receivables	104,159	104,159	81,665	81,665
Cash and cash equivalents	41,540	41,540	41,208	41,208
Financial liabilities	(253,311)	(253,079)	(249,683)	(249,683)
Trade payables	(247,703)	(247,703)	(206,618)	(206,618)

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

in EUR thousand	30 Jun. 2021	31 Dec. 2020
Financial assets at fair value through other comprehensive income	853	783
Financial assets at fair value of first level	853	783
Financial assets at fair value through other comprehensive income	477	477
Financial assets at fair value of third level	477	477
Bonds and commercial papers	(92,200)	(92,364)
Financial liabilities at fair value of second level	(92,200)	(92,364)
Borrowings	(149,262)	(146,056)
Leases	(11,273)	(10,855)
Other financial liabilities	(344)	(408)
Financial liabilities at fair value of third level	(160,879)	(157,319)

Third level of liabilities at fair value include secured loans granted, 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 2021, there were 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 condensed consolidated financial statements for the six-month period ended 30 June 2021.



CONDENSED FINANCIAL STATEMENTS OF SIJ d.d.

for the Six-Month Period Ended 30 June 2021

CONDENSED FINANCIAL STATEMENTS OF SIJ d.d.

Condensed Statement of Comprehensive Income

in EUR thousand	Note	Jan–Jun 2021	Jan–Jun 2020
Revenue	1	7,676	7,675
Gross profit		7,676	7,675
General and administrative expenses	2	(7,854)	(6,508)
Other operating income	3	125	16
Other operating expenses	3	(175)	(54)
Impairment losses of trade receivables		0	(5)
Operating (loss) profit		(228)	1,124
Finance income	4	4,201	6,556
Finance expenses	4	(1,779)	(1,883)
Net finance income		2,422	4,673
Profit before tax		2,194	5,797
Income tax	5	(152)	(299)
Profit for the period		2,042	5,498
<i>Items that will not be reclassified subsequently to profit or loss</i>			
Income tax related to components of comprehensive income		(13)	28
<i>Items that may be reclassified subsequently to profit or loss</i>			
Change in reserves due to change of financial assets at fair value		70	(150)
Total other comprehensive income (loss)		57	(122)
Comprehensive income		2,099	5,376

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

Condensed Statement of Financial Position

in EUR thousand	Note	30 Jun. 2021	31 Dec. 2020
ASSETS			
Non-current assets		339,534	340,193
Intangible assets		594	625
Property, plant and equipment		6,232	6,245
Investment property		1	1
Investments in subsidiaries	6	223,004	222,873
Financial assets at fair value through other comprehensive income		1,318	1,248
Financial receivables	7	107,271	108,074
Deferred tax assets		1,114	1,127
Current assets		78,349	71,559
Assets (groups) held for sale	9	31	31
Financial receivables	7	75,825	65,464
Trade receivables	8	1,364	2,371
Income tax assets		0	1,903
Cash and cash equivalents	10	629	1,612
Other assets		500	178
Total assets		417,883	411,752
EQUITY AND LIABILITIES			
Equity	11	271,701	275,414
Share capital		145,266	145,266
Capital surplus		11,461	11,461
Other capital reserves		6,136	6,136
Fair value reserves		268	211
Retained earnings		108,570	112,340

Continuation of the table →

Continuation of the table

in EUR thousand	Note	30 Jun. 2021	31 Dec. 2020
Non-current liabilities		80,197	80,368
Employee benefits		765	765
Financial liabilities	12	66,865	67,185
Trade payables	13	12,567	12,418
Current liabilities		65,985	55,970
Financial liabilities	12	61,003	49,684
Trade payables	13	3,108	4,697
Income tax liabilities		57	0
Other liabilities	14	1,817	1,589
Total equity and liabilities		417,883	411,752

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

Condensed Statement of Changes in Equity

Condensed Statement of Changes in Equity for the Six-Month Period Ended 30 June 2021

in EUR thousand	Share capital	Capital surplus	Other capital reserves	Fair value reserves	Retained earnings	Total
Balance as at 31 Dec. 2020	145,266	11,461	6,136	211	112,340	275,414
Dividends paid	0	0	0	0	(5,812)	(5,812)
Total transactions with owners	0	0	0	0	(5,812)	(5,812)
Profit for the period	0	0	0	0	2,042	2,042
Other changes in comprehensive income	0	0	0	57	0	57
Total changes in comprehensive income	0	0	0	57	2,042	2,099
Balance as at 30 Jun. 2021	145,266	11,461	6,136	268	108,570	271,701

Condensed Statement of Changes in Equity for the Six-Month Period Ended 30 June 2020

in EUR thousand	Share capital	Capital surplus	Other capital reserves	Fair value reserves	Retained earnings	Total
Balance as at 31 Dec. 2019	145,266	11,461	5,940	375	108,613	271,655
Profit for the period	0	0	0	0	5,498	5,498
Other changes in comprehensive loss	0	0	0	(122)	0	(122)
Total changes in comprehensive income	0	0	0	(122)	5,498	5,376
Balance as at 30 Jun. 2020	145,266	11,461	5,940	253	114,111	277,031

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

Condensed Cash Flow Statement

in EUR thousand	Note	Jan–Jun 2021	Jan–Jun 2020
Cash flow from operating activities			
Profit before tax		2,194	5,797
Adjusted for:			
Depreciation and amortisation		417	374
Interest income	4	(2,948)	(2,698)
Interest expenses	4	1,513	1,750
Creation of allowances and provisions		0	5
Net other finance and operating income		(2,410)	(3,861)
Operating cash flow before changes in working capital		(1,234)	1,367
Working capital adjustments:			
Decrease in trade receivables		495	681
Decrease in trade payables		(1,351)	(2,430)
Decrease in taxes other than income tax		12	242
Total working capital adjustments		(844)	(1,507)

Continuation of the table →

Continuation of the table

in EUR thousand	Note	Jan–Jun 2021	Jan–Jun 2020
Receipts from government grant		67	328
Income tax received (paid)		1,809	(1,520)
Net cash used for operating activities		(202)	(1,332)
Cash flow from investing activities			
Payments for investments in subsidiaries		(131)	0
Payments for property, plant and equipment		(147)	(30)
Receipts from sale of property, plant and equipment		4	14
Payments for intangible assets		(56)	0
Loans issued		(60,710)	(41,370)
Receipts from loans issued		49,556	24,090
Interests received		4,833	909
Dividends received		44	0
Net cash used in investing activities		(6,607)	(16,386)
Cash flow from financing activities			
Receipts from borrowings		54,450	8,200
Repayments of borrowings		(44,637)	(8,000)
Receipts for financial services		2,338	978
Repayments of leases		(240)	(226)
Interests paid		(273)	(41)
Dividends paid		(5,812)	0
Net cash generated in financing activities		5,826	911
Cash and cash equivalents as at 1. 1.		1,612	37,656
Net change in cash and cash equivalents		(983)	(16,808)
Cash and cash equivalents as at 30. 6.		629	20,848

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

NOTES TO INDIVIDUAL ITEMS IN THE CONDENSED FINANCIAL STATEMENTS

1. REVENUE

in EUR thousand	Jan–Jun 2021	Jan–Jun 2020
In Slovenia	7,673	7,672
In other countries	3	3
Revenue	7,676	7,675

2. OPERATING EXPENSES

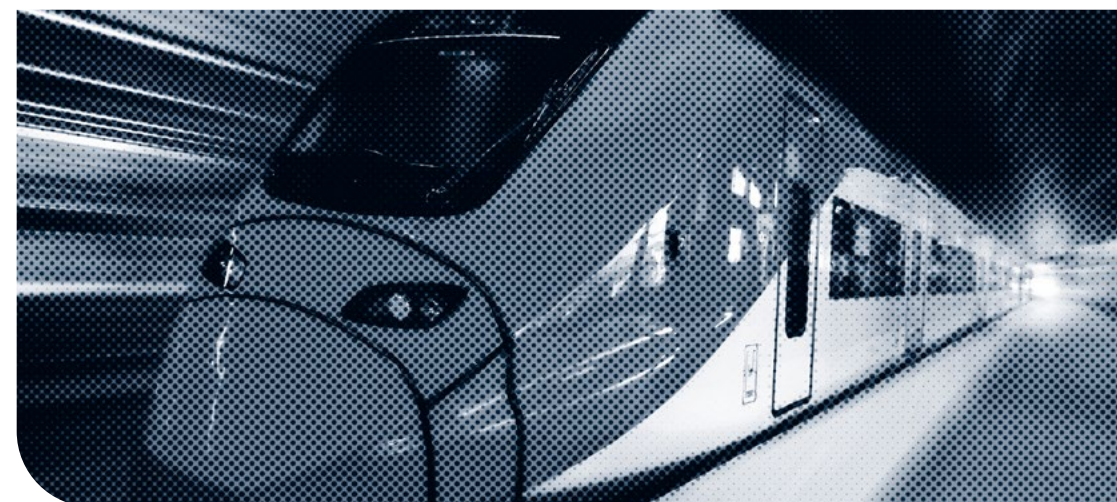
in EUR thousand	Jan–Jun 2021	Jan–Jun 2020
Cost of goods, materials and services	1,444	1,159
Labour costs (Note 15)	5,967	4,914
Depreciation and amortisation costs	417	374
Other costs	26	61
Operating expenses	7,854	6,508

3. OTHER OPERATING INCOME AND EXPENSES

in EUR thousand	Jan–Jun 2021	Jan–Jun 2020
Dividends	44	0
Gain on sale of property, plant and equipment	4	0
Other income	77	16
Other operating income	125	16
Expenses for donations and sponsorships	(47)	(54)
Other expenses	(128)	0
Other operating expenses	(175)	(54)
Net other operating expenses	(50)	(38)

4. NET FINANCE INCOME

in EUR thousand	Jan–Jun 2021	Jan–Jun 2020
Interest income	2,948	2,698
Guarantee fees	646	758
Reversal of impairment of loans issued	403	3,100
Other income	204	0
Finance income	4,201	6,556
Interest expenses	(1,513)	(1,750)
Other expenses	(266)	(133)
Finance expenses	(1,779)	(1,883)
Net finance income	2,422	4,673



5. INCOME TAX

in EUR thousand	Jan–Jun 2021	Jan–Jun 2020
Current income tax expense	(152)	(280)
Deferred income tax expenses	0	(19)
Income tax	(152)	(299)

in EUR thousand	Jan–Jun 2021	Jan–Jun 2020
Profit before tax	2,194	5,797
Tax at statutory tax rate 19% (2020: 19%)	417	1,101
Tax effects from:		
- non-taxable income	(74)	(562)
- tax non-deductible expenses	31	77
- tax relief	(35)	(9)
- tax losses for which no deferred tax assets were recognised	(187)	(308)
Income tax	152	299
Effective tax rate	6.93%	5.16%

6. INVESTMENTS IN SUBSIDIARIES

in EUR thousand	30 Jun. 2021	31 Dec. 2020
SIJ ACRONI d.o.o., Cesta Borisa Kidriča 44, Jesenice, Slovenia	111,337	111,337
SIJ METAL RAVNE d.o.o., Koroška cesta 14, Ravne na Koroškem, Slovenia	46,714	46,714
GRIFFON & ROMANO S.P.A., Via Dossetti 11, Loc. Casinello de Dosso, Italy	0	0
RSC HOLDING d.o.o., Litostrojska cesta 60, Ljubljana, Slovenia	31,545	31,545
NIRO Wenden GmbH, Glück-Auf-Weg 2, Wenden, Germany	0	0
NOŽI RAVNE d.o.o., Koroška cesta 14, Ravne na Koroškem, Slovenia	505	505
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	957	957
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	68	68
SIJ Asia GmbH, Kasernerstr. 1, 40213 Düsseldorf, Germany	100	100
SIJ RAVNE SYSTEMS d.o.o., Koroška cesta 14, Ravne na Koroškem, Slovenia	8,945	8,945
SIJ POLSKA Sp. Z.o.o., ul. Zamkowa 7 lok. 11, Poznan, Poland	1	1
HOLDING PMP d.o.o., Gerbičeva 98, 1000 Ljubljana, Slovenia	7,687	7,687
KOPO INTERNATIONAL, 100 Village Court, Suite 202, Hazlet, 07730 New Jersey, USA	2,670	2,670
OOO SSG, 119019, Moscow, Novy Arbat, d. 21, pom. I, et. 21, kom. 29, Russia	976	845
ADDITHERM d.o.o., Litostrojska cesta 60, Ljubljana, Slovenia	5,902	5,902
Investments in subsidiaries	223,004	222,873

7. FINANCIAL RECEIVABLES

in EUR thousand	30 Jun. 2021	31 Dec. 2020
Loans issued	97,990	98,983
Dividend receivables from subsidiaries	9,281	9,091
Non-current financial receivables	107,271	108,074
Loans issued	75,505	64,825
Other	320	639
Current financial receivables	75,825	65,464

Loans issued include a loan issued to the majority shareholder of the company amounting to EUR 84,514 thousand (2020: EUR 84,420 thousand). The interest rates for loans issued are fixed as well as flexible and vary between 1.60 and 5.00 percent. The disclosed value of loans issued does not exceed their realisable value. The loans issued are not pledged as security for liabilities. Majority of loans issued is secured with bills. Due to credit risk and identified objective signs of impairment an allowance for loans issued totaled EUR 16,331 thousand (Jan–Jun 2020: EUR 17,880 thousand).

8. TRADE RECEIVABLES

in EUR thousand	30 Jun. 2021	31 Dec. 2020
Trade receivables	1,355	2,078
Allowances for trade receivables	(66)	(66)
Receivables from government and other institutions	9	173
Advance payments	33	76
Other receivables	33	110
Current trade receivables	1,364	2,371

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

9. ASSETS (GROUPS) HELD FOR SALE

in EUR thousand	30 Jun. 2021	31 Dec. 2020
Other assets held for disposal	31	31
Assets (groups) held for sale	31	31

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 Jun. 2021	31 Dec. 2020
Cash in presentation currency	629	1,612
Cash and cash equivalents	629	1,612

11. EQUITY

in EUR thousand	30 Jun. 2021	31 Dec. 2020
Share capital	145,266	145,266
Capital surplus	11,461	11,461
Other capital reserves	6,136	6,136
Fair value reserves	268	211
Retained earnings	108,570	112,340
Equity	271,701	275,414

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.

As at 28 June 2021 the Company paid the dividends in the amount of EUR 5,812 thousand.

Ownership Structure

Shareholder	Number of shares 30 Jun. 2021	Number of shares 31 Dec. 2020
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
Total	994,616	994,616

Capital Surplus

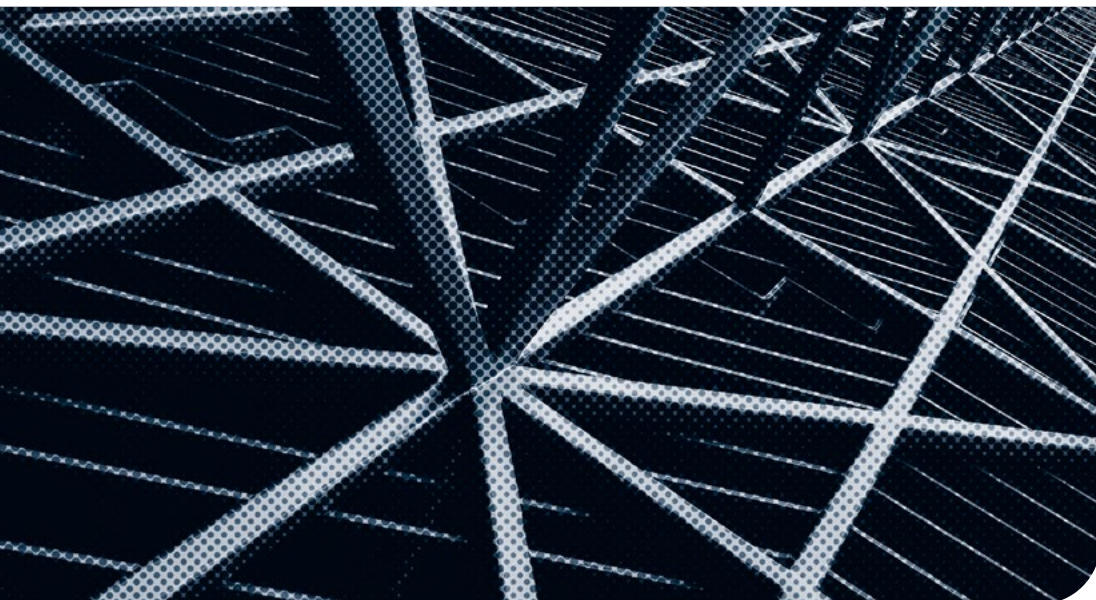
Capital surplus in the amount of EUR 11,461 thousand was formed during the simplified decrease of the Company's capital.

Other Capital Reserves

in EUR thousand	30 Jun. 2021	31 Dec. 2020
Legal reserves	8,391	8,391
Treasury shares	(6,009)	(6,009)
Reserves for treasury shares	3,754	3,754
Other capital reserves	6,136	6,136

Fair Value Reserves

in EUR thousand	30 Jun. 2021	31 Dec. 2020
Fair value reserve due to financial assets at fair value through comprehensive income	455	385
Deferred tax liabilities	(86)	(73)
Net actuarial loss on pension programs	(101)	(101)
Fair value reserves	268	211



12. FINANCIAL LIABILITIES

in EUR thousand	30 Jun. 2021	31 Dec. 2020
Borrowings	367	734
Liabilities for bonds issued (SIJ6, SIJ7)	65,866	65,808
Lease liabilities	632	643
Non-current financial liabilities	66,865	67,185
Borrowings	34,015	22,612
Liabilities for commercial papers issued	26,566	26,556
Lease liabilities	409	425
Other current financial liabilities	13	91
Current financial liabilities	61,003	49,684
Total financial liabilities	127,868	116,869

Contractual Maturities of Financial Liabilities as at 30 June 2021

30 Jun. 2021 in EUR thousand	Carrying amount as at	Expected cash flows				Total
		Up to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	
Payables to suppliers	774	774	0	0	0	774
Financial liabilities	127,868	1,568	60,601	72,284	0	134,453
Other liabilities	17,540	0	0	0	0	17,540
Total liabilities	146,182	2,342	60,601	72,284	0	152,767

Contractual Maturities of Financial Liabilities as at 31 December 2020

31 Dec. 2020 in EUR thousand	Carrying amount as at	Expected cash flows				Total
		Up to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	
Payables to suppliers	2,312	2,312	0	0	0	2,312
Financial liabilities	116,869	243	52,050	72,896	0	125,189
Other liabilities	17,157	0	0	0	0	17,157
Total liabilities	136,338	2,555	52,050	72,896	0	144,658

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 refers to the SIJ6 and SIJ7 bonds trading on the Ljubljana Stock Exchange. SIJ6 bond's total nominal value is EUR 40,000 thousand, it carries 2.8 percent per annum fix coupon and matures on 25 November 2024. SIJ7 bond's total nominal value is EUR 26,100 thousand, carries 3.9 percent per annum fix coupon and matures on 2 November 2023.

Liabilities for Commercial Papers Issued

Liabilities for commercial papers refers to the SIK07 commercial paper trading on the Ljubljana Stock Exchange, with the total nominal value of EUR 26,700 thousand, fixed 1.2 per cent per annum coupon and maturity as at 10 December 2021.

13. TRADE PAYABLES

in EUR thousand	30 Jun. 2021	31 Dec. 2020
Liabilities for contingent consideration	12,567	12,418
Non-current trade payables	12,567	12,418
Payables to suppliers	774	2,312
Liabilities to employees	1,397	1,382
Tax and other liabilities	937	1,003
Current trade payables	3,108	4,697

Pursuant to the shareholders' agreement, the Company recognised an obligation to pay contingent consideration to grant RSC Holding a loan on market terms. The loan must be granted within 3 months after the general meeting resolution for the year in which the indicator set out in the shareholders' agreement will be exceeded. The obligation is valid for the period from 2022 to 2024. If the indicator set out in the shareholder's agreement will be exceeded in the period from 2025 to 2027, the Company will convert the principal and interest into the capital of the subsidiary as a subsequent payment without the right to demand the return of such subsequent payment.

Pursuant to the shareholders' agreement, the Company also recognised an obligation to pay contingent consideration to grant Additherm additional subsequent payments, executed within 5 years. Subsequent payments will be executed in equal annual instalments based on the resolution concluded by both members every time the liability will fall due.

Changes in the fair value of the obligation to pay contingent consideration due to new information that will relate to changes in events after the acquisition date will be recognised in profit or loss.

14. OTHER CURRENT LIABILITIES

in EUR thousand	30 Jun. 2021	31 Dec. 2020
Accrued expenses for unused annual leave	604	327
Short-term of contingent consideration liability (Note 13)	1,200	1,200
Other liabilities	13	62
Other current liabilities	1,817	1,589

15. IMPACT OF COVID-19 ON THE COMPANY'S CONDENSED FINANCIAL STATEMENTS IN THE REPORTING PERIOD

Due to the macroeconomic environment caused by the COVID-19 epidemic, the Company reviewed significant accounting policies and estimates in areas where the epidemic could have a negative impact, in particular on assets, impairments and provisions, fair value measurement and labour costs.

- **Financial instruments:** The Company regularly monitors and reviews the expected credit loss model under IFRS 9. The Company does not perceive a significant increase in credit risk as a result of COVID-19 effects. The Company concluded there was no material impact on the recovery of receivables as at 30 June 2021.
- **Property, plant and equipment:** The Company did not have to impair property, plant and equipment due to the coronavirus epidemic.
- **Labour costs:** The Company shows the government grants received based on the coronavirus epidemic in the amount of EUR 19 thousand (1-6 2020: EUR 425 thousand) as a decrease in labour costs. The Company reviewed the conditions for receiving government grants and assessed that there is no requirement to repay the aid, therefore, a liability was not recognized.

Related Parties

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

Transactions with the Majority Shareholder of the Company

in EUR thousand	Jan–Jun 2021	Jan–Jun 2020
Revenue	1,923	1,782

in EUR thousand	30 Jun. 2021	31 Dec. 2020
Receivables	84,514	84,428

Transactions with Subsidiaries

in EUR thousand	Jan–Jun 2021	Jan–Jun 2020
Revenue	9,371	9,400
Expenses	311	56

in EUR thousand	30 Jun. 2021	31 Dec. 2020
Receivables	114,912	108,996
Liabilities	22,671	24,889

Transactions with Other Related Companies

in EUR thousand	Jan–Jun 2021	Jan–Jun 2020
Revenue	33	28
Expenses	66	25

in EUR thousand	30 Jun. 2021	31 Dec. 2020
Receivables	2,347	104
Liabilities	17,998	6,813

Carrying Amounts and Fair Values of Financial Instruments

The table shows carrying amounts and fair values of financial assets and financial liabilities. The carrying amounts of financial and trade receivables, cash and cash equivalents, and operating liabilities are an adequate approximation of their fair value.

in EUR thousand	30 Jun. 2021		31 Dec. 2020	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets at fair value through other comprehensive income	1,318	1,318	1,248	1,248
Financial receivables	183,096	183,096	173,538	173,538
Trade receivables	1,364	1,364	2,371	2,371
Cash and cash equivalents	629	629	1,612	1,612
Financial liabilities	(127,868)	(127,636)	(116,869)	(116,869)
Trade payables	(15,675)	(15,675)	(17,115)	(17,115)

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

in EUR thousand	30 Jun. 2021	31 Dec. 2020
Financial assets at fair value through other comprehensive income	853	783
Financial assets at fair value of first level	853	783
Financial assets at fair value through other comprehensive income	465	465
Financial assets at fair value of third level	465	465
Bonds and commercial papers	(92,200)	(92,364)
Financial liabilities at fair value of second level	(92,200)	(92,364)
Borrowings	(34,382)	(23,346)
Leases	(1,041)	(1,068)
Other financial liabilities	(13)	(91)
Financial liabilities at fair value of third level	(35,436)	(24,505)

Third level of liabilities at fair value include secured loans granted, 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 2021, there were 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 condensed financial statements for the six-month period ended 30 June 2021.



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