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Unstoppable

HIGHER. STRONGER. MADE OF STEEL.

Annual Report
of SIJ Group and SIJ d.d.
2021

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OPERATIONAL HIGHLIGHTS

The new global situation in 2021 reinforced both our stability and adaptability even further. Faced with new challenges, we identified opportunities to ensure good operational performance and achieve even more daring strategic goals. **We reached higher, became stronger, and kept our steel resolve.**

SIJ GROUP AT A GLANCE

UNSTOPPABLE VISION

We produce a wide range of steel and steel products by considering the needs of all key stakeholders involved. Keeping our focus on the customer, we achieve sustainable growth with higher value-added products and engaged employees.

DOMINANCE ON INTERNATIONAL MARKETS

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

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

Top 10 producer of industrial knives in the world

2021 IN NUMBERS

Revenues (€m)	Exports (percent)	EBITDA (€m)	Steel production (thousand t)	Investments (€m)	Employees	NFD/EBITDA
962.7	85.2	100.8	495.4	56.0	3,840	2.0 ×
2020: 703.6	2020: 84.6	2020: 37.7	2020: 451.6	2020: 40.3	2020: 3,818	2020: 5.5 ×

NICHE MARKET FOCUS

- Trademarked high added value steels
- Products which come from innovations developed by our own development team. Tailored to meet specific needs.
- Exceeding our customers' standards and expectations
- Entering cutting-edge industries

EFFICIENCY

- Investing in efficiency
- Eliminating bottlenecks in the production process
- Better utilisation of energy products, raw materials and other resources
- Reduced environmental impact – CO_2 emissions well under the industry average

EMPLOYEES

- Employer of choice
- Excellent working conditions and an inspiring environment
- One of the region's largest employers

CEO LETTER TO SHAREHOLDERS

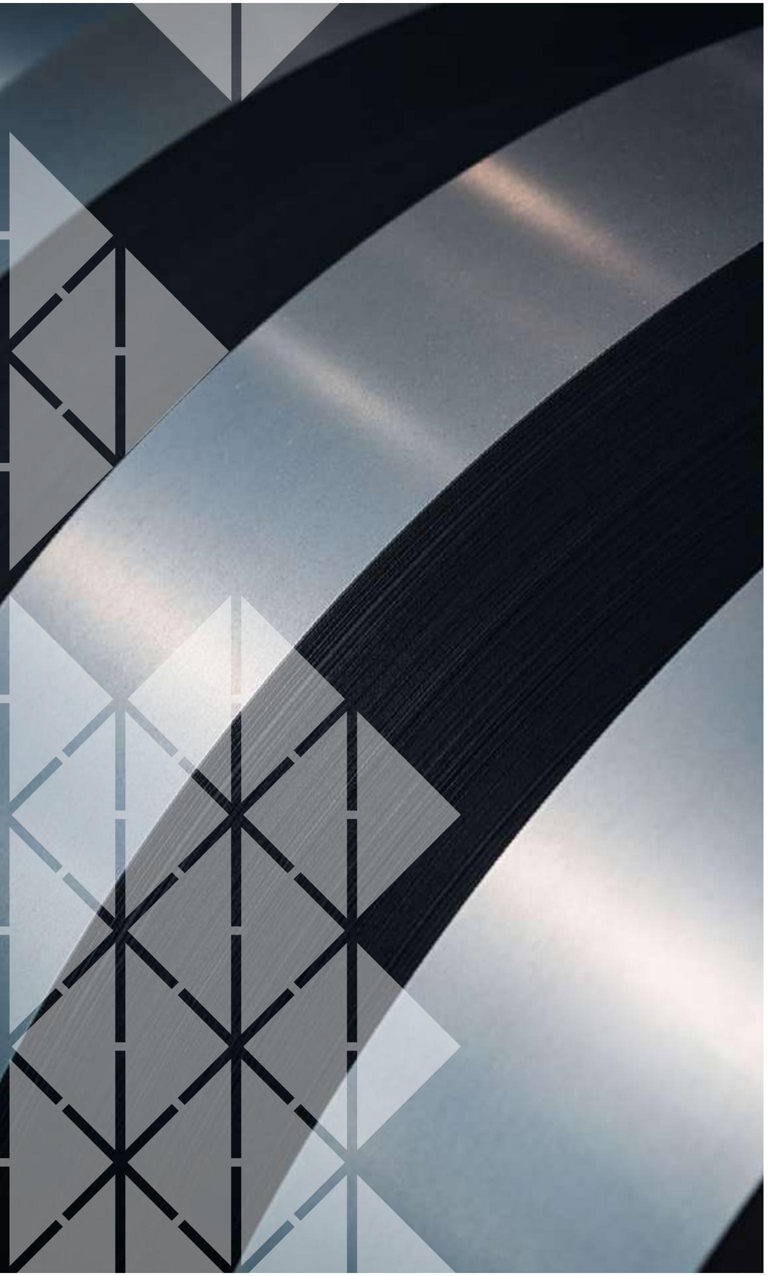
Dear Shareholders, Business Partners, and Employees of SIJ Group:

As the economy and the steel markets recovered, we were well-prepared. From the very beginning of 2021 our projections about the steel industry recovery started to come true and our orders slowly returned to the levels before the crisis. Our performance had already surpassed expectations by mid-year. Our strategic focus on niche markets, efficiency and sustainable development has proven to be the right way forward. Harnessing favourable market conditions we realized our potential and reached record revenues in 2021, further consolidating our position in key markets. We successfully and decisively entered the aviation industry, and we are proud to have secured new orders with deliveries projected for 2022.

Keeping our focus on the customer, producing higher value-added products and sustainable growth, flexibility and working closely with our customers and suppliers, **we successfully faced the challenges of the second half of the year, which mainly involved increasing prices of energy and certain raw materials**. We mitigated the impact of high energy prices with a high share of pre-purchased energy, which will remain our strategy going forward. Strategically, we increased our inventories of key raw materials, ensuring our production processes could continue without disruptions even at full capacity.

We implemented our investment plans and also executed the majority of our projects from 2020, which had been postponed due to the COVID-19 pandemic. In late 2021 and early 2022, the pandemic put Europe to the test once again and challenged our HR capacity. Drawing upon our valuable experience from the past year, however, and the support of our engaged employees, we were able to maintain control of the situation even under turbulent circumstances.

Currently, SIJ Group is not experiencing any specific consequences resulting from the sanctions imposed on Russia in February and March. As for the whole European economy, in SIJ Group **the consequences are reflected mainly in the prices and deliverability of raw materials and energy, which we are mitigating with inventories management measures**. However, the degree of uncertainty is high across the entire European economy, therefore we cannot yet reliably assess all the consequences. We have proven on several occasions that we are a reliable and flexible business partner even in the face of unpredictable events. The first pandemic year of 2020 was one such test, and the results in 2021 are proof that we are well placed to take



advantage of the changed circumstances that follow any major shock to the international economy.

RECORD REVENUES

According to audited operational figures for 2021, SIJ Group generated EUR 962.7 million in sales revenues. **With an EBITDA of EUR 100.8 million and a 10.5% EBITDA margin, we surpassed expectations and generated a net profit of EUR 29.2 million**. In addition, we reduced our net financial debt and improved our NFD/EBITDA ratio from 5.5 to 2.0. We traditionally rank among Slovenia's largest exporters, and over the past year our share of exports increased even further. We generated 85.2 percent of our revenue on foreign markets, with Germany and Italy remaining our largest export markets.

STABLE FINANCIAL OPERATIONS

We had high liquidity reserves in 2021 and in the beginning of 2022 the banks, including the European Bank for Reconstruction and Development, showed trust for our business direction. At the end of 2021 we successfully issued additional SIJ d.d. bonds for a total of EUR 13 million and commercial papers for a total of EUR 30 million, with a view to optimising our financing costs and diversifying our short-term sources of financing. In the beginning of this year, with our **new seven-year syndicated facility loan agreement worth EUR 230 million, we ensured additional liquidity reserves** to support long-term development and allow for investments to improve environmental efficiency. In accordance with SIJ Group's strategy until the year 2025, SIJ Group's investment projects are geared towards increasing production efficiency and sustainable development, environmental projects, circular economy principles and energy efficiency.

MAINTAINING CUTTING-EDGE R&D

In 2021, we established a project office at the SIJ Group headquarters, which is tasked with more effective systemic coordination of research and development activities. The R&D synergies within the Group strengthen our competitiveness and help us maintain our cutting-edge status within the industry.

We are continuing efforts for digitisation and optimisation of our production processes, which will also lower energy consumption and reduce emissions. In cooperation with our customers, we are constantly on the look-out for innovative and sustainable solutions suitable for application in the most demanding industries. One of our current projects involves the development of special electro steel with improved electromagnetic properties for use in electric and hybrid vehicles, and our steel is also used in the development of hydrogen fuel cells.

In 2021, **we invested EUR 56.0 million in increasing efficiency, reducing environmental impacts and expansion of our most profitable production programs**. This is EUR 15.7 million more than the year before, and we expect to further increase our investments in 2022. At the beginning of 2022, two new project offices were launched in the towns of Ravne and Jesenice, with a view to ensuring even more efficient management of Group investments and creating even more synergies.

IMPROVING EFFICIENCY, REDUCING ENVIRONMENTAL IMPACTS

We are proud of the new hot processing line and the new ESR4 electroslag remelting device (ESR4) in SIJ Metal Ravne. The new device will allow for increasing production capacities of the highest-purity steels and **increasing the sales of tool steels for use in the most demanding industries by 60 percent**. The Ravne ironworks, the predecessor of today's SIJ Metal Ravne, was among the pioneers of the ESR process, when it was one of the world's first companies to implement this advanced steel processing method in its production line. Even today, innovation is our strength, as evidenced by our reputation as a development-focused supplier catering to increasing numbers of customers in the most advanced industries, as well as the recipient of national innovation awards.

At the end of 2021, Metal Ravne introduced a new integrated system for dedusting and capturing diffuse emissions from the electric arc furnace in the steelworks, which constitutes an important milestone for the local community and an additional step towards a green industry. With the new line for magnetic separation of steel scrap, SIJ Acroni is increasing the purity of steels and further improving product quality. At the same time, this marks an important step towards reducing environmental impacts. This year we are continuing investments to modernise the rolling mill and knife production lines, increase competitiveness and improve working conditions. We also plan to invest in quarto plates production automation and boost electro steel production.

In September 2021, **SIJ Group became a member of the international organisation ResponsibleSteel**, the first global initiative for standardisation and certification of responsible and sustainable practices in the steel-working industry. Another sustainable development milestone will be receiving certification from this organisation, which is anticipated in 2024. Even today, SIJ Group's production processes generate carbon emission levels which are significantly under the global average. We are shutting down more material cycles, increasing the volume of sorted own steel scrap, and in 2021 SIJ Group reused, **recycled or otherwise utilised more than 98 percent of its industrial waste produced**, putting us solidly on the path toward zero-waste status. Even though we are already ranked among the best, we are continually working on reducing our carbon footprint. Our goal is to achieve 44 percent reduction in greenhouse gas emissions by 2030, relative to the 2005 baseline.

WORKING TOGETHER TOWARDS A GREEN FUTURE OF US ALL

In 2021, we launched a new system for utilising the excess heat produced by one of the larger furnaces in SIJ Metal Ravne. This year, this will allow us to increase even further the amount of thermal energy, which we have been supplying to the city of Ravne na Koroškem for remote heating since 2016. SIJ Group's thermal energy will serve as the town's main source of heating. In partnership with the Jesenice local community and our research partners we are **developing a master-level energy community model**, which includes deploying photovoltaic power plants, small hydroelectric plants, a battery and utilisation of leftover energy.

Just as our steel in Slovenia's Olympic torch brought together local communities across Slovenia, so will we continue to harness our knowledge, experience and resolve in order to **realize our strategy's targets set until the year 2025**. With your support, our esteemed stakeholders, we are confident we will be unstoppable.

Andrey Zubitskiy,
President of the Management Board

REPORT OF THE PRESIDENT OF THE SUPERVISORY BOARD

Dear Shareholders and Stakeholders:

The Supervisory Board is of the view that the Management Board of SIJ d.d. and SIJ Group demonstrated reliable performance in 2021. 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, as well as upholding its business reputation on the international market.

RELIABLE PERFORMANCE

In 2021, SIJ Group increased sales of high-quality steels, steel products and welding materials across the board in all key export markets. Due to **favourable market conditions** SIJ Group increased both its sales volume and established a presence in new markets. The Supervisory Board supports the work of the management team and assists it in its efforts to **implement the company strategy, ensure prudent financing and investment** in new production lines to optimise its business processes.

COMPOSITION OF THE SUPERVISORY BOARD

Following the new appointments put in place by the General Assembly on 29 July 2021, the structure of the Supervisory Board as at the end of 2021 is as follows:

- Evgeny Zverev, President,
- Štefan Belingar, Vice-President,
- Matej Bastič,
- Maria Joye,
- Dmitry Davydov,
- Helena Ploj Lajovic,
- Richard Pochon.

The members of the Audit Committee are:

- Štefan Belingar (President),
- Richard Pochon,
- Alan Maher.

After the resignation of Boštjan Napast (April 2021), who was also a member of the Audit Committee, and after the end of the mandate of Audit Committee member Mitja Križaj (June 2021), the composition of the Supervisory Board and the Audit Committee changed. On 29 July 2021, the General Assembly appointed Matej Batistič and Maria Joye as the **new members of the Supervisory Board**. The new members introduced themselves to the Supervisory Board on 30 July 2021. On that day, the Supervisory Board

appointed Richard Pochon to replace the resigned Boštjan Napast as a member of the Audit Committee.

COOPERATION WITH THE COMPANY MANAGEMENT

SIJ d.d. retained a **single-member** management in 2021, as well. It was represented by Andrey Zubitskiy, President of the Management Board. The Management Board's tasks were performed mainly by **Vice-Presidents** Tibor Šimonka, Viacheslav Korchagin and Igor Malevanov acting under their respective powers of attorney. They oversaw the performance of the entire Group's key corporate functions, while Vice-President Evgeny Zverev was in charge of legal affairs and corporate governance.

The Supervisory Board is satisfied with its cooperation with the Management Board of SIJ d.d. in 2021.

In 2021, members of the executive and supervisory body convened at **five Supervisory Board meetings** and **twelve Audit Committee sessions**. Members of the Supervisory Board supervised the management's activities by maintaining an interdisciplinary composition of the board, asking questions, and holding discussions at board meetings, as well as by performing critical assessments of submitted reports on an ongoing basis. The Audit Committee actively supported our efforts in this process.

The quality of information provided to the Supervisory Board about all relevant operational aspects was satisfactory. As members of the Supervisory Board, we were regularly provided with **clear and well-structured materials**. The activities of the Supervisory Board and the Audit Committee were also supported by suitable communication tools which ensured participation and collaboration even in circumstances where members were joining the discussion remotely.

MAIN TOPICS SUBJECT TO SUPERVISION IN 2021

In 2021, day-to-day economic activities continued to be affected due to the COVID-19 pandemic. Thus, the Management Board provided the Supervisory Board with regular updates on SIJ Group's KPIs, also in light of COVID-19 developments.

In April 2021, in order to ensure the strategy for 2020-2025 could continue to be implemented without interruptions, the Supervisory Board approved the proposed financing with a long-term syndicated loan, which was then refinanced at the beginning of 2022 with a new syndicated loan of EUR 230-million, to which the supervisory board

had already given the necessary consents at the end of 2021, based on the management's reports planning the transaction. The loan will provide SIJ Group with adequate liquidity to achieve its strategic goals and meet new challenges in the energy products and raw materials market.

During its April session, the Supervisory Board also approved the management's proposal for the **distribution of profits** in the amount of EUR 112,339,397.05. Shareholders confirmed the proposal at the regular annual General Assembly meeting, which took place on 23 June 2021. EUR 5,811,766.16 was earmarked for pay-outs of dividends. This included a portion of undistributed profits from 2019. The rest of the distributable profits, amounting to EUR 106,527,630.89, which includes the profits generated in 2020 in their entirety, remained undistributed. While adopting the annual report, the Supervisory Board also took note of the audited report on relations with related entities.

MONITORING OF AUDIT ACTIVITIES AND LEGISLATION

The Audit Committee's work in 2021 was primarily focused on monitoring the activities involved in the compulsory audit of the 2020 annual accounts of SIJ d.d. and SIJ Group. Besides reviewing the management's financial and non-financial reports in 2021, the Audit Committee was actively involved in the assessment of the amendments to the Companies Act (ZGD-1K), which introduce a new role of the Audit Committee and Supervisory Board in the treatment of related party transactions. In 2021, the Audit Committee also performed its share of the duties required under the new law due to the fact that the majority shareholder, the company Dilon d.o.o., is involved in financing the Group. At the beginning of the year, the Audit Committee also performed a self-assessment, an exercise it plans to introduce on an annual basis in an effort to critically evaluate its competencies and assess its role in supporting the activities of the Supervisory Board.

TACKLING THE CHALLENGES OF 2022 TOGETHER

Moving forward, SIJ Group's objectives remain focused on increasing the benefits of vertical integration. As a corporate governance body, the Supervisory Board will continue monitoring the activities of the Management Board and the broader management of SIJ Group as they implement the business strategy, and will work closely with the management staff and do its part in meeting business challenges. In consultation with the Audit Committee and based on the Management Board's reports, the Supervisory Board will pass decisions in 2022 which fall within its competence, in accordance with the law, the company's Articles of Association and other applicable regulations.

Evgeny Zverev,
President of the Supervisory Board

NOTABLE EVENTS OF THE FINANCIAL YEAR

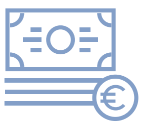
February

A New Investment for Higher Purity Steels

SIJ Metal Ravne launched an investment in the new **ESR4 electroslag remelting device**. The EUR 6.8 million investment will make it possible to increase the production and sales volumes of the most advanced ESR steels, which are in high demand in advanced industries.

Completion of the Largest Investment of 2020

SIJ Acroni finished overhauling the pickling line in the Quarto Plate Processing Plant. The company's top investment project of 2020, worth EUR 2.6 million, focuses on increasing productivity and safety, lowering costs and the carbon footprint.



April

Annual Report Adopted

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

Signing the Long-Term Syndicated Loan Agreement

A syndicate of five foreign and domestic banks, including NLB, signed a EUR 148 million long-term syndicated loan agreement with SIJ Group's two largest steel companies, SIJ Acroni and SIJ Metal Ravne. These funds will be used to refinance the existing syndicated loan taken out in 2017. **The loan granted under more favourable terms** will ensure an adequate liquidity reserve and provide funds for long-term investments to increase production efficiency, develop environmental projects and improve energy efficiency.

May

SIJ Group's Senior Vice-President at the Helm of the Slovenian Chamber of Commerce and Industry

Members of the General 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 Vice-President of SIJ Group.

Launch of a New Product Line

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. The investment is worth EUR 5.8 million.

June

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

On 23 June 2021, the General Assembly unanimously granted discharge to the Management Board and Supervisory Board for the fiscal year 2020. The General Assembly passed the decision that, out of EUR 112,339,397.05 total distributable profits, EUR 5,811,766.16 would be used for dividend pay-outs, while the rest would remain undistributed. The General Assembly gave the Management Board the **mandate to acquire its treasury shares**. The number of shares, combined with the existing treasury shares the company already owns, must not exceed 2.78 percent of the company's total equity, or 27,610 company shares.

July

New Members of the Supervisory Board

On 29 July 2021, during its 40th session, the General Assembly of SIJ d.d. approved the appointment of two new Supervisory Board members.

Building a Central HRM System

The project of introducing an advanced central Human Resources Management system in SIJ Group's **seven key production companies** focuses on managing HR data and processes, payroll operations and attendance logging. The central system, which we began introducing in July 2021, provides the management of SIJ Group with reliable information and acts as a tool for effective strategic planning of human resources.

August

Launch of Excess Heat Recovery Device

SIJ Metal Ravne installed an innovative device to recover the excess technological heat generated in the top-quality steel production process. In collaboration with our partners, we developed **an innovative heat exchanger technology**, a breakthrough innovation in energy efficiency, as part of an international innovation and research project dubbed ETEKINA.

September

Investment Plan Discussions with EBRD Representatives

During the regular annual meeting with European Bank for Reconstruction and Development (EBRD) representatives, who visited Ljubljana with Charlotte Ruhe, EBRD's Managing Director for Central and South East Europe, discussions included the topic of EBRD supporting SIJ Group's investment plans to foster **operational economics and sustainability**.

Half-Year Operating Results

SIJ Group published the unaudited operating results of SIJ Group for the first half of 2021. The results, which **exceeded expectations**, are proof that the strategic guidelines have been defined appropriately. SIJ Group was well-prepared for the increased demand seen during the economic recovery following the COVID-19 pandemic in 2020.

September

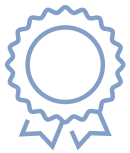
Membership in the ResponsibleSteel Organisation

SIJ Group became one of the first members of the ResponsibleSteel international organisation. The organisation requires members to ensure responsible sourcing, production, use and recycling of low-carbon steel. The organisation focuses on the **certification of companies** across the entire supply chain.

October

Innovation Awards

At the Innovation Day event, the Slovenian Chamber of Commerce and Industry awarded SIJ Group two national accolades. The Gold Accolade was awarded in recognition of the **hot-work tool steel** SITHERM S140R, while the Silver Accolade was awarded for development of RANO@STEEL, **used for the most demanding applications of peeling veneer sheets**.



The Launch of the ESR4 Electroslag Remelting Device

SIJ Metal Ravne completed the ESR4 electroslag remelting device investment. The investment follows the SIJ Group Strategy for 2020–2025 and pursues the aim of maintaining our leading position in the niche tool steels market. Higher purity steels with better reworking properties are intended for use in the most demanding of industries – including aviation, for which we had already obtained the ISO 9100 certificate in 2019.

November

New Dedusting System

The SIJ Metal Ravne steelworks conducted a test run of a new, modern dedusting system. The result of a EUR 2.3 million investment, the state-of-the-art device allows complete capture of dispersed emissions from the electric arc furnace, **protecting the environment** from flue gas and noise emissions.

December

Eighth Successful Issue of Commercial Papers

On 10 December, SIJ Group successfully completed the eighth issue of commercial papers in the amount of EUR 30.0 million, with an annual interest rate of 0.95 percent. This ranks SIJ Group among the most active and well-known companies on the national capital market, enjoying solid investor trust despite the dynamic and unpredictable global economic developments.

Issue of Additional Bonds

SIJ Group issued additional SIJ6 and SIJ7 bonds in the amount of EUR 13 million. The funds raised through the issue of the bonds will be used to diversify long-term sources of financing, supporting long-term investments in production technology, including measures for protecting the environment and energy efficiency technology, and improving the maturity structure of existing loan obligations.

NOTABLE EVENTS AFTER THE END OF THE REPORTING PERIOD

February

Signing of a New 7-Year Syndicated Loan Agreement

The syndicate of nine foreign and domestic banks led by NLB signed a new seven-year syndicated loan contract worth 230 million euros with the SIJ Acroni and SIJ Metal Ravne, the two largest companies of SIJ Group, to obtain new liquidity reserves and finance the investments aimed at improving environmental efficiency. EBRD participation in the syndicate is an additional indicator of banks' trust in the operations and orientation of the SIJ Group towards sustainable economic growth. In line with the SIJ Group's strategy until 2025, the investment projects are focused on increasing the efficiency of production and sustainable development, particularly environmental projects, operating in accordance with the principles of circular economy and energy efficiency.

41st General Assembly

At the 41st General Assembly held on 21 February 2022, Evgeny Zverev, Dmitry Davydov and Helena Ploj Lajovic, whose term of office had expired, were reappointed as members of the Supervisory Board for a new four-year term. Therefore, there have been no changes in the composition of the Supervisory Board.

March

Developments in Ukraine and Economic Sanctions

Current developments in Ukraine and the resulting sanctions imposed on the Russian Federation will affect the European and world economy. Currently, this is reflected mainly in the prices and deliverability of raw materials and energy, which we are mitigating with inventories management measures. For the time being, SIJ Group is not particularly affected and has no significant direct exposure in relation to Ukraine, Russia or Belarus (up to 5 percent of trade receivables and a bit more that 2 percent of sales revenues).

However, the degree of uncertainty is high across the entire European economy, therefore as of the time of issuing this annual report, the management is unable to assess all the consequences reliably. The impact on the general economic situation may require certain assumptions and estimates to be adjusted and will also require adjustments of the carrying amount of certain assets and liabilities. The long-term impacts for the European and global economy may affect trading volumes, cash flows and profitability. Nevertheless, as of the publication date of these financial statements, the company continues to honour its obligations and declares its ability to continue operating on a going concern basis.

We are closely monitoring the situation and potential impacts of both existing sanctions and potential new ones. We have proved ourselves a reliable and flexible business a number of times. We are confident that we will continue to do so even in light of these unpredictable events.

ORGANISATION AND GOVERNANCE

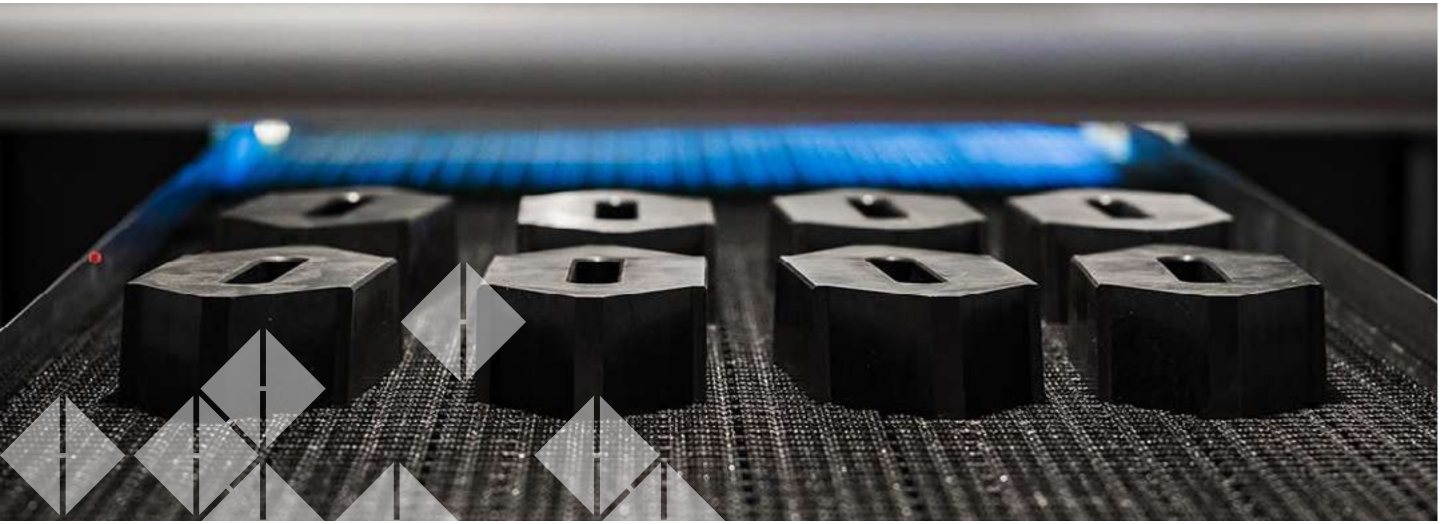
As a vertically organised entity, SIJ Group acts as an experienced, well-coordinated team, able to adapt to every challenge and to all circumstances.

ABOUT SIJ d.d.

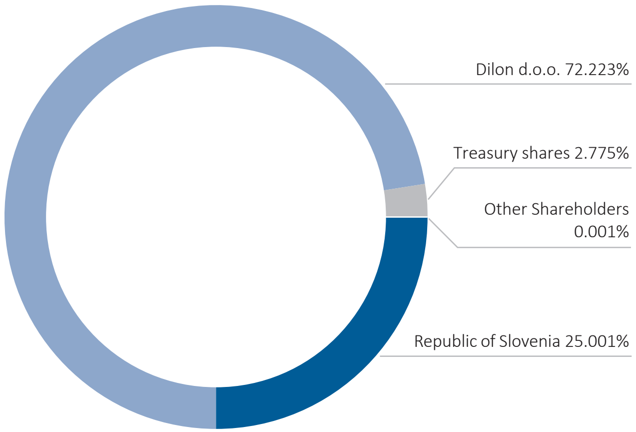
Basic Information About SIJ d.d.

Company name:	SIJ – Slovenska industrija jekla, d.d.
Abbreviated company name:	SIJ d.d.
Registered address:	Gerbičeva ulica 98, 1000 Ljubljana, Slovenia
Entry no.:	SRG 1/03550/00
Date of registration:	6 February 1990
Registered Share capital:	EUR 145,266,065.75
No. of shares:	994,616 ordinary no par value shares with the ticker symbol SIJR*
Registration number:	5046432000
Tax number:	SI 51018535
Core business:	70.100 Activities of head offices

**Shares are not traded on an organised securities market.*



Ownership Structure as at 31 December 2021



SIJR SHARES

The company's share capital is divided into **994,616 ordinary no-par value shares**. All shares are of a single class, issued in non-materialised form, with the SIJR ticker symbol, and are not traded on the regulated market. The Management Board is authorised to acquire up to 27,610 SIJR shares. With the exception of treasury shares, all shares give their holders **unrestricted voting rights**. In addition to voting rights, shareholders are also entitled to a share of the profits (dividends), the right to participation in the management of the company and the right to a pro-rata share of the assets remaining after the winding-up or bankruptcy of the company.

All company shares are freely transferrable. The company has not issued any securities which provide special control rights, nor does it have any employee stock option schemes or contractually foresee any specific positions in the case of acquisitions.[1]

The company is not aware of any agreements among shareholders which could result in restrictions on the transfer of shares or voting rights.

FUNCTIONING ACCORDING TO THE PRINCIPLES OF A CONTRACTUAL CONCERN

SIJ d.d. is a **controlling company**, with no registered branches. It is the founder and either the direct or indirect owner of SIJ Group subsidiaries. Its Slovenian companies operate on a contractual concern basis. The contract was renewed in June 2020 to include the joining of SIJ Ravne Systems d.o.o. and the removal of the company Železarna Jesenice d.o.o.

The Management Board of SIJ d.d. and its broader executive management team, which consists of a Strategic and an Operational Collegium, thus represent the management of the entire SIJ Group, which **strategically manages, coordinates, and supervises the operations of all Group companies**, both in Slovenia and abroad.

SIJ d.d. directly acts as the asset manager of its investments in SIJ Group companies, pursuant to the Management Agreement, which also regulates the terms of **providing centralised services for SIJ Group companies** and the decision-making process through the parent company's majority holdings. In accordance with the outlined long-term strategy, key business functions are managed, and strategic decisions taken on the level of individual Group companies, as well as on the level of SIJ Group as a whole. The company also has a **governance systems policy** which it applies to reach its strategic goals through applying the fundamental values of business excellence.

1 SIJ d.d. is subject to the provisions of the law governing mergers and acquisitions, and as at 31 December 2021, no specific positions referred to in item 11 of the 6th paragraph of Article 70 of the Companies Act apply.

OPERATING RESULTS OF SIJ d.d.

SIJ d.d.'s main source of revenue are service fees from services performed for the benefit of SIJ Group companies, and dividends from SIJ Group companies.

In 2021, the share capital of SIJ d.d., the controlling company and the founder and either the indirect or direct owner of SIJ Group subsidiaries, was decreased by EUR 3.2 million. The company generated a net profit of EUR 2.4 million. Other operating revenues increased as a result of receiving dividends in the amount of EUR 8.2 million. The financial result decreased mainly due to loan impairments amounting to EUR 6.6 million. Profit reserves were set aside in accordance with the Companies Act.

SIJ d.d. Provides the Following Support Services for SIJ Group Companies:

SIJ d.d. Key Performance Figures

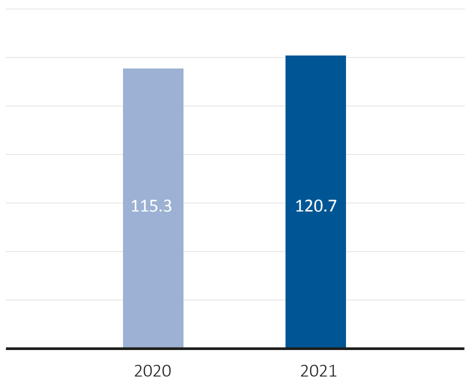
Financial figures	Unit of Measure	2020	2021
Sales revenue	EUR thousand	14,535	15,636
Other operating revenues	EUR thousand	105	8,237
EBIT	EUR thousand	– 326	4,508
EBITDA*	EUR thousand	387	6,238
Financial result	EUR thousand	4,501	– 2,114
Profit or loss before taxes	EUR thousand	4,175	2,394
Net profit or loss	EUR thousand	3,924	2,382
CapEx	EUR thousand	759	722
Statement of financial position as at 31 Dec.			
Total assets	EUR thousand	411,752	425,277
Non-current Assets	EUR thousand	340,193	338,674
Equity	EUR thousand	275,414	272,186
Non-current liabilities and current liabilities	EUR thousand	136,338	153,091
Net financial debt as at 31 Dec.			
Non-current financial liabilities	EUR thousand	67,185	81,970
Short-term financial liabilities	EUR thousand	49,684	49,882
Cash and cash equivalents	EUR thousand	1,612	11,111
Net financial debt	EUR thousand	115,257	120,741
Employees			
Labour costs	EUR thousand	10,368	13,789
Average number of employees		108.8	120.0
Financial ratios			
Return on assets (ROA)	%	1.0	0.6
Return on equity (ROE)	%	1.4	0.9
Participation rate of equity		0.7	0.6
Long-term liabilities-to-assets ratio		1.0	1.0
Long-term debt-to-assets ratio		0.2	0.2
Net profit or loss per employee	EUR thousand	36	20

** EBITDA: operating profit or loss before depreciation and amortisation + impairments and write-offs of value – elimination of impairments and write-offs of value*

SUSTAINABLE LEVEL OF FINANCIAL DEBT

As of the end of 2021, the net financial debt amounted to EUR 120.7 million, up by EUR 5.5 million compared to the preceding year. The increase in the level of financial debt was mainly influenced by paid-out dividends. The increase is moderate and net financial debt remains at a sustainable level.

SIJ d.d.: Net Financial Debt (in EUR million)



Alternative Performance Indicators

SIJ d.d. reports its operating performance according to the performance criteria defined by the European Securities and Markets Authority (ESMA).

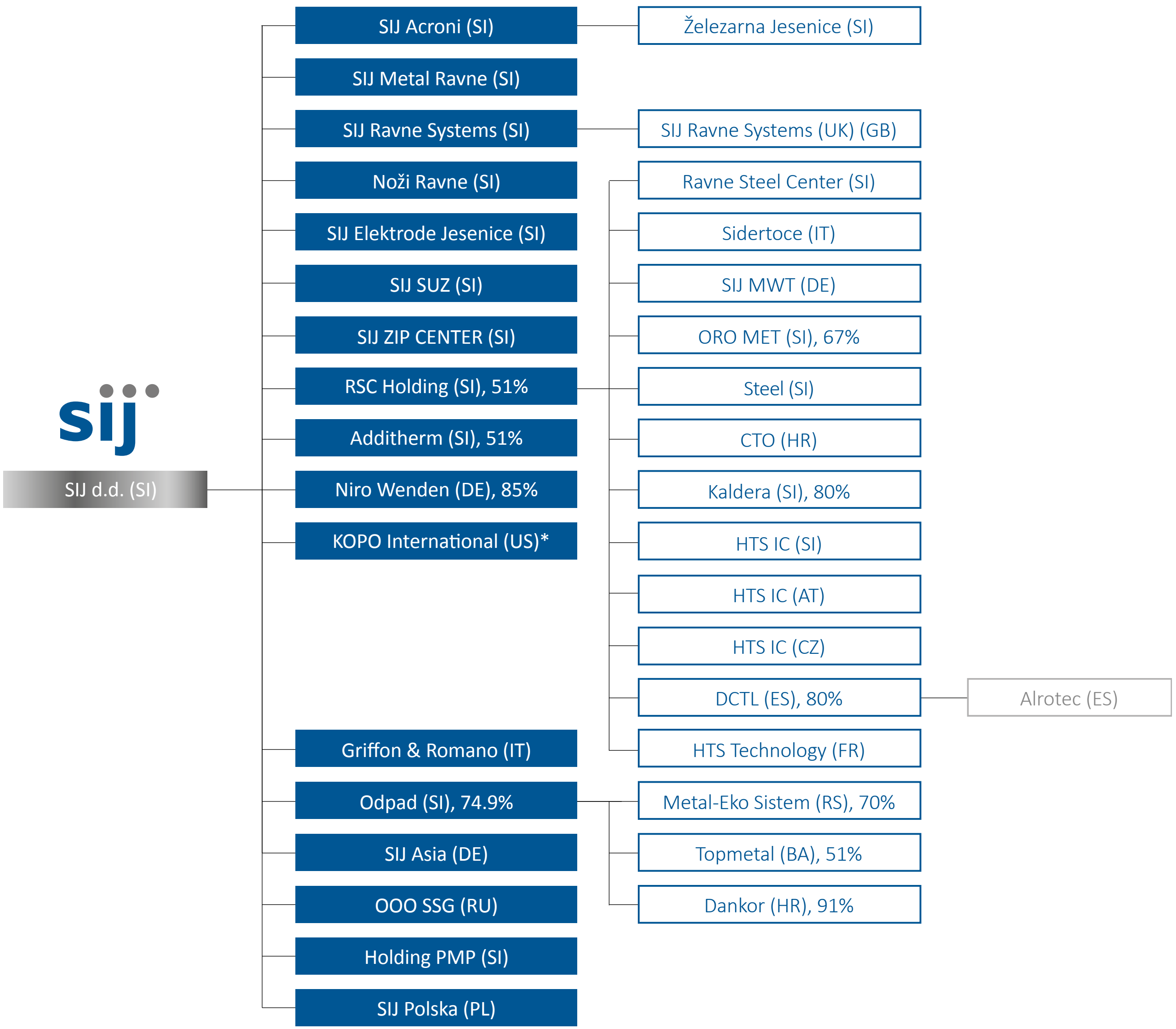
Indicator	Explanation of calculation	Use
Return on assets (ROA)	Net profit or loss / Average assets	This indicator shows the efficiency with which the company's assets are used, i.e. how efficiently the company's assets are used to generate a net profit.
	Average assets are calculated as an average of the current and previous periods.	It also shows the company's effectiveness in generating returns on invested assets. The higher the indicator, the higher the returns on a smaller investment.
Return on equity (ROE)	Net profit or loss / Average equity	The indicator shows the profitability of equity, or the company's effectiveness in generating net profits per unit of equity.
	Average equity is calculated as an average of the current and previous periods.	The higher the ratio, the more efficient the company is in generating a net profit.
Participation rate of equity	Equity / Liabilities	A higher value indicates that the company uses more equity financing to fund its assets, which increases the confidence of stakeholders, mainly creditors. A higher equity financing rate translates to lower financing costs, and as a result it increases the effective taxation rate. It is important to keep the equity financing rate at a level which supports long-term, sustainable financing and long-term solvency.
Long-term liabilities-to-assets ratio	(Equity + Non-current financial liabilities) / Non-current assets	This ratio shows the quality of financing assets.
		The higher the amount of the indicator, the greater the share of current assets that is financed through non-current sources, which increases security for creditors and decreases the company's liquidity risk.
Long-term debt-to-assets ratio	Long-term financial liabilities / Assets	This indicator shows what percentage of assets the company could use to repay long-term debt in the event of the disposal of assets.
		The lower the value of the indicator, the higher the security of creditors.

ORGANISATION OF THE COMPANIES OF SIJ GROUP

SIJ Group is comprised of 36 companies. The founder, or the direct or indirect owner of the subsidiaries of SIJ Group, is the controlling company SIJ d.d.

All SIJ Group companies are part of a **vertically integrated business model**. As part of the model structure, steel production and processing as the core business are interwoven with the collection and selling of steel scrap, which is used as a key raw material, and with management and other services.

Organisational Structure



Companies where no percentage of ownership is indicated are under 100-percent ownership of either SIJ d.d. or its subsidiaries.

**On February 2, 2022 the company named was changed to SIJ Americas, Inc.*

Programme Scheme: Vertically Integrated Business Model

SCRAP

SCRAP DIVISION
- **Odpad,** Pivka (SI)
- **Dankor,** Osijek (HR)
- **Metal-Eko Sistem,** Jagodina (RS)
- **TOPMetal,** Banja Luka (BA)

PRODUCTION

STEEL DIVISION
- **SIJ Acroni,** Jesenice (SI)
- **SIJ Metal Ravne,** Ravne na Koroškem (SI)

MANUFACTURING DIVISION
- **SIJ Ravne Systems,** Ravne na Koroškem (SI)
- **SIJ Elektrode Jesenice,** Jesenice (SI)
- **SIJ SUZ,** Jesenice (SI)

DISTRIBUTION

DISTRIBUTION AND PROCESSING DIVISION
- **Griffon & Romano,** Melzo (IT)
- **Niro Wenden,** Wenden (DE)
- **KOPO International,** New Jersey (US)
- **SIJ Ravne Systems (UK),** Sittingbourne (GB)
- **SIJ Asia,** Düsseldorf (DE)
- **SIJ Polska,** Poznan (PL)
- **OOO SSG,** Moskva (RU)
- **RSC Holding,** Ljubljana (SI)
- **Ravne Steel Center,** Ljubljana (SI)
- **Sidertoce,** Gravellona Toce (IT)
- **SIJ MWT,** Landsberg am Lech (DE)
- **ORO MET,** Košana (SI)
- **Steel,** Ljubljana (SI)
- **Kaldera,** Slovenska Bistrica (SI)
- **HTS Technology,** Lyon (FR)
- **CTO,** Zagreb (HR)
- **HTS IC (SI),** Ljubljana (SI)
- **HTS IC (AT),** Dunaj (AT)
- **HTS IC (CZ),** Praga (CZ)
- **DCTL,** Tarragona (ES)
- **Alrotec,** Tarragona (ES)
- **Additherm,** Ljubljana (SI)

SERVICES

HEADQUARTERS AND OTHER SERVICES
- **SIJ d.d.,** Ljubljana (SI)
- **SIJ ZIP CENTER,** Ravne na Koroškem (SI)
- **Železarna Jesenice,** Jesenice (SI)
- **Noži Ravne,** Ravne na Koroškem (SI)
- **Holding PMP,** Ljubljana (SI)

Scrap Division
The companies within this division collect, process, and sort metal scrap and prepare it for transport and basic processing in the Steel Division.

Steel Division
Steel companies produce steel for further processing of the flat and long lines and develop new types of steel tailor-made for customers.

Manufacturing Division
Harnessing synergies with the Steel Division production processes, companies produce finished products and semi-finished products such as industrial knives, rolls, welding materials and drawn, ground and peeled steel bars.

Distribution and Processing Division
In key markets, the companies use distribution and other services to develop and strengthen direct contact with end customers. The companies acquired in 2020 are continuing work on the development of the most modern, vertically integrated knowledge centre supporting the tooling industry through the use of innovative technologies in the broader region.

Headquarters and Other Services
SIJ d.d. as the controlling company provides governance. Other companies implement various concession services and social assistance services linked to the employment of persons with disabilities.

CORPORATE GOVERNANCE AND SUPERVISION OF SIJ d.d.

TWO-TIER GOVERNANCE

SIJ d.d. has a two-tier governance system. In accordance with the law, the Articles of Association and internal company regulations, the company governance is divided among the General Assembly, the Supervisory Board, and the Management Board.

GENERAL ASSEMBLY

SIJ d.d.'s shareholders exercise their rights through the General Assembly. In accordance with the provisions of the Companies Act, the convening and activities of the General Assembly are regulated in the Company's Articles of Association.

Given the customary division of ownership between three shareholders, SIJ d.d. usually convenes General Assembly meetings in the form of a universal convention event and sends the shareholders direct invitations to this. The adopted resolutions and information are available on SEOnet websites and on the company's website.

In 2021, two General Assembly meetings were held.

The **39th General Assembly** meeting was held on 23 June 2021. The shareholders also granted a discharge letter to the Management Board and Supervisory Board and approved their proposal for the distribution of distributable profits for 2020, amounting to EUR 112,339,397.05. Part of the profits (with the undistributed portion of the profits from the fiscal year 2019) amounting to EUR 5,811,766.16 was earmarked for dividends pay-out, while the remaining amount of EUR 106,527,630.89 (this includes the entirety of the profits for the year 2020) remains undistributed. The General Assembly extended the Management Board's mandate to acquire the company's treasury shares by 36 months.

The **40th General Assembly** meeting was held on 29 July 2021. The shareholders appointed Matej Batistič and Maria Joye as the new members of the Supervisory Board.

THE SUPERVISORY BOARD AND THE AUDIT COMMITTEE

In accordance with the company's Articles of Association, SIJ d.d.'s Supervisory Board has seven members, whereas the Audit Committee has three. Members of the Supervisory Board are appointed by the General Assembly, whereas members of the Audit Committee, which is a committee supporting the work of the Supervisory Board, are appointed by members of the Supervisory Board, in turn. In line with the shareholders' agreement executed between the largest shareholders of SIJ Group, the Supervisory Board has **five members representing the majority shareholder** Dilon d.o.o., and **two members representing the Republic of Slovenia**.

The Supervisory Board and Audit Committee exercise their powers as set out in the Companies Act, the Financial Operations of Companies Act, the Company's Articles of Association, and other applicable regulations.

Members of the Supervisory Board and the Audit Committee of SIJ d.d. in 2021

Name and surname	Function	Sex	Date of first appointment to the function	Current mandate	Professional background	References/Membership of supervisory bodies of other companies
Evgeny Zverev	President of the Supervisory Board	M	30 Aug 2013	19 Feb 2018- 21 Feb 2026	Law, Mergers & Acquisitions	Management functions within SIJ Group
Štefan Belingar	Vice-President of the Supervisory Board and President of the Audit Committee	M	11 Apr 2019	11 Apr 2019- 11 Apr 2023	Economics, Finance and Banking	Management functions in finance with a focus on banking and functions in supervisory boards
Matej Bastič	Member of the Supervisory Board	M	29 Jul 2021	29 Jul 2021- 29 Jul 2025	Economics, Computers	Management and supervisory functions in various enterprises
Maria Joye	Member of the Supervisory Board	F	29 Jul 2021	29 Jul 2021- 29 Jul 2025	Economics, Finance, Controlling	Management and supervisory functions in various enterprises in the area of finance and controlling
Dmitry Davydov	Member of the Supervisory Board	M	9 Jun 2017	19 Feb 2018- 21 Feb 2026	Book-keeping, Logistics	Management functions at IMH Group, Russian Federation
Helena Ploj Lajovic	Member of the Supervisory Board	F	19 Feb 2018	19 Feb 2018- 21 Feb 2026	Civil and Corporate Law	Management functions within SIJ Group
Richard Pochon	Member of the Supervisory Board and member of the Audit Committee	M	11 Apr 2019	11 Apr 2019- 11 Apr 2023	Economics, Finance and Taxes	Management functions in international finance and tax, Director and Partner at Léman Cabinet Fiscal SA, Pully, Switzerland
Alan Maher	Audit Committee Member (independent expert)	M	18 Apr 2016	18 Apr 2016- until further notice	Economics, Taxes	Background in management and major international corporate restructuring projects, bankruptcy trustee

SIJ d.d. AND SIJ GROUP CORPORATE GOVERNANCE

The Management Board of SIJ d.d., its Vice-Presidents or executive directors, together with the executive management team, are responsible for strategically managing, coordinating, and supervising the operations of all SIJ Group companies, both in Slovenia and abroad, on strategic as well as operational levels. The company also has a governance systems policy which is based on the fundamental **values of business excellence**.

INTEGRATION OF THE COMPANIES OF SIJ GROUP

Most SIJ Group companies operate in Slovenia. In accordance with the business agreement concluded between SIJ d.d. as the parent company and seven directly controlled limited liability subsidiaries in Slovenia (SIJ Acroni, SIJ Metal Ravne, Noži Ravne, SIJ Elektrode Jesenice, SIJ SUZ, SIJ ZIP CENTER and SIJ Ravne Systems), the activities of the subsidiaries are managed by the parent company. Other subsidiaries are registered in the European Union, Great Britain, Bosnia Herzegovina, Serbia, Eastern Europe and the United States. As a rule, companies are 100-percent owned or under the influence of the parent company SIJ d.d. Most of them are organised as limited liability companies.

The subsidiaries achieve their business goals, which are defined for individual strategic areas across the entire SIJ Group, by carrying out **mandatory instructions** and **adopting the decisions made by the majority shareholder**, as well as through **implementation of centralised mechanisms** established on the scale of the entire corporation.

MANAGEMENT BOARD

SIJ d.d.'s Articles of Association stipulate that the company's Management Board consists of one to four members. It is chaired by the President of the Management Board. The President and members of the Management Board are appointed by the Supervisory Board. They may be appointed for a term of office of no more than six years with the possibility of reappointment. The duration of a term of office is set out in each resolution on appointment.

As the only current member of the Management Board of SIJ d.d., the President of the Management Board Andrey Zubitskiy represents the company with the power of sole representation. He was appointed as President of the Management Board in 2017.

STRATEGIC AND OPERATIONAL COLLEGIUM

The centralised management of strategic business functions of SIJ Group is overseen by the Strategic Collegium with the Vice-Presidents, and the Operational Collegium with the Chief Executive Officer.

Name and surname	**Andrey Zubitskiy**
Function	President of the Management Board
Representing	independent representation
Mandate	18 Jul 2017 – 18 Jul 2023
Professional background	technology, metallurgy, economics
References	management functions at IMH Russia and Dilon Cooperatief

The following falls within the scope of the Strategic Collegium's powers:

- approving the SIJ Group strategy, the business plan of SIJ d.d., and the economic plans of SIJ Group companies,
- mergers, acquisitions and sales of companies,
- major investments,
- sponsorships, donations and other major non-commercial affairs involving SIJ Group,
- setting up teams to undertake various projects of strategic importance for SIJ Group.

The Operational Collegium is responsible for managing and overseeing the day-to-day operations of SIJ Group and all its subsidiaries.

ACTIVITIES OUTSIDE SIJ GROUP

In 2021, members of the Management Board and the extended management team maintained their active involvement in international steel associations, and Tibor Šimonka has been serving as Slovenian Chamber of Commerce and Industry since May 2021. Outside of SIJ Group, members of the Management Board were not involved in any activities which could have any significance given their respective roles within the SIJ Group.

OBSERVANCE OF THE DIVERSITY POLICY

While SIJ d.d. has no formal diversity policy per se, it does observe an informal one in its executive and supervisory bodies. Diversity is reflected across the board in SIJ Group's structures. With two of its member companies dedicated to employing persons with disabilities, SIJ Group is also an employer of socially vulnerable groups.

Diversity in corporate governance and supervisory bodies is mainly reflected in the interweaving of distinct types of expertise and experience. In our management practices, we ensure diversity according to the company's needs, through distribution of areas of expertise and the selection of competent members to serve in the relevant corporate bodies.

Adoption of a diversity policy is planned in the coming years, along with other corporate policies associated with the quality system.

SIJ d.d. Extended Management Team in 2021:

Tibor Šimonka
Senior Vice-President

Viacheslav Korchagin
Vice-President and Chief Executive Officer

Igor Malevanov
Vice-President and Chief Financial Officer

Evgeny Zverev
Vice-President and Chief Legal and Corporate Governance Officer

CORPORATE GOVERNANCE STATEMENT

RESPONSIBLE CORPORATE GOVERNANCE

The Slovenian Corporate Governance Code[2] and the Corporate Governance Code for Companies with Capital Assets of the State[3] also provide non-compulsory guidance for governance for SIJ d.d.. SIJ d.d. has not implemented these Codes, but observes their principles in places where they overlap with the law and good business practices.

In the case of company SIJ d.d. and SIJ Group, the clear shareholder structure alone allows **practicing corporate governance in accordance with applicable law**. We meet corporate governance standards through the management of the parent company in a manner mutually coordinated between the representatives of both major shareholders. SIJ Group transparently updates all stakeholders about key events involved in the management of SIJ Group through public announcements.

At the end of 2020, SIJ Group also adopted a **governance systems policy** as part of the corporate quality system, and thus formalised its values of business excellence. This is another example of SIJ Group following the standards of quality corporate governance in accordance with the law and established business customs while maintaining a responsible relationship with stakeholders.

INTERNAL CONTROL SYSTEM FOR FINANCIAL REPORTING

SIJ d.d. has ongoing operational, financial and other internal controls and systems in place, whereby it is assured that the accuracy of financial reporting is effectively managed, and this thus prevents the risk of adverse effects on the operations of SIJ d.d. and SIJ Group as a whole.

SIJ Group's internal control system incorporates the execution and supervision of business processes, which are comprised of a set of rules and procedures defined in the company's internal regulations passed by the executive management of SIJ d.d. as the parent company of SIJ Group. Internal control functions, including risk identification and fraud detection, are vested in **separate divisions of SIJ d.d.**, which the management team regularly monitors on the operational and strategic levels across the entire SIJ Group. The internal control system is supported by **software solutions, which allow for daily on-the-fly monitoring of all key parameters** of SIJ Group subsidiaries, and enable real-time tracking of events and operational data.

We also manage risks associated with financial reporting by:

- having a unified reporting system and by making extensive disclosures and clarifications;
- preparing the financial statements and analyses in a timely manner and by properly structuring them, as they serve as a basis in the decision-making process;
- by conducting regular external annual audits.

For the purposes of exchanging data and information, SIJ d.d. and SIJ Group have a two-way vertical communication system in place. We provide timely, complete and accurate internal and external reporting (in accordance with the law).

This conveyance of information is comprised of:

- reports from the subsidiaries' managements to the parent company SIJ d.d. (content, frequency);
- transmittal of the necessary information from the management to employees who are responsible for specific areas;
- notifying and reporting to institutions (Financial Administration of the Republic of Slovenia (FURS), AJPES, Securities Market Agency (ATVP), and other regulators).

SIJ Group's internal control system ensures that business objectives are achieved effectively and successfully, as well as makes sure that company operations comply with the law and guarantee fair and transparent reporting in all material respects.

Andrey Zubitskiy,
President of the Management Board

Evgeny Zverev,
President of the Supervisory Board

2 *The version of this Code currently in effect is available on the Ljubljana Stock Exchange website www.ljse.si.*

3 *The version of this Code currently in effect is available on the Slovenian Sovereign Holding website www.sdh.si.*

BUSINESS REPORT

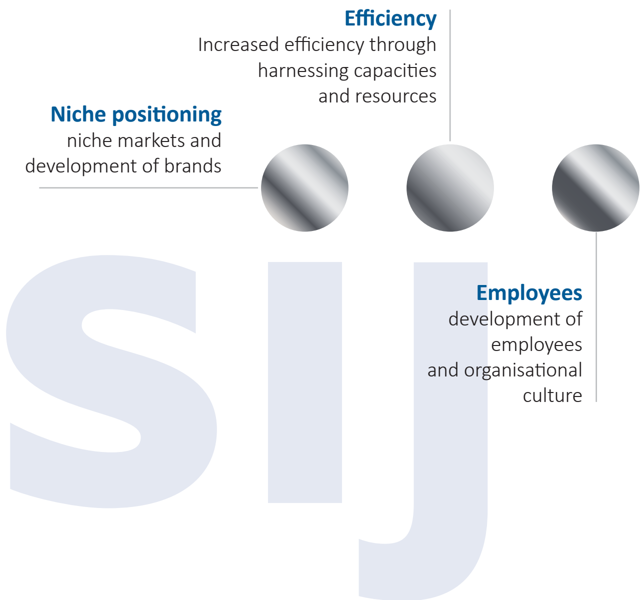
SIJ Group has defined clear goals to be achieved by 2025. Consistently adhering to the operational guidelines and prudently choosing our approach will improve our balance even in unexpected and turbulent conditions. **We remain at the very top of our chosen niche markets!**

BUSINESS STRATEGY IMPLEMENTATION

INVESTMENT FLEXIBILITY

In accordance with our strategic guidelines, we **increased our investment activity** in 2021. We postponed some projects in 2020 in response to the uncertain circumstances that existed, then in 2021, in addition to executing the previously planned investments, we also executed most of the postponed projects.

We were able to adapt quickly and appropriately thanks to the flexible investment plan, which we had adopted all the way back in 2019 as part of the SIJ Group development strategy leading up to the year 2025. To adjust for any unexpected external circumstances, we categorised our invest-



ments in advance, dividing them between urgently needed investments and investments aimed at expansion. This approach made it easier for us to react to the new circumstances caused by the COVID-19 pandemic in 2020.

At SIJ Group we associate investments in the production process with our **focus on the needs of our customers**, and with the strategy of increasing our portfolio of **higher value-added products**. By realising our investments, we help increase the production of even greater quantities of high purity steels with better mechanical properties for use in the most demanding industries.

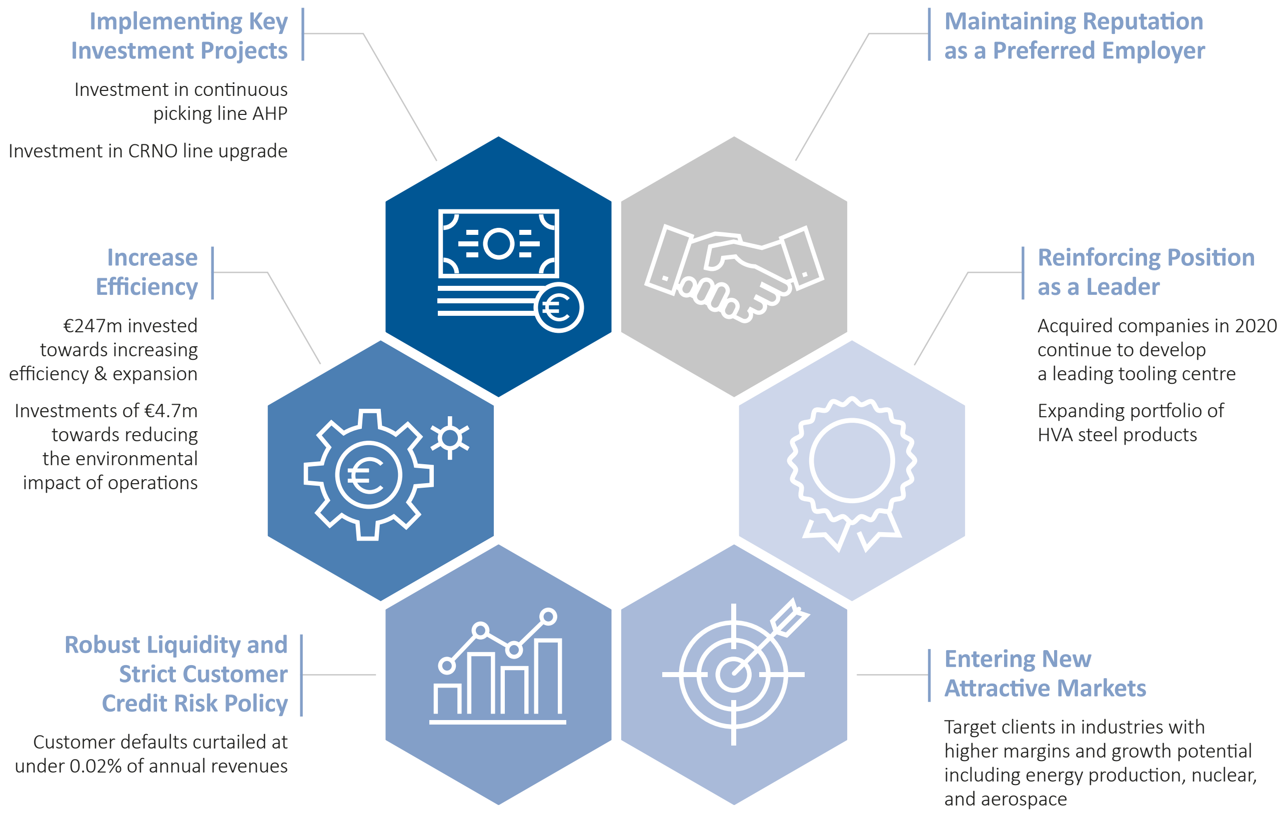
ADVANTAGES OF VERTICAL INTEGRATION

In 2021 we intensified the reaping of the benefits of vertical integration, which was an important cornerstone of SIJ Group's strategic development. We **intensified the operations of our own Scrap Division**, which ended the fiscal year 2021 with record profits. **We began developing our own high value-added steel storage facility** in the United States.

PROACTIVE APPROACH IN ANTICIPATION OF ECONOMIC RECOVERY

Our adaptability and ability to be proactive and take proper actions under crisis circumstances in 2020 allowed us to take advantage of the market recovery in 2021 and surpass our strategic goals. **Process improvements, well-considered investments and the engagement of our employees** were fundamental in ensuring we remained the market leader in selected global niche markets, while keeping our leading position in Europe in the stainless and special steels segments.

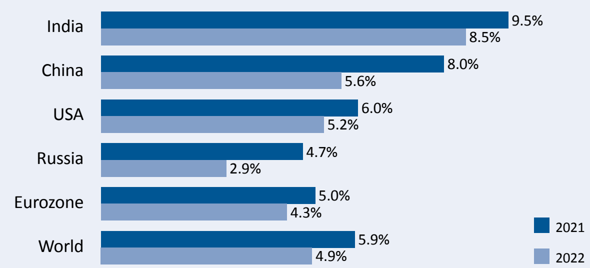
Implementation of the SIJ Group Strategy



Impacts of the External Environment and Activities for SIJ Group

GLOBAL ECONOMIC OUTLOOK

Economic Growth Forcast for 2021, 2022



Observations and Trends

5.9% global growth of GDP in 2021 and projections for it to continue increasing to 4.9% in 2021.

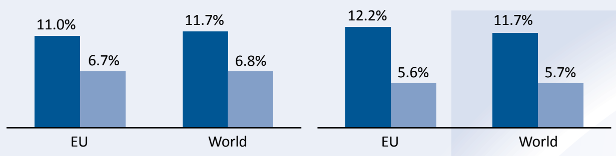
5.0% Eurozone growth as a result of strong recovery as the pandemic ends.

SIJ Group Activities

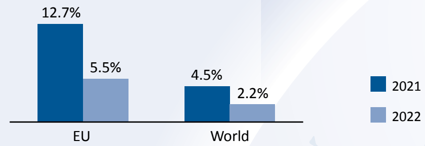
- Strengthening relations with existing customers and attracting new customers.
- High probability of growth on the US markets after the steel and aluminium tariffs are abolished in 2022.
- Seeking out opportunities for production of new high added value products and sustainable development.

NEW STEEL DEMAND TRENDS

Growth in Steel Consumption



Growth in Steel Demand



Observations and Trends

2.9% decrease in steel production in China in 2021. China's largest decline in the last ten years.

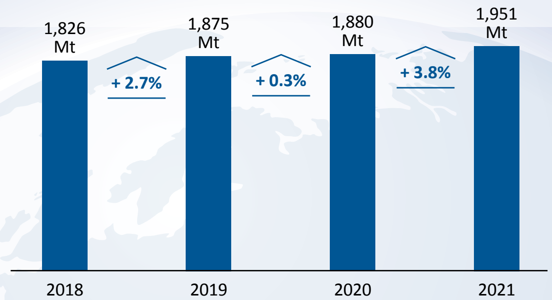
3.7% world steel production growth in 2021.

SIJ Group Activities

- Increasing sales with existing customers and developing new sales activities.
- Understanding the customers' needs and looking for satisfactory production demand.
- Keeping track of development-focused activities on the market and looking for new business opportunities.

THE END OF GLOBALISM → REGIONAL STRENGTHENING

Global Steel Production Growth is Slowing Down



Observations and Trends

Steel production showing strong recovery everywhere except China.

15.4% EU steel production growth in 2021.

18.3% US steel production growth in 2021.

SIJ Group Activities

- Extension of existing exemptions, since previous exemptions will be in place until 2023.
- Incentivising US customers for new buying opportunities, since steel and aluminium tariffs are being abolished in 2022.
- Active involvement through EUROFER to protect the European steel market from "third country" steel imports.

Sources:

a. International Monetary Fund. October 2021. World Economic Outlook, October 2021: A Long and Difficult Ascent. Available at link (1 December 2021).

b. World Steel Association. December 2021. World Steel in Figures. Available at link (1 December 2021).

c. World Steel Association. October 2021. Steel Demand Forecast. Top 10 steel using countries. Available at link (1 December 2021).

d. SMR – Steel and Metals Market Research. August 2021. Alloy Tool Steel Market Data. Internal data.

BUSINESS PERFORMANCE ANALYSIS

In 2021, SIJ Group reached the highest sales revenues to date, and the highest EBITDA in recent years. With increased financial stability and new sales channels and products, we will continue to increase our position in the international market.

SIJ Group's performance is based on the circumstances which benefitted the metallurgy sector globally, while at the same time they reflect prudent business decisions. Despite new opportunities, 2021 was an exceptionally demanding financial year in business terms due to the residual effects of the pandemic of 2020.

SIJ Group Key Performance Figures

Financial figures	Unit	2020	2021
Cast steel production	t	451,576	495,368
Revenues	EUR thousand	703,577	962,698
EBIT[a]	EUR thousand	-35,823	44,553
EBIT margin %	%	-5.1	4.6
Depreciation and amortisation	EUR thousand	-50,663	-52,732
EBITDA[b]	EUR thousand	37,674	100,801
EBITDA margin %	%	5.4	10.5
EBITDA per employee	EUR	9,803	26,431
Profit or loss before taxes	EUR thousand	-44,093	33,986
Net profit	EUR thousand	-49,904	29,231
CapEx	EUR thousand	40,316	55,992
Statement of financial position as at 31 Dec.			
Total assets	EUR thousand	866,892	985,760
Equity	EUR thousand	381,281	399,998
Working capital as at 31 Dec.			
Inventories	EUR thousand	198,497	282,271
Trade receivables	EUR thousand	70,949	100,238
Trade payablesc	EUR thousand	180,541	267,726
Working capital	EUR thousand	88,904	114,784
Net financial debt as at 31 Dec.			
Non-current financial liabilities	EUR thousand	159,035	166,315
Current financial liabilities	EUR thousand	90,648	86,143
Cash and cash equivalents	EUR thousand	41,208	49,171
Net financial debtd	EUR thousand	208,474	203,287
NFD/EBITDA		5.5	2.0
Employees			
Average number of employees		3,843	3,814

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.
c Trade payables for operating assets.
d Net financial debt (NFD): non-current and current financial liabilities – cash and cash equivalents.

Increased Sales Revenue

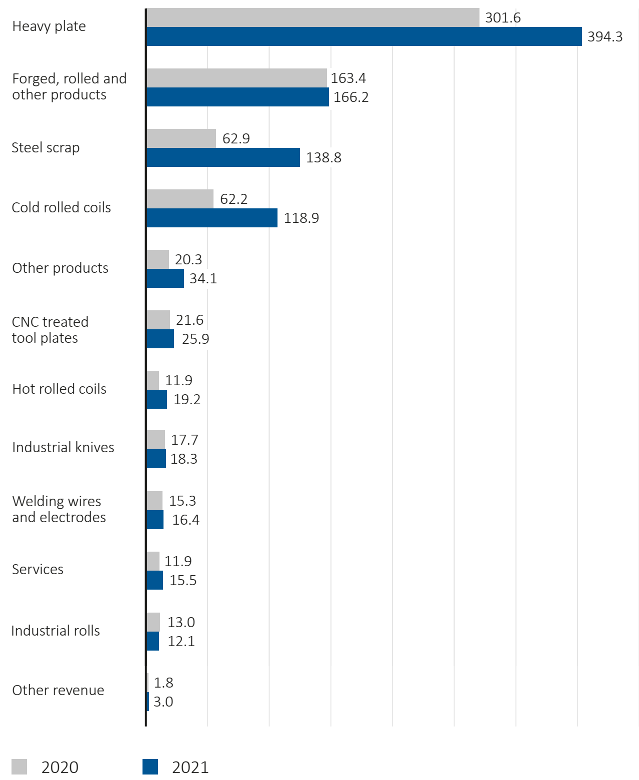
In 2021, SIJ Group generated EUR 962.7 million in sales revenue, up 36.8 percent from the preceding year. In terms of quantity, sales are up 17 percent compared to the preceding year. With increased sales, we further increased our leading market shares in the stainless-steel quarto plates, tool steels and industrial knives market segments.

Demand for SIJ Group products rose sharply in 2021 as a result of recovery of industrial segments which had declined in 2020. At the same time, pressure on purchase prices increased, and in the second half of the year, we were faced with a sharp price increase in energy products. Under these circumstances, we adjusted both our sales volumes and sales prices, resulting in our best sales revenue to date.

CHANGES IN SALES STRUCTURE

Compared to 2020, we increased our sales by nearly one-third (30.8 percent) in the quarto plates segment and nearly two-thirds (60.8 percent) in the hot rolled strip segment. In the cold-rolled steel segment, we almost doubled our sales (91.1 percent), while in the steel scrap segment sales were significantly higher than double year-on-year (120.6 percent).

Sales by Product Groups (in EUR million)

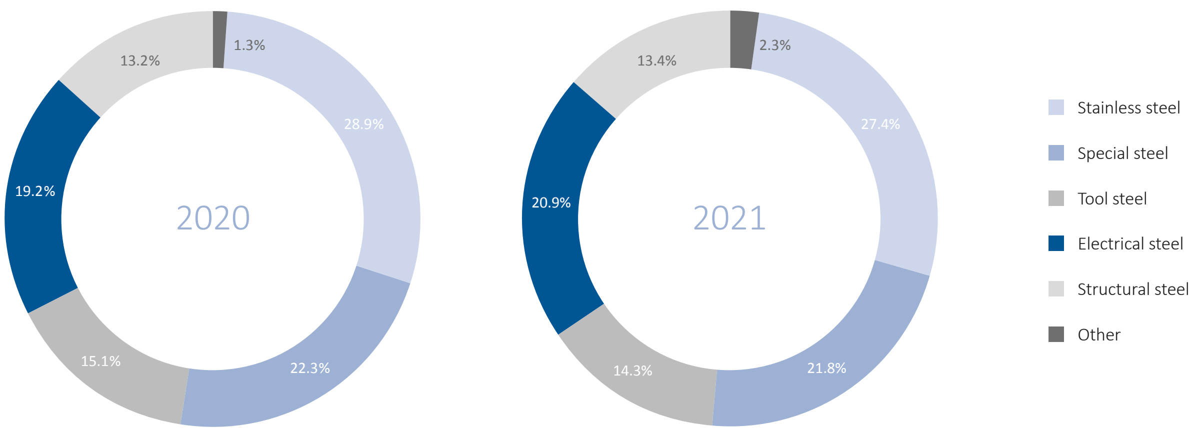


GROWTH OF PROSPECTIVE SEGMENTS

Together with our partners we are constantly looking for new sales channels and developing new products for the future. Our quality products focus mainly on niche steel markets, while maintaining our leading market positions in specific segments.

The core of our manufacturing operations consists of stainless steels, tool steels and special steels. In 2021, our sales of stainless steels were 2.2 percent higher year-on-year, whereas their share in the quantity structure decreased. This mainly comes as a result increasing steel quantities for prospective new segments, in particular electro steels related to electric mobility. This change is part of implementation of the plans to diversify sales and increase competitiveness in selected segments of metallurgy.

Share of Sales Volume of Certain Types of Steel (in percentages)

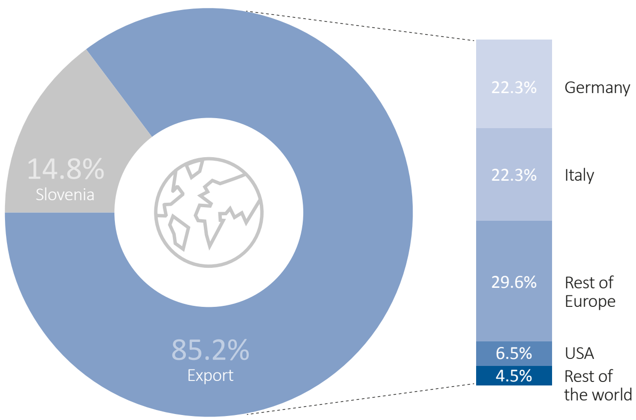


Share of Exports Higher Still

While SIJ Group has maintained its position among Slovenia's top exporters for a long time, we increased our share of exports even further in 2021. 85.2 percent of our revenue was generated on foreign markets. Our foremost export markets are Germany and Italy, where we exported 41.8 and 61.0 percentage more products than the year before, respectively. In terms of structure, exports to the USA decreased, but this was offset by increased sales in other European and global markets.

Despite the increased demand, our operations in international markets were full of challenges this year as we faced various supply chain restrictions.

Share of Revenues by Market for the Year 2021 (in percentages)

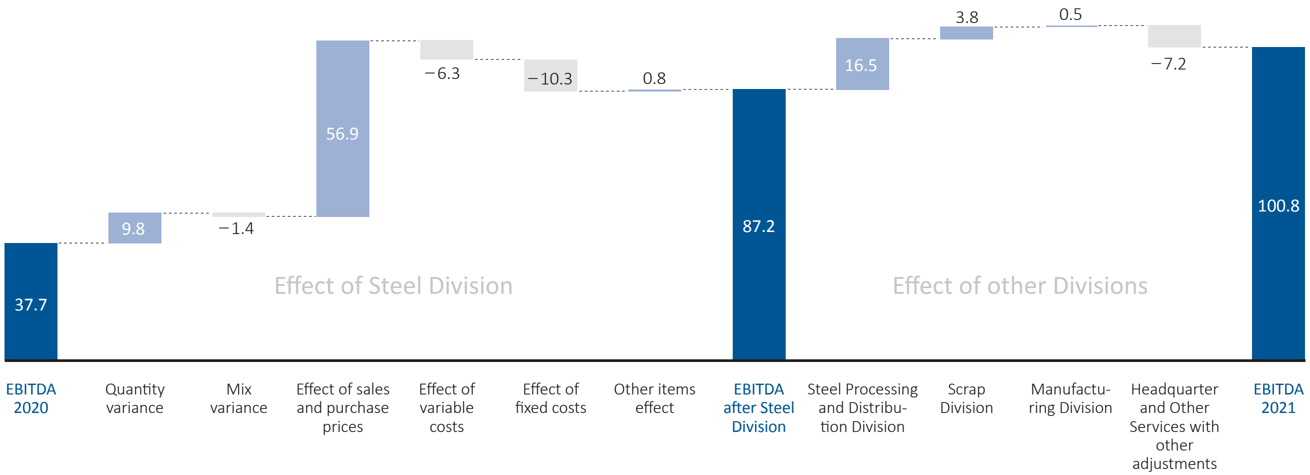


High EBITDA

Besides increased demand, the 2021 results were driven by high commodity prices and an extreme growth in prices of energy products. Despite the increase in purchase prices, our EBITDA increased by as much as EUR 63.1 million. The EBITDA of EUR 100.8 million is the highest in recent years.

EBITDA was positively affected by the increased quantities sold and higher sales prices, and we were able to transfer the increased raw material prices into sales prices across all our divisions. EBITDA was negatively affected by prices of energy products and cost of labour. We were able to mitigate the effects of surging energy prices by pre-purchasing quantities of electricity and natural gas. When considering the effects of the costs of labour, which are higher due to the increase of the minimum wage in Slovenia, one should also consider the discontinuation of government labour subsidies as part of the COVID-19 measures which were in effect in 2020.

EBITDA Bridge (in EUR million)



Effect of the Steel Division

The Steel Division, which has the greatest impact on SIJ Group's EBITDA, generated an EBITDA EUR 49.5 million higher compared to the preceding year. The EBITDA growth was affected by the ratio between sales prices and purchase prices, higher quantities of goods produced and sold, and higher demand for products with a higher added value. To a large extent, the negative effect of variable costs is the result of the prices of electricity and natural gas. Fixed costs increased due to higher costs of labour, labour costs associated with reassignments and substitutions at times of COVID-19 outbreaks, and due to the general increase in prices in maintenance, environmental costs and transport services.

Effect of the Distribution and Processing Division

The Distribution and Processing Division, which follows along with the development trends in the steel industry, was also experiencing increased demand, higher quantities and increased pricing pressures on sales prices. Combined with increased cost-effectiveness, these effects prompted a boost in EBITDA by 16.5 million EUR.

Effect of the Scrap Division

In the Scrap Division, increased demand was reflected in increased quantities and higher prices, which had a positive effect on the EBITDA.

Effect of the Manufacturing Division

EBITDA growth was lower in the Manufacturing Division compared to other divisions. In some products we were not able to transfer the higher input prices to sales prices.

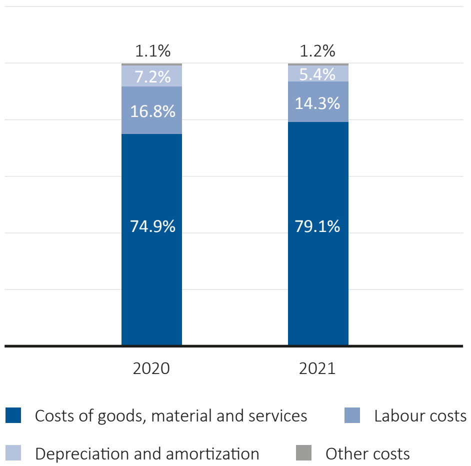
Effect of the Headquarters and Other Services Division

EBITDA growth in the Headquarters Division is minimal since market prices do not affect the division directly. The negative effect on EBITDA is attributable mainly to the increase in the costs of labour and consolidation adjustments.

Changes in the Structure of Expenses

Within the structure of SIJ Group's operating expenses, the increased prices of input materials, energy and services resulted in a higher share of these costs within the structure of expenses compared to the previous year. The share of labour costs, which are a fixed cost, was decreased due to the increased sales volume.

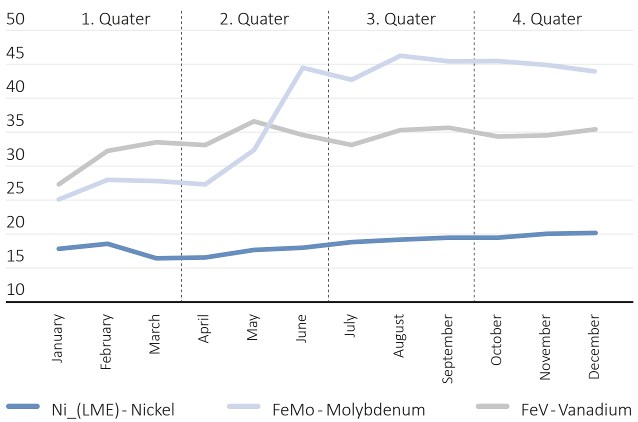
Structure of Operating Costs (in percentages)



PRICES OF RAW MATERIALS

In addition to secondary raw materials (stainless and non-alloy steel scrap), the key raw materials for the production of stainless and special steels are nickel, chromium, molybdenum, vanadium, silicone, and manganese. The prices of these raw materials moved very differently in 2021. Nickel prices were the most stable. The Nickel prices on the London Metal Exchange were more a reflection of the situation on financial markets than the steel industry. The projected surplus and increase in inventories did not have the anticipated effect on prices on the exchange. Molybdenum prices rose sharply in the second quarter and remained high until the end of 2021. Vanadium trailed along the increase of molybdenum prices; however the prices subsided after the third quarter and reached the level from the beginning of the year by the end of the last quarter.

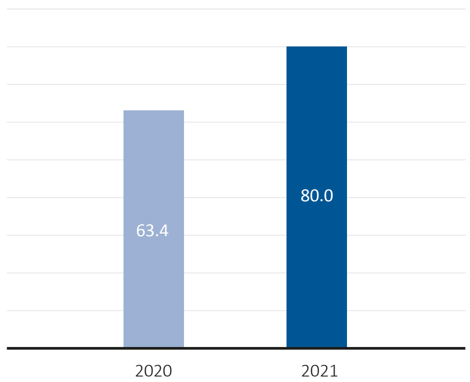
Movement of Key Raw Material Prices for the Production of Stainless and Tool Steels (in USD per kilogram)



ENERGY PRODUCTS

In the SIJ Group, the Steel and Manufacturing Divisions are the largest consumers of energy products. Due higher production volumes, the use of energy products in these Divisions was up 26.1 percent compared to the previous year. In the Steel and Manufacturing Divisions, we consumed 540 gigawatt hours of electricity and 79 million cubic metres of natural gas.

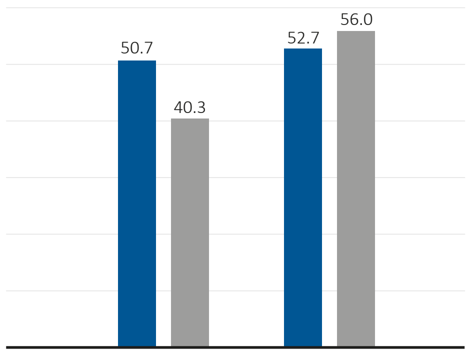
Energy Costs (in millions of euros)



CAPEX

In the year 2020 marked by the pandemic, we prolonged or pushed forward non-critical capital expenditure, and in 2021, the level of expenditure was once again above amortisation and depreciation figure. Capital expenditure amounted to EUR 56.0 million, up 38.9 percent compared to the preceding year. Our performance results allow us to continue ambitiously pursuing our investment strategy set until 2025.

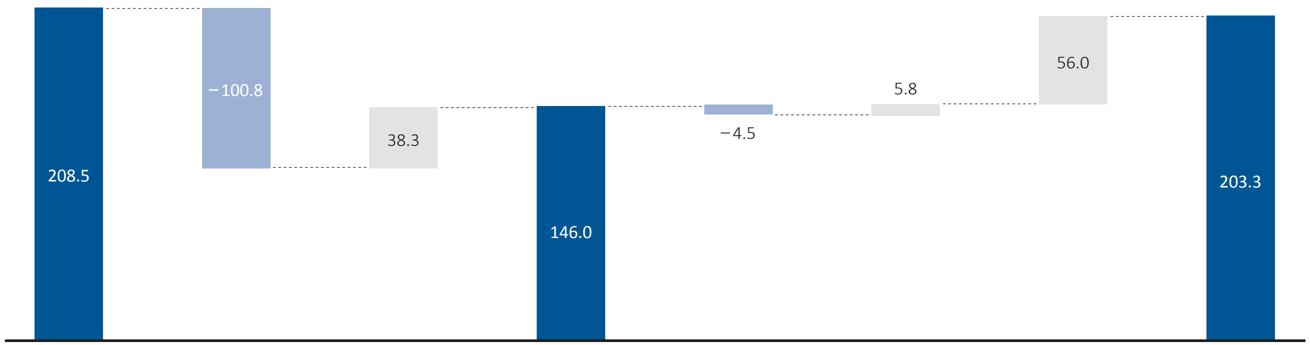
Depreciation and Amortisation and CapEx (in EUR million)



Lower Net Financial Debt

SIJ Group's net financial debt decreased by EUR 5.2 million in 2021. All regular operations and investments totalling EUR 56 million were financed through the EBITDA. This is possible thanks to SIJ Group's solid financials and financial stability.

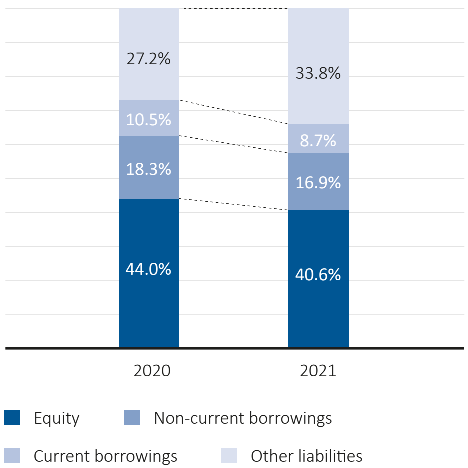
NFD Bridge as at 31 December (in EUR million)



HIGH SHARE OF EQUITY

The share of equity in the debt structure remains at a high level. The share of equity relative to total liabilities was somewhat lower compared to 2020, even though its absolute value is higher than it was in 2020. The share of non-current financial liabilities and the share of current financial liabilities are somewhat lower compared to the previous year, as well. The reason for the lower share of equity and share of financial liabilities as a proportion of total liabilities is the increase in the share of operating liabilities caused by higher prices of raw materials and energy products.

Debt Structure as at 31 December (in percentages)



Even Higher Liquidity

The liquidity in the SIJ Group is high, and in 2021 it increased by EUR 19 million compared to the year before. Sufficient liquidity reserve for the coming years and for implementation of our development plans is also made ensured by a long-term syndicated loan agreement, which an international syndicate of five banks under the coordination of the NLB bank signed with our companies SIJ Acroni and SIJ Metal Ravne, SIJ Group's largest steel companies. The EUR 148 million loan was used to refinance the outstanding syndicated loan of EUR 240 million, which the companies took out in 2017. EBRD participation in the syndicate is an additional indicator of banks' trust in the operations and orientation of the SIJ Group towards sustainable economic growth. In line with the SIJ Group's strategy until 2025, the investment projects are focused on increasing the efficiency of production and sustainable development, particularly environmental projects, operating in accordance with the principles of circular economy and energy efficiency.

DIVERSIFICATION OF SOURCES OF FINANCING

In December 2021, for the eighth time, the SIJ Group issued one-year commercial papers (ticker symbol: SIK08) with a total nominal value of EUR 30 million and an annual interest rate of 0.95 percent. With the new issue, we replaced the existing commercial papers in the amount of EUR 26.7 million, which fell due in December 2021. With the commercial papers, we are optimising our financing costs and ensuring diversification of short-term sources of financing.

SECURING FINANCING WITH BONDS

Besides issuing commercial papers, SIJ Group also issued additional SIJ6 and SIJ7 bonds, which are identical to the existing SIJ6 and SIJ7 bonds. Additional SIJ6 bonds are issued in the aggregate nominal value of EUR 8 million, while SIJ7 bonds are issued in the aggregate nominal value of EUR 5 million. The additional bonds were issued to diversify long-term sources of financing, support long-term investments in production technology, including measures for protecting the environment and energy efficiency technology, and improve the maturity structure of existing loan obligations.

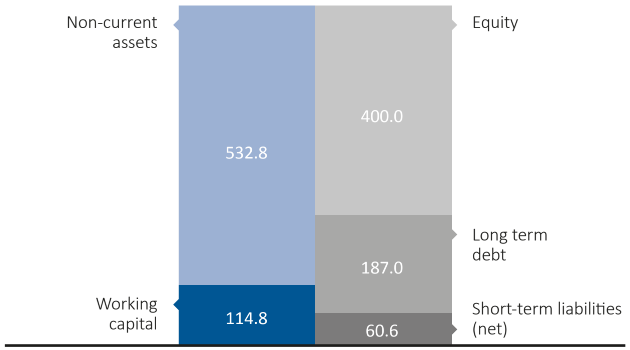
INVESTOR TRUST

Through successfully issued commercial papers and additional bonds, we raised EUR 43 million, which proves that institutional and private investors have kept their trust in the stability of SIJ Group and its commitment to implementing its development strategy despite dynamic and unpredictable economic circumstances.

Stable Financial Structure

SIJ Group uses long-term financing for long-term development, while short-term sources of financing are used to balance seasonal fluctuations in working capital. By maintaining a financial policy based on a high share of equity and adequate long-term sources, we maintain a stable structure of assets and sources. All of the fixed assets and 47.2 percent of the working capital is covered through long-term sources.

Structure of Financial Position: Asset-to-Debt Ratio as at 31 December (in EUR million)

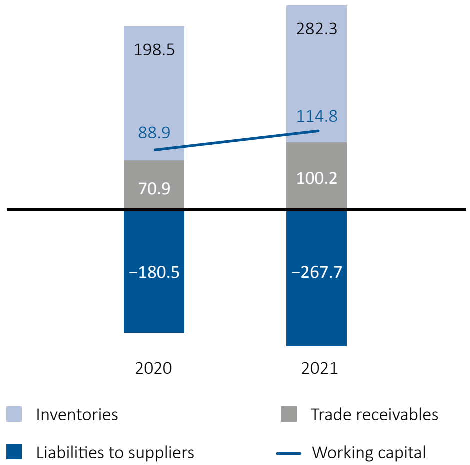


Working Capital Management

Changes in working capital over the course of the year are managed using our approved credit lines, and effective day-to-day monitoring of receivables and liabilities.

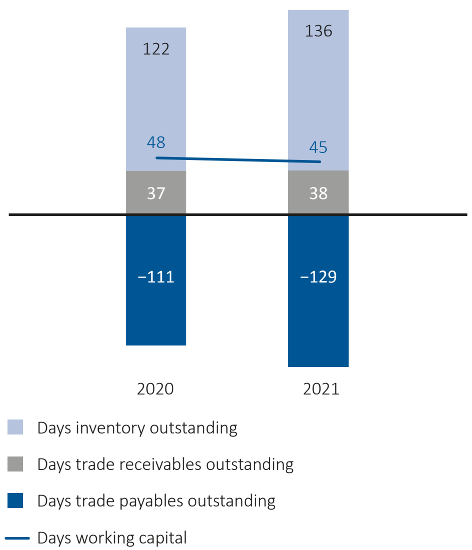
In 2021 we also improved our days working capital compared to the preceding year. By actively managing our trade receivables, we were able to keep days in trade receivable on the same level year-on-year.

Working Capital from Operations as at 31 December (in EUR million)



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. Days in trade payables increased in 2021 compared to 2020. Through stronger operational performance and supplier confidence, we were able to improve our terms of supply, especially the payment terms for procurement of raw materials.

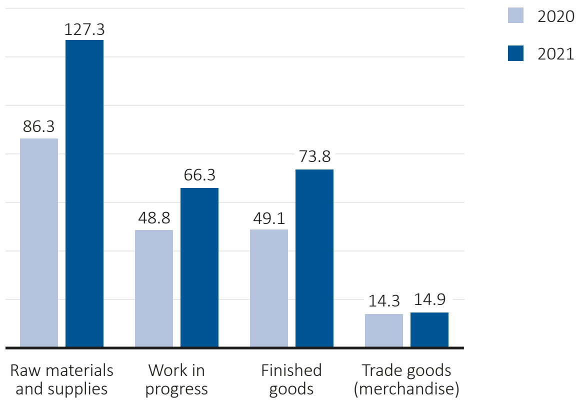
Days Working Capital from Operations as at 31 December



INTENTIONALLY HIGHER LEVELS OF INVENTORIES

The value of inventories as at 2021 year-end was up 42.2 percent compared to the preceding year. This is due to higher prices of raw materials and finished products, and partly due to higher quantities of work-in-progress. In the steel-working industry, proper management of inventories is essential to avoid disruptions in production, and by keeping higher levels of inventories we made sure to enter 2022 with confidence.

Inventories by Type as at 31 December (in EUR million)



Alternative Performance Indicators

SIJ, d.d. also reports its operating performance according to alternative performance indicators defined by the ESMA. The Net Sales Revenue and Net Profit or Loss indicators are defined according to International Financial Reporting Standards.

Notes to the Performance Indicators

Indicator	Explanation of calculation	Use
Net sales revenue	Net sales revenue in the statement of comprehensive income (Note 1)	Net sales revenue is part of the EBITDA margin and share of exports indicators.
Share of exports	Non-domestic net sales revenue compared to overall net sales revenue in the statement of comprehensive income (Note 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 (Note 2) and (profit/loss) of operating receivables in the statement of comprehensive income and impairment of tangible assets and impairment of inventories in (Note 4).	EBITDA is one of the indicators of the Group's performance, and it represents the 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 it represents the profit available for use.
Net financial debt	The sum total of non-current and current financial liabilities minus cash and cash equivalents on 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.

INVESTMENT MANAGEMENT

SYSTEM UPGRADES AND ORGANISATIONAL IMPROVEMENTS

In 2021 we proceeded with the comprehensive overhaul of the investment project management system. Among other improvements was the **standardisation of the structure of planning and reporting documents**, which will be implemented in the first quarter of 2022. Already in January 2022, the **Ravne na Koroškem and Jesenice project offices** will be open for business. After receiving practical training, the staff in these offices will be in charge of preparations and overseeing the implementation, supervising and reporting of the current status of active investment projects.

INCREASED INVESTMENT VOLUME

Leading up to the year 2025, investments will be made towards increasing efficiency, focusing on more profitable production programmes and reducing environmental impacts, in line with the SIJ Group strategy. Over the five-year period, **more than EUR 252 million** will be earmarked for investments.

In 2021, capital expenditure amounted to EUR 56.0 million, which is EUR 15.7 million more compared to the preceding year. Increased capital expenditure also came from the execution of projects which were intentionally pushed forward until the end of the pandemic due to the unfavourable market conditions existing in 2020.

CapEx for 2021 (in EUR million)

Company	Value of investments
SIJ Acroni	20.8
SIJ Metal Ravne	20.7
ORO MET	2.5
Other companies	11.9
Total	**56.0**

KEY INVESTMENTS IN 2021

SIJ Acroni finished overhauling the **pickling line** in the Quarto Plate Processing Plant.

2021

OVERHAUL OF THE PICKLING LINE

EUR 2.6 million

QUALITY INNOVATION
(production of higher-purity steels)

- 7% increase in production capacity
- Automatisation and robotisation of engraving and labeling
- Improved work safety in the control panel area
- Improved operational reliability by processing plates in horizontal position
- Lower overhead costs in the plate drying process
- Lower carbon footprint

+7,000 tonnes
of stainless steel quarto plates

In SIJ Metal Ravne, the most important single item of note was the investment in the new **ESR4 electroslag remelting device (ESR4):**

EUR **6.8** million

2021

ESR4 – NEW ELECTROSLAG Remelting Device

QUALITY INNOVATION (production of higher-purity steels)

Increase of production capacities	+44%; approx. 4,000 tonnes per year
Increase of sales of the most advanced ESR steels	+60%

Among the investments which significantly reduce environmental impacts is the new **dedusting device** in SIJ Metal Ravne, which had its test launch in November 2021.

EUR **2.3** million

2021

THE ENTIRE SYSTEM FOR DEDUSTING and capturing diffuse emissions from the electric arc furnace in the steelworks.

SIJ Metal Ravne's new modern dedusting systema has the most advanced emission capturing and filtering technology, gathering the dust particles created during the steel production process in the electric arc furnace. It provides the most effective protection from flue gas and noise emissions.

Lower energy consumption and lower maintenance costs

INVESTMENTS AIMING TO REDUCE ENVIRONMENTAL IMPACTS

SIJ Group plans and executes all its investments in line with the BAT (best available technology) principle, therefore each of our investments also indirectly reduces our environmental impact. However, we particularly focus on investments which directly reduce our environmental impacts. In 2021, the aggregate value of these investments was EUR 3.0 million, or 5.4 percent of all capital expenditure.

The Seven Areas of Environmental Investments

WATER: Investments to lower consumption of drinking water

AIR: Investments to reduce pollutant dispersions

CLIMATE CHANGE: Investments to reduce consumption of electricity

RECYCLING: Investments to increase use of secondary raw materials in steel production

(see Decarbonisation Strategy and Material Cycles in Steel Working section)

SUPPLY CHAIN: Choosing the best available technology (BAT) will indirectly reduce its environmental impacts

BY-PRODUCTS: Closed steel production cycles and use of by-products

(see Energy Efficiency section)

PRODUCT APPLICATIONS: Research of products with a longer life-cycle and other improved characteristics

(see Research, Development and Innovation section)

RESEARCH, DEVELOPMENT AND INNOVATION

R&D PROJECT OFFICE

In 2021, we established a project office at the SIJ Group headquarters, which is tasked with **more effective systemic coordination of research and development activities** between experts of various research and development departments within SIJ Group. With increased coordination of research and development activities, these departments improve the competitiveness of SIJ Group and thus contribute towards the implementation of the strategy. The central project office provides control, coordination and consulting support to the R&D departments of SIJ Group companies.

In 2021 the R&D departments of the three largest SIJ Group companies were coordinating their efforts and taking part in standardised reporting through the project office. These companies were SIJ Acroni, SIJ Metal Ravne and SIJ Ravne Systems. In 2021, we successfully completed 23 projects, R&D assignments and shorter research tasks in these companies.

Highlighted Achievements from Selected Research Projects

NEW STEEL FOR USE IN ELEVATORS

As part of the partner project ČMRLJ[4], we studied the impact of various microalloying elements on the resulting properties of both existing and new steels.

At SIJ Metal Ravne, we studied the effect of non-metallic inclusions on the size of crystal grains and precipitates, and the impact of such improvements on the final steel properties.

At SIJ Acroni, we developed an industrial process for the **production of non-standard micro-alloyed steel**, which meets the requirements for minimal weight of moving components. In various elevators (loader cranes, aerial platforms, concrete boom plants, etc.) the use of steels with a superior hardness-to-weight ratio the end product helps reduce the use of fuel, and thus emissions into the environment. The new steel boasts a **70 percent reduction in carbon footprint** compared to other European steels with comparable properties.

VIRTUAL SIMULATION AND OPTIMISATION MODELS

As part of our project INEVITABLE[5], we will be developing digital replicas and virtual models for simulation and optimisation of production processes. As part of our efforts to digitise infrastructure, we will be introducing **various tools for the effective management of technologic processes**. To allow us to implement the tools developed in a labora-

tory environment in SIJ Acroni's production processes, we already upgraded the digital infrastructure of demo sites in 2021. The already developed models allow real-time assessment of various parameters involved in the production of low-alloy steels and simulation of the steel production process with a non-real time simulator. The supporting environment (digital replica or virtual model) proposes the individual steps to be taken in order to improve the technological process and optimise process values. A fully digitised monitoring of the production process will help **reduce energy consumption and emissions**.

4 ČMRLJ = Achieving Cleanliness and Properties with Micro Alloying of Steel Cofinancing: Slovenian Ministry of Education, Science and Sport and the European Regional Development Fund. This is a collaboration project bringing together five partners, including SIJ Acroni and SIJ Metal Ravne. Work on the project went from January 2019 until June 2021.

5 INEVITABLE: Optimization and performance improving in metal industry by digital technologies; Horizon 2020 – DT-SPIRE-06-2019. The international project is being carried out by a consortium of 12 partners. Due to the COVID-19 pandemic, the European Commission has granted a 6-month extension of the project. For more information about the project visit: http://inevitable-project.eu.

NEW MATERIALS FOR CEMENTS

The RIS-ALiCE project[6], which finished in February 2022, has already developed a **registry of secondary mineral raw materials** (by-products and industrial residue) in the East and South-East European (ESEE) region. SIJ Acroni is studying options for reusing raw materials which would be suitable for production of belite-calcium sulphoaluminate (BCSA) cements, which provide an alternative to the most commonly used cements. SIJ Acroni entered Ekominit (fine fraction of slag aggregate) and WaterJet sand residue in the Registry as potential raw materials for BCSA cements. Before doing so, we conducted thorough chemical, mineral, radiological composition analyses, as well as studied other properties of both materials. **Steel-slag cements** have suitable hydraulic properties and develop sufficient tensile strength. Steel slag can be used to produce environmentally friendlier **low-energy and low-carbon cements**.

AWARD-WINNING HOT WORK STEEL

As part of the MARTINA project, SIJ Metal Ravne developed the innovative SITHERM S140R steel, which contributes to **increased productivity and extends the life of hot work tools**. We developed an alloying technique which achieves significantly higher heat conduction while keeping a similar toughness and through-hardenability of standard hot-work tool steels. In 2021, we received the Slovenian Chamber of Commerce and Industry's National Golden Innovation Award for this steel.

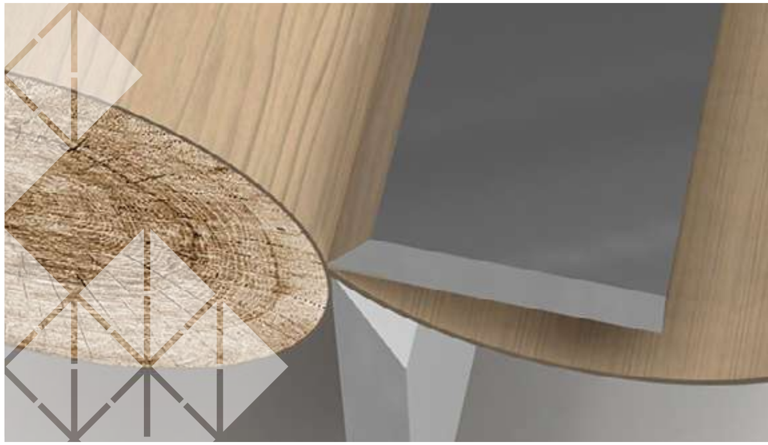
6 RIS-ALiCE: Al-rich industrial residues for mineral binders. EIT Raw Materials KAVA activity call, RIS project. The international project is being carried out by a consortium of 15 partners. For more about the project, visit: http://ris-alice.zag.si.

NEW GENERATION OF ROLLERS

SIJ Ravne Systems is introducing a technique for tempering and grinding rollers made of OCR8W steel with increased durability and longer life. The new generation of rolls for cold rolling will meet the **requirements for surface roughness**, which have thus far been associated with the environmentally contentious chrome processing. To meet our customers' needs in the production of rollers, we are researching the process parameters of induction tempering, which have a decisive effect on the microstructure and thus the properties of the end products.

STEEL FOR THE MOST DEMANDING APPLICATIONS OF PEELING VENEER SHEETS

In the global market of veneer knives, softwood peeling knives hold a market share of over 60 percent. Thus far, these knives have mainly been provided by steel producers from East Asia. In collaboration with SIJ Metal Ravne and the University of Maribor's Faculty of Mechanical Engineering, SIJ Ravne Systems developed RANO@STEEL steel with improved hardness, strength and toughness. In recognition of this steel, we received the Silver Innovation Award from the Slovenian Chamber of Commerce and Industry. On the global level, we are already ranked **among the top three providers of this type of steel**, while at the same time we are the only producer of this steel in the European Union.



Development Assignments for New Needs

SIJ Group is focusing its efforts on commercially viable and environmentally responsible new niche markets. In following with the global market trends and collaboration with our customers, we are dedicated to innovation in e-mobility, hydrogen fuel cells and addressing the needs of the most demanding industries.

NEW TYPES OF STEEL FOR ELECTRIC VEHICLES

The company SIJ Acroni is developing the most demanding products made of special non-oriented electrical steel to be installed in the engines of electrical and hybrid vehicles, which boast s**ignificantly improved electromagnetic properties**. In the cold-rolled products programme, we improved the material yield, lowered production costs and set up a new, stable platform for further development of the most advanced non-oriented steels. The Slovenian Chamber of Commerce and Industry awarded us a regional innovation award in recognition of this project.

DEVELOPING STEELS FOR USE IN FUEL CELLS

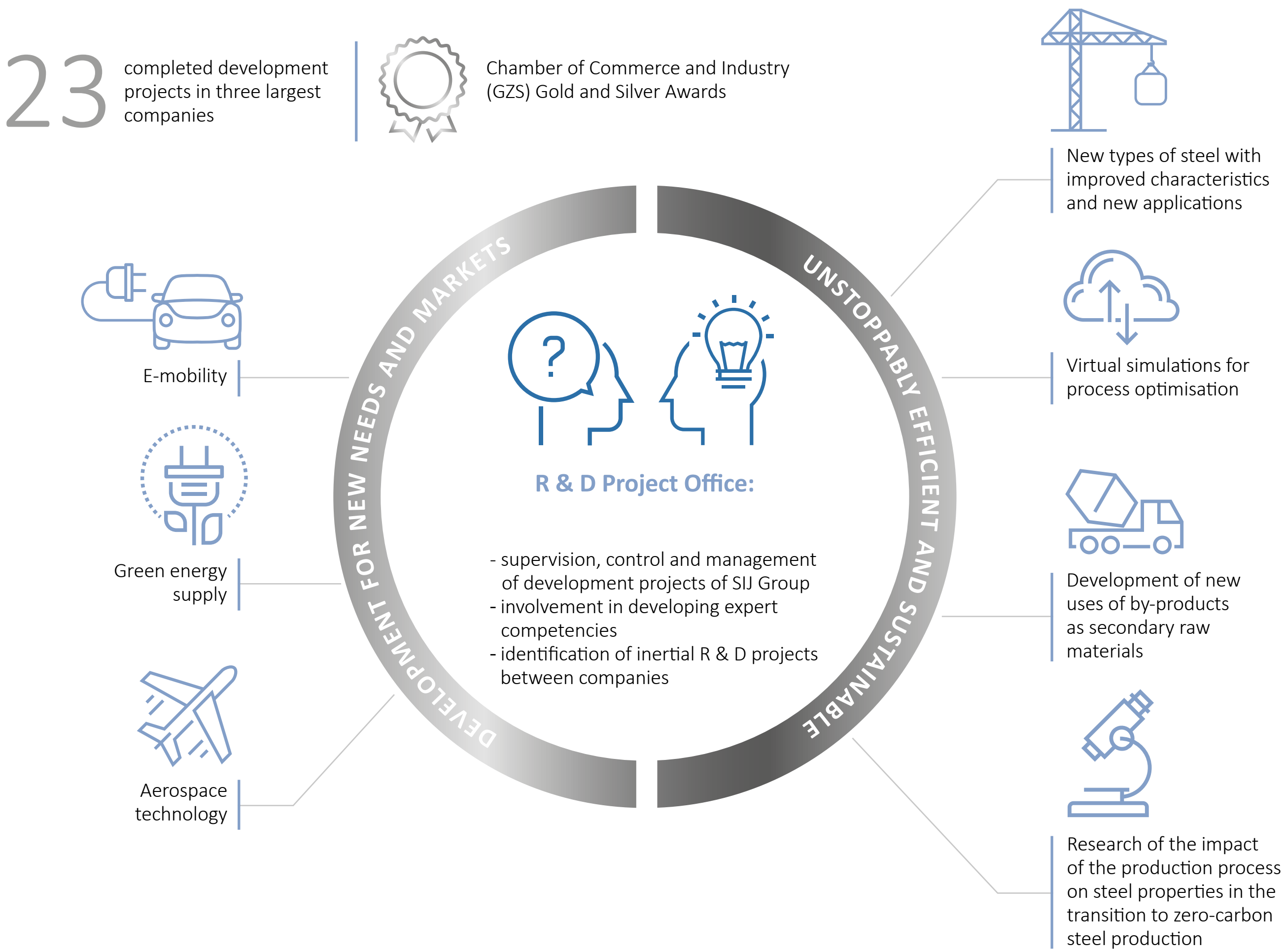
SIJ Acroni's special fire-resistant ferrite stainless steels are used in the development of hydrogen fuel cells. We are among the very first steel produces in the world to be directly involved in the development of these fuel cells for use in the **production and storage of electricity**. Characteristic of these Solid Oxide Fuel Cells, known under the acronym SOFC, are their utility as a strong source of effective production of electricity, and significantly lower carbon emissions. A single SOFC system can provide electricity to 20 households of four! In 2021, we already produced development charges in the lab and successfully tested hot- and cold-rolling of this steel up to a thickness of one millimetre.

AUSTENITIC STEELS FOR THE MOST DEMANDING APPLICATIONS

In 2021 we expanded the range of products made from state-of-the-art austenitic stainless steel trademarked under the brand name SINOXX 4404. These steels will also be used in **the construction of the ITER Tokamak fusion reactor**. The international experimental thermonuclear reactor, known as one of the most ambitious, largest, advanced and expensive engineering projects in the world, is under construction in France.

Among the range of special steels is also the new corrosion-resistant austenitic steel PK967 (SINOXX 3952, SINOXX 4429, SINOXX 4910) for use in the aviation industry, shipbuilding, machine building and in the appliances industry.

Effective Integration of Research and Development Activities



SUSTAINABILITY

SIJ Group is aware that sustainable management of materials, energy and other resources, as well as attending to the needs of all stakeholders with whom we conduct our business, is an important part of our financial stability and long-term success.

STATEMENT ON NON-FINANCIAL OPERATIONS OF SIJ d.d. AND SIJ GROUP

The company SIJ d.d. and SIJ Group act as a reliable partner for sustainable development stakeholders. We conduct our operations in a socially responsible manner. We are signatories to the Sustainable Development Charter of the World Steel Association[7] and respect the seven commitments with which the world's leading steel producers are contributing to reaching the UN's 17 Sustainable Development Goals. We are also one of the first members of the international organisation ResponsibleSteel.

We place great emphasis on maintaining the principles of economical and sustainable practices both in the global environment and local communities where we have a presence, which is reflected in our vertical integration business model, in our cooperation with our suppliers and in the development of our end products in cooperation with our customers.

In 2021, SIJ Group's sustainability-focused values continued to be reflected in our readiness to engage in various collaborations with our local communities, in our humanitarian activities and in sponsoring sports. Through the projects presented in this report we strengthen the ties among our employees, as well as those among SIJ Group companies, and those with the environment and various stakeholders. SIJ Group is proud to carry out these projects as part of our commitment to sustainability and ethical conduct, because

7 World Steel Association: Sustainable Development Charter. Available at: link we realise the multi-layered nature of our activities and our coexistence with all our stakeholders. Realising that the steel-working industry is traditionally seen as burden on the environment due to its carbon footprint, we also began preparations in 2021 to introduce sustainability reporting according to EU Non-financial Reporting Guidelines and the EU taxonomy for sustainable activities, which will allow us to present the investor audience a clear and transparent picture of how our business model helps us realize the strategy of transitioning to a sustainable and climate-neutral economy to the maximum degree possible. In the 2022 financial year, SIJ d.d. intends to issue a separate report according to the ESG[8] guidelines.

Andrey Zubitskiy,
President of the Management Board

COMMITMENTS TO RESPONSIBLE AND SUSTAINABLE PRACTICES

Since September 2021, SIJ Group has been a member of the international organisation **ResponsibleSteel**, the first global initiative for **standardisation and certification** of responsible and sustainable practices in the steel-working industry. We are currently in the initial stages of the certification process, and our certification is anticipated in 2024. With these standards and certificates, the international organisation aims to reduce environmental, social and corporate risks across the entire supply chain in the steel-working industry, and at the same time it intends to raise awareness about the use of steel as a sustainable material. The organisation's standards provide guidance for planning our future sustainable development.

We are still signatories to the Sustainable Development Charter of the World Steel Association, and 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.

SIJ Group consistently associates sustainable development with achieving our strategic objectives, taking a sustainability-focused approach to the consumption of materials and energy and choosing responsible partners improves our performance.

8 The acronym ESG stands for Environment, Social and Governance.

Sustainable Development Stakeholders with Regard to SIJ Group

ENERGY EFFICIENCY

2021 was marked by an extreme increase in the prices of energy products and emission coupons, and the European Union facing a diminished supply of natural gas. SIJ Group managed and effectively mitigated the situation with **timely and appropriate pre-buying of energy products**. To meet our own requirements, we pre-purchased three-quarters of our electricity demand and four-fifth of the necessary quantities of natural gas.

With the aim of maintaining reliable performance and meeting our sustainability commitments, we are constantly focusing on achieving **savings** on energy products, while **reducing our environmental impacts**. Since steel-working is an energy-intensive industry, SIJ Group remains Slovenia's largest consumer of natural gas and Slovenia's second largest electricity consumer. In 2021 we used 846 gigawatt hours of natural gas and 540 gigawatt hours of electricity. The cost of energy products made up 8.3 percent of our total operating revenue, a 0.07 **decrease compared to the previous year**, which indicates that we did not manage our energy product price risks any worse than we had in the past.

Appropriate supplies and manageable prices were ensured through two-year contracts, which we signed with the selected suppliers in 2019. In 2021 we extended the electricity supply contract until 2023, and the natural gas supply contract until 2024.

RELYING ON INTERNAL RESOURCES

We manage energy in a cost-effective and socially responsible manner. We increase energy efficiency through self-reliance projects. In 2021 we undertook detailed studies to explore the possibility of **reliance on internal resources**, such as increased use of our excess heat, our own photovoltaic power station and our own hydrogen power plant. In 2022 we are going to complete the project documentation and begin bringing these projects to life.

BENEFICIAL USE OF EXCESS HEAT

In 2021 we launched a new excess heat utilisation system as part of the ETEKINA project[9]. In 2022, when the system is fully operational, the effect of excess heat utilisation will be measured. By utilising the excess heat produced by SIJ Metal Ravne, we will further increase the amount of thermal energy which we have been supplying to the city of Ravne na Koroškem for remote heating. We expect that the utilisation rate of excess heat from gaseous fumes will be over 50%, while the amount of energy supplied will exceed 2,360 megawatt hours. The thermal energy supplied by SIJ Group will provide the city's main source of heating.

9 The funds for the ETEKINA project, dedicated to introducing the innovative excess heat exchange technology in an energy intensive industry were secured on 2017 by SIJ Metal Ravne in collaboration with the Jožef Štefan Institute and international partners, through the European Union's research and innovation fund Horizon 2020.

COGENERATION OF HEAT AND ELECTRICITY

In 2021, SIJ Acroni generated 3,042 megawatt hours of electricity and 4,512 megawatt hours of thermal energy through cogeneration of heat and electricity. We are also reducing greenhouse gas emissions through cogeneration and increasing self-sufficiency in the area of heating and cogeneration of electricity.

SETTING UP A LOCAL ENERGY COMMUNITY

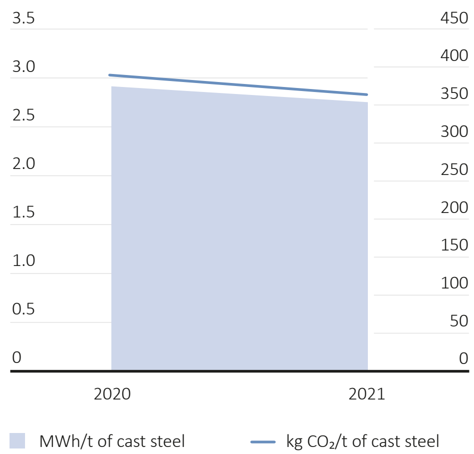
As part of the CREATORS project[9] we are developing an energy community model in the city of Jesenice, where SIJ Acroni is based. In 2021 we set up three test sites for photovoltaic power stations at various sites and arranged an economic simulation of setting up a small hydroelectric plant with battery power storage. We are in the process developing an excess energy utilisation model and a cogeneration device model. The project, which focuses on developing tools for planning and managing local energy communities, was presented to various stakeholders.

10 SIJ Acroni and its partners from Slovenia and abroad secured funds for the CREATORS project from the Horizon 2020.

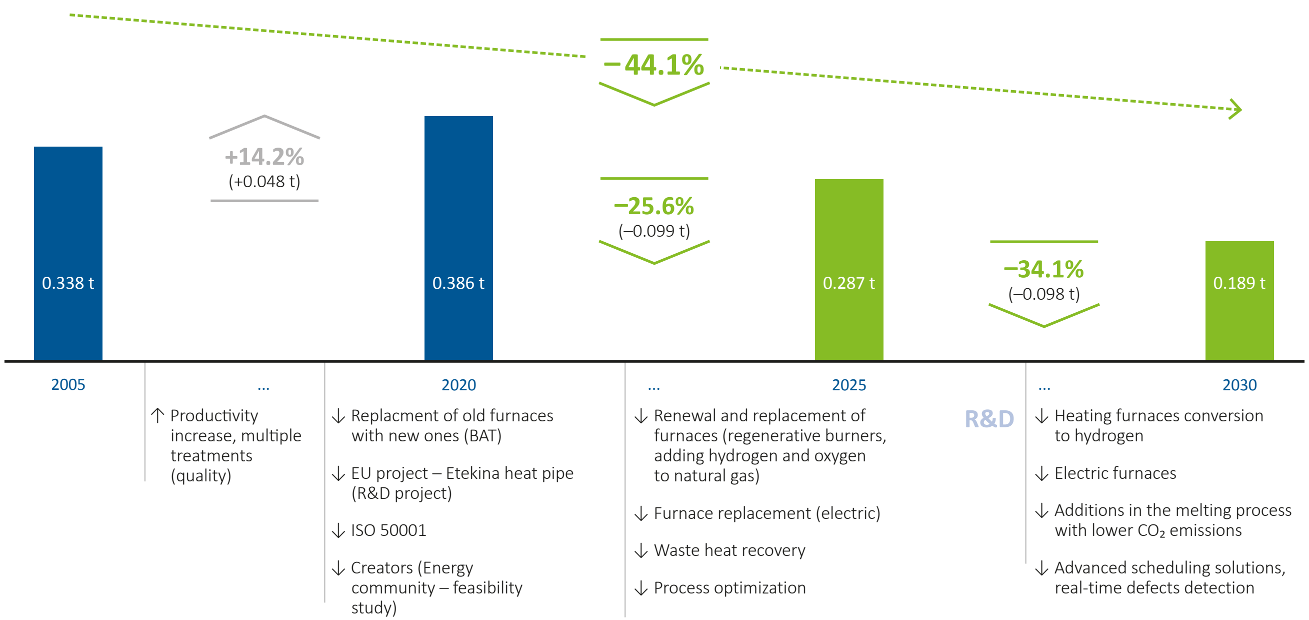
DECARBONISATION STRATEGY

SIJ Group's carbon footprint ranks it among 15 percent of the world's most efficient steel producers. As steel production resumed at full scale in 2021, after being forced to adapt to the COVID-19 pandemic in 2020, CO_2 emissions increased marginally compared to the preceding year. This is due to process emissions and the production of high-alloy steels. Emissions remain **noticeably below world average levels** and will continue to decrease over the coming decade.

Carbon Footprint (kg CO_2/t of cast steel) and Specific Energy Consumption (MWh/t of cast steel)



SIJ Group Roadmap - CO_2 Emissions per Ton of Liquid Steel



GOALS TO ACHIEVE BY 2030

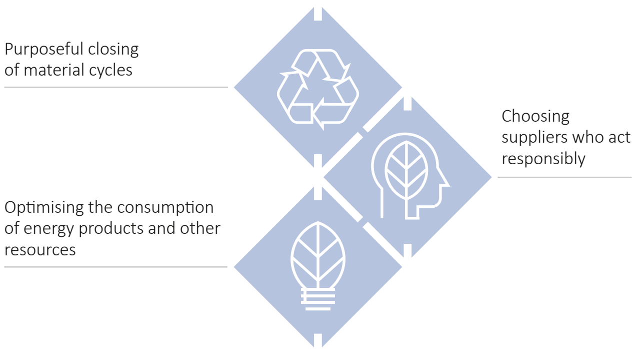
We will significantly reduce our greenhouse gas emissions by the year 2030. We defined the goals in detail in our decarbonisation strategy, which we prepared in 2021. We will reduce our carbon footprint by **introducing technological improvements** and adjusting the operations of both of our major steel-working companies. We will achieve these goals by participating in calls for applications with the EU's climate policy and the innovation fund for **innovative low-carbon technologies**.

SIJ Group was awarded the Climate Action Member certificate by the World Steel Organisation in recognition of its 10-year involvement in carbon footprint measurement between the years 2011 and 2021.

EMISSION TRADING

The companies SIJ Metal Ravne and SIJ Acroni are participating in the European Emissions Trading System (ETS). As the third trading period comes to an end, we adopted the **coupon trading guidelines** in 2021 for the next ten-year period. SIJ Group's long-term strategy is compliant with the goals outlined in the European Commission's Green Deal and the National Energy and Climate Plan (NEPN, 2020). Our strategy describes how we will adapt to the anticipated increase in costs associated with emissions by adjusting our operations. In addition to decarbonisation measures, the strategy places particular emphasis on the principles of the circular economy and establishing internal material cycles.

As we face challenges posed by climate change and other environmental issues, we will continue to maintain strict ethical standards and the involvement of individuals, teams and organisations working within SIJ Group. We conduct our operations in accordance with the principles of the circular economy. We are ready for the green transition.



MATERIAL CYCLES IN STEEL WORKING

RECYCLED RAW MATERIALS

SIJ Group produces steel from secondary raw materials. In terms of quantities, purchased **steel scrap** makes up the largest share in steel production and is recycled 100% in the retempering process.

SIJ Acroni's **investment in magnetic separation** provided for additional cleaning of steel scrap and increased its fitness to be used in the production of specific types of steel. With the new technology, which we tested in 2021, we will process all of the purchased steel input where separation is environmentally and economically viable.

We also produce steel using internal steel scrap – steel scrap leftover in the production of steel end products. All steel recycling materials, sorted by chemical properties or quality, are reintroduced into the production process, thus **reducing the share of purchased pure alloys**. In 2021 we increased the quantity of sorted recycling material by 14 percent. As further upgrades are introduced in our sorting system, we will continue to increase the utilisation rate of individual chemical elements found in steel scrap coming from our own production processes.

RAW MATERIALS FOR SPECIAL STEELS

In addition to secondary raw materials (steel scrap), the key raw materials for the production of special stainless steels are **nickel, chromium, molybdenum, vanadium, silicone, and manganese**.

The raw material markets mentioned above faced significant imbalances in 2021. The surpluses generated in 2020 (due to diminished demand resulting from the COVID-19 pandemic) were soon exhausted. Supply chain disruptions, higher transport and energy costs in 2021 drove up the **prices of key raw materials**, which are not expected to decrease yet due to renewed demand and inflationary pressures.

We focus on using secondary raw materials even where key raw materials are concerned. The total rate of using recycled raw materials in stainless steel production is already higher than 83 percent. We are introducing quality, cost-effective and **environmentally friendly substitutes** in our production process. In 2021 we tested 85 innovations in the area of materials and performed checks on 58 new suppliers of key materials for our steel production needs. By introducing substitutes or new additions in the area of materials, and by integrating suitable suppliers, we are optimising production and **ensuring a more robust supply chain**.

USE OF BY-PRODUCTS

Slag makes up the largest share of by-products in our steel production processes. This formerly commonplace industrial waste product is now fully processed to produce useful products, suitable mainly for **use in the construction industry**.

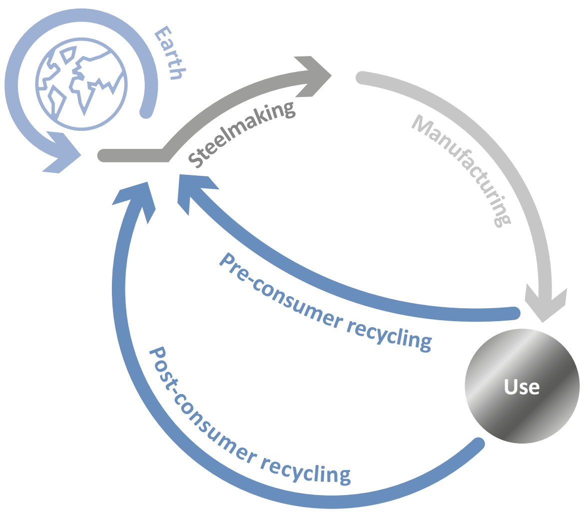
After processing, black slag is used in **bitumen mixtures** and surface finishes on roads or used in roadbuilding aggregates. White slag is used as a construction material as the **Ekominit S1** product. We have already entered Ekominit in the registry of secondary mineral raw materials.

HAZARDOUS WASTE HANDLING

In 2021, SIJ Group reused, recycled or otherwise made use of more than 98 percent of its industrial waste produced. Less than 2 percent of the waste produced ended up in landfills. We manage our waste in an economically sustainable manner. We connect with waste collectors and waste processors, who put the waste to effective use.

Our long-term goal is to achieve **Zero Waste to Landfill**. To that end, we are making a central industrial waste database and introducing additional processes aimed at reducing waste, reusing waste in production processes, or processing waste into products of interest for internal or commercial use.

Steel Recycling: Attributes and Benefits[11]



Steel has been recycled ever since it was first made. All available steel scrap is recycled, over and over again to create new steel products in a closed material loop. Recycled steel maintains the inherent properties of the original steel.

STEEL ATTRIBUTES

- Infinite recycling without loss of properties
- Permanent material
- Easy magnetic separation and recovery

BENEFITS OF STEEL RECYCLING

Raw materials conservation

One tonne of steel recycled saves on average:

1,400 kg iron ore
740 kg coal
120 kg limestone

70% Eenergy saving

Recycling a single steel can saves:

1 laundry load, or
1 hour TV, or
24 hours of a 10 Watt LED bulbs

Job creation

Jobs required for scrap collection, separation and recycling

11 World Steel Association: https://circulareconomy.worldsteel.org.

STRATEGIC IMPORTANCE OF EMPLOYEES

Building a reputation as a sought-after employer is one of SIJ Group's foremost objectives. We aim to achieve our strategic goals with qualified and highly motivated employees. We proved to be a reliable and trustworthy employer even during the COVID-19 pandemic and under changed market conditions. We are one of Slovenia's key employers based on the number of employees. We are an indispensable job creator in the Koroška and Gorenjska regions, where two of SIJ Group's largest steel-working companies are based.

Employee Figures as at 31 December

	2020	2021
Number of employees	3,818	3,840
Average age (in years)	44.3	41.6
Share of women (%) *	16.0	16.8
Number of persons with disabilities	335	322

** Due to the specific nature of the work process in SIJ Group, its employees are predominantly male.*

Working Population in the Municipality and Employees in SIJ Group Companies

Municipality	Number of employees in the municipality	Number of employees in SIJ Group	%
Ravne na Koroškem	4,574	1,657	36.2%
Jesenice	9,182	1,576	17.2%

Source: National Statistical Office of the Republic of Slovenia. 2021. Active population by municipality of employment, Slovenia, monthly data. Available at: link (16. 3. 2022).

NEW HIRINGS

In 2021 we hired more than 500 new employees. We introduced a centralised candidate selection procedure and a professional assessment of the candidates' personality traits, qualifications and competencies.

Despite intensive recruitment efforts to meet our needs for new employees, we did not fully meet our actual needs for 2021. We are facing a lack of qualified employees in the areas of production, as well as quality control, metallurgy, technology and team management. For this reason, SIJ Group is dedicating particular attention to additional training and cooperation with the relevant educational institutions.

EDUCATION & TRAINING

When it comes to skills and competencies, our priorities are focused on management, metallurgy, maintenance, mechanical processing, project management, quality and work process improvements.

In order to improve the productivity of our well-managed production teams, we are introducing the **SIJ Management School**. In 2021, over a hundred of SIJ Group's supervisors and shift managers completed half-year courses with eight content modules.

Since September 2021, directors and heads of key departments within SIJ Group companies have been attending the **Executive Development Programme**, which will run until the end of 2022 in cooperation with the Centre for Business Excellence at the University of Ljubljana's Faculty of Economics. The purpose of the programme is to perfect the participants' management and professional competences and achieve better synergies within SIJ Group.

We encourage employees **to take part in part-time studies**, which we co-finance through our annual internal calls for applications. In 2021, 138 SIJ Group employees attended part-time secondary school and university programmes.

In 2021, we invested EUR 530,000 in the education and training of employees.

SCHOLARSHIPS FOR FUTURE EXPERTS

We have been systematically presenting technical professions in the Metallurgy Division in primary and secondary schools and cooperating with higher vocational colleges on the preparation and implementation of specialised classes, practical education, projects, and final papers. We attend school course presentations for students, tradeshows and other events. We put on Open Doors Days, where the younger generation can better familiarise themselves with specific occupations.

We offer promising high school and university students scholarships and provide them with practical training courses. In 2021 we **provided scholarships for 128 youths**. They are taking part in secondary and professional education courses, as well as higher education and university courses.

SAFETY AND HEALTH

Key Figures

	2020	2021
Sick leave absenteeism (%)*	8.2	8.1
Number of accidents	102	100
Accident frequency (F2)*	21.2	18.8

** Employee figures are for companies in Slovenia: SIJ Acroni, SIJ Metal Ravne, SIJ Ravne Systems, SIJ SUZ and SIJ Elektrode Jesenice.*

Work safety and protecting the health of our employees is a strategic commitment of SIJ Group. In 2021, an **extended occupational health and safety working group** became operational. It is comprised of representatives of SIJ Group companies. Group members monitor occupational health and safety KPIs, exchange best practices and prepare proposals for improvement. The working group also creates updated content for the Working Safely, Staying Healthy campaign, which has been running for many years.

In 2021, working in collaboration with experts from the Ljubljana-based Institute of Occupational Safety, we analysed the reasons for SIJ Group employees' absenteeism due to sick leave. In 2022, we will begin **activities to reduce both long-term and short-term sick leave absenteeism** based on the results of these analyses.

We take care to ensure good working conditions and quality nutrition for our employees. In 2021, we began working on **renovations of the kitchen and cafeteria facilities** in our companies based in Ravne na Koroškem and Jesenice, in cooperation with our new provider. By providing qual-

ity nutrition options and a pleasant environment to enjoy lunchtime meals, we aim to promote healthy eating habits among our employees.

With our existing range of sporting and holiday amenities, which our employees can use free of charge or at subsidised prices, we promote a **healthy lifestyle** even outside the working environment.

EQUAL OPPORTUNITY EMPLOYER

SIJ Group is committed to respecting the rights of our employees. We are an equal opportunity employer, regardless of gender or other circumstances. SIJ Group also creates job opportunities for **persons with disabilities and special needs**. All SIJ Group companies ensure suitable reassignment options for employees with changed or diminished work ability. We provide stable employment for people with disabilities in our SIJ SUZ and SIJ ZIP CENTER, entities which are fully integrated into the corporate governance of SIJ Group.

	2020	2021
Number of persons with disabilities as at 31 Dec.	335	322

As a concessionary of the Ministry of Labour, Family and Social Affairs and Equal Opportunities, the SIJ ZIP CENTER operates an employment and workplace rehabilitation programme, as well as social inclusion programme. The **Rehabilitation Centre for the Disabled in Koroška** also operates as part of the company. The social inclusion programme has 18 full-time users, and the centre operates occupational and employment rehabilitation programmes for an average of 30 users per month. In 2021, the concession was extended until the end of 2027.

Since 2018, the company SIJ ZIP CENTER has also been part of a national partnership working on the project **Induction of Special-Needs Youth into the Labour Market**. In 2021, we added 8 special-needs youths to the project, and just as many successfully exited the project.

HIGHER VALUE OF LABOUR

After changes to the minimum wage, SIJ Group adjusted its salary system for all job positions. In key companies, **85 percent of employees saw their salaries increase**, while 25 percent of our employees received a salary increase as a result of advancing to more demanding career positions or as a result of the company's recognition of their improved competencies in their existing positions. In 2021, monthly bonus pay-outs, which employees have access to under the **variable remuneration system**, reached almost EUR two million in aggregate.

In 2021, each employee received a 38 percent higher annual leave allowance compared to the preceding year. The **increased annual leave allowance** was the result of good overall performance of most companies within SIJ Group in the first half of 2021. The amount was agreed upon with trade union representatives, and was also awarded to employees of companies which would not have been able to provide the higher amount based on their own operating figures alone.

SOCIAL DIALOGUE

SIJ Group fully complies with the terms of industry-specific collective agreements and corporate collective agreements. There is ongoing dialogue between the managements of SIJ Group companies and social partners' representatives.

PARTNERSHIPS WITH LOCAL COMMUNITIES

We improve the quality of life in communities where SIJ Group companies operate by carrying out socially responsible projects, providing sponsorships and donations. We select and manage these according to our standard guidelines, which apply to the entire SIJ Group and its related companies. Key areas of our involvement include sports, culture, education and humanitarian projects.

In 2021 we carried out a number of Olympics-related activities, which were pushed forward one year for 2020 due to the COVID-19 pandemic.

The Purpose of Participation in Socially Relevant Projects

SPREADING THE OLYMPIC SPIRIT ACROSS SLOVENIA

In 2021, when the Tokyo 2020 Olympic Games were held after being postponed, the Will of Steel and the Olympic spirit were spread around Slovenia with the **Slovenian Olympic torch** crafted at SIJ Metal Ravne. Over 82 days, the torch was carried by more than 9,330 people on a 7,118-kilometre journey through all of 212 Slovenia's municipalities! The torchbearers included SIJ Group employees and members of the sports clubs sponsored by SIJ Group. We received a special commendation from the Sporto Awards international jury in recognition of best practices in sponsorships, (digital) communication and marketing in sports in Slovenia and the greater Adriatic region. Each torchbearer received a one-of-a-kind Mind of Steel bracelet with a piece of recycled steel from SIJ Group. Created by the users of the Črna na Koroškem Training, Work and Safety Centre (Slovenj Gradec unit), the bracelets also awaited all members of Slovenia's Olympic team upon their arrival to Tokyo.

LOCAL SPORTS INCENTIVES

At the local level, SIJ Group supports **sport programmes**, which are also attended by SIJ Group employees and their family members. We sponsor six sports clubs: the hockey and football clubs in Jesenice, and the volleyball, football, swimming and ski clubs in Ravne na Koroškem.

In collaboration with the Olympic Committee of Slovenia, we are building **sports infrastructure** across the country to provide options for a high-quality, active lifestyle. The 17 steel outdoor sport grounds, which we donated to local communities in cooperation with the Olympic Committee of Slovenia, were joined in 2021 by sustainable slag pump tracks. The first such pump track was built in the city of Kranj.

ACTIVELY CHARITABLE

Each year, members of the SIJ Sports Club organise **fund-raising activities for local children**. In 2021 we prepared the second virtual challenge with activities such as Nordic walking, running and cycling, raising funds for children of the Juričev Drejčk Elementary School in Ravne na Koroškem, the Murgle Kolezija Kindergarten in Ljubljana, and the Association of Friends of Youth in Jesenice.

AWARD FOR PRESERVING CULTURAL HERITAGE

As a show of thanks for its years-long support of organisations and projects working to preserve both cultural and technical heritage, the management teams of SIJ Group and SIJ Metal Ravne and SIJ Acroni were awarded the **honorary Valvasor Commendation** for the year 2020. The awards were given in recognition of SIJ Group's particular engagement in the preservation and promotion of the steel-working tradition in the Ravne na Koroškem and Jesenice regions. The Valvasor awards, commendations and diplomas represent the utmost recognition of museum activities in Slovenia.

RISK MANAGEMENT

> The effects of the COVID-19 global pandemic in 2020 and the changing circumstances linked to economic recovery in 2021 further underlined the importance of early detection and proper assessment of risks.

RISK ASSESSMENT SYSTEM

During this period, SIJ Group devoted particular attention to risks in the areas of Human Resources, Procurement and Sales, which we consider to be high-risk areas under the changed circumstances; and to financial risks, which we consider to be moderate due to the already implemented systematic monitoring of receivables.

Although individual risks increased, we are keeping them in check by consistently applying a suitable risk management system. By identifying and assessing risks and opportunities in a timely manner, we retain our ability to achieve SIJ Group's strategy.

PLANNING, COORDINATING, REPORTING

Risk exposure is monitored on a regular basis, both on the individual company and Group levels. We identify risks specific to the metallurgic industry in our production companies. The management of these identified risks is then applied to risk-management practices on the parent company level. Major risks existing in these companies, or the risks which can have a significant effect on a number of companies or even SIJ Group as a whole, are managed centrally. The entire system is based on a cycle of planning, coordination, and reporting. It includes the identification and implementation of risk mitigation measures and monitoring the performance of risk management activities.

ASSESSMENT OF OPPORTUNITIES

Risk assessment is constantly associated with identifying and assessing opportunities that enhance our ability to meet and exceed our goals. In our assessment efforts, we consider a broad range of products destined for different markets, the diversification of business divisions and their vertical integration, as well as the restrictions present in specific geographic regions. We adjust our strategic plans and decisions with all this in mind.

Overview of key risks

HUMAN RESOURCES RISKS

The unstable circumstances due to the development of the COVID-19 pandemic and the epidemic-related measures continued to increase exposure to Human Resources-related risks in 2021. At SIJ Group, these risks are also associated with the age structure of the employees and the lack of qualified staff.

Risk	Risk description	Risk management method	Risk exposure
COVID-19 pandemic	increased absence of employees in key positions as a result of the pandemic disregard for preventive measures to curb the spread, and possible spreading of the virus among employees	• timely introduction of recommended and additional preventive measures, regular and consistent implementation and follow-up • regular and consistent implementation of preventive measures • leaders' commitment to set an example for observing preventive measures	●●●
ageing of employees	risk associated with decreased work productivity, growing absenteeism	• modernisation of job descriptions, improving working conditions and a long-term focus on the automation of certain work procedures • promoting health in the workplace, introducing healthy meals in the workplace, providing attractively priced employee insurance schemes	●●●
increase of the share of labour costs in gross value added	effect of the provisions of the Minimum Wage Act in SIJ Group- increasing the minimum wage to 120 percent of minimum living expenses and pro-rata adjustments across all pay grades	• increasing the employees' work efficiency and work process automation • employee training and increasing employee capacity for multi-tasking	●●●
shortage of qualified staff	risk related to the provision of professionally qualified staff and staff availability in the metallurgy and foundry industries	• transfer of knowledge from older metallurgy experts to younger people through practical education classes – through mentoring programmes • systematic work with key staff • promotion of technical professions through close collaboration with educational institutions	●●○
risks associated with workplace safety and health	working in most metallurgy companies presents an increased risk of injury or occupational diseases	• carrying out measures set out in the risk assessment document • designing and implementing additional measures in the context of the incident investigation • promotion of occupational health and safety	●●○

●○○ Low
●●○ Moderate
●●● High

PROCUREMENT RISKS

Unpredictable conditions had an impact on timely deliveries, pricing changes and the availability of raw materials, although we ensured undisrupted production through timely and appropriate preventive measures. In 2021, major risks emerged on the market due to the prices of energy products, however SIJ Group managed these risks with appropriate contracts and pre-purchases made before the circumstances changed.

Risk	Risk description	Risk management method	Risk exposure
risk of delayed supply of strategic raw materials and auxiliary materials	supply chain disruptions (due to ordinary and extraordinary situations, e.g. pandemics, natural disasters, wars, etc.)	• careful supply chain planning, negotiations and identification of suitable suppliers, long-term framework agreements with suppliers • geographically dispersed suppliers • planning and confirming alternative suppliers for key raw materials in the event of the fixed suppliers' inability to make deliveries • adjusting inventories in the event of identified logistical risks • cooperation with producers through long-term contracts • testing substitute materials and introduction of possible substitutes	●●●
supply of energy products	diminished supply of energy products due to material changes in the supply market (mainly due to price increases)	• long-term pre-purchasing of energy products • long-term contracts with suppliers • diligent planning of purchases depending on the changing situation on the supply market	●●●
inadequate preparation of the pricing model to mitigate price risks	raw materials dependent on the exchange market, which is constantly changing	• monitoring daily changes of prices • cooperation with sales and production and implementation of a natural hedge • balancing purchases and sales, balancing production plans with procurement plans on a weekly basis • fixed sales by lots, use of hedging instruments as appropriate	●●○
single supplier for key aggregates	dependence on exclusive suppliers	• identifying technological solutions and induction (training) of new suppliers	●○○

●○○ Low
●●○ Moderate
●●● High

SALES RISKS

Exposure to sales risks, which increased significantly in 2020 as a result of the COVID-19 pandemic (buyers facing restrictions in their operations, declining orders), persists in 2021. In cooperation with customers, we successfully kept these risks in check, and will continue to manage them in the coming year by observing prudent measures.

Risk	Risk description	Risk management method	Risk exposure
sales risks	reduced volume of business from our customers, reduced purchasing power, and reduced volume of new orders	• direct communication with customers, with prompt adjustments to sales activities and commercial terms to accommodate the customers' market situation • accelerated redirection of sales activities to take advantage of sales potentials and to attract new customers	●●●
	risk that market prices are not aligned with purchase price movements, or adjustment is delayed by several months	• aligning purchasing terms with our terms of sale, combined with the concurrent pre-purchasing of strategic raw materials • fixing sales prices for a short period of time • tailoring our sales activities to the needs of end users across various industries, with varied pricing trends	●●●
	growing inventories of materials and products due to postponed deliveries or the customers' inability to pick up material deliveries	• flexible adjustment of inventories of ordered products for individual key customers, especially end-users and projects • intensified financial and sales monitoring of individual customers from countries with an increased risk profile • regular contacts with customers	●●○
	shrinking insurance coverage limits with some customers	• internal limits system to reduce the sales dip because of shrinking insurance coverage limits • constant communication with insurance companies for up-to-date limits • obtaining other forms of credit risk mitigation such as advances, bank guarantees	●●○
	sales market risks- introduction of import restrictions in certain countries and adequacy of marketing activities	• adjusting marketing models to better address different customer industries • restructuring our production programme with a focus on increasing the share of more complex niche products • maintaining a quality portfolio of buyers and markets	●●○
	delayed deliveries due to production delays and logistical issues	• internal organisational measures (safety reserves for key customers) aimed at ensuring good and timely satisfaction of commitments	●●○

●○○ Low
●●○ Moderate
●●● High

FINANCIAL RISKS

Financial risks remain Moderate with the risk management measures already in place. At the time of changing circumstances, we paid particular attention to credit risk and the potential insolvency of our customers. Due to the preventive measures already in place, this risk will remain Moderate-to-Low in the future, as well. The same applies to liquidity risk, since we are systematically managing our sources of liquidity and have good access to financial markets.

Risk	Risk description	Risk management method	Risk exposure
credit risks	the risk of failing to fulfil contractual obligations to the counterparty – risk of default	• active and systematic monitoring of receivables, based on the customers' credit ratings • daily checking of receivables falling due • large share of receivables insured by prime collateral	●●○
oreign exchange risks	risks associated with the use of foreign currencies, due to fluctuations in foreign exchange rates Note: the Euro is SIJ Group's main currency of transaction; we have suitable measures in place to manage foreign exchange risks vis-a-vis other currencies	• price policy method of integrating the foreign currency into the price difference • matching or balancing sales and purchasing, and balancing the outflows and inflows, classified by currency	●○○
liquidity risks	the risk of insolvency due to a lack of liquidity	• regular planning of cash flows • managing liquidity by constantly monitoring the liquidity situation and cash flows on a daily, monthly and annual basis • preparing various liquidity scenarios and working capital projections • diversifying financing risks by acquiring financing on the money markets (bank loans) and on capital markets (bonds and commercial notes). • acquiring and renewing sufficient short-term and long-term credit lines • fulfilling commitments stipulated in the credit agreements	●○○
interest rate risk	the risk of potential changes in cash flows resulting from changes in interest rates	• monitoring financial markets and interest rate movements • maintaining an adequate share of fixed interest rate loans, and active market monitoring	●○○

●○○ Low
●●○ Moderate
●●● High

INVESTMENT RISKS

We follow a flexible investment plan as part of SIJ Group's strategy, with an integrated project management system and appropriate organisational management of project offices which are also tasked with supervision and reporting duties.

Risk	Risk description	Risk management method	Risk exposure
investment risks	the risk of incorrect decisions to invest in manufacturing and other facilities, risks associated with the investment implementation process	• systematic planning of investment implementation, careful selection and choice of potential contractors, and selection of final vendors • constant monitoring of the expertise, performance, quality, cost and agreed schedule within the unified IT project management system • assessment of investment proposals at multidisciplinary investment committee meetings • a system is in place to ensure monthly control over the progression and achievement of desired investment outcomes	●●○
	risks associated with corporate acquisitions and operational restructurings	• active investment portfolio management • participation in all phases of projects and processes	●●○

QUALITY-RELATED RISKS

Risk	Risk description	Risk management method	Risk exposure
quality-related risks	risk of inadequate quality of input materials for the production process, inadequate implementation of development and production processes, inadequate quality of end products	• upgrading certified management systems and monitoring changes in the quality system • consistent implementation of quality control measures in all development and production processes • additional product quality assurance through product liability insurance • established a system with daily monitoring of the quantity of non-compliant products and daily analysis and preparation of measures • identifying "KPI Quality" as one of the criteria used in the assessment of the variable monthly pay bonus for employees	●●○

●○○ Low
●●○ Moderate
●●● High

RESEARCH AND DEVELOPMENT RISKS

Risk	Risk description	Risk management method	Risk exposure
research and development risks	risks associated with the achievement and guaranteeing of safety and technical standards	• constant investments in new technology, software, and market improvements	●●○
	risks associated with the new product development process	• careful planning of development projects, quality reporting, adequate control	
	shortage of suitably educated and qualified staff	• scholarships and constant monitoring of the labour market	

ENVIRONMENTAL RISKS

Risk	Risk description	Risk management method	Risk exposure
emissions to air	the risk of failure to achieve the planned levels of reduction of CO2 emissions, permitted dust and other emissions into the air (in accordance with the law)	• monitoring • careful planning of investment projects focusing on technologies allowing lower energy consumption and consequently lower CO_2 emissions • monitoring the CO_2 coupons market • systematic introduction of the ISO 14001:2015 standard into the production companies of SIJ Group	●●○
emissions into water	risk of failure to achieve compliance with regulations	• monitoring done by our own laboratory using accredited methods • diligent planning of investment projects • supervision of the implementation of technological processes • quality reporting processes • raising awareness among employees • systematic introduction of the ISO 14001:2015 standard into the production companies of SIJ Group	●●○
noise emissions	risk of failure to achieve compliance with legislation about noise in the workplace and about noise pollution in the surroundings of industrial facilities	• diligent planning of investment projects in line with changes in legislation • supervision of the implementation of technological processes • regular statutory monitoring • systematic introduction of the ISO 14001:2015 standard into the production companies of SIJ Group	●●○

●○○ Low
●●○ Moderate
●●● High

Continuation of the table →

Continuation of the table

Risk	Risk description	Risk management method	Risk exposure
emissions to the ground	risk of failure to achieve the planned reduction of the quantity of deposited waste and the quantity of dumped municipal waste	• diligent planning of investment projects • raising awareness among employees • supervision of the implementation of technological processes • innovation in technological procedures • systematic introduction of the ISO 14001:2015 standard into the production companies of SIJ Group	●○○
use of starting materials	risk of failure to achieve the planned high yields of finished products compared to starting materials, failure to ensure low specific consumption of auxiliary materials, failure to achieve the planned reduction of the consumption of water and drinking water	• diligent planning of investment projects • raising awareness among employees • supervision of the implementation of technological processes • innovation in technological procedures • monitoring the secondary raw materials consumption rate • systematic introduction of the ISO 14001:2015 standard into the production companies of SIJ Group	●○○
energy product consumption	risks related to increasing the specific consumption of electricity and technical gases	• diligent planning of investment projects, raising awareness among employees • supervision of the implementation of technological processes • innovation in technological procedures • systematic introduction of the ISO 14001:2015 standard into the production companies of SIJ Group	●○○
operational risks with a potentially adverse environmental impact	risks associated with mechanical damage, technological disturbances, pollution, fire, radioactivity, and other hazardous events	• preventive exercises and internal procedures in relation to emergencies • collaboration with external environmental protection institutions • raising the awareness of employees with regard to reporting emergencies • supervision of the implementation of technological processes • indicator monitoring (number of emergencies/ million working hours performed), high-quality reporting • systematic introduction of the ISO 14001:2015 standard into the production companies of SIJ Group	●●○

Continuation of the table →

●○○ Low
●●○ Moderate
●●● High

Continuation of the table

Risk	Risk description	Risk management method	Risk exposure
risks associated with the circular economy	risks associated with the use of hazardous materials, reusing waste materials and excess heat, and risks associated with the implementation of the sustainable development strategy	• reducing the use of hazardous materials, 100 percent implementation of radioactive control • diligent planning of investment projects, raising awareness among employees • innovation in technological procedures • systematic introduction of the ISO 14001:2015 standard into the production companies of SIJ Group	●○○

IT RISKS

Risk	Risk description	Risk management method	Risk exposure
IT risks	risk of failing to achieve the planned benefits after project implementation	• ongoing improvements to the standardised approaches and processes involved in planning the scale and budget of the project, with clearly defined objectives • implementation of project performance evaluation criteria • focusing project management on the project's broader impact on company operations and risk management	●●○
	falling behind the development trends of project management in IT environments	• constant improvements of practices, systems and organisational responsibility and continuous education of all employees	●●○
	isk of adopting poor decisions due to a lack of qualified staff	• activities associated with improving the quality and maturity of project management • collaboration with other companies in internally recruiting individuals to act as project managers and identifying knowledge external to the company • organising educational programmes for existing employees, continuing the development of mentoring programmes for project managers	●●○
	risk of a breach of the IT system, in particular the risk of unauthorised access to sensitive Group information and the employees' personal data	• use of complex information security software, which includes upgrading hardware and data centres • software protection methods and tools • introduction of new data protection procedures and policies • use of external information security experts and training of all employees	●●○

●○○ Low
●●○ Moderate
●●● High

LEGAL RISKS

Risk	Risk description	Risk management method	Risk exposure
legal risks	risks associated with changes in legislation or the interpretation thereof	• monitoring legislation and case law and preparing related measures	●●○
	risks associated with the execution of commercial agreements	• reviewing of major commercial contracts and using, to the greatest extent possible, standard commercial contracts that are periodically reviewed and updated by the Legal Department • running preliminary credit rating checks and including the relevant contract clauses to prevent negative consequences in case of delays or complications	●●○
	risks associated with corporate acquisitions and operational restructurings	• active participation of the Legal Department in takeover transactions or status changes in all phases of projects and / or processes	●●○

REPUTATIONAL RISK

Risk	Risk description	Risk management method	Risk exposure
reputational risk	risk associated with the quality of services and products, unethical business practices, etc.	• active implementation of corporate governance, analysing market responses, and monitoring our brand management	●●○

●○○ Low
●●○ Moderate
●●● High

02

FINANCIAL REPORT SIJ GROUP

Deloitte.

Deloitte revizija d.o.o.
Dunajska cesta 165
1000 Ljubljana
Slovenia

VAT ID: SI62560085
Tel: +386 (0) 1 3072 800
Fax: +386 (0) 1 3072 900
www.deloitte.si

INDEPENDENT AUDITOR'S REPORT
to the shareholders of SIJ d.d. – Slovenska industrija jekla d.d.

Report on the Audit of the Financial Statements

Opinion

We have audited the consolidated financial statements of the company SIJ – Slovenska industrija jekla, d.d. and its subsidiaries (hereinafter 'the Group'), which comprise the consolidated statement of financial position as at 31 December 2021, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated cash flow statement for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2021, and its consolidated financial performance and consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU (hereinafter 'IFRS').

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and Regulation (EU) 537/2014 of the European Parliament and of the Council, dated 16 April 2014, on specific requirements regarding statutory audit of public-interest entities. Our responsibilities under those rules are further described in *the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) of the International Ethics Standards Board for Accountants (IESBA Code) and other ethical requirements that are relevant to our audit of the financial statements in Slovenia, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the year ended 31 December 2021. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Revenue recognition in the financial statements

Key audit matter	How our audit addressed the key audit matter
As shown in the consolidated financial statements the Group generated net revenue from sales of goods and services on the domestic and foreign markets amounting to EUR 962,698 thousand in the year ending on 31 December 2021. As noted in note *»F Revenue from customer contracts« of Significant accounting policies*, revenues are recognized when control is transfered to the buyer in an amount that reflects the consideration that the group believes it will be entitled to in exchange for those goods or services. Revenue from sales is one of the key performance indicators of the Group. In light of their material significance, a large quantity of data processed in addition to risks associated with the adequacy of revenue from sales and discounts recording procedures, this area was established as a key audit matter.	Audit procedures included an assessment of the adequacy of the accounting policies of the company associated with the recognition of revenue, their compliance with IFRS 15. The following audit procedures were performed: • the design and implementation of internal controls related to the revenue recognition in terms of the adequacy of their recording; • the operating effectiveness of the identified internal controls, which we assessed to be relevant for the audit; • on the basis of the selected sample, we checked in detail or analytically the adequacy of recording recognized revenues. We also reviewed the information in the consolidated financial statements to assess whether the disclosures regarding revenue from customer contracts are appropriate.

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Valuation of Goodwill

Key audit matter	How our audit addressed the key audit matter
As at 31 December 2021, as disclosed in Note 8 – *Intangible Assets* to the consolidated financial statements, the Group had a goodwill of EUR 19,252 thousand. As required by IAS 36 Impairment of assets, management conducts annual impairment tests to assess the recoverability of the carrying value of goodwill. The recoverable amount is assessed on the basis of discounted cash flow models. Considering the significant portion of management judgement in determination of cash generating unit (hereinafter "CGU"), design of projections of future cash flows and calculation of net present value of relative CGUs, the impairment test of goodwill is considered as key audit matter. Management has provided further information about the assessment of the recoverable amount accounting policy in note *Application of Estimates and Judgements* and Note 8 – *Intangible Assets*.	Our audit procedures included assessing whether management's judgment is appropriate and whether the requirements of IAS 36 are met, including: - assessment of whether the CGUs are determined appropriately in compliance with IAS 36 requirements; - we made use of our experts to evaluate whether the methodology used by the management expert is appropriate and whether the significant assumptions used are adequate for given purposes; - validation of assumptions used to calculate the discount rates and review of methodological appropriateness and mathematical accuracy of calculations of discounts rates; - assessment of the calculation related to impairment of goodwill; - assessment whether information disclosed in the notes to the consolidated financial statements meet the requirements of applicable financial reporting standards.

Emphasis of matter

We draw attention to Note *Subsequent events* in the financial statements describing management's evaluation of the actual or potential impact of the effects of the military conflict between Ukraine and Russia on the Group. Our opinion is not modified in respect of this matter.

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Other information

Management is responsible for the other information. The other information comprises the information, included in Annual report, other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we express no assurance thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, assess whether the other information is materially inconsistent with the consolidated financial statements, legal requirements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If based on our work performed we conclude that other information include material misstatement we need to report such circumstances.

In relation to this and based on our procedures performed, we report that:

- other information are, in all material respects, consistent with the audited consolidated financial statements;
- other information are prepared in compliance with applicable law or regulation; and
- based on our knowledge and understanding of the Group and its environment obtained in the audit, we did not identify any material misstatement of fact related to the other information.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

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

In preparing the consolidated financial statements of the Group, management is responsible for assessing its ability to continue as a going concern, disclosing matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process and for approving audited annual report.

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Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the organization to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other

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matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period, and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

Report on Other Legal and Regulatory Requirements

Report on the requirements of the Regulation (EU) No 537/2014 of the European Parliament and of the Council (Regulation EU 537/2014)

<u>Appointment of the Auditor and the Period of Engagement</u>
Deloitte revizija d.o.o. was appointed as the statutory auditor of the Company on General Shareholders' Meeting held on 16 November 2019. Our total uninterrupted engagement has lasted 3 years.

<u>Confirmation to the Audit Committee</u>
We confirm that our audit opinion on the financial statements expressed herein is consistent with the additional report to the Audit Committee of the Company, which we issued on 16 March 2022 in accordance with Article 11 of Regulation (EU) No. 537/2014 of the European Parliament and the Council.

<u>Provision of Non-audit Services</u>
We declare that no prohibited non-audit services referred to in the Article 5(1) of Regulation (EU) No. 537/2014 of the European Parliament and the Council were provided. There are no services, in addition to the statutory audit, which we provided to the Company and its controlled undertakings, and which have not been disclosed in the Annual Report.

Engagement partner responsible for the audit on behalf of Deloitte revizija d.o.o. is Katarina Kadunc.

DELOITTE REVIZIJA d.o.o.

Katarina Kadunc
Certified auditor

For signature please refer to the original Slovenian version.

Ljubljana, 16 March 2022

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DELOITTE REVIZIJA D.O.O.
Ljubljana, Slovenija 3

TRANSLATION ONLY, SLOVENE ORIGINAL PREVAILS

STATEMENT OF THE MANAGEMENT'S RESPONSIBILITY

The Management Board is responsible for the preparation of the consolidated financial statements, together with accounting policies and notes, for the year 2021, which give to the best of its knowledge and belief, a fair view of the development and results of the Group's operations and its financial position, including the description of material risks that the Group is exposed to.

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

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

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

Ljubljana, 16 March 2022

Andrey Zubitskiy,
President of the Management Board

CONSOLIDATED FINANCIAL STATEMENTS

Consolidated Statement of Comprehensive Income

in EUR thousand	Note	2021	2020
Revenue	1	962,698	703,577
Cost of sales	2	(759,193)	(595,297)
Gross profit		203,505	108,280
Distribution costs	2	(57,745)	(41,770)
General and administrative expenses	2	(102,002)	(82,377)
Other operating income	3	5,627	4,369
Other operating expenses	4	(4,842)	(24,272)
Profit (loss) from impairment of trade receivables		10	(53)
Operating profit (loss)		44,553	(35,823)
Finance income	5	4,025	3,909
Finance expenses	6	(14,592)	(12,209)
Net finance costs		(10,567)	(8,300)
Share of profit in associates	10	0	30
Profit (loss) before tax		33,986	(44,093)
Income tax	7	(4,755)	(5,811)
Profit (loss) for the period		29,231	(49,904)
Items that will not be reclassified subsequently to profit or loss			
Net actuarial losses on pension programs		(184)	(251)
Fair value gains (losses) of financial assets at fair value through other comprehensive income	11	215	(86)
Income tax related to components of comprehensive income	14	(35)	16
Items that may be reclassified subsequently to profit or loss			
Exchange rate difference on translating foreign operations		238	(282)
Total other comprehensive income		234	(603)
Comprehensive income		29,465	(50,507)
Profit or loss, attributed to:		29,231	(49,904)
Owners of the parent company		25,822	(50,363)
Non-controlling interest		3,409	459
Comprehensive income attributed to:		29,465	(50,507)
Owners of the parent company		26,027	(50,917)
Non-controlling interest		3,438	410

Continuation of the table →

Continuation of the table

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

Consolidated Statement of Financial Position

in EUR thousand	Note	31 Dec. 2021	31 Dec. 2020
ASSETS			
Non-current assets		532,765	529,434
Intangible assets	8	32,148	33,562
Property, plant and equipment	9	391,550	386,924
Investment property		0	1
Investments in associates	10	1,876	1,876
Financial assets at fair value through other comprehensive income	11	1,382	1,260
Financial receivables	12	81,186	81,340
Trade receivables		7	61
Other assets	13	3,739	3,137
Deferred tax assets	14	20,877	21,273
Current assets		452,995	337,458
Assets (groups) held for sale	15	30	4,060
Inventories	16	282,271	198,497
Financial receivables	17	5,380	4,012
Trade receivables	18	113,606	81,604
Income tax assets		611	3,057
Cash and cash equivalents	19	49,171	41,208
Contract assets		473	692
Other assets	20	1,453	4,328
Total assets		985,760	866,892
EQUITY AND LIABILITIES			
Equity	21	399,998	381,281
Equity attributed to the owners of the parent company		*374,326*	*354,596*
Share capital		145,266	145,266
Capital surplus		11,461	11,461
Other equity reserves		6,255	6,136
Fair value reserves		(2,638)	(2,577)

Continuation of the table →

Continuation of the table

in EUR thousand	Note	31 Dec. 2021	31 Dec. 2020
Translation differences		139	(72)
Retained earnings		213,843	194,382
Non-controlling interest		25,672	26,685
Non-current liabilities		186,973	178,848
Employee benefits	22	16,188	16,050
Other provisions		484	504
Deferred income	23	1,836	1,649
Financial liabilities	24	166,315	159,035
Trade payables		1,116	714
Contract liabilities		752	793
Deferred tax liabilities	14	282	103
Current liabilities		398,789	306,763
Liabilities included in disposal groups	15	0	419
Financial liabilities	25	86,143	90,648
Trade payables	26	294,850	205,904
Income tax liabilities		3,509	242
Contract liabilities		2,160	1,875
Other liabilities	27	12,127	7,675
Total equity and liabilities		985,760	866,892

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

Consolidated Statement of Changes in Equity

Consolidated Statement of Changes in Equity in 2021

	Equity attributed to the owners of the parent company									
in EUR thousand	Share capital	Capital surplus	Other equity reserves	Fair value reserves	Actuarial losses	Translation differences	Retained earnings	Total	Non-controlling interest	Total
Balance as at 31 Dec. 2020	145,266	11,461	6,136	312	(2,889)	(72)	194,382	354,596	26,685	381,281
Additional acquisition of minority shareholders	0	0	0	0	(1)	0	(253)	**(254)**	(3,820)	**(4,074)**
Dividends paid	0	0	0	0	0	0	(6,043)	**(6,043)**	(631)	**(6,674)**
Total transactions with owners	0	0	0	0	(1)	0	(6,296)	(6,297)	(4,451)	(10,748)
Profit for the period	0	0	0	0	0	0	25,822	**25,822**	3,409	**29,231**
Other changes in comprehensive income	0	0	0	148	(208)	211	54	**205**	29	**234**
Total changes in comprehensive income	0	0	0	148	(208)	211	25,876	26,027	3,438	29,465
Creation of legal reserves	0	0	119	0	0	0	(119)	**0**	0	**0**
Total changes in equity	0	0	119	0	0	0	(119)	0	0	0
Balance as at 31 Dec. 2021	145,266	11,461	6,255	460	(3,098)	139	213,843	374,326	25,672	399,998

Consolidated Statement of Changes in Equity in 2020

	Equity attributed to the owners of the parent company									
in EUR thousand	Share capital	Capital surplus	Other equity reserves	Fair value reserves	Actuarial gains (losses)	Translation differences	Retained earnings	Total	Non-controlling interest	Total
Balance as at 31 Dec. 2019	145,266	11,461	5,940	381	(2,691)	205	252,255	412,817	6,111	418,928
Purchase of subsidiaries	0	0	0	0	32	0	(7,335)	**(7,304)**	20,164	**12,860**
Total transactions with owners	0	0	0	0	32	0	(7,335)	(7,304)	20,164	12,860
Profit (loss) for the period	0	0	0	0	0	0	(50,363)	**(50,363)**	459	**(49,904)**
Other changes in comprehensive income	0	0	0	(69)	(230)	(277)	21	**(554)**	(49)	**(603)**
Total changes in comprehensive income	0	0	0	(69)	(230)	(277)	(50,342)	(50,917)	410	(50,507)
Creation of legal reserves	0	0	196	0	0	0	(196)	**0**	0	**0**
Total changes in equity	0	0	196	0	0	0	(196)	0	0	0
Balance as at 31 Dec. 2020	145,266	11,461	6,136	312	(2,889)	(72)	194,382	354,596	26,685	381,281

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

Consolidated Cash Flow Statement

in EUR thousand	2021	2020
Cash flow from operating activities		
Profit (loss) before tax	33,986	(44,093)
Adjusted for:		
Amortisation of intangible assets and depreciation of property, plant and equipment (Notes 8 and 9)	52,732	50,663
Share of profit in associates (Note 10)	0	(30)
Interest income	(3,919)	(3,732)
Interest expenses	10,195	8,912
Impairment of property, plant and equipment (Note 4)	3,526	22,819
Creation of allowances and provisions	540	1,316
Net other (income) expenses	(1,313)	(1,742)
Operating cash flow before changes in working capital	95,747	34,113
Changes in working capital		
Increase in trade receivables	(28,021)	(8,407)
(Increase)/decrease in inventories	(88,072)	15,168
Increase/(decrease) in trade liabilities	93,835	(591)
Increase in taxes other than income tax	2,079	761
Changes in working capital	*(20,179)*	*6,931*
Payments for disposal of provisions	(12)	(4)
Receipts from government grant	2,017	7,213
Payments for retirement benefits and loyalty bonuses	(1,636)	(1,509)
Income tax received (paid)	1,006	(10,427)
Net cash generated from operating activities	76,943	36,317
Cash flow from investing activities		
Payments for investments in subsidiaries	(1,361)	(2,721)
Receipts for available-for-sale financial assets	92	0
Payments for property, plant and equipment	(50,029)	(35,526)
Receipts from property, plant and equipment	1,014	1,079
Payments for intangible assets	(1,858)	(2,385)
Payments for loans issued (Notes 12 and 17)	(2,001)	(9,529)
Receipts from loans issued (Notes 12 and 17)	899	588
Interests received	3,849	26
Dividends received	62	0
Payments from other assets	(64)	0
Net cash used in investing activities	(49,397)	(48,468)
Cash flow from financing activities		
Receipts from borrowings (Notes 24 and 25)	631,354	434,646
Payments for borrowings (Notes 24 and 25)	(631,465)	(490,331)
Payments for lease (Notes 24 and 25)	(4,404)	(2,820)
Interests paid	(8,381)	(8,437)
Dividends paid	(6,675)	0
Net cash used in financing activities	(19,571)	(66,942)
Cash and cash equivalents as at 1 Jan.	41,364	120,289
Less cash and cash equivalents of discontinued operations	(156)	0
Translation differences	(12)	168
Net change in cash and cash equivalents	7,975	(79,093)
Cash and cash equivalents as at 31 Dec.	49,171	41,364

Continuation of the table →

Continuation of the table

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Reporting Entity

Company SIJ – Slovenska industrija jekla, d.d. (hereinafter: SIJ d.d. or the parent company) is a company registered in Slovenia. The address of its registered office is Gerbičeva ulica 98, 1000 Ljubljana. Given below are the consolidated financial statements for the year ending on 31 December 2021.

Those consolidated financial statements are compiled by the parent company SIJ d.d. and cover all its subsidiaries (hereinafter: the Group). Consolidated financial statements for a broader group of subsidiaries are compiled by DILON Cooperatief U. A., the ultimate parent of SIJ d.d. The consolidated annual report for the Group DILON Cooperatief is available, when compiled, at the registered office of DILON Cooperatief U. A., Luna Arena, Herikerbergweg 238, 1101 CM Amsterdam Zuidoost, Amsterdam, the Netherlands.

Basis of Preparation

The consolidated 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.

In the selection of accounting principles and their application, as well as in the preparation of these consolidated financial statements, the Management Board considered the following three requirements: consolidated financial statements are comprehensible if users can understand them without difficulty; the information is adequate if they help users make economic decisions; and the information is fundamental if its exclusion or false presentation could influence users' economic decisions.

The Management Board approved the consolidated financial statements on 16 March 2022.

A. STATEMENT OF COMPLIANCE

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

Initial application of new amendments to the existing standards issued by IASB and adopted by the EU effective for the current reporting period

The following amendments to the existing standards issued by the IASB and adopted by the EU are effective for the current reporting period:

- **Amendments to IFRS 9 "Financial Instruments", IAS 39 "Financial Instruments: Recognition and Measurement", IFRS 7 "Financial Instruments: Disclosures", IFRS 4 "Insurance Contracts" and IFRS 16 "Leases"** – Interest Rate Benchmark Reform — Phase 2 adopted by the EU on 13 January 2021 (effective for annual periods beginning on or after 1 January 2021),
- **Amendments to IFRS 16 "Leases"** – Covid-19-Related Rent Concessions beyond 30 June 2021 adopted by the EU on 30 August 2021 (effective from 1 April 2021 for financial years starting, at the latest, on or after 1 January 2021),
- **Amendments to IFRS 4 "Insurance Contracts"** – Extension of the Temporary Exemption from Applying IFRS 9 adopted by the EU on 16 December 2020 (the expiry date for the temporary exemption from IFRS 9 was extended from 1 January 2021 to annual periods beginning on or after 1 January 2023).

The adoption of amendments to the existing standards has not led to any material changes in the Group's financial statements.

Standards and amendments to the existing standards issued by IASB and adopted by the EU but not yet effective

At the date of authorisation of these consolidated financial statements, the following amendments to the existing standards were issued by IASB and adopted by the EU and which are not yet effective:

- **Amendments to IAS 16 "Property, Plant and Equipment"** – Proceeds before Intended Use adopted by the EU on 28 June 2021 (effective for annual periods beginning on or after 1 January 2022),

- **Amendments to IAS 37 "Provisions, Contingent Liabilities and Contingent Assets"** – Onerous Contracts – Cost of Fulfilling a Contract adopted by the EU on 28 June 2021 (effective for annual periods beginning on or after 1 January 2022),
- **Amendments to IFRS 3 "Business Combinations"** – Reference to the Conceptual Framework with amendments to IFRS 3 adopted by the EU on 28 June 2021 (effective for annual periods beginning on or after 1 January 2022),
- **IFRS 17 "Insurance Contracts"** including amendments to IFRS 17 adopted by the EU on 19 November 2021 (effective for annual periods beginning on or after 1 January 2023),
- **Amendments to various standards due to "Improvements to IFRSs (cycle 2018–2020)"** resulting from the annual improvement project of IFRS (IFRS 1, IFRS 9, IFRS 16 and IAS 41) primarily with a view to removing inconsistencies and clarifying wording – adopted by the EU on 28 June 2021. (The amendments to IFRS 1, IFRS 9 and IAS 41 are effective for annual periods beginning on or after 1 January 2022. The amendment to IFRS 16 only regards an illustrative example, so no effective date is stated.)

New standards and amendments to the existing standards issued by IASB but not yet adopted by the EU

At present, IFRS as adopted by the EU do not significantly differ from regulations adopted by the IASB except for the following new standards and amendments to the existing standards, which were not endorsed for use in EU on the publication day of the consolidated financial statements (the effective dates stated below are for IFRS as issued by IASB):

- **IFRS 14 "Regulatory Deferral Accounts"** (effective for annual periods beginning on or after 1 January 2016) – the European Commission has decided not to launch the endorsement process of this interim standard and to wait for the final standard,
- **Amendments to IAS 1 "Presentation of Financial Statements"** – Classification of Liabilities as Current or Non-Current (effective for annual periods beginning on or after 1 January 2023),
- **Amendments to IAS 1 "Presentation of Financial Statements"** – Disclosure of Accounting Policies (effective for annual periods beginning on or after 1 January 2023),
- **Amendments to IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors"** – Definition of Accounting Estimates (effective for annual periods beginning on or after 1 January 2023),
- **Amendments to IAS 12 "Income Taxes"** – Deferred Tax related to Assets and Liabilities arising from a Single Transaction (effective for annual periods beginning on or after 1 January 2023),
- **Amendments to IFRS 10 "Consolidated Financial Statements" and IAS 28 "Investments in Associates and Joint Ventures"** – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture and further amendments (effective date deferred indefinitely until the research project on the equity method has been concluded),
- **Amendments to IFRS 17 "Insurance contracts"** – Initial Application of IFRS 17 and IFRS 9 – Comparative Information (effective for annual periods beginning on or after 1 January 2023).

The Group assesses that the adoption of these new standards and the amendments of existing standards will not have any significant effect on the consolidated financial statement at their first application. Hedge accounting for a portfolio of financial assets and liabilities whose principles have not been adopted by the EU remains unregulated. The Group assesses that the accounting of hedging instrument in connection with financial assets and liabilities in accordance with the requirements of IAS 39 – "Financial Instruments: Recognition and Measurement" would not have a significant influence on the consolidated financial statements if it was used on the date of the Statement of financial position.

B. USE OF GOING CONCERN ASSUMPTION

In the preparation of the consolidated financial statements for 2021, the Management Board took into account the going concern assumption based on activities and actions that that improve the Group's future operations in such a way that it will be able to generate cash flow to cover liabilities and provide investors with an adequate return on capital.

C. BASIS OF MEASUREMENT

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

D. FUNCTIONAL AND PRESENTATION CURRENCY

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

E. APPLICATION OF ESTIMATES AND JUDGMENTS

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

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

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

Estimate of the Useful Life of Assets Subject to Amortisation or Depreciation (Notes 8 and 9, and Policies I and J)

When estimating the useful life of assets, the Group takes into account the expected physical wear and tear, the technical and economic obsolescence, as well as expected legal and other restrictions of use. In addition, the Group checks the useful life of significant assets in case the circumstances change and the useful life needs to be changed and amortisation and depreciation charges revalued.

Impairment of Assets

Information on significant uncertainty estimates and critical judgments that were prepared by the Management Board in the process of accounting policy implementation and which affect the amounts in the consolidated financial statements the most was used in the estimation of the value of:

- intangible assets (Note 8);
- property, plant and equipment (Note 9);
- investments in associate (Note 10);
- goodwill (Note 8);
- financial assets at fair value through other comprehensive income (Note 11);
- financial assets measured at amortised cost (including trade receivables) (Policy L);
- financial receivables (Notes 12 and 17).

Estimate of the Fair Value of Assets (Notes 12, 17, 18 and Policies O and P)

Fair value is used for financial assets measured at fair value through other comprehensive income and financial assets measured at fair value through profit or loss. All other items in the consolidated financial statements represent the cost or the amortised cost.

In measuring the fair value of a non-financial asset, the Group must take into account a market participant's ability to generate economic benefits using the asset in its best use or by selling it to another market participant that would use the asset to the fullest and best possible extent. The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available, especially by applying appropriate market inputs and minimum non-market inputs.

All assets and liabilities measured and disclosed in the consolidated financial statements at fair value are classified within the fair value hierarchy based on the lowest level of input data that is significant to the fair value measurement as a whole:

Level 1 – quoted (unadjusted) prices in active markets for similar assets and liabilities;
Level 2 – valuation techniques that are based directly or indirectly on market data;
Level 3 – valuation techniques that are not based on market data.

For assets and liabilities disclosed in the consolidated financial statements in previous periods, the Group determines at the end of each reporting period whether transfers have occurred between levels by re-assessing the classification of assets based on the lowest level input that is significant to the fair value measurement as a whole.

The fair value hierarchy of assets and liabilities of the Group is presented in the Note "Financial Instruments and Risks".

Estimate of Created Provisions (Policy R)

A provision is recognised when the Group, due to a past event, has a legal or constructive obligation that can be reliably measured, and if it is probable that settling the obligation will require an outflow of resources embodying economic benefits. Possible obligations are not recognised in the consolidated financial statements as liabilities, as it has yet to be confirmed whether the Group has a present obligation that could lead to outflows of economic benefits. The Management Board is regularly checking whether the settling of the probable obligation will require an outflow of resources enabling economic benefits. If such outflow becomes probable, the possible obligation is reclassified when a degree of probability has changed by creating in the consolidated financial statements a provision for it.

Estimate of Provisions for Employee Post-Employment and Other Long-Term Benefits (Note 22 and Policy S)

Defined post-employment and other benefit obligations include the present value of post-employment benefits on retirement and jubilee benefits. They are recognised based on an actuarial calculation which is prepared by an authorised actuary and approved by the Management Board. An actuarial calculation is based on the assumptions and estimates applicable at the time of the calculation, and these may differ from the actual assumptions due to future changes. This mainly refers to determining the discount rate, the estimate of staff turnover, the mortality estimate, and the salary increase estimate. Due to the complexity of the actuarial calculation and the item's long-term nature defined benefit obligations are sensitive to changes in the said estimates.

Assessing the Possibility of Using Deferred Tax Assets (Note 14 and Policy H)

The Group recognises deferred tax assets in connection with provisions for jubilee benefits and post-employment benefits on retirement, Impairment of financial assets, Impairment of receivables, unused tax reliefs, tax losses.

On the day the consolidated financial statements are completed, the Group verifies the amount of recognised deferred tax assets and liabilities. Deferred tax assets are recognised if it is probable that future taxable net profit, against which the deferred tax asset can be utilised, will be available. Deferred taxes are derecognised by the amount for which it is unlikely to enforce the tax relief associated with the asset.

Critical Assessment of the COVID-19 Pandemic (Note 30)

Due to the changes in business markets caused by the COVID-19 pandemic, the Group regularly monitors and properly manages current and potential risks. The Group reviewed significant accounting policies and estimates in areas where the COVID-19 pandemic could have a negative impact, in particular on assets, receivables and loans, impairments and provisions, fair value measurement, leases, and taxes.

Critical Assessment of the Events in Ukraine (Events after the reporting date)

So far, the Group is not particularly affected by the developments in Ukraine. The Group is closely monitoring the situation and the potential impact of the current and announced sanctions. The level of uncertainty is high for the European economy as a whole and it is impossible to foresee all the consequences at this point in time.

Composition of the Consolidated Group of Companies

The consolidated financial statements of the SIJ Group include the financial statements of the parent company and the financial statements of the companies of the SIJ Group.

The group of companies in which the parent company holds financial investments includes the following:

in EUR thousand	Activity	% of voting rights 2021 & 2020	Value of assets as at 31 Dec. 2021	Value of equity as at 31 Dec. 2021	Net profit (loss) for 2021
Parent company of the group					
SIJ – Slovenska industrija jekla, d. d., Gerbičeva ulica 98, Ljubljana, Slovenia	Activities of head offices		425,277	272,186	2,382
SIJ – subsidiaries					
SIJ ACRONI d.o.o., Cesta Borisa Kidriča 44, Jesenice, Slovenia	Steel production	100	438,709	164,556	17,634
SIJ METAL RAVNE d.o.o., Koroška cesta 14, Ravne na Koroškem, Slovenia	Steel production	100	217,826	78,369	2,231
NOŽI RAVNE d.o.o., Koroška cesta 14, Ravne na Koroškem, Slovenia	Renting and managing of own and leased real estate	100	855	358	(47)
SIJ ELEKTRODE JESENICE d.o.o., Cesta železarjev 8, Jesenice, Slovenia	Welding materials production	100	13,265	(1,497)	(1,659)
SIJ SUZ d.o.o., Cesta Borisa Kidriča 44, Jesenice, Slovenia	Drawn wires production	100	9,191	4,309	1,273
SIJ ZIP CENTER d.o.o., Koroška cesta 14, Ravne na Koroškem, Slovenia	Education and training of the disabled	100	2,341	800	76
ODPAD d.o.o. Pivka, Velika Pristava 23, Pivka, Slovenia	Recovery of secondary raw materials from scrap	74.90	38,702	10,504	2,538

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in EUR thousand	Activity	% of voting rights 2021 & 2020	Value of assets as at 31 Dec. 2021	Value of equity as at 31 Dec. 2021	Net profit (loss) for 2021
NIRO Wenden GmbH, Glück-Auf-Weg 2, Wenden, Germany	Steel cutting, engineering and trade	85	15,794	(4,497)	1,968
GRIFFON & ROMANO S.P.A., Via Dossetti 11, Loc. Casinello de Dosso, Italy	Heat processing and special steel trade	100	25,087	2,615	2,049
SIJ RAVNE SYSTEMS d.o.o., Koroška cesta 14, Ravne na Koroškem, Slovenia	Metallurgic machines production	100	37,794	6,489	(1,337)
HOLDING PMP d.o.o., Gerbičeva 98, 1000 Ljubljana, Slovenia	Holding activity	100	8,648	8,616	205
KOPO International Inc., River Center Building 1, 331 Newman Springs Road Suite, 104, Red Bank, New Jersey, USA*	Trade	100	41,404	2,919	1,090
OOO SSG, Presnenskaya nab. 12, floor 59, office 10, Moskva, Russia	Trade	100	356	313	(189)
ADDITHERM d.o.o., Litostrojska cesta 60, Ljubljana, Slovenia	Scientific and technical research	51	2,047	1,786	16
RSC HOLDING d.o.o., Litostrojska cesta 60, Ljubljana Slovenia	Holding company	51	57,140	50,034	294
SIJ ACRONI – subsidiaries					
ŽELEZARNA JESENICE, d.o.o., Cesta železarjev 8, Jesenice, Slovenia	Trading with own real estate	100	12,077	11,136	859
ODPAD – subsidiaries					
DANKOR, d.o.o., Vukovarska 436, Osijek, Croatia	Recovery of secondary raw materials from scrap	91	1,421	748	228
METAL-EKO SISTEM DOO JAGODINA, Put Kneza Mihaila 9, Jagodina, Serbia	Recovery of secondary raw materials from scrap	70	3,782	2,245	467

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in EUR thousand	Activity	% of voting rights 2021 & 2020	Value of assets as at 31 Dec. 2021	Value of equity as at 31 Dec. 2021	Net profit (loss) for 2021
"TOPMETAL" d.o.o. Laktaši, Karađorđeva 69, Laktaši, Bosnia and Herzegovina	Recovery of secondary raw materials from scrap	51	362	(531)	(428)
RSC HOLDING – subsidiaries					
Ravne Steel Center d.o.o., Litostrojska cesta 60, Ljubljana, Slovenia	Wholesale of metals and metal ores	100	18,899	5,420	2,330
SIDERTOCE S. p. A., Via XX. Settembre 198, C. P. 34, Gravellona Toce, Italy	Trade	100	15,862	6,937	1,181
SIJ MWT GmbH, Celsiusstrasse 17, Landsberg am Lech, Germany	Trade	100	2,631	352	(161)
ORO MET d.o.o., Neverke 56, Košana, Slovenia	Manufacture of tools	67/51	17,133	9,774	1,264
HTS IC d.o.o., Litostrojska cesta 60, Ljubljana, Slovenia	Manufacture of metal con-structions and their parts	100	3,672	1,882	460
HTS IC GmbH, Wienerbergstrasse 11/12A, Dunaj, Austria	Production and trade	100	655	277	124
HTS IC s.r.o., Viktora Huga 377/4, Praga, Czech Republic	Trade	100	69	6	0
DCTL SL, Avda de les Puntes – Nave 3 Constanti, Tarragona, Spain	Production and trade	80	381	(7)	(1)
STEEL podporni center orodjarske industrije d.o.o., Litostrojska cesta 60, Ljubljana, Slovenia	Manufacture of metal con-structions and their parts	100	4,998	2,111	391
CENTAR TOPLINSKE OBRADE d.o.o., Slavonska avenija 22D, Zagreb, Croatia	Production and trade	100	1,195	547	133
KALDERA d.o.o., Kolodvorska ulica 33A, Slovenska Bistrica, Slovenia	Manufacture of tools	80	3,742	2,886	171
HTS Technology, Lyon Plaza Part Dieu 93 Rue de la Vilette, Lyon, France	Trade	100	1	(24)	(25)

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in EUR thousand	Activity	% of voting rights 2021 & 2020	Value of assets as at 31 Dec. 2021	Value of equity as at 31 Dec. 2021	Net profit (loss) for 2021
DCTL – subsidiaries					
ALROTEC SL; Avada de les Puntes – Nave 5 (Esquina calle dinamarca) Poligono, Industrial de Consanti, Tarragona, Spain	Production and trade	80	1,122	585	154
SIJ RAVNE SYSTEMS – subsidiaries					
SIJ Ravne Systems (UK) Limited, 12 Conqueror Court, Sittingbourne, Kent, United Kingdom	Trade	100	342	121	21

** As of 2 February 2022 the company was renamed SIJ Americas Inc.*

In May 2021, the Group acquired an additional 16 percent share in subsidiary OROMET and thus became its 67% owner. The Group also concluded an option agreement to buy the remaining 33% share and acquire 100% ownership (Note 21).

In October 2021, the Group established a new company, HTS Technology, with 100% ownership. The company has not started to operate yet.

In December 2021, the liquidation procedure for SIJ Asia and SIJ POLSKA was winded-up. The companies were erased from the court register. Liquidation of the companies had no significant influence on the Group.

In December 2021, the subsidiary NOŽI RAVNE disposed of an investment in the subsidiary SIJ RAVNE SYSTEMS (UK) to the subsidiary SIJ RAVNE SYSTEMS.

In 2020, the Group was carrying out the activities to dispose of the investment in Metal-Eko Sistem. Due to the COVID-19 pandemic, it could not execute the activities planned. Due to the current situation in the steel scrap market, the Group has decided not to sell the investment in 2021 (Note 15).

Net Profit or Loss Attributed to Non-controlling Interest

in EUR thousand	2021	2020
NIRO Wenden	295	(455)
ODPAD	637	77
DANKOR	72	14
METAL-EKO SISTEM	222	92
TOPMETAL	(265)	(63)
ADDITHERM	8	3
RSC HOLDING group	2,440	791
Net profit attributed to non-controlling interest	3,409	459

Significant Accounting Policies

A. SUBSIDIARIES

Subsidiaries are entities controlled by the Group. Control exists when: i) an investor is exposed or has fights to variable returns from its involvement with the investee; ii) it has the ability to affect those returns through its power over that investee; iii) there is a link between power and returns. The financial statements of the subsidiaries are included in the Group's consolidated financial statements from the date on which control commences until the date that control ceases. The accounting policies of the subsidiaries are aligned with the Group's accounting policies.

On loss of control, the Group derecognises the assets and liabilities of the subsidiary, any non-controlling interests, and any other components of the equity related to the subsidiary. Any surplus or deficit arising from loss of control is recognised in profit or loss. If the Group retains any interest in the previous subsidiary, such interest is measured at fair value from the date on which control is lost. Subsequently, this interest is accounted for in equity as an investment in an associate (using the equity method) or as an investment in equity instruments in accordance with IFRS 9.

Intra-group balances and any gains and losses arising from intra-group transactions are eliminated in preparing the consolidated financial statements. Unrealized gains arising from transactions with associates (accounted for using the equity method) are eliminated to the extent of the Group's interest in the entity. Unrealised losses are eliminated using the same method, provided there is no evidence of impairment.

B. INVESTMENTS IN ASSOCIATES

Associates are those companies where the Group has a significant influence on their operations, but which it does not control.

Upon initial recognition, investment in associates are measured at cost but are subsequently accounted for using the equity method. The Group's consolidated financial statements include the Group's share of the profit and loss of equity-accounted associates after adjustments to align the accounting policies, from the date on which significant influence commences until the date that significant influence ceases. When the Group's share of losses of an associate exceeds its interest in such an entity, the carrying amount of the Group's interest is reduced to zero and recognition of further losses is discontinued.

C. BUSINESS COMBINATIONS

Business combinations are accounted for using the acquisition method as at the date of the combination, which is the same as the acquisition date or the date on which control is transferred to the Group. In the consolidated financial statements, acquired assets and liabilities are recognized at fair value as at the acquisition date. The excess to the consideration over the net fair value of the acquired assets is presented as goodwill as part of intangible assets.

The Group measures goodwill at the fair value of the consideration transferred, plus the recognised amount of any non-controlling interest in the acquisition, plus the fair value of any pre-existing equity in the acquisition (if the business combination is achieved in stages), less the net recognised amount of the assets acquired and liabilities assumed, all measured as at the acquisition date. When the excess is negative, the effect is recognised immediately in profit or loss.

Acquisition costs, other than those associated with the issue of equity or debt securities, incurred in connection with a business combination, are listed as incurred expenses.

Contingent liabilities from business combinations are recognised at fair value at the acquisition date. If a contingent liability is classified as equity it is not remeasured, and the payment is calculated within the equity. Subsequent changes in the contingent liabilities are recognised in profit or loss. A contingent liability, which is a financial instrument and is classified as an asset or liability, is measured at fair value, and the changes in the fair value are recognised in profit or loss.

D. TRANSACTIONS WITH NON-CONTROLLING INTERESTS

The Group accounts for the acquisition of non-controlling interests that do not involve a change in control of a company as transactions with owners and therefore no goodwill is recognised. Adjustments to non-controlling interests are based on a proportionate amount of the assets of the subsidiary. Any surplus, or the difference between the costs of additional investments and the carrying amount of assets, are recognised in equity.

E. FOREIGN CURRENCY CONVERSION

Transactions in foreign currencies are translated into the adequate functional currency at the ECB (European Central Bank) exchange rate on the trade date. Cash assets and liabilities denominated in a foreign currency at the end of the period are translated into the functional currency at the exchange rate applicable at that time. Positive or negative exchange rate differences are the differences between the amortised cost in functional currency at the beginning of the period and the payments during the period, and the amortised cost in a foreign currency, calculated at the exchange rate at the end of the period. Non-cash assets and liabilities, denominated in foreign currency and measured at fair value, are translated into the functional currency at the exchange rate on the date when the fair value is set. Non-cash assets and liabilities, denominated in foreign currency and measured at cost, are translated into the functional currency at the exchange rate on the date of the transaction. Exchange rate differences are recognised in profit or loss.

Income statements and cash flow statements of individual companies of the Group abroad, where the company's functional currency is not euro, are translated to the parent company's reporting currency at the average exchange rate, whereas the statements of financial position are translated to the reporting currency at the exchange rate on the reporting date.

Foreign exchange differences are recognised in comprehensive income and presented under translation differences in equity. In the case of non-wholly-owned subsidiaries abroad, the relevant proportion of the foreign exchange differences is allocated to non-controlling interests. When a foreign operation is disposed of in such a way that control or significant influence is lost, the relevant cumulative amount in the translation reserve is reclassified to profit or loss or as gain or loss on disposal. When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to non-controlling interests.

F. REVENUE

Revenue from Contracts with Customers

The Group accounts for contracts with customers if all the following criteria according to IFRS 15 are met: i) contracting parties have approved a contract (in writing, orally, or in accordance with other standard business practices) and are obliged to fulfil their obligations,

ii) the Group can identify the rights of each contracting party to the goods or services to be transferred, iii) the Group can identify payment terms and conditions for goods and services to be transferred, iv) the contract has commercial substance, v) it is probable that the Group will be entitled to consideration in exchange for the goods or services which will be transferred to a customer. At the beginning of a contract, the Group defines for each performance obligation whether it shall be satisfied over time or at a point in time. If a performance obligation is not being satisfied over time, it is satisfied at a point in time. Revenue from contracts with customers is recognised at the moment of transfer of control over goods or services to a customer in the amount of consideration that the Group expects to be entitled to in exchange for transferring the goods or services. Revenue from contracts with customers is recognised at the fair value of received payments decreased by repayments, discounts, rebates for further sales, and quantity discounts.

Sale of Goods and Services

Revenue and other operating income are recognised when the service is performed, and the customer obtains control of that goods or services according to IFRS 15 as presented in the table below through a major revenue stream.

Revenue stream	Characteristics and timely fulfilment of performance obligations, significant payment terms	Clarification of the accounting policy
Sale of finished goods*	Control over products is transferred to a customer when products are delivered to have been accepted based on Incoterms rules agreed by sale contract (order confirmation). Revenue is recognized at a point in time. In case discounts are agreed, revenue is reduced for amounts of discount. Customers do not have the right to return unless a discrepancy from the sale contract is identified. Discrepancies have to be confirmed and have to be in line with general sale terms. The payment term is agreed upon in the sale contract.	Revenue is recognised when products are delivered to and have been accepted at customer premises or when the customer collects products at the seller`s premises at a point in time.
Sale of steel scrap	Control over raw steel scrap materials is transferred to a customer, when materials are delivered to and have been quantitatively and qualitatively examined and accepted by the customer at their premises or when a customer collects materials at the seller`s premises. Revenue is recognised when control over products is transferred to the customer. In case discounts are agreed, revenue is reduced for amounts of discount. Customers do not have the right to return steel scrap. The payment term is agreed upon in the sale contract.	Revenue is recognised when scrap is delivered to and have been accepted at customer premises or when the customer collects products at the seller`s premises at a point in time.

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Revenue stream	Characteristics and timely fulfilment of performance obligations, significant payment terms	Clarification of the accounting policy
Services (remelting, rolling, forging) and other revenue	Control over service is transferred to a customer when services are delivered in accordance with the sale contract. Revenue is recognized as a point in time, since services are not received simultaneously, and the customer consumes the benefits provided by the entity's performance after the entity performs. In case discounts are agreed, revenue is reduced for amounts of discount. Customers do not have the right to reject rendered services unless a discrepancy from the sale contract is identified. Discrepancies have to be confirmed and have to be in line with general sale terms. The payment term is agreed upon in the sale contract.	Revenue is recognised as a point in time after services are delivered to and have been accepted by the customer at the seller`s premises.
Other products	Control over other products such as machine-building is transferred to a customer when products are delivered to have been accepted based on Incoterms rules agreed by sale contract (order confirmation). Revenue is recognized at a point in time. In case discounts are agreed, revenue is reduced for amounts of discount. Customers do not have the right to reject or return unless a discrepancy from the sale contract is identified. Discrepancies have to be confirmed and have to be in line with general sale terms. The payment term is agreed upon in the sale contract.	Revenue is recognised when products are delivered to and have been accepted at customer premises or when the customer collects products at the seller`s premises at a point in time.

** Finished goods include products such as quarto plates, cold and hot rolled strips or sheets, forged and rolled products, industrial knives, industrial rolls, welding wires and electrodes.*

Contract Assets

Contract asset is the right to consideration in exchange for goods or services that have been transferred to a customer, but not yet invoiced. Under contract assets, the Group states deferred income for goods and services, supplied to customers.

Contract Liabilities

Contract liability is a liability to transfer goods or services to a customer in exchange for consideration that the Group has received from the customer. Under contract liabilities, the Group states liabilities for received cautions, and liabilities from discounts granted and linked to volume thresholds. Contract liabilities are recognised as revenue when the Group satisfies its performance obligation under the contract.

Finance Income

Finance income comprises interest income and positive exchange rate differences resulting from financing and investing. Interest income is recognised during the term/life of financial instruments using the effective interest rate method.

G. EXPENSES

Expenses are recognised if a decrease in economic benefits during the reporting period is associated with a decrease in assets or an increase in debts and if this decrease can be reliably measured. Operating expenses are recognised when the costs are no longer held in inventories, finished and unfinished products, or when goods are sold. Costs that cannot be held in inventories of finished and unfinished products are recognised as operating expenses when they are incurred.

Financial expenses include borrowing costs (if not capitalised), exchange rate losses resulting from financing and investing, changes in the fair value of financial assets at fair value through profit or loss and losses from the value impairment of financial assets. Borrowing costs are recognised in the income statement using the effective interest rate method.

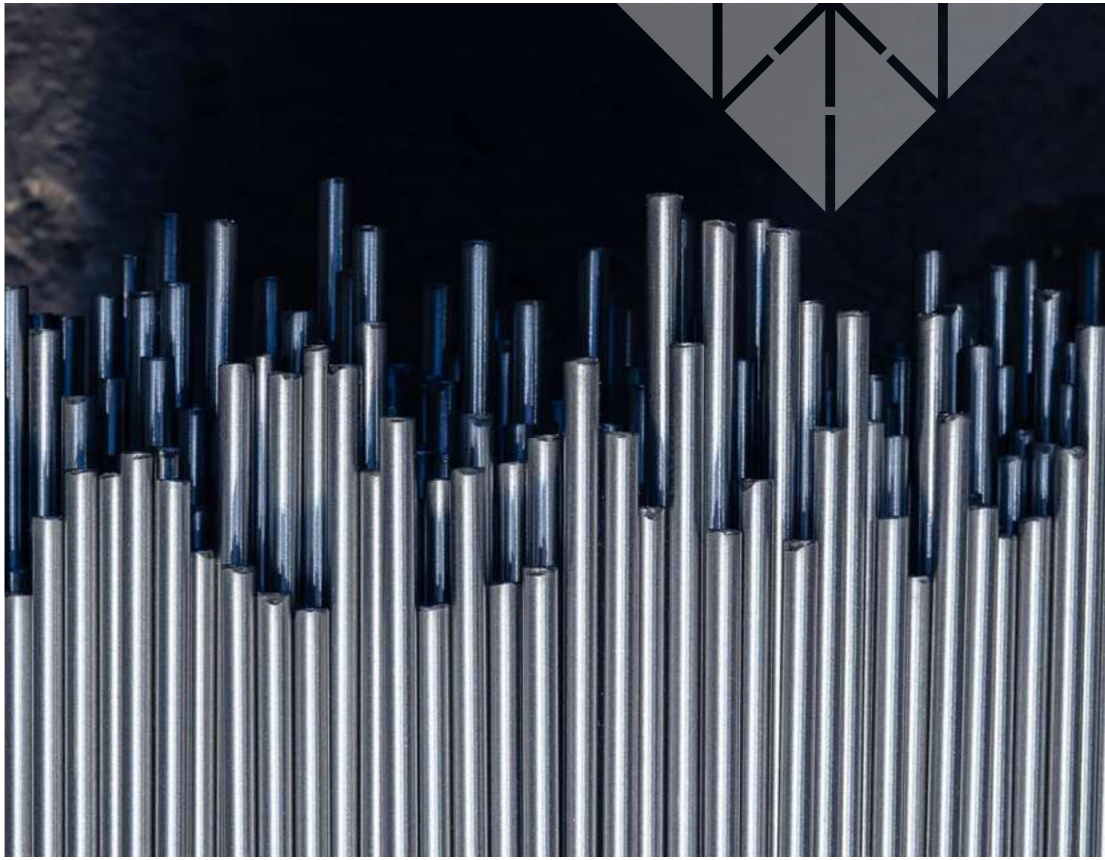
H. TAXATION

Taxes comprise calculated income tax liabilities and deferred tax. Current income tax is recognised in the income statement, except to the extent that refers to business combinations or items shown directly in the other comprehensive income.

Current income tax liabilities are based on the taxable profit for the financial year. Taxable profit differs from net profit, reported in the income statement because it excludes items of income or expenses that are taxable or deductible in other years and items that are never taxable or deductible. The Group's current income tax liability is calculated using the tax rates applicable on the reporting date.

Deferred tax is recognised in total by applying the liability method on temporary differences which arise arising from the tax values of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred tax is calculated by using the tax rates (and laws) that are applicable on the date of the statement of financial position and expected to be used when the deferred tax asset is realised or the deferred tax liability is recovered.

A deferred tax asset is recognised to the extent that it is probable that future taxable profit, against which the deferred tax asset can be utilised, will be available. If in the future the



available taxable profit is insufficient to create the deferred tax assets for the full amount of unused tax relief, they are created based on the maturity of tax relief utilisation possibilities in accordance with the legislation. Deferred tax liability is recognised for all taxable temporary differences unless they come from initial goodwill recognition, or the initial recognition of an asset or liability in a business transaction other than a business combination and affects neither the accounting profit nor taxable profits (tax loss) during the transaction.

The Group does not compile consolidated income taxes. The companies in the Group are independently liable to compile and file the tax return in accordance with the regulations in the tax law of the country in which they are established. Income tax is calculated at the currently applicable tax rates on the tax bases established for each company in the Group.

I. INTANGIBLE ASSETS

Intangible assets with a definite useful life are recognised at cost, less any accumulated amortisation and accumulated impairment losses. The purchase value includes costs that can be directly attributed to the acquisition of each individual item. Borrowing costs directly attributable to the purchase or production of a qualifying asset are recognised as part of the cost of such an asset. The cost model is used for any subsequent measuring of intangible assets.

Amortisation is calculated on a straight-line basis over the estimated useful life of each individual part (component) of the intangible asset. Amortisation is accounted for when an asset becomes available for use.

Intangible assets with indefinite useful life are not amortised, they are impaired.

The estimated useful life of individual intangible assets for the current and past year is 2–10 years. Depreciation methods, useful life and other group asset values are reviewed at the end of every financial year and adjusted if necessary.

Further costs related to intangible assets are recognised in the carrying amount of each asset if it is probable that the future economic benefits embodied within the asset will flow to the Group and the cost of the asset can be measured reliably. All other expenses are recognised in the income statement as expenses as soon as they are incurred.

Goodwill is recognised as an asset and is tested at least once a year for impairment. Each impairment is immediately recognised in the consolidated income statement and is not subsequently derecognised. On the disposal of the subsidiary, the relevant goodwill amount is included in the determination of profit or loss.

J. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are carried at its cost less any accumulated depreciation and accumulated impairment losses, except for land and other assets that are not depreciated, which are recognised at their cost, reduced by all relative impairments. The purchase value includes costs that can be directly attributed to the acquisition of each individual item of property, plant or equipment. Parts of property, plant and equipment with different useful lives are accounted as separate items of property, plant and equipment. Borrowing costs directly attributable to the purchase, production or construction of a qualifying asset are recognised as part of the cost of each such asset. The cost model is used for any subsequent measuring of property, plant and equipment. Depreciation is calculated on a straight-line basis over the estimated useful life of each individual part (component) of the tangible asset. Right-of-use assets are depreciated over the estimated period of the lease and useful life, depending on which is shorter. Land and unfinished construction are not depreciated. Depreciation is accounted for when an asset becomes available for use.

The estimated useful lives of individual property, plant and equipment types for current and past year:

	Useful life
Property	10-60 years
Production equipment	5-25 years
Computer equipment	2-10 years
Motor vehicles	2-10 years
Other equipment	2-10 years

Depreciation methods, useful life and other group asset values are reviewed at the end of every financial year and adjusted if necessary.

The replacement costs of items of property, plant and equipment and further costs related to these assets are recognised in the carrying amount of each asset if it is probable that the future economic benefits embodied within this asset will flow to the Group, and the cost of the asset can be measured reliably. All other costs (for example, maintenance costs) are recognised in the income statement as expenses as soon as they are incurred.

Carrying amount recognition of an item of property, plant and equipment is derecognised when disposed or when no future economic benefits are expected from its use or disposal.

The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item. Disposal effects are recognised in other operating income or expenses.

Leases

The Group is using a single model for the majority of lease items in the Statement of Financial Position.

i. Group as a Lessee

When signing a contract, the Group assesses whether the contract is or contains a lease. The Group recognises a lease liability and the right-of-use asset if it deems that the leased asset is identified, and when it controls the use of the asset. The Group depreciates the right-of-use assets and attributes interests to the lease liabilities.

The Group follows exceptions allowed by the standard, namely for short-term leases with a lease term not exceeding 12 months and with no option to purchase, and for lower-valued leases, where the Group has taken into account new assets which do not individually exceed EUR 5 thousand. For these leases, the Group recognises the lease payments as expenses on a straight-line basis, unless another systematic basis is more representative.

Variable lease payments which do not depend on an index or a rate are not included in the measurement of lease liabilities and right-of-use assets. The related payments are recognised in the period to which they relate as operating expenses.

On the date of the commencement of the lease term, the lease liability is measured at the present value of future leases and discounted at the interest rate implicit in the lease. If this rate cannot be readily determined, an incremental borrowing rate is used. The Group remeasures lease liability by discounting modified lease payments using modified discount rates if a lease term or assessment of the exercise of the option to buy the leased asset had been changed. When doing so, the lessee determines the modified discount rate as an interest rate implicit in the lease for the remaining lease term.

On the date of the commencement of the lease term, an asset representing the right-of-use is measured at cost. Value of assets representing the right-of-use includes the value of initial measurement of lease liability, and lease payments paid on or before the commencement of the lease term decreased by lease incentives and increased by initial directly attributable costs. After the date of commencement of the lease term, an asset representing the right-of-use is measured at cost decreased by accumulated depreciation and amortisation and accumulated impairment losses, and corrected by remeasured lease liability if an index or a rate has changed.

The right-of-use asset is depreciated from the date of the commencement of lease until the end of useful life or the end of the lease term if it is shorter from useful life. If the lease transfers ownership of the asset or the value of asset representing the right-of-use reflects an expectation that the Group will use the possibility to buy, the asset representing the right-of-use is depreciated from the date of the commencement of lease until the end of the useful life of a leased asset.

For determining whether the right-of-use asset is impaired and for other impairment related matters, the Group uses IAS 36.

ii. Group as a Lessor

The Group classifies each of its leases as operating or business leases. A lease is classified as a finance lease if it includes the transfer of substantially all significant risks and rewards incidental to ownership of the leased asset to the lessee. All other leases are classified as operating leases. The Group is only in a position of a lessor in operating leases.

Lease rental income from an operating lease is recognised on a straight-line basis. Initial directly attributable costs incurred from the acquisition of a lease are added to the carrying amount of the leased asset. These costs are recognised as an expense during a lease term on the same basis as lease rental income.

K. INVESTMENT PROPERTY

At its initial recognition, investment property is measured at cost, less accumulated depreciation and accumulated impairment losses. The cost model is used for any subsequent measuring of investment property.

Depreciation rates and the depreciation calculation are treated the same as in the case of property, plant and equipment.

L. FINANCIAL INSTRUMENTS

Financial instruments include non-derivative financial assets, non-derivative financial liabilities, and derivative financial instruments. Financial instruments are carried at fair value and amortised cost. Fair value is a price that would be achieved by selling an asset or paid by transferring a liability in an orderly transaction between market participants at the date of measurement.

Non-Derivative Financial Assets

At initial recognition, a financial asset is classified into one of the following groups: financial assets measured at amortised cost, financial assets measured at fair value through other comprehensive, or cash and cash equivalents.

Non-derivative financial assets include cash and cash equivalents, loans, receivables, and investments. The Group recognises liabilities, borrowings and deposits when they are incurred. Other assets are initially recognised on the trade date on which the Group becomes a contracting party in a contract on the instrument. The financial asset is derecognised when the contractual rights of the cash flows from the financial asset expire, or when the rights of the contractual cash flows are transferred from a financial asset on the basis of a business transaction in which all the risks and benefits of ownership of the financial asset are transferred.

A more detailed explanation of the impairment of financial assets is disclosed in Note O.

i. Financial Assets at Fair Value through Other Comprehensive Income

Financial assets at fair value through other comprehensive income that have the nature of a debt instrument are the financial assets held by the Group that give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding. For debt instruments at fair value through other comprehensive income, interest income, foreign exchange differences and impairment losses or reversals are recognised in the statement of profit or loss and accounted for in the same manner as financial assets at amortised cost. The remaining fair value changes are recognised in the statement of other comprehensive income. Upon derecognition, the cumulative fair value change recognised in other comprehensive income is reclassified to profit or loss.

Financial assets at fair value through other comprehensive income that have the nature of an equity instrument are the financial assets that meet the definition of equity under IAS 32 “Financial Instruments” for which the Group elected to classify them irrevocably as equity instruments designated at fair value through other comprehensive income and which are not held for trading. The classification is determined on an instrument-by-instrument basis. Gains and losses on these financial assets are never reclassified to profit or loss.

Dividends are recognised as other revenue in the statement of profit or loss when the Group's right of payment has been established.

ii. Financial Assets at Amortised Cost

The Group's financial assets at amortised cost include financial assets held by the Group that give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding. The Group’s financial assets at amortised cost include loans given, trade and other receivables. Depending on their maturity, they are classified as current (maturity of up to 12 months from the date of the statement of financial position) or non-current financial assets (maturity of more than 12 months from the date of the statement of financial position). Financial assets measured at amortised cost are recognised initially at fair value plus any directly attributable transaction costs. After initial recognition, they are measured at amortised cost using the effective interest method, less any expected credit losses Gains and losses are recognised in profit or loss when reversed, modified or impaired.

Trade receivables insurance is not considered as a specific financial instrument but as an integral part of receivables. Insurance policies are concluded periodically and are related to specific receivables and/or business partners. The concluded insurance policy is flexible. Business partners can be included or excluded from the insurance during the duration of the insurance policy. Insurance policies are related to trade receivables insurance exclusively.

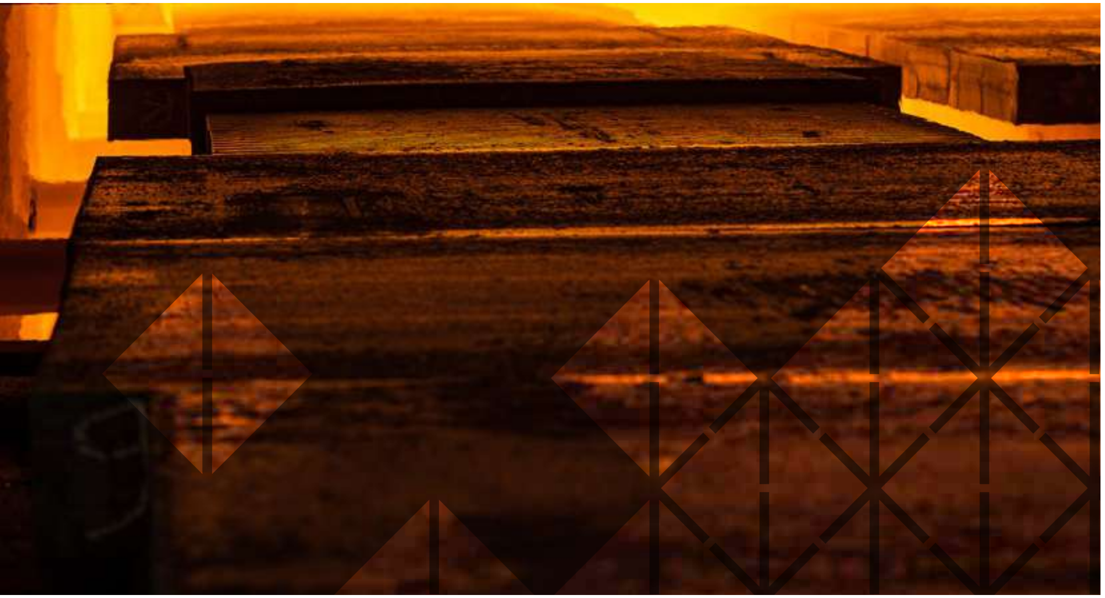
iii. Cash and Cash Equivalents

Cash and cash equivalents comprise cash in hand, bank deposits up to three months, and other current and easily realisable investments with an original maturity of three months or less. They are recognised at cost.

Non-Derivative Financial Liabilities

Non-derivative financial liabilities include operating, financial and other liabilities. Financial liabilities are initially recognised on the transaction date on which the Group becomes a contracting party in relation to the instrument. The Group de-recognises a liability when the contractual obligations are fulfilled, annulled or expired.

Non-derivative liabilities are initially measured at fair value, increased by transaction costs directly attributable to the business transaction. After their initial recognition, they are measured at amortised cost. Depending on their maturity they are classified as current (maturity up to 12 months after the date of the statement of financial position) or non-current liabilities (maturity exceeding 12 months after the date of the statement of financial position).



Derivative Financial Instruments

Derivative financial instruments are initially recognised at fair value. Costs related to a business transaction are recognised in profit or loss when they are incurred. After the initial recognition, the derivative financial instruments are measured at fair value, with changes in fair value recognised in profit or loss.

Derivative financial instruments also include option agreements classified by the Group as financial assets or financial liabilities at fair value through profit or loss. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants on the date of measurement. If the transaction price is not equal to the fair value on the date of measurement, the difference in market assets is recognised in profit or loss or deferred and subsequently released to profit or loss in accordance with the policy.

Financial investments and financial liabilities, measured at fair value through profit or loss, are remeasured at fair value at least once per year, in the preparation of the annual financial statements. Profit or loss, arising from a change in fair value, are recognised in profit or loss.

M. ASSETS (GROUPS) HELD FOR SALE

Assets (groups) held for sale that include assets and liabilities for which it can be expected that their value will be recovered through sale, and the sale is very probable, are classified as assets and liabilities held for sale. Assets (groups) held for sale are re-measured directly before their classification as assets held for sale. Accordingly, non-current assets or a disposal group are recognised at their carrying amount or fair value less cost of sale, whichever is lower. Impairment losses on the reclassification of assets as assets held for sale, and subsequent losses and gains on re-measurement, are recognised in profit or loss. Gains are not recognised in the amount exceeding possible accumulated impairment losses.

Once classified as held for sale, intangible assets and property, plant and equipment are no longer amortised or depreciated. When investments are classified as assets held for sale, they are no longer equity accounted.

Discontinued operations are the Group's integral part that was or will be disposed of under the coordinated plan. In the Statement of Comprehensive Income, the Group states profit or loss from discontinued operations separately from continuing operations. Upon sale, the Group derecognizes an asset (group) for disposal/SALE??? and recognizes the effect of the disposal among other operating income or expenses less costs directly attributable to the sale.

N. INVENTORIES

Inventories are measured at cost or net realisable value, whichever is the lowest. The cost value consists of the purchase price, import duties and direct purchase costs. The purchase price is reduced by any discounts given. Direct purchase costs are transport costs, costs of loading reloading and unloading, costs of monitoring goods, and other costs attributable to directly-purchased merchandise, materials or services. Purchase discounts are those that are stated on the invoice, or which are given later and refer to individual purchases. The value of finished and unfinished products refers to all production costs, which include the costs of manufacturing materials, labour costs, depreciation, services and other production costs.

The inventories of materials and merchandise are valued at actual prices, while the inventories of finished and unfinished products are valued using the standard cost method with deviations to actual production prices. The use of inventories is stated at weighted average prices.

The net realisable value is estimated on the basis of the selling price in the ordinary course of business, less the estimated costs of completion and estimated distribution costs. Write-offs of damaged, expired and useless inventories are regularly performed during the year on individual items.

O. IMPAIRMENT OF ASSETS

Financial Assets

According to IFRS 9, the Group uses the expected credit loss model. According to this model, it recognises not only incurred losses but also losses that are expected to be incurred in the future. The Group assesses indications of impairment of financial instruments. Impairment estimates are based on the expected credit losses associated with the probability of defaults of a financial instrument over the next 12 months if the credit risk has not increased significantly since initial recognition. For financial assets such as trade receivables that do not contain a significant component of financing, a simplified approach is used to calculate value adjustment as an amount equal to the expected credit losses over the life of the asset. The Group creates groups of receivables based on collateral, maturity of receivables and similar risk characteristics and repayments in previous years, corrected for the Management Board's assessment of whether actual losses due to current economic and credit conditions may be greater or less than the losses foreseen in the past development.

In case the credit risk has increased significantly since initial recognition, but there are no objective indications for assets impairment, the impairment estimates are based on the probability of default over the life of the financial asset. Expected credit losses represent the difference between the contractual cash flows that are due and all the cash flows that the Group expects to receive. For financial assets that show objective indications of impairment at the reporting date, an allowance for impairment losses due to expected credit losses is made in its entirety.

The Group recognizes a write-off of a financial asset when it reasonably expects that the contractual cash flows will fail to recover. Objective evidence of the impairment of financial assets can include default or delinquency by a debtor; restructuring of the amount owed to the Group, if the Group agrees; indications that the debtor will declare bankruptcy; and disappearance of the active market for such an instrument. The Group evaluates evidence of loan impairment on a loan-by-loan basis.

Financial assets measured at fair value through other comprehensive income include investments in equity securities or shares of other companies for which an irrevocable non-trading decision was made upon initial recognition. The fair value of quoted securities is measured at the stock exchange rate at the reporting date. Gains or losses on changes in fair value are recognised in other comprehensive income and are recognised directly in equity as the fair value reserve of financial instruments in net amount. The amounts presented in other comprehensive income may not be subsequently transferred to profit or loss. Accumulated profit or loss is transferred within equity.

Non-Financial Assets

At each reporting date, the Group reviews the carrying value of its important non-financial assets to determine whether there is an indication of impairments. If any such indication exists, the recoverable value of the asset is estimated.

The recoverable value of assets or cash-generating units (CGU) is their value in use or fair value, less cost to sell, whichever is greater. In assessing value in use, estimated future cash flows are discounted to their present value, using a pre-tax discount rate that reflects current market assessments of the time value of cash and the risks specific to the asset. For the purpose of the impairment test, assets that cannot be tested individually are classified as the smallest possible group of assets that generate cash inflows from further use and which are largely independent of the inflow of other assets or groups of assets (CGUs). Each subsidiary represents a CGU. If goodwill is allocated to CGU, an impairment test is performed annually. The impairment is first allocated to goodwill. The residual impairment is proportionally allocated to assets within DUE on the basis of the carrying amount of individual assets. When allocating an impairment loss to individual assets within a CGU, the carrying amount of an individual asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero.

For a CGU to which no goodwill is allocated, an impairment test is performed if there are signs of impairment. identified impairment loss (if any) is allocated to individual assets of the CGUs proportionately.

The impairment of an asset or CGU is recognised if their carrying amount exceeds their recoverable value. The impairment is recognised in the income statement.

The Group evaluates the impairment losses of previous periods at the end of the reporting period and thus determines whether the loss was reduced or even eliminated. An impairment loss is reversed if there has been a change in the estimates used to determine the asset's recoverable value. An impairment loss is reversed only to such an extent that the asset's carrying amount does not exceed the carrying amount that would have been determined after deducting the amortisation write-off if no impairment loss had been recognised for the asset in previous years.

A goodwill impairment loss is not reversed.

The goodwill that forms part of the investment in an associate is not recognised separately and therefore is not separately tested for impairment. Instead, the full amount of the investment in an associate is tested for impairment as a single asset when there is evidence that an investment in an associate can be impaired.

P. DETERMINATION OF FAIR VALUE

Following the accounting policies of the Group, in many cases, the determination of the fair value of non-financial assets and financial assets is necessary, either to measure an individual asset (measurement method or business combination) or for additional fair value disclosure.

Fair value is the value achieved by selling the asset or paid by transferring the liability between two well-informed and willing parties in a regulated business transaction. The Group determines the fair value of financial instruments by taking into account the following fair value hierarchy:

- Level 1 comprises market prices in active markets for identical assets or liabilities;
- Level 2 comprises values other than market prices included within Level 1 that are observable either directly (prices for identical or similar assets or liabilities in markets that are less active or inactive) or indirectly (e.g. values derived from quoted prices in an active market, based on interest rates and yield curves, implied volatilities, and credit spreads);
- Level 3 comprises inputs for the asset or liability that are not based on observable market data. Unobservable inputs need to reflect the assumptions that market participants would use when determining a price for the asset or liability, including risk assumptions.

Methods for the determination of the fair value of individual groups of assets for measurements or reporting are given below.

Intangible Assets

The fair value of intangible assets is based on the method of discounted cash flows which are expected to arise from the use and possible disposal of the assets.

Property, Plant and Equipment

The fair value of property, plant and equipment is their market value. The market value of a property is equal to the estimated value at which the property could be sold on the date of valuation and after proper marketing. The market value of the equipment is based on the approach using quoted market prices for similar items. If there is no quoted market price, the method of discounted cash flows that are expected to arise from the use and possible disposal of the assets is used.

Investment Property

The fair value of investment property is assessed by considering the aggregate value of estimated cash flows expected from renting out the property. A yield reflecting specific risks is included in the property valuation, based on discounted net annual cash flows.

Financial Assets at Fair Value through Profit or Loss and Financial Assets at Fair Value through Other Comprehensive Income

The fair value of financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income is determined by reference to the above fair value hierarchy for financial instruments.

Receivables and Loans Issued

The fair value of receivables and loans issued is calculated as the present value of future cash flows discounted at a market interest rate at the end of the period. The assessment considers credit risk connected to these financial assets.

Inventories

The fair value of inventories is determined on the basis of expected trade value in the ordinary course of business, less the estimated distribution costs.

Non-Derivative Financial Liabilities

For reporting purposes, the fair value is calculated based on the present value of future principal payments and interest discounted at the market interest rate at the end of the reporting period.

Q. EQUITY

Share Capital

The share capital of the parent company takes the form of share capital, the amount of which is defined in the parent company's article of association. It is registered with the Court and paid by the owners.

Capital Surplus

Capital surplus consists of the amounts received by the parent company or its subsidiaries from payments exceeding the lowest issue price per share that exceeds the carrying amount upon the disposal of previously-acquired own shares, the amounts based on a simplified decrease of share capital, and the amounts on the basis of reversal of general revaluation adjustment.

Reserves

Reserves include legal reserves, other equity reserves, fair value reserves, actuarial gains and losses.

Treasury Shares

If the parent company or its subsidiaries acquire an ownership interest, the paid amount including the transaction costs less tax is deducted from the total equity as treasury shares until such shares are withdrawn, reissued or sold.

Dividends

Until approved at the General Meeting of Shareholders, the planned dividends are treated as retained earnings.

R. PROVISIONS

Provisions are recognised if the Group, due to a past event, has a legal or constructive obligation that can be reliably measured and if it is probable that settling the obligation will require an outflow of resources enabling economic benefits.

S. EMPLOYEE BENEFITS

In accordance with legal regulations and the Collective Agreement, the Group is obliged to make payments arising from loyalty bonuses and severance pay upon retirement, for which provisions are formed. There are no other retirements benefits.

The provisions are formed in the amount of estimated future payments for loyalty bonuses and severance pay, discounted at the end of the financial year. The calculation is made for each individual employee and includes the costs of severance pay upon retirement and the costs of all expected loyalty bonuses up to retirement. The calculation is prepared on the basis of a projected unit by an actuary, who is selected at the Group level. The provisions are reviewed periodically or when the assumptions, used to determine the amount of provision, change significantly.

T. DEFERRED INCOME

Deferred income is expected to cover the estimated expenses during a period exceeding one year.

The Group states government grants for the COVID-19 pandemic as a decrease in costs for which the subsidiaries have received the government grants. Government and other grants, received for covering expenses, are consistently recognised as revenue in periods in which the respective expenses, which the subsidies should cover, are incurred.

On the basis of the status of a assigned company, subsidiaries of the Group create deferred income in the amount of calculated but not paid contributions from salary and compulsory contributions (assigned contributions). They are intended to cover the expenses in accordance with the Vocational Rehabilitation and Employment of Disabled Persons Acts.

U. CASH FLOW STATEMENT

The cash flow statement shows changes in the balance of cash and cash equivalents for the financial year for which it is compiled. The cash flow statement is compiled according to the indirect method.

V. SEGMENT REPORTING (NOTE 28)

Segments are identified on the basis of the Group's internal management and reporting. The segments are presented in the business part of the annual report and in the accounting policies.

The accounting policies of the reportable segments are the same as the Group's accounting policies described in notes to the consolidated financial statements. Segment profit represents the operating profit earned by each segment without allocation of the share of profits of associates, costs of Headquarters and Other Services, finance income and finance expenses. This is the measure reported to the Group's Chief Executive for the purpose of resource allocation and assessment of segment performance.

The share of the result of associate is contained in the result of equity-accounted investment in the corresponding segment.

Non-current business assets consist of property, plant and equipment, investments property and intangible assets. Non-current business assets are reported based on the location of corresponding assets. Additions to non-current assets consist of new additions to intangible assets, property, plant and equipment (without the right-of-use assets), and investment property. Taxes, assets and liabilities are not allocated to those segments as they are managed on the Group basis. Inter-segment revenue is eliminated on consolidation.

Restatements of Previously Reported Information Following an Internal Reorganization

Segment organization has been changed in the financial year 2021. Segment reporting for the financial year 2020 has been for that reason restated so it reflects corresponding changes. Business activity which has been reported in the financial year 2020 as the discontinued operation has been because of changed conditions transferred from discontinued operation to segment Scrap Division. Additionally, one reporting unit was transferred from Manufacturing Division to Headquarters and Other Services Division and one reporting unit was transferred from Headquarters and Other Services Division to Distribution and Processing Division.

Adjustments and Reconciliations

The reconciliation contains activities that do not constitute segments and consolidation adjustments between the segments. Inter-segment revenue is eliminated on consolidation.

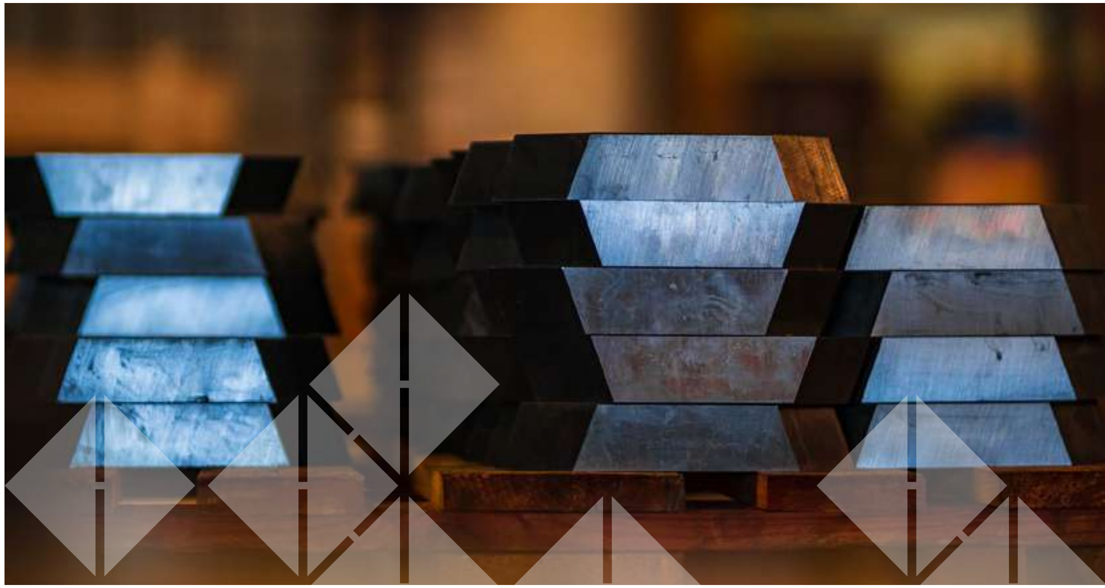
Segments

The Group uses the following segments in the preparation and presentation of the consolidated financial statements:

- Steel Division: the Group's activity that consists form production of steel plates and strips of different dimensions and grades from stainless, structural, electrical and special steels, and production of steel profiles from alloyed, non-alloyed, special, tool and structural steels.
- Steel Processing and Distribution Division is a division, representing a downstream vertical integration of the Group. It allows the Group to have direct contact with end-customers, provide them with fast delivery of steels of required dimensions and quality, as well as with other services and after-sales support.

- Scrap Division: collection, processing and sorting scrap metal, and its preparation for transportation and basic processing by the Steel Division.
- Manufacturing Division: production of finished and semi-finished products from steel, exploiting the synergy with Steel Division production processes.
- Headquarters and Other Services: business, financial and other consulting for companies the Group, as well as various concessionary services and social assistance services linked to the employment of disabled persons.

The segments are presented in more detail in the business part of the annual report in the chapter Organization of companies in the SIJ Group.



Notes to Individual Items in the Consolidated Financial Statements

1. REVENUE

in EUR thousand	2021	2020
In Slovenia	142,267	108,690
In other countries:	820,431	594,887
- Germany	*214,582*	*151,284*
- Italy	*241,534*	*133,222*
- USA	*62,731*	*65,225*
- Croatia	*5,881*	*4,992*
- Austria	*24,635*	*20,988*
- other countries	*271,068*	*219,176*
Revenue	962,698	703,577

Revenue by Products and Segments for 2021

in EUR thousand	Steel Division	Distribution & Processing Division	Scrap Division	Manufacturing Division	Total segments	Headquarters and Other Services	Total
Quarto plates	312,685	81,628	0	0	**394,313**	0	**394,313**
Cold rolled strip and sheets	114,354	4,507	0	0	**118,861**	0	**118,861**
Hot rolled strip and sheets	14,182	4,998	0	0	**19,180**	0	**19,180**
Forged, rolled and other products	121,745	34,389	0	10,108	**166,242**	0	**166,242**
Industrial knives	0	2,322	0	15,965	**18,287**	0	**18,287**
Industrial rolls	0	0	0	12,072	**12,072**	0	**12,072**
Welding wires and electrodes	0	5	0	16,369	**16,374**	0	**16,374**
Steel scrap	250	368	137,925	274	**138,817**	0	**138,817**
Services and other revenue	3,887	66,281	56	6,771	**76,995**	1,557	**78,552**
Revenue	567,103	194,498	137,981	61,559	961,141	1,557	962,698

Revenue by Products and Segments for 2020

in EUR thousand	Steel Division	Distribution & Processing Division	Scrap Division	Manufacturing Division	Total segments	Headquarters and Other Services	Revenue
Quarto plates	254,316	47,258	0	0	**301,574**	0	**301,574**
Cold rolled strip and sheets	59,994	2,207	0	0	**62,201**	0	**62,201**
Hot rolled strip and sheets	8,371	3,560	0	0	**11,931**	0	**11,931**
Forged, rolled and other products	100,326	56,613	0	6,448	**163,387**	0	**163,387**
Industrial knives	0	2,318	0	15,404	**17,722**	0	**17,722**
Industrial rolls	0	0	0	13,017	**13,017**	0	**13,017**
Welding wires and electrodes	0	0	0	15,259	**15,259**	0	**15,259**
Steel scrap	291	201	62,334	101	**62,927**	0	**62,927**
Services and other revenue	3,687	41,900	133	8,362	**54,082**	1,477	**55,559**
Revenue	426,985	154,057	62,467	58,591	702,100	1,477	703,577

2. OPERATING EXPENSES

in EUR thousand	2021	2020
Cost of goods, materials and services	765,250	525,038
Labour costs	138,211	117,536
- wages and salaries	*103,651*	*89,277*
- social security costs	*18,351*	*14,034*
- other labour costs	*16,209*	*14,225*
Depreciation and amortisation costs	52,732	50,663
Other costs	11,538	9,898
Changes in the value of inventories	(48,791)	16,309
Operating expenses	918,940	719,444

Review of Costs by Type in 2021

in EUR thousand	Cost of sales	Distribution costs	General and administrative expenses	Total
Cost of goods, materials and services	689,478	50,251	25,521	**765,250**
Labour costs	70,580	6,914	60,717	**138,211**
Depreciation and amortisation costs	44,447	425	7,860	**52,732**
Other costs	3,479	155	7,904	**11,538**
Changes in the value of inventories	(48,791)	0	0	**(48,791)**
Operating expenses	759,193	57,745	102,002	918,940

Review of Costs by Type in 2020

in EUR thousand	Cost of sales	Distribution costs	General and administrative expenses	Total
Cost of goods, materials and services	467,219	35,699	22,120	**525,038**
Labour costs	63,298	5,524	48,714	**117,536**
Depreciation and amortisation costs	43,400	424	6,839	**50,663**
Other costs	5,071	123	4,704	**9,898**
Changes in the value of inventories	16,309	0	0	**16,309**
Operating expenses	595,297	41,770	82,377	719,444

In 2021, the costs of annual reports auditing amounted to EUR 305 thousand (2020: EUR 331 thousand). The costs for other authorised services amounted to EUR 282 thousand (2020: EUR 23 thousand). The costs for non-audit services amounted to EUR 11 thousand (2020: EUR 11 thousand).

Average Number of Employees by Level of Education

	2021	2020
Primary school	553	567
2.5-year vocational school	332	342
Secondary vocational school	1,059	1,075
Secondary general school	977	1,005
1st cycle degree – Bachelor's degree	492	481
2nd cycle degree – Master's degree	330	309
3rd cycle degree – Doctoral degree	71	64
Total	3,814	3,843

3. OTHER OPERATING INCOME

in EUR thousand	2021	2020
Income from received subsidies (Note 23)	2,901	3,015
Received compensations	647	329
Profit from sale of property, plant and equipment	1,095	91
Reversal of provisions	59	268
Other income	925	666
Other operating income	5,627	4,369

4. OTHER OPERATING EXPENSES

in EUR thousand	2021	2020
Expenses for donations and sponsorships	406	409
Impairment of inventories (Note 16)	3,351	302
Impairments of intangible assets and property, plant and equipment (Notes 8 and 9)	176	22,479
Other expenses	909	1,082
Other operating expenses	4,842	24,272

5. FINANCE INCOME

in EUR thousand	2021	2020
Interest income	3,919	3,732
Other income	106	177
Finance income	4,025	3,909

6. FINANCE EXPENSES

in EUR thousand	2021	2020
Interest expenses	10,195	8,908
Other expenses	4,397	3,301
Finance expenses	14,592	12,209

Other finance expenses refer to expenses for the bond issue and origination fees for borrowings, expenses for the sale of trade receivables, guarantee fees and fees for letters of credit.

7. INCOME TAX

in EUR thousand	2021	2020
Current income tax expense	(4,722)	(1,880)
Deferred income tax	(33)	(3,931)
Income tax	(4,755)	(5,811)

in EUR thousand	2021	2020
Profit (loss) before tax	33,986	(44,093)
Tax at effective tax rate 19% (2020: 19%)	6,457	(8,378)
Tax effects from:		
- non-taxable income	*(21)*	*(41)*
- tax non-deductible expenses	*1,183*	*697*
- tax relief	*(3,018)*	*(198)*
- tax losses for which no deferred tax assets were recognised	*510*	*11,388*
- tax reliefs for which deferred tax assets were derecognised	*306*	*0*
- unused reliefs for investments in equipment and intangible assets	*0*	*1,848*
- higher/lower tax rates in foreign companies	*(662)*	*495*
Income tax	4,755	5,811
Effective tax rate	13.99%	0%

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.

In 2020, some companies of the Group derecognised deferred tax assets for temporary differences to the extent that it is probable that future taxable profit, against which the deferred tax asset can be utilised, will be available.

8. INTANGIBLE ASSETS

Movement of Intangible Assets in 2021

in EUR thousand	Software	Goodwill	Assets under construction	Total
Cost as at 31 Dec. 2020	28,700	31,158	736	60,594
Change due to recalculation of acquisition (Note 29)	10	(1,160)	0	**(1,150)**
New additions	0	0	1,506	**1,506**
Transfer from assets under construction	243	0	(243)	**0**
Disposals	(36)	0	0	**(36)**
Translation differences	30	0	0	**30**
Other changes	23	0	0	**23**
Change in disclosure of accumulated goodwill	0	(11,749)	0	**(11,749)**
Transfer from assets held for sale	0	1,003	0	**1,003**
Cost as at 31 Dec. 2021	28,970	19,252	1,999	50,221
Accumulated amortization as at 31 Dec. 2020	(15,283)	(11,749)	0	(27,032)
Amortisation	(2,759)	0	0	**(2,759)**
Disposal	36	0	0	**36**
Translation differences	(5)	0	0	**(5)**
Other changes	(23)	0	0	**(23)**
Change in disclosure of accumulated goodwill	0	11,749	0	**11,749**
Impairments	(39)	0	0	**(39)**
Accumulated amortisation as at 31 Dec. 2021	(18,073)	0	0	(18,073)
Present value as at 31 Dec. 2020	13,417	19,409	736	33,562
Present value as at 31 Dec. 2021	10,897	19,252	1,999	32,148

On 31 December 2021, the Group has EUR 244 thousand (2020: EUR 145 thousand) of outstanding liabilities for the purchase of intangible assets. In 2021, the Group has no already known contractual obligations (2020: EUR 707 thousand). On 31 December 2021 and 31 December 2020, any items of intangible assets are pledged as security for liabilities.

Intangible assets of SIJ Elektrode Jesenice were subjected to valuation. The valuation of the recoverable amount of the non-current property rights was carried out by a certified business appraiser with a Slovenian Institute of Auditors licence. The recoverable amount of the non-current property rights was calculated as the fair value decreased by the cost of sale. The valuation was performed on a going concern basis (the value of the non-current property rights was evaluated as assets in the going concern). The cost method was used to evaluate the recoverable amount of the non-current property rights. The use of this method is appropriate because it is based on the application of the economic principle that the buyer will not pay more for the asset than the price for acquiring the asset of equal utility with purchase, construction or manufacture.

The income approach was not used in this case because it can only be used to estimate the value of the non-current property rights when specific free cash flows can be identified for the asset or a group of complementary assets (CGUs), which is not possible in this case.

When comparing the thus-determined recoverable amounts of individual valuated assets to its carrying amount, it was determined that the carrying amount of the non-current property rights must be impaired by a total of EUR 39 thousand.

Presentation of Assets, for Which the Fair Value Less Cost of Sale was Determined:

in EUR thousand	Basis for fair value less cost of sales	Impairment in 2021	Impairment in 2020
Non-current property rights	Cost method	39	0
Total		39	0

Impairment Test for Goodwill

in EUR thousand	31 Dec. 2021	31 Dec. 2020
ODPAD	1,397	1,397
METAL EKO-SISTEM (Note 15)	1,003	0
DANKOR	154	154
RSC HOLDING Group (Note 29)	16,698	17,858
Carrying amount of goodwill	19,252	19,409

Goodwill was tested for impairment on 31 December 2021. The valuation of the recoverable amount of the investments was carried out by a business appraiser certified by the Slovenian Institute of Auditors. Recoverable amounts represent the valuation of fair values, decreased by the costs of sale and determined using the present value of the estimated free cash flows method. When determining the recoverable amount, the present value of the estimated free cash flows method is applied. This method attempts to project, based on the analysis of past operations and the estimate of future business possibilities, the owners' future returns in cash, which are subsequently translated to the carrying amount by using the corresponding discount rate. The thus-calculated value based on the free cash flows represents the return required by the risk inherent in the investment. This is theoretically and practically the most appropriate and useful method of valuation of a company, as it concentrates on what is the most important to investors, i.e. return in the form of cash flow.

All projections were prepared from the majority shareholder perspective. Given the object of the valuation, a 5 percent marketability discount was used (including the cost of sale). The discount rate used is defined as the weighted average cost of capital (WACC). It reflects current market assessments of the time value of cash and the risks specific to the valuated asset. The projections took into account all the facts known up to the drawing up the annual report.

In 2021, no need to impair goodwill was determined. The impairment test as at 31 December 2020 showed that no impairments of goodwill were required in 2020.

A review of the determination of the recoverable amount of CGUs to which goodwill is allocated for 2021 and 2020 is given below.

Review of the Determination of the Recoverable Amount of CGUs to Which Goodwill is allocated for 2021

	Material assumptions used							Sensitivity analysis					
Goodwill	Valuation date	Projection of operations	Financial year	Discount rate (WACC)	Long-term growth rate	Target EBITDA margin	Revenue growth	Recoverable amount (in EUR thousand)	Upper bound of the range (in EUR thousand)	Change in discount rate (WACC) +/–0,5% (in EUR thousand)	Change in long-term growth rate +/–0,5% (in EUR thousand)	Impairment loss (in EUR thousand)	Goodwill after impairment test (in EUR thousand)
ODPAD* (Scrap Division)	31 Dec. 2021	2022–2027	2021	9.63%	1.9%	2.7% – achieved in the last few years	–6.0% in the first year and-26.7% in the second year following with 0.2%, 2.0%, 0.0% and 1.9%	7,965	8,437	–741/+819	+43/–43	0	1,397
METAL-EKO SISTEM* (Scrap Division)	31 Dec. 2021	2022–2027	2021	9.57%	1.6%	4.0% – achieved in the last few years	–9.7% in the first year, following with –34.2%, 0.2%, 2.0%, 0.0% and 1.5%	2,459	2,636	–134/+148	+8/–8	0	1,003
DANKOR* (Scrap Division)	31 Dec. 2021	2022–2027	2021	9.04%	1.1%	8.7%	4.5% in the first year, following with –34.2%, 0.2%, 2.0%, 1.0% and 1.1%	973	1,014	–58/+65	+3/–3	0	154
RSC HOLDING Group** (Steel Processing and Distribution Division)	31 Dec. 2021	-	2021	-	-	-	-	39,364	41,674	-	-	0	16,698

** Valuation of the fair value, less sale costs, by using the method of present value of the estimated free cash flows.*
*** Valuation of the fair value, less cost of sale, was made by using the accumulation method (i.e. net asset value method).*

Review of the Determination of the Recoverable Amount of CGUs to Which Goodwill is allocated for 2020

Goodwill	Material assumptions used							Sensitivity analysis					
	Valuation date	Projection of operations	Financial year	Discount rate (WACC)	Long-term growth rate	Target EBITDA margin	Revenue growth	Recoverable amount (in EUR thousand)	Upper bound of the range (in EUR thousand)	Change in discount rate (WACC) +/–0,5% (in EUR thousand)	Change in long-term growth rate +/–0,5% (in EUR thousand)	Impairment loss (in EUR thousand)	Goodwill after impairment test (in EUR thousand)
ODPAD (Scrap Division)	31 Dec. 2020	2021–2026	2020	8.07%	1.2%	2.8% – achieved in the last few years	–3.8 percent in the first year, followed by an increase of 1.8 per year	5,685	6,036	+543/–480	+41/–41	0	1,397
DANKOR (Scrap Division)	31 Dec. 2020	2021–2026	2020	8.24%	0.9%	8.8% – achieved in the last few years	20.5% in the first year, following with 4.6%, 1.9%, 1.9%, 1.9%, and 0.9%	1,012	1,063	+91/–81	+11/–11	0	154
RSC HOLDING Group (Steel Processing and Distribution Division)	31 Dec. 2020	2021–2026	2020	between 7.37% and 11.01% in the projection period and between 9.66% and 13.76% in the residual	between 2.0% and 3.0%	13.8%	33.3% in the first year, following with 11.9%, 11.3%, 8.1%, and 8.2%	44,329	46,605	+2,494/–2,208	+2,059/–1,832	0	17,858

Movement of Intangible Assets in 2020

in EUR thousand	Software	Goodwill	Assets under construction	Total
Cost as at 31 Dec. 2019	25,914	19,596	1,233	46,743
Acquisition of companies	358	17,858	0	**18,216**
New additions	0	0	2,135	**2,135**
Transfer from assets under construction	2,737	0	(2,737)	**0**
Disposals	(275)	(6,296)	0	**(6,571)**
Transfer from property, plant and equipment	0	0	105	**105**
Translation differences	(34)	0	0	**(34)**
Cost as at 31 Dec. 2020	28,700	31,158	736	60,594
Accumulated amortisation as at 31 Dec. 2019	(13,047)	(11,749)	0	(24,796)
Amortisation	(2,517)	0	0	**(2,517)**
Disposal	275	0	0	**275**
Translation differences	6	0	0	**6**
Accumulated amortisation as at 31 Dec. 2020	(15,283)	(11,749)	0	(27,032)
Present value as at 31 Dec. 2019	12,867	7,847	1,233	21,947
Present value as at 31 Dec. 2020	13,417	19,409	736	33,562

9. PROPERTY, PLANT AND EQUIPMENT

Movement of Property, Plant and Equipment in 2021

in EUR thousand	Land	Buildings	Equipment	Other	Assets under construction	Total
Cost as at 31 Dec. 2020	33,805	299,756	938,882	49,728	21,266	1,343,437
Change due to recalculation of acquisition (Note 29)	9	381	2,296	111	0	**2,797**
New additions	0	0	0	0	50,757	**50,757**
Transfer from assets under construction	26	5,438	44,533	2,798	(52,795)	**0**
Disposals	(630)	(472)	(14,474)	(1,899)	0	**(17,475)**
Translation differences	4	130	28	41	0	**203**
Change in lease agreements		(13)	(9)	(47)	0	**(69)**
Transfer from assets held for sale	1,131	99	1,448	127	0	**2,805**
Cost as at 31 Dec. 2021	34,345	305,319	972,704	50,859	19,228	1,382,455
Accumulated depreciation as at 31 Dec. 2020	(1,809)	(220,142)	(693,671)	(40,891)	0	(956,513)
Depreciation	(13)	(5,301)	(41,868)	(2,791)	0	**(49,973)**
Disposals	0	458	14,458	1,879	0	**16,795**
Translation differences	0	(17)	(15)	(8)	0	**(40)**
Impairment	0	(137)	0	0	0	**(137)**
Transfer from assets held for sale	(14)	(16)	(913)	(94)	0	**(1,037)**
Accumulated depreciation as at 31 Dec. 2021	(1,836)	(225,155)	(722,009)	(41,905)	0	(990,905)
Present value as at 31 Dec. 2020	31,996	79,614	245,211	8,839	21,266	386,924
Present value as at 31 Dec. 2021	32,509	80,164	250,695	8,954	19,228	391,550

Major new additions and finished investments in property, plant and equipment are:

- renovation of EAF compensator in the steel plant,
- reparation of crane construction and upgrade of a pickling line in quarto plate processing plant,
- purchase of electro slag remelting device (ESR 4),
- purchase of a dedusting machine,
- purchase of heat treatment furnace,
- current upgrades.

Disposals of property, plant and equipment mostly refer to the sale and write-off of equipment connected with the renovation of basic production capacities and write-off of unusable and outdated equipment. Property, plant, equipment, whose present value as at 31 December 2021 is EUR 7,183 thousand (2020: EUR 9,356 thousand), are pledged as security for liabilities.

As at 31 December 2021, the Group has EUR 5,356 thousand (2020: EUR 9,633 thousand) of outstanding liabilities to purchase property, plant and equipment and EUR 6,964 thousand (2020: EUR 16,131 thousand) of contractual commitments for purchase known in advance.

Based on the performance evaluation of individual CGUs, in 2021 the Group verified the signs of impairment and undertook a valuation exercise where such signs existed. Like last year, it carried out individual valuations of property, plant and equipment. Property, plant and equipment of SIJ Elektrode Jesenice were subjected to valuation. The valuation of the recoverable amount of the property plant and equipment was carried out by a certified business appraiser with a Slovenian Institute of Auditors licence. The recoverable amount of the property plant and equipment was calculated as the fair value decreased by the cost of sale. The valuation was performed on a going concern basis (the value of the property, plant and equipment were evaluated as assets in the going concern).

The following valuation methods were used to determine the recoverable amount of non-current assets:

Income Approach (Income Capitalisation Method)

The income capitalisation method involves assessing the value of expected cash flows from the use or possible sale of the property. This method is characterized by converting the amount of returns into the evaluation and by taking into account the capitalisation rate, the discount rate, or both. The substitution principle requires that the revenue flow which gives the highest returns at a given level of risk yields to the most probable value.

Cost Approach (Replacement Value Method)

The replacement value method is based on the principle of replacement (substitution) and argues that a prudent person would not pay for goods or services more than the purchase value of equivalent goods or services without the complex factor of time, risk or inconvenience. This means that a prudent investor will not be willing to pay more for the valuated property than the cost of setting up an equivalent property.

According to the replacement value method, it is necessary, when evaluating plants and equipment, to obtain new replacement values and reproduction costs for the valuated assets. In the market, it is necessary to identify the most suitable comparable asset with a known value from the producers or sellers or agents, and based on these determine the new replacement value of the valuated assets.

The use of the cost approach as a technique for estimating the value of assets for financial reporting is very rare in practice and used only exceptionally. As a rule, it is not possible to reliably estimate the fair value using the cost method, as the appraisals use this method when there is no reliable market data. For impairment testing, the value of assets should also be verified in the context of value in use.

Sales Comparison Approach (Transaction Comparison Method)

The transaction comparison method takes into account the sale of similar or substitute assets and relevant market data and determines the valuation through comparison procedures. Generally speaking, the assets being valued are compared to the sale of similar assets made on the market. In this valuation method, a so-called direct sales comparison method was used.

Property

For the purpose of the valuation of the property (industrial complex), the appropriateness of using all the valuation techniques provided for in the IVS was tested. Based on the results of the property market analysis and other findings, and taking into account the purpose of the valuation and the characteristics of the property being valued, the income, i.e. Rent capitalisation method was used to determine the recoverable amount of the property. The use of the above method is dictated, in particular, by the fact that companies are less likely to buy comparable properties, as they prefer to lease them. The data based on which potential market leases and stabilized revenue have been valuated are obtained by analysing the supply of rental business for the rental of comparable premises. The valuation used:

- the capitalisation rate of 8.77 percent and
- a lease of EUR 5.00 per square meter per month for office space and of EUR 2.50 per square meter per month for industrial plants and warehouses.

The whole industrial complex is located at Jesenice. It is functional, serves its purpose, and the premises are predominantly intended for production and storage activities.

Presentation of the assumptions under income capitalisation method:

	Capitalisation rate in %	Lease in EUR/m²	Location
Office space	8.77	5.00	Jesenice
Industrial plants	8.77	2.50	Jesenice
Warehouse	8.77	2.50	Jesenice

The sales comparison approach only makes sense in cases where there are sufficient transactions and sufficient quality and current data of comparable real estate. The review and analysis of the real estate market showed that it was not possible to identify comparable sale and purchase transactions, as no comparable sales near the properties being appraised were recorded among the sale and purchase transactions carried out in the last two years. That is why this valuation method was not used.

Based on the assessment, the cost method of valuation was also not used, as the valuation would not capture the market potential of the property but its recoverable amount.

When comparing the thus determined recoverable amount of the valuated properties with their carrying amount, it was concluded that no impairment of the property was necessary.

Plant and Equipment

As a primary valuation method to evaluate the recoverable amount of plant and equipment, the cost method was used. The sales comparisons approach was used in a specific case only for some equipment or as a control method for some of the values obtained by the cost method.

Valuated assets are machinery and equipment for the production of welding materials (welding wires, electrodes and fluxes) and vehicles at Jesenice. On the valuation day, they are in working order, well maintained, regularly serviced, some of them also overhauled. They are all located in the subsidiary's site at Jesenice. The valuation took into account the physical, functional and economic wear-and-tear.

The income approach was not used in this case because it can only be used to estimate the value of the plant and equipment when specific free cash flows can be identified for the asset or a group of complementary assets (CGU), which is not possible in this case.

When comparing the thus-determined recoverable amounts of individual valuated assets to its carrying amount, it was determined that the carrying amount of the plant and equipment must be impaired by a total of EUR 137 thousand (impairment in 2020: EUR 22,479 thousand).

Presentation of assets, for which the fair value less cost of sale was determined:

in EUR thousand	Basis for fair value less cost of sales	Impairment in 2021	Impairment in 2020
Land and buildings	Income capitalisation method	0	9,713
Land and buildings	Transaction comparison method	0	522
Land and buildings	Cost method	0	7,414
Equipment and other assets	Cost method	137	4,830
Total		137	22,479

Movement of Property, Plant and Equipment in 2020

in EUR thousand	Land	Buildings	Equipment	Other	Assets under construc-tion	Total
Cost as at 31 Dec. 2019	33,390	295,892	914,960	48,129	6,559	1,298,930
Acquisition of companies	780	1,707	2,893	46	320	**5,746**
New additions	0	0	0	0	44,548	**44,548**
Transfer from assets under construction	0	1,763	25,492	2,613	(29,868)	**0**
Disposals	(354)	(446)	(4,476)	(1,042)	(188)	**(6,506)**
Translation differences	(11)	(36)	(51)	(16)	0	**(114)**
Transfer to intangible assets	0	0	0	0	(105)	**(105)**
Change in lease agreements	0	876	20	(2)	0	**894**
Transfer from other assets	0	0	44	0	0	**44**
Cost as at 31 Dec. 2020	33,805	299,756	938,882	49,728	21,266	1,343,437
Accumulated depreciation as at 31 Dec. 2019	(587)	(198,997)	(653,236)	(38,916)	0	(891,736)
Depreciation	(7)	(5,179)	(40,059)	(2,779)	0	**(48,024)**
Disposals	11	446	4,424	797	0	**5,678**
Translation differences	0	11	30	7	0	**48**
Impairment	(1,226)	(16,423)	(4,830)	0	0	**(22,479)**
Accumulated depreciation as at 31 Dec. 2020	(1,809)	(220,142)	(693,671)	(40,891)	0	(956,513)
Present value as at 31 Dec. 2019	32,803	96,895	261,724	9,213	6,559	407,194
Present value as at 31 Dec. 2020	31,996	79,614	245,211	8,839	21,266	386,924

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.

Movement of the Right-Of-Use Asset in 2021

in EUR thousand	Land	Buildings	Equipment	Other	Assets under construc-tion	Total
Cost as at 31 Dec. 2020	35	2,797	10,047	3,535	0	16,414
New additions	26	2,250	1,251	742	1,716	**5,985**
Reversal of right-of-use asset	0	(17)	(396)	(19)	0	**(432)**
Translation differences	0	151	9	3	0	**163**
Change in lease agreements	0	(13)	(9)	(47)	0	**(69)**
Cost as at 31 Dec. 2021	61	5,168	10,902	4,214	1,716	22,061
Accumulated depreciation as at 31 Dec. 2020	(14)	(625)	(2,411)	(1,281)	0	(4,331)
Depreciation	(11)	(608)	(1,356)	(594)	0	**(2,569)**
Reversal of right-of-use asset	0	0	377	19	0	**396**
Translation differences	0	(14)	(3)	(1)	0	**(18)**
Accumulated depreciation as at 31 Dec. 2021	(25)	(1,247)	(3,393)	(1,857)	0	(6,522)
Present value as at 31 Dec. 2020	21	2,172	7,636	2,254	0	12,083
Present value as at 31 Dec. 2021	36	3,921	7,509	2,357	1,716	15,539

Movement of the Right-Of-Use Asset in 2020

in EUR thousand	Land	Buildings	Equipment	Other	Total
Cost as at 31 Dec. 2019	35	1,334	8,129	2,899	12,397
Acquisition of companies	0	245	1,149	0	**1,394**
New additions	0	397	3,016	976	**4,389**
Reversal of right-of-use asset	0	(18)	(2,267)	(334)	**(2,619)**
Translation differences	0	(37)	0	(4)	**(41)**
Change in lease agreements	0	876	20	(2)	**894**
Cost as at 31 Dec. 2020	35	2,797	10,047	3,535	16,414
Accumulated depreciation as at 31 Dec. 2019	(7)	(343)	(2,442)	(973)	(3,765)
Depreciation	(7)	(307)	(961)	(575)	**(1,850)**
Reversal of right-of-use asset	0	18	898	240	**1,156**
Translation differences	0	7	0	2	**9**
Redistribution	0	0	94	25	**119**
Accumulated depreciation as at 31 Dec. 2020	(14)	(625)	(2,411)	(1,281)	(4,331)
Present value as at 31 Dec. 2019	28	991	5,687	1,926	8,632
Present value as at 31 Dec. 2020	21	2,172	7,636	2,254	12,083

On 31 December 2021, the Group leases assets which include buildings, equipment and cars. In 2021, the interest expenses for lease liabilities amounted to EUR 264 thousand (2020: EUR 192 thousand) and were fully repaid.

Analysis of the maturity of lease liabilities and the lowest sum of future lease payments are described in Notes 24 and 25. The Group follows exceptions allowed by the standard, namely for short-term and for leases of low-value assets. In 2021, the total expenses related to these leases amounted to EUR 691 thousand (2020: EUR 678 thousand).

10. INVESTMENTS IN ASSOCIATES

in EUR thousand	31 Dec. 2021	31 Dec. 2020
Razvojni center Jesenice, Cesta Franceta Prešerna 61, Jesenice, Slovenia	1,876	1,876
Investments in associates	1,876	1,876

in EUR thousand	Activity	% of voting rights	Value of assets as at 31 Dec. 2021	Value of equity as at 31 Dec. 2021	Revenue 2021	Net profit for 2021	Profit or loss for 2021, attributed to the Group
Razvojni center Jesenice	Development	24.95	8,721	6,816	1,404	1	0

in EUR thousand	Activity	% of voting rights	Value of assets as at 31 Dec. 2020	Value of equity as at 31 Dec. 2020	Revenue 2020	Net profit for 2020	Profit or loss for 2020, attributed to the Group
Razvojni center Jesenice	Development	24.95	8,699	6,815	1,469	121	30

The investment in the associate is valued on the basis of the equity method. The company's principal activity is the development of new materials and raw materials. The company has no obligation to be audited.

11. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

in EUR thousand	31 Dec. 2021	31 Dec. 2020
Investments and shares in companies	1,382	1,260
Financial assets at fair value through other comprehensive income	1,382	1,260

Finance assets measured at fair value through other comprehensive income represent shares of Slovenian insurance companies with intends to receive cash flows from dividends and sale of shares. Financial assets at fair value through other comprehensive income are measured at fair value. Changes in 2021 include the increase from revaluation at fair value by EUR 183 thousand (2020: decrease by EUR 86 thousand) charged to the comprehensive income and a decrease from the sale of assets by EUR 61 thousand (2020: no sales). Profit from sale amounted to EUR 31 thousand and was charged to comprehensive income. In 2021, the Group received dividends totalling EUR 62 thousand (2020: no dividends).

12. NON-CURRENT FINANCIAL RECEIVABLES

in EUR thousand	31 Dec. 2021	31 Dec. 2020
Loans issued	81,186	81,340
Non-current financial receivables	81,186	81,340

Non-current financial receivables refer to loans issued to the majority shareholder of the parent company amounting to EUR 73,797 (2020: EUR 76,501 thousand) and the related non-current interest amounting to EUR 7,389 thousand (2020: EUR 4,809 thousand). The loans issued will be repaid from dividends. Dividend payments are expected to be made in accordance with the Group's long-term business projections and are conditional on the Group achieving leverage of less than 3.75. Minimum dividends may always be paid if the conditions laid down in the applicable legislation are met.

The interest rate for the loan issued is fixed and amounts to 5 percent. The loans are not secured.

Movement of Non-Current Loans Issued

in EUR thousand	2021	2020
Balance as at 1 Jan.	81,340	54,067
Acquisition of companies	0	330
Loans issued	480	745
Impairment	0	(5)
Change in interest receivables	2,581	6,910
Transfer to/from current loans issued	(3,215)	19,293
Balance as at 31 Dec.	81,186	81,340

13. OTHER NON-CURRENT ASSETS

in EUR thousand	31 Dec. 2021	31 Dec. 2020
Other assets	3,739	3,137
Other non-current assets	3,739	3,137

Other assets include CO_2 emissions allowances, cautions and other non-current assets.

14. DEFERRED TAX ASSETS AND LIABILITIES

in EUR thousand	31 Dec. 2021	31 Dec. 2020
Deferred tax assets	20,877	21,273
Deferred tax liabilities	(282)	(103)
Deferred tax assets (liabilities), net	20,595	21,170

Movement of Deferred Tax Assets and Liabilities in 2021

in EUR thousand	31 Dec. 2020	Transfer from assets held for sale	Change due to recalculation of acquisition (Note 29)	Translation differences	Changes in profit and loss	Changes in the comprehensive income	31 Dec. 2021
Property, plant and equipment	(103)	(5)	(533)	0	320	0	(321)
Other deferred liabilities	0	0	0	0	39	0	39
Deferred tax liabilities	(103)	(5)	(533)	0	359	0	(282)
Other provisions	123	0	0	3	6	0	132
Unused tax losses	14,639	0	0	9	(1,289)	0	13,359
Inventories	121	0	0	4	927	0	1,052
Trade receivables	475	0	0	2	(107)	0	370
Employee benefits	1,961	0	0	0	(67)	0	1,894
Property, plant and equipment	507	0	0	13	195	0	715
Financial assets at fair value through other comprehensive income	(73)	0	0	0	0	(35)	(108)
Unused tax reliefs	3,520	0	0	0	(57)	0	3,463
Deferred tax assets	21,273	0	0	31	(392)	(35)	20,877
Deferred tax assets (liabilities), net	21,170	(5)	(533)	31	(33)	(35)	20,595

On 31 December 2021, the value of unused tax losses for which deferred tax assets are recognised amounted to EUR 62,029 thousand (2020: EUR 65,084 thousand). The value of unused tax losses for which deferred tax assets are not recognised amounts to EUR 110,805 thousand (2020: EUR 92,135 thousand), while unrecognised deferred tax assets amounting to EUR 21,166 thousand (2020: EUR 17,834 thousand).

Movement of Deferred Tax Assets and Liabilities in 2020

in EUR thousand	31 Dec. 2019	Acquisition of companies	Translation differences	Changes in profit and loss	Changes in the comprehensive income	31 Dec. 2020
Property, plant and equipment	0	0	0	(103)	0	(103)
Deferred tax liabilities	0	0	0	(103)	0	(103)
Other provisions	109	0	(3)	17	0	123
Unused tax losses	15,576	0	(7)	(930)	0	14,639
Inventories	154	0	(7)	(26)	0	121
Trade receivables	613	16	0	(154)	0	475
Employee benefits	1,981	0	0	(20)	0	1,961
Property, plant and equipment	304	0	0	203	0	507
Financial assets at fair value through other comprehensive income	(89)	0	0	0	16	(73)
Unused tax reliefs	6,453	1	(20)	(2,914)	0	3,520
Deferred tax assets	25,101	17	(37)	(3,824)	16	21,273
Deferred tax assets (liabilities), net	25,101	17	(37)	(3,927)	16	21,170

15. ASSETS (GROUPS) HELD FOR SALE

in EUR thousand	31 Dec. 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 disposal groups	0	(419)

In 2020, the Group was carrying out the activities to dispose of the investment in Metal-Eko Sistem. Due to the COVID-19 pandemic, it could not execute the activities planned. Due to the current situation in the steel scrap market, the Group has decided not to sell the investment in 2021. The Group anticipates that demand for steel scrap in the EU area will increase and price fluctuations are expected to be volatile. The Group's retention of a steel scrap collecting company will give it better access to this raw material within the Group and will partially mitigate price fluctuations.

The Group has transferred assets and liabilities of discontinued operations included in groups held for sale in 2020 to assets and liabilities as if the Management Board had not undertaken any activities to dispose it in previous years.

16. INVENTORIES

in EUR thousand	31 Dec. 2021	31 Dec. 2020
Raw material	127,303	86,316
Work in progress	66,254	48,787
Finished products	73,838	49,117
Merchandise	14,876	14,277
Inventories	282,271	198,497

On 31 December 2021, the Group reviewed the value of inventories. It found that the net realisable value of raw material and finished products is lower than their production value, and impaired them by EUR 3,351 thousand (2020: EUR 302 thousand). On 31 December 2021, any items of inventories are pledged as security for liabilities (2020: EUR 0 thousand).

As of the end of 2020, the value of inventories was up 42.2 percent compared to the preceding year. The increases are partly due to higher prices for raw materials and finished products, and partly to higher volumes of work in progress.

17. CURRENT FINANCIAL RECEIVABLES

in EUR thousand	31 Dec. 2021	31 Dec. 2020
Loans issued	5,318	3,993
Other financial receivables	62	19
Current financial receivables	5,380	4,012

The major part of current financial receivables refers to loans issued to the majority shareholder of the parent company totalling EUR 4,684 thousand and the corresponding current interests totalling EUR 601 thousand (2020: EUR 3,096 thousand). Loans issued to the majority shareholder of the parent company will be repaid from dividends. Dividend payments are expected to be made in accordance with the Group's long-term business projections and are conditional on the Group achieving leverage of less than 3.75.

The interest rate for the loan issued is fixed and amounts to 5 percent. The loans are not secured.

Movement of Current Loans Issued

in EUR thousand	2021	2020
Balance as at 1 Jan.	3,993	18,145
Acquisition of companies	0	9
Loans issued	1,521	8,784
Repayment of loans issued	(899)	(450)
Allowances for loans issued	(1)	3
Change in interests	(2,511)	(3,205)
Transfer from/to current loans issued	3,215	(19,293)
Balance as at 31 Dec.	5,318	3,993

18. CURRENT TRADE RECEIVABLES

in EUR thousand	31 Dec. 2021	31 Dec. 2020
Trade receivables	103,067	74,354
Allowances for trade receivables	(2,829)	(3,405)
Receivables from government and other institutions	7,120	5,185
Issued advance payments and cautions	4,829	3,212
Other receivables	1,480	2,317
Allowances for other receivables	(61)	(59)
Current trade receivables	113,606	81,604

The majority of the Group’s trade receivables are insured against commercial risks with an insurance company. Trade receivables whose present value on 31 December 2021 amounts to EUR 7,059 thousand (2020: EUR 6,818 thousand) are pledged as security for liabilities.

Movement of Allowance for Receivables from Customers

in EUR thousand	2021	2020
Balance as at 1 Jan.	3,405	4,262
Acquisition of companies	0	144
Changes with impact on profit or loss	(10)	59
Changes without impact on profit or loss	(578)	(1,060)
Transfer from assets (groups) held for sale	12	0
Balance as at 31 Dec.	2,829	3,405

19. CASH AND CASH EQUIVALENTS

in EUR thousand	31 Dec. 2021	31 Dec. 2020
Cash in national currency	41,890	35,265
Cash in foreign currency	7,280	5,942
Restricted cash	1	1
Cash and cash equivalents	49,171	41,208

Deposits amounting to EUR 100 thousand are in the national currency and have a maturity of up to three months (2020: EUR 15,500 thousand). The interest rate for deposits is fixed.

20. OTHER CURRENT ASSETS

in EUR thousand	31 Dec. 2021	31 Dec. 2020
Deferred expenses	1,308	3,677
Accrued revenue	145	651
Other current assets	1,453	4,328

Current deferred expenses refer to advance payments of costs, which will debit against profit or loss in 2022.

21. EQUITY

in EUR thousand	31 Dec. 2021	31 Dec. 2020
Equity attributed to the owners of the parent company	*374,326*	*354,596*
Share capital	145,266	145,266
Capital surplus	11,461	11,461
Reserves	3,756	3,487
Retained earnings	213,843	194,382
Non-controlling interest	*25,672*	*26,685*
Equity	399,998	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 in 2021.

Ownership Structure of the Parent Company

Shareholder	Number of shares 31 Dec. 2021	Number of shares 31 Dec. 2020
DILON, d. o. o., Gerbičeva ulica 98, Ljubljana, Slovenia	718,351	718,351
Republic of Slovenia, Gregorčičeva ulica 20, Ljubljana, Slovenia	248,655	248,655
SIJ d.d., Gerbičeva ulica 98, Ljubljana, Slovenia	27,600	27,600
UNIOR, d. d., Kovaška cesta 10, Zreče, Slovenia	10	10
Total	994,616	994,616

The ownership structure of the parent company did not change in 2021.

Capital Surplus

The capital surplus amounting to EUR 11,461 thousand was formed during the simplified decrease of the parent company's capital.

Reserves

in EUR thousand	31 Dec. 2021	31 Dec. 2020
Legal reserves	8,510	8,391
Treasury shares	(6,009)	(6,009)
Reserves for treasury shares	3,754	3,754
Other equity reserves	6,255	6,136
Fair value reserve due to financial assets at fair value through other comprehensive income	568	385
Deferred tax liabilities	(108)	(73)
Fair value reserves	460	312
Net actuarial losses on pension programs	(3,098)	(2,889)
Translation differences	139	(72)
Reserves	3,756	3,487

The parent company acquired treasury shares amounting to EUR 2,255 thousand on the basis of the Act Regulating the Incurrence and Settlement of Liabilities of Slovenske železarne as regards the Restructuring Programme (Official Gazette of the RS, no. 111/2001) and in line with the Privatization of Slovenske železarne Act (Official Gazette of the RS, no. 13/1998). Treasury shares were acquired by exchanging interests in subsidiaries for shares of the parent company, owned by authorised companies. The shares were acquired ex lege and not in line with the Companies Act, which is why the parent company did not establish a treasury shares fund. Shares are recognised at cost.

In 2021, the parent company created legal reserves from net profit amounting to EUR 119 thousand (2020: EUR 196 thousand).

Distributable Profit

The Group is not a legal entity nor does it hold decision-making rights. Retained earnings and net profit for the financial year of subsidiaries, included in the consolidated financial statements, are divided on the level of companies in the Group.

Non-Controlling Interest

On 31 December 2021, the gross value of non-controlling interest amounts to EUR 28,897 thousand. The gross value is decreased by EUR 3,225 thousand corresponding to the carrying amount of the 33 percent share of the subsidiary OROMET. The Group has entered an option agreement to purchase this share. Under the option agreement, the liability to purchase the 33 percent share amounts to EUR 3,828 thousand on 31 December 2021.

22. EMPLOYEE BENEFITS

in EUR thousand	31 Dec. 2021	31 Dec. 2020
Provisions for severance pay	13,980	13,743
Provisions for jubilee benefits	1,964	2,083
Provisions for post-employment benefits	244	224
Employee benefits	16,188	16,050

The actuarial calculation was made on the basis of the actuarial model and assumptions, derived from the life expectancy tables in Slovenia from 2007, separately for men and women, decreased by 10 percent (active population), growth of wages in the Republic of Slovenia and in the Group, and the yield curve, which represents the relationship between market yields on government bonds in the Eurozone and the time remaining to maturity. The average discount rate considered in the calculations was 0.7 percent.

Employee benefits are calculated by an authorized actuary. The change in employee benefits had a direct effect on the income statement, except for actuarial gains which affect comprehensive income.

Movement of Employee Benefits in 2021

in EUR thousand	31 Dec. 2020	Transfer from liabilities held for sale	Creation	Reversal and utilisation	31 Dec. 2021
Provisions for severance pay	13,743	7	653	(423)	13,980
Provisions for jubilee benefits	2,083	0	53	(172)	1,964
Provisions for post-employment benefits	224	0	36	(16)	244
Employee benefits	16,050	7	742	(611)	16,188

Movement of Employee Benefits in 2020

in EUR thousand	31 Dec. 2019	Creation	Reversal and utilisation	31 Dec. 2020
Provisions for severance pay	13,303	746	(306)	13,743
Provisions for jubilee benefits	2,034	103	(54)	2,083
Provisions for post-employment benefits	215	23	(14)	224
Employee benefits	15,552	872	(374)	16,050

Sensitivity Analysis of Actuarial Assumptions

in EUR thousand		31 Dec. 2021		31 Dec. 2020	
Actuarial assumption	Change in assumption (pp)	Post-employment benefits on retirement	Loyalty bonuses	Post-employment benefits on retirement	Loyalty bonuses
	0.5	(543)	(67)	(559)	(76)
Yield	–0.5	590	72	609	81
	0.5	606	71	599	79
Salary growth	–0.5	(570)	(69)	(562)	(77)
	0.5	(559)	(70)	(572)	(79)
Fluctuation	–0.5	399	65	475	77

23. NON-CURRENT DEFERRED INCOME

in EUR thousand	31 Dec. 2021	31 Dec. 2020
Assigned contributions	912	962
Subsidies for property, plant and equipment	916	629
Other deferred income	8	58
Non-current deferred income	1,836	1,649

Movement of Non-Current Deferred Income in 2021

in EUR thousand	31 Dec. 2020	Creation	Reversal and utilisation	31 Dec. 2021
Assigned contributions	962	1,757	(1,807)	912
Subsidies for property, plant and equipment	629	378	(91)	916
Other deferred income	58	953	(1,003)	8
Non-current deferred income	1,649	3,088	(2,901)	1,836

Movement of Non-Current Deferred Income in 2020

in EUR thousand	31 Dec. 2019	Acquisition of companies	Creation	Reversal and utilisation	31 Dec. 2020
Assigned contributions	1,046	71	1,568	(1,723)	962
Subsidies for property, plant and equipment	681	0	17	(69)	629
Other deferred income	5	55	1,221	(1,223)	58
Non-current deferred income	1,732	126	2,806	(3,015)	1,649

24. NON-CURRENT FINANCIAL LIABILITIES

in EUR thousand	31 Dec. 2021	31 Dec. 2020
Borrowings	78,292	85,524
Liabilities for bonds issued (SIJ6, SIJ7)	79,114	65,808
Liabilities from lease	8,909	7,703
Non-current financial liabilities	166,315	159,035

Borrowings include loans from domestic and foreign banks. Borrowings amounting to EUR 4,146 thousand (2020: EUR 5,775 thousand) are secured with real estate, movable property and receivables. Other borrowings are not secured. The interest rate for the majority of borrowings and liabilities arising from finance lease is flexible and based on EURIBOR.

Movement of Non-Current Borrowings

in EUR thousand	2021	2020
Balance as at 1 Jan.	85,524	118,305
Acquisition of companies	0	1,161
New borrowings	126,218	4,307
Repayments of borrowings	(11,733)	0
Amortisation of origination fee	(1,439)	0
Transfer to current borrowings	(120,278)	(38,249)
Balance as at 31 Dec.	78,292	85,524

Liabilities for Bonds Issued

The parent company issued bonds with the ticker symbol of SIJ6 with the total nominal value of EUR 40,000 thousand in November 2019. In December 2021, it issued, through a further issue, additional bonds with a total nominal value of EUR 8,000 thousand. The entire bond issue contains 480 denominations of EUR 100 thousand. The bond maturity date is 25 November 2024. The interest rate for the bonds is fixed, i.e. 2.8 percent per annum. Interest is accrued annually in arrears. The nominal value of the principal falls due, in full and in a single amount, on the maturity of the bond. The bonds are traded on the Ljubljana Stock Exchange.

The parent company issued bonds with the ticker symbol of SIJ7 with the total nominal value of EUR 26,100 thousand in November 2020. In December 2021, it issued, through a further issue, additional bonds with a total nominal value of EUR 5,000 thousand. The entire bond issue contains 311 denominations of EUR 100 thousand. The bond maturity date is 2 November 2023. The interest rate for the bonds is fixed, i.e. 3.9 percent per annum. Interest is accrued annually in arrears. The nominal value of the principal falls due, in full and in a single amount, on the maturity of the bond. The bonds are traded on the Ljubljana Stock Exchange.

Movement of Non-Current Liabilities Arising from Lease

in EUR thousand	2021	2020
Balance as at 1 Jan.	7,703	4,806
Acquisition of companies	0	1,010
Transfer from liabilities included in disposal groups	41	0
New leases	5,878	4,262
Transfer to current liabilities from lease	(4,767)	(3,235)
Translation differences	97	(16)
Change in lease agreements	(43)	876
Balance as at 31 Dec.	8,909	7,703

The lowest sum of future leases due for payment in the next 1 to 5 years amounts to EUR 8,057 thousand (2020: EUR 7,743 thousand). After 5 years it amounts to EUR 1,516 thousand (2020: EUR 215 thousand).

The net present value of future leases due for payment in the next 1 to 5 years, amounts to EUR 7,540 thousand (2020: EUR 7,494 thousand). After 5 years it amounts to EUR 1,369 thousand (2020: EUR 209 thousand).

25. CURRENT FINANCIAL LIABILITIES

in EUR thousand	31 Dec. 2021	31 Dec. 2020
Borrowings	51,782	60,532
Liabilities for commercial papers issued	30,074	26,556
Liabilities from lease	3,607	3,152
Other financial liabilities	680	408
Current financial liabilities	86,143	90,648

Borrowings include loans from domestic and foreign banks. Borrowings amounting to EUR 12,704 thousand (2020: EUR 10,400 thousand) are secured with real estate, movable property and receivables. Other borrowings are not secured. The interest rate for the majority of borrowings and liabilities arising from finance lease is flexible and based on EURIBOR.

Movement of Current Borrowings

in EUR thousand	2021	2020
Balance as at 1 Jan.	60,532	54,890
Acquisition of companies	0	1,141
Transfer from liabilities included in disposal groups	218	0
New borrowings	462,137	377,541
Repayments of borrowings	(593,032)	(410,663)
Amortisation of origination fee	1,037	0
Transfer from non-current borrowings	120,278	38,249
Translation differences	612	(626)
Balance as at 31 Dec.	51,782	60,532

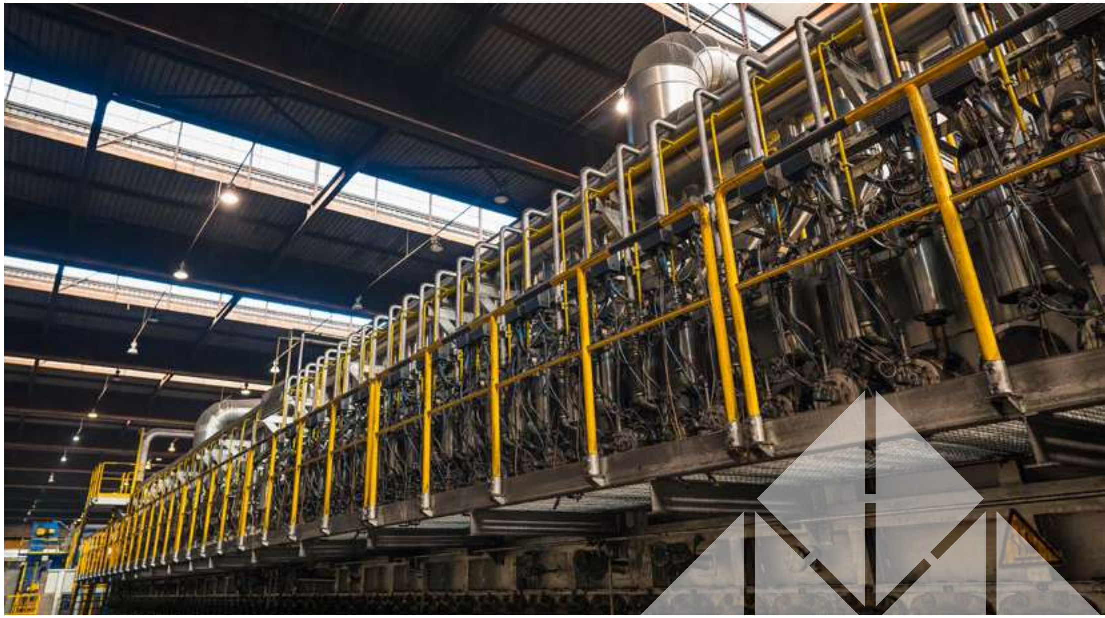
Liabilities for Commercial Papers Issued

Liabilities for commercial papers amounting to EUR 30,000 thousand refer to 12-month commercial papers with the ticker symbol SIK08, issued as an 8th issue by the parent company on 10 December 2021. The total nominal value of the commercial papers is EUR 30,000 thousand and covers 300 denominations of EUR 100 thousand. The interest rate for a commercial paper is 0.95 percent per annum. Commercial papers are a discounted security. Interest is charged in advance and deducted on payment of a commercial paper in the form of a discount from the nominal value of the commercial paper. Liabilities from commercial papers are payable on 9 December 2022. The parent company repaid the 7th issue of commercial papers with the ticker symbol SIK07 in the amount of EUR 26,700 thousand on the maturity day in December 2021.

Movement of Current Liabilities Arising from Lease

in EUR thousand	2021	2020
Balance as at 1 Jan.	3,152	2,057
Acquisition of companies	0	493
Transfer to liabilities included in disposal groups	11	0
New leases	92	218
Repayments of liabilities arising from lease	(4,404)	(2,861)
Transfer from non-current liabilities arising from lease	4,767	3,235
Translation differences	15	(8)
Change in lease agreements	(26)	18
Balance as at 31 Dec.	3,607	3,152

The lowest sum of future leases due for payment in the next financial year amounts to EUR 3,895 thousand on 31 December 2021 (2020: EUR 3,337 thousand), and the net present value of future leases amounts to EUR 3,607 thousand on the same date (2020: EUR 3,152 thousand).



26. CURRENT TRADE PAYABLES

in EUR thousand	31 Dec. 2021	31 Dec. 2020
Payables to suppliers for fixed assets	5,600	9,778
Payables to suppliers for working capital	267,726	180,541
Liabilities to employees	9,322	7,207
Received advance payments and cautions	3,659	2,217
Tax liabilities	7,518	5,439
Other liabilities	1,025	722
Current trade payables	294,850	205,904

27. OTHER CURRENT LIABILITIES

in EUR thousand	31 Dec. 2021	31 Dec. 2020
Accrued expenses for unused annual leave	2,947	2,232
Accrued expenses for lawsuits	343	747
Accrued expenses for CO2 emissions allowances	3,332	3,636
Liabilities arising from purchase of non-controlling interest (Note 21)	3,828	0
Other liabilities	1,355	824
Deferred income	322	236
Other current liabilities	12,127	7,675

28. SEGMENT REPORTING

Segment Reporting for 2021

in EUR thousand	Steel Division	Distribution & Processing Division	Scrap Division	Manufacturing Division	Total segments	Headquarters and Other Services	Total	Eliminations	Consolidated financial statements
Operating income (external)	567,103	194,498	137,981	61,559	961,141	1,557	962,698	0	962,698
Operating income (between segments)	134,790	5,656	36,010	11,773	188,229	17,207	205,436	(205,436)	0
Revenue	701,893	200,154	173,991	73,332	1,149,370	18,764	1,168,134	(205,436)	962,698
Operating profit (loss)	29,472	12,616	4,366	(378)	46,076	(1,523)	44,553	0	44,553
Interest income	5	27	9	13	54	5,927	5,981	(2,062)	3,919
Interest expenses	7,401	676	448	774	9,299	3,050	12,349	(2,154)	10,195
Amortisation and depreciation	41,870	6,276	672	3,110	51,928	1,063	52,991	(259)	52,732
Impairment of assets	2,326	661	464	128	3,579	(62)	3,517	0	3,517
Property, plant, equipment, and intangible assets	0	0	0	176	176	0	176	0	176
Inventories	2,435	504	400	12	3,351	0	3,351	0	3,351
Profit (loss) from impairment of trade receivables	(109)	157	64	(60)	52	(62)	(10)	0	(10)
Share of profit in associates	0	0	0	0	0	0	0	0	0
Purchase of non-current assets	37,389	5,736	1,598	1,852	46,575	285	46,860	0	46,860
Non-current business assets based on geographic location	327,463	52,266	10,160	23,780	413,669	10,030	423,699	0	423,699
Slovenia	327,463	37,095	6,838	23,780	395,176	10,030	405,206	0	405,206
Other countries	0	15,171	3,322	0	18,493	0	18,493	0	18,493

Segment Reporting for 2020

in EUR thousand	Steel Division	Distribution & Processing Division	Scrap Division	Manufacturing Division	Total segments	Headquarters and Other Services	Total	Eliminations	Consolidated financial statements
Operating income (external)	426,985	154,057	62,467	58,591	702,100	1,477	703,577	0	703,577
Operating income (between segments)	106,227	4,572	19,718	10,355	140,872	15,984	156,856	(156,856)	0
Revenue	533,212	158,629	82,185	68,946	842,972	17,461	860,433	(156,856)	703,577
Operating profit (loss)	(32,490)	(551)	969	(2,783)	(34,855)	(968)	(35,823)	0	(35,823)
Interest income	8	10	19	0	37	5,385	5,422	(1,691)	3,732
Interest expenses	5,674	911	449	581	7,614	3,130	10,744	(1,837)	8,908
Amortisation and depreciation	42,316	3,973	626	3,107	50,022	1,018	51,039	(376)	50,663
Impairment of assets	20,344	380	22	2,161	22,907	(73)	22,834	0	22,834
Property, plant, equipment, and intangible assets	20,386	0	10	2,083	22,479	0	22,479	0	22,479
Inventories	225	56	0	21	302	0	302	0	302
Profit (loss) from impairment of trade receivables	(267)	324	12	57	126	(73)	53	0	53
Share of profit in associates	30	0	0	0	30	0	30	0	30
Purchase of non-current assets	35,724	2,934	1,310	1,978	41,946	435	42,381	0	42,381
Non-current business assets based on geographic location	329,827	48,034	6,456	24,986	409,303	11,184	420,487	0	420,487
Slovenia	329,827	34,144	4,972	24,986	393,929	11,184	405,113	0	405,113
Other countries	0	13,890	1,484	0	15,374	0	15,374	0	15,374

Income Reconciliation by Segments

in EUR thousand	2021	2020 restated	2020
Operating income by segments	1,149,370	842,972	843,003
Operating income (between segments)	(188,229)	(140,872)	(140,903)
Operating income (external)	961,141	702,100	702,100
Operating income – Headquarters and Other Services Division	18,764	17,461	17,484
Eliminations	(17,207)	(15,984)	(16,007)
Discontinued operations	0	0	(7,540)
Operating income from contracts with customers	962,698	703,577	696,037

Operating Income (External) by Geographical Locations

in EUR thousand	2021	2020
In Slovenia	140,715	107,215
In other countries:	820,426	594,885
- Germany	214,582	151,284
- Italy	214,534	133,222
- USA	62,731	65,225
- Croatia	5,880	4,993
- Austria	24,633	20,988
- other countries	298,066	219,173
Operating income from contracts with customers	961,141	702,100

The above information on operating income is based on the location of customers. The Group has a wide range of customers and does not depend on just a few major customers.

Reconciliation of Operating Profit (Loss)

in EUR thousand	2021	2020 restated	2020
Profit (loss) by segments	46,076	(34,855)	(34,418)
Loss – Headquarters and Other Services Division	(1,523)	(968)	(1,189)
Operating profit (loss)	44,553	(35,823)	(35,607)
Finance income	4,025	3,909	3,905
Finance expenses	(14,592)	(12,209)	(12,203)
Share of profit in associates	0	30	30
Profit (loss) before tax	33,986	(44,093)	(43,875)

29. BUSINESS COMBINATIONS

In July 2020, the parent company concluded a strategic partnership with TPA. To the existing companies of the RSC Holding Group (Ravne Steel Center, Oromet, Sidertoce and MWT) it incorporated 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, Kaldera and Additherm). Before the business combination, the parent company controlled 100 percent of RSC HOLDING Group. After the entry of new shareholder TPA, the 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 potential liabilities as temporary fair values for the initial accounting for the business combination. The Group has reviewed the fair value of the acquired assets, liabilities, and potential liabilities. Their fair value has not changed materially. The Group considered the impact in the preparation of the consolidated financial statements for 2021.

Based on the new fair values of the acquired assets, liabilities, and potential liabilities, the group remeasured the goodwill and recognised a decrease in goodwill by EUR 1,160 thousand.

The table below shows the temporary fair values of the assets acquired and liabilities assumed at the acquisition date of 1 July 2020, including adjustments.

in EUR thousand	Temporary fair value	Adjustments	Fair value
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 referring to the 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

30. IMPACT OF COVID-19 PANDEMIC ON THE CONSOLIDATE FINANCIAL STATEMENTS

Due to the deteriorating macroeconomic environment caused by the COVID-19 pandemic, the Group reviewed significant accounting policies and estimates in areas where the pandemic could have a negative impact.

- **Financial instruments:** The Group regularly monitors and reviews the model of expected losses following IFRS 9 and does not detect material increase in credit risk due to the effects of COVID-19. Nevertheless, due to the changed economic situation, it adjusted the model for calculating the impairment of financial instruments as at 31 December 2021 and concluded on the basis of the calculation that the effect on its consolidated financial statements is not material.

- **Goodwill:** Based on the known facts, the Group tested goodwill for possible impairment and found that there was no need for impairment by time of drawing up the report.

- **Property, plant and equipment:** The Group reviewed the signs of impairment of property, plant, and equipment based on the performance valuation of individual CGUs and proceeded to annual value assessment where such signs existed. The impairment has arisen not just for the COVID-19 reasons. A more detailed explanation of impairments is disclosed in Note 9.

- **Inventories:** Inventories are measured at cost or net realisable value, whichever is the lowest. Until the date of drawing up the report the Group did not materially reduce the selling prices of inventories, nor did the pandemic increase the costs required to complete the inventories.

- **Receivables and loans issued:** The Group did not have to impair receivables and loans issued due to the COVID-19 pandemic.

- **Leases:** Changes in rents due to the COVID-19 pandemic may lead to different accounting treatment of leases. On 31 December 2021, the Group reviewed all significant facts and found that there were no material changes in the lease agreements due to COVID-19 pandemic.

- **Financial commitments in loan agreements:** Within the provisions of financial agreements, the Group is obliged to fulfill contractually determined financial commitments. The impact of the COVID-19 pandemic on the Group's operations could lead to a deviation from achieving contractually agreed financial commitments. Nevertheless, the Group timely received from all banks-lenders a waiver or a change in financial commitments and financial indicators. In 2021, the Group therefore fully complied with all commitments set in loan agreements.

- **Employee benefits:** On 31 December 2021, the review of the defined actuarial assumptions for employee benefits, including the interest rate, did not lead to the need to recalculate provisions for employee benefits.

- **Labour costs:** The Group states the government grands received based on the COVID-19 pandemic in the amount of EUR 679 thousand (2020: EUR 6,751 thousand) as a decrease in labour costs. The Group reviewed the conditions for receiving government grants and assessed that there is no risk to recover the aid and, therefore, is no need to recognise a liability.

31. CONTINGENT ASSETS AND LIABILITIES

On 31 December 2021, the contingent liabilities amount to EUR 131 thousand (2020: EUR 2,140 thousand) and refer to guarantees for good work performance, lawsuits, customs bond guarantees and excise guarantees. The Group expects no outflows from the issued guarantees.

On 31 December 2021, the contingent assets amount to EUR 1,204 thousand (2020: EUR 815 thousand) and refer to received guarantees and bills for the elimination of errors in the warranty period. The Group expects no inflows from received guarantees.

In July 2020, the parent company concluded with the other member an option agreement related to interests in RSC Holding and Additherm, namely:i) call option 1 in favour of the other member to buy a 2 percent share in RSC Holding and a 51 percent share in Additherm; ii) call option 2 in favour of the other member to buy a 51 percent share in Additherm; iii) call option in favour of the parent company to buy a 49 percent share of the other member in RSC Holding and a 49 percent share of the other member in Additherm; iv) put option 1 in favour of the other member to sell a 49 percent shares of the other member in RSC Holding and Additherm; v) put option 2 in favour of the other member to sell a 49 percent share of the other member in RSC Holding. The options can be exercised under the terms and conditions set out in the option agreement. On 31 December 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.

Related Parties

Related parties are the parent company of the Group, its majority shareholder and the ultimate parent (including 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	2021	2020
Revenue	3,902	3,692
Expenses	0	3

in EUR thousand	31 Dec. 2021	31 Dec. 2020
Financial receivables	86,492	84,428

Transactions with Other Related Parties

in EUR thousand	2021	2020
Revenue	12,944	10,039
Expenses	5,813	2,300

in EUR thousand	31 Dec. 2021	31 Dec. 2020
Receivables	3,886	3,841
Liabilities	895	1,469
Contingent liabilities	0	1,094

Transactions with Management

The total amount of the receipts of the Supervisory Board members and the receipts of the Group's key management personnel for the performance of functions or tasks based on the business management contracts

in EUR thousand	2021	2020
Key management personnel	9,804	9,485
Members of the Supervisory Board	145	145

In 2021, the Group did not grant any loans, issue any guarantees nor make any advance payments to the key management personnel or the members of the Supervisory Board. On 31 December 2021, the Group has no receivables or liabilities towards the key management personnel, except for liabilities for December salaries paid January 2022.

Financial Instruments and Risks

Credit Risk

The credit risk is assessed as accordingly managed. Exposure to credit risks is assessed based on receivables insurability, data and information, predicting risk of losses (financial information on customers and their financial statements, media available information, earlier business relations with customers, and forward-looking information). The Group actively and systematically monitors the receivables structure, executes intensive communication with customers and accurately monitors possible indicators of increased retail credit risk.

The major portion of trade receivables are receivables from the sale of products in domestic and foreign countries. The trade receivables are diversified and secured with first-class insurances, such as credit insurance by an insurance company and bank guarantees. On the reporting date, 77 percent of all trade receivables are secured with first-class insurance. The control system is also managed by the protocol for assigning internal limits. The effects of expected future losses of trade receivables are measured by using the allowances matrix, where the loss allowance is measured by using the simplified model at an amount equal to 12-month expected credit losses.

The majority of financial receivables and deposits represent loans issued to the majority shareholder of the parent company. For loans issued, with no significant increase in credit risk since initial recognition on the reporting date, the impairment assessment is based on expected credit losses linked to a default on loans that is possible within the next 12 months (group 1). For those loans issued for which there has been a significant increase in credit risk since initial recognition, the Group recognises a loss allowance on a case by case basis (group 3). All loans granted by the Group are categorized in group 1. There was no movement between groups in 2021.

Age Structure of Financial Assets

in EUR thousand		Overdue				
31 Dec. 2021	Not-overdue	Up to 3 months	3 months to 1 year	1 year to 3 years	Over 3 years	Total
Trade receivables	91,362	5,953	3,220	778	1,754	103,067
Financial receivables and deposits	86,560	0	28	0	0	86,588
Total	177,922	5,953	3,248	778	1,754	189,655

in EUR thousand		Overdue				
31 Dec. 2020	Not-overdue	Up to 3 months	3 months to 1 year	1 year to 3 years	Over 3 years	Total
Trade receivables	66,334	4,677	1,103	688	1,924	74,726
Financial receivables and deposits	85,372	0	0	0	0	85,372
Total	151,706	4,677	1,103	688	1,924	160,098

Movement of Allowances for Financial Assets

in EUR thousand	Accumulated allowance as at 31 Dec. 2020	Transfer from assets held for sale	Changes with impact on profit or loss	Changes without impact on profit or loss	Accumulated allowance as at 31 Dec. 2021
Trade receivables	3,739	12	(10)	(912)	2,829
Financial receivables and deposits	20	0	(1)	2	21
Other operating receivables	61	0	2	0	63
Total	3,820	12	(9)	(910)	2,913

in EUR thousand	Accumulated allowance as at 31 Dec. 2019	Acquisition of company	Changes with impact on profit or loss	Changes without impact on profit or loss	Accumulated allowance as at 31 Dec. 2020
Trade receivables	4,660	144	59	(1,124)	3,739
Financial receivables and deposits	37	0	3	(20)	20
Other operating receivables	260	0	(7)	(192)	61
Total	4,957	144	55	(1,336)	3,820

Liquidity Risk

The Group is managing liquidity risk with the appropriate planning of cash flow and current credit lines from banks agreed in advance, which ensures that the Group is capable of settling any overdue liabilities at any time. The majority of financial liabilities relate to a long-term syndicated loan amounting to EUR 83.1 million principal outstanding and issued bonds and commercial papers in the total amount of EUR 109.1 million. The total liquidity reserves in form of unused short and long term credit lines amounted to EUR 94.2 million as at 31 December 2021, which significantly reduces the liquidity risk. Liquidity risk is additionally managed by the receivables securitisation program.

in EUR thousand		Expected cash flows				
31 Dec. 2021	Present value	Up to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Total
Cash and cash equivalents	49,171	49,171	0	0	0	**49,171**
Trade receivables	103,067	94,443	8,600	24	0	**103,067**
Other trade receivables	1,419	1,187	171	7	54	**1,419**
Financial receivables	86,566	0	5,287	25,235	74,375	**104,897**
Non-financial assets	745,537	0	0	0	0	**745,537**
Total assets	985,760	144,801	14,058	25,266	74,429	1,004,091
Payables to suppliers	274,442	266,227	7,848	366	1	**274,442**
Financial liabilities	252,458	21,484	72,495	162,039	15,576	**271,594**
Other liabilities	1,025	874	151	0	0	**1,025**
Non-financial liabilities	57,837	0	0	0	0	**57,837**
Total liabilities	585,762	288,585	80,494	162,405	15,577	604,898

in EUR thousand		Expected cash flows				
31 Dec. 2020	Present value	Up to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Total
Cash and cash equivalents	41,208	41,208	0	0	0	**41,208**
Trade receivables	70,986	65,121	5,249	543	73	**70,986**
Other trade receivables	2,282	1,496	762	24	0	**2,282**
Financial receivables	85,352	4	4,033	35,691	70,556	**110,284**
Non-financial assets	667,064	0	0	0	0	**667,064**
Total assets	866,892	107,829	10,044	36,258	70,629	891,824
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

The Group regularly monitors and analyses the liquidity gap on a time-to-pocket basis, measures the maturity structure of assets and liabilities. The liquidity gap cannot be avoided but can be managed effectively by the Group. A positive gap means a surplus of resources and a negative means a shortage of resources to be provided.

Within the provisions of financial agreements, the Group is obliged to fulfil contractually determined financial commitments. In 2021, the Group fully complied with all financial commitments.

Foreign Exchange Risk

The Group assesses its foreign exchange risk as moderate and accordingly managed. The Group is exposed to changes in exchange rates especially due to volatility of the US dollar, and due to currency fluctuations on some local markets with lower exposure. Amounts in tables are shown in EUR thousand.

31 Dec. 2021	EUR	USD	GBP	CHF
Cash and cash equivalents	20	7,190	0	0
Trade receivables	37	14,936	81	0
Financial receivables	0	509	0	0
Trade payables	30	45,691	0	0
Financial liabilities	822	0	0	0
Exposure	(795)	(23,056)	81	0

31 Dec. 2020	EUR	USD	GBP	CHF
Cash and cash equivalents	1	6,639	0	0
Trade receivables	8	24,481	299	0
Financial receivables	0	508	0	0
Trade payables	0	(30,423)	(1)	(61)
Financial liabilities	(43)	0	0	0
Exposure	(34)	1,205	298	(61)

The euro is the functional currency and does not represent exposure to exchange rate change risk.

The Group manages the risk with internal methods of exchange rate risk management, notably through the price policy method by integrating the exchange rate into a price difference, and by balancing sales and purchasing. In balancing, it seeks to neutralize foreign exchange risk by using natural protection or seeking a balance between inflows and outflows by currency. It is not using derivative financial instruments to protect exchange rates. On 31 December 2021, the value of the US dollar expressed in euro decreased by 7.7 percent compared to 31 December 2020. In 2021, the average value of the US dollar was 3.5 percent higher than in 2020. Sensitivity analysis is prepared for the US dollar.

Sensitivity Analysis and Presentation of US Dollar Exchange Rate Impact on Profit Before Tax

in EUR thousand	2021		2020	
Change of exchange rate by	10%	–10%	10%	–10%
US dollar (USD)	(2,036)	2,036	(98)	1,138

The change in the value of the US dollar by 10 percent compared to the euro on 31 December 2021 or 31 December 2020 would result in a change of profit or loss before tax by the amounts stated below. In the calculation of the change of US dollar exchange rate impact, the Group included a balance of cash and cash equivalents, receivables, liabilities and loans nominated in local currencies. Exposure to other currencies is low and does not represent material risk.

In 2021 and 2020, the following exchange rates were material for the Group:

Currency	31 Dec. 2021	31 Dec. 2020	Average exchange rate in 2021	Average exchange rate in 2020
EUR / USD	1.1326	1.2271	1.1827	1.1422
EUR / GBP	0.8403	0.89903	0.85960	0.88970
EUR / CHF	1.0331	1.0802	1.08596	1.0705
EUR / HRK	85.3004	91.4671	87.1527	82.7248
EUR / RUB	7.5156	7.5519	7.5284	7.5384
EUR / CZK	24.8580	26.2420	25.6400	26.4550

Exchange rates used to translate the balance items as at 31 December correspond to the European Central Bank exchange rates on that day.

Interest Rate Risk

The Group assesses its interest rate risk as low and accordingly managed. It regularly monitors its exposure to interest rate risk by monitoring developments in money markets, changes to the interest rates and changes to the prices of derivative financial instruments, and by proposing in due time measures of interest rate hedging.

A portion of fixed-rate loans represents 56 percent of all Group’s financial loans. Variable interest rates consist of variable interest rate EURIBOR and interest margin. In the majority of loan contracts, the interest rate floor by EURIBOR cannot be lower than zero, so there can be no positive effect on profit or loss.

A change in interest rate by 100 or 50 basis points on the reporting date would result in a decrease of profit or loss by the amounts stated below. The analysis assumes that all other variables remain unchanged.

The analysis for 2020 was prepared in the same manner.

in EUR thousand	2021	2020
Change in profit/loss if increased by 100 bp	(1,109)	(1,317)
Change in profit/loss if increased by 50 bp	(555)	(659)
Change in profit/loss if decreased by 50 bp	49	43
Change in profit/loss if decreased by 100 bp	99	86

Equity Management

The Group's main purpose of equity management is to achieve an adequate volume of capital to ensure the confidence of its creditors to financial stability, long-term solvency, as well as proper payment of dividends to its owners. On 31 December 2021, the parent company owns 27,600 treasury shares.

In the structure of total indebtedness, the share of equity value remains at a high level, as the Group continues to implement the current financial policy to ensure long-term development through long-term sources.

The level of debt on equity represents the ratio between equity and financial liabilities.

in EUR thousand	2021	Debt increase by 10%	Debt decrease by 10%
Level of debt on equity	63.11	69.80	56.80
Equity	399,998	399,998	399,998
Financial liabilities	252,458	277,704	227,212

Carrying Amounts and Fair Values of Financial Instruments

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

in EUR thousand	31 Dec. 2021		31 Dec. 2020	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets at fair value through other comprehensive income	1,382	1,382	1,260	1,260
Financial receivables	86,566	85,566	85,352	85,352
Trade receivables	113,613	113,613	81,665	81,665
Cash and cash equivalents	49,171	49,171	41,208	41,208
Financial liabilities	(252,458)	(251,380)	(249,683)	(249,683)
Trade payables	(295,966)	(295,966)	(206,618)	(206,618)

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

in EUR thousand	31 Dec. 2021	31 Dec. 2020
Financial assets at fair value through other comprehensive income	966	783
Financial assets at fair value of first level	966	783
Financial assets at fair value through other comprehensive income	416	477
Financial assets at fair value of third level	416	477
Bonds and commercial papers	(108,109)	(92,364)
Financial liabilities at fair value of second level	(108,109)	(92,364)
Borrowings	(130,074)	(146,056)
Finance lease	(12,516)	(10,855)
Other financial liabilities	(680)	(408)
Financial liabilities at fair value of third level	(143,270)	(157,319)

The third level of liabilities at fair value include secured loans granted, finance leases and interest liabilities, representing, according to the valuation model, carrying amounts of discounted expected future payments with the adjusted risk level. In 2021, there were no transfers of financial instruments between different levels.

Events after the Reporting Date

A syndicate of nine foreign and domestic banks, led by NLB, signed a new seven-year syndicated agreement worth EUR 230 million with the SIJ Group's two largest steel companies, SIJ Acroni and SIJ Metal Ravne, The borrowing with more favourable conditions is intended to provide sufficient liquidity reserves and to finance investments to improve environmental performance. The EBRD's participation in this loan further confirms banks' confidence in the business and the SIJ Group's focus on sustainable economic growth. In line with the strategy until 2025, the Group's investment projects are focused on increasing production efficiency and sustainable development, in environmental projects, circular economy and energy efficiency.

Current developments in Ukraine and the resulting sanctions imposed on the Russian Federation will affect the European and world economy. Currently, this is reflected mainly in the prices and deliverability of raw materials and energy, which the Group is mitigating with inventories management measures. For the time being, the Group is not particularly affected and has no significant direct exposure in relation to Ukraine, Russia or Belarus (up to 5 percent of trade receivables and slightly more than 2 percent of revenue).

However, the degree of uncertainty is high across the entire European economy, therefore as of the time of issuing this annual report, the management is unable to assess all the consequences reliably. The impact on the general economic situation may require certain assumptions and estimates to be adjusted and will also require adjustments of the carrying amount of certain assets and liabilities. The long-term impacts for the European and global economy may affect trading volumes, cash flows and profitability. Nevertheless, as of the publication date of these consolidated financial statements, the Group continues to honour its obligations and declares its ability to continue operating on a going concern basis.

The Group is closely monitoring the situation and potential impacts of both existing sanctions and potential new ones.

There were no other events after the reporting date that could influence the presented consolidated financial statements.

03

FINANCIAL REPORT SIJ d.d.

Deloitte.

Deloitte revizija d.o.o.
Dunajska cesta 165
1000 Ljubljana
Slovenia

VAT ID: SI62560085
Tel: +386 (0) 1 3072 800
Fax: +386 (0) 1 3072 900
www.deloitte.si

INDEPENDENT AUDITOR'S REPORT
to the shareholders of SIJ d.d. – Slovenska industrija jekla d.d.

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the company SIJ – Slovenska industrija jekla, d.d. (hereinafter 'the Company'), which comprise the statement of financial position as at 31 December 2021, and the comprehensive income, statement of changes in equity and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2021, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU (hereinafter 'IFRS').

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and Regulation (EU) 537/2014 of the European Parliament and of the Council, dated 16 April 2014, on specific requirements regarding statutory audit of public-interest entities. Our responsibilities under those rules are further described in *the Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) of the International Ethics Standards Board for Accountants (IESBA Code) and other ethical requirements that are relevant to our audit of the financial statements in Slovenia, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

MAKING AN IMPACT THAT MATTERS

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Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the year ended 31 December 2021. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Valuation of Investments in Subsidiaries

Key audit matter	How our audit addressed the key audit matter
Investments in subsidiaries amount to EUR 234 mln as of 31 December 2021 in the Company's separate financial statements. As required by the applicable accounting standards – IAS 36 Impairment of assets, Management conducts annual impairment tests to assess the recoverability of the carrying value of investments. The recoverable amount of investments is determined in accordance with IAS 36 as value in use and the present value of expected future cash flows to be generated by the subsidiary is assessed. Significant management judgment is involved in determination of critical assumptions and design of expected cash flows, accordingly, the impairment test of these assets is considered to be a key audit matter. Management has provided further information about the valuation related to subsidiaries in note 10 – *Investments in Subsidiaries*.	As part of our audit procedures, we assessed the adequacy of the company's accounting policies regarding impairments of investments in subsidiaries. Our audit procedures included assessing whether management's judgment is appropriate and whether the requirements of IAS 36 are met, including: - evaluation whether the model used by management to calculate the value in use of individual investments comply with the requirements of IAS 36 Impairment of assets and whether assumptions used are reasonable and supportable given the current macroeconomic climate and expected future performance; - we made use of our experts to evaluate whether the methodology used by the management expert is appropriate and whether the significant assumptions used are adequate for given purposes; - assessment whether information disclosed in the notes to the financial statements meet the requirements of applicable financial reporting standards.

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Other information

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

Our opinion on the financial statements does not cover the other information and we express no assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, assess whether the other information is materially inconsistent with the financial statements, legal requirements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If based on our work performed we conclude that other information include material misstatement we need to report such circumstances.

In relation to this and based on our procedures performed, we report that:

- other information are, in all material respects, consistent with the audited financial statements;
- other information are prepared in compliance with applicable law or regulation; and
- based on our knowledge and understanding of the Company and its environment obtained in the audit, we did not identify any material misstatement of fact related to the other information.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

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

In preparing the financial statements of the Company, management is responsible for assessing its ability to continue as a going concern, disclosing matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process and for approving audited annual report.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the organization to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period, and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

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Report on Other Legal and Regulatory Requirements

Report on the requirements of the Regulation (EU) No 537/2014 of the European Parliament and of the Council (Regulation EU 537/2014)

Appointment of the Auditor and the Period of Engagement
Deloitte revizija d.o.o. was appointed as the statutory auditor of the Company on General Shareholders' Meeting held on 14 October 2019. Our total uninterrupted engagement has lasted 3 years.

Confirmation to the Audit Committee
We confirm that our audit opinion on the financial statements expressed herein is consistent with the additional report to the Audit Committee of the Company, which we issued on 16 March 2022 in accordance with Article 11 of Regulation (EU) No. 537/2014 of the European Parliament and the Council.

Provision of Non-audit Services
We declare that no prohibited non-audit services referred to in the Article 5(1) of Regulation (EU) No. 537/2014 of the European Parliament and the Council were provided. There are no services, in addition to the statutory audit, which we provided to the Company, and which have not been disclosed in the Annual Report.

Engagement partner responsible for the audit on behalf of Deloitte revizija d.o.o. is Katarina Kadunc.

DELOITTE REVIZIJA d.o.o.

Katarina Kadunc
Certified auditor

For signature please refer to the original Slovenian version.

Deloitte.
DELOITTE REVIZIJA D.O.O.
Ljubljana, Slovenija 3

Ljubljana, 16 March 2022

TRANSLATION ONLY, SLOVENE ORIGINAL PREVAILS

STATEMENT OF THE MANAGEMENT'S RESPONSIBILITY

The Company's Management Board is responsible for the preparation of the financial statements, together with accounting policies and notes, for the year 2021, which give to the best of its knowledge and belief, a fair view of the development and results of the Company's operations and its financial position, including the description of material risks the Company is exposed to.

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

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

Anytime within 5 years after the end of the year in which the tax assessment should be made, the tax authorities can inspect the operations of the 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.

Ljubljana, 16 March 2022

Andrey Zubitskiy,
President of the Management Board

FINANCIAL STATEMENTS

Statement of Comprehensive Income

in EUR thousand	Note	2021	2020
Revenue	1	15,636	14,535
Gross profit		**15,636**	**14,535**
General and administrative expenses	2	(17,954)	(13,920)
Other operating income	3	8,237	105
Other operating expenses	4	(1,477)	(1,093)
Impairment gains of trade receivables	15	66	47
Operating profit		**4,508**	**(326)**
Finance income	5	8,732	9,185
Finance expenses	6	(10,846)	(4,684)
Net finance (costs) income		**(2,114)**	**4,501**
Profit before tax		**2,394**	**4,175**
Income tax	7	(12)	(251)
Profit for the period		**2,382**	**3,924**
Items that will not be reclassified subsequently to profit or loss			
Net actuarial gains (losses) on pension programs		23	(95)
Fair value ganis (losses) of financial assets at fair value through other comprehensive income		214	(86)
Income tax (benefit) related to components of comprehensive income		(35)	16
Total other comprehensive income		**202**	**(165)**
Comprehensive income		**2,584**	**3,759**

Continuation of the table →

Continuation of the table

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

Statement of Financial Position

in EUR thousand	Note	31 Dec. 2021	31 Dec. 2020
ASSETS			
Non-current assets		**338,674**	**340,193**
Intangible assets	8	530	625
Property, plant and equipment	9	5,933	6,245
Investment property		0	1
Investments in subsidiaries	10	234,004	222,873
Financial assets at fair value through other comprehensive income	11	1,370	1,248
Financial receivables	12	95,757	108,074
Deferred tax assets	13	1,080	1,127
Current assets		**86,603**	**71,559**
Assets (groups) held for sale		31	31
Financial receivables	14	71,848	65,464
Trade receivables	15	3,072	2,371
Income tax assets		201	1,903
Cash and cash equivalents	16	11,111	1,612
Other assets		340	178
Total assets		**425,277**	**411,752**
EQUITY AND LIABILITIES			
Equity	**17**	**272,186**	**275,414**
Share capital		145,266	145,266
Capital surplus		11,461	11,461
Other equity reserves		6,255	6,136
Fair value reserves		382	211
Retained earnings		108,822	112,340
Non-current liabilities		**94,628**	**80,368**
Employee benefits	18	861	765
Financial liabilities	19	81,970	67,185
Other liabilities	20	11,797	12,418

Continuation of the table →

Continuation of the table

in EUR thousand	Note	31 Dec. 2021	31 Dec. 2020
Current liabilities		**58,463**	**55,970**
Financial liabilities	21	49,882	49,684
Trade payables	22	6,866	4,697
Other liabilities	23	1,715	1,589
Total equity and liabilities		**425,277**	**411,752**

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

Statement of Changes in Equity

Statement of Changes in Equity for 2021

in EUR thousand	Share capital	Capital surplus	Other equity 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)**
Transactions with owners	**0**	**0**	**0**	**0**	**(5,812)**	**(5,812)**
Profit for the period	0	0	0	0	2,382	**2,382**
Other changes in comprehensive income	0	0	0	171	31	**202**
Total changes in comprehensive income	**0**	**0**	**0**	**171**	**2,413**	**2,584**
Creation of legal reserves	0	0	119	0	(119)	**0**
Total changes in equity	**0**	**0**	**119**	**0**	**(119)**	**0**
Balance as at 31 Dec. 2021	**145,266**	**11,461**	**6,255**	**382**	**108,822**	**272,186**

Statement of Changes in Equity for 2020

in EUR thousand	Share capital	Capital surplus	Other equity 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	3,924	**3,924**
Other changes in comprehensive income	0	0	0	(165)	0	**(165)**
Total changes in comprehensive income	**0**	**0**	**0**	**(165)**	**3,924**	**3,759**
Creation of legal reserves	0	0	196	0	(196)	**0**
Total changes in equity	**0**	**0**	**196**	**0**	**(196)**	**0**
Balance as at 31 Dec. 2020	**145,266**	**11,461**	**6,136**	**211**	**112,340**	**275,414**

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

Cash Flow Statement

in EUR thousand	2021	2020
Cash flow from operating activities		
Profit before tax	**2,394**	**4,175**
Adjusted for:		
Amortisation and depreciation (Notes 8 and 9)	839	759
Interest income (Note 5)	(5,945)	(5,403)
Interest expenses (Note 6)	3,236	3,224
Impairment of assets	957	0
Creation (reversal) of allowances and provisions	5,653	(2,045)
Dividends (Note 3)	(8,094)	0
Net other (income) expenses	(846)	502
Operating cash flow before changes in working capital	**(1,806)**	**1,212**
Working capital changes		
(Increase)/decrease in trade receivables	(2,373)	5,067
Decrease in trade payables	(849)	(1,424)
Increase in taxes other than income tax	844	236
Total working capital changes	*(2,378)*	*3,879*
Payments for retirement benefits and loyalty bonuses	(124)	(219)
Receipts from government grant	180	484
Income tax received (paid)	1,702	(8,134)
Net cash used from operating activities	**(2,426)**	**(2,778)**
Cash flow from investing activities		
Payments for investments in subsidiaries (Note 10)	(12,190)	(14,146)
Receipts from investments in subsidiaries (Note 10)	101	0
Payments for property, plant and equipment	(176)	(107)

Continuation of the table →

Continuation of the table

in EUR thousand	2021	2020
Receipts from property, plant and equipment	5	18
Payments for intangible assets	(86)	(203)
Payments for loans issued (Notes 12 and 14)	(93,607)	(91,797)
Receipts from loans issued (Notes 12 and 14)	84,916	80,035
Interests received	5,839	1,682
Dividends received (Notes 10, 11 and 12)	18,394	0
Receipts from other assets	93	0
Net cash generated (used) in investing activities	**3,289**	**(24,518)**
Cash flow from financing activities		
Receipts from borrowings (Notes 19 and 21)	129,442	142,343
Repayments for borrowings (Notes 19 and 21)	(114,758)	(148,615)
Receipts from financial services	3,208	1,745
Repayments for leases	(460)	(450)
Interests paid	(2,984)	(3,771)
Dividends paid	(5,812)	0
Net cash generated (used) in financing activities	**8,636**	**(8,748)**
Cash and cash equivalents as at 1 Jan.	**1,612**	**37,656**
Net change in cash and cash equivalents	9,499	(36,044)
Cash and cash equivalents as at 31 Dec.	**11,111**	**1,612**

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

NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS

Reporting Entity

SIJ – Slovenska industrija jekla, d.d (hereinafter: 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 financial statements for the period ending on 31 December 2021.

These are the Company's individual financial statements. The consolidated financial statements are issued at the same date. Consolidated financial statements for a broader group of subsidiaries are compiled by DILON Cooperatief U. A., the ultimate parent of SIJ d.d. The consolidated annual report for the Group DILON Cooperatief is available, when compiled, at the registered office of DILON Cooperatief U. A., Luna Arena, Herikerbergweg 238, 1101 CM Amsterdam Zuidoost, Amsterdam, the Netherlands.

Basis of Preparation

The 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.

In the selection of accounting principles and their application, as well as in the preparation of these financial statements, the Management Board considered the following three requirements: financial statements are comprehensible if users can understand them without difficulty; the information is adequate if it helps users make economic decisions; the information is fundamental if its exclusion or false presentation could affect users' economic decisions.

The Management Board approved the financial statements on 16 March 2022.

A. STATEMENT OF COMPLIANCE

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

Initial application of new amendments to the existing standards issued by IASB and adopted by the EU effective for the current reporting period

The following amendments to the existing standards issued by the IASB and adopted by the EU are effective for the current reporting period:

- **Amendments to IFRS 9 "Financial Instruments", IAS 39 "Financial Instruments: Recognition and Measurement", IFRS 7 "Financial Instruments: Disclosures", IFRS 4 "Insurance Contracts" and IFRS 16 "Leases"** – Interest Rate Benchmark Reform — Phase 2 adopted by the EU on 13 January 2021 (effective for annual periods beginning on or after 1 January 2021),
- **Amendments to IFRS 16 "Leases"** – Covid-19-Related Rent Concessions beyond 30 June 2021 adopted by the EU on 30 August 2021 (effective from 1 April 2021 for financial years starting, at the latest, on or after 1 January 2021),
- **Amendments to IFRS 4 "Insurance Contracts"** – Extension of the Temporary Exemption from Applying IFRS 9 adopted by the EU on 16 December 2020 (the expiry date for the temporary exemption from IFRS 9 was extended from 1 January 2021 to annual periods beginning on or after 1 January 2023).

The adoption of amendments to the existing standards has not led to any material changes in the Company's financial statements.

Standards and amendments to the existing standards issued by IASB and adopted by the EU but not yet effective

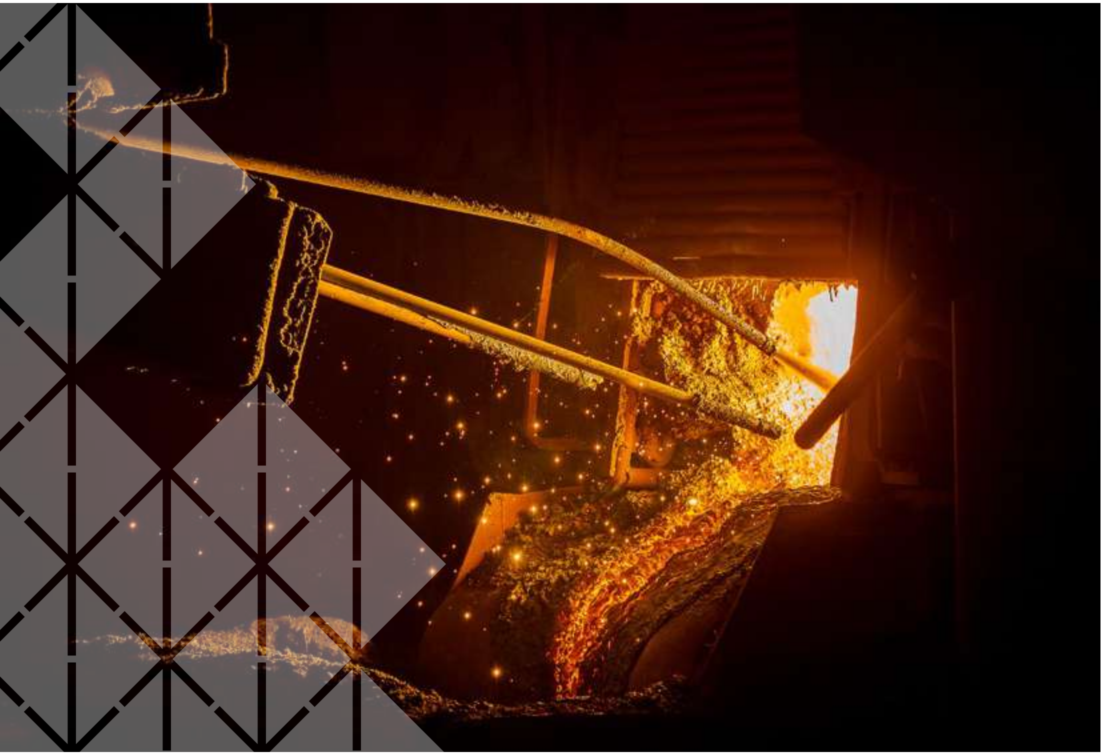
At the date of authorisation of these financial statements, the following amendments to the existing standards were issued by IASB and adopted by the EU and which are not yet effective:

- **Amendments to IAS 16 "Property, Plant and Equipment"** – Proceeds before Intended Use adopted by the EU on 28 June 2021 (effective for annual periods beginning on or after 1 January 2022),
- **Amendments to IAS 37 "Provisions, Contingent Liabilities and Contingent Assets"** – Onerous Contracts – Cost of Fulfilling a Contract adopted by the EU on 28 June 2021 (effective for annual periods beginning on or after 1 January 2022),
- **Amendments to IFRS 3 "Business Combinations"** – Reference to the Conceptual Framework with amendments to IFRS 3 adopted by the EU on 28 June 2021 (effective for annual periods beginning on or after 1 January 2022),
- **IFRS 17 "Insurance Contracts"** including amendments to IFRS 17 adopted by the EU on 19 November 2021 (effective for annual periods beginning on or after 1 January 2023),
- **Amendments to various standards due to "Improvements to IFRSs (cycle 2018–2020)"** resulting from the annual improvement project of IFRS (IFRS 1, IFRS 9, IFRS 16 and IAS 41) primarily with a view to removing inconsistencies and clarifying wording – adopted by the EU on 28 June 2021. (The amendments to IFRS 1, IFRS 9 and IAS 41 are effective for annual periods beginning on or after 1 January 2022. The amendment to IFRS 16 only regards an illustrative example, so no effective date is stated.)

New standards and amendments to the existing standards issued by IASB but not yet adopted by the EU

At present, IFRS as adopted by the EU do not significantly differ from regulations adopted by the IASB except for the following new standards and amendments to the existing standards, which were not endorsed for use in EU on the publication day of the financial statements (the effective dates stated below are for IFRS as issued by IASB):

- **IFRS 14 "Regulatory Deferral Accounts"** (effective for annual periods beginning on or after 1 January 2016) – the European Commission has decided not to launch the endorsement process of this interim standard and to wait for the final standard,
- **Amendments to IAS 1 "Presentation of Financial Statements"** – Classification of Liabilities as Current or Non-Current (effective for annual periods beginning on or after 1 January 2023),
- **Amendments to IAS 1 "Presentation of Financial Statements"** – Disclosure of Accounting Policies (effective for annual periods beginning on or after 1 January 2023),
- **Amendments to IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors"** – Definition of Accounting Estimates (effective for annual periods beginning on or after 1 January 2023),
- **Amendments to IAS 12 "Income Taxes"** – Deferred Tax related to Assets and Liabilities arising from a Single Transaction (effective for annual periods beginning on or after 1 January 2023),
- **Amendments to IFRS 10 "Consolidated Financial Statements" and IAS 28 "Investments in Associates and Joint Ventures"** – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture and further amendments (effective date deferred indefinitely until the research project on the equity method has been concluded),
- **Amendments to IFRS 17 "Insurance contracts"** – Initial Application of IFRS 17 and IFRS 9 – Comparative Information (effective for annual periods beginning on or after 1 January 2023).



The Company anticipates that the adoption of these new standards and amendments to the existing standards will have no material impact on the financial statements of the Company in the period of initial application. Hedge accounting for a portfolio of financial assets and liabilities whose principles have not been adopted by the EU remains unregulated. According to the Company's estimates, the application of hedge accounting to a portfolio of financial assets or liabilities under IAS 39: "Financial Instruments: Recognition and Measurement" would not significantly impact the financial statements, if applied as at the Statement of financial position.

B. USE OF GOING CONCERN ASSUMPTION

In the preparation of the financial statements for 2021, the Management Board took into account the going concern assumption based on activities and actions that that improve the Company's future operations in such a way that it will be able to generate cash flow to cover liabilities and provide investors with an adequate return on capital.

C. BASIS OF MEASUREMENT

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

D. FUNCTIONAL AND PRESENTATION CURRENCY

The financial statements in this report are presented in thousands of euros; the euro is also the functional currency of the Company.

E. APPLICATION OF ESTIMATES AND JUDGMENTS

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

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

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

Estimate of the Useful Life of Assets Subject to Amortisation or Depreciation (Notes 8 and 9, and Policies E and F)

When estimating the useful life of assets, the Company takes into account the expected physical wear and tear, the technical and economic obsolescence, as well as expected legal and other restrictions of use. In addition, the Company checks the useful life of significant assets in case the circumstances change and the useful life needs to be changed and amortisation and depreciation charges revalued.

Impairment of Assets

Information on significant uncertainty estimates and critical judgments that were prepared by the Management Board in the process of accounting policy implementation and which affect the amounts in the financial statements the most was used in the estimation of the value of:

- intangible assets (Note 8),
- property, plant and equipment (Note 9);
- investments in subsidiaries (Note 10);
- financial assets at fair value through other comprehensive income (Note 11);
- financial assets measured at amortised cost (including trade receivables) (Policy H);
- financial receivables (Notes 12 and 14).

Estimation of the Fair Value of Assets (Policies J and K)

Fair value is used for financial assets measured at fair value through other comprehensive income and financial assets measured at fair value through profit or loss. All other items in the financial statements represent the purchase or amortised cost.

In measuring the fair value of a non-financial asset, the Company must take into account a market participant's ability to generate economic benefits using the asset in its best use or by selling it to another market participant that would use the asset to the fullest and best possible extent. The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available, especially by applying appropriate market input data and minimum non-market inputs.

All assets and liabilities measured and disclosed in the financial statements at fair value are classified within the fair value hierarchy based on the lowest level of input data that is relevant for the fair value measurement as a whole:

Level 1 – quoted (unadjusted) prices in active markets for similar assets and liabilities;
Level 2 – valuation techniques that are based directly or indirectly on market data;
Level 3 – valuation techniques that are not based on market data.

For assets and liabilities already disclosed in the financial statements in previous periods, the Company determines at the end of each reporting period whether transfers have occurred between levels by re-assessing the classification of assets based on the lowest level input that is relevant for the fair value measurement as a whole.

The fair value hierarchy of assets and liabilities of the Company is presented in Note 'Financial Instruments and Risks'.

Estimate of Created Provisions (Policy M)

A provision is recognised when the Company, due to a past event, has a legal or indirect obligation that can be reliably measured, and if there is a probability that settling the obligation will require an outflow of resources enabling economic benefits. Probable obligations are not recognised in the financial statements, as their actual existence will only be confirmed when events will or will not occur in an unpredictable future, which is something the Company cannot influence. The Management Board is regularly checking whether the settling of the probable obligation will require an outflow of resources enabling economic benefits. If such outflow becomes probable, the possible obligation is reclassified when a degree of probability has changed by creating in the consolidated financial statements a provision for it.

Estimate of Provisions for Employee Post-Employment and Other Long-Term Benefits (Note 18 and Policy N)

Defined post-employment and other benefit obligations include the present value of post-employment benefits on retirement and jubilee benefits. They are recognised based on an actuarial calculation which is prepared by an authorised actuary and approved by the Management Board. An actuarial calculation is based on the assumptions and estimates applicable at the time of the calculation, and these may differ from the actual assumptions due to future changes. This mainly refers to determining the discount rate, the estimate of staff turnover, the mortality estimate, and the salary increase estimate. Due to the complexity of the actuarial calculation and the item's long-term nature defined benefit obligations are sensitive to changes in the said estimates.

Assessing the Possibility of Using Deferred Tax Assets (Note 13 and Policy D)

The Company recognises deferred tax assets in connection with provisions for jubilee benefits and post-employment benefits on retirement, impairment of financial assets, impairment of receivables, unused tax reliefs, tax losses.

On the day the financial statements are completed, the Company verifies the amount of disclosed deferred tax assets and liabilities. Deferred tax assets are recognised if it is probable that future taxable net profit, against which the deferred tax asset can be utilised, will be available. Deferred taxes are derecognised by the amount for which it is unlikely to enforce the tax relief associated with the asset.

Critical Assessment of the COVID-19 Pandemic

Due to the changes in business markets caused by the COVID-19 pandemic, the Company regularly monitors and properly manages current and potential risks. The Company reviewed significant accounting policies and estimates in areas where the COVID-19 pandemic could have a negative impact, in particular on assets, receivables and loans, impairments and provisions, fair value measurement, leases, and taxes.

In 2021, the Company received government grants totalling EUR 40 thousand (2020: EUR 489 thousand) that are stated as a decrease in labour costs. Based on the analyses and calculations performed, the Company concluded that the impact on other items in its financial statements is not material. The Company did not have to impair any assets, loans or receivables as a result of the COVID-19 pandemic and did not have any material changes to its lease agreements.

Critical Assessment of the Developments in Ukraine (Events after the reporting date)

So far, the Company is not particularly affected by the developments in Ukraine. The Company is closely monitoring the situation and the potential impact of the current and announced sanctions. The level of uncertainty is high for the European economy as a whole and it is impossible to foresee all the consequences at this point in time.

Significant Accounting Policies

A. FOREIGN CURRENCY CONVERSION

Transactions in foreign currencies are translated into the adequate functional currency at the ECB (European Central Bank) exchange rate on the trade date. Cash assets and liabilities denominated in a foreign currency at the end of the period are translated into the functional currency at the exchange rate applicable at that time. Positive or negative exchange rate differences are the differences between the amortised cost in functional currency at the beginning of the period and the payments during the period, and the amortised cost in a foreign currency, calculated at the exchange rate at the end of the period. Non-cash assets and liabilities, denominated in foreign currency and measured at fair value, are translated into the functional currency at the exchange rate on the date when the fair value is set. Non-cash assets and liabilities, denominated in foreign currency and measured at cost, are translated into the functional currency at the exchange rate on the date of the transaction. Exchange rate differences are recognised in profit or loss.

B. REVENUE

The Company is a holding company and is managing its subsidiaries. The Company accounts for contracts with customers if all the following criteria according to IFRS 15 are met: i) contracting parties have approved a contract (in writing, orally, or in accordance with other standard business practices) and are obliged to fulfil their obligations, ii) the Company can identify the rights of each contracting party to the services to be transferred, iii) the Company can identify payment terms and conditions for services to be transferred, iv) the contract has commercial substance, v) it is probable that the Company will be entitled to consideration in exchange for the services that will be transferred to a customer.

Revenue from contracts with customers is recognised at the moment of transfer of control over services to a customer in the amount of consideration that the Company expects to be entitled to in exchange for transferring the services. Revenue from contracts with customers is recognised at the fair value of received payments decreased by repayments, discounts, rebates for further sales, and quantity discounts.

Sales of Services

Revenue and other operating income are recognised when the service is performed, and the customer obtains control of that goods or services according to IFRS 15.

The Company is a holding managing its subsidiaries. From this, it also generates revenue that is recognised over time. Revenue is recognised equally during the period when a service is provided. The buyer receives and enjoys the benefits provided by the Company.

Within the sale of services, the largest portion represents management fees charged to the subsidiaries. The management fees are charged according to the achieved revenue of each subsidiary, where the percentage of the fee charged also depends on the size of the subsidiary. For sales of services, a performance obligation arises during the period when the services are provided, being charged on a monthly basis.

Finance Income

Financial income comprises interest income and positive exchange rate differences resulting from financing and investing. Interest income is recognised during the term/life of financial instrument using the effective interest rate method.

C. EXPENSES

Expenses are recognised if a decrease in economic benefits during the reporting period is associated with a decrease in assets or an increase in debts and if this decrease can be reliably measured. Operating expenses are recognised when the costs are no longer held in inventories, finished and unfinished products, or when goods are sold. Costs that cannot be held in inventories of finished and unfinished products are recognised as operating expenses when they are incurred.

Financial expenses include borrowing costs (if not capitalised), exchange rate losses resulting from financing and investing, changes in the fair value of financial assets at fair value through profit or loss and losses from the value impairment of financial assets. Borrowing costs are recognised in the income statement using the effective interest rate method.

D. TAXATION

Taxes comprise calculated income tax liabilities and deferred tax. Current income tax is recognised in the income statement, except to the extent that refers to business combinations or items shown directly in the other comprehensive income.

Current income tax liabilities are based on the taxable profit for the financial year. Taxable profit differs from net profit, reported in the income statement because it excludes items of income or expenses that are taxable or deductible in other years and items that are never taxable or deductible. The Company's current income tax liability is calculated using the tax rates applicable on the reporting date.

Deferred tax is disclosed in total by applying the method of obligations after the statement of financial position for temporary differences, arising from the tax values of assets and liabilities and their carrying amounts in the financial statements. Deferred tax is calculated by using the tax rates (and laws) applicable on the date of the statement of financial position, that are expected to be used when the deferred tax asset is realised or the deferred tax liability is recovered.

A deferred tax asset is recognised to the extent that it is probable that future taxable profit, against which the deferred tax asset can be utilised, will be available. If in the future the available taxable profit is insufficient to create the deferred tax assets for the full amount of unused tax relief, they are created based on the maturity of tax relief utilisation possibilities in accordance with the legislation.

Deferred tax liability is recognised for all taxable temporary differences unless they come from initial goodwill recognition, or the initial recognition of an asset or liability in a business transaction other than a business combination and affects neither the accounting profit nor taxable profits (tax loss) during the transaction.

Tax-loss in a tax period can be covered by reducing the tax base in the subsequent tax periods. In reducing the tax base due to tax losses from preceding tax periods, the tax base shall first be reduced by the oldest tax loss. A reduction of the tax base due to tax losses from preceding tax periods may only be allowed to a maximum of 50% of the tax base for the tax period.

Tax base may be reduced by the legally imposed percentage of the amount invested in equipment, intangible assets and for the amount invested in research and development, along with the utilisation of an unused portion of the tax relief from preceding tax periods, not exceeding 63 percent of the tax base. For the unused part of the tax relief in the tax period, the Company can reduce the tax base in the subsequent five tax periods. In reducing the tax base due to the unused portion of the tax relief from preceding tax periods, the tax base shall first be reduced by the oldest unused portion of the tax relief.

E. INTANGIBLE ASSETS

Intangible assets with a definite useful life are recognised at cost, less any accumulated amortisation and accumulated impairment losses. The purchase value includes costs that can be directly attributed to the acquisition of each individual item. Borrowing costs directly attributable to the purchase or production of a qualifying asset are recognised as part of the cost of such an asset. The cost model is used for any subsequent measuring of intangible assets.

Amortisation is calculated on a straight-line basis over the estimated useful life of each individual part (component) of the intangible asset. Amortisation is accounted for when an asset becomes available for use.

Intangible assets with indefinite useful life are not amortised, they are impaired.

The estimated useful life of individual intangible assets for the current and past year is 2–10 years. Depreciation methods, useful life and other group asset values are reviewed at the end of every financial year and adjusted if necessary.

Further costs related to intangible assets are recognised in the carrying amount of each asset if it is probable that the future economic benefits embodied within the asset will flow to the Company and the cost of the asset can be measured reliably. All other costs are recognised in the income statement as expenses as soon as they are incurred.

F. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are carried at its cost less any accumulated depreciation and accumulated impairment losses, except for land and other assets that are not depreciated, which are recognised at their cost, reduced by all relative impairments. The purchase value includes costs that can be directly attributed to the acquisition of each individual item of property, plant or equipment. Parts of property, plant and equipment with different useful lives are accounted as separate items of property, plant and equipment. Borrowing costs directly attributable to the purchase, production or construction of a qualifying asset are recognised as part of the cost of each such asset. The cost model is used for any subsequent measuring of property, plant and equipment. Depreciation is calculated on a straight-line basis over the estimated useful life of each individual part (component) of the tangible asset. The right-of-use asset is depreciated over the estimated period of the lease and useful life, depending on which is shorter. Land and unfinished construction are not depreciated. Depreciation is accounted for when an asset becomes available for use.

The estimated useful lives of individual property, plant and equipment types for current and past year:

	Useful life
Property	20–55 years
Computer equipment	2-5 years
Motor vehicles	3-8 years
Other equipment	2-10 years

Depreciation methods, useful life and other group asset values are reviewed at the end of every financial year and adjusted if necessary.

The replacement costs of items of property, plant and equipment and further costs related to these assets are recognised in the carrying amount of each asset if it is probable that the future economic benefits embodied within this asset will flow to the Company, and the cost of the asset can be measured reliably. All other costs (for example, maintenance costs) are recognised in the income statement as expenses as soon as they are incurred.

Carrying amount recognition of an item of property, plant and equipment is derecognised when disposed of or when no future economic benefits are expected from its use or disposal.

The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item. Disposal effects are recognised in other operating income or expenses.

Leases

The Company is using a single model for the majority of lease items in the Statement of Financial Position.

i. Company as a Lessee

When signing a contract, the Company assesses whether the contract is or contains a lease. The Company recognises a lease liability and the right-of-use asset if it deems that the leased asset is identified, and when it controls the use of the asset. The Company depreciates the right-of-use assets and attributes interests to the lease liabilities.

The Company follows exceptions, namely for short-term leases with a lease term not exceeding 12 months and with no option to purchase, and for lower-valued leases, where the Company has taken into account new assets which do not individually exceed EUR 5 thousand. For these leases, the Company recognises the lease payments as operating expenses on a straight-line basis, unless another systematic basis is more representative.

Variable lease payments which do not depend on an index or a rate are not included in the measurement of lease liabilities and right-of-use assets. The related payments are recognised in the period to which they relate as operating expenses.

On the date of the commencement of the lease term, the lease liability is measured at the present value of future leases and discounted at the interest rate implicit in the lease. If this rate cannot be readily determined, an incremental borrowing rate is used. The Company remeasures lease liability by discounting modified lease payments using modified discount rates if a lease term or assessment of the exercise of an option to buy the leased asset had been changed. When doing so, the lessee determines the modified discount rate as an interest rate implicit in the lease for the remaining lease term.

On the date of the commencement of the lease term, an asset representing the right-of-use is measured at cost. Value of assets representing the right-of-use includes the value of initial measurement of lease liability, and lease payments paid on or before the commencement of the lease term decreased by lease incentives and increased by initial directly attributable costs. After the date of commencement of the lease term, an asset representing the right-of-use is measured at cost decreased by accumulated depreciation and amortisation and accumulated impairment losses and corrected by remeasured lease liability if an index or a rate has changed.

The right-of-use asset is depreciated from the date of the commencement of lease until the end of useful life or the end of the lease term if it is shorter from useful life. If the lease transfers ownership of the asset or the value of asset representing the right-of-use reflects an expectation that the Company will use the possibility to buy, the asset representing the right-of-use is depreciated from the date of the commencement of lease until the end of the useful life of a leased asset.

For determining whether the right-of-use asset is impaired and for other impairment related matters, the Company uses IAS 36.

ii. Company as a Lessor

The Company classifies each of its leases as operating or business lease. A lease is classified as a finance lease if it includes the transfer of substantially all significant risks and rewards incidental to ownership of the leased asset to the lessee. All other leases are classified as operating leases. The Company is only in a position of a lessor in operating leases.

Lease rental income from an operating lease is recognised on a straight-line basis. Initial directly attributable costs incurred from the acquisition of a lease are added to the carrying amount of the leased asset. These costs are recognised as an expense during a lease term on the same basis as lease rental income.

G. INVESTMENTS IN SUBSIDIARIES

Investments in subsidiaries are recognised at cost. The cost may also include contingent consideration which depends on future events agreed in the purchase agreement. The consideration should be recognised at fair value. Changes in the fair value of the consideration arising from events after the date of purchase are recognised in profit or loss.

The Company recognises revenue from financial investments in the amount arising from the distribution of the accumulated profit after the date of the acquired financial investment. If a loss made by a subsidiary requires the investment to be impaired, the impairment loss is measured as the difference between the investment's carrying amount and recoverable value.

H. FINANCIAL INSTRUMENTS

Financial instruments include non-derivative financial assets, non-derivative financial liabilities, and derivative financial instruments. Financial instruments are carried at fair value and amortised cost. Fair value is a price that would be achieved by selling an asset or paid by transferring a liability in an orderly transaction between market participants at the date of measurement.

Non-Derivative Financial Assets

At initial recognition, a financial asset is classified into one of the following groups: financial assets measured at amortised cost, financial assets measured at fair value through other comprehensive income or cash.

Non-derivative financial assets include cash and cash equivalents, loans, receivables, and investments. The Company recognises liabilities, borrowings and deposits when they are incurred. Other assets are initially recognised on the trade date on which the Company becomes a contracting party in a contract on the instrument. The financial asset is derecognised when the contractual rights of the cash flows from the financial asset expire, or when the rights of the contractual cash flows are transferred from a financial asset based on a business transaction in which all the risks and benefits of ownership of the financial asset are transferred.

A more detailed explanation of the impairment of financial assets is disclosed in Note J.

i. Financial Assets at Fair Value through Other Comprehensive Income

Financial assets at fair value through other comprehensive income that have the nature of a debt instrument are the financial assets held by the Company that give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding. For debt instruments at fair value through other comprehensive income, interest income, foreign exchange differences and impairment losses or reversals are recognised in the statement of profit or loss and accounted for in the same manner as financial assets at amortised cost. The remaining fair value changes are recognised in the statement of other comprehensive income. Upon derecognition, the cumulative fair value change recognised in other comprehensive income is reclassified to profit or loss.

Financial assets at fair value through other comprehensive income that have the nature of an equity instrument are the financial assets that meet the definition of equity under IAS 32 "Financial Instruments" for which the Company elected to classify them irrevocably as equity instruments designated at fair value through other comprehensive income and which are not held for trading. The classification is determined on an instrument-by-instrument basis. Gains and losses on these financial assets are never reclassified to profit or loss.

Dividends are recognised as other revenue in the statement of profit or loss when the Company's right of payment has been established.

ii. Financial Assets at Amortised Cost

The Company's financial assets at amortised cost include financial assets held by the Company that give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding. The Company's financial assets at amortised cost include loans issued, trade and other receivables. Depending on their maturity, they are classified as current (maturity of up to 12 months from the date of the statement of financial position) or non-current financial assets (maturity of more than 12 months from the date of the statement of financial position). Financial assets measured at amortised cost are recognised initially at fair value plus any directly attributable transaction costs. After initial recognition, they are measured at amortised cost using the effective interest method, less any expected credit losses. Gains and losses are recognised in profit or loss when reversed, modified or impaired.

Trade receivables insurance is not considered as a specific financial instrument but as an integral part of receivables. Insurance policies are concluded periodically and are related to specific receivables and/or business partners. The concluded insurance policy is flexible. Business partners can be included or excluded from the insurance during the duration of the insurance policy. Insurance policies are related to trade receivables insurance exclusively.

iii. Cash and Cash Equivalents

Cash and cash equivalents comprise cash in hand, bank deposits up to three months, and other current and easily realisable investments with an original maturity of three months or less. They are recognised at cost.

Non-Derivative Financial Liabilities

Non-derivative financial liabilities include trade payables, financial and other liabilities. Financial liabilities are initially recognised on the transaction date on which the Company becomes a contracting party in relation to the instrument. The Company derecognises a liability when the contractual obligations are fulfilled, annulled or expired.

Non-derivative liabilities are initially measured at fair value, increased by transaction costs directly attributable to the business transaction. After their initial recognition, they are measured at amortised cost. Depending on their maturity they are classified as current (maturity up to 12 months after the date of the statement of financial position) or non-current liabilities (maturity exceeding 12 months after the date of the statement of financial position).

Derivative Financial Instruments

Derivative financial instruments are initially recognised at fair value. Costs related to a business transaction are recognised in profit or loss when they are incurred. After the initial recognition, the derivative financial instruments are measured at fair value, with changes in fair value recognised in profit or loss.

Derivative financial instruments also include option agreements classified by the Company as financial assets or financial liabilities at fair value through profit or loss. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants on the date of measurement. If the transaction price is not equal to the fair value on the date of measurement, the difference in market assets is recognised in profit or loss or deferred and subsequently released to profit or loss in accordance with the policy.

Financial investments and financial liabilities, measured at fair value through profit or loss, are remeasured at fair value at least once per year, in the preparation of the annual financial statements. Profit or loss, arising from a change in fair value, are recognised in profit or loss.

I. ASSETS (GROUPS) HELD FOR SALE

Assets (groups) held for sale that include assets and liabilities for which it can be expected that their value will be recovered through sale, and the sale is very probable, are classified as assets and liabilities held for sale. Assets (groups) held for sale are re-measured directly before their classification as assets held for sale. Accordingly, non-current assets or a disposal group are recognised at their carrying amount or fair value less cost of sale, whichever is lower. Impairment losses on the reclassification of assets as assets held for sale, and subsequent losses and gains on re-measurement, are recognised in profit or loss. Gains are not recognised in the amount exceeding possible accumulated impairment losses.

Once classified as held for sale, intangible assets and property, plant and equipment are no longer amortised or depreciated. When investments are classified as assets held for sale, they are no longer equity accounted.

Upon sale, the Company derecognises an asset (group) held for sale and recognises the effect of the disposal among other operating income or expenses less costs directly attributable to the sale.

J. IMPAIRMENT OF ASSETS

Financial Assets

According to IFRS 9, the Company uses the expected credit loss model. According to this model, the Company recognises not only incurred losses but also losses that are expected to be incurred in the future. The Company assesses indications of impairment of financial instruments. Impairment estimates are based on the expected credit losses associated with the probability of defaults of a financial instrument over the next 12 months if the credit risk has not increased significantly since initial recognition. For financial assets such as trade receivables that do not contain a significant component of financing, a simplified approach is used to calculate value adjustment as an amount equal to the expected credit losses over the life of the asset. The Company creates groups of receivables based on collateral, maturity of receivables and similar risk characteristics and repayments in previous years, corrected for the Management Board's assessment of whether actual losses due to current economic and credit conditions may be greater or less than the losses foreseen in the past development.

In case the credit risk has increased significantly since initial recognition, but there are no objective indications for assets impairment, the impairment estimates are based on the probability of default over the life of the financial asset. Expected credit losses represent the difference between the contractual cash flows that are due and all the cash flows that the Company expects to receive. For financial assets that show objective indications of impairment at the reporting date, an allowance for impairment losses due to expected credit losses is made individually.

The Company recognises a write-off of a financial asset when it reasonably expects that the contractual cash flows will fail to recover. Objective evidence of the impairment of financial assets can include: default or delinquency by a debtor; restructuring of the amount owed to the Company, if the Company agrees; indications that the debtor will declare bankruptcy; and disappearance of the active market for such an instrument. The Company evaluates evidence of loan impairment on a loan-by-loan basis.

Financial assets measured at fair value through other comprehensive income include investments in equity securities or shares of other companies for which an irrevocable non-trading decision was made upon initial recognition. The fair value of quoted securities is measured at the stock exchange rate at the reporting date. Gains or losses on changes in fair value are recognised in other comprehensive income and are recognised directly in equity as the fair value reserve of financial instruments in net amount. The amounts presented in other comprehensive income may not be subsequently transferred to profit or loss. Accumulated profit or loss is transferred within equity.

Non-Financial Assets

At each reporting date, the Company reviews the carrying value of its significant non-financial assets to determine whether there is an indication of impairments. If any such indication exists, the recoverable value of the asset is estimated.

The recoverable value of assets or cash-generating units (CGU) is their value in use or fair value, less cost to sell, whichever is greater. In assessing value in use, estimated future cash flows are discounted to their present value, using a pre-tax discount rate that reflects current market assessments of the time value of cash and the risks specific to the asset. For the impairment test, assets that cannot be tested individually are classified as the smallest possible group of assets that generate cash inflows from further use and which are largely independent of the inflow of other assets or groups of assets (cash-generating units).

The impairment of an asset or cash-generating unit is recognised if their carrying amount exceeds their recoverable value. The impairment is recognised in the income statement.

The Company evaluates the impairment losses of previous periods at the end of the reporting period and thus determines whether the loss was reduced or even eliminated. An impairment loss is reversed if there has been a change in the estimates used to determine the asset's recoverable value. An impairment loss is reversed only to such an extent that the asset's carrying amount does not exceed the carrying amount that would have been determined after deducting the amortisation write-off if no impairment loss had been recognised for the asset in previous years.

K. DETERMINATION OF FAIR VALUE

Following the accounting policies of the Company, in many cases, the determination of the fair value of non-financial assets and financial assets is necessary, either to measure an individual asset (measurement method or business combination) or for additional fair value disclosure.

Fair value is the value achieved by selling the asset or paid by transferring the liability between two well-informed and willing parties in a regulated business transaction. The Company determines the fair value of financial instruments by taking into account the following fair value hierarchy:

- Level 1 comprises market prices in active markets for identical assets or liabilities;
- Level 2 comprises values other than market prices included within Level 1 that are observable either directly (prices for identical or similar assets or liabilities in markets that are less active or inactive) or indirectly (e.g. values derived from quoted prices in an active market, based on interest rates and yield curves, implied volatilities, and credit spreads);
- Level 3 comprises inputs for the asset or liability that are not based on observable market data. Unobservable inputs need to reflect the assumptions that market participants would use when determining a price for the asset or liability, including risk assumptions.

Methods for the determination of the fair value of individual groups of assets for measurements or reporting are given below.

Intangible Assets

The fair value of intangible assets is based on the method of discounted cash flows which are expected to arise from the use and possible disposal of the assets.

Property, Plant and Equipment

The fair value of property, plant and equipment is their market value. The market value of a property is equal to the estimated value at which the property could be sold on the date of valuation and after proper marketing. The market value of the equipment is based on the approach using quoted market prices for similar items. If there is no quoted market price, the method of discounted cash flows that are expected to arise from the use and possible disposal of the assets is used.

Financial Assets at Fair Value through Profit or Loss and Financial Assets at Fair Value through Other Comprehensive Income

The fair value of financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income is determined by reference to the above fair value hierarchy for financial instruments.

Receivables and Loans Issued

The fair value of receivables and loans issued is calculated as the present value of future cash flows discounted at a market interest rate at the end of the period. The assessment considers credit risk connected to these financial assets.

Non-Derivative Financial Liabilities

For reporting purposes, the fair value is calculated based on the present value of future principal payments and interest discounted at the market interest rate at the end of the reporting period.

L. EQUITY

Share Capital

The share capital of the Company takes the form of share capital, the amount of which is defined in the Company's Articles of Association. It is registered with the court and paid for by the owners.

Capital Surplus

Capital surplus consists of the amounts from payments exceeding the lowest issue price per share, amounts that exceed the carrying amount upon the disposal of previously-acquired own shares, the amounts based on the simplified decrease of share capital, and the amounts based on the reversal of general revaluation adjustment.

Reserves

Reserves include legal reserves, other equity reserves, fair value reserves, actuarial gains and losses.

Treasury Shares

If the Company acquire an ownership interest, the paid amount including the transaction costs less tax is deducted from the total equity as treasury shares until such shares are withdrawn, regranted or sold.

Dividends

Until approved at the General Meeting of Shareholders, the planned dividends are treated as retained earnings.

M. PROVISIONS

Provisions are recognised if the Company, due to a past event, has a legal or indirect obligation that can be reliably estimated, and if there is a probability that settling the obligation will require an outflow of resources enabling economic benefits.

N. EMPLOYEE BENEFITS

In accordance with legal regulations and the Collective Agreement, the Company is obliged to make payments arising from loyalty bonuses and severance pay upon retirement, for which provisions are created. There are no other retirements benefits.

The provisions are formed in the amount of estimated future payments for loyalty bonuses and severance pay, discounted at the end of the financial year. The calculation is made for each individual employee and includes the costs of severance pay upon retirement and the costs of all expected loyalty bonuses up to retirement. The calculation is prepared on the basis of a projected unit by an actuary, who is selected at the Company level. The provisions are reviewed periodically or when the assumptions, used to determine the amount of provision, change significantly.

O. DEFERRED INCOME

Deferred income are expected to cover the estimated expenses during a period exceeding one year.

The Company states the government grants for the COVID-19 pandemic as a decrease in costs for which it received the government grants. Government and other grants, received for covering expenses, are consistently recognised as income in periods in which the respective expenses, which the subsidies should cover, are incurred.

P. CASH FLOW STATEMENT

The cash flow statement shows changes in the balance of cash and cash equivalents for the financial year for which it is compiled. The cash flow statement is compiled according to the indirect method.

Notes to Individual Items in the Financial Statements

1. REVENUE

in EUR thousand	2021	2020
In Slovenia	15,629	14,528
In other countries	7	7
Revenue	**15,636**	**14,535**

2. OPERATING EXPENSES

in EUR thousand	2021	2020
Cost of goods, materials and services	3,220	2,654
Labour costs	13,789	10,368
- wages and salaries	*11,227*	*8,571*
- social security costs	*1,635*	*988*
- other labour costs	*927*	*809*
Depreciation and amortisation costs	839	759
Other costs	106	139
Operating expenses	**17,954**	**13,920**

The auditing costs for the 2021 Annual Report amounted to EUR 34 thousand (2020: EUR 55 thousand). The cost for other audit services amounted to EUR 278 thousand (2020: EUR 1 thousand). The costs for non-audit services amounted to EUR 11 thousand (2020: EUR 11 thousand).

Average Number of Employees by Level of Education

	2021	2020
Secondary vocational school	2.0	2.0
Secondary general school	7.8	7.0
1st cycle degree – Bachelor's degree	16.7	15.3
2nd cycle degree – Master's degree	69.7	67.0
3rd cycle degree – Doctoral degree	21.1	17.5
Total	**117.3**	**108.8**

3. OTHER OPERATING INCOME

in EUR thousand	2021	2020
Profit from sale of property, plant and equipment	31	0
Dividend income (Notes 10 and 11)	8,094	0
Income from received subsidies	85	58
Other income	27	47
Other operating income	**8,237**	**105**

4. OTHER OPERATING EXPENSES

in EUR thousand	2021	2020
Expenses for donations and sponsorships	171	174
Impairment of investments (Note 10)	957	0
Compensations	126	886
Other expenses	223	33
Other operating expenses	**1,477**	**1,093**

5. FINANCE INCOME

in EUR thousand	2021	2020
Interest income	5,945	5,403
Reversal of impairments of loans issued (Notes 12 and 14)	0	2,311
Income from issued guarantees	1,544	1,471
Reversal of financial receivables discounting	1,209	0
Exchange rate differences	34	0
Finance income	**8,732**	**9,185**

6. FINANCE EXPENSES

in EUR thousand	2021	2020
Interest expenses	3,236	3,224
Impairments of loans issued (Notes 12 and 14)	5,493	0
Discounting of financial receivables	0	1,209
Discounting of trade payables	579	157
Other expenses	1,538	94
Finance expenses	**10,846**	**4,684**

Other finance expenses refer to expenses for the bond issue, origination fees for borrowings and expenses for the sale of trade receivables.

7. TAXES

in EUR thousand	2021	2020
Current income tax expense	0	(219)
Deferred income tax expense	(12)	(32)
Income tax	**(12)**	**(251)**

in EUR thousand	2021	2020
Profit before tax	**2,394**	**4,175**
Tax at effective tax rate 19% (2020: 19%)	455	793
Tax effects from:		
- non-taxable income	*(2,955)*	*(725)*
- tax non-deductible expenses	*1,342*	*546*
- tax losses for which no deferred tax assets were recognised	*1,170*	*0*
- tax relief	*0*	*(363)*
Income tax	**12**	**251**
Effective tax rate	**0.50%**	**6.02%**

8. INTANGIBLE ASSETS

Movement of Intangible Assets in 2021

in EUR thousand	Software	Assets under construction	Total
Cost as at 31 Dec. 2020	**1,276**	**0**	**1,276**
New additions	0	66	**66**
Transfer from assets under construction	49	(49)	**0**
Cost as at 31 Dec. 2021	**1,323**	**17**	**1,342**
Accumulated amortisation as at 31 Dec. 2020	**(651)**	**0**	**(651)**
Amortisation	(161)	0	**(161)**
Accumulated amortisation as at 31 Dec. 2021	**(812)**	**0**	**(812)**
Present value as at 31 Dec. 2020	**625**	**0**	**625**
Present value as at 31 Dec. 2021	**513**	**17**	**530**

The increase in intangible assets refers to the purchase of software. The disposal includes a write-off of outdated software. On 31 December 2021, the Company's unsettled liabilities to suppliers for the purchase of intangible assets amounted to EUR 16 thousand (2020: EUR 36 thousand). The intangible assets are not pledged as security for liabilities.

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

Movement of Intangible Assets in 2020

in EUR thousand	Software	Assets under construction	Total
Cost as at 31 Dec. 2019	**1,321**	**0**	**1,321**
New additions	0	239	**239**
Transfer from assets under construction	239	(239)	**0**
Disposals	(284)	0	**(284)**
Cost as at 31 Dec. 2020	**1,276**	**0**	**1,276**
Accumulated amortisation as at 31 Dec. 2019	**(809)**	**0**	**(809)**
Amortisation	(126)	0	**(126)**
Disposal	284	0	**284**
Accumulated amortisation as at 31 Dec. 2020	**(651)**	**0**	**(651)**
Present value as at 31 Dec. 2019	**512**	**0**	**512**
Present value as at 31 Dec. 2020	**625**	**0**	**625**

9. PROPERTY, PLANT AND EQUIPMENT

Movement of Property, Plant and Equipment in 2021

in EUR thousand	Land	Buildings	Equipment	Assets under construction	Total
Cost as at 31 Dec. 2020	**717**	**5,231**	**3,706**	**0**	**9,654**
New additions	0	0	0	383	**383**
Transfer from assets under construction	0	19	364	(383)	**0**
Disposals	0	(47)	(38)	0	**(85)**
Cost as at 31 Dec. 2021	**717**	**5,203**	**4,032**	**0**	**9,952**
Accumulated depreciation as at 31 Dec. 2020	**0**	**(1,543)**	**(1,866)**	**0**	**(3,409)**
Depreciation	0	(150)	(527)	0	**(677)**
Disposals	0	29	38	0	**67**
Accumulated depreciation as at 31 Dec. 2021	**0**	**(1,664)**	**(2,355)**	**0**	**(4,019)**
Present value as at 31 Dec. 2020	**717**	**3,688**	**1,840**	**0**	**6,245**
Present value as at 31 Dec. 2021	**717**	**3,539**	**1,677**	**0**	**5,933**

The increase in property, plant and equipment results from the purchase of computer equipment, office furniture, and vehicles leasing. Disposals include sales of vehicles, computer equipment and holiday apartment.

Items of property, plant and equipment are not pledged as security for liabilities. On 31 December 2021, the Company has EUR 20 thousand (2020: EUR 54 thousand) of outstanding liabilities for the purchase of property, plant and equipment. The Company did not capitalise borrowing costs in 2021 and 2020.

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

Movement of Property, Plant and Equipment in 2020

in EUR thousand	Land	Buildings	Equipment	Assets under construction	Total
Cost as at 31 Dec. 2019	**717**	**5,173**	**3,293**	**0**	**9,183**
New additions	0	0	0	652	**652**
Transfer from assets under construction	0	58	594	(652)	**0**
Disposals	0	0	(181)	0	**(181)**
Cost as at 31 Dec. 2020	**717**	**5,231**	**3,706**	**0**	**9,654**
Accumulated depreciation as at 31 Dec. 2019	**0**	**(1,396)**	**(1,538)**	**0**	**(2,934)**
Depreciation	0	(147)	(486)	0	**(633)**
Disposals	0	0	161	0	**161**
Other changes	0	0	(3)	0	**(3)**
Accumulated depreciation as at 31 Dec. 2020	**0**	**(1,543)**	**(1,866)**	**0**	**(3,409)**
Present value as at 31 Dec. 2019	**717**	**3,777**	**1,755**	**0**	**6,249**
Present value as at 31 Dec. 2020	**717**	**3,688**	**1,840**	**0**	**6,245**

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.

Movement of the Right-Of-Use Asset in 2021 and 2020

in EUR thousand	2021	2020
Cost as at 31 Dec. 2020/2019	**2,252**	**1,884**
New additions	242	498
Reversal	(10)	(130)
Cost as at 31 Dec. 2021/2020	**2,484**	**2,252**
Accumulated depreciation as at 31 Dec. 2020/2019	**(792)**	**(584)**
Depreciation	(362)	(322)
Reversal	10	117
Other changes	0	(3)
Accumulated depreciation as at 31 Dec. 2021/2020	**(1,144)**	**(792)**
Present value as at 31 Dec. 2020/2019	**1,460**	**1,300**
Present value as at 31 Dec. 2021/2020	**1,340**	**1,460**

The Company has cars under a lease. It has an option to buy the asset after the lease period, but it is planning to return the cars after the lease period and lease new ones. The average lease term is 3 years (2020: 3 years). Analysis of the maturity of lease liabilities and the lowest sum of future lease payments are described in Notes 19 and 21. In 2021, the interest expenses for lease liabilities amounted to EUR 26 thousand (2020: EUR 24 thousand) and were fully repaid.

The Company follows exceptions allowed by the standard, namely for short-term leases, and lower-valued leases. In 2021, the total cost of leases amounted to EUR 163 thousand (2020: EUR 173 thousand).

10. INVESTMENTS IN SUBSIDIARIES

in EUR thousand	31 Dec. 2021	31 Dec. 2020
SIJ ACRONI	111,337	111,337
SIJ METAL RAVNE	58,714	46,714
GRIFFON & ROMANO	0	0
RSC HOLDING	31,545	31,545
NIRO Wenden	0	0
NOŽI RAVNE	505	505
ODPAD Pivka	4,981	4,981
SIJ ELEKTRODE JESENICE	0	957
SIJ SUZ	616	616
SIJ ZIP CENTER	68	68
SIJ Asia	0	100
SIJ RAVNE SYSTEMS	8,945	8,945
SIJ POLSKA	0	1
HOLDING PMP	7,687	7,687
KOPO INTERNATIONAL	2,670	2,670
SSG	1,034	845
ADDITHERM	5,902	5,902
Investments in subsidiaries	**234,004**	**222,873**

In November 2021, the Company provided its subsidiary SIJ Metal Ravne with additional payment totalling EUR 12,000 thousand. Due to additional payment, the registered capital of the subsidiary nor the existing share of the member did not increase.

In January and November 2021, the Company provided its subsidiary SSG with additional payment totalling EUR 190 thousand. Due to additional payment, the registered capital of the subsidiary nor the existing share of the member did not increase.

At the end of 2021, the liquidation procedure for SIJ Asia and SIJ POLSKA was completed. The companies were erased from the court register.

In 2021, the Company received dividends totalling EUR 8,032 thousand (2020: no dividends).

Information on Subsidiaries as at 31 December 2021

in EUR thousand	Activity	% of voting rights	Value of equity as at 31 Dec. 2021	Net profit (loss) for 2021
SIJ ACRONI d.o.o., Cesta Borisa Kidriča 44, Jesenice, Slovenia	Steel production	100	164,556	17,634
SIJ METAL RAVNE d.o.o., Koroška cesta 14, Ravne na Koroškem, Slovenia	Steel production	100	78,369	2,231
NOŽI RAVNE d.o.o., Koroška cesta 14, Ravne na Koroškem, Slovenia	Renting and managing of own and leased real estate	100	358	(47)
SIJ ELEKTRODE JESENICE d.o.o., Cesta železarjev 8, Jesenice, Slovenia	Welding materials production	100	(1,497)	(1,659)
SIJ SUZ d.o.o., Cesta Borisa Kidriča 44, Jesenice, Slovenia	Drawn wires production	100	4,309	1,273
SIJ ZIP CENTER d.o.o., Koroška cesta 14, Ravne na Koroškem, Slovenia	Education and training of the disabled	100	800	76
ODPAD d.o.o. Pivka, Velika Pristava 23, Pivka, Slovenia	Recovery of secondary raw materials from scrap	74.90	10,504	2,538
NIRO Wenden GmbH, Glück-Auf-Weg 2, Wenden, Germany	Steel cutting, engineering and trade	85	(4,497)	1,968
GRIFFON & ROMANO S.P.A., Via Dossetti 11, Loc. Casinello de Dosso, Italy	Heat processing and special steel trade	100	2,615	2,049
SIJ RAVNE SYSTEMS d.o.o., Koroška cesta 14, Ravne na Koroškem, Slovenia	Metallurgic machines production	100	6,489	(1,337)
HOLDING PMP d.o.o., Gerbičeva 98, 1000 Ljubljana, Slovenia	Holding activity	100	8,616	205
KOPO International Inc., River Center Building 1, 331 Newman Springs Road Suite, 104, Red Bank, New Jersey, USA*	Trade	100	2,919	1,090
OOO SSG, Presnenskaya nab. 12, floor 59, office 10, Moscow, Russia	Trade	100	313	(189)
ADDITHERM d.o.o., Litostrojska cesta 60, Ljubljana, Slovenia	Scientific and technical research	51	1,786	16
RSC HOLDING d.o.o., Litostrojska cesta 60, Ljubljana Slovenia	Holding company	51	50,034	294

** As of 2 February 2022 the company was renamed SIJ Americas Inc.*

As part of the preparation of the annual report for 2021, the Company performed an impairment test for all investments for which the examination of indications of impairment under IAS 36 showed the need for impairment. The following companies were subjected to valuation: SIJ Acroni, SIJ Metal Ravne, SIJ Ravne Systems, SIJ Elektrode Jesenice, KOPO International, and SSG.

The valuation of the recoverable amount of the investments was carried out by a business appraiser certified by the Slovenian Institute of Auditors. The recoverable amount of the investments was determined as a fair value less cost of sale. The valuation considered the going concern assumption. Each subsidiary represents a separate cash-generating unit (CGU). That is how the Management Board monitors the SIJ Group's operations since each company represents the lowest level of identifiable independent cash inflows.

Method of Present Value of the Estimated Free Cash Flows

When determining the recoverable amount, the Company applied the method of the present value of the estimated free cash flows. This method attempts to project, based on the analysis of past operations and the estimate of future business possibilities, the future returns of owners in cash, which are subsequently translated to the carrying amount by using the correspondent discount rate. The so-calculated company value based on the free cash flows represents the return requested by the risk embedded in the investment. This is theoretically and practically the most appropriate and useful method of valuation of a company, as it concentrates on what is the most important to investors, i.e. return in the form of cash flow.

Projections were prepared from the perspective of the majority shareholder. Given the object of the valuation, a 2 or 5 percent marketability discount was used (including the cost of sale). The discount rate used is defined as the weighted average cost of capital (WACC). It reflects current market assessments of the time value of cash and the risks specific to the valuated asset.

As a control method, the method of comparable companies listed on the stock exchange was applied. Due to a limited number of comparable companies listed on the stock exchange and since there are not many comparable companies engaged in a similar business and with the same characteristics, this method was used only as a control method for the results, obtained with the method of the present value of the estimated free cash flows.

The impairment test as at 31 December 2021 showed that the impairment of financial assets is required in 2021, namely by EUR 957 thousand. The impairment test as at 31 December 2020 showed that no impairments of financial assets were required in 2020. A review of the determination of the recoverable amount for 2020 and 2021 is given below.

Review of the Determination of the Recoverable Amount for 2021

				Material assumptions used						Sensitivity analysis						
Subsidiary	Financial year	Indications of impairment	Determination of recoverable amount	Valuation date	Projection of operations	Discount rate (WACC)	Long-term growth rate	Target EBITDA margin	Revenue growth	Recoverable amount (in EUR thousand)	Upper bound of the range (in EUR thousand)	Change in discount rate (WACC) +/–0,5% (in EUR thousand)	Change in long-term growth rate +/–0,5% (in EUR thousand)	Impairment loss (in EUR thousand)	Value of investment after being impaired (in EUR thousand)	Note
SIJ ACRONI (Steel Division)	2021	The company ended 2020 with loss	A	31 Dec. 2021	2022–2027	9.35%	0.9%	9.6%	in the first year 37.5%, following with –29.7%, 9.9%, 0.2%, 0.4% and 1.0%	224,359	235,418	–13,380/+14,884	+795/–795	0	111,337	
SIJ METAL RAVNE (Steel Division)	2021	The company ended 2020 with loss	A	31 Dec. 2021	2022–2028	8.95%	0.8%	11.7% – before 2018 it had achieved 12.5%, comparable with companies with the same activity in the same industry	in the first year 38.2%, following with –21.9%, 4.9%, 1.8%, 1.0%, 0.8% and 0.8%	78,993	84,651	–6,702/+7,466	+343/–343	0	58,714	In order to calculate as accurate as possible the effective tax rate at the end of the projection period, which will also be a good basis for the calculation of the residual value and the discount rate, the projections for SIJ Metal Ravne and SIJ Ravne Systems have been extended by so many years that the tax loss from the previous years is fully offset and in the last year of the projections only the investment tax relief is taken into account.
SIJ RAVNE SYSTEMS (Manufacturing Division)	2021	The company ended 2020 with loss	A	31 Dec. 2021	2022–2032	9.15%	1.1%	8.3% – before 2018 it had achieved 9.3%, comparable with companies with the same activity in Europe.	in the first year 12.7%, following with 6.2%, –0.8%, 3.0%, 2.5%, following with 1.1% by the end of the projection period	9,107	10,175	–1,443/+1,613	+56/–56	0	8,945	
SIJ ELEKTRODE JESENICE (Manufacturing Division)	2021	The company ended 2020 with loss	A	31 Dec. 2021	2022–2027	9.20%	1.3%	3.8%	in the first year 48.5%, following with –27.7%, 1.5%, 2.5%, 0.4% and 1.3%	0	/	/	/	957	0	
KOPO International (Steel Processing and Distribution Division)	2021	The company ended 2020 with loss	A	31 Dec. 2021	2022–2027	9.67%	1.9%	1.8%	in the first year 14.0%, following with 27.2%, 3.9%, 2.5%, 0.3% and 2.0%	2,739	3,105	–619/+687	+38/–38	0	2,670	
OOO SSG (Steel Processing and Distribution Division)	2021	The company ended 2020 with loss	A	31 Dec. 2021	2022–2027	11.06%	2.0%	1.9%	in the first year 866.4%, following with 10.0%, 5.5%, 3.0%, 1.5% and 2.0%	985	1,046	–43/+47	+3/–3	0	1,034	Impaired to upper bound of the range, as the Management Board assesses that the company will move beyond the projections applied in the assessment. The sensitivity analysis is made within a change range of +/–1,0%.

A – Valuation of the fair value less cost of sale by using the method of present value of the estimated free cash flows.

Review of the Determination of the Recoverable Amount for 2020

				Material assumptions used						Sensitivity analysis						
Subsidiary	Financial year	Indications of impairment	Determination of recoverable amount	Valuation date	Projection of operations	Discount rate (WACC)	Long-term growth rate	Target EBITDA margin	Revenue growth	Recoverable amount (in EUR thousand)	Upper bound of the range (in EUR thousand)	Change in discount rate (WACC) +/–0,5% (in EUR thousand)	Change in long-term growth rate +/–0,5% (in EUR thousand)	Impairment loss (in EUR thousand)	Value of investment after being impaired (in EUR thousand)	Note
SIJ ACRONI (Steel Division)	2020	Effect of COVID-19 pandemic (revenue decreased by 10% compared to 2020)	A	31 Dec. 2020	2021–2026	8.26%	0.6%	9.9% – before 2018 it had achieved 10.5%, comparable with companies with the same activity in the same industry	in the first year 8.8%, following with 8.5%, 0.1%, 0.8%, 3.6% and 1.0%	148,311	158,427	−13,191/+14,901	+747/–747	0	111,337	
SIJ METAL RAVNE (Steel Division)	2020	Effect of COVID-19 pandemic (revenue decreased by 10% compared to 2019)	A	31 Dec. 2020	2021–2026	8.20%	0.5%	11.8% – before 2018 it had achieved 12.5%, comparable with companies with the same activity in the same industry	in the first year 6.3%, following with 15.1%, 2.4%, -0.5%, 0.8% and 0.8%	55,611	60,789	−6,554/+7,397	+364/–364	0	46,714	
SIJ RAVNE SYSTEMS (Manufacturing Division)	2020	The Company has had operational loss for the last 2 years.	A	31 Dec. 2020	2021–2026	8.30%	0.8%	7.9% – before 2018 it had achieved 9.3%, comparable with companies with the same activity in Europe.	in the first year –3.1%, following with 16.9%, 3.5%, 3.8%, 2.5% and 0.8%	9,004	10,112	−1,430/+1,616	+295/–295	0	8,945	
SIJ ELEKTRODE (Manufacturing Division)	2020	The Company has had operational loss for the last 2 years.	A	31 Dec. 2020	2021–2026	8.43%	1.2%	5.9% – before 2017 it had achieved 6.2%, comparable with companies with the same activity in Europe.	in the first year 7.4%, following with 11.9%, 4.5%, 4.0%, 2.3% and 1.0%	959	1,062	–90/+92	+12/–12	0	957	Sensitivity analysis is prepared for the change in discount rate at +/–0.1% and the change in long-term growth rate at +–0.25%, otherwise, the estimated range would be too big.
KOPO (Steel Processing and Distribution Division)	2020	Investment value exceeds company's equity	A	31 Dec. 2020	2021–2026	8.22%	0.9%	1.8%	in the first year –5.6%, following with 22.8%, 1.1%, 6.4%, 3.3%	2,877	3,042	–291/+308	+56/–53	0	2,670	Sensitivity analysis is prepared for the change in discount rate at +/–0.1% and the change in long-term growth rate at +–0.20%, otherwise, the estimated range would be too big.

A – Valuation of the fair value less cost of sale by using the method of the present value of the estimated free cash flows.

11. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

in EUR thousand	31 Dec. 2021	31 Dec. 2020
Investments and shares in companies	1,370	1,248
Financial assets at fair value through other comprehensive income	**1,370**	**1,248**

Finance assets measured at fair value through other comprehensive income represent shares of a Slovenian insurance company with intends to receive cash flows from dividends and the sale of shares. Financial assets at fair value through other comprehensive income are measured at fair value. Changes in 2021 include the increase from revaluation at fair value by EUR 183 thousand (2020: decrease by EUR 86 thousand) charged to the comprehensive income and a decrease from the sale of assets by EUR 61 thousand (2020: no sales). Profit from sale amounted to EUR 31 thousand and was charged to comprehensive income. In 2021, the Company received dividends totalling EUR 62 thousand (2020: no dividends).

12. NON-CURRENT FINANCIAL RECEIVABLES

in EUR thousand	31 Dec. 2021	31 Dec. 2020
Loans issued	95,757	98,983
Dividend receivables from subsidiaries	0	9,091
Non-current financial receivables	**95,757**	**108,074**

Non-current financial receivables refer to loans issued to the majority shareholder of the company and subsidiaries and approved for their liquidity purposes. Loans issued to the majority shareholder of the company amount to EUR 73,797 thousand (EUR 76,501 thousand), and the related non-current interest to EUR 7,389 thousand (EUR 4,809 thousand). The loans issued to the majority shareholder of the company will be repaid from dividends. Dividend payments are expected to be made in accordance with the Group's long-term business projections and are conditional on the Group achieving leverage of less than 3.75. Minimum dividends may always be paid if the conditions laid down in the applicable legislation are met. Loans issued to subsidiaries amount to EUR 14,571 thousand (2020: EUR 17,673 thousand) and will be repaid by the subsidiaries from current liquidity in line with long-term business projections.

The interest rates for loans issued are flexible and vary between 2.55 and 5.00 percent (2020: between 1.60 and 5.00 percent). The loans issued are not pledged as security for liabilities.

Dividend receivables from subsidiaries decreased since the subsidiaries repaid their liability from dividends.

Movement of Non-Current Loans Issued

in EUR thousand	2021	2020
Balance as at 1 Jan.	**98,983**	**61,737**
Loans issued	3,880	10,627
Exchange rate differences	34	(38)
Change in interest receivables	2,580	4,809
Transfer from current loans issued	5,627	21,793
Transfer to current loans issued	(6,638)	0
(Creation) reversal of impairments	(4,582)	55
Transfer of impairments from current loans issued	(4,127)	0
Balance as at 31 Dec.	**95,757**	**98,983**

13. DEFERRED TAX ASSETS AND LIABILITIES

in EUR thousand	31 Dec. 2021	31 Dec. 2020
Deferred tax assets	1,188	1,200
Deferred tax liabilities	(108)	(73)
Deferred tax assets (liabilities), net	**1,080**	**1,127**

Movement of Deferred Tax Assets and Liabilities in 2021

in EUR thousand	31 Dec. 2020	Changes in profit and loss	Changes in the comprehensive income	31 Dec. 2021
Financial assets at fair value through comprehensive income	(73)	0	(35)	(108)
Deferred tax liabilities	**(73)**	**0**	**(35)**	**(108)**
Unused tax losses	1,118	0	0	1,118
Employee benefits	70	0	0	70
Trade receivables	12	(12)	0	0
Deferred tax assets	**1,200**	**(12)**	**0**	**1,188**
Deferred tax assets (liabilities), net	**1,127**	**(12)**	**(35)**	**1,080**

On 31 December 2021, the total unused tax loss amounts to EUR 41,135 thousand (2020: EUR 34,977 thousand). The value of unused tax losses for which deferred tax assets are not recognised amounts to EUR 35,252 thousand (2020: EUR 29,025 thousand), while unrecognised deferred tax assets amount to EUR 6,698 thousand (2020: EUR 5,528 thousand).

Movement of Deferred Tax Assets and Liabilities in 2020

in EUR thousand	31 Dec. 2019	Changes in profit and loss	Changes in the comprehensive income	31 Dec. 2020
Financial assets at fair value through comprehensive income	(89)	0	16	(73)
Deferred tax liabilities	**(89)**	**0**	**16**	**(73)**
Unused tax losses	1,117	0	0	1,117
Employee benefits	70	0	0	70
Trade receivables	45	(32)	0	12
Deferred tax assets	**1,232**	**(32)**	**0**	**1,200**
Deferred tax assets (liabilities), net	**1,143**	**(32)**	**16**	**1,127**

14. CURRENT FINANCIAL RECEIVABLES

in EUR thousand	31 Dec. 2021	31 Dec. 2020
Loans issued	71,389	64,825
Other	459	639
Current financial receivables	**71,848**	**65,464**

Current financial receivables refer to loans issued to the majority shareholder of the company and subsidiaries and approved for their liquidity purposes. Loans issued to the majority shareholder of the company amount to EUR 4,684 thousand, and the related current interest to EUR 601 thousand (2020: EUR 3,096 thousand). The loans issued to the majority shareholder of the company will be repaid from dividends. Dividend payments are expected to be made in accordance with the Group's long-term business projections and are conditional on the Group achieving leverage of less than 3.75. Loans issued to the subsidiaries amount to EUR 65,892 thousand (2020: EUR 61,538 thousand), and the related interest to EUR 213 thousand (2020: EUR 191 thousand). The subsidiaries will repay them from current liquidity.

The interest rates for loans issued are fixed as well as flexible and vary between 1.60 and 5.00 percent (2020: from 1.60 to 5.00 percent). The loans issued are not pledged as security for liabilities.

Movement of Current Loans Issued

in EUR thousand	2021	2020
Balance as at 1 Jan.	**64,825**	**84,317**
Loans issued	89,727	81,170
Repayment of loans issued	(84,916)	(80,035)
Change in interest receivables	(2,474)	(1,090)
Transfer to non-current loans issued	(5,627)	(21,793)
Transfer from non-current loans issued	6,638	0
Transfer of impairments to non-current loans issued	4.127	0
(Creation) reversal of impairment	(911)	2,256
Balance as at 31 Dec.	**71,389**	**64,825**

15. CURRENT TRADE RECEIVABLES

in EUR thousand	31 Dec. 2021	31 Dec. 2020
Trade receivables	3,002	2,078
Allowances for trade receivables	0	(66)
Receivables from government and other institutions	39	173
Issued advance payments and cautions	7	76
Other receivables	24	110
Current trade receivables	**3,072**	**2,371**

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

Movement of Allowance for Receivables from Customers

in EUR thousand	2021	2020
Balance as at 1 Jan.	**(66)**	**(133)**
Changes with impact on profit or loss	66	47
Changes without impact on profit or loss	0	20
Balance as at 31 Dec.	**0**	**(66)**

16. CASH AND CASH EQUIVALENTS

in EUR thousand	31 Dec. 2021	31 Dec. 2020
Cash in national currency	11,111	1,612
Cash and cash equivalents	**11,111**	**1,612**

Cash in national currency includes cash in a current account. On 31 December 2021, the Company had deposits with up to 3-month maturity totalling EUR 99 thousand (2020: no deposits with up to 3-month maturity).

17. EQUITY

in EUR thousand	31 Dec. 2021	31 Dec. 2020
Share capital	145,266	145,266
Capital surplus	11,461	11,461
Other equity reserves	6,255	6,136
Fair value reserves	382	211
Retained earnings	108,822	112,340
Equity	**272,186**	**275,414**

The share capital 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 in 2021.

In 2021, the Company paid EUR 5,812 thousand of dividends (2020: no dividends paid).

Ownership Structure

Shareholder	Number of shares 31 Dec. 2021	Number of shares 31 Dec. 2020
DILON, d. o. o., Gerbičeva ulica 98, Ljubljana, Slovenia	718,351	718,351
Republic of Slovenia, Gregorčičeva ulica 20, Ljubljana, Slovenia	248,655	248,655
SIJ d.d., Gerbičeva ulica 98, Ljubljana, Slovenia	27,600	27,600
UNIOR, d. d., Kovaška cesta 10, Zreče, Slovenia	10	10
Total	**994,616**	**994,616**

Capital Surplus

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

Other Equity Reserves

in EUR thousand	31 Dec. 2021	31 Dec. 2020
Legal reserves	8,510	8,391
Treasury shares	(6,009)	(6,009)
Reserves for treasury shares	3,754	3,754
Other equity reserves	**6,255**	**6,136**

The Company acquired treasury shares of EUR 2,255 thousand based on the Act Regulating the Incurrence and Settlement of Liabilities of Slovenske železarne as regards the Restructuring Programme (Official Gazette of the RS, no. 111/2001) and in line with the Privatization of Slovenske železarne Act (Official Gazette of the RS, no. 13/1998). Treasury shares were acquired by exchanging interests in subsidiaries for shares of the Company, owned by authorised companies. The shares were acquired ex lege and not in line with the Companies Act, which is why the Company did not establish a treasury shares fund. Shares are recognised at cost.

Fair Value Reserves

in EUR thousand	31 Dec. 2021	31 Dec. 2020
Fair value reserve due to financial assets at fair value through comprehensive income	568	385
Deferred tax liabilities	(108)	(73)
Net actuarial losses on pension programs	(78)	(101)
Fair value reserves	**382**	**211**

Distributable Profit

in EUR thousand	31 Dec. 2021	31 Dec. 2020
Retained earnings	106,559	108,613
Profit for the period	2,382	3,924
Creation of legal reserves	(119)	(196)
Distributable profit	**108,822**	**112,340**

18. EMPLOYEE BENEFITS

in EUR thousand	31 Dec. 2021	31 Dec. 2020
Provisions for severance pay	807	712
Provisions for jubilee benefits	54	53
Employee benefits	**861**	**765**

The actuarial calculation in 2021 was made based on the actuarial model and assumptions, derived from the life expectancy tables in Slovenia from 2007, separately for men and women, decreased by 10 percent (active population), growth of wages in the Republic of Slovenia and the Company, and the yield curve, which represents the relationship between market yields on government bonds in the Eurozone and the time remaining to maturity. The average discount rate considered in the calculations was 0.8 percent.

Employee benefits are calculated by an authorized actuary. The change in employee benefits had a direct effect on the income statement, except for actuarial gains which effects comprehensive income.

Movement of Employee Benefits in 2021

in EUR thousand	31 Dec. 2020	Creation	31 Dec. 2021
Provisions for severance pay	712	94	807
Provisions for jubilee benefits	53	2	55
Employee benefits	**765**	**96**	**861**

Movement of Employee Benefits in 2020

in EUR thousand	31 Dec. 2019	Creation	31 Dec. 2020
Provisions for severance pay	409	303	712
Provisions for jubilee benefits	43	10	53
Employee benefits	**452**	**313**	**765**

Sensitivity Analysis of Actuarial Assumptions for 2021 and 2020

in EUR thousand		31 Dec. 2021		31 Dec. 2020	
Actuarial assumption	Change in assumption (pp)	Post-employment benefits on retirement	Jubilee benefits and severance pays	Post-employment benefits on retirement	Jubilee benefits and severance pays
Yield	+0,5	(45)	(2)	(45)	(2)
	–0,5	49	2	49	2
Salary growth	+0,5	49	2	48	2
	–0,5	(45)	(2)	(44)	(2)
Fluctuation	+0,5	(47)	(2)	(45)	(2)
	–0,5	31	2	32	2

19. NON-CURRENT FINANCIAL LIABILITIES

in EUR thousand	31 Dec. 2021	31 Dec. 2020
Borrowings	2,364	734
Liabilities for bonds issued (SIJ6, SIJ7)	79,113	65,808
Liabilities from lease	493	643
Non-current financial liabilities	**81,970**	**67,185**

Movement of Non-Current Borrowings

in EUR thousand	2021	2020
Balance as at 1 Jan.	**734**	**0**
New borrowings	3,000	1,343
Transfer to current borrowings	(1,367)	(609)
Amortisation of origination fee	(3)	0
Balance as at 31 Dec.	**2,364**	**734**

Liabilities for Bonds Issued

The Company issued bonds with the ticker symbol of SIJ6 with the total nominal value of EUR 40,000 thousand in November 2019. In December 2021 it issued, through a further issue, additional bonds with a total nominal value of EUR 8,000 thousand. The entire bond issue contains 480 denominations of EUR 100 thousand. The bond maturity date is 25 November 2024. The interest rate for the bonds is fixed, i.e. 2.8 percent per annum. Interest is accrued annually in arrears. The nominal value of the principal falls due, in full and in a single amount, on the maturity of the bond. The bonds are traded on the Ljubljana Stock Exchange.

The Company issued bonds with the ticker symbol of SIJ7 with the total nominal value of EUR 26,100 thousand in November 2020. In December 2021 it issued, through a further issue, additional bonds with a total nominal value of EUR 5,000 thousand. The entire bond issue contains 311 denominations of EUR 100 thousand. The bond maturity date is 2 November 2023. The interest rate for the bonds is fixed, i.e. 3.9 percent per annum. Interest is accrued annually in arrears. The nominal value of the principal falls due, in full and in a single amount, on the maturity of the bond. The bonds are traded on the Ljubljana Stock Exchange.

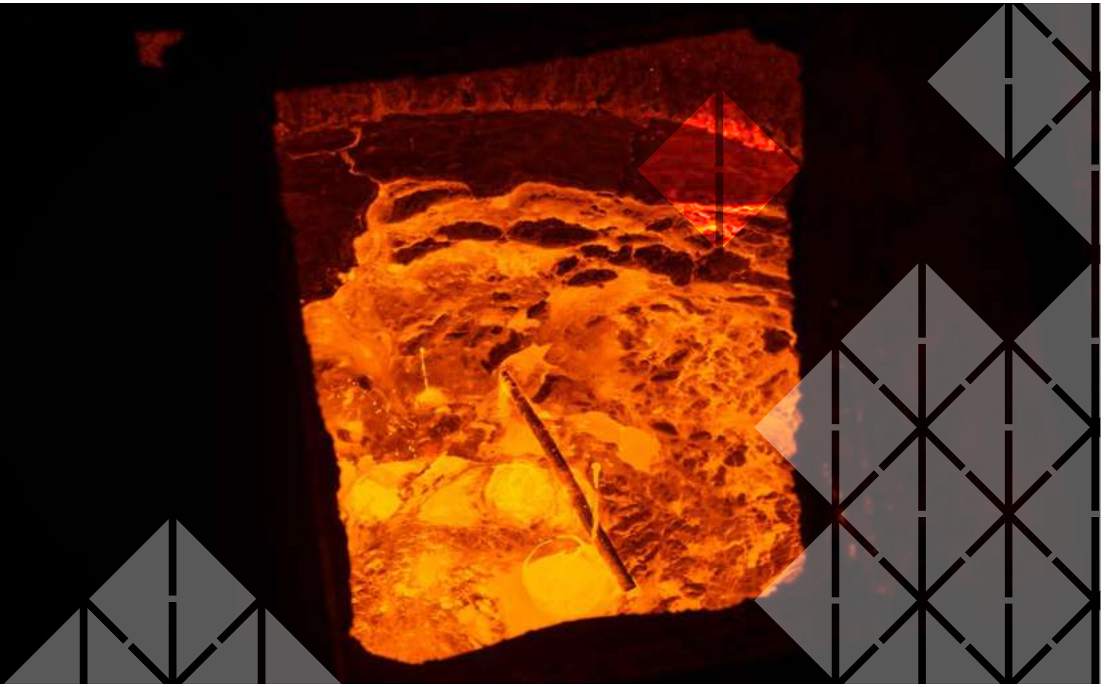
Borrowings include borrowings from commercial banks and other parties. Borrowings are secured.

Movement of Non-Current Liabilities Arising from Lease

in EUR thousand	2021	2020
Balance as at 1 Jan.	**643**	**606**
New leases	239	497
Transfer to current liabilities from lease	(389)	(460)
Balance as at 31 Dec.	**493**	**643**

The lowest sum of future leases due for payment in the next 1 to 5 years amounts to EUR 510 thousand (2020: EUR 667 thousand).

The net present value of future leases due for payment in the next 1 to 5 years, amounts to EUR 493 thousand (2020: EUR 643 thousand).



20. NON-CURRENT OTHER LIABILITIES

in EUR thousand	2021	2020
Liabilities for contingent and deferred contribution	11,797	12,418
Non-current other liabilities	**11,797**	**12,418**

According 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.

According to the shareholders' agreement, the Company also recognised an obligation to pay deferred 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.

21. CURRENT FINANCIAL LIABILITIES

in EUR thousand	31 Dec. 2021	31 Dec. 2020
Borrowings	19,340	22,612
Liabilities for commercial papers issued	30,074	26,556
Liabilities from lease	354	425
Other current financial liabilities	114	91
Current financial liabilities	**49,882**	**49,684**

Current borrowings include loans from companies in the SIJ Group. Borrowings are secured with bills. The interest rate for borrowings and leases is fixed.

Movement of Current Borrowings

in EUR thousand	2021	2020
Balance as at 1 Jan.	**22,612**	**3,100**
New borrowings	83,441	88,200
Repayments of borrowings	(88,058)	(69,297)
Transfer from non-current borrowings	1,367	609
Amortisation of origination fee	(22)	0
Balance as at 31 Dec.	**19,340**	**22,612**

Liabilities for Commercial Papers Issued

Liabilities for commercial papers amounting to EUR 30,000 thousand refer to 12-month commercial papers with the ticker symbol SIK08, issued as an 8th issue by the Company on 10 December 2021. The total nominal value of the commercial papers is EUR 30,000 thousand and covers 300 denominations of EUR 100 thousand. The interest rate for a commercial paper is 0.95 percent per annum. Commercial papers are a discounted security. Interest is charged in advance and deducted on payment of a commercial paper in the form of a discount from the nominal value of the commercial paper. Liabilities from commercial papers are payable on 9 December 2022. The Company repaid the 7th issue of commercial papers with the ticker symbol SIK07 amounting to EUR 26,700 thousand on the maturity day in December 2021.

Movement of Current Liabilities Arising from Lease

in EUR thousand	2021	2020
Balance as at 1 Jan.	**425**	**418**
Repayments of liabilities arising from lease	(460)	(450)
Transfer from non-current liabilities arising from lease	389	460
Other changes	(0)	(3)
Balance as at 31 Dec.	**354**	**425**

The lowest sum of future leases due for payment in the next financial year amounts to EUR 371 thousand on 31 December 2021 (2020: EUR 447 thousand), and the net present value of future leases amounts to EUR 354 thousand on the same date (2020: EUR 418 thousand).

22. CURRENT TRADE PAYABLES

in EUR thousand	2021	2020
Payables to suppliers	2,077	2,312
Liabilities to employees	3,018	1,382
Tax liabilities and other liabilities	1,771	1,003
Current trade payables	**6,866**	**4,697**

23. CURRENT OTHER LIABILITIES

in EUR thousand	2021	2020
Liability for unused holiday leave	456	327
Current portion of liability for deferred contribution (Note 20)	1,200	1,200
Other liabilities	59	62
Current other liabilities	**1,715**	**1,589**

24. CONTINGENT LIABILITIES

Contingent liabilities for issued guarantees amount to EUR 172,721 thousand on 31 December 2021 (2020: EUR 159,787 thousand). The total amount of issued guarantees was issued to the companies of the SIJ Group. The Company expects no outflows from the issued guarantees.

Related Parties

Related parties are majority shareholder of the company and the ultimate parent (including 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	2021	2020
Revenue	3,902	3,692
Expenses	0	3

in EUR thousand	31 Dec. 2021	31 Dec. 2020
Receivables	86,492	84,428
Liabilities	0	0

Transactions with Subsidiaries

in EUR thousand	2021	2020
Revenue	28,536	19,000
Expenses	1,119	2,468

in EUR thousand	31 Dec. 2021	31 Dec. 2020
Receivables	106,358	108,996
Liabilities	22,973	24,889

Transactions with Other Related Companies

in EUR thousand	2021	2020
Revenue	22	1,129
Expenses	126	76

in EUR thousand	31 Dec. 2021	31 Dec. 2020
Receivables	2	104
Liabilities	8,106	6,813

Transactions with Management

The total amount of the receipts of the Supervisory Board members and the receipts of the Company's key management personnel for the performance of functions or tasks based on the business management contracts:

in EUR thousand	2021	2020
Key management personnel	5,402	4,803
Members of the Supervisory Board	145	145

The receipts include gross salaries, paid reimbursements related to work in accordance with the regulation, and bonuses.

In 2021, the Company did not grant any loans, issue any guarantees or make any advance payments to the key management personnel or the members of the Supervisory Board. On 31 December 2021, the Company has no receivables or liabilities towards the key management personnel, except for liabilities for December salaries paid January 2022.

All other employees of the Company, who do not represent key management personnel, also have individual contracts, as the Company has not signed any collective agreements. The disclosed labour costs, therefore, represent the employee benefits based on individual contracts under Article 69 of the Companies Act.

Financial Instruments and Risks

Credit Risk

The Company assesses credit risk as accordingly managed. Exposure to credit risks is assessed based on receivables insurability, data and information, predicting risk of losses (financial information on customers and their financial statements, media available information, earlier business relations with customers, and forward-looking information).

The effects of expected future losses from trade receivables are measured by using the allowances matrix, where the loss allowance is measured by using the simplified model at an amount equal to 12-month expected credit losses.

Financial receivables include loans issued to subsidiaries and majority shareholder of the company. For loans issued, where on the reporting date has not been a significant increase in credit risk since initial recognition, the impairment assessment is based on expected credit losses linked to a default on loans that is possible within the next 12 months (group 1). For those loans issued for which there has been a significant increase in credit risk since initial recognition, the Company recognises a loss allowance on a case by case basis (group 3).

Balance of financial receivables and deposits and impairments by groups

in EUR thousand	31 Dec. 2021			31 Dec. 2020		
	Gross amount	Impairments	Total	Gross amount	Impairments	Total
Group 1	159,487	(41)	**159,446**	165,175	(41)	**165,134**
Group 3	30,489	(22,231)	**8,258**	25,142	(16,738)	**8,404**
TOTAL	**189,976**	**(22,272)**	**167,704**	**190,317**	**(16,779)**	**173,538**

Age Structure of Financial Assets

in EUR thousand		Overdue				
31 Dec. 2021	**Not-overdue**	**Up to 3 months**	**3 months to 1 year**	**1 year to 3 years**	**Over 3 years**	**Total**
Trade receivables	1,587	1,413	2	0	0	**3,002**
Financial receivables and deposits	189,900	8	45	23	0	**189,976**
Total	**191,487**	**1,421**	**47**	**23**	**0**	**192,978**

in EUR thousand		Overdue				
31 Dec. 2020	**Not-overdue**	**Up to 3 months**	**3 months to 1 year**	**1 year to 3 years**	**Over 3 years**	**Total**
Trade receivables	716	1,281	7	74	0	**2,078**
Financial receivables and deposits	191,475	30	21	0	0	**191,526**
Total	**192,191**	**1,311**	**28**	**74**	**0**	**193,604**

Movement of Allowances for Financial Assets

in EUR thousand	Allowance as at 31 Dec. 2020	Changes with impact on profit or loss	Allowance as at 31 Dec. 2021
Trade receivables	66	(66)	0
Financial receivables and deposits	16,779	5,493	22,272
Total	**16,845**	**5,427**	**22,272**

in EUR thousand	Allowance as at 31 Dec. 2019	Changes with impact on profit or loss	Changes without impact on profit or loss	Allowance as at 31 Dec. 2020
Trade receivables	133	(47)	(20)	66
Financial receivables and deposits	21,090	(2,311)	(2,000)	16,779
Total	**21,223**	**(2,358)**	**(2,020)**	**16,845**

Liquidity Risk

The Company is managing its liquidity risk with the appropriate planning of cash flow and current credit lines from banks agreed in advance, which ensures that the Company is capable of settling any overdue liabilities at any time. The majority of financial liabilities refers to issued bonds and commercial papers totalling EUR 109.1 million.

in EUR thousand		Expected cash flows				
31 Dec. 2021	**Present value**	**Up to 3 months**	**3 months to 1 year**	**1 year to 5 years**	**Over 5 years**	**Total**
Cash and deposits at banks	11,111	11,111	0	0	0	**11,111**
Trade receivables	3,002	3,002	0	0	0	**3,002**
Financial receivables	167,605	41,781	31,234	38,590	76,944	**188,549**
Total assets	**181,718**	**55,894**	**31,234**	**38,590**	**76,944**	**202,662**
Payables to suppliers	2,077	2,054	23	0	0	**2,077**
Financial liabilities	131,852	253	54,239	83,995	0	**138,487**
Other liabilities	11,802	0	0	0	11,802	**11,802**
Total liabilities	**145,731**	**2,307**	**54,262**	**83,995**	**11,802**	**152,366**

The Company regularly monitors and analyses the liquidity gap on a time-to-pocket basis, measures the maturity structure of assets and liabilities. The liquidity gap cannot be avoided but can be managed effectively by the Company. A positive gap means a surplus of resources and a negative means a shortage of resources to be provided.

in EUR thousand		Expected cash flows				
31 Dec. 2020	**Present value**	**Up to 3 months**	**3 months to 1 year**	**1 year to 5 years**	**Over 5 years**	**Total**
Cash and deposits at banks	1,612	1,612	0	0	0	**1,612**
Trade receivables	2,012	2,012	0	0	0	**2,012**
Financial receivables	173,538	13,036	50,707	63,234	75,252	**202,229**
Total assets	**177,162**	**16,660**	**50,707**	**63,234**	**75,252**	**205,853**
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	8,296	80	0	8,216	0	**8,296**
Total liabilities	**127,477**	**2,635**	**52,050**	**81,112**	**0**	**135,797**

The Company assesses its exposure to financial markets and banks as low. The Company fully complies with the liabilities and conditions stated in loan contracts.

Foreign Exchange Risk

Since the majority of inflows and outflows are in the national currency – euro, the Company assesses its foreign exchange risk as low and accordingly managed. Other currencies are represented to a lesser extent, therefore a change in exchange rates would not have a material influence on the Company's profit or loss. Consequently, the Company does not prepare a sensitivity analysis on foreign exchange risk.

USD	31 Dec. 2021	31 Dec. 2020
Trade receivables	12	12
Financial receivables	509	508
Trade payables	0	(52)
Exposure	**521**	**468**

In 2021 and 2020, the following exchange rates were material for the Group:

Currency	31 Dec. 2021	31 Dec. 2020	Average exchange rate in 2021	Average exchange rate in 2020
EUR/USD	1.1326	1.2271	1.1827	1.1422
EUR/GBP	0.8403	0.89903	0.8596	0.88970
EUR/CZK	24.8580	26.242	25.6400	26.455

Exchange rates used to translate the balance items as at 31 December correspond to the European Central Bank exchange rates on that day.

Interest Rate Risk

The Company assesses its interest rate risk as low and accordingly managed. The Company regularly monitors its exposure to interest rate risk by monitoring developments in financial markets, changes to the interest rates and changes to the prices of derivative financial instruments, and by proposing in due time measures of interest rate hedging.

The Company's borrowings have a fixed interest rate, variable interest rate is used only for a small portion.

A change in interest rate by 100 or 50 basis points on the reporting date would result in a decrease of profit or loss by the amounts stated below. The analysis assumes that all other variables remain unchanged. The analysis for 2020 was prepared in the same manner.

In 2020, considering the Company's exposure to the interest risk, a change in interest rate by 100 or 50 basis points would result in a change of profit or loss by less than EUR 1 thousand.

In 2021, considering the Company's exposure to the interest risk was similar: a change in interest rate by 100 or 50 basis points would also result in a change of profit or loss by less than EUR 1 thousand.

Equity Management

The Company's main purpose of equity management is to achieve an adequate volume of capital to ensure the confidence of its creditors, financial stability and long-term solvency, as well as proper dividends to its owners. On 31 December 2021, the Company owns 27,600 treasury shares.

In the structure of total indebtedness, the share of equity value remains at a high level, as the Company continues to implement the current financial policy to ensure long-term development through long-term sources.

in EUR thousand	2021	Debt increase by 10%	Debt decrease by 10%
Level of debt on equity	48.44	53.29	43.60
Equity	272,186	272,186	272,186
Financial liabilities	131,852	145,037	118,667

Carrying Amounts and Fair Values of Financial Instruments

Presentation of Carrying Amounts and Fair Values of Financial Assets and Financial Liabilities

in EUR thousand	31 Dec. 2021		31 Dec. 2020	
Type of financial instrument	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets at fair value through other comprehensive income	1,370	1,370	1,248	1,248
Financial receivables	167,605	167,605	173,538	173,538
Trade receivables	3,072	3,072	2,371	2,371
Cash and cash equivalents	11,111	11,111	1,612	1,612
Financial liabilities	(131,852)	(130,774)	(116,869)	(116,869)
Trade payables	(15,081)	(15,081)	(12,912)	(12,912)

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

in EUR thousand	31 Dec. 2021	31 Dec. 2020
Financial assets at fair value through other comprehensive income	966	783
Financial assets at fair value of first level	**966**	**783**
Financial assets at fair value through other comprehensive income	404	465
Financial assets at fair value of third level	**404**	**465**
Bonds and commercial papers	(108,109)	(92,364)
Financial liabilities at fair value of second level	**(108,109)**	**(92,364)**
Borrowings	(21,704)	(23,346)
Leases	(847)	(1,068)
Other financial liabilities	(114)	(91)
Financial liabilities at fair value of third level	**(22,665)**	**(24,505)**

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

In 2021 and 2020, there were no transfers of financial instruments between different levels.

Events after the Reporting Date

Current developments in Ukraine and the resulting sanctions imposed on the Russian Federation will affect the European and world economy. Currently, this is reflected mainly in the prices and deliverability of raw materials and energy, which the Group is mitigating with inventories management measures. For the time being, the Group is not particularly affected and has no significant direct exposure in relation to Ukraine, Russia or Belarus.

However, the degree of uncertainty is high across the entire European economy, therefore as of the time of issuing this annual report, the management is unable to assess all the consequences reliably. The impact on the general economic situation may require certain assumptions and estimates to be adjusted and will also require adjustments of the carrying amount of certain assets and liabilities. The long-term impacts for the European and global economy may affect trading volumes, cash flows and profitability. Nevertheless, as of the publication date of these financial statements, the Group continues to honour its obligations and declares its ability to continue operating on a going concern basis.

The Group is closely monitoring the situation and potential impacts of both existing sanctions and potential new ones.

There were no other events after the reporting date that could influence the presented financial statements.

SLOVENIAN TORCH

UNSTOPPABLE. PERSISTENT. CONNECTED!

The Slovenian Olympic torch for the Tokyo 2020 Olympics is made from recycled steel provided by SIJ Group- Slovenska industrija jekla. In keeping with the fundamental principles of the circular economy, it is made from recycled steel scrap rather than from virgin natural resources. The handle is clasped with five steel rings, while the crown is reminiscent of Mount Triglav, Slovenia's highest peak and its national symbol.

In 2021, this symbol of sustainability and persistence brought together all municipalities of Slovenia. More than ten thousand individuals carried the flame.

SIJ Group is the proud sponsor of the Olympic Committee of Slovenia. Together we spread the Olympic values and the Will of Steel.

Material:

beech wood and
recycled stainless steel

Dimensions:

weight: 1,951 g,
height: 72 cm,
crown diameter: 10.5 cm,
handle diameter: 4 cm

Design:

Vasja Ambrožič,
u. d. ind. obl.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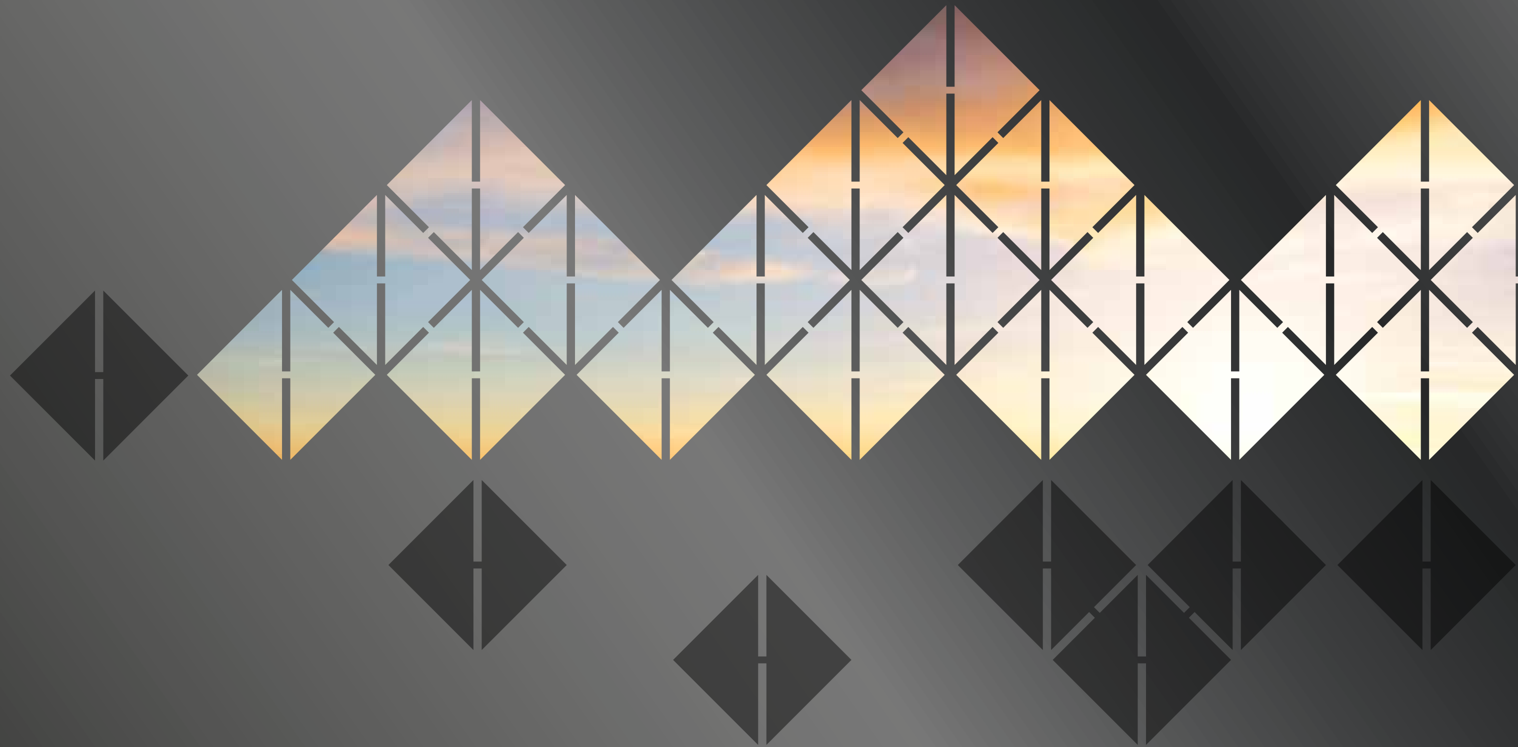

SIJ – Slovenska industrija jekla, d.d.
Gerbičeva 98, 1000 Ljubljana
www.sij.si
T: +386 (0)1 242 98 00
E: info@sij.si

Content and editorship: SIJ d.d., and Ines Drame
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