



sij

BUSINESS REPORT

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

2022

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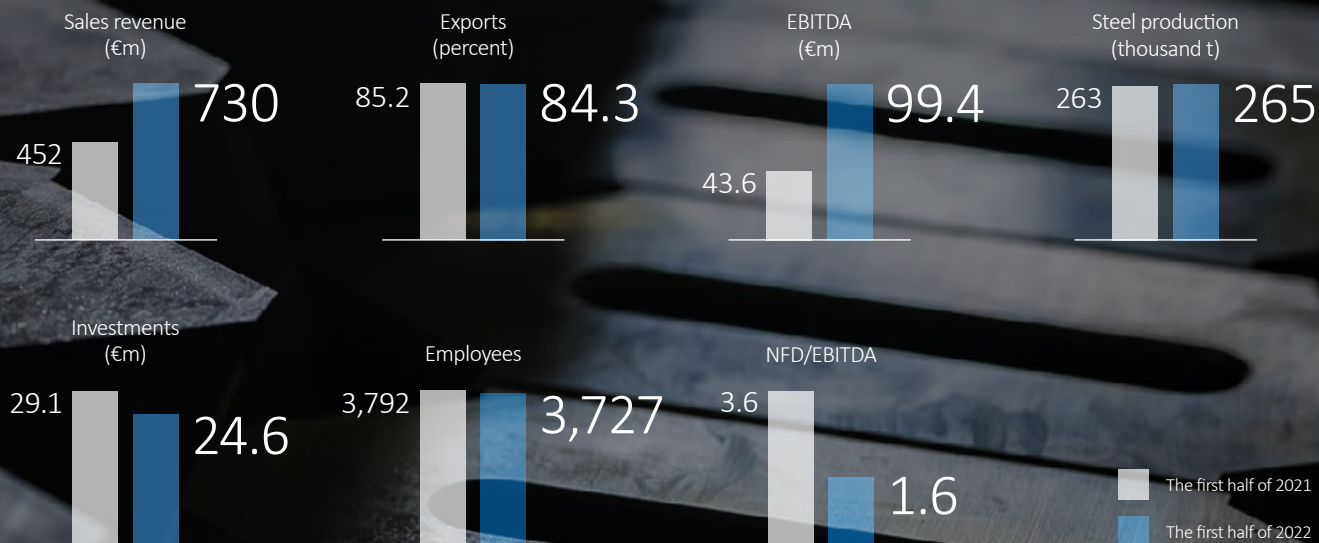
01

INTRODUCTION

OPERATIONAL HIGHLIGHTS

The first half-year period results have surpassed our expectations. Favourable market conditions on the side of demand for steel and steel products have also enabled us reach full production capacity with an optimal structure of orders. In the first half-year period of 2022 we reached record levels of production of steel and end products. We cast 265 thousand tonnes of steel and generated an EBITDA of 99.4 EUR million.

THE FIRST HALF OF 2022 IN FIGURES



LEADING MARKET SHARES IN NICHE STEEL MARKETS

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

We specialise in high added value steels, which make up over 70 percent of our sales.

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

Our steel products portfolio is organised into an integrated system with nine product brands.

1st quartile in CO₂ emissions in the world

According to the World Steel Association data, we rank among the top 15 percent of the world's most efficient steel producers included in the measurements of CO₂ emission.

BUSINESS STRATEGY IMPLEMENTATION

SIJ Group has defined clear goals to be achieved by 2025.



Our advantage lies in **niche markets** and **strengthening our brands**.



Our **financial position will be solid**, with increased efficiency, while profitability will rank above the industry average.



Our value lies in our human capital, and we will be considered a **reputable employer** in the Republic of Slovenia.

SIJ GROUP AT A GLANCE

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

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

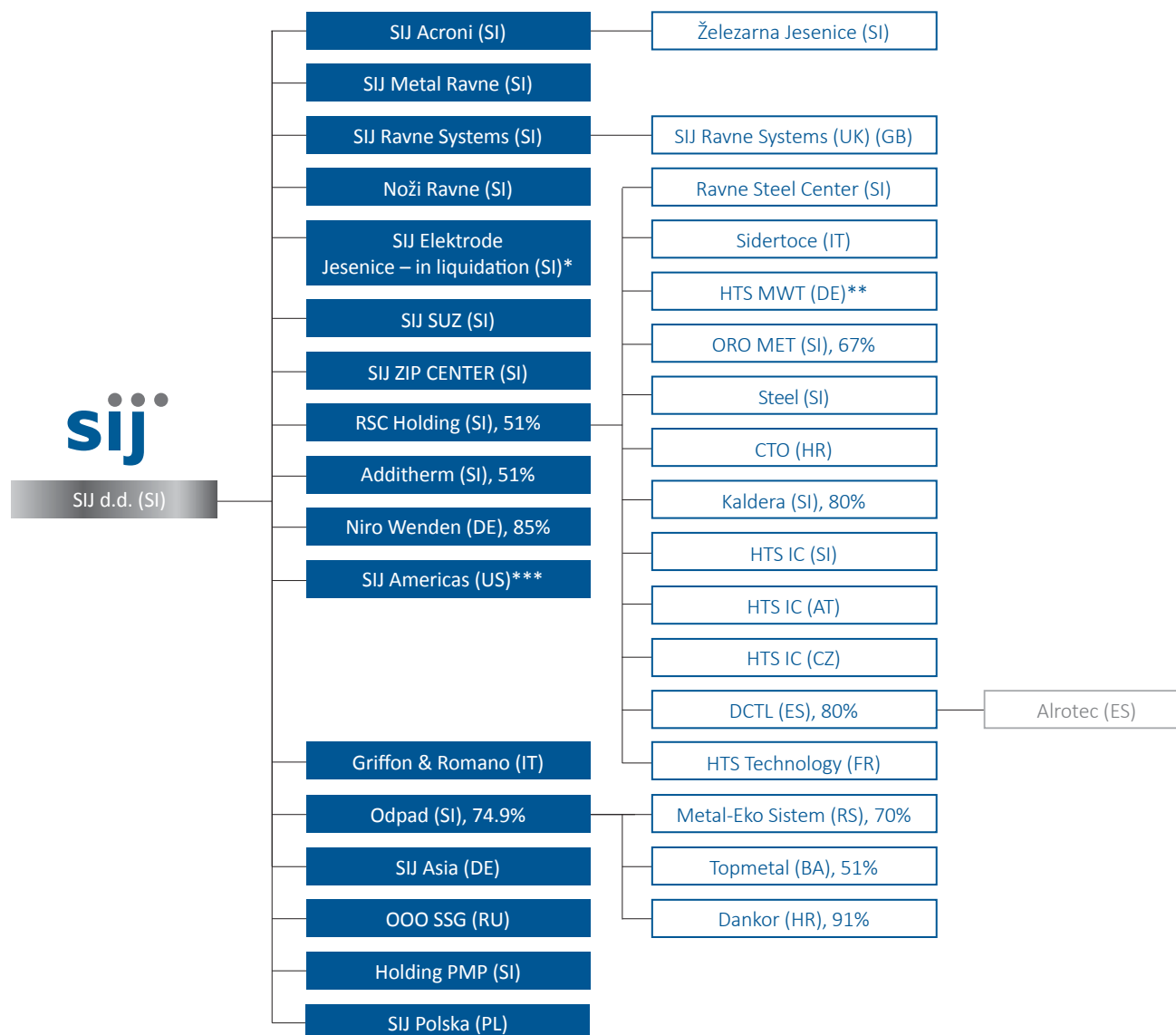
Companies where no percentage of ownership is indicated are under 100-percent ownership of either SIJ d.d. or its subsidiaries.

* SIJ Elektrode Jesenice has been in liquidation since 23 March 2022.

** SIJ MWT was renamed HTS MWT on 17 May 2022.

*** KOPO International was renamed SIJ Americas, Inc. on 2 February 2022.

ORGANISATIONAL STRUCTURE



OVERVIEW OF THE CONTROLLING COMPANY SIJ d.d.

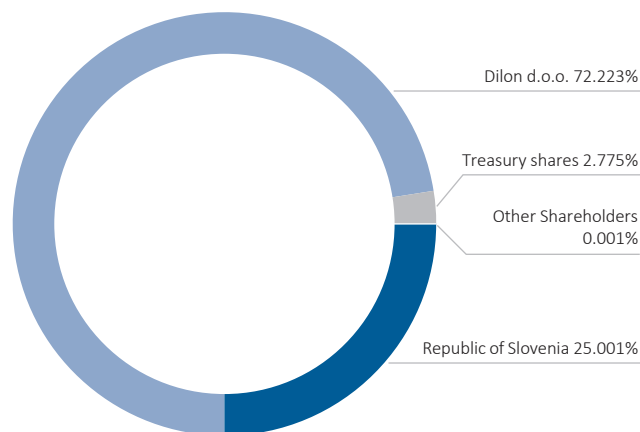
Basic Information

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

Did you know, that ...

steel is roughly
1,000 times stronger than iron
in its pures form, and it can be recycled
without loss of strength.

Ownership structure as of 30 June 2022



MANAGEMENT AND SUPERVISORY BODIES

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

Management Board



Andrey Zubitskiy
President of the
Management Board

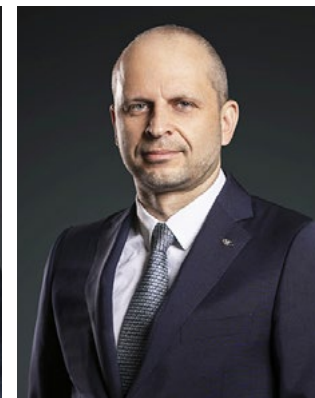
Extended management



Tibor Šimonka
Vice President



Viacheslav Korchagin
Vice President and CEO



Igor Malevanov
Vice President and CFO



Evgeny Zverev
Vice President and Chief Legal
and Corporate Governance
Officer

Supervisory Board

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

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

Members of the Supervisory Board: **Maria Joye,
Matej Bastič,
Dmitry Davydov,
Helena Ploj Lajovic,
Richard Pochon**

Audit Committee

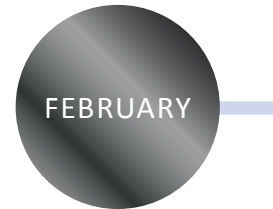
President of the Audit Committee: **mag. Štefan Belingar**

Members of the Audit Committee: **Richard Pochon,
mag. Alan Maher**

02

BUSINESS REPORT

NOTABLE EVENTS AND ACHIEVEMENTS IN THE FIRST HALF OF 2022

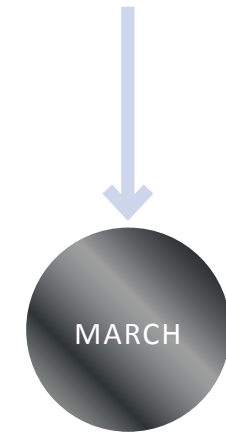


New Seven-Year Syndicated Loan Agreement Signed

An international syndicate of nine international and domestic banks, including NLB, signed a EUR 230 million long-term syndicated loan agreement with SIJ Group's two largest steel companies, SIJ Acroni and SIJ Metal Ravne. The loan, granted under more favourable terms, will ensure adequate liquidity reserves and provide funds for investments to improve environmental efficiency. EBRD's involvement in this loan provides banks with additional reassurance regarding SIJ Group's operations and our focus on sustainable economic growth. In accordance with SIJ Group's strategy until the year 2025, our investment projects are geared towards increasing production efficiency and sustainable development, environmental projects, circular economy principles and energy efficiency.

41st General Assembly

At the 41st General Assembly of shareholders, which took place on 21 February 2022, Evgeny Zverev, Dmitry Davydov and Helena Ploj Lajovic, whose mandate had expired, were re-appointed as members of the Supervisory Board for an additional four-year term. As a result, there were no changes to the Supervisory Board.

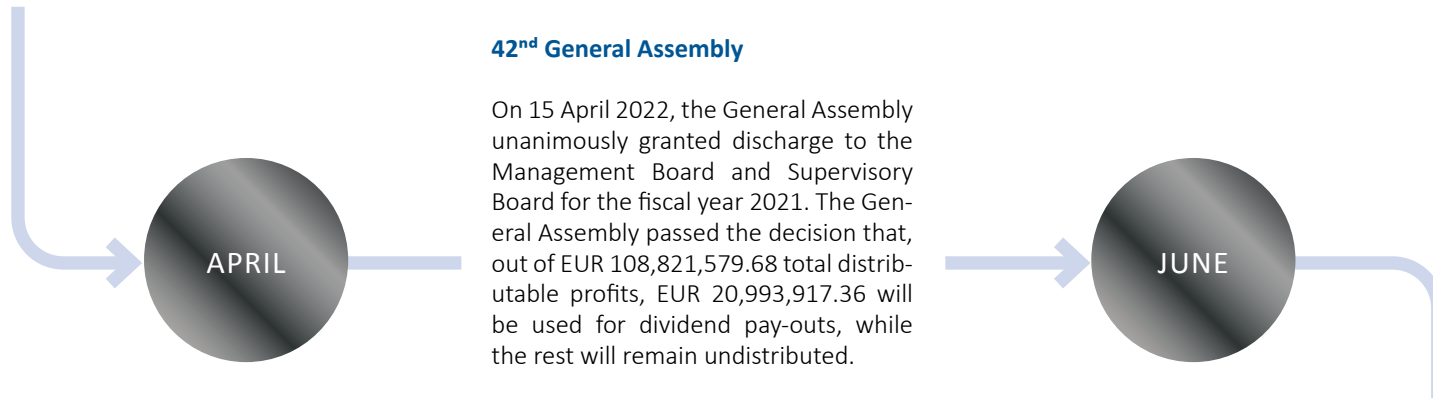


2021 Annual Report Confirmed

On 30 March 2022, the Supervisory Board reviewed and adopted SIJ Group and SIJ d.d.'s Audited Annual Report for the fiscal year 2021.

Voluntary Liquidation of SIJ Elektrode Jesenice

With consideration of the situation on global markets, declining demand and the recent years' negative performance of SIJ Elektrode Jesenice, the Management Board of SIJ d.d. has recommended to the Supervisory Board that the company be liquidated. The motion for voluntary liquidation of the company was carried at the Supervisory Board session of 23 March 2022. The production shutdown at SIJ Elektrode Jesenice was concluded as of the end of April. All stakeholders are expected to be compensated by the end of the year.



42nd General Assembly

On 15 April 2022, the General Assembly unanimously granted discharge to the Management Board and Supervisory Board for the fiscal year 2021. The General Assembly passed the decision that, out of EUR 108,821,579.68 total distributable profits, EUR 20,993,917.36 will be used for dividend pay-outs, while the rest will remain undistributed.

The General Assembly of Shareholders also passed a resolution on appointing the company Deloitte Revizija d.o.o. as the certified auditor of SIJ d.d. and SIJ Group for the 2022–2024 period.

Best Innovation Awards

SIJ Acroni, SIJ Metal Ravne and SIJ Ravne Systems received three gold and four silver regional innovation awards from the Slovenian Chamber of Commerce and Industry.

In the International Stainless Steel Forum (ISSF) competition, SIJ Acroni took an excellent third place among five innovations from the whole world, which together competed in the segment of best technology awards.

New Digital Production Architecture

SIJ Metal Ravne completed an investment of over three-million euros into a new information system, which brings better integration of production and business processes, optimisation, even higher quality standards, and improved customer support efficiency. The core information infrastructure runs on the Oracle EBS and PSI Metals systems, which are recognised as leading solutions on a global scale, each in its own segment. Both solutions were additionally adapted to the needs of SIJ Metal Ravne.

Adoption of a Sustainable Strategy

On 23 June 2022, we adopted the SIJ Group’s sustainability strategy, which defines SIJ Group’s sustainability policy and commitments leading up to the year 2030. We will track the fulfilment of these sustainable development objectives based on environmental, social and governance (ESG) criteria. The framework of our sustainable steel production will be provided by the ResponsibleSteel™ independent certification standard, whose requirements we plan to meet by the year 2024.

NOTABLE EVENTS AFTER THE END OF THE REPORTING PERIOD



SIJ Group decided to optimise production volumes

Faced with extremely high energy prices, which reached record levels in July and August, and the uncertainty of its customers in accepting such price conditions, SIJ Group – like many other European steel companies – decided to optimise production volumes. Following this decision, we will reduce production by around a third in September and by around 40% in the fourth quarter. We believe that this is a reasonable and correct decision to ensure SIJ Group's stable operations for the rest of the year.

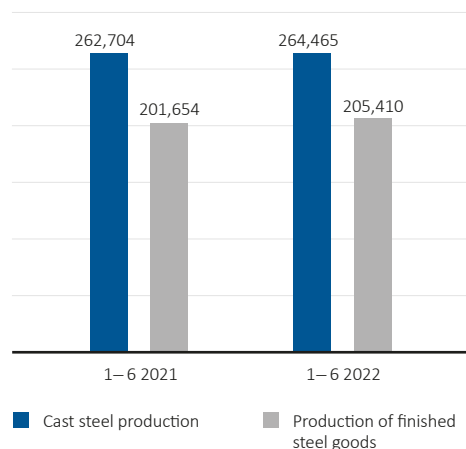


ANALYSIS OF OPERATIONS

CAST STEEL AND FINISHED STEEL GOODS MANUFACTURING

SIJ Group's cast steel production was up 0.7 percent year-on-year during the first half of the year 2022. Finished steel goods manufacturing was also up 1.9 percent. In previous years, we were intensively increasing our production capacities through focused investments, thereby creating the conditions necessary for record production of steel and end products during a time of favourable economic conditions and high demand.

Cast Steel and Finished Steel Goods Manufacturing (in tonnes)



Key Operating Figures

Financial figures	Unit of Measure	1-6 2021	1-6 2022
Cast steel production	t	262,704	264,465
Net sales revenue	EUR thousand	451,624	730,440
EBIT ^a	EUR thousand	16,186	70,462
EBIT margin	%	3.6%	9.6%
Depreciation	EUR thousand	-26,783	-27,577
EBITDA ^b	EUR thousand	43,642	99,436
EBITDA margin	%	9.7%	13.6%
EBITDA per employee	EUR	11,509	25,781
Profit or loss before taxes	EUR thousand	11,470	64,839
Net profit	EUR thousand	10,018	52,438
CapEx	EUR thousand	29,092	24,613
Statement of financial position as at 30 June			
Total assets	EUR thousand	919,622	1,134,075
Equity	EUR thousand	381,612	430,411
Working Capital as at 30 June			
Inventories	EUR thousand	235,215	340,504
Trade receivables	EUR thousand	92,582	195,957
Trade payables ^c	EUR thousand	222,742	319,185
Working capital	EUR thousand	105,054	217,277
Net financial debt as at 30 June			
Non-current financial liabilities	EUR thousand	173,663	216,687
Current financial liabilities	EUR thousand	79,648	94,561
Cash and cash equivalents	EUR thousand	41,540	54,696
Net financial debt ^d	EUR thousand	211,771	256,552
NFD / EBITDA		3.6	1.6
Employees			
Number of employees		3,792	3,727

^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. The calculation is explained under Alternative performance indicators.

^c Trade payables for operating assets.

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



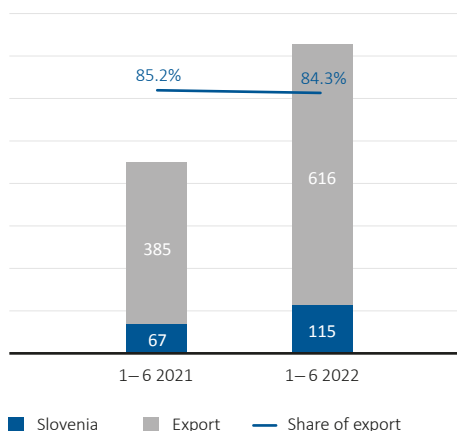
RECORD NET SALES REVENUE, STABLE EXPORTS

We generated EUR 730.4 million in the first half-year period of 2022, a 62 percent increase compared to the same period of last year. The two key drivers of increasing sales revenue are increased demand and higher sales prices.

The prices were mostly affected by the increasing prices of raw materials, energy and transport, which we were mostly able to pass on to our customers by making dynamic adjustments of sales prices and introducing an energy surcharge.

In line with our strategy, our sales remain focused on marketing our most advanced high value-added products for the most demanding industries. These include the Energy industry, the Aviation & Automotive industry, the Oil & Gas industry and the Engineering industry.

Revenues (in EUR million) and Share of Exports (as a percentage)

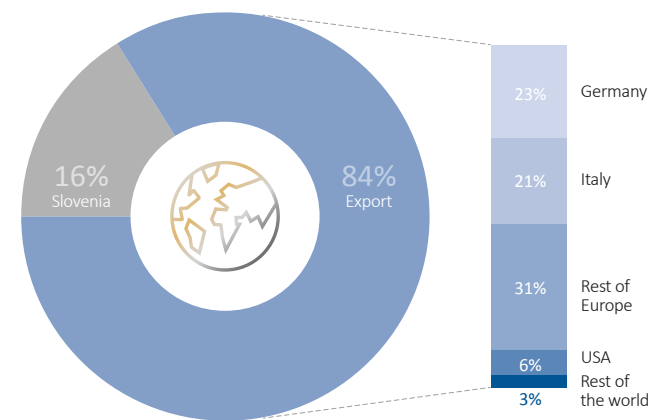


With a market presence in over 70 countries worldwide, SIJ Group remains at the top of Slovenia's top exporters. In the first half of 2022, we have kept exports at a high level –84.3 percent. We have maintained a stable export share well above 80 percent for the entire past decade.

Germany, Italy, and other European countries remain our main export markets. Exports to Germany, our main export market, have increased by 0.6 percentage points year-on-year. Exports to Italy have decreased 2.6 percentage points, while exports to the USA decreased by 0.6 percentage points. We increased sales to other European markets by 3.4 percent.

Throughout the first half-year period of this year, there has been a strong demand in both the EU and US markets for our stainless-steel products programme, in the flat and long products alike.

Share of Revenues by Market



Did you know, that ...

when liquid iron is converted into **steel**, it reaches temperatures of up to **1,700°C**, significantly hotter than volcanic lava.

LEADING MARKET SHARES IN NICHE STEEL MARKETS

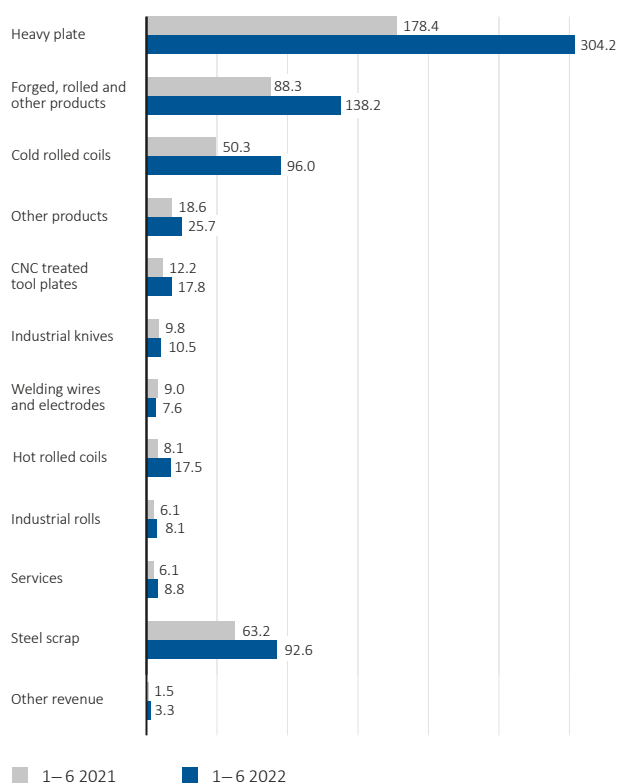
SIJ Group dedicates a sizeable portion of its resources to development of new higher value-added steels. We are constantly improving our products, which meet the highest standards.

Holding a 27-percent market share, SIJ Group ranks among the Top 3 producers of stainless-steel quarto plates in the European Union¹. We also rank as the third largest producer of tool steels globally¹.

As a result of increased demand and high sales prices, we exceeded the level of sales in the first half-year period of this year compared to the same period last year, except in the welding wires and electrodes segment, which is in the process of being discontinued. Despite the higher overall realization, the product groups sales structure remains comparable to last year's.

¹ European Steel Association - Eurofer. July 2022. Data sourced from the Association's member database, interim data.

Sales by Product Groups (in EUR Million)



THE TREND OF STEADILY RISING PRICES OF RAW MATERIALS CONTINUED

We were faced with an **increase in the prices of all raw materials**. The existing trend of increasing prices which carried over from the previous year further intensified in the first half of this year. Compared to the previous year, all raw materials relevant to our operations have increased. These include mainly nickel, chromium, vanadium and manganese, as well as titan and tungsten and some other materials which we use to a smaller extent.

Nickel prices reached an all-time high in March. After the trading suspension in the London Metals Exchange and introduction of a number of measures to prevent speculative trading, the price of nickel settled above the projected and anticipated price level.

Steel scrap prices were up 24 percent in the first four months of 2022 and reached a high in April. In April, availability increased, and total consumption decreased due to the economic downturn, and so the price trends turned downward. By May 2022, steel scrap prices were already down 12 percent compared to January 2022.

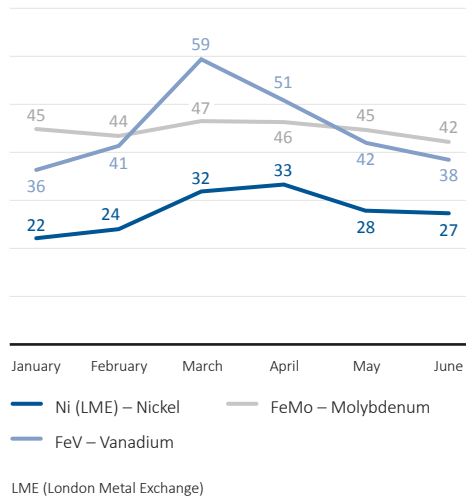
The price of alloyed steel scrap, as a material crucial for production of the stainless-steel programme, followed the trend of the prices of nickel, iron, and chromium. Prices followed the price trend of steel.

A significant share of **vanadium** is produced in Russia, and so due to restrictions and potential difficulties with supply, the price rose by as much as 70 percent in the first quarter of 2022. Despite everything, there were no outages of supply and availability was sufficient, so the price decreased

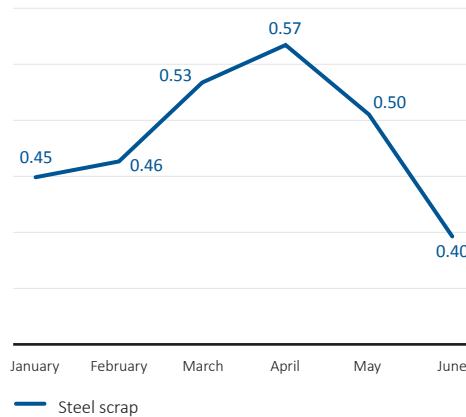
in June 2022 and is now on par with the price level at the beginning of the year.

We also recorded high increases of prices in raw materials and other materials required in the production process, whose extraction and production involves intensely energy-consuming processes, such as silicone, manganese, lime and flame-resistant materials. Due to high costs of energy, producers restricted production volumes, thereby reducing availability of materials on the market. As the economic downturn began, the prices of these raw materials began to decrease as well.

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



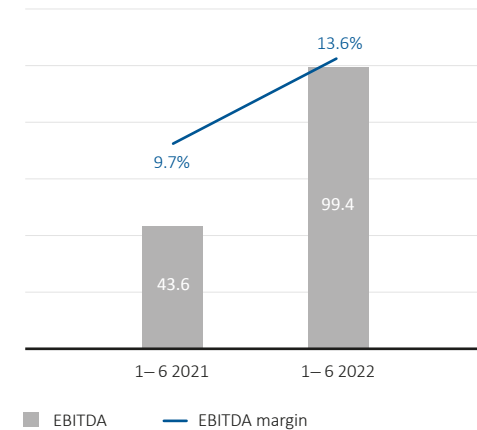
Changes of Steel Scrap Prices (in EUR per kilogramme)



FAVOURABLE MARKET CONDITIONS ON THE DEMAND SIDE STRONGLY AFFECTED EBITDA

SIJ Group had an EBITDA of EUR 99.4 million in the first half-year period of 2022. Favourable market conditions on the demand side continued in the first half-year period of this year, which enabled us to reach full production capacity with an optimal structure of orders. Continuous production and dynamic coordination of sales prices against the purchase prices of raw materials and energy products have allowed us to reach record business results. As a result, the EBITDA margin increased, as well.

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



The Steel Division has the greatest effect on SIJ Group's EBITDA. The effect of EUR 122.5 million comes as a result of good balancing of the purchase prices of raw materials and the sales prices of our products, as well as the introduction of the energy surcharge. The positive effect of sales was able to cover the increasing energy costs in the segment of variable costs, and higher fixed costs. Thus the Steel Division generated an EBITDA of EUR 57.0 million in the first half-year period of 2022.

The Steel Processing and Distribution Division and the Scrap Division also had a positive effect on EBITDA, where the positive trend comes as a result of favourable market conditions on the demand side and higher prices.

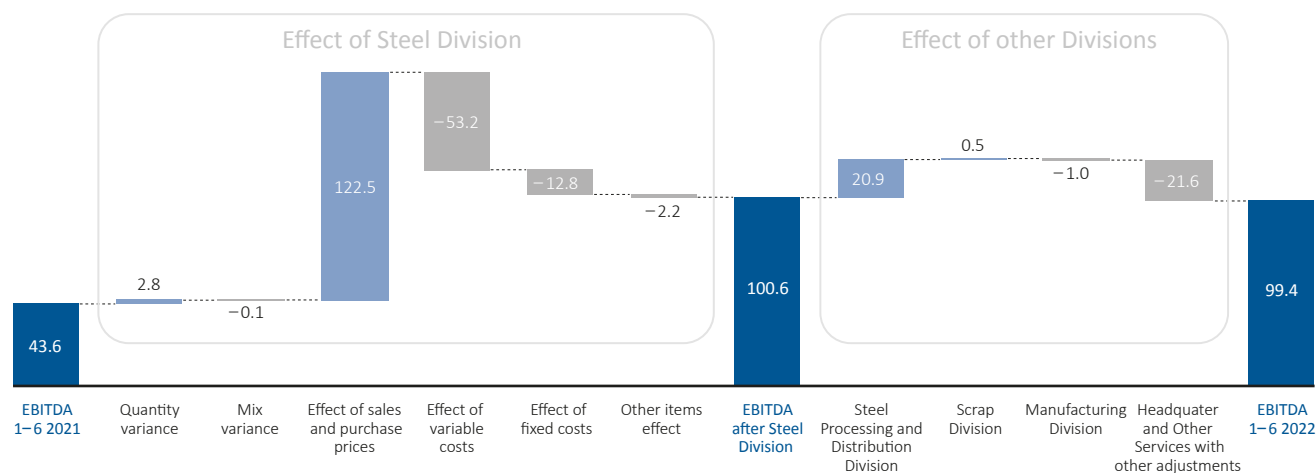
The negative effect of the Manufacturing Division is mostly attributable to the discontinuation of the welding wires and electrodes production due to the voluntary liquidation of SIJ Elektrode Jesenice, which began in March 2022.

The effect of the Headquarters and Other Services Division involves accrued bonuses, profits in the inventories of SIJ Group, and other consolidation adjustments.

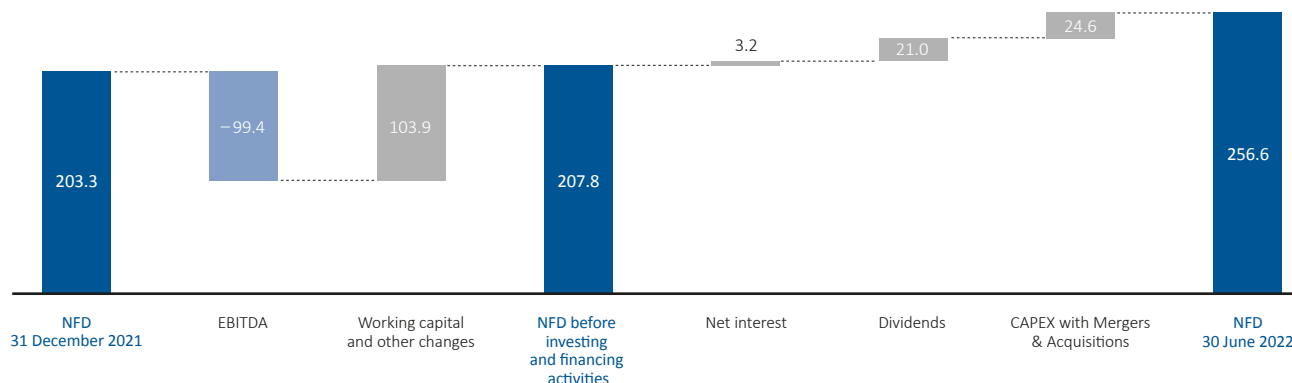
NET FINANCIAL DEBT

At the end of June 2022, the net financial debt of SIJ Group amounted to EUR 257 million, up EUR 53 million compared to the end of 2021. All regular operating activities were financed through EBITDA. Net debt increased mainly as a result of investments made and dividend payouts.

EBITDA Bridge (in EUR million)



NFD Bridge as at 30 June (in EUR million)

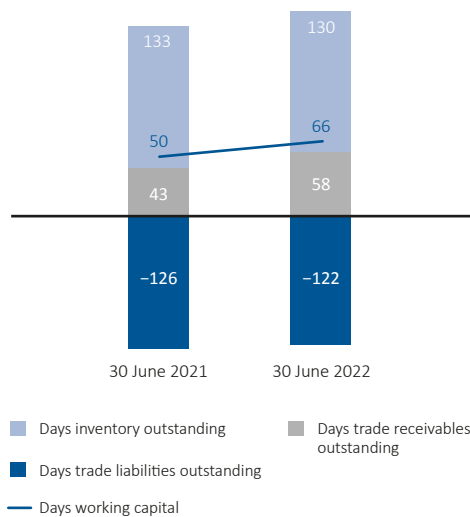


STABLE MANAGEMENT OF WORKING CAPITAL

SIJ Group dedicated particular attention to 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 the first half-year period of 2022, the Days working capital figure increased from 50 to 66 days compared to the same period last year. The Days working capital ratio increased year-on-year, mostly due to increased number of Days trade receivables outstanding. Days trade receivables outstanding increased mainly due to the extreme increase in revenue.

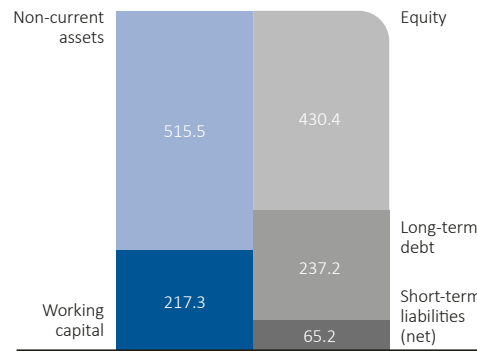
Days Working Capital from Operations as at 30 June



HIGH SHARE OF EQUITY AND LONG-TERM SOURCES

SIJ Group uses long-term financing for long-term development. 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. Long-term sources cover all our non-current assets, and as much as 70 percent of our working capital.

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

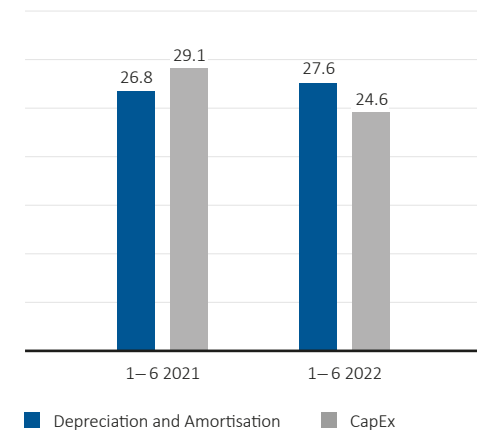


CAPEX

In the first half-year period of 2022, capital expenditure amounted to EUR 24.6 million, which is EUR 4.5 million less compared to the same period last year.

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

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



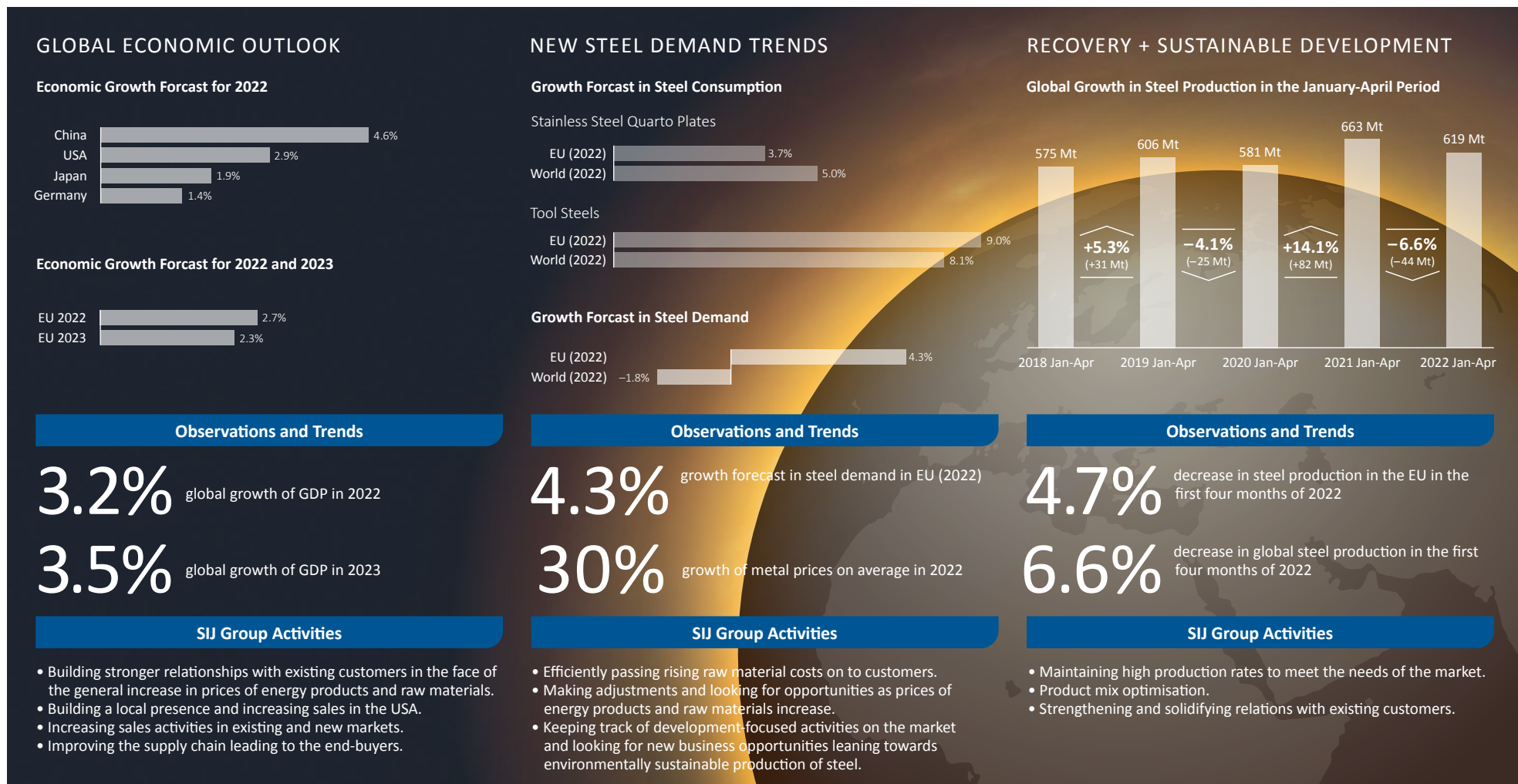
ALTERNATIVE PERFORMANCE INDICATORS

SIJ Group also reports its performance results based on alternative performance indicators defined by the European Securities and Markets Authority (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 revenues in the statement of comprehensive income (Disclosure 1)	Net sales revenues are part of the EBITDA margin and share of exports indicators.
Share of exports	Non-domestic net sales revenue compared to overall net sales revenue in the statement of comprehensive income (Disclosure 1)	The Share of Exports indicator 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	EBIT 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 (Disclosure 2) and impairments (profit/loss) of operating receivables in the statement of comprehensive income and impairment of tangible assets and impairment of inventories (Disclosure 3).	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, the EBITDA margin is used in 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.	Net profit and loss equals the mathematical difference between 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	The indebtedness ratio which shows the ratio of net financial debt to EBITDA. 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. For half-year data, the EBITDA for the last 12 months is used.

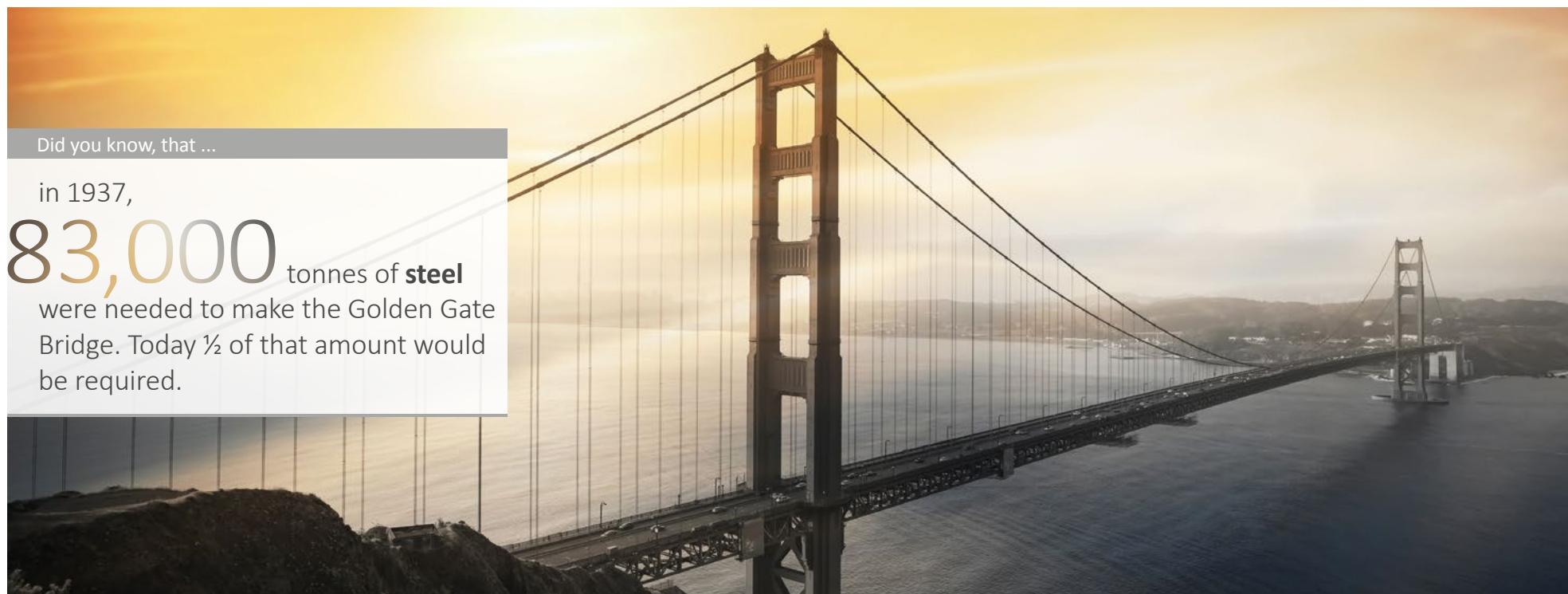
Impacts of the External Environment and SIJ Group Activities



Sources:

a. European Economic Forecast 2022. Available at: [link](#)
 b. World Economic Outlook. Available at: [link](#)
 c. WSA – Steel Demand Forecast. Available at: [link](#)

d. SMR – Steel and Metals Market Research, April 2022: Stainless steel quarto plates market data.
 e. SMR – Steel and Metals Market Research, January 2021: Alloyed tool steels market data.
 f. Internal data.



Did you know, that ...

in 1937,
83,000 tonnes of **steel**
were needed to make the Golden Gate
Bridge. Today ½ of that amount would
be required.

Procurement

Key raw materials for metallurgy companies are steel scrap, alloy steel scrap and ferroalloys, whereas for the Manufacturing Division companies the key raw materials consist of steels and welding materials. A strong increase in demand in nearly all categories of raw materials continued in the first half-year period of this year.

Any major global market event directly affects supply chains. Besides the previously-known supply chain issues and risks, developments in Ukraine have further intensified supply challenges. **Reliability of supply** thus remains the foremost criterion in the first half of 2022. Russia and Ukraine are im-

portant sources of raw materials, therefore the initial shock on the raw materials market was understandable. This resulted in an immediate upsurge in the prices of essential raw materials traditionally exported by these two countries. At just two percent, direct quantity exposure to risks involving raw materials needed for the production of steel of Russian and Ukrainian origin was low in both steel companies within SIJ Group in the first half-year period of 2022.

The upsurge in the prices of raw and other materials in the first half-year period of 2022 is linked to the anticipated disruptions of availability, increased production costs due to the

high prices of energy products, and relocating to more remote markets and thus higher costs of logistics.

Despite the intense geopolitical situation in Europe, **the shortage of materials did not significantly hinder production**. Our procurement process was unaffected by shipping delays due to understaffing and lack of capacity in container transport from Asia. During the first half of 2022, it was extremely important to carefully manage the supply chain and thus ensure that the supply chain of key materials was not broken, which required significantly more effort and resources.

Sales

During the first half-year period of 2022, favourable market conditions and high demand for steel and steel products from the SIJ Group portfolio enabled us reach full production capacity with an optimal structure of orders. Intense geopolitical conditions in Europe, which began at the end of the first quarter with the escalation in Ukraine, briefly prompted additional demand for steel.

Both during the time of economic conjuncture and during the difficult previous year marked by the COVID-19 pandemic, SIJ Group has proved to be an extremely **flexible and reliable business partner**. In the first half-year period of this year, we remained focused on seeking out and working with end-customers and marketing our most advanced high value-added products for the most demanding industries, such as Energy, Oil & Gas, Aviation, Automotive and Mechanical Engineering.

The economic conjuncture in the first half-year period of 2022 enabled us to balance our products' selling prices against their purchase prices on a rolling basis. Due to extreme pricing shocks on the energy market, we introduced an **energy surcharge** at the beginning of the year, especially in the segment of tool and alloy steel long products, which have a longer production cycle. This helped us balance our sales prices against energy prices.

We also had success with the project of marketing our advanced specialty stainless steels for the aviation industry. This was partly assisted by the reactivation of the aviation industry market and increased volume of demand and new orders. We were also very active in new approvals as a cer-



tified supplier, and we continued the certification process for existing certificates.

Despite being at full production capacity to fill orders placed by existing customers, we reserved a small portion of our capacity to attract new customers. Thus during the first half-year period of 2022 we attracted over 60 new

customers across the Group, mainly from the Energy, Oil & Gas, Aviation and Mechanical Engineering industries.

SUSTAINABLE DEVELOPMENT

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

With the help of its clear sustainability strategy, SIJ Group is committed to implementing an economic, environmental and socially sustainable business model. Focusing on the implementation of the UN’s 17 sustainable development goals, we will monitor and demonstrate our fulfilment of these based on environmental, social and governance (ESG) criteria. We will communicate our contributions to sustainability with regular and transparent reports.

The framework of our sustainable steel production will be provided by the **ResponsibleSteel™ independent certification standard**, developed by ResponsibleSteel™ in order to increase steel’s contribution to a sustainable society. We will get certification for this standard by 2024.

17 Sustainable Development Goals of the United Nations





Did you know, that ...

stainless steel is
100% recyclable into the same
product with no reduction in quality.

THE ENVIRONMENT AND THE CIRCULAR ECONOMY

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

The use of secondary raw materials and sound inclusion of by-products in own production and in the use in other industries, integration between the companies of the Group and with other companies, all place us among those stakeholders who realise and promote circular economy.

RECYCLING STEEL SCRAP AND THE CARBON FOOTPRINT

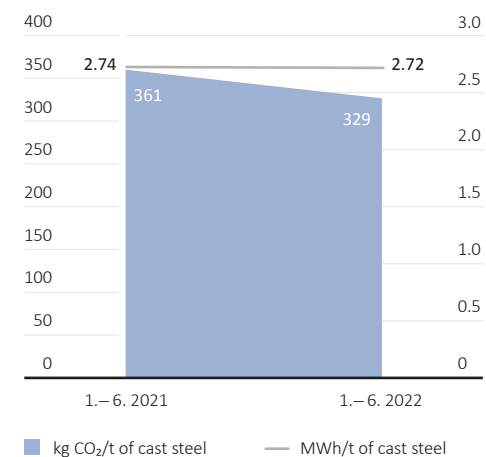
Compared to global ironworks and steel factories which, according to World Steel Association data¹, emitted an average of 1,890 kilograms of carbon dioxide per tonne of cast steel in 2020, our emissions in 2020 amounted to 389 kilograms of carbon dioxide per tonne, which is on a par with modern recycling steel factories. According to the 2020 World Steel Association Report, in the first half-year period of 2021 SIJ Group ranked among the top 15 percent of the world's most efficient steel producers included in the measurements, with 361 kg CO₂ emissions per tonne of cast steel. In the first half of 2022, our emissions were 329 kilograms of carbon dioxide per tonne of cast steel. Compared to integral ironworks, which use ore as the starting raw material and coke as the energy source, SIJ Group's steel companies are recording lower carbon emissions thanks to their implementation of the circular economy principles, where steel scrap is used instead as the basic raw material in steel production. In the first half-year period of 2022 we reached record levels of production of steel and end products, which significantly contributed to the optimisation of processes and lowering specific emissions. At SIJ Acroni, we successfully started a new investment cycle for a ladle drying and preheating stand, where we replaced the combustion air with pure oxygen, significantly cutting the consumption of natural gas. Carbon dioxide emissions were cut proportionately. We are continuing implementation of identical projects in our other facilities, pursuing the goal of reducing our carbon dioxide emissions by 44 percent by 2030.

¹ Source: World Steel Association, September 2021. CO₂ Data Report 2021. Data for 2020.

SPECIFIC ENERGY CONSUMPTION

The efficiency of energy consumption is monitored and managed through a unified centralised energy management IT system. In the first half-year period of 2022, we decreased our year-on-year specific energy consumption by 0.3 percent. In January, we restarted production across all locations after the planned new year shutdown. As a result, specific consumption of natural gas and electricity increased during this month. Moving forward, we operated at an optimal rate without any major extraordinary shutdown events, and we achieved record production of steel and end-products. We reduced our specific energy consumption in spite of the increased share of stainless steels and heat-treated steels.

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



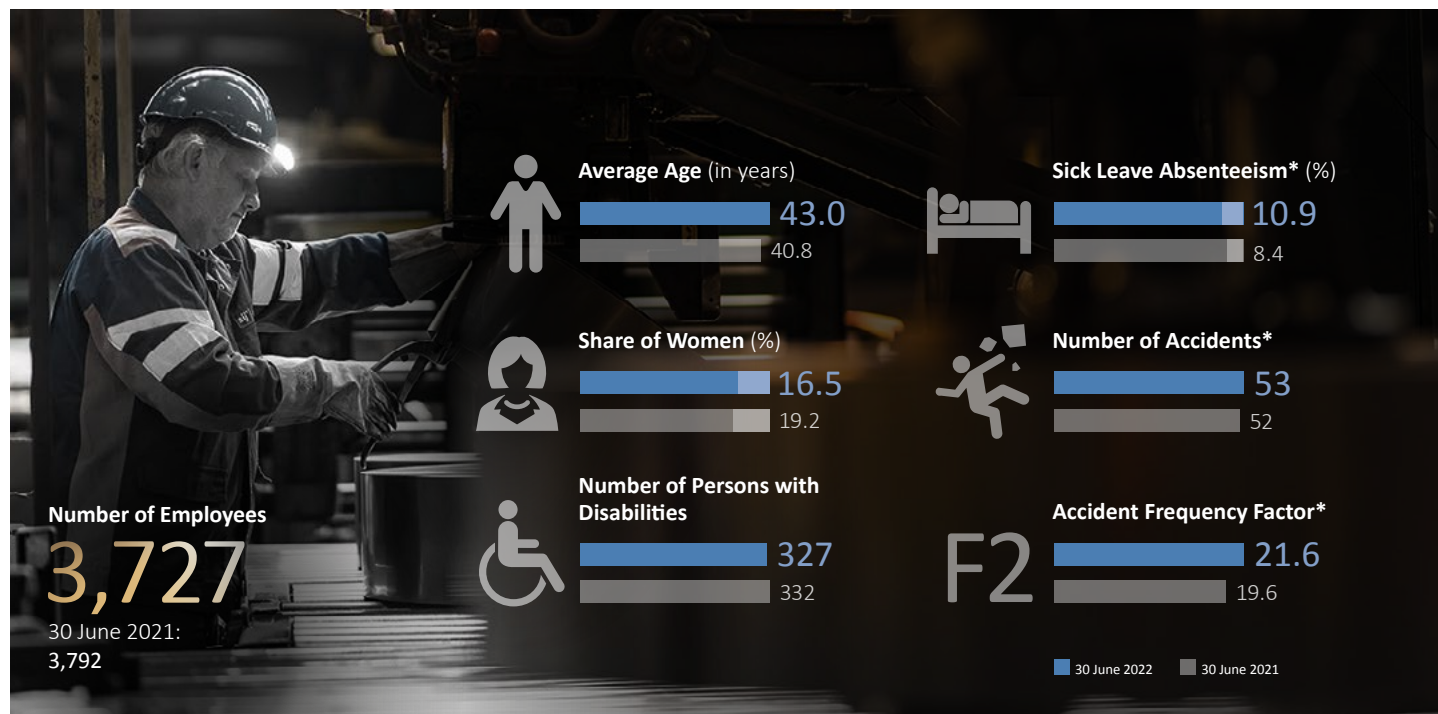
Did you know, that ...

steel is the main material used in delivering renewable energy like solar and wind power.



OUTPUT AND EQUIPMENT UTILISATION RATE

In the first half-year period of 2022, both our steel companies produced 264,465 tonnes of steel, which is two thousand tonnes more than during the same period last year. We increased production of stainless steel, having produced 74,192 tonnes, or three thousand tonnes more than during the same period last year. The investment in the ESR4 machine resulted in an increase in the production of remelted ingots. We produced 5,685 tonnes of these, an increase of 1,119 tonnes compared to the first half-year period of 2021, where we produced 4,566 tonnes. Our steel companies produced a total of 197,055 tonnes of end-products. During the same period last year, the end-products production throughput was 190,351 tonnes, down almost four percent.



* Figures for the first half 2022 are for companies in Slovenia: SIJ Acroni, SIJ Metal Ravne, SIJ Ravne Systems and SIJ SUZ. Previous data also include the company SIJ Elektrode Jesenice – in liquidation.

Employees

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

In the first half of 2022, we increased our employee count by 219, of which more than 59 percent were recruited for work in production. Despite this, we have not yet completely fulfilled our need for new employees, and are still facing a shortage of qualified and professional staff across the board.

At the end of the half-year period, SIJ Group had 3,727 employees. The average age of employees stood at 43.0 years in the first half of the year. Due to the specific nature of the work process, our employees are predominantly male. In the first half-year period, the absenteeism rate due to sick leave stood at 10.9 percent. We registered 53 workplace accidents.

In the process of liquidation of our subsidiary SIJ Elektrode Jesenice, we interviewed the company's employees and offered as many as 80 employees re-assignment options in other SIJ Group companies. 45 employees accepted our offer.

Did you know, that ...

for every job created in the **steel** industry, 8.1 indirect jobs are created, or in other words, the steel industry supports the employment of **49.3** million people.



SALARY SYSTEM

Employees received a 43.5 percent higher holiday allowance this year compared to last year. The level of holiday allowance was agreed with the labour union representatives, and it was provided to all employees in the same amount, including employees of those companies which had insufficient funds due to suboptimal financial results. Considering the positive outlook in business performance results, the SIJ Group Management Board approved the payout of business performance bonuses for the first and

second quarters of 2022, in the amount of 650 to 1,520 euros per employee, depending on the results of the company concerned.

SIJ Group is continuing implementation of the new salary and remuneration system. We introduced a new variable pay system on 1 January 2022, which is based on employee productivity and company operating results. In key SIJ Group companies alone, 16 percent of employees received promotions during the first half-year period of 2022.

7TH SIJ DAY – SIJ GROUP’S SPORTING AND SOCIAL HOLIDAY

After a two-year pause due to the COVID-19 pandemic, this traditional get-together of all SIJ Group employees, students and grant recipients once again brought together about four thousand members of the SIJ family and their family members. Games, music and fun activities were what the third Sunday in June was all about. The hardest working members of the SIJ family coming from SIJ Group companies faced off in a football match in the morning, while the rest could take part in various sporting and social activities. The kids were able to test their Mind of Steel at the Mini-Olympics, which were organised in collaboration with the Olympic Committee of Slovenia - Association of Sports Federations (OCS-ASF). Those attending were greeted by Gloria Kotnik, Olympic Medallist at the Beijing Olympics and the winner of the selection of the Olympic Mind of Steel Moment.

As per tradition, special attention was dedicated to the best innovators, colleagues and senior employees celebrating work anniversaries, who were given prizes and awards by the management of SIJ Group and company directors.

Socially Relevant Cooperation with Local Communities

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

The Purpose of Participation in Socially Relevant Projects



RESPONSIBLE PARTNERSHIP WITH SPORTS ORGANISATIONS

In the area of sports, we maintain our partnerships with all sports organisations on the local level and in local communities, with these being part of our strategic sponsorships' portfolio.

STEEL OUTDOOR SPORT GROUNDS

We are continuing our initiative to promote steel as a material with a wide variety of uses, including in sports and sports infrastructure. As part of our ongoing collaboration with the Olympic Committee of Slovenia, and for the occasion of the Tafisa World Sports for All Congress, we officially opened the 19th steel outdoor gym with the support of the local community and Olympic ambassadors - the Tina Mrak-Veronika Macarol sailing team. The new sporting facility is located in Sečovlje.

During the event, we also signed a new four-year sponsorship contract between SIJ Group and the Olympic Committee of Slovenia.

A MOMENT OF A MIND OF STEEL

This February, SIJ Group turned its attention to finding individuals who had demonstrated feats of excellence. We refer to these feats as Moments of a Mind of Steel.

With the help of the Olympic Committee of Slovenia, the first selection was made during the Beijing Olympics, where listeners of the national radio station Val 202 voted for a Moment of a Mind of Steel demonstrated at the games. In March and April, selections to identify Moments of a Mind

of Steel were also carried in six SIJ Group companies – SIJ Acroni, SIJ SUZ, SIJ Metal Ravne, SIJ Ravne Systems, SIJ ZIP CENTER and SIJ d.d. – as well as six sports clubs sponsored by SIJ Group: HDD SIJ Acroni Jesenice, SIJ Acroni Jesenice Football Club, SIJ Acroni Jesenice Bowling Club, Fužinar SIJ Metal Ravne Volleyball Club, Fužinar Ravne Swimming Club and Prevalje Volleyball Club. There were 45 finalists, and together with SIJ colleagues and club members, partners and fans, we picked six winners from companies belonging to SIJ Group, and six winners from “our” sports clubs.

In a ceremony held at the Slovenian Olympic Education Centre, all thirteen winners received awards in the form of unique sculptures, which symbolise the Mind of Steel and integrate two characteristic elements – steel and beechwood – as a sequel to the story of the Slovenian torch.

A DAY OF COMMUNITY PARTNERSHIP

As part of the 3rd Community Partnership Day, members of the SIJ Group family made a contribution to the community by engaging in various charity activities in their communities under the slogan “Steel bonds between us”. In Jesenice, we brought joy to the residents of the Lepa si organisation at Hrušica, and did some landscaping work around the Koroška Bela Elementary School and the Kres Recreational Centre in Koroška Bela. We socialised with the wards of the Ravne na Koroškem Centre for Protection and Work, and pupils of the Juričev Drejček Elementary School, and we painted the fence along the municipal footpath to Čečovje. In Ljubljana, SIJ Group colleagues spent the afternoon with wards of the Malči Beličeve Youth Centre and brought a concrete wall to life with graffiti. More than 100 volunteers donated over 200 hours of volunteer work, which was rewarded by the smiling faces of the underprivileged groups.



NURTURING THE STEELWORKING TRADITION

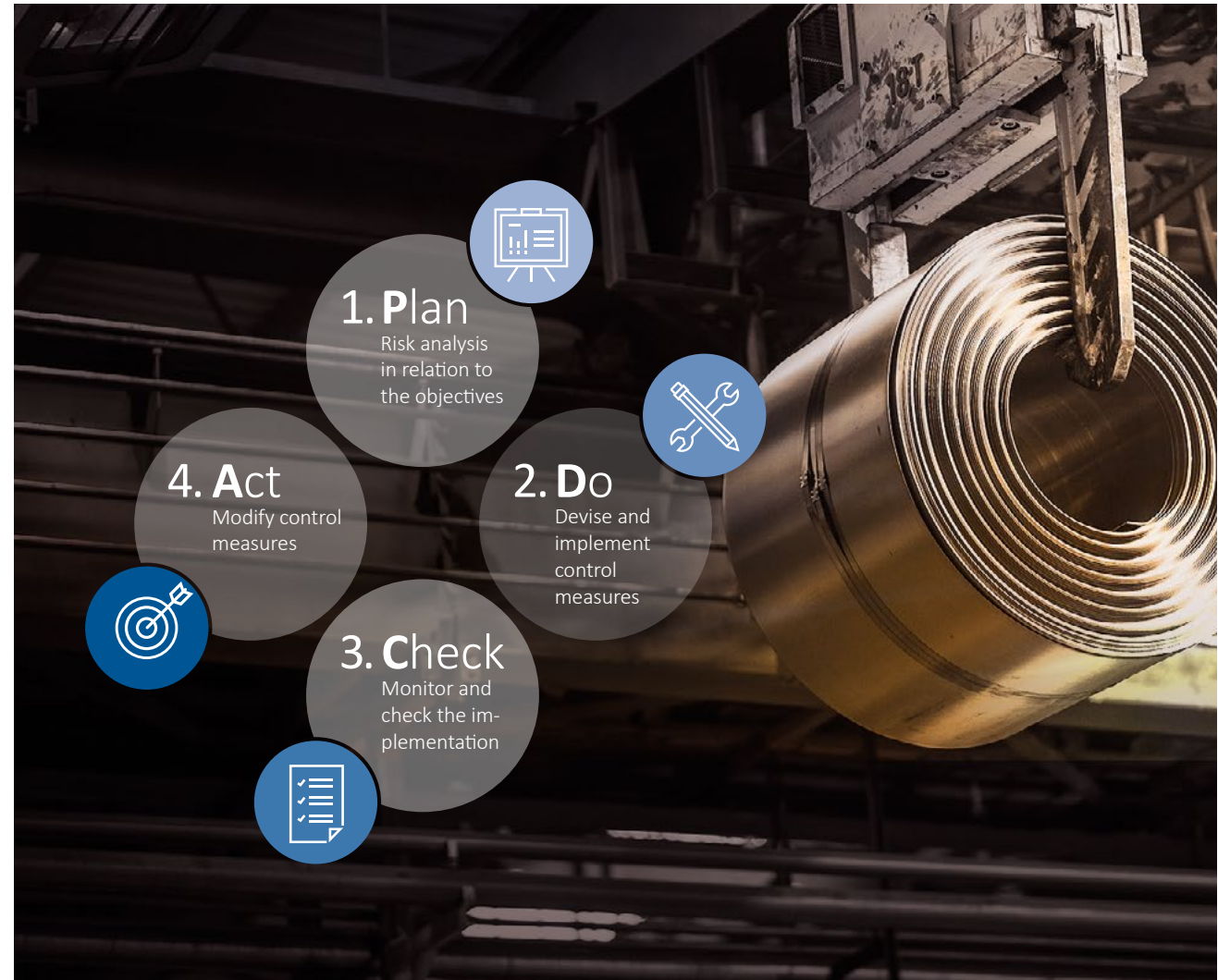
SIJ Metal Ravne, the largest SIJ Group company in the Koroška region, has over 400 years of history in the steelworking tradition, and so it is all the more important that industrial heritage is recognised, protected, preserved and properly introduced to the public. In the spirit of this, we donated one of our first Kamag pallet forklifts, first purchased by the Železarna Ravne steel company in 1983, to the Koroška regional museum of the Ravne na Koroškem Museum, to serve as an exhibit in the historical transport vehicles collection.

RISK MANAGEMENT

The risks and opportunities system is based on a well-rounded PDCA (Plan-Do-Check-Act) model, where we plan our activities first, then execute them, check their effectiveness and then take proper action. In the first half-year period of 2022, SIJ Group launched the risk management upgrading project by developing special software to support the risk management process, which will give us even better control over risks and opportunities.

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

In 2022 we will continue to monitor all known risks and identify new ones. We do not expect either existing or new risks to adversely impact our operations to a significant degree.



DEVELOPMENTS IN UKRAINE

The current geopolitical situation in Europe and the growing energy crisis in the European and global markets are increasing the level of general concern and uncertainty across the European economy as a whole. European companies are mostly feeling the change in terms of energy prices, but also in terms of supply chains and market demand.

High risks related to the access to the required energy translate to risks in production processes. A number of events in 2021 have paved the way to instability in the natural gas market and caused a chain reaction with surging energy prices. We successfully absorbed the effect of the first wave of price hikes through power and gas futures purchased in prior periods. In keeping with our strategy, we are partially continuing our practice of pre-purchasing energy products for future years. Natural gas represents 60 percent of all energy required for production in both steel producing companies. Since all heating furnaces and heat processing furnaces run on natural gas, any reduction in the supply of natural gas would have a direct effect in production, as any shutdown of reworking processes and heat treatment of semi-products would render it impossible to complete production processes.

In recent years, we have already implemented some projects which significantly reduced our consumption of natural gas. Through intense additional investments, we plan to halve our consumption of natural gas across our production processes. We currently have no alternative sources available, so we are focusing on different options of alternative sources of energy, such as liquefied petroleum gas and liquefied natural gas. As regards the supply of natural gas, we are in regular contact with our supplier, with whom we have a long-term contract in place and who has so far been pro-

viding us with a steady supply of gas, without any outages. Even in case of potential further reductions of gas supplies from Russia we do not expect this cause an immediate gas shortage, and as a key raw materials industry, with the implementation of government measures, EU guidelines and the solidarity mechanism, we expect to remain on the list of gas recipients. SIJ Group therefore considers it unlikely that a gas supply outage scenario will come into play.

Various measures have been introduced at SIJ Group to manage purchasing risks. During the 2020 COVID-19 pandemic we expanded and deepened our observation of events in the Chinese, European and other markets, where our strategic raw materials and other materials are sourced. Additional **procurement risks**, which emerged at the end of 2021 and in the first half-year period of 2022, have been assessed as **moderate**. An important risk category is the **risk of delayed supply** of strategic raw materials and auxiliary material. A thorough understanding of our suppliers' and participants' supply chains is key for managing the risk of late delivery. In light of the developing geopolitical situation in Europe, we updated our precautionary measures to ensure reliable and uninterrupted supplies, specifically:

- we prepared different scenarios for maintaining the supply of strategic materials of non-European origin;
- we built a broad network of key alloy suppliers, thus ensuring a geographic diversification of warehouses;
- as the transport restrictions intensified, we raised the minimum stock of raw materials sourced from critical territories;
- we put intense efforts into the induction of substitute materials and increased inventories even in purchasing areas where the risk level has been lower in the past.

More impactful than direct exposure was the risk of low

stock held by other suppliers and long delivery times due to disruptions in transport lines. In this situation, managing and expanding long-term partnerships, as well as our large base of suppliers, has proved to be an effective purchasing strategy.

Due to the increasing severity of the geopolitical situation in Europe, additional **moderate sales-related risks** are emerging. Russia and Ukraine are not significant markets for SIJ Group, which reduces the direct negative impact of developments in the Ukraine on total sales. We manage this risk by increasing sales on existing markets and by attracting new, mainly European customers. There are also risks of supply delays emerging due to potential production shutdowns and logistical difficulties, which we manage with internal organisational measures to ensure good and timely fulfillment of our commitments, such as maintaining safety reserve stocks for key customers. We successfully coordinated prices based on prior agreements with our customers to offset the rising raw materials and energy prices and high demand in the steel markets during the first half-year period of 2022, however there is currently a trend of decreasing sales prices, while the prices of energy products keep rising. As the summer months approached, customers have become much more careful and buy only what they urgently need, and due to uncertainty about the future, they are focusing on reducing their inventories of materials and products at high sales prices.

While we cannot currently foresee all impacts of the fast-paced international economic environment, we have a good track record of adapting to changes in the international economic environment, and we have proven multiple times in the past to be a reliable and flexible business partner, even in times of uncertainty.

03

FINANCIAL STATEMENT

for the Six-Month Period
Ending 30 June 2022

STATEMENT OF MANAGEMENT'S RESPONSIBILITY

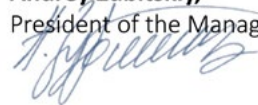
The Management Board is responsible for the preparation of the condensed consolidated financial statements of SIJ Group and the condensed financial statements of SIJ d.d. (hereinafter: condensed financial statements) for the six-month period ended 30 June 2022, together with accounting policies and notes, which give to the best of its knowledge and belief, a fair view of the development and results of the Group's and the Company's operations and its financial position, including the description of material risks that the Group and the Company are exposed to.

The Management Board confirms that appropriate accounting policies have been applied consistently in the preparation of the condensed financial statements, that accounting estimates were prepared based on the principles of fair value, prudence and sound management and that the condensed financial statements give a true and fair view of the Group's and the Company's financial position and the results of their operations in the six-month period ending 30 June 2022.

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

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

Andrey Zubitskiy,
President of the Management Board



Ljubljana, 31 August 2022

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

Reporting Entity

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

Given below are the condensed consolidated financial statements of SIJ Group and the condensed financial statements of SIJ d.d. for the six-month period ending 30 June 2022. The condensed financial statements include financial statements of the parent company, its subsidiaries and its shares in associates.

The condensed financial statements for a selected group of subsidiaries are compiled by SIJ d.d. Consolidated financial statements for a broader group of subsidiaries are compiled by DILON Cooperatief U. A. DILON Cooperatief U.A. did not compile condensed financial statements for the six-month period ending 30 June 2022. The consolidated annual report for 2021 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

STATEMENT OF COMPLIANCE

The condensed financial statements for the six-month period ending 30 June 2022 have been prepared in accordance with the International Financial Reporting Standards (IFRS) with associated notes, adopted by International Accounting Standards Board (IASB), and the interpretations of the IFRS Interpretations Committee (IFRIC), adopted by the EU.

This financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 31 December 2021 and any public announcements made by SIJ d.d. during the six-month period ended 30 June 2022.

In the preparation of the condensed financial statements for the period ending 30 June 2022, the same accounting policies were considered as in the preparation of financial statements for 2021.

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

BASIS OF MEASUREMENT

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

FUNCTIONAL AND PRESENTATION CURRENCY

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

APPLICATION OF ESTIMATES AND JUDGMENTS

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

Management uses historical experience and all available information to make these estimates and regularly evaluates the judgements and assumptions used in its estimates. Due to the impact of future events and new data, the actual results can differ from those estimated.

The estimates and assumptions include:

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

The Group and the Company have reviewed the estimates and concluded that the accounting estimates used in the preparation of the condensed financial statements for the six-month period ending 30 June 2022 are consistent with those followed in the preparation of their annual financial statements for the year ended 31 December 2021. The estimates of provisions related to employee benefits are only determined annually and have not been evaluated in the condensed financial statements.

NEW STANDARDS, INTERPRETATIONS AND AMENDMENTS

The accounting policies adopted in the preparation of the condensed financial statements for the six-month period ending 30 June 2022 are consistent with those followed in the preparation of the Company's and the Group's annual financial statements for the year ended 31 December 2021. All applicable new standards and interpretations effective as of 1 January 2021 have been adopted. There was no significant impact.

Composition of the Group of Related Parties

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

in EUR thousand	Activity	% of voting rights 30 Jun. 2022	Total assets 30 Jun. 2022	Total equity 30 Jun. 2022	Net profit (loss) 1–6 2022
Parent company of the group					
SIJ – Slovenska industrija jekla, d.d., Gerbičeva ulica 98, Ljubljana, Slovenia	Activities of head offices		412,823	244,344	(6,824)
SIJ – subsidiaries					
SIJ ACRONI d.o.o., Cesta Borisa Kidriča 44, Jesenice, Slovenia	Steel production	100	555,676	207,847	43,291
SIJ METAL RAVNE d.o.o., Koroška cesta 14, Ravne na Koroškem, Slovenia	Steel production	100	261,552	94,571	8,202
NOŽI RAVNE d.o.o., Koroška cesta 14, Ravne na Koroškem, Slovenia	Renting and managing of own and leased real estate	100	827	326	(32)
SIJ ELEKTRODE JESENICE d.o.o. – v likvidaciji*, Cesta železarjev 8, Jesenice, Slovenia	Welding materials production	100	11,463	(46)	(1,846)
SIJ SUZ d.o.o., Cesta Borisa Kidriča 44, Jesenice, Slovenia	Drawn wires production	100	11,080	5,198	889
SIJ ZIP CENTER d.o.o., Koroška cesta 14, Ravne na Koroškem, Slovenia	Education and training of the disabled	100	2,373	834	34
ODPAD d.o.o. Pivka, Velika Pristava 23, Pivka, Slovenia	Recovery of secondary raw materials from scrap	74.90	48,801	11,840	1,336
NIRO Wenden GmbH, Glück-Auf-Weg 2, Wenden, Germany	Steel cutting, engineering and trade	85	22,046	448	4,945
GRIFFON & ROMANO S.P.A., Via Dossetti 11, Loc. Casinello de Dosso, Italy	Heat processing and special steel trade	100	35,445	6,603	3,988

Continuation of the table →

Continuation of the table

in EUR thousand	Activity	% of voting rights 30 Jun. 2022	Total assets 30 Jun. 2022	Total equity 30 Jun. 2022	Net profit (loss) 1–6 2022
SIJ RAVNE SYSTEMS d.o.o., Koroška cesta 14, Ravne na Koroškem, Slovenia	Metallurgic machines production	100	42,424	5,994	(495)
HOLDING PMP d.o.o., Gerbičeva 98, Ljubljana, Slovenia	Holding activity	100	8,666	8,666	50
SIJ AMERICAS Inc., 331 Newman Springs Road Suite, 104, Red Bank, New Jersey, USA	Trade	100	66,918	4,310	1,528
OOO SSG, 119019, Moskva, Novy Arbat, d. 21, pom. I, et. 21, kom. 29, Russia	Trade	100	239	149	(33)
ADDITHERM d.o.o., Litostrojska cesta 60, Ljubljana, Slovenia	Scientific and technical research	51	3,281	2,991	5
RSC HOLDING d.o.o., Litostrojska cesta 60, Ljubljana, Slovenia	Holding company	51	57,790	48,719	1,780
SIJ ACRONI – subsidiary					
ŽELEZARNA JESENICE, d.o.o., Cesta železarjev 8, Jesenice, Slovenia	Trading with own real estate	100	11,734	11,206	70
ODPAD – subsidiaries					
DANKOR, d.o.o., Vukovarska 436, Osijek, Croatia	Recovery of secondary raw materials from scrap	91	1,454	972	226
METAL-EKO SISTEM DOO JAGODINA, Put Kneza Mihaila 9, Jagodina, Serbia	Recovery of secondary raw materials from scrap	70	3,551	2,475	233
"TOPMETAL" d.o.o. Laktaši, Karađorđeva 69, Laktaši, Bosnia and Herzegovina	Recovery of secondary raw materials from scrap	51	362	(545)	(14)
RSC Holding – subsidiaries					
Ravne Steel Center d.o.o., Litostrojska cesta 60, Ljubljana, Slovenia	Wholesale of metals end metal ores	100	25,179	9,161	3,741
SIDERTOCE S. p. A., Via XX. Settembre 198, C. P. 34, Gravellona Toce, Italy	Trade	100	20,256	7,016	1,681

Continuation of the table →

Continuation of the table

in EUR thousand	Activity	% of voting rights 30 Jun. 2022	Total assets 30 Jun. 2022	Total equity 30 Jun. 2022	Net profit (loss) 1–6 2022
SIJ MWT GmbH, Celsiusstrasse 17, Landsberg am Lech, Germany	Trade	100	3,547	586	234
ORO MET d.o.o., Neverke 56, Košana, Slovenia	Manufacture of tools	67	20,049	10,967	1,193
HTS IC d.o.o., Litostrojska cesta 60, Ljubljana, Slovenia	Manufacture of metal constructions and their parts	100	5,171	2,186	304
HTS IC GmbH, Wienerbergstrasse 11/12A, Vienna, Austria	Production and trade	100	1,069	42	28
HTS IC s.r.o., Viktora Huga 377/4, Prague, Czech Republic	Trade	100	64	6	0
DCTL SL, Avda de les Punes – Nave 3 Constanti, Tarragona, Spain	Production and trade	80	421	(8)	(1)
STEEL podporni center orodjarske industrije d.o.o., Litostrojska cesta 60, Ljubljana, Slovenia	Manufacture of metal constructions and their parts	100	5,896	2,384	273
CENTAR TOPLINSKE OBRADE d.o.o., Slavon-ska avenija 22D, Zagreb, Croatia	Production and trade	100	1,212	668	102
KALDERA d.o.o., Kolodvorska ulica 33A, Slovenska Bistrica, Slovenia	Manufacture of tools	80	4,442	2,859	(26)
HTS Technology, Lyon Plaza Part Dieu 93 Rue de la Vilette, Lyon, France	Trade	100	250	(65)	(40)
DCTL SL – subsidiary					
ALROTEC SL; Avda de les Punes – Nave 5 (Esquina calle dinamarca) Poligono, Industrial de Consanti, Tarragona, Spain	Production and trade	80	1,182	650	65
SIJ RAVNE SYSTEMS – subsidiary					
SIJ Ravne Systems (UK) Limited, 12 Conqueror Court, Sittingbourne, Kent, ME10 5BH, United Kingdom	Trade	100	339	113	(6)

* Considering the conditions in the market, the Group has decided to discontinue this segment of operations and intensify its focus on its core business of steel production and manufacturing. SIJ Elektrode Jesenice will honour its obligations as they fall due, and all stakeholders are expected to be compensated by the end of the year.

CONDENSED CONSOLI-
DATED FINANCIAL
STATEMENTS OF
SIJ **GROUP**

for the six-month period ending 30 june 2022



CONDENSED CONSOLIDATED FINANCIAL STATEMENTS OF SIJ GROUP

Condensed Consolidated Statement of Comprehensive Income

in EUR thousand	Note	1–6 2022	1–6 2021
Revenue	1	730,440	451,624
Cost of sales	2	(555,406)	(360,645)
Gross profit		175,034	90,979
Distribution costs	2	(35,524)	(27,297)
General and administrative expenses	2	(68,615)	(47,141)
Other operating income	3	2,036	2,736
Other operating expenses	3	(1,937)	(2,862)
Loss from impairment of trade receivables		(532)	(229)
Operating profit		70,462	16,186
Finance income	4	2,003	1,991
Finance costs	4	(7,626)	(6,707)
Net finance costs		(5,623)	(4,716)
Profit before tax		64,839	11,470
Income tax	5	(12,401)	(1,452)
Profit for the period		52,438	10,018

Continuation of the table →

Continuation of the table

in EUR thousand	Note	1–6 2022	1–6 2021
Items that will not be reclassified subsequently to profit or loss			
Net actuarial gains on pension programs		51	65
Fair value (losses) gains of financial assets at fair value through other comprehensive income		(28)	70
Income tax related to components of comprehensive income		5	(13)
Items that may be reclassified subsequently to profit or loss			
Exchange rate difference on translating foreign operations		457	77
Total other comprehensive income		485	199
Comprehensive income		52,923	10,217
Profit for the period attributed to:			
Owners of the parent company		47,434	8,372
Non-controlling interest		5,003	1,646
Comprehensive income attributed to:		52,923	10,217
Owners of the parent company		47,911	8,581
Non-controlling interest		5,013	1,636

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

Condensed Consolidated Statement of Financial Position

in EUR thousand	Note	30 Jun. 2022	31 Dec. 2021
ASSETS			
Non-current assets		515,542	532,765
Intangible assets	6	32,728	32,148
Property, plant and equipment	7	383,854	391,550
Investments in associates		1,876	1,876
Financial assets at fair value through other comprehensive income		1,353	1,382
Financial receivables	9	76,353	81,186
Trade receivables		8	7
Other assets		2,151	3,739
Deferred tax assets		17,219	20,877
Current assets		618,533	452,995
Assets (groups) held for sale		30	30
Inventories	8	340,504	282,271
Financial receivables	9	7,218	5,380
Trade receivables	10	209,419	113,606
Income tax assets		242	611
Cash and cash equivalents	11	54,696	49,171
Contract assets		625	473
Other assets	12	5,799	1,453
Total assets		1,134,075	985,760

Continuation of the table →

Continuation of the table

in EUR thousand	Note	30 Jun. 2022	31 Dec. 2021
EQUITY AND LIABILITIES			
Equity	13	430,411	399,998
<i>Equity attributed to the owners of the parent company</i>		401,445	374,326
Share capital		145,266	145,266
Capital surplus		11,461	11,461
Other equity reserves		6,255	6,255
Fair value reserves		(2,610)	(2,638)
Translation differences		615	139
Retained earnings		240,458	213,843
Non-controlling interest		28,966	25,672
Non-current liabilities		237,210	186,973
Employee benefits		15,789	16,188
Other provisions		630	484
Deferred income		1,801	1,836
Financial liabilities	14	216,687	166,315
Trade payables		902	1,116
Contract liabilities		923	752
Deferred tax liabilities		478	282
Current liabilities		466,454	398,789
Financial liabilities	14	94,561	86,143
Trade payables	15	345,575	294,850
Income tax liabilities		6,601	3,509
Contract liabilities		1,367	2,160
Other liabilities	16	18,350	12,127
Total equity and liabilities		1,134,075	985,760

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

Condensed Consolidated Statement of Changes in Equity

Condensed Consolidated Statement of Changes in Equity for the Six-Month Period Ending 30 June 2022

in EUR thousand	Equity attributed to the owners of the parent company							Non-controlling interest	Total	
	Share capital	Capital surplus	Other equity reserves	Fair value reserves	Actuarial losses	Translation differences	Retained earnings			
Balance as at 31 Dec. 2021	145,266	11,461	6,255	460	(3,098)	139	213,843	374,326	25,672	399,998
Dividends paid	0	0	0	0	0	0	(20,994)	(20,994)	(1,516)	(22,510)
Purchase of non-controlling interest	0	0	0	0	0	0	203	203	(203)	0
Total transactions with owners	0	0	0	0	0	0	(20,791)	(20,791)	(1,719)	(22,510)
Profit for the period	0	0	0	0	0	0	47,434	47,434	5,003	52,438
Other changes in comprehensive income	0	0	0	(23)	51	476	(27)	477	9	486
Total changes in comprehensive income	0	0	0	(23)	51	476	47,407	47,911	5,013	52,923
Balance as at 30 Jun. 2022	145,266	11,461	6,255	437	(3,047)	615	240,458	401,445	28,966	430,411

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

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

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

Condensed Consolidated Cash Flow Statement

in EUR thousand	Note	1–6 2022	1–6 2021
Cash flow from operating activities			
Profit before tax		64,839	11,470
Adjusted for:			
Amortisation and depreciation	2	27,577	26,783
Interest income	4	(1,907)	(1,933)
Interest expenses	4	6,086	5,172
Impairment of assets		866	444
Creation of allowances and provisions		2,332	2,184
Net other finance and operating income		(961)	902
Operating cash flow before working capital adjustments		98,832	45,022
Working capital adjustments			
Increase in trade receivables		(98,731)	(20,818)
Increase in inventories		(58,294)	(37,598)
Increase in trade payables		57,942	47,319
Decrease in taxes other than income tax		(1,300)	(256)
Total working capital adjustments		(100,383)	(11,353)
Receipts from government grant		1,016	956
Payments for retirement benefits and loyalty bonuses		(651)	(820)
Income tax (paid) received		(5,138)	2,086
Net cash flow (used in) from operating activities		(6,324)	35,891
Cash flow from investing activities			
Payments for investments in subsidiaries (non-controlling interest)		0	(680)
Payments for property, plant and equipment		(20,488)	(26,600)
Receipts from sale of property, plant and equipment		717	401
Payments for intangible assets		(1,347)	(688)

Continuation of the table →

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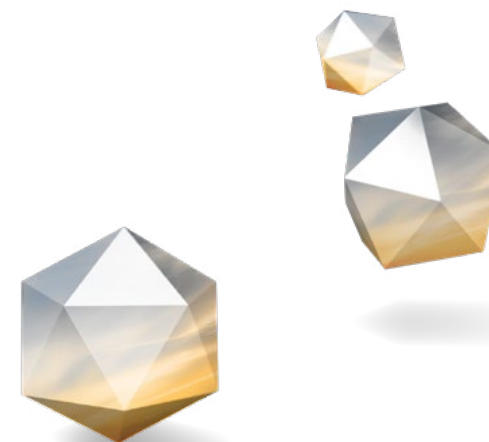
in EUR thousand	Note	1–6 2022	1–6 2021
Loans issued		(20)	(1,998)
Receipts from loans issued		4,019	24
Interests received		551	3,821
Dividends received		97	44
Net cash flow used in investing activities		(16,471)	(25,676)
Cash flow from financing activities			
Receipts from borrowings		419,464	348,373
Repayments of borrowings		(362,633)	(347,187)
Repayments of lease		(2,990)	(2,301)
Interests paid		(3,226)	(2,820)
Dividends paid		(22,510)	(5,812)
Net cash flow from (used in) financing activities		28,105	(9,747)
Cash and cash equivalents as at 1 Jan.			
		49,171	41,364
Translation differences		215	(292)
Net change in cash and cash equivalents		5,310	468
Cash and cash equivalents as at 30 Jun.		54,696	41,540

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

NOTES TO INDIVIDUAL ITEMS IN THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. REVENUE

in EUR thousand	1–6 2022	1–6 2021
In Slovenia	114,574	66,678
In other countries:	615,866	384,946
- <i>Germany</i>	170,438	102,507
- <i>Italy</i>	149,060	104,016
- <i>USA</i>	45,646	30,780
- <i>Austria</i>	19,272	12,627
- <i>other countries</i>	231,450	135,016
Revenue	730,440	451,624



Revenue by Products and Segments for the Six-Month Period Ending 30 June 2022

in EUR thousand	Steel Division	Distribution & Processing Division	Scrap Division	Manufacturing Division	Total segments	Headquarters and Other Services	Total
Quarto plates	255,520	48,711	0	0	304,231	0	304,231
Cold rolled strip and sheets	93,018	2,989	0	0	96,007	0	96,007
Hot rolled strip and sheets	13,911	3,598	0	0	17,509	0	17,509
Forged, rolled and other products	97,280	33,920	0	7,023	138,223	0	138,223
Industrial knives	0	987	0	9,525	10,512	0	10,512
Industrial rolls	0	483	0	7,638	8,121	0	8,121
Welding wires and electrodes	0	0	0	7,633	7,633	0	7,633
Steel scrap	83	232	92,119	152	92,586	0	92,586
Services and other revenue	4,281	46,692	55	3,783	54,811	807	55,618
Revenue	464,093	137,612	92,174	35,754	729,633	807	730,440

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

in EUR thousand	Steel Division	Distribution & Processing Division	Scrap Division	Manufacturing Division	Total segments	Headquarters and Other Services	Total
Quarto plates	147,724	30,681	0	0	178,405	0	178,405
Cold rolled strip and sheets	48,169	2,129	0	0	50,298	0	50,298
Hot rolled strip and sheets	5,760	2,324	0	0	8,084	0	8,084
Forged, rolled and other products	58,473	25,359	0	4,509	88,341	0	88,341
Industrial knives	0	1,285	0	8,512	9,797	0	9,797
Industrial rolls	0	0	0	6,131	6,131	0	6,131
Welding wires and electrodes	0	5	0	9,041	9,046	0	9,046
Steel scrap	93	201	62,777	81	63,152	0	63,152
Services and other revenue	1,558	32,415	133	3,612	37,718	652	38,370
Revenue	261,777	94,140	62,910	31,886	450,972	652	451,624

Segment organization has been changed in the financial year 2021. Segment reporting for the six-month period ending 30 June 2021 has been restated to reflect the changes resulting from internal reorganisation.

2. OPERATING EXPENSES

in EUR thousand	1–6 2022	1–6 2021
Cost of goods, materials and services	584,017	356,573
Labour costs	90,663	68,270
- wages and salaries	69,240	49,963
- social security costs	9,679	8,960
- other labour costs	11,744	9,348
Amortisation and depreciation costs	27,577	26,783
Other costs	6,457	4,041
Changes in the value of inventories	(49,169)	(20,584)
Operating expenses	659,545	435,083

Review of Costs by Type for the Six-Month Period Ending 30 June 2022

in EUR thousand	Cost of sales	Distribution costs	General and administrative expenses	Total
Cost of goods, materials and services	538,573	31,337	14,107	584,017
Labour costs	38,671	3,842	48,150	90,663
Amortisation and depreciation costs	23,813	242	3,522	27,577
Other costs	3,518	103	2,836	6,457
Changes in the value of inventories	(49,169)	0	0	(49,169)
Operating expenses	555,406	35,524	68,615	659,545

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

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



For the preparation of the condensed consolidated financial statements for the six-month period ending 30 June 2022, the Group reviewed, based on individual cash-generating units' performance valuation, the signs of impairment of property, plant, and equipment. Since there were no signs of impairment, the impairment wasn't required.

As a result of the voluntary liquidation of SIJ Elektrode Jesenice, which commenced in March 2022, the Group revalued the property, plant and equipment of SIJ Elektrode Jesenice at fair value. In determining the fair value, the Group used the estimates of the fair value of property, plant and equipment, carried out by a certified business appraiser with a Slovenian Institute of Auditors licence. The valuation took into account the voluntary liquidation assumption. A 2.0 percent liquidation discount was used.

When comparing the thus-determined fair values of an individual valued asset to its carrying amount, it was determined that the carrying amount of the property, plant and equipment must be impaired by a total of EUR 394 thousand. On 30 June 2022, no impairments were required.

3. OTHER OPERATING INCOME AND EXPENSES

in EUR thousand	1–6 2022	1–6 2021
Income from received subsidies	1,572	1,540
Profit from sale of property, plant and equipment	0	122
Dividends received	97	44
Other income	367	1,030
Other operating income	2,036	2,736
Expenses for donations and sponsorships	(145)	(152)
Provisions	(354)	(129)
Impairment of property, plant and equipment	(394)	0
Impairment of inventories	(472)	(444)
Loss from sale of property, plant and equipment	(117)	0
Other expenses	(455)	(2,137)
Other operating expenses	(1,937)	(2,862)
Net other operating income (expenses)	99	(126)

4. NET FINANCE COSTS

in EUR thousand	1–6 2022	1–6 2021
Interest income	1,907	1,933
Exchange rate differences	94	53
Other income	2	5
Finance income	2,003	1,991
Interest expenses	(6,086)	(5,172)
Other expenses	(1,540)	(1,535)
Finance costs	(7,626)	(6,707)
Net finance costs	(5,623)	(4,716)

5. INCOME TAX

in EUR thousand	1–6 2022	1–6 2021
Current income tax expense	(8,558)	(1,973)
Deferred income tax (expense) benefit	(3,843)	521
Income tax	(12,401)	(1,452)

in EUR thousand	1–6 2022	1–6 2021
Profit before tax	64,839	11,470
Tax at statutory tax rate 19% (2021: 19%)	12,319	2,179
Tax effects from:		
- non-taxable income	(37)	(155)
- tax non-deductible expenses	622	293
- tax relief	(4,321)	(1,279)
- tax losses for which no deferred tax assets were recognised	2,469	190
- tax rates of subsidiaries operating in other jurisdictions	1,349	224
Income tax	12,401	1,452
Effective tax rate	19.1%	12.7%

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 realise unused tax relief in the following years following the legislation of the state where they operate.

6. INTANGIBLE ASSETS

in EUR thousand	30 Jun. 2022	31 Dec. 2021
Software	8,339	10,897
Development costs	1,329	0
Goodwill	19,252	19,252
Other intangible assets	7	0
Assets under construction	3,801	1,999
Intangible assets	32,728	32,148

The intangible assets are not pledged as security for liabilities.

In the reporting period, the Group recognised acquired intangible assets of EUR 2,194 thousand (1–6 2021: EUR 309 thousand). Major new additions refer to the purchase and set-up of new manufacturing and key business processes management IT systems. The Group disposed of a cost of EUR 605 thousand (1–6 2021: EUR 0 thousand) and accumulated amortisation of EUR 464 thousand (1–6 2021: EUR 0 thousand).

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

7. PROPERTY, PLANT AND EQUIPMENT

in EUR thousand	30 Jun. 2022	31 Dec. 2021
Land	32,503	32,509
Buildings	79,485	80,164
Equipment	252,284	250,695
Other	9,053	8,954
Assets under construction	10,529	19,228
Property, plant and equipment	383,854	391,550

Major new additions and finished investments in property, plant and equipment are current upgrades and repairs in the steel plant, purchase of a crane, renovation of cafeteria facilities, and purchase of other equipment. Disposals of property, plant and equipment refer to the sale and write-off of equipment and write-off of unusable and outdated equipment.

In the reporting period, the Group recognised acquired property, plant and equipment of EUR 19,928 thousand (1–6 2021: EUR 22,874 thousand). The Group disposed of a cost of EUR 7,599 thousand (1–6 2021: EUR 1,816 thousand) and accumulated depreciation of EUR 6,795 thousand (1–6 2021: EUR 1,589 thousand). Disposals and write-offs of property, plant and equipment mostly refer to the sales and write-offs of unusable and outdated equipment, and write-offs of unusable and outdated components of production capacities in all plants.

On 30 June 2022, the Group has EUR 3,647 thousand (2021: EUR 5,356 thousand) of outstanding liabilities to purchase property, plant and equipment and EUR 13,339 thousand (2021: EUR 6,964 thousand) of contractual commitments for purchase known in advance.

On 30 June 2022, the Group leases assets which include buildings, equipment and cars. The right-of-use asset is not stated as a separate item in the statement of financial position. It is included in property, plant and equipment. On 30 June 2022, the carrying amount of the right-of-use assets amounts to EUR 16,069 thousand (2021: EUR 15,539 thousand). In the first half of 2022, the lease-related finance costs amounted to EUR 166 thousand (1–6 2021: EUR 116 thousand).

In the reporting period, the Group recognised the right-of-use assets of EUR 2,759 thousand (1–6 2021: EUR 883 thousand). There were no material changes to the lease agreements in the reporting period.

The Group follows the exceptions for short-term assets and leases of low-value assets, allowed by IFRS 16. In the first half of 2022, the total expenses related to these leases amounted to EUR 508 thousand (1–6 2021: EUR 219 thousand).

Property, plant, and equipment, whose present value as at 30 June 2022 is EUR 8,065 thousand (2021: EUR 7,183 thousand), are pledged as security for liabilities.

The Group reviewed the signs of impairment of property, plant, and equipment and impaired them by EUR 394 thousand (1–6 2021: EUR 0). A more detailed explanation of the impairment is disclosed in Note 3.

8. INVENTORIES

in EUR thousand	30 Jun. 2022	31 Dec. 2021
Raw material	153,042	127,303
Work in progress	85,966	66,254
Finished products	83,181	73,838
Trade goods	18,315	14,876
Inventories	340,504	282,271

On 30 June 2022, any items of inventories are pledged as security for liabilities (2021: EUR 0 thousand). On 30 June 2022, the Group reviewed the value of inventories. It found that the net realisable value of finished products is lower than the production value and impaired them by EUR 472 thousand (1–6 2021: EUR 444 thousand).

9. FINANCIAL RECEIVABLES

in EUR thousand	30 Jun. 2022	31 Dec. 2021
Loans issued	76,353	81,186
Non-current financial receivables	76,353	81,186
Loans issued	6,967	5,318
Other financial receivables	251	62
Current financial receivables	7,218	5,380

Financial receivables mostly refer to loans issued to the majority shareholder of the parent company amounting to EUR 73,950 thousand (2021: EUR 78,500 thousand) and the related interest of EUR 9,349 thousand (2021: EUR 7,990 thousand). Loans issued to the majority shareholder of the parent company are repaid from dividends. The interest rate for loans issued to the majority shareholder of the parent company is fixed and amounts to 5 per cent. The loans are not secured.

10. CURRENT TRADE RECEIVABLES

in EUR thousand	30 Jun. 2022	31 Dec. 2021
Trade receivables	199,074	103,067
Allowances for trade receivables	(3,117)	(2,829)
Receivables from government and other institutions	5,798	7,120
Advance payments and cautions	5,846	4,829
Other receivables	1,885	1,480
Allowances for other receivables	(67)	(61)
Current trade receivables	209,419	113,606

The majority of the Group's trade receivables are insured against commercial risks with an insurance company. On 30 June 2022, any items of trade receivables are pledged as security for liabilities (2021: EUR 7,059 thousand).

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

11. CASH AND CASH EQUIVALENTS

in EUR thousand	30 Jun. 2022	31 Dec. 2021
Cash in national currency	47,874	41,890
Cash in foreign currency	6,821	7,280
Restricted cash	1	1
Cash and cash equivalents	54,696	49,171

Cash in national currency includes bank deposits amounting to EUR 146 thousand with up to three months maturity (2021: EUR 100 thousand). The interest rate for deposits is fixed.

12. OTHER CURRENT ASSETS

in EUR thousand	30 Jun. 2022	31 Dec. 2021
Deferred expenses	5,244	1,308
Accrued revenue	555	145
Other current assets	5,799	1,453

Current deferred expenses refer to advance payments of costs, which in a short time will debit against profit or loss. Since the majority of advance payments are recognised within the financial year, these assets are higher in the reporting period than on 31 December 2021.

13. EQUITY

in EUR thousand	30 Jun. 2022	31 Dec. 2021
<i>Equity attributed to the owners of the parent company</i>	<i>401,445</i>	<i>374,326</i>
Share capital	145,266	145,266
Capital surplus	11,461	11,461
Reserves	4,260	3,756
Retained earnings	240,458	213,843
<i>Non-controlling interest</i>	<i>28,966</i>	<i>25,672</i>
Equity	430,411	399,998

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

In April 2022, the parent company paid EUR 20,994 thousand of dividends.

Ownership Structure of the Parent Company

Shareholder	Number of shares 30 Jun. 2022	Number of shares 31 Dec. 2021
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 until this financial report was prepared.

Capital Surplus

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

Reserves

in EUR thousand	30 Jun. 2022	31 Dec. 2021
Legal reserves	8,510	8,510
Treasury shares	(6,009)	(6,009)
Reserves for treasury shares	3,754	3,754
Other equity reserves	6,255	6,255
Fair value reserve due to financial assets at fair value through other comprehensive income	539	568
Deferred tax liabilities	(102)	(108)
Fair value reserves	437	460
Net actuarial losses on pension programs	(3,047)	(3,098)
Translation differences	615	139
Reserves	4,260	3,756

Non-Controlling Interest

On 30 June 2022, the gross value of non-controlling interest amounts to EUR 32,585 thousand. The gross value is decreased by EUR 3,619 thousand corresponding to the carrying amount of the 33 percent share of the subsidiary OROMET. The parent company 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 30 June 2022.

14. FINANCIAL LIABILITIES

in EUR thousand	30 Jun. 2022	31 Dec. 2021
Borrowings	129,200	78,292
Liabilities for bonds issued (SIJ6, SIJ7)	79,098	79,114
Lease liabilities	8,389	8,909
Non-current financial liabilities	216,687	166,315
Borrowings	59,010	51,782
Liabilities for commercial papers issued	30,011	30,074
Lease liabilities	3,403	3,607
Other financial liabilities	2,137	680
Current financial liabilities	94,561	86,143
Total financial liabilities	311,248	252,458

Maturity of Financial Liabilities as at 30 June 2022

30 Jun. 2022 in EUR thousand	Present value	Expected cash flows				Total
		Up to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	
Payables to suppliers	323,734	282,654	40,177	901	2	323,734
Financial liabilities	311,248	38,576	61,521	170,641	55,979	326,717
Other liabilities	2,463	1,418	122	923	0	2,463
Non-financial liabilities	48,445	0	0	0	0	48,445
Total liabilities	685,890	322,648	101,820	172,465	55,981	701,359

Maturity of Financial Liabilities as at 31 December 2021

31 Dec. 2021 in EUR thousand	Present value	Expected cash flows				Total
		Up to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	
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

Borrowings

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, to refinance the existing loan portfolio, provide additional liquidity reserves for the long-term development of the SIJ Group, and finance investments to improve environmental performance. In line with the strategy until 2025, SIJ Group's investment projects are focused on increasing production efficiency and sustainable development, especially in environmental projects, circular economy, and energy efficiency. EBRD's (European Bank for Reconstruction and Development) participation in the syndicate is an additional indicator of banks' trust in the operations and orientation of the Group toward sustainable economic growth.

Borrowings amount to EUR 8,065 thousand (2021: 16,850 thousand) are secured with properties and movable properties. Other borrowings are not secured. The interest rate for the majority of borrowings is flexible and based on EURIBOR.

Liabilities for Bonds Issued

Liabilities for bonds issued refer to the bonds issued with the ticker symbol of SIJ6 and SIJ7, that are traded on the Ljubljana Stock Exchange. The nominal value of SIJ6 bonds amounts to EUR 48,000, they bear a fixed interest rate of 2.8 percent per annum and fall due on 25 November 2024. The nominal value of SIJ7 bonds amounts to EUR 31,100, they bear a fixed interest rate of 3.9 percent per annum and fall due on 2 November 2023.

Liabilities for Commercial Papers Issued

Liabilities for commercial papers refer to the commercial papers with the ticker symbol of SIK08 that are traded on the Ljubljana Stock Exchange. The nominal value of commercial papers amounts to EUR 30,000. They bear a fixed interest rate of 0.95 percent per annum and fall due on 9 December 2022.

15. CURRENT TRADE PAYABLES

in EUR thousand	30 Jun. 2022	31 Dec. 2021
Payables to suppliers	322,832	273,326
Liabilities to employees	10,263	9,322
Received advance payments and cautions	6,084	3,659
Tax liabilities	4,856	7,518
Other liabilities	1,540	1,025
Current trade payables	345,575	294,850

16. OTHER CURRENT LIABILITIES

in EUR thousand	30 Jun. 2022	31 Dec. 2021
Accrued expenses for unused annual leave	4,348	2,947
Accrued expenses for lawsuits	114	343
Accrued expenses for CO2 emissions allowances	2,435	3,332
Other liabilities	4,009	1,355
Liabilities for purchase of non-controlling interest (Note 13)	3,828	3,828
Deferred revenue	3,616	322
Other current liabilities	18,350	12,127

On 30 June 2022, other liabilities are higher than at the end of 2021 due to higher accrued expenses for which invoices have not yet been received.



17. CONTINGENT ASSETS AND LIABILITIES

On 30 June 2022, the contingent liabilities amount to EUR 133 thousand (2021: EUR 131 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 30 June 2022, the contingent assets amount to EUR 1,877 thousand (2021: EUR 1,204 thousand), and refer to received guarantees and bills for the elimination of errors in the warranty period. The Company 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 30 June 2022, the parent company reviewed the fair value of option agreements and assessed that the fair value was minimal or equal to zero.

18. SEGMENT REPORTING

Segment Reporting for the Six-Month Period Ending 30 June 2022

in EUR thousand	Steel Division	Distribution & Processing Division	Scrap Division	Manufacturing Division	Total segments	Headquarters and Other Services	Total	Eliminations	Condensed consolidated financial statement
Operating income (external)	464,093	137,612	92,174	35,754	729,633	807	730,440	0	730,440
Operating income (between segments)	118,770	4,481	33,269	6,355	162,875	8,621	171,496	(171,496)	0
Revenue	582,863	142,093	125,443	42,109	892,508	9,428	901,936	(171,496)	730,440
Operating profit (loss)	59,856	21,855	2,601	(1,193)	83,119	(12,657)	70,462	0	70,462
Interest income	16	16	1	9	42	2,976	3,018	(1,111)	1,907
Interest expenses	4,547	319	241	412	5,519	1,596	7,115	(1,029)	6,086
Amortisation and depreciation	22,509	3,074	373	1,408	27,364	514	27,878	(301)	27,577
Impairment of assets	646	289	46	422	1,403	(5)	1,398	(1)	1,397
Property, plant, equipment, and intangible assets	0	0	0	394	394	0	394	0	394
Inventories	472	0	0	0	472	0	472	0	472
Loss from impairment of trade receivables	174	289	46	28	537	(5)	532	(1)	531
Purchase of non-current assets	13,306	2,654	775	2,773	19,508	171	19,679	0	19,679
Non-current business assets based on geographic location	318,656	52,827	10,873	24,365	406,721	9,861	416,582	0	416,582
Slovenia	318,656	37,873	7,545	24,365	388,439	9,861	398,300	0	398,300
Other countries	0	14,954	3,328	0	18,282	0	18,282	0	18,282

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

in EUR thousand	Steel Division	Distribution & Processing Division	Scrap Division	Manufacturing Division	Total segments	Headquarters and Other Services	Total	Eliminations	Condensed consolidated financial statement
Operating income (external)	261,777	94,399	62,910	31,886	450,972	652	451,624	0	451,624
Operating income (between segments)	67,918	3,048	15,897	5,510	92,373	8,462	100,835	(100,835)	0
Revenue	329,695	97,447	78,807	37,396	543,345	9,114	552,459	(100,835)	451,624
Operating profit (loss)	11,331	4,899	2,186	13	18,429	(2,243)	16,186	0	16,186
Interest income	2	73	46	6	127	3,142	3,269	(1,336)	1,933
Interest expenses	3,890	469	253	387	4,999	1,515	6,514	(1,342)	5,172
Amortisation and depreciation	21,059	3,560	313	1,591	26,523	547	27,070	(287)	26,783
Impairment of assets	318	262	67	24	671	2	673	0	673
Inventories	430	0	0	14	444	0	444	0	444
Loss from impairment of trade receivables	(112)	262	67	10	227	2	229	0	229
Purchase of non-current assets	19,036	2,326	1,086	604	23,052	185	23,237	0	23,237
Non-current business assets based on geographic location	327,822	48,228	9,942	24,531	410,523	11,022	421,545	0	421,545
Slovenia	327,822	34,611	6,910	24,531	393,874	11,022	404,896	0	404,896
Other countries	0	13,617	3,032	0	16,649	0	16,649	0	16,649

Related Parties

Related parties are the parent company and its majority shareholder and 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	1–6 2022	1–6 2021
Revenue	1,902	1,923

in EUR thousand	30 Jun. 2022	31 Dec. 2021
Financial receivables	83,299	86,492

Transactions with Other Related Parties

in EUR thousand	1–6 2022	1–6 2021
Revenue	9,551	5,187
Expenses	3,129	2,909

in EUR thousand	30 Jun. 2022	31 Dec. 2021
Receivables	4,100	3,886
Liabilities	1,806	895



Carrying Amounts and Fair Values of Financial Instruments

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

in EUR thousand	30 Jun. 2022		31 Dec. 2021	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets at fair value through other comprehensive income	1,353	1,353	1,382	1,382
Financial receivables	83,572	83,572	86,566	86,566
Trade receivables	209,427	209,427	113,613	113,613
Cash and cash equivalents	54,696	54,696	49,171	49,171
Financial liabilities	(311,248)	(310,536)	(252,458)	(251,380)
Trade payables	(346,477)	(346,477)	(295,966)	(295,966)

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

in EUR thousand	30 Jun. 2022	31 Dec. 2021
Financial assets at fair value through other comprehensive income	938	966
Financial assets at fair value of first level	938	966
Financial assets at fair value through other comprehensive income	404	416
Financial assets at fair value of third level	404	416
Bonds and commercial papers	(108,396)	(108,109)
Financial liabilities at fair value of second level	(108,396)	(108,109)
Borrowings	(188,209)	(130,074)
Leases	(11,793)	(12,516)
Other financial liabilities	(2,138)	(680)
Financial liabilities at fair value of third level	(202,140)	(143,270)

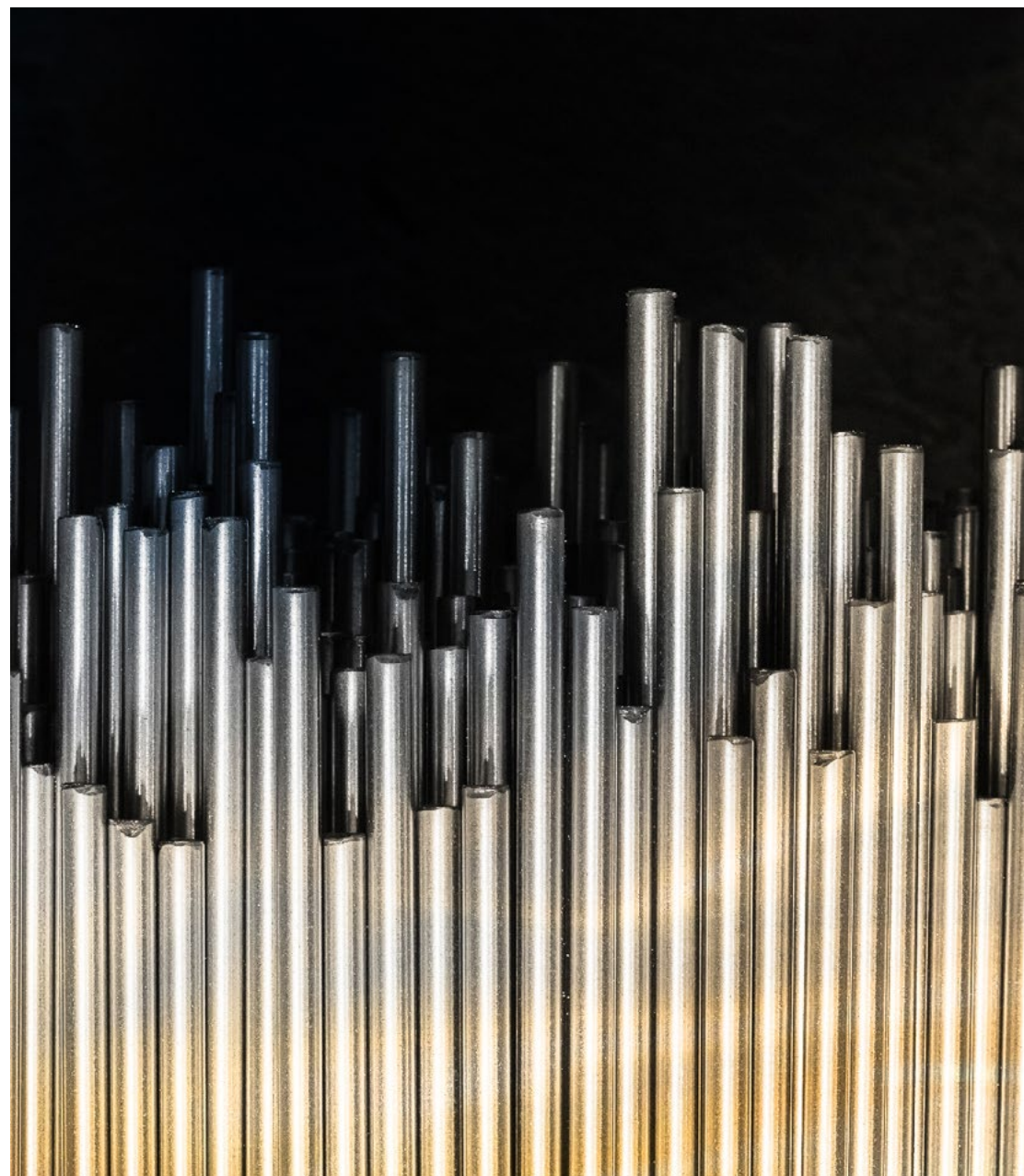
The third level of liabilities at fair value includes secured loans granted, leases and interest liabilities, representing, according to the valuation model, carrying amounts of discounted expected future payments with the adjusted risk level.

In the first half of 2022, there were no transfers of financial instruments between different levels.

Events After the Reporting Date

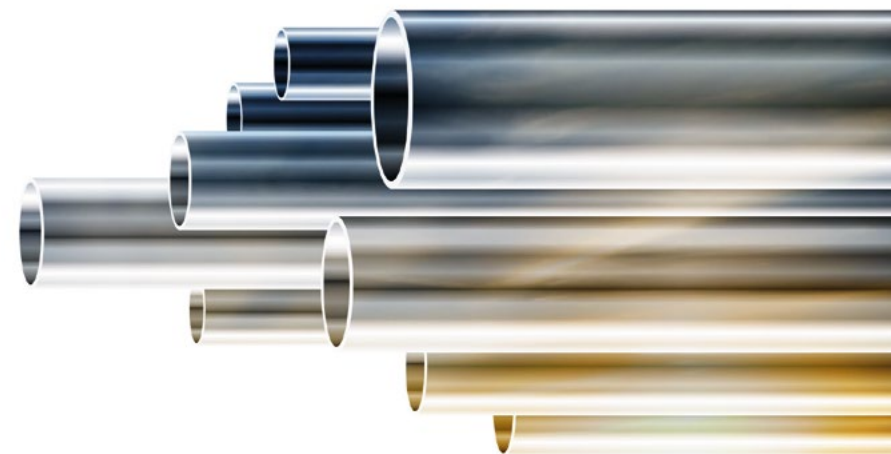
Faced with extremely high energy prices, which reached record levels in July and August, and the uncertainty of its customers in accepting such price conditions, the Group – like many other European steel companies – decided to optimise its production volumes. Following this decision, it will reduce production by around a third in September and by around 40% in the fourth quarter.

There were no other events after the reporting date that could influence the condensed consolidated financial statements for the six-month period ending 30 June 2022.



CONDENSED FINANCIAL
STATEMENTS OF
SIJ d.d.

for the six-month period ending 30 june 2022



CONDENSED FINANCIAL STATEMENTS OF SIJ d.d.

Condensed Statement of Comprehensive Income

in EUR thousand	Note	1–6 2022	1–6 2021
Revenue	1	7,591	7,676
Gross profit		7,591	7,676
General and administrative expenses	2	(12,609)	(7,854)
Other operating income	3	1,822	125
Other operating expenses	3	(189)	(175)
Operating loss		(3,385)	(228)
Finance income	4	3,892	4,201
Finance costs	4	(7,331)	(1,779)
Net finance (costs) income		(3,439)	2,422
(Loss) profit before tax		(6,824)	2,194
Income tax	5	0	(152)
(Loss) profit for the period		(6,824)	2,042
<i>Items that will not be reclassified subsequently to profit or loss</i>			
Income tax related to components of other comprehensive income		5	(13)
Fair value (losses) gains from financial assets at fair value through other comprehensive income		(28)	70
Total other comprehensive income for the period		(23)	57
Comprehensive income		(6,847)	2,099

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

Condensed Statement of Financial Position

in EUR thousand	Note	30 Jun. 2022	31 Dec. 2021
ASSETS			
Non-current assets		342,408	338,674
Intangible assets		487	530
Property, plant and equipment		5,755	5,933
Investments in subsidiaries	6	242,004	234,004
Financial assets at fair value through other comprehensive income		1,342	1,370
Financial receivables	7	91,735	95,757
Deferred tax assets		1,085	1,080
Current assets		70,415	86,603
Assets (groups) held for sale		30	31
Financial receivables	7	54,843	71,848
Trade receivables	8	2,436	3,072
Income tax assets		10	201
Cash and cash equivalents	9	4,996	11,111
Other assets		8,100	340
Total assets		412,823	425,277

Continuation of the table →

Continuation of the table

in EUR thousand	Note	30 Jun. 2022	31 Dec. 2021
EQUITY AND LIABILITIES			
Equity	10	244,344	272,186
Share capital		145,266	145,266
Capital surplus		11,461	11,461
Other equity reserves		6,255	6,255
Fair value reserves		359	382
Retained earnings		81,003	108,822
Non-current liabilities		94,208	94,628
Employee benefits		861	861
Financial liabilities	11	81,165	81,970
Other liabilities	13	12,182	11,797
Current liabilities		74,271	58,463
Financial liabilities	11	69,944	49,882
Trade payables	12	2,440	6,866
Other liabilities	13	1,887	1,715
Total equity and liabilities		412,823	425,277

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

Condensed Statement of Changes in Equity

Condensed Statement of Changes in Equity for the Six-Month Period Ending 30 June 2022

in EUR thousand	Share capital	Capital surplus	Other equity reserves	Fair value reserves	Retained earnings	Total
Balance as at 31 Dec. 2021	145,266	11,461	6,255	382	108,822	272,186
Dividends paid	0	0	0	0	(20,994)	(20,994)
Transactions with owners	0	0	0	0	(20,994)	(20,994)
Loss for the period	0	0	0	0	(6,824)	(6,824)
Other changes in comprehensive income	0	0	0	(23)	0	(23)
Total changes in comprehensive income	0	0	0	(23)	(6,824)	(6,847)
Balance as at 30 Jun. 2022	145,266	11,461	6,255	359	81,003	244,344

Condensed Statement of Changes in Equity for the Six-Month Period Ending 30 June 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	2,042	2,042
Other changes in comprehensive income	0	0	0	57	0	57
Total changes in comprehensive income	0	0	0	57	2,042	2,099
Balance as at 30 Jun. 2021	145,266	11,461	6,136	268	108,570	271,701

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

Condensed Cash Flow Statement

in EUR thousand	Note	1–6 2022	1–6 2021
Cash flow from operating activities			
(Loss) profit before tax		(6,824)	2,194
Adjusted for:			
Amortisation and depreciation	2	423	417
Interest income	4	(2,986)	(2,948)
Interest expenses	4	1,724	1,513
Impairment of assets	4	5,196	0
Creation of allowances and provisions		216	0
Net other expenses (income)		2,513	(2,410)
Operating cash flow before working capital adjustments		262	(1,234)
Working capital adjustments			
(Increase) decrease in trade receivables		(4,318)	495
Decrease in trade payables		(3,295)	(1,351)
(Decrease) increase in taxes other than income tax		(921)	12
Total working capital adjustments		(8,534)	(844)
Receipts from government grant		182	67
Payments for retirement benefits and loyalty bonuses		(2)	0
Income tax received		191	1,809
Net cash flow used in operating activities		(7,901)	(202)
Cash flow from investing activities			
Payments for investments in subsidiaries	6	(8,000)	(131)
Payments for property, plant and equipment		(57)	(147)
Receipts from sale of property, plant and equipment		98	4
Payments for intangible assets		(58)	(56)
Payments for loans issued		(58,555)	(60,710)

Continuation of the table

in EUR thousand	Note	1–6 2022	1–6 2021
Receipts from loans issued		67,731	49,556
Interests received		1,648	4,833
Dividends received		1,675	44
Net cash flow from (used in) investing activities		4,482	(6,607)
Cash flow from financing activities			
Receipts from borrowings		42,900	54,450
Repayments of borrowings		(25,017)	(44,637)
Receipts from financial services		945	2,338
Repayments of leases		(234)	(240)
Interests paid		(296)	(273)
Dividends paid	10	(20,994)	(5,812)
Net cash flow (used in) from financing activities		(2,696)	5,826
Cash and cash equivalents as at 1 Jan.			
		11,111	1,612
Net change in cash and cash equivalents		(6,115)	(983)
Cash and cash equivalents as at 30 Jun.		4,996	629

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

Continuation of the table →

NOTES TO INDIVIDUAL ITEMS IN THE CONDENSED FINANCIAL STATEMENTS

1. REVENUE

in EUR thousand	1–6 2022	1–6 2021
In Slovenia	7,587	7,673
In other countries	4	3
Revenue	7,591	7,676

2. OPERATING EXPENSES

in EUR thousand	1–6 2022	1–6 2021
Cost of goods, materials and services	1,686	1,444
Labour costs	10,310	5,967
- wages and salaries	8,218	4,793
- social security costs	1,323	757
- other labour costs	769	417
Amortisation and depreciation costs	423	417
Other costs	190	26
Operating expenses	12,609	7,854

3. OTHER OPERATING INCOME AND EXPENSES

in EUR thousand	1–6 2022	1–6 2021
Dividend income	97	44
Profit from sale of property, plant and equipment	0	4
Other income	1,725	77
Other operating income	1,822	125
Loss from sale of property, plant and equipment	(5)	0
Expenses for donations and sponsorships	(48)	(47)
Other expenses	(136)	(128)
Other operating expenses	(189)	(175)
Net other operating income (expenses)	1,633	(50)

4. NET FINANCE INCOME AND COSTS

in EUR thousand	1–6 2022	1–6 2021
Interest income	2,986	2,948
Revenue from issued guarantees	0	646
Reversal of impairment of loans issued	0	403
Other income	906	204
Finance income	3,892	4,201
Interest expenses	(1,724)	(1,513)
Impairment of loans issued	(5,196)	0
Other expenses	(411)	(266)
Finance costs	(7,331)	(1,779)
Net finance (costs) income	(3,439)	2,422



5. INCOME TAX

in EUR thousand	1–6 2022	1–6 2021
Current income tax expense	0	(152)
Income tax	0	(152)

in EUR thousand	1–6 2022	1–6 2021
Profit (loss) before tax	(6,824)	2,194
Tax at statutory tax rate 19% (2021: 19%)	(1,297)	417
Tax effects from:		
- non-taxable income	(295)	(74)
- tax non-deductible expenses	1,062	31
- tax relief	0	(35)
- tax losses for which no deferred tax assets were recognised	530	(187)
Income tax	0	152
Effective tax rate	0%	6.93%

6. INVESTMENTS IN SUBSIDIARIES

in EUR thousand	30 Jun. 2022	31 Dec. 2021
SIJ ACRONI, d.o.o., Cesta Borisa Kidriča 44, Jesenice, Slovenia	111,337	111,337
SIJ METAL RAVNE d.o.o., Koroška cesta 14, Ravne na Koroškem, Slovenia	66,714	58,714
GRIFFON & ROMANO S.P.A., Via Dossetti 11, Loc. Casinello de Dosso, Italy	0	0
RSC HOLDING d.o.o., Litostrojska cesta 60, Ljubljana, Slovenia	31,545	31,545
NIRO Wenden GmbH, Glück-Auf-Weg 2, Wenden, Germany	0	0
NOŽI RAVNE d.o.o., Koroška cesta 14, Ravne na Koroškem, Slovenia	505	505
ODPAD d.o.o. Pivka, Velika Pristava 23, Pivka, Slovenia	4,981	4,981
SIJ ELEKTRODE JESENICE d.o.o. – V LIKVIDACIJI, Cesta železarjev 8, Jesenice, Slovenia	0	0
SIJ SUZ d.o.o., Cesta Borisa Kidriča 44, Jesenice, Slovenia	616	616
SIJ ZIP CENTER d.o.o., Koroška cesta 14, Ravne na Koroškem, Slovenia	68	68
SIJ RAVNE SYSTEMS d.o.o., Koroška cesta 14, Ravne na Koroškem, Slovenia	8,945	8,945
HOLDING PMP d.o.o., Gerbičeva 98, 1000 Ljubljana, Slovenia	7,687	7,687
SIJ AMERICAS INC., 331 Newman Springs Road Suite, 104, Red Bank, New Jersey, USA	2,670	2,670
OOO SSG, 119019, Moskva, Novy Arbat, d. 21, pom. I, et. 21, kom. 29, Russia	1,034	1,034
ADDITHERM d.o.o., Litostrojska cesta 60, Ljubljana, Slovenia	5,902	5,902
Investments in subsidiaries	242,004	234,004

In June 2022, the Company provided its subsidiary SIJ Metal Ravne with an additional contribution totalling EUR 8,000 thousand. Due to additional payment, the registered capital of the subsidiary nor the existing share of the member did not increase. Since March 2022, a subsidiary SIJ Elektrode undergoes voluntary liquidation.

7. FINANCIAL RECEIVABLES

in EUR thousand	30 Jun. 2022	31 Dec. 2021
Loans issued	91,735	95,757
Non-current financial receivables	91,735	95,757
Loans issued	54,417	71,389
Other	426	459
Current financial receivables	54,843	71,848

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 73,950 thousand (2021: EUR 78,500 thousand) and are repaid from dividends. Loans issued to the subsidiaries amount to EUR 90,128 thousand (2021: EUR 102,714 thousand) and are repaid from current liquidity. Interest rates for loans issued are fixed as well as flexible and vary between 1.60 and 5.00 percent. The disclosed value of loans issued does not exceed their realisable value. The loans issued are not pledged as security for liabilities. The majority of loans issued are secured with bills. Due to identified credit risk and objective signs of impairment, the allowance for loans issued amounts to EUR 27,466 thousand (2021: EUR 22,270 thousand).

8. TRADE RECEIVABLES

in EUR thousand	30 Jun. 2022	31 Dec. 2021
Trade receivables	2,127	3,002
Receivables from government and other institutions	0	39
Issued advance payments and cautions	224	7
Other receivables	85	24
Current trade receivables	2,436	3,072

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

9. CASH AND CASH EQUIVALENTS

in EUR thousand	30 Jun. 2022	31 Dec. 2021
Cash in national currency	4,996	11,111
Cash and cash equivalents	4,996	11,111

10. EQUITY

in EUR thousand	30 Jun. 2022	31 Dec. 2021
Share capital	145,266	145,266
Capital surplus	11,461	11,461
Other equity reserves	6,255	6,255
Fair value reserves	359	382
Retained earnings	81,003	108,822
Equity	244,344	272,186

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

In April 2022, the Company paid EUR 20,994 thousand in dividends.

Ownership Structure

Shareholder	Number of shares 30 Jun. 2022	Number of shares 31 Dec. 2021
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
SJ 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

A capital surplus amounting to EUR 11,461 thousand was formed during the simplified decrease of the Company's capital.

Other Equity Reserves

in EUR thousand	30 Jun. 2022	31 Dec. 2021
Legal reserves	8,510	8,510
Treasury shares	(6,009)	(6,009)
Reserves for treasury shares	3,754	3,754
Other equity reserves	6,255	6,255

Fair Value Reserves

in EUR thousand	30 Jun. 2022	31 Dec. 2021
Fair value reserve due to financial assets at fair value through comprehensive income	539	568
Deferred tax liabilities	(102)	(108)
Net actuarial losses on pension programs	(78)	(78)
Fair value reserves	359	382

11. FINANCIAL LIABILITIES

in EUR thousand	30 Jun. 2022	31 Dec. 2021
Borrowings	1,498	2,364
Liabilities for bonds issued (SIJ6, SIJ7)	79,098	79,113
Lease liabilities	569	493
Non-current financial liabilities	81,165	81,970
Borrowings	38,104	19,340
Liabilities for commercial papers issued	30,011	30,074
Lease liabilities	305	354
Other current financial liabilities	1,524	114
Current financial liabilities	69,944	49,882
Total financial liabilities	151,109	131,852

Maturity of Financial Liabilities as at 30 June 2022

30 Jun. 2022 in EUR thousand	Present value	Expected cash flows				Total
		Up to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	
Payables to suppliers	1,024	1,016	6	2	0	1,024
Financial liabilities	151,109	17,487	53,712	85,145	0	156,344
Other liabilities	12,184	0	2	12,182	0	12,184
Total liabilities	164,317	18,503	53,720	97,329	0	169,552

Maturity of Financial Liabilities as at 31 December 2021

31 Dec. 2021 in EUR thousand	Present value	Expected cash flows				Total
		Up to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	
Payables to suppliers	2,077	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

Borrowings

Borrowings include borrowings from companies in the Group, commercial banks and other parties. The interest rates for borrowings are fixed as well as flexible.

Liabilities for Bonds Issued

Liabilities for bonds issued refer to the bonds issued with the ticker symbol of SIJ6 and SIJ7, that are traded on the Ljubljana Stock Exchange. The nominal value of SIJ6 bonds amounts to EUR 48,000, they bear a fixed interest rate of 2.8 percent per annum and fall due on 25 November 2024. The nominal value of SIJ7 bonds amounts to EUR 31,100, they bear a fixed interest rate of 3.9 percent per annum and fall due on 2 November 2023.

Liabilities for Commercial Papers Issued

Liabilities for commercial papers refer to the commercial papers with the ticker symbol of SIK08 that are traded on the Ljubljana Stock Exchange. The nominal value of commercial papers amounts to EUR 30,000, they bear a fixed interest rate of 0.95 percent per annum and fall due on 9 December 2022.

12. TRADE PAYABLES

in EUR thousand	30 Jun. 2022	31 Dec. 2021
Payables to suppliers	1,024	2,077
Liabilities to employees	569	3,018
Tax liabilities and other liabilities	847	1,771
Current trade payables	2,440	6,866

13. OTHER LIABILITIES

in EUR thousand	30 Jun. 2022	31 Dec. 2021
Liabilities for contingent and deferred contribution	12,182	11,797
Other non-current liabilities	12,182	11,797
Liability for unused holiday leave	672	456
Current portion of liability for contingent and deferred contribution	1,200	1,200
Other liabilities	15	59
Other current liabilities	1,887	1,715

Under the shareholders' agreement, the Company recognised an obligation to pay contingent consideration in form of a loan granted to RSC Holding on market terms. The Company must grant the loan 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 liability is valid 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.

Under the shareholders' agreement, the Company recognised an obligation to pay contin-

gent consideration in form of additional contributions to the equity of Additherm within 5 years. Additional contributions will be executed in equal annual instalments based on the resolution concluded by both members every time the liability will fall due.

The change in the fair value of the liability to pay contingent consideration based on new information about changes after the acquisition date will be recognised in profit or loss.

14. CONTINGENT ASSETS AND LIABILITIES

Contingent liabilities for issued guarantees amount to EUR 238,363 thousand on 30 June 2022 (2021: EUR 172,721 thousand). The total amount of issued guarantees was issued to the companies of the Group. The Company expects no outflows from the issued guarantees.

Related Parties

Related parties are the 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	1–6 2022	1–6 2021
Revenue	1,902	1,923

in EUR thousand	30 Jun. 2022	31 Dec. 2021
Receivables	83,299	86,492

Transactions with Subsidiaries

in EUR thousand	1–6 2022	1–6 2021
Revenue	11,184	9,371
Expenses	549	311

in EUR thousand	30 Jun. 2022	31 Dec. 2021
Receivables	92,788	106,358
Liabilities	24,049	22,973

Transactions with Other Related Companies

in EUR thousand	1–6 2022	1–6 2021
Revenue	10	33
Expenses	74	66

in EUR thousand	30 Jun. 2022	31 Dec. 2021
Receivables	3	2
Liabilities	9,157	8,106

Carrying Amounts and Fair Values of Financial Instruments

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

in EUR thousand	30 Jun. 2022		31 Dec. 2021	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets at fair value through other comprehensive income	1,342	1,342	1,370	1,370
Financial receivables	146,578	146,578	167,605	167,605
Trade receivables	2,436	2,436	3,072	3,072
Cash and cash equivalents	4,996	4,996	11,111	11,111
Financial liabilities	(151,109)	(150,397)	(131,852)	(130,774)
Trade payables	(14,622)	(14,622)	(15,081)	(15,081)

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

in EUR thousand	30 Jun. 2022	31 Dec. 2021
Financial assets at fair value through other comprehensive income	938	966
Financial assets at fair value of first level	938	966
Financial assets at fair value through other comprehensive income	404	404
Financial assets at fair value of third level	404	404
Bonds and commercial papers	(108,396)	(108,109)
Financial liabilities at fair value of second level	(108,396)	(108,109)
Borrowings	(39,602)	(21,704)
Leases	(874)	(847)
Other financial liabilities	(1,525)	(114)
Financial liabilities at fair value of third level	(42,001)	(22,665)

The third level of liabilities at fair value includes secured loans granted, leases and interest liabilities, representing, according to the valuation model, carrying amounts of discounted expected future payments with the adjusted risk level.

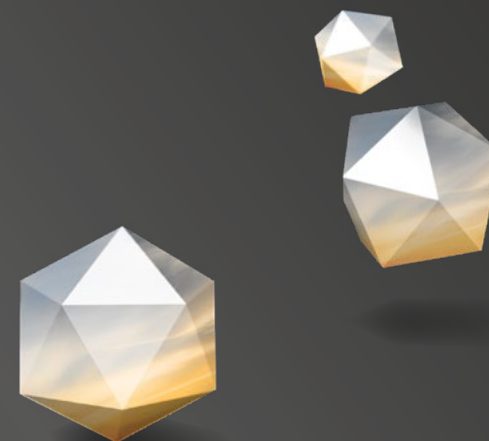
In the first half of 2022, there were no transfers of financial instruments between different levels.

Events After the Reporting Date

Faced with extremely high energy prices, which reached record levels in July and August, and the uncertainty of its customers in accepting such price conditions, the Group – like many other European steel companies – decided to optimise its production volumes. Following this decision, it will reduce production by around a third in September and by around 40% in the fourth quarter.

There were no other events after the reporting date that could influence the condensed financial statements for the six-month period ending 30 June 2022.

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