SIJ GROUP

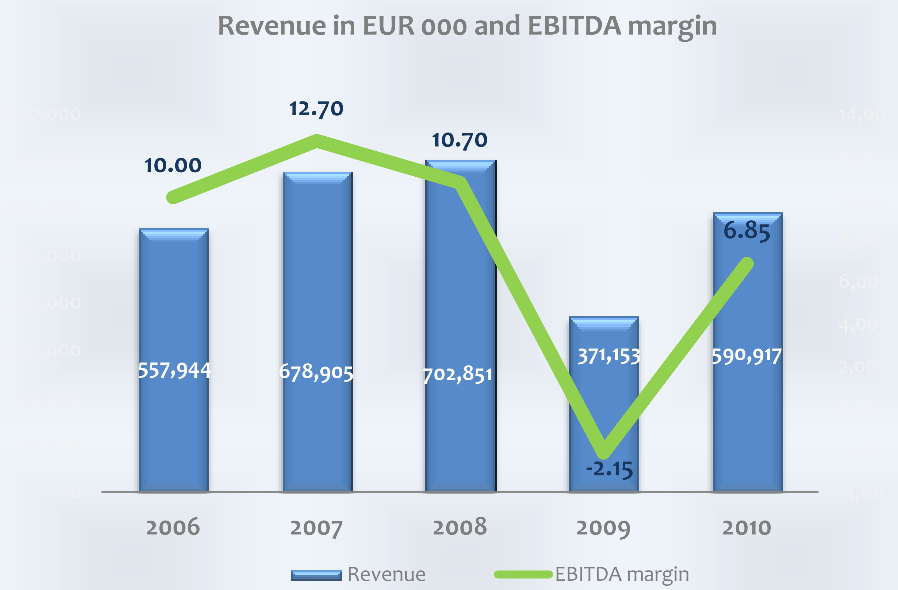
ANNUAL REPORT

2010

Ljubljana, 15 March 2011

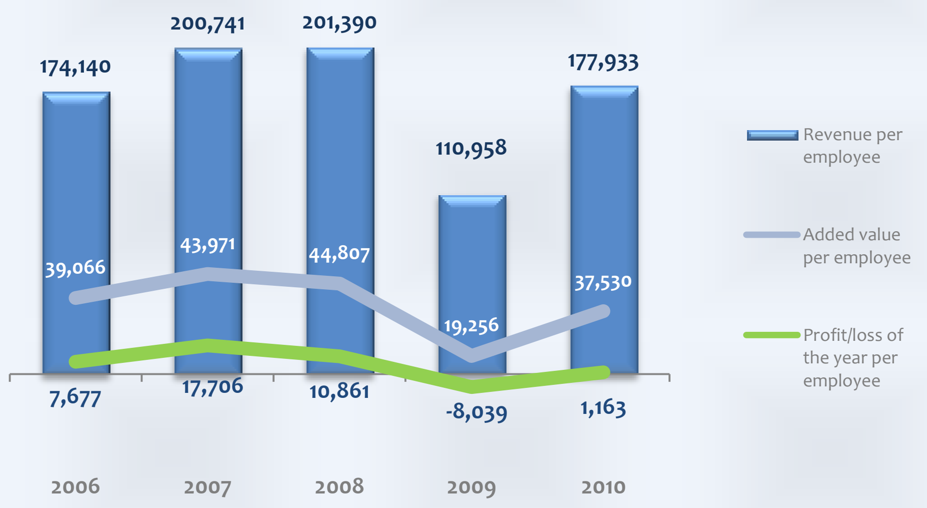
SIJ GROUP IN NUMBERS

		2008	2009	2010
Sales	In tonnes	608,937	458,807	637,015
Revenue	In EUR	702,851,130	371,152,894	590,916,742
Gross profit	In EUR	144,601,842	30,566,265	82,810,654
Operating profit (EBIT)	In EUR	55,075,956	-32,273,194	11,130,692
EBITDA (EBIT + depreciation + value adjustments of current assets)	In EUR	75,205,633	-7,965,600	40,488,894
EBITDA profit margin (EBITDA/revenue)	In %	10.7	-2.1	6.9
Financial operations balance	In EUR	-6,401,352	-1.759.308	-6,185,245
Profit/loss before tax	In EUR	48,024,713	-34,054,520	4,945,447
Profit/loss for the year	In EUR	37,904,408	-26,890,145	3,862,652



		2008	2009	2010
Net cash flow	In EUR	58,034,086	-2,582,549	33,220,854
Investments	In EUR	72,952,978	72,436,755	46,724,072
Net financial debt as at 31 Dec.	In EUR	150,787,933	192,212,685	237,449,067
Capital coverage of assets	In %	1.2	0.9	0.8
Financial debt/capital	In %	45.0	62.3	75.7
Equity as at 31 Dec.	In EUR	335,551,385	308,702,836	313,636,485
Capital earnings (ROE)	In %	12.0	-8.3	1.2
Capital value per share	In EUR	337	310	315
Profit/loss per share	In EUR	38	-27	4

Results per employee in EUR



		2008	2009	2010
Average number of employees		3,490	3,345	3,321
Investments in education	In EUR	924,792	636,807	604,613
Investments in research and development (R&D)	In EUR	2,892,359	2,478,193	2,438,447
% of R&D in turnover	In %	0.41	0.67	0.41

1 INTRODUCTION

1.1 SIJ GROUP – WHAT MADE US PROUD IN 2010

January **Acroni donated a defibrillator** to Jesenice Fire and Rescue Service (GARS).

March **The Indian ambassador** to Slovenia, Dr. Villur Sundararajan**,** visited Metal Ravne, which has a presence on the Indian market of tool steels, fast cutting and special steels, and plastic mould steels.

HK Acroni won the National Championship once again; the hockey players of Acroni Jesenice, whose main sponsor is Acroni, won the Slovenian National Championship 2009/10 for the 31st time.

April The purchase of steel centre **Niro Wenden GmbH**; SIJ –Slovenska industrija jekla bought an 85% share of the German steel centre Niro Wenden.

May **The signing of an agreement between Jesenice Municipality, Jesenice Steelworks and SIJ – Slovenska industrija jekla d.d.;** with this important agreement the signatories ended a 20-year negotiation and settled the property relationships of the extensive economic and non-economic infrastructure of the local area. The agreement enables the continuous development of the town of Jesenice, which is important not only for the local community, but also for Acroni.

Memorial Telcer's walk to Uršlja gora; in memory of Franc Telcer, who used to organize walks for the Slovenian steel plant employees, his followers organized the 1st Telcer's walk, which is planned to become a tradition.

The regional awards ceremony for innovators from Koroška; the Regional Chamber of Commerce of Koroška conferred awards to innovators from Koroška; researchers from both Metal Ravne and Noži Ravne received Gold medals for their innovative achievements.

June Metal Ravne gained the **IPPC licence**; the Ministry of the Environment and Spatial Planning issued an environmental - IPPC licence (Integrated Pollution Prevention and Control) to the Metal Ravne Steel Plant.

By purchasing a 60% share of the German steel centre **SMG Edelstahl** we will improve our product range and the fast supply of steels and products of the dimensions and qualities and further mechanical and heat treatment in this part of the German market.

July The 100% purchase of the Italian steel centre **SIDERTOCE S.p.a** in Gravellona Toce.

We purchased 100% of the Italian steel centre SIDERTOCE in Gravellona Toce. With this purchase we have gained an important sales centre for the products of Metal Ravne near Milan.

August **The Russian Ambassador's visit**

A visit to Acroni from the Russian Ambassador to Slovenia, Doku Zavgajev. At a meeting with the representatives of the owners, the SIJ, d.d. Board of Directors, and the Acroni management, he expressed his satisfaction at the success of the SIJ Group and the strict adherence to the agreements of the purchase contract between Slovenia and the Russian group OAO KOKS.

The purchase of a 60% share in the steel centre **Griffon & Romano –** Corsica Milano

With the purchase of a 60% share in Griffon & Romano, in addition to the other steel centres, we have gained yet another processing-sales centre in accordance with our agreed objectives, which enables us to offer buyers of highly demanding steel products, especially from the program of Acroni, higher quality services.

September **The opening of the new production plant in Serpa**, the subsidiary of Metal Ravne

With the new universal milling machine, the new bridge lift and the modernized lathe at Serpa, whose activities are closely connected to the development of the steel and the metal processing industry at the location, it will be easier to perform demanding finishing procedures and achieve greater added value of the steel products.

At the **National Awards Ceremony for Innovators**, the best amongst them received awards for their innovations in 2009 from the Chamber of Commerce of Slovenia (GZS). Acroni and Metal Ravne received a Gold Award and of Noži Ravne a Silver Award.

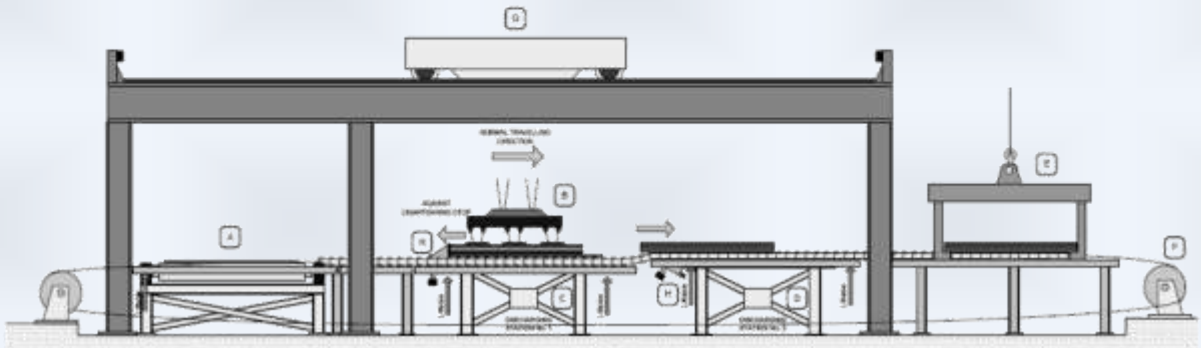
Two of the Gold Award winners from Metal Ravne: (from the left) Marko Ažman and Gregor Herkovič

The award winners from Acroni (from the left) Boštjan Bradaškja, Stanislav Jakelj and Milan Klinar

8th **Marketing Conference** of Metal Ravne, in Portorož, was attended by representatives of the subsidiaries of Metal Ravne, sales agents, and companies marketing their products across the world.

October — **A visit from the Ambassador of Montenegro** to Metal Ravne; the Ambassador of Montenegro, Dr. Ranko Milović, accompanied by Martin Debelak, CEO of the Association of Metal Materials and Foundries of Slovenia, visited the Metal Ravne steel plant.

November — **The opening ceremony of a new production line for the transport of heavy plates** in Acroni; an official presentation in the hot rolling plant of Acroni, together with the guest of honour, the Minister of the Economy, Darja Radič, M.A., of a new production line for heavy plates, which is becoming an ever more important part of Acroni's production range.



The design of the new line enables a continued transport, straightening, cutting, cooling and folding process without additional manipulations with cranes. At the same time its design prevents faults on the surface of steel plates. The increased weight of slabs will enable rolling of longer sheets and consequently the capacity of the end-pusher furnace will be utilised to its fullest potential.

A visit from the Minister of the Economy to Metal Ravne; on 3 November 2010 Metal Ravne was visited by the Minister of the Economy as part of the visit of the Slovenian Government to Koroška.

December **The celebration of the 390th anniversary of the steel industry in Koroška;** at the traditional Christmas/New Year celebration, organized every year by the Ravne Ironworkers Brass Band, the main theme was the 390th anniversary of the steel industry in Koroška.

Pantz awards at Acroni

The traditional Pantz Awards ceremony at the end of the year at Acroni and other internal awards.

The 2010 Pantz lifetime service award in the area of metallurgical and other activities went to **Zdravko Smolej**.

Zdravko Smolej receiving Pantz award from Slavko Kanalec

1.2 LETTER FROM THE PRESIDENT OF THE BOARD OF DIRECTORS

Before looking at a more global picture of 2010, I would like to emphasize some of the most important turning points or achievements of the year:

- Our fulfilled investments have confirmed our expectations and brought us closer to our agreed long-term objectives, both in the forging range of Metal Ravne and in the production of heavy plates in Acroni.
- In order to bring our products and services closer to the end customer and to achieve a higher added value, we have continued investing in our sales network and purchased four new steel centres. After successfully resolving initial problems and assimilating the new companies into the SIJ Group structure, we are expecting to see the first results in year 2011.
- I am happy to see that our innovation activity, despite the obvious crisis in motivation and loyalty to the companies and the SIJ Group, is not decreasing. On the contrary, we have been achieving great results and have received awards at both the regional and national level.
- Our orientation towards energy efficiency is also shown by the fact that not only has Acroni received a special award for this, but has also obtained the EN 16001 certificate for an energy-efficient company in 2010.
- The crisis has partly affected our investments in the local community, but nevertheless we have managed to keep our presence in the key areas connected with the sponsorship of sports; in the season of 2010/2011 the Acroni Hockey Club won its 32nd National Championship and the 9th since the independence of Slovenia. We also sponsor swimming, volleyball and skiing in Koroška.

THE MARKET RECOVERED IN 2010

It is true to say that market trends have worked in favour of our programs for most of the year. Although the effects of the financial crisis could still be felt in the first quarter of the year, the orders started picking up later on; at first in the flat program and later also in the long program. Due to differences in the recovery rates of individual industries, there were obvious differences in the number of orders in specific programs. The crisis had a strong impact on the construction and shipbuilding industries throughout the year, which strongly affected our production of welding materials and welding products, where our sales quantity barely exceeded the sales in the 2009 crisis year. The manufacture of industrial knives was also seriously affected, where the main issue (in addition to insufficient orders at the beginning of the year) was the disproportion in prices, further affected by the longer production cycles. In 2010 we also recorded a loss in both programs over the whole year.

It is estimated that world steel consumption in 2010 reached 1,283.6 million metric tonnes, representing a 13.4% growth compared to the previous year, and a 20.7% growth excluding China. The growth of consumption in China has slowed slightly (+5.1% growth), whereas in India it has reached 9.6%. The biggest growth in the consumption of steel was recorded in Brazil, Russia and several countries in Asia.

The EU-27 countries, which represent our biggest market, have recorded a 20.7% growth in the consumption of steel. These represent only a 10.9% share of world consumption, which is 5.3 percentage points lower than in 2007. In spite of all of this the volume of steel demand is increasing in Europe as well, guaranteeing the long-term growth and development of the companies of our Group.

In the past few years we have made significant progress and have gained important market shares in some of our programs. This goes for stainless heavy plates, making us the second largest supplier in Europe in 2010 with a 26% market share, dynamo steel, where our share came close to 10%, and tool steel with a 14% market share. We are also an important supplier of tool steel in the USA, where our market share represents 5% of the total consumption.

OBJECTIVES MET

The recovery of the market offered new opportunities for positive results of the SIJ Group's operations. However, I realize that we did not take full advantage of these opportunities, since our results were affected by the delays in production, caused by both objective (investments) as well as subjective reasons (planning and organisation of the production process and the accompanying logistics). Delays in carrying out orders, together with growing purchase prices, narrowed the price options and led to a lower operational profitability.

We are also satisfied with the growing share of export of our products, since the local market was very weak, and even more turbulent than in 2009. The export share exceeded that of 2008 and 2009, climbing to 82.7%.

In total with our activities in 2010 we ended the year with EUR 40.5 million profit before tax, depreciation and interest, which is EUR 56 million more than in 2009, and a net profit of EUR 3.9 million, exceeding that of 2009 by EUR 30.7 million.

Increasing the volume of operations by 59% led to an increased demand for higher reverse equity and therefore the need for new financial assets. Throughout the year measures for optimizing inventories, a regular collection of receivables and extensions of payment deadlines at the purchasing end were introduced. Because of the created free cash flow (EBITDA) in 2010 we had to go further into debt in order to cover our investments in the purchase of a sales network and in technological modernisation within the companies of the Group (EUR 47 million). The net financial debt was increased by EUR 45 million.

OPERATIONS AND EMPLOYEES

Creating a responsible employee environment is one of the most important elements of successful operations. We have continued to work to improve the excellence of our business processes, realizing that there is a long and hard road ahead of us and that the results can only be measured over time. One of our strategic orientations is moderate sustainable development, aimed at developing well-motivated and responsible employees within a safe work environment. We are not satisfied with last year's achievements, as the level of loyalty and the subsequent responsible handling of company assets by the employees noticeably decreased, which needs to be taken as a warning sign for our work in this year and the years ahead.

The number of employees has not risen in the past two years. In order to reach higher work productivity our objective in the years ahead is to optimize the number of employees according to the volume of operations.

CARRYING OUT OUR STRATEGY

Stopping for a moment to take a look at how successfully we have been following our vision and business strategy, I can proudly say that we have been successful at carrying out the mission of our group by keeping and developing the steel industry in Gorenjska and Koroška region going strong. While carrying out intensive activities to minimise the consequences of the crisis and while and to keep up with our vision for continuous growth, acknowledgement from local and foreign customers, and environmental protection, we have slightly overlooked the area of employee motivation and satisfaction; we therefore plan to try to reverse this in 2011.

We have been successfully following our strategic goals by implementing the agreed investment policy and consequently building an appropriate program structure.

In 2011 we have begun to modernize our existing strategy in order to maximize the long-term success of our operations, and decrease our sensitivity to fluctuations of the steel and other markets by introducing optimal structures of production programmes.

Our future goals are perfectly clear: with the support of our suppliers, the loyalty of our customers, a firm position on the market thanks to our own sales network, and with the support of all of our employees, we will create a level of successful operations from the point of view of all the participants of the business process, focusing on increasing the value of assets for our owners.

A special thanks goes to all colleagues for their support and hard work.

President of the Board of Directors
Tibor Šimonka

1.3 REPORT OF THE SUPERVISORY BOARD

1.3.1 PRESENTATION OF THE SUPERVISORY BOARD

The Supervisory Board of the SIJ, d.d. company is comprised of seven members; five of them are representatives of the majority shareholder and two of them of the Republic of Slovenia. The current Supervisory Board began its term of office on 11 April 2007. The membership changes did not affect the duration of the term of office of the whole Supervisory Board or its individual members.

ANDREY ZUBITSKIY
President of the Supervisory Board
Elected as President at the 5th meeting of the Supervisory Board on 03 April 2008
Shareholder of Dilon Cooperatief

Member of the Supervisory Board since 04 December 2007
17th Meeting of the General Assembly of the company

Term of office ends on 11 April 2011

MARIJA ZAGOŽEN
Vice-President of the Supervisory Board
Elected as the Vice-President at the 1st meeting of the Supervisory Board on 23 April 2007
Representing the shareholder Republic of Slovenia

Member of the Supervisory Board since 11 April 2007
15th Meeting of the General Assembly of the company

Term of office ends on 11 April 2011

BORUT FRANTAR

Member

Member of the Supervisory Board since 11 April 2007
15th Meeting of the General Assembly of the company

Term of office ends on 11 April 2011

KONSTANTIN ZAYTSEV

Member

Member of the Supervisory Board since 26 August 2009
19th Meeting of the General Assembly of the company

Term of office ends on 11 April 2011

LEONID NOVIKOV
Member

Member of the Supervisory Board since 26 August 2009
19th Meeting of the General Assembly of the company

Term of office ends on 11 April 2011

SERGEY CHERKAEV
Member

Member of the Supervisory Board since 26 August 2009
19th Meeting of the General Assembly of the company

Term of office ends on 11 April 2011

SERGEY FROLOV

Member

Member of the Supervisory Board since 30 August 2010
20th Meeting of the General Assembly of the company
Term of office ends on 11 April 2011

DMITRY BOCHKAREV

Member

Member of the Supervisory Board since 11 April 2007
15th Meeting of the General Assembly of the company
President of the Supervisory Board from 20 July 2007 until 03 April 2008
Dismissed from the office of the Member of the Supervisory Board at the 20th meeting of the General Assembly of the company on 30 August 2010

The Supervisory Board established that the 4-year term of office of the Members of the Supervisory Board ends on 11 April 2011, and adopted the decision to notify all shareholders so that they can put in their proposals for members of the Supervisory Board before 31 January 2011 at the latest.

1.3.2 OPERATIONS OF THE SUPERVISORY BOARD

In 2010 the Supervisory Board monitored and checked the operations of the companies of the SIJ Group and SIJ, d.d., and adopted decisions in line with its powers specified in the Companies Act, the Financial Operations of Companies Act, the Articles of Association of SIJ, d.d., the Rules of Procedure of the Supervisory Board and other applicable regulations.

In 2010 the Supervisory Board held three regular meetings and two correspondence meetings. Due to rationalisation of operations all the meetings involved a video-conference system at two locations, Moscow and Ljubljana. The quorum of the Supervisory Board was reached at all the meetings.
All the meetings of the Supervisory Board of the company in 2010 were chaired by Andrey Zubitskiy.

The agenda items monitored and discussed by the Supervisory Board were mostly connected to the operations of the companies in the SIJ Group. In the course of this work they learned about implementing the agreed goals and the efficiency of the operations of the individual companies of the SIJ Group and the Group as a whole. Individual issues were discussed on the basis of information and reports by the Board of Directors and the specialist services of the company.
The Supervisory Board also discussed the following issues and passed the following decisions:

- The Supervisory Board thoroughly reviewed the Annual Report of SIJ, d.d. and the consolidated Annual Report of the SIJ Group for the year 2009. At the same time it also discussed the auditor's report, showing that the business reports of SIJ, d.d. and the SIJ Group are in accordance with the audited financial statements. The Supervisory Board had no objections regarding the Annual Reports and the auditor’s report, establishing that the Annual Reports show the actual operations of SIJ, d.d. and the SIJ Group, and that they serve as complementary information to that already received during the business year 2009. Therefore both annual reports were unanimously approved. With this action, both Annual Reports, in line with the provisions of Article 282 of the Companies Act and the Articles of Association of the company SIJ, d.d., were officially approved. The Supervisory Board also established that all the companies of the SIJ Group obtained positive audit opinions on their financial statements. In accordance with the first paragraph of Article 57, the auditors also reviewed business reports that are, in their opinion, compliant with the audited financial statements.

- The Supervisory Board agreed with the proposal of the Board of Directors of SIJ, d.d., that is, to submit for approval to the General Assembly the decision that the distributable profit of 2009 to the value of EUR 2,701,703 remains undistributed. At the same time the Supervisory Board proposed to the General Assembly of the company to grant discharge from liability to the Board of Directors and the Supervisory Board for the financial year ending 31 December 2009. The Supervisory Board also proposed to the General Assembly of SIJ, d.d. that performance-related bonuses for 2009 be paid to the members of the Supervisory Board to the gross amount of EUR 10, 000,00 for each individual member.
- The Supervisory Board approved the business plan of the SIJ Group for 2010 and the business plan of SIJ, d.d. for 2010. At the last meeting in 2010 the Members were also familiarised with the basic points of the plan, and the first estimates and activities for the business year 2011.
- The Supervisory Board approved the strategy of development of the SIJ Group for the period 2010-2015.
- The Supervisory Board also suggested to the General Assembly of SIJ, d.d. some amendments and supplements to the Articles of Association, concerning the adjustment of activities to the Standard Classification of activities and the adjustment of the provisions of the statute in accordance with the provisions of the Companies Act and the acceptance of a clean copy of the Articles of Association.
- The Supervisory Board passed the decision on the purchase of business shares of companies in Italy and Germany and was acquainted with the activities of the potential purchases of business shares at each meeting.
- The Supervisory Board was familiarised with:
  - the report on the compliance of liabilities from the contract on the sale of shares of the company
  - planned issue of bonds of the company
  - problems in the affiliated company Alpos
  - summoning of the General Assembly of the company and
  - the consequences of the financial and economic crisis on the operations of the companies in Russia.

1.3.3 EVALUATION OF THE WORK OF THE BOARD OF DIRECTORS AND ITS COOPERATION WITH THE SUPERVISORY BOARD

The Supervisory Board has been carefully monitoring and overseeing the management of SIJ, d.d. and the SIJ Group. The Board of Directors together with its specialist services has been present at all the meetings. The President of the Board of Directors usually prepared an introductory explanation for each agenda item and together with a Member of the Board gave a thorough answer to the questions raised. The Supervisory Board believes that the Board of Directors has been doing its best to reach the agreed objectives. The cooperation of Board of Directors and the Supervisory Board has been excellent, and communication often took place even outside the regular meetings of the Supervisory Board.

Invitations to the meetings of the Supervisory Board, along with the material which formed the basis of the adoption of decisions by the Supervisory Board, were sent to all members of the Supervisory Board by e-mail and on time.

1.3.4 APPROVAL OF THE ANNUAL REPORT AND PROPOSAL FOR THE USE OF THE DISTRIBUTABLE PROFIT FOR 2010

The Supervisory Board thoroughly reviewed the Annual Report of SIJ, d.d. and the SIJ Group within the legally prescribed time limit. It also reviewed the auditor's report, in which the auditing company Deloitte revizija, d.o.o. states that the financial statements give a true and fair view of the financial position of the individual company as at 31 December 2010, as well as their operating results and cash flows for the financial year, in accordance with the International Financial Reporting Standards, as adopted by the EU. In accordance with the first paragraph of Article 57, auditors also reviewed the business reports that are, in their opinion, compliant with the audited financial statements.

The Supervisory Board believes the Annual Report of the Board of Directors to be a fair picture of their activities, and provides complete information on operations in 2010. Since there were no objections regarding the Annual Report, the Board unanimously approved it. With this action the Annual Report, in line with the provisions of Article 282 of the Companies Act (ZGD-1) and the Articles of Association of SIJ, d.d. was also officially approved.

Together with the Annual Report the Statutory Board also confirmed the Board of Directors's proposal for the use of the distributable profit.

SIJ, d.d. generated a net profit of EUR 10, 032,522 in 2010, or EUR 9, 530,896 after forming legal reserves. This, together with retained profits to the amount of EUR 2,701,703, represents the distributable profit of EUR 12,232,599 as at 31 December 2010. The Board of Directors and the Supervisory Board of SIJ, d.d. propose to the General Assembly that the distributable profit remains undistributed.

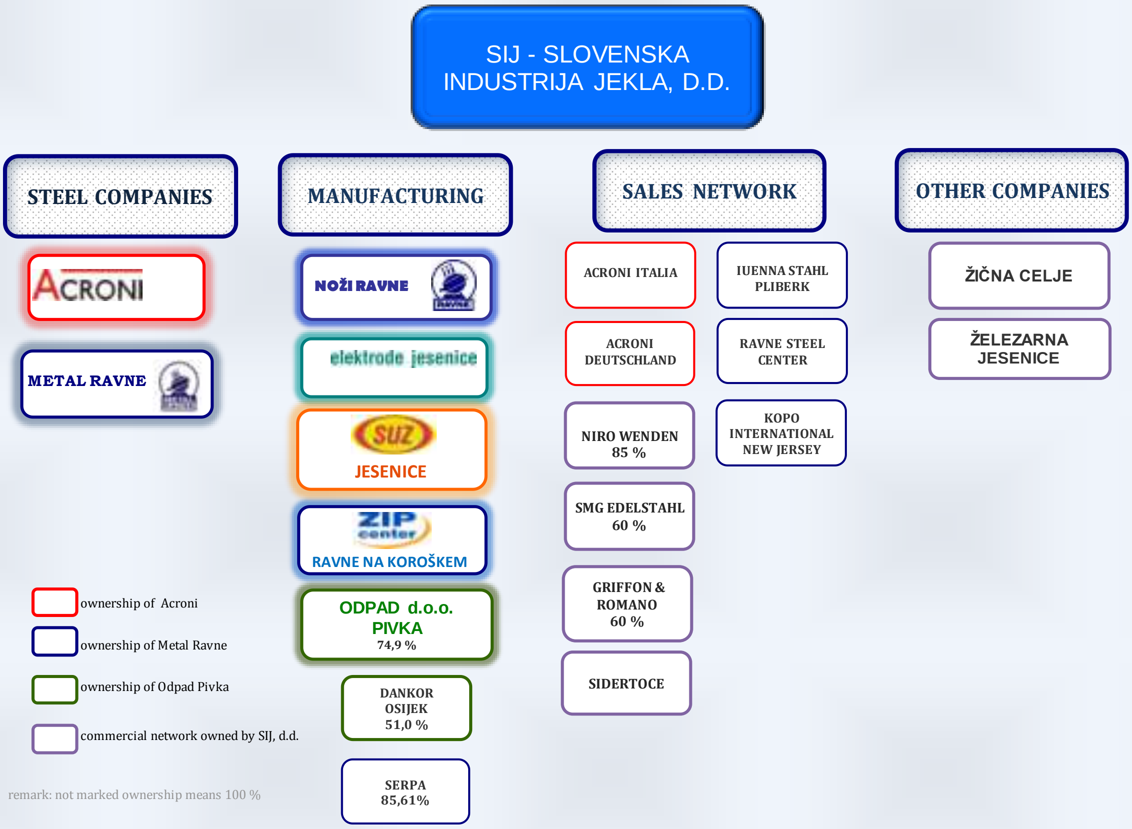
President of the Supervisory Board

Andrey Zubitskiy

1.4 PRESENTATION OF THE GROUP

The SIJ Group is one of the largest business groups in Slovenia, taking 6th place according to income, 5th place according to the export and 14th place according to the number of employees.

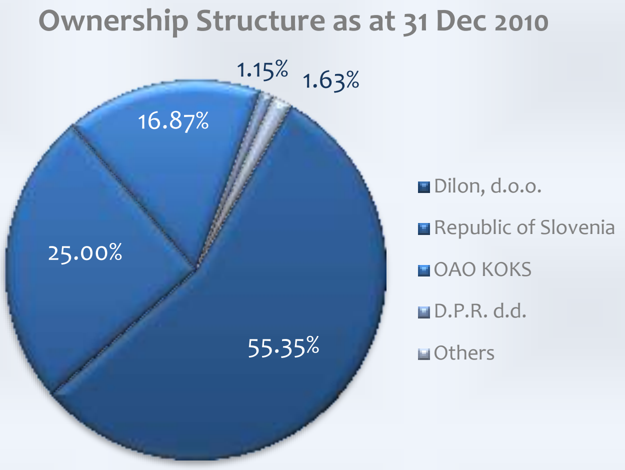
The parent company is SIJ – Slovenska industrija jekla, d.d., with its office in Ljubljana. The steel companies are located in the municipalities of Jesenice and Ravne na Koroškem, where the processing companies Elektrode Jesenice, SUZ, Noži Ravne and ZIP enter are also registered.



The subsidiaries of the company, together with SIJ – Slovenska industrija jekla, d.d., form a trust under the single management of SIJ– Slovenska industrija jekla, d.d., as the parent company, having signed a contract covering the regulation of relationships and single management in the SIJ Group.

1.4.1 OWNED BY

The biggest owner of the parent company is Dilon d.o.o. Ljubljana. Together with the Russian company OAO KOKS (with the Zubitskiy family being the majority owner of both of them) and the Republic of Slovenia they control both the company SIJ, d.d. and the SIJ Group. The rest of the shareholders are minority owners of SIJ, d.d.



Lameta, who had owned 58 shares of SIJ, d.d., sold those shares in January 2010, therefore the number of shareholders of SIJ, d.d. fell to nine.

1.4.2 DILON GROUP

The parent company of the SIJ Group is DILON d.o.o. This company is 100% owned by DILON Cooperatief U.A. from Amsterdam (the Netherlands). The majority owner of DILON Cooperatief U.A. is the Zubitskiy family, which also controls OAO KOKS and its subsidiaries. Among other related parties, there are the companies of the DILON Group, the DILON Cooperatief Group and the KOKS Group.

1.4.3 OUR PRODUCTION RANGE

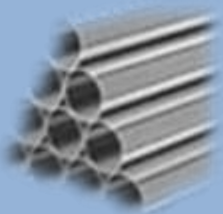
FLAT RANGE	PRODUCTS
Stainless steels Structural steels Electrical steels Special Steels	**heavy plates** 8 – 100 mm thick 2000 mm in width  **cold rolled steel plates** 0.5 – 3 mm thick 1000 mm in width  **hot rolled steel plates** 3 – 6 mm thick 1000 mm in width **profiles** 

LONG RANGE	PRODUCTS
Steel range	ingots billets with rounded edges wide flat profiles 
Rolling range	billets with rounded edges round profiles square profiles flat profiles peeled and peeled-polished bars ground and ground-polished bars 
Forging range	billets forged bars forgings discs sleeves 

INDUSTRIAL KNIVES	PRODUCTS
	wood knives
Long knives	paper knives
Short knives	plastics knives
	knives for metal

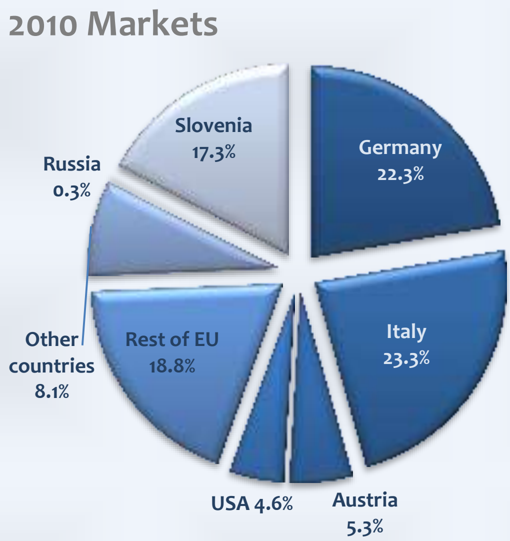
WELDING MATERIALS	PRODUCTS
Unalloyed welding materials	MAG wires
	MIG wires
	flux-cored wires
	welding rods
	EPP wire
Medium alloyed welding materials	
Highly alloyed welding materials	welding fluxes
	low alloyed electrodes
	special electrodes

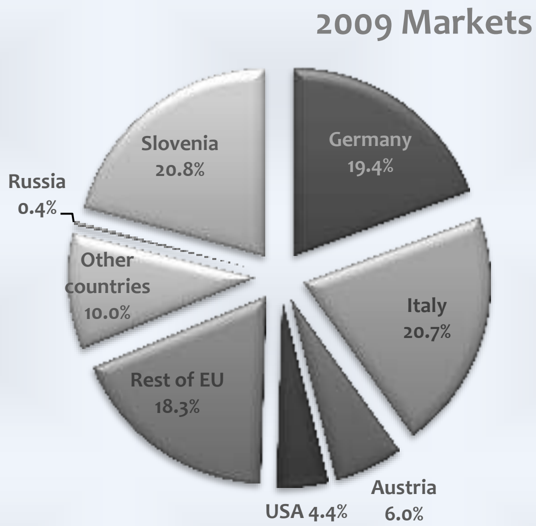
OTHER RANGES	PRODUCTS
	production of flanges and other steel products
	waste processing
	services
	drawn and ground steels



1.4.4 OUR PRESENCE

Most of our products are sold on the European market, which represents 86.4% of our export and 71.4% of the sales total.





With increasing exports, and the financial difficulties of the biggest Slovenian trader of metal materials, the share of the home market fell by 3.5 percentage points in 2010. The increased share on the German market is the result of the growing German economy, which substantially deviates from the rest of the European countries, and two new companies that joined the Group in 2010.
The purchase of new sales centres has also strengthened our position on the Italian market, increasing our share by 2.6 percentage points.

The overseas sales in the USA reached more or less the same level as in the year before, with a strong second and third quarter, thanks to the favourable exchange rates. Other non-European countries do not hold an important position in our sales, despite the fact that we are covering almost the entire world with our products.

1.4.5 OUR CUSTOMERS

Our main customers can be found in all industries, with the majority coming from the machine and metal processing industries, the chemical, petrochemical and energy industries, construction, the car industry and pipe manufacture.



Our main customers are service centres, distributors and end users. Our objective is to increase the proportion of known customers with known needs and demands.

Our products are present in the following industries:

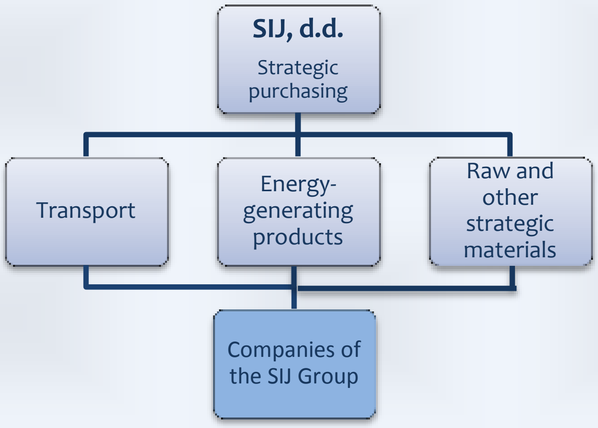
- Production of steel constructions or parts of constructions
- Civil engineering
- Production of machines and equipment
- Car industry
- Production of electrical machines and equipment
- Shipbuilding
- Pipe manufacture
- Metal products
- Chemical and petrochemical industry
- Energy sector
- Paper industry
- Tool industry
- Production of construction machinery
- Small household appliances


1.5 RAW MATERIAL RESOURCES BASE

The purchase of raw and strategic materials and services is centralized by the holding company SIJ, d.d., where we are following the strategy of taking advantage of synergies and the benefits of centralized quantity purchasing.

Strategic purchasing includes the purchase of key raw and strategic materials, such as scrap steels, alloyed scrap, ferroalloys, metal and other welding materials, fire resistant materials and other necessary raw materials connected with the production of final products. Our purchasing policy, key negotiations and acquisitions at the group level are subject to centralised purchasing, with the purpose of taking advantage of synergetic effects between the individual companies of the SIJ Group. There is also a unified policy towards our key suppliers and towards managing the inventories of strategic raw materials.

The positive effects are shown in greater purchasing power, reaching better and unified conditions at the group level, flexibility in complementing the needs of the individual companies, expertise, and a more careful monitoring of the individual markets of raw materials.



Our main suppliers of the individual types of raw materials are located all over the world:

Raw material	Yearly quantity	Suppliers
Alloyed scrap	65,000 tonnes	EU suppliers 90%
Steel scrap	335,000 tonnes	Home market 70%
Nickel	2,000 tonnes	FeNi producers
Chrome	18,500 tonnes	Most important global suppliers
Molybdenum	1,200 tonnes	Most important global producers and traders

2 BUSINESS REPORT

2.1 MANAGEMENT OF THE GROUP

Tibor Šimonka, born 1953

01 June 1999	appointed as member of the Finance and Economics Board
01 September 2002	appointed as the President of the Board of Directors
01 September 2006	once again appointed as the President of the Board of Directors for a term of 5 years
01 September 2011:	renewal of term of office as the President of the Board of Directors for a term of 5 years

Viacheslav Korchagin, born 1975

11 April 2007	appointed as the Member of the Supervisory Board
19 July 2007	appointed as the Member of the Board of Directors of
19 July 2011	renewal of term of office as the Member of the Board of Directors for a term of 5 years

2.1.1 EXECUTIVE DIRECTORS

Within the SIJ Group the individual specialized areas are managed and coordinated by Executive Directors, whose authorisations are set out in the "Contract on the Relationships and Unified Management of the SIJ (Slovenska industrija jekla) Group".

The heads of these individual areas are:

Prof. Dr. Vasilij Prešern, born 1947	**Strategic Development and Investments**	
	01 Ferburary 1992	Director of the Department for Strategic Development
	01 January 1993	Director of Research and Development
	11 April 1994	Director of Strategic Development and Marketing
	15 December 1994	Temporary Member of the Board for Strategic Development and Marketing
	01 Ferburary 1995	Member of the Board of SŽ (Slovenian Ironworks)
	15 April 1996	Vice-President of the Board of Directors
	29 October 1997	Member of the Board of SŽ (Slovenian Ironworks)
	17 May 2007	Appointed as the Executive Director of Investments
	15 November 2007	Change of title to Executive Director for Strategy, Development and Investments
M.A. Dušica Radjenovič, M.A., born 1965	**Sales and Marketing**	
	01 April 1994	Assistant to the Board of Directors Member for Marketing
	01 November 1998	Transition to becoming a Member of Metal Ravne d.o.o. Sales Management
	01 April 2002 – 31 May 2006: employed outside the SIJ Group	
	01 June 2006	Acroni Jesenice: Member of Sales Management
	01 July 2007 – SIJ d. d.: Executive Director of Sales	
Igor Malevanov, born 1976	**Finance and Economics**	
	12 July 2007	Appointed as the Executive Director of Finance and Economics
Evgeny Zverev, born 1981	**HR and Legal Affairs**	
	12 July 2007	Appointed as the Executive Director of Legal Affairs

2.1.2 GENERAL ASSEMBLY

In 2010 there was only one General Assembly of the shareholders, which took place on 28 July 2010. The shareholders were presented with the Annual Report of SIJ, d.d. and the consolidated annual report of the Group. The General Assembly approved the proposal of the Board of Directors to keep the distributable profit of EUR 2.7 million undistributed, and granted discharge to the Board of Directors and the Supervisory Board. At the same time it also appointed the auditor for the 2010 financial year.

2.1.3 ACTIVITIES OF THE GROUP

The main activity of the Group, which also creates most of its revenue, is steel production, which is the main business area of Acroni and Metal Ravne. The processing activities of the Group include metal processing (Noži Ravne, Elektrode Jesenice, SUZ), scrap collection (Odpad Pivka and Dankor Osijek) and several other services (ZIP Center). The sales network, which already includes nine companies at different locations from Slovenia to the USA, Germany, Austria and Italy, is in charge of various finishing procedures for steel products (different kinds of cutting and thermal processing), providing steel products with a higher added value and a chance to bring our products closer to end users and their needs.

A photo from the marketing campaign (2006)

2.2 DEVELOPMENT STRATEGY OF THE SIJ GROUP

The Group's operations are subject to following its mission statement, visions for future development, and values, enabling us to achieve our strategic goals.

By achieving our goals in the next 10 years we are planning to become specialized steel manufacturers in the production of stainless heavy plates and cold rolled sheet metal, highly specialized and mechanically treated highly alloyed tool and special steels, industry knives for metal and plastic, and highly alloyed welding materials. We will continue working on building our own sales network, expanding to markets suitable for the sales of our products which we do not as yet cover.

2.3 RISK MANAGEMENT

The heterogeneous composition exposes the Group to various risks, influenced by geographical as well as the marketing and business circumstances of the individual sectors of the Group.

We are exposed to various risks also in the business area – both from the point of view of the owners as well as from the point of view of other interest groups, such as lenders, customers, suppliers and employees.

For the SIJ Group risk entails everything that could possibly have a negative effect on the activities led by the Group when trying to achieve our agreed goals, be it today or in the future.

RISK AREAS

The risks in 2010 have not changed significantly from those of 2009, since the financial-economic crisis has not yet been replaced by the more favourable conditions. We are still facing solvency risks in the financial area and volume of orders risks in the business area.

2.3.1 STRATEGIC AND BUSINESS RISKS

These risks depend mostly on the program range of the companies of the Group, the market environment, and strategic investments connected with the approved marketing guidelines. Strategic risks are connected to:

- carrying out the development strategy
- environmental restrictions
- global market trends

Business risks are closely linked with the business environment, customer behaviour, and the economic environment of the SIJ Group. They can be defined in the following areas:

- excess production capacity on the steel market
- general orientation towards the European market
- expansion of Asian steel manufacturers
- weak market situation

By monitoring the business parameters every day, through an established reporting system and daily activities, SIJ, d.d. has been trying to estimate the risks as we go along, and to set up suitable measures to minimize them. We did the same this year in cases when we noticed a deviation from the expected trends in the individual companies.

We have done our best to respect environmental restrictions and have gained the IPPC environmental licence in both Metal Ravne and in Acroni.

2.3.1.1 INVESTMENT RISK

Investment risks are related to the fulfilment of planned investments, successfully achieved investment in the development of new products, and the introduction of new technologies. This type of risk is restricted by constantly increasing the quality of preparation and implementation of investment projects, and the subsequent approval of the project by monitoring the agreed objectives.
Even in the phase of developing an idea for an investment project, we try to make a realistic evaluation of the expected economic effects on the basis of the data available and the time plan of the implementation and start-up, and try to define the necessary organizational structure based on the volume and complexity. The manager of the project along with the project team is actively involved in all phases in accordance with his powers. Considering the market position and the strategy of the company, oriented towards more complex products and higher added values, not carrying out appropriate technological modernisations **presents a moderate risk** for our competitive position.

We have continued to carry out our strategic investments, whose orientation, based on the market demand trends, has been confirmed both in the area of heavy plates sales as well as in the forging range.

In 2010 we managed to increase the volume of orders taken (due to full production capacity, we have already had to turn down some orders in these segments), therefore we managed to exceed the quantities planned. The market situation has however affected us in the area of negative price ratios of the increasing purchase and decreasing sales prices.

2.3.1.2 SALES RISKS

Our marketing activities are oriented towards increasing sales on other, non-European markets, although the price competition amongst Asian steel manufacturers (mostly Chinese due to unfair competition) is high and it is extremely hard to enter these markets.

Market trends

Market changes and the supply/demand ratio have a strong effect on our sales opportunities. Therefore we constantly and carefully monitor trends on the raw materials and steel market in different countries and industries. By adjusting to changes we lower the sales risk.

Sales risks arise mainly from unexpected changes in the prices of raw materials and energy-generating products, delivery deadlines, and the quality of input raw materials, materials and services on the one hand and delays in setting suitable sales prices on the other.

Price risks

The prices of our products are subject to constant change caused by the supply/demand ratio and the trends in raw materials prices. This risk is controlled by constantly monitoring trends in the prices of raw materials, by constantly calculating profitability, and by adjusting our prices to the current conditions. The risk is lowered by using additional payments for alloys in specific products and hedging the prices of raw materials.

The following activities are performed to manage these risks:

- deepening of long-term partnerships with globally competitive suppliers who have sufficient quantity of strategically important raw materials and, at the same time, are capable of adapting to strict market conditions in terms of quantity and price;
- monitoring of the market situation and projection of market changes;
- searching for substitutes for materials;
- testing new materials and suppliers;
- dispersed purchasing of strategic materials from several suppliers;

Quality risk

Poor quality of materials and consequentially of products has a major effect on costs. On one hand there are costs related to complaints made by customers, and on the other hand there are costs related to internal rejects, where the poor quality of certain products is discovered at the end of the technological process, when the cost of processing has already been incurred and influences the operating profit.

The risk of external complaints is managed by increasing the output control, whereas the risk of internal rejects is managed by increased quality control during the process, and by the assistance of professional teams.

2.3.1.3 ENVIRONMENTAL RISK

Environmental risk is present in both steel companies, Acroni and Metal Ravne, with noise, dust and other emissions and natural disasters being the main risk factors. A certain risk can be found in the existing scrap disposal sites of steel plants, especially older ones. There is a constant risk of possible natural disasters, especially earthquakes and floods.

Every change of the ever stricter environmental legislation which may result in the cancellation of our production activities poses a risk. Environmental risks are present in the case of environmental disasters that pose a risk of unplanned environmental pollution. Based on the procedure of recognizing and evaluating environmental risks we believe that the risk is moderate.

2.3.2 OPERATIONAL RISKS

Business risks are mostly linked to inadequate or incorrect internal processes, employee activity, system defects or extraordinary events connected to natural disasters or criminal acts.

2.3.2.1 UNIFIED MANAGING AND DIRECTING

Our goal is to set up a strong and unified corporate politics of the Group's activities, lowering the size of business risks. With this goal in mind we are introducing the unification of rules and activities of individual business functions, but these kind of changes take time to implement. Important progress has been made in directing the strategic development of the group and its individual parts, a unified system of reporting, and strategic purchase of basic raw materials. There is a great deal of work ahead of us, particularly in the computerization of our operations, and in connecting different parts of our operational systems, unifying certain organizational procedures, and formulating a common human resource policy.

2.3.2.2 HUMAN RESOURCES RISKS

The biggest risks we faced in dealing with people in 2010 were in building employee loyalty, both to their individual work environment and to the SIJ Group as a whole. These are some of the other risks we have been facing:

- Paucity of certain professions: there are not enough adequately trained workers available in the area of metallurgy. This is why we have been cooperating with the Ministry of Education in creating educational programs for metallurgy along the entire educational line, from vocational to university level.
- Optimal number of employees: this is managed by monitoring work productivity and negative health indicators (sick leave and disability).
- Introducing changes in the organization and work distribution, after completing the modernisation of technological and information aspects of the production and work processes: changing and adapting to change is hard work, therefore it is very much disliked by the employees. Introducing any kind of changes therefore means extra work with our employees: training, transferring, changing well-established communication flows, etc.

2.3.2.3 RISK OF INFORMATION SYSTEM MALFUNCTIONS

The most important risks in the field of information technology are the risks of interruptions in the functioning or complete non-functioning of hardware, the local network, communication links and system software; risks of unreliability and inadequacy of applicable software; and risks related to the security of the information system.
We ensure that these risks are well managed by constantly monitoring our information system and immediately responding to any problems. Moreover, we have signed maintenance contracts with our suppliers, who ensure

the continuing operation of the system in the event of outages of any of its vital sections. Furthermore, the system itself is designed in such a manner that these risks are essentially reduced (by duplications of the most vital parts of the system, access to the internet via two different providers, duplication of communication paths, and backup of data).

2.3.2.4 RISKS CONNECTED TO INJURIES AND/OR PROPERTY DAMAGE

In the SIJ Group most of the companies are located in larger industrial areas, where the danger of fire and other property damage is higher. For this reason the companies have set up a system to monitor the site and buildings through contracted security companies which also do patrol rounds. Critical points at some of the sites are additionally controlled with surveillance cameras. All our property is insured against possible dangers by an insurance company.

2.3.3 FINANCIAL RISKS

The purpose of managing financial risks is to reduce the negative effects of any financial instability in our customers, and of price and currency trends on business results, cash flow and the financial position of the Group and its individual companies.

Financial risks include liquidity risk, credit risk, interest rate risk, currency risk, and the risk of banks not approving the renewal of loans upon their maturity etc.

Despite the stringent conditions on the financial market and the as yet incomplete recovery of the steel market, we have managed to successfully control financial risks in 2010.

2.3.3.1 INTEREST RATE RISK

Interest rate risk stems from long-term and short-term financial liabilities, which overall grew slightly in 2010. Financial liabilities expose the group to interest rate risk on cash flow.

The group constantly monitors exposure to interest rate risk, focusing on the variability of interest rates and the potential growth of debt at variable interest rates. Given the downward trend in the variable portion of interest rates, the group did not use instruments for hedging against the change in interest rate in 2009 or 2010. Because of the extremely low value of the variable portion of the interest rate (EURIBOR), which dropped to a historical record low, the interest rate risk was low. In 2010 we witnessed an increase in the interest margin for most of the existing credits and for all of the new credits, although the nominal interest rate (due to the low EURIBOR) was still relatively low. With the economy now recovering, we can expect a gradual increase in the variable portion of the interest rate, so we will be monitoring its changes and taking appropriate measures. If the variable portion of the interest rate increases, we will try to compensate for the increase by lowering the fixed portion of the interest rate (interest margin), which will call for extra negotiations with our banks. The analysis of sensitivity shows that a 100 percentage points increase in the interest rate would represent a EUR 2.2 million lower net profit before tax.

2.3.3.2 CREDIT RISK

The exposure to credit risk related to customers is limited by various activities: by limiting exposure to individual business partners; by the permanent supervision of wholesale customers; by the sale of goods on condition of receiving appropriate instruments of collateral (guarantees, letters of credit, advance payments); by the insurance of receivables with insurance companies; and by the constant collection of receivables. The insurance company caps of 2009 and the first half of 2010 have finished, which in turn slightly lowered the risks.

In 2010 the risk was higher due to compulsory settlements by certain business partners. However our risk management strategy turned out to be a success since there were no major adjustments to the value of receivables in this year. Due to the aforementioned activities we assessed the credit risk as moderate.

2.3.3.3 EXCHANGE RATE RISK

The Group operates in the international environment and is therefore to a certain extent exposed to foreign exchange risk. Adopting the euro as a means of payment reduced the exposure to foreign exchange risk for most companies of the group; however, the risk of the US dollar exchange rate remains. We have been constantly monitoring the exposure to the US dollar and regulating the risk by coordinating US dollar sales and purchases. In 2011 we will partially introduce derivative financial instruments, covering most of our raw material purchases.

2.3.3.4 SOLVENCY RISK

The cash flow of the Group and its companies is monitored for months in advance; we are therefore constantly adjusting the inflows and outflows to keep the cash flow positive. The Group's liquidity reserve is represented by revolving loans granted by Slovenian banks, which can be drawn on should the need for additional liquidity funds arise. We have been carefully monitoring the movement in receivables and regularly taking measures to deal with non-paying customers. We constantly negotiate with banks to extend existing short-term loans. However, major investments are financed by non-current sources. The principal values of long-term loans are due for payment in 2011; however the resources for covering expenses in 2011 are mostly already secured.

2.3.3.5 THE RISK OF BANKS NOT APPROVING THE RENEWAL OF LOANS UPON THEIR MATURITY

In 2010, thanks to numerous bankruptcies and compulsory settlements as a result of the economical and financial crisis, banks have lifted their conditions for giving credit. This raised this type of risk, but thanks to the good credit rating of the SIJ Group we have had no real problems finding sources of credit.

2.4 MONITORING AND CONTROLLING OPERATIONS

2.4.1 INTERNAL CONTROLS

The SIJ Group does not have an internal audit of the companies' operations set up. Financial and business results control is performed by the Accounting Departments of the Group and the Controlling Department of the parent company.

Internal controls are largely connected with monitoring our activities according to the prescribed procedures within the adopted ISO standards. To ensure compliance between the individual standards (ISO, OHSAS, product certificates, etc.) there are internal assessments that take place once or twice times a year (explained further under point 2.5.9.).

2.4.2 EXTERNAL AUDIT

According to the Companies Act the SIJ Group and its individual companies are obliged to have their financial statements audited. The Group and its individual companies (some of which joined the Group in 1996 and 1997) has had its financial statements audited externally since 1994, and its annual reports since 2002.

The first audit company we contracted was KPMG Slovenija, d.o.o., but for the last five years we have been working with Deloitte revizija, d.o.o., a Slovene audit company.
For the last ten years and more we have not received any reservations from the auditor, which means that the company has had a working, well-controlled system of bookkeeping and accounting for years.

Part of the external audit of our operations are also external assessments of granted certificates, quality and adequacy recognitions, which are carried out by external assessors once a year, or every two to three years, depending on the type of certificate (explained further under point 2.5.9.).

2.5 ANALYSIS OF BUSINESS PERFORMANCE

2.5.1 MARKET ENVIRONMENT

2.5.1.1 GLOBAL ENVIRONMENT

In 2010 world GDP increased by 5% compared to 2009. The level of growth in the Eurozone was, according to the latest results, 1,8%. The speed of recovery of each individual economy differed, depending on the level of economic development, the region and the continent. Economies with progressive development (India, China, Brazil) reached a level of growth higher than 7%, while the size of global trade increased by 12%.

In the second half of 2010 world financial conditions for business operations improved. Due to lower risks the loan conditions by banks in more developed economies mostly eased. Despite that there are still areas with no visible improvement; some industries are still largely lagging behind the general growth. Worst off are construction, and investments connected to this industry.

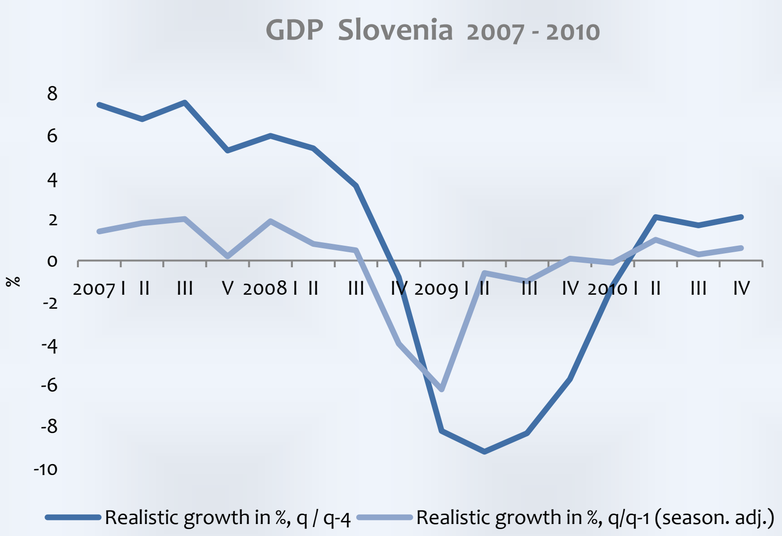
The prices of raw materials and energy-generating products in 2010 have risen substantially, partly due to recovering global demand and partly due to occasional problems with the supply of certain raw materials.

2.5.1.2 SLOVENIA

In 2010 the home market was shaken by an even stronger crisis than in 2009. The construction sector saw company after company closing down, and the biggest technical customer in Slovenia went into compulsory settlement, while smaller companies and craftsmen were also shutting down their businesses.

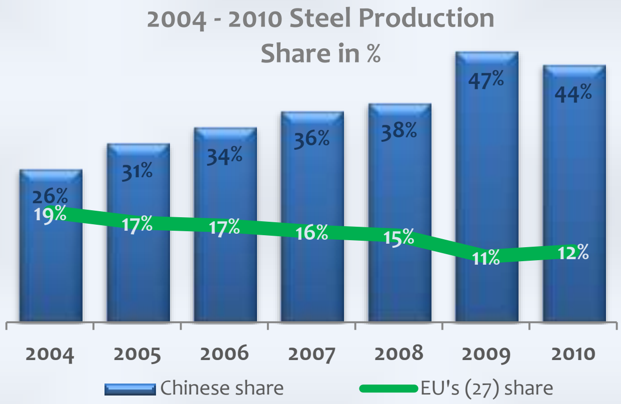
There was no financial boost either. NLB, the biggest bank in Slovenia, effectively stopped granting new loans, having recorded a growing share of bad investments due to the financial problems of some of the biggest loan takers.

The home environment did not encourage the growth of our operations, additionally lowering its share in the operations of the Group.



2.5.1.3 THE STEEL MARKET

The steel market recovered compared to 2008; in 2010 world production of steel reached 1.414 million tonnes, which is 6.5% more than that reached in 2008. The production in 2009 was weaker (1.229 million tonnes), as the market stagnated and due to the decreasing demand took time to recover.

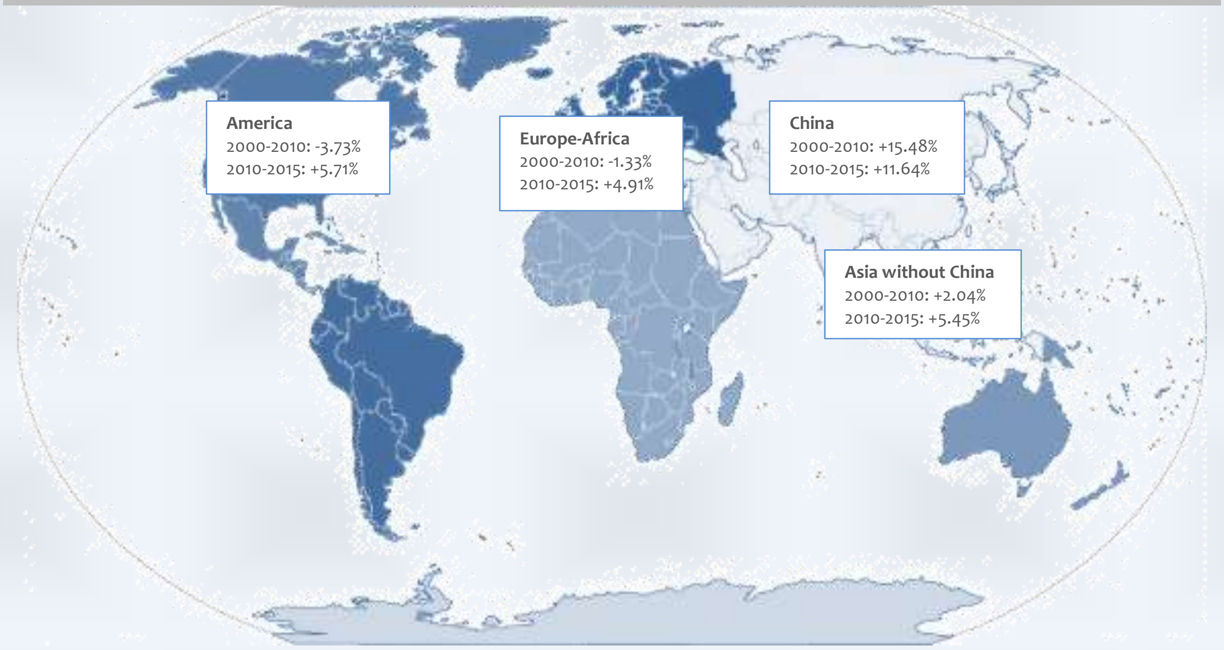


172.9 million tonnes of raw steel were produced in the EU-27 countries, a 24.5% increase compared to 2009. This increased the EU share in world steel production by 12.2% (in 2009 the proportion was 11.3%).

2010 was marked by a huge contrast in growth trends in the most important sectors for the consumption of steel: the automotive industry marked a 20.6% growth, the metal industry 8%, mechanical engineering 14% and on the other hand the construction and marine engineering industry marked a negative growth (2.1% and 18.6% respectively).

The first nine months of 2010 were especially marked by the rise of steel prices, which was partly a consequence of the higher prices of raw materials and partly of the favourable supply/demand ratio. Despite the higher prices of steel the world price index was 31% lower than at its height, reached in the middle of 2008.

Growth levels of stainless hot rolled products for direct use



2.5.1.4 POSITION OF THE SIJ GROUP

The SIJ Group has made a huge technological advancement within the last five years, marking its place in the steel market with high-quality steels, and as a result of the investments in modernisation of technologies, also with its own trademark steel and steel products.

The SIJ Group is amongst the most important producers of heavy stainless plates on the European market, becoming Europe's biggest supplier in 2009 with 28%. The second most important program is electrical steel plate, reaching a market share of 6-7%. In the area of tool steel sales we have a 10% share on the European market. Our share in the American market is also quite important, our tool steel represents 5% of its total consumption.

Heavy plates and cold rolled plates represent the biggest proportion of the sales portfolio of the Group, followed by forged and rolled products from our long-term program (more on this under point 2.5.3.).

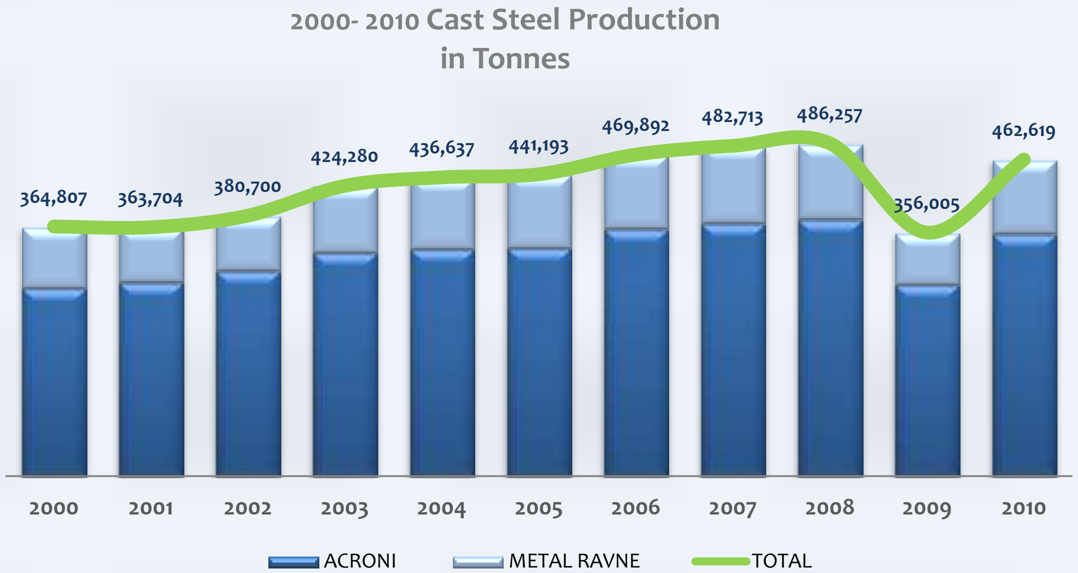
The physical size of the production capacity and sales reached the planned level, partly due to the expansion of the production facilities, but mostly due to the improved market dynamics.

2.5.2 STEEL PRODUCTION

Steel production (with the exception of 2009) has managed to keep a growth trend since 2000. Technological modernization enables us to grow quantity-wise year by year, but even more importantly it raises the quality of our products.

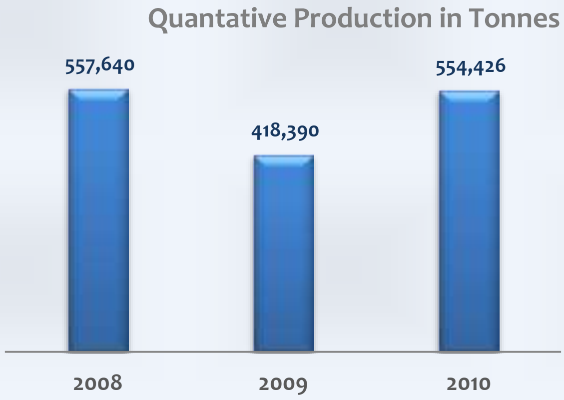
Cast Steel	EM	2005	2006	2007	2008	2009	2010	Index 2010/2009
Acroni	In tonnes	333,930	361,926	369,839	375,702	280,383	354,435	+ 26.4 %
Metal Ravne	In tonnes	107,263	107,966	112,874	110,555	75,622	108,184	+ 43.1 %
TOTAL	In tonnes	441,193	469,892	482,713	486,257	356,005	462,619	+ 29.9 %

In 2010 the production of cast steel was one third higher than in the year before; however it has not yet caught up with the production of 2008 (by 5%), which reflects the slow recovery after the economic crisis and a slower growth of demand on the market.



Quantitative production

Last year the quantity of production reached the level it was at before the crisis. Total production is less than one percent behind the totals in 2008.



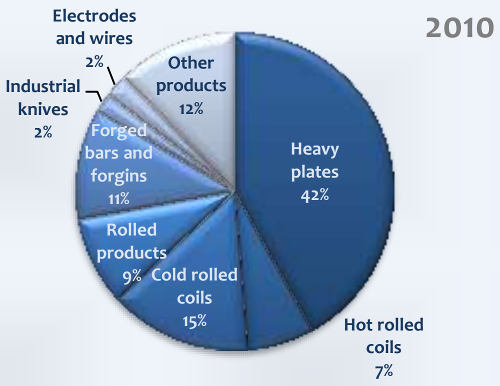
2.5.3 SALES

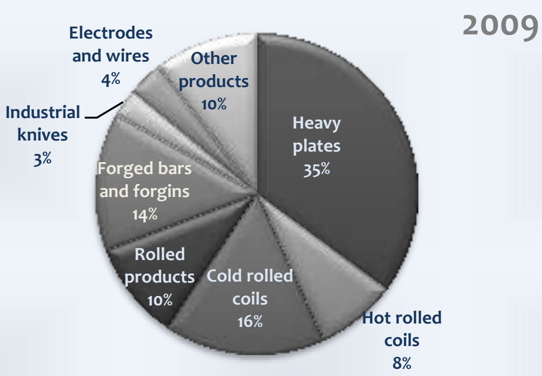
The structure of the value of sales in the last few years has moved towards increasing the sales share of heavy plates, especially stainless.

The share of the value of sales of heavy plates increased by 6.8 percentage point compared to 2009, whereas we recorded a decrease in the share of total sales in other programs. We also managed to sell more of our other products and the services of processing companies and steel centres.

Sales range	2009 In %	2010 In %	Difference in pp.
Heavy plates	35.1	41.9	6.8
Hot rolled steel plates	8.1	6.8	-1.3
Cold rolled steel plates	16.2	14.5	-1.7
Rolled products	9.9	9.0	-0.9
Forgings	13.9	11.2	-2.7
Industrial knives	2.8	2.0	-0.8
Electrodes and welding wires	3.5	2.3	-1.2
Other products and services	10.5	12.3	1.8
TOTAL	**100**	**100**	**0.0**

Sales structure by program groups



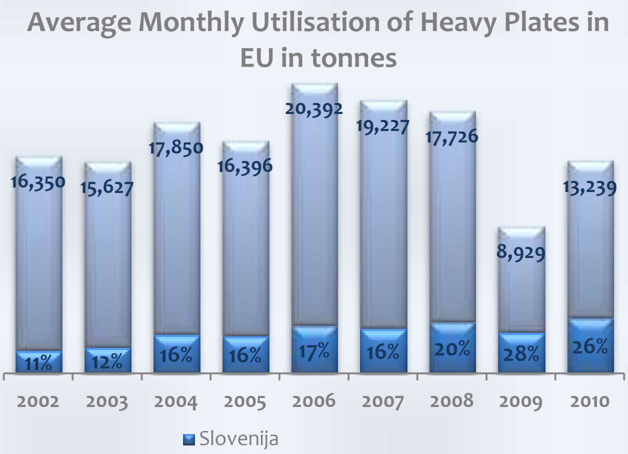


Our main production and sales sector are **stainless heavy plates**, which place us amongst the most important producers on the European market.

It is mostly used in the energy industry, shipbuilding, the petrochemical industry, the paper industry and the nuclear industry.

Heavy plates represent only a small segment of the world trade of stainless steel, reaching 3% in 2010 - the import totalled 412,000 tonnes. The main importer is the EU with 240,000 tonnes, followed by Asia (excluding China) with 86,000 tonnes and China with 36,000 tonnes.

The main exporting countries of heavy stainless plates are the EU member countries - the biggest exporter being Belgium with 60,000 tonnes yearly, followed by Slovenia and Sweden.



The majority of **cold rolled sheet metal**, representing 15% of our sales total in 2010, is non-oriented electrical sheet metal, which is a material with special physical properties. It is used in the production of electrical machinery and devices with spinning magnetic fields – for the production of different motors in the car industry, household appliances and the energy industry.

Main groups:

- cold rolled, finished electrical sheet plate – DYNAMO
- cold rolled semi-finished electrical sheet plate – ELMAG
- cold rolled highly permeable finished electrical sheet metal – PERMAG FP and highly permeable semi-finished electrical sheet metal – PERMAG SP

In addition to these steels the group includes special carbon steels, which are steels that contain 0.22%-0.75% of carbon, and ferrite stainless steels.

Hot rolled rings and plates represent 7% of our sales total: **unalloyed construction steels** are steels intended for the manufacture of different constructions and machine parts. They are produced 3-6mm thick and 1000mm wide. In addition to these steels we also produce special carbon steels, which are steels that contain 0.22%-0.75% of carbon, and **ferrite stainless steels**.

Rolled products represent 9% of the Group's sales total: billets with rounded edges and round, square or flat profiles of different lengths, surfaces and states of final heat processing.

Forgings represent the third largest group of products with 11%. They are square, flat and round forging bars and forgings of various dimensions and shapes. All these products can undergo heat and mechanical processing. By doing that we can produce products with bright surfaces (in addition to those with black surfaces), cutting them up to selected dimensions. The latter are part of the program of the company Metal Ravne and are available in different qualities and product dimensions depending on the demands of the customer. Types of steels:

- unalloyed and alloyed construction steels
- low alloyed tool steels
- high alloyed tools steels for working cold
- high alloyed tools steels for working hot
- fast cutting steels
- special steels

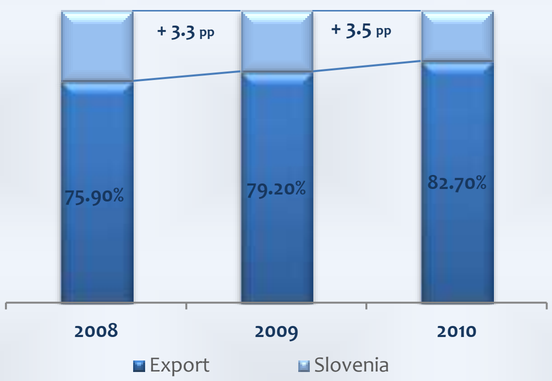
2.5.4 BUSINESS RESULTS OF 2010

Based on our mission statement and vision of ensuring continuous development and growth of the Group we are aware of the responsibility of successfully managing the entrusted property and ensuring constant conditions for raising the added value of the property.

When it comes to building added value we find ourselves in constant “conflict” between various interest groups; the owners, who want the best possible results, the customers, who strive for the highest quality product for the lowest price possible, the suppliers with their own interests, and last but not least, the employees who wish to work in a positive and stimulating work environment for a decent pay.

In 2010 we followed our vision while at the same time building and taking into account the values that help us achieve our agreed goals. One of these goals is an international presence, which is why increasing our export is an important indicator of how competitive and successful we are.

Export Share in Total Sales

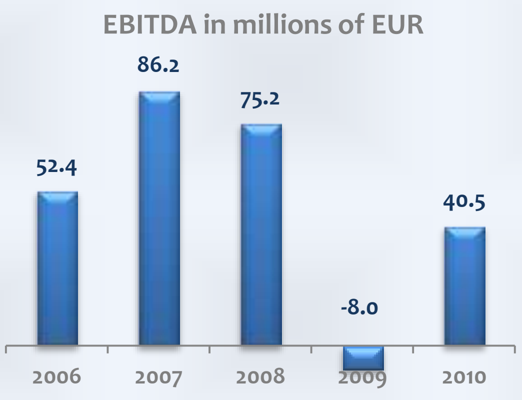


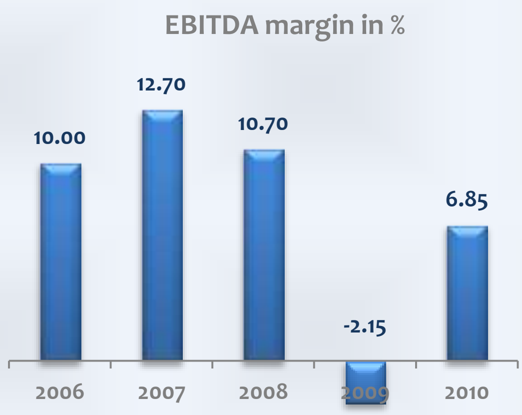
	2008	2009	2010
Revenue from sales	702,851,130	371,152,894	590,916,742
Slovenia	169,489,280	77,307,078	102,140,557
Export	533,361,850	293,845,816	488,776,185
Percentage of export	75.9%	79.2%	82.7%

In 2010 our sales revenue increased by more than 59%, by 32.1% on the home market and by 66.3% in export.

The basic indicator of our operations is EBITDA, showing the operating result with taxes and financing excluded. Here we would like to show how we developed this indicator in 2010, compared to previous periods:

	2006	2007	2008	2009	2010
Revenue	557,944,322	678,905,418	702,851,130	371,152,894	590,916,742
Operating profit (EBIT)	36,506,971	69,195,923	55,075,956	-32,273,194	11,130,692
Depreciation	15,868,870	17,036,869	20,129,678	24,307,596	29,358,202
EBITDA	52,375,841	86,232,792	75,205,633	-7,965,600	40,488,894
EBITDA margin (in % of revenue)	10.0	12.7	10.7	-2.1	6.9





	2006	2007	2008	2009	2010
Operating profit (EBIT)	36,506,971	69,195,923	55,075,956	-32,273,194	11,130,692
Finance income	2,034,203	2,470,930	2,143,488	4,242,357	2,802,124
Finance expenses	6,930,541	7,303,261	8,764,048	6,001,665	8,987,369
Finance operations balance	-4,896,338	-4,832,331	-6,401,352	-1,759,308	-6,185,245
Profit/loss before tax	31,712,426	78,188,664	48,024,713	-34,054,520	4,945,447

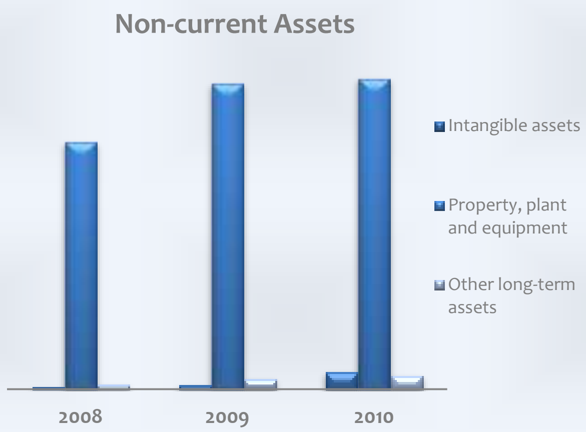
The most important component of financial income is interest based on loans provided, with the exchange rate difference representing only a small proportion (2.7%) of this. The ratios are more or less the same when it comes to expenses.

	2006	2007	2008	2009	2010
Profit/loss before tax	31,712,426	78,188,664	48,024,713	-34,054,520	4,945,447
Corporate income tax	2,104,488	14,348,161	10,286,076	326,606	697,703
Deferred tax	5,010,506	3,958,875	-165,771	-7,490,981	385,092
Profit/loss for the year	24,597,432	59,881,629	37,904,408	-26,890,145	3,862,652

The SIJ Group is an important tax payer, having paid more than EUR 27 million in taxes from profit in the last five years alone. We also made use of tax losses from the previous years, otherwise the amount of taxes paid would be even higher.

2.5.5 OUR FINANCIAL POSITION

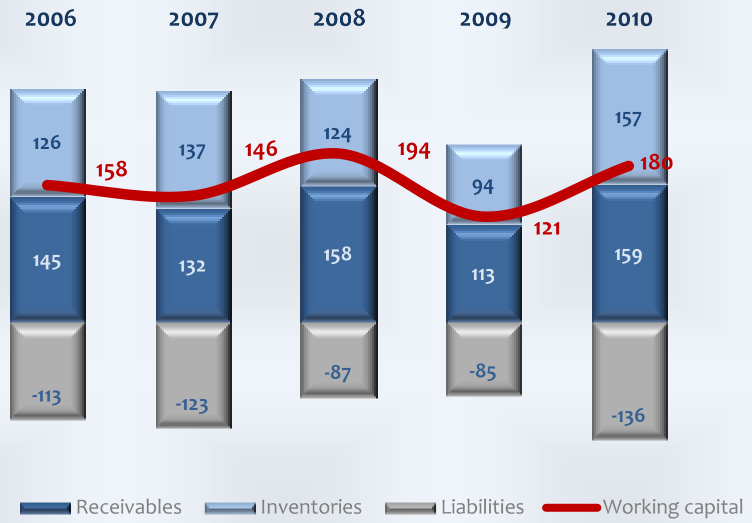
In 2010 our financial position was mostly affected by an increased volume of operations, which in turn called for an increased working capital and for us to proceed with our investment policy from the previous years, since investments represented 7.9% of revenue.



The increased volume of operations, whose value grew by 59.2%, led to an increased demand for working capital, which grew by 48.3%. The biggest growth was recorded in the inventories of raw materials, whose prices grew most in 2010, whereas receivables and liabilities continued to grow steadily, with liabilities slightly lagging behind.

The need for financing working capital to the amount of EUR 58.6 million and investments to the value of EUR 46.7 million, increased the short-and long-term indebtedness of the SIJ Group, totalling EUR 51.6 million.

Working capital in millions of EUR



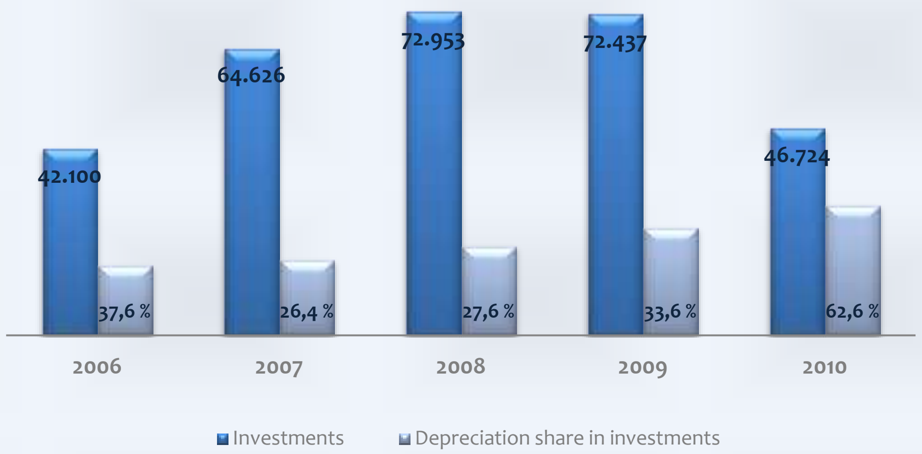
Changes comparing 2009

+48.3 %

in million EUR	
Inventories	+63.6
Receivables	+46.2
Liabilities	+51.2
Working capital	**+58.6**

2.5.6 INVESTMENTS

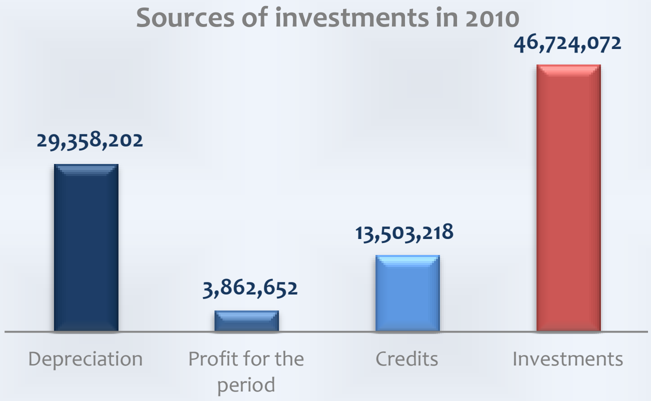
2006 - 2010 investments and investments covered with depreciation in EUR 000



The unfavourable market situations of 2009 and 2010 did not stop us from investing. Between 2006 and 2010 we invested almost EUR 300 million into different projects and business network expansion. Last year we invested EUR 46.7 million, of which more than EUR 20 million was put into expanding the sales network.

Thanks to the high percentage of investments being covered with depreciation there was no need to get further into debt in order to keep investing. In 2010 we did not have our own resources coming from the decrease of working capital.

Important investments are presented under point 2.5.8.

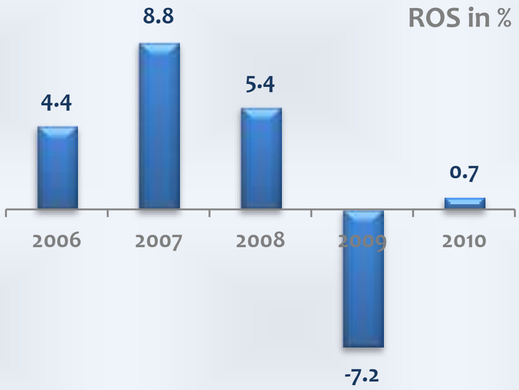


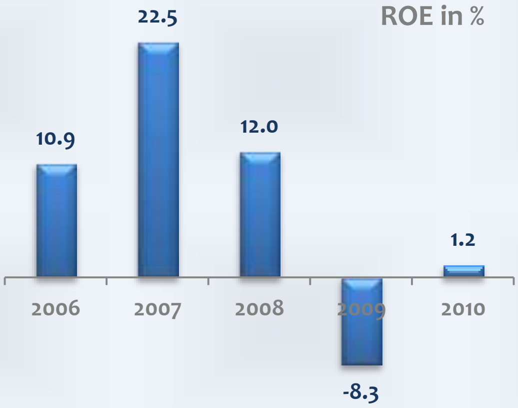
Based on the approved plans of further development, more than EUR 54 million will be invested in a new ESR furnace at Metal Ravne and a new heavy rolling mill at Acroni.

2.5.7 PERFORMANCE INDICATORS

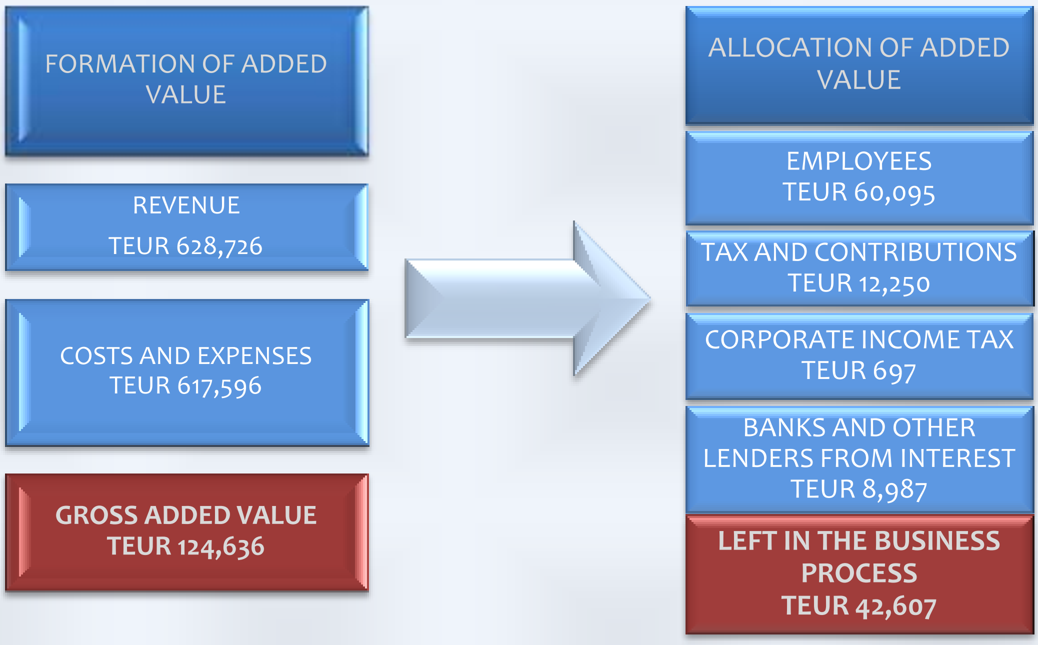
As we have stated at the beginning, one of the strongest indicators is net profit before depreciation, tax and interest (EBITDA). With the exception of 2009, we have been able to create a positive EBITDA during the past 10 years, reaching EUR 40.5 million in 2010. However this still does not compare to the results of 2008.

	2008	2009	2010
ROS *(profit/net sales revenue)*	5.4	-7.2	0.7
ROE *(profit/capital)*	12.0	-8.3	1.2
EBIT in EUR *(operating profit)*	55,075,956	-32,273,194	11,130,692
EBITDA in EUR	75,205,633	-7,965,600	40,488,894
EBITDA margin in % *(EBITDA/net sales revenue)*	10.7	-2.1	6.9
Current ratio *(current liabilities)*	1.83	1.61	1.32
Capital coverage of long-term assets *(capital/long-term assets)*	1.17	0.86	0.82
Interest coverage *(EBIT/financial expenses)*	6.15	-5.38	1.24
Capitalization level *(capital/assets)*	0.53	0.49	0.42
Level of indebtedness *(financial debt/assets)*	0.29	0.33	0.35

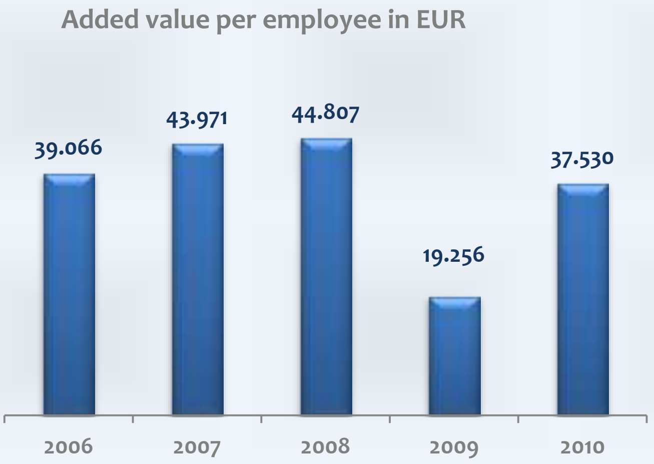




Added value is the second most important indicator when trying to evaluate our business performance. Taking a look at the formation of added value and its allocation to the different participants in the business process, we can see that we were left with EUR 42.6 million of added value in the business process, mostly for the increase in working capital, while the created added value was not distributed amongst the owners.



In order to give an estimate of the business performance we require data on the created added value per employee, since it is used to measure work productivity. In 2009 the added value per employee was low due to a huge loss. In 2010 we doubled it, however, it is still lagging behind that reached in 2008 by 14.8%.



2.5.8 INVESTMENTS

Investments in technological development and in the modernization of production equipment has been our main strategic goal and direction in the past five years, with the objective of improving our competitive position in the traditional European markets and entering the price-competitive areas of Asia, South America and Russia.
Most of our assets went to our steel companies Acroni and Metal Ravne, where they were mostly used for the modernization of both steel and rolling plants in the secondary phase of the production process.

Investments in 000 EUR	2007	2008	2009	2010	Total
Acroni	27,543	36,315	59,322	18,144	**141,323**
Metal Ravne	32,122	28,622	8,747	3,937	**73,428**
Noži Ravne	604	667	735	625	**2,631**
Elektrode	2,898	524	61	255	**3,738**
Other companies	1,460	1,534	1,389	2,905	**7,287**
Purchase of new companies	0	5,291	2,183	20,859	**28,332**
Investments	64,626	72,953	72,437	46,923	**256,939**
Depreciation	17,037	20,130	24,308	29,358	**90,832**
Depreciation share in investments	26.4	27.6	33.6	62.6	**35.4**

After systematically renovating the steel plant with the rolling plant **Acroni** started the second phase of investment in the heavy plates plant, which represent the most progressive and significant program of the company.
In addition to investment in heat processing, we have begun to improve the logistics, storage and data processing for the entire operation of the heavy plates plant. The renovation projects have ensured a better flow of the product throughout the entire production process, producing a record total quantity of both heavy plates

and stainless heavy plates, recording a higher yield, reaching the planned specific use of energy-generating products, and lowering the proportion of waste plate.

At **Metal Ravne** our investments reached their peak in 2007 and 2009, when strategic investments took place in the forging shop, the billet mill and the steel plant. The investment process was aimed at updating and technically improving the existing production capacities of the individual plants. The investments were planned so as to improve the quality of products and the rational use of the production and operations, and to meet the environmental and work safety standards.

Considering the strategic orientation of the company towards increasing the added value of products, the company has introduced the "New ESR III plant", which gives it a place (in the production of ESR ingots weighing up to 50 tonnes) amongst those companies achieving the most demanding steel manufacturing programs. The construction of the new production plant and equipment installation is planned to take place between 2011 and 2012.

In 2010 the following larger investments were made:

- **in Acroni:** an investment in the line for transporting heavy plates, a new grinding machine in the steel plant, a BOSIO furnace, a pickling bath 3 and investments in the spiral drying line, plus a device for cleaning pickling liquids and spiral waters;
- **in Metal Ravne:** final works in modernising the steel plant, a grinding and peeling machine, and investments in information technology
- **in Noži Ravne:** a new CNC milling machine
- **in Elektrode:** several small investments, and a continuation with the project of welding wire.

In 2010 the total investments made amounted to EUR 46.7 million.

In 2011 we are planning to invest a total of EUR 54 million. One of our biggest projects, starting or continuing (from 2010) are the new ESR device, the renovation of the Alino furnace, and investments in ecology at Metal Ravne; the new heavy rolling mill at Acroni; the new CNC machines and the hardening levelling line at Noži Ravne; and the continuation of the projects of welding wire and the coating department in Elektrode.

2.5.9 QUALITY MANAGEMENT SYSTEM

The quality standard is based on the principles of quality management, currently used by successful organisations all over the world. It represents the sum of good business practices and is therefore of huge help for organisations looking for the best possible policies to follow. The system is focused mostly on the efficiency of quality management in fulfilling the requirements of the company, which makes it ideal for those that wish to control and improve their operations and increase their customers' satisfaction. Because they realize the importance of this, our companies place a huge focus on quality assurance.

Acroni has had the certificate of the ISO 9001 standard for its Quality Management System for 15 years. On its firm base we later built and certified a system of Environmental Management according to the ISO 14001 standard, a system of Occupational Health and Safety according to the OHSAS 18001 standard, and obtained accreditations in the chemical and mechanical laboratories according to the ISO 17025 standard. In 2010 preparations for the fourth system upgrade took place in the area of Energy Management according to the 16001 standard. Acroni has also gained numerous certificates which were awarded by the TÜV SÜD Industrie Service certification body on the basis of an assessment of its technical standards These certificates and recognitions represent one of the conditions of the customer who is interested in doing business with our company. At the same time, due to the prescribed requirements, and both internal and independent controls, constant improvements of technological and business processes are taking place. We have been putting a great deal of effort into handling resources, gaining new knowledge, and optimizing ways of manufacturing high quality products.

Metal Ravne decided back in 1992 that it would perform its business operations according to the standards of the ISO 9001 system, and conform its processes to the requirements of the standard. With this in mind the company ensures the conditions for the development of the principles of this standard, according to the development of the standard itself, and the constant improvement and updating of the system.

According to the orientation of the company towards a unified control of the ISO 9001, ISO 14001 and OHSAS 18001 systems, a streamlining of paperwork by making internal assessments has been introduced. Unified rules of procedure for system management have been created, management reviews for individual areas have been introduced, an efficient system of indicators for the main business processes has been established and supported by regular monitoring, and achieving objectives has been introduced as part of the system of rewarding key staff members. A successful external assessment of the system has been carried out by the Bureau Veritas Ceftification institute. A project to adapt the system to quality management according to the new version of the ISO 9001/2008 standard, which was successfully introduced in September 2010, has been created.

Noži Ravne has been managing, documenting and maintaining its quality system according to ISO 9001, with its instructions and procedures recorded in the quality manual. This is the basic ’rulebook’ for ensuring quality for the entire company, describing the elements of the quality systems according to the provisions of the ISO 9001: 2008 standard. It includes policy, long-term quality objectives, company organisation and procedures for process management. The quality system is based on the principle of the Deming cycle of plan-do-check-act, known as “PDCA”. The results and procedures are checked by system quality assessors, with measures taken by those responsible.

Elektrode Jesenice underwent their first certificate assessment and consequently gained the certificate ISO 9001 in 1998, and since then the system has been successfully developed and improved. The established quality system assures that in the course of production, sales and servicing all the prescribed requirements are considered in order to achieve the highest possible quality of products and services. The adopted quality policy established the fundamental values that serve as guidance for the development of our operation and progress. In 2009 the validity of the certificate was successfully renewed for the next three years in accordance with the requirements of the new standard 9001:2008, while in 2010 the control assessment was carried out by Bureau Veritas, the results of which were positive for the company; it was ascertained that the quality management system is in accordance with ISO 9001:2008.

The SIJ Group is able to recognize the buyer's needs and manage the business system by striving for the satisfaction of all the business parties involved. Fulfilling and exceeding customers' demands places us amongst the most reliable and capable suppliers of steel and steel products, which is shown in our business results and the position of the Group on the market.

Quality standards and certificates

The SIJ Group has been working on gaining certificates in different areas for over 15 years (since 1994). The first gained by most of the companies were the quality certificates ISO 9001. This certificate has been awarded to all the production companies: Acroni, Metal Ravne, Elektrode Jesenice, ZIP Centre , SUZ and Noži Ravne.

In addition to the quality certificate ISO 9001, different companies have also achieved the following standards:

- Health and safety (OH SAS 18001): Acroni and Metal Ravne
- Environment (ISO 14001): Acroni and Metal Ravne
- Quality management in the laboratory (ISO 17025 and ISO 17020): Acroni
- Certificate of energy efficiency or energy management (EN 16001): Acroni

System certificates and the report on external assessment with its conclusions, measurements, commendations and recommendations offers the customer information on the verified liquidity of the company. The individual system certificates have a 3 year validity on condition that the yearly external assessments show positive results and that measures for removing anomalies have been taken.

In addition to these certificates the companies of the Group have also gained numerous product certificates. A product certificate verifies that the manufacturer has the relevant technical and control capacity for manufacturing specific products according to the norms and regulations for those products. In order to gain a product certificate most must also have an ISO 9001 certificate.

Usually these certificates are valid for 2 to 3 years, although they can be permanent if the verified conditions do not change substantially.

The contractors/assessors used are: TÜV SÜD Industrie Service, Lloyd's Register, Germanisher Lloyd, Det Norske Veritas, Bureau Veritas, the Civil Engineering Institute of Croatia (Institut IGH), the Croatian Register of Shipping, the American Bureau of Shipping, Lloyd`s Register of Shipping, the Russian Maritime register of Shipping, Registro Italiano, Navale, Polski Rejestr Statkow, Slovenske železnice, and Deutsche Bahn.

2.5.10 RESEARCH AND DEVELOPMENT

The main areas of development which improve our reputation and competitiveness can be defined in the following areas:

- Development of new products and materials
- Development of new technologies
- Information support development

The development of new products is one of the key factors for improving the market position of the Group and its individual companies on the highly competitive steel market, focusing largely on the development of products for special purposes, products for the needs of specific customers, and products with specific properties. By working together with our business partners and research institutions we are reaching our planned goals faster when it comes to developing certain products or steel qualities, particularly when testing and advising on products in development.

The development of new technologies is the second important area of research and development which calls for active cooperation between appropriately qualified research teams and technical staff inside the individual companies, that guide the procedures of developing new technologies where we are collaborating with professional institutions at home and abroad. Knowing the production process, mechanical engineering and IT process management is the basis of internal development of technologies, often with the help of technical equipment manufacturers.

The next area of importance for the group in terms of research and development is the area of **business intelligence**: using **information support development**, which facilitates business decision making by the additional help of specific and clear data on all the processes. Standardized data of each company is the basic level for understanding its own information needs, as well as the basis for information integration with the environment. Over the last couple of years we have not put enough focus on developing this; although we have made significant progress in some of the companies, we still have work to do in the others.

The assets in our group have been mostly used for internal research and development, consuming more than 90% of all the assets allocated for it on an annual basis. A smaller percentage of assets has been used to pay contracted researchers and external contractors in the area and for cooperating with research institutions.

The percentage of assets invested in research and development from our generated profit is low compared to our competitors; we will therefore have to focus more on this business sector in future, in order to ensure a stable level of competition amongst the providers of the best steel products.

2008	2009	2010
• TOTAL ASSETS	• TOTAL ASSETS	• TOTAL ASSETS
• 2,892,359 EUR	• 2,478,193 EUR	• 2,438,447 EUR
• Percent in revenue 0.412 %	• Percent in revenue 0.668 %	• Percent in revenue 0.413 %

Acroni focused most of its development activities on optimizing technology for producing special electrical steels, especially the technology of producing stainless steels, ensuring an excellent quality of finished products. Using elements of machine learning and statistical analysis they have determined a system of key production parameters and their optimal areas, ensuring the appropriate quality of their finished products.

The company has been developing new technology for cleaning the surface of stainless steel plate, which guarantees a more environmentally friendly procedure. The development of this new technology is partly financed by the resources of the European Regional Development Fund.

The company participated as a partner in numerous **international research projects** in 2010, partly financed by the EU: RFSC – OPCONSTAINLESS, RFSC – EPOSS, EUREKA – MICROST.

Metal Ravne put its assets into new production technologies, hot plastics processing, heat processing and mechanical processing, which are being developed alongside new products.

The biggest progress in the RD area was recorded at blooming, where they mastered a new technology of billet mills using a less demanding and cheaper process. For the first time billets from the OV266 steel that is difficult to produce were manufactured for the rolling plant.

Based on previous results of product development, a technology of heat processing steel forgings for plastics in the forge was created. This works for UTOPN, UTOPNIN, UTOPNEX steels and the new UTOPNFEX steel. The process allows for forgings 600 mm high, whereas larger forgings are still being developed.

In **Noži Ravne** we should stress that we were awarded a Silver medal was by the Chamber of Commerce and Industry of Slovenia for the new product of **Noži Ravne:** DURALIFE V+. This is used in the recycling industry, turning waste products into so-called secondary raw materials (rubber, plastics, copper, iron). Knives are used for the crushing and milling of waste materials. The company has been developing a large number of top quality products with high added value under its own trademark.

Elektrode Jesenice: The company joined their business interests and knowledge with the Faculty of Mechanical Engineering in Ljubljana and other partners to start the project "The Development of a Modified Robust Welding Machine for MIG/MAG Welding of High-tensile Steels". Together with the IMT (Institute of Metals and Technology) and partners from the EU, they have prepared a development project on welding creep-resistant materials, and have applied for EU funds from RFCS (Research Found for Coal and Steel).

A photo from the marketing campaign (2006)

2.5.11 BUSINESS PLANS FOR 2011

In 2010 the steel industry has proven to be a progressive economic factor in the EU area; growth of key partner industries is also expected in 2011, when the industrial steel consumption will reach a 3.7% growth. Despite this the steel consumption in the EU-27 in 2011 is expected to stay 23% lower than in 2007.

Different economic industries are expecting different growth levels in 2011: construction is expected to grow by 2.1%, steel construction by 2.4%, machine manufacture by 6.3% and the car industry by 2.3%, which is far lower than this year (15.4%).

	percentage of steel consumption	growth level in %		
	v %	2009	2010	2011
construction	27	-6.1	-2.1	2.1
steel construction	11	-16.3	-2.5	2.4
machine manufacture	14	-25.7	9.7	6.3
car industry	16	-25.3	20.6	2.3
household appliances	4	-12.7	2.6	4.7
shipbuilding	1	-17.3	-18.6	2.3
pipe manufacture	12	-31.2	11.3	4.1
metal industry	12	-23.4	8.0	4
other	3	-14.7	5.7	4.3
TOTAL	**100**	**-18.9**	**5.9**	**3.4**

Global market predictions for 2011 show a very stable growth trend in all the sectors and industries, world steel production included, which has been taken into account by the SIJ Group when making its plans for the year.

The objectives of the SIJ Group for 2011 therefore are:

- The production of cast steel will exceed 500,000 tonnes, which means that the quantity will be more than 8% higher compared to 2010.
- The consolidated revenue are planned to be EUR 794 million, which means the revenue will be 34% higher than that of 2010 and 13% higher than in 2008. The planned growth is based mostly on the expansion of our sales network and the projection of reasonably stable operations of our largest companies in 2011.
- The operating profit is expected to reach EUR 48.8 million, which is more than three times higher than that of 2010, whereas depreciation will reach the level it was at in 2010.
- If the market situation remains stable, as expected, the profit of the year will reach around EUR 29 million, given a 2% lower average number of employees.
- The number of employees is expected to fall to 3,247, which is 74 less than the average in 2010.
- We are planning to create an EBITDA to the amount of EUR 77.5 million, that is 9.8% of the generated revenue.
- Realized investments in 2011 are expected to reach EUR 54.1 million.

2.6 EVENTS FOLLOWING THE END OF THE BUSINESS YEAR

Amongst the most important events following the end of the business year are:

- The Supervisory Board renewed the 5-year term of office of the President and the Vice-President.
- The Managing Director of Metal Ravne became the President of the General Assembly of the company SIDERTOCE.
- Together with its business partners, company Acroni answered a call to obtain funding from the European Regional Development Fund: Development Centres of the Slovenian Economy. On 2 February 2011 the Ministry of the Economy presented the results of the public call, which shows that the company's application was a success, therefore the Jesenice Development Centre for New Materials, a share of which is owned by company, will be founded in 2011.
- In February 2011 company Acroni signed a contract with a union of six banks, granting a long-term loan to finance the new rolling frame to the amount of EUR 33.5 million.
- In February 2011 company Acroni obtained the certificate of the SIST EN 16001:2009 standard.
- Should the compulsory settlement be approved, the companies SIJ, d.d. and Acroni will enter the ownership of company Alpos. The compulsory settlement order is anticipated to realize in June.

A photo from the marketing campaign (2006)

3 SUSTAINABLE DEVELOPMENT

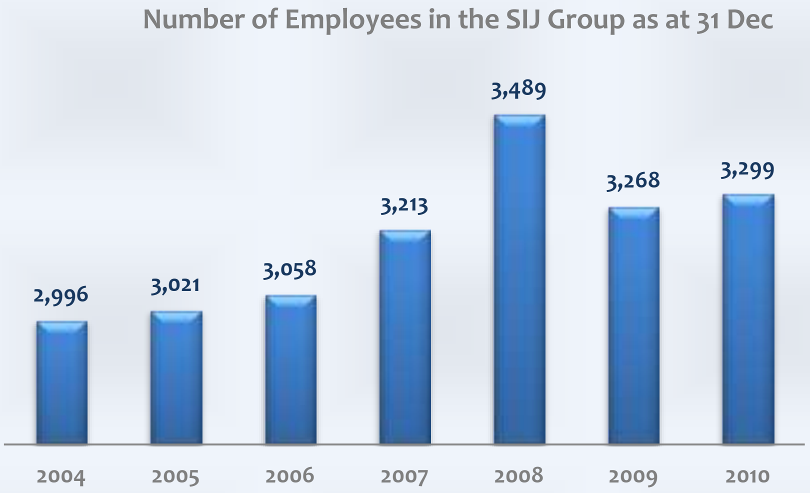
Social responsibility is understood as comprehensive, planned, and long-term, acting towards improving the quality of life for everyone involved in the companies, be it directly or indirectly. The principles of sustainable development are integrated into our operations, products, services and contents. By understanding and respecting how they interact and affect the environment, we are focusing more on creating a balance between management as a gainful activity, and social responsibility towards our employees and the public.

3.1 RELATIONSHIP TO EMPLOYEES

3.1.1 EMPLOYEE TRENDS

By the end of the year the SIJ Group had 3,299 employees, which means that the number rose by 31 people in comparison to the previous year. In 2010 an average of 3,321 people were employed. The total number of employees rose due to the companies that joined the Group during the year, bringing in 134 new workers.

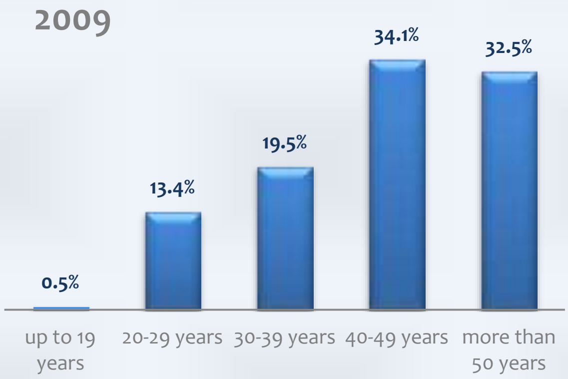
Družba	31 Dec. 2009	31 Dec. 2010	2010/2009
ACRONI	1,493	1,394	93.4
METAL Ravne	928	939	101.2
NOŽI Ravne	190	193	101.6
ELEKTRODE Jesenice	172	169	98.3
SUZ Jesenice	133	125	94.0
ZIP CENTER Ravne	99	92	92.9
SIJ – Slovenska industrija jekla, d. d.	36	34	94.4
SERPA Ravne	144	142	98.6
Železarna Jesenice	1	1	100.0
ŽIČNA Celje	1	-	0.0
ACRONI Italia	6	6	100.0
ACRONI Deutschland	3	4	133.3
IUENNA STAHL Pliberk	5	5	100.0
KOPO International New Jersey	2	3	150.0
ODPAD Pivka	22	25	113.6
RAVNE STEEL CENTER	18	17	94.4
DANKOR Osijek	15	16	106.7
NIRO WENDEN	-	41	-
SIDERTOCE	-	26	-
SMG Edelstahl	-	23	-
GRIFFON & ROMANO Group	-	44	-
TOTAL	**3,268**	**3,299**	**100.9**



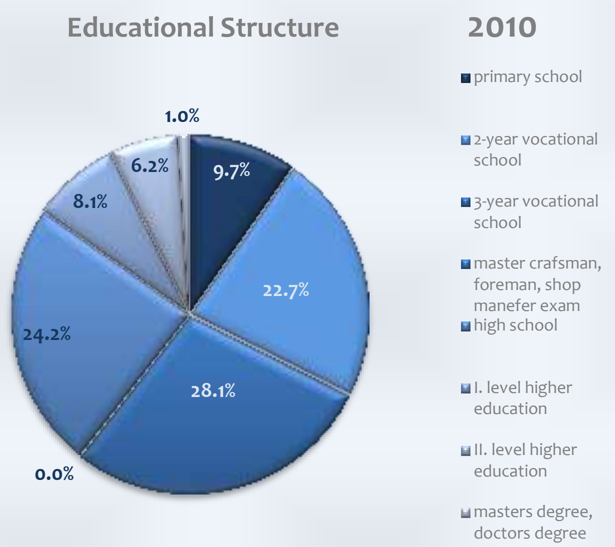
3.1.2 EMPLOYEE DEMOGRAPHICS

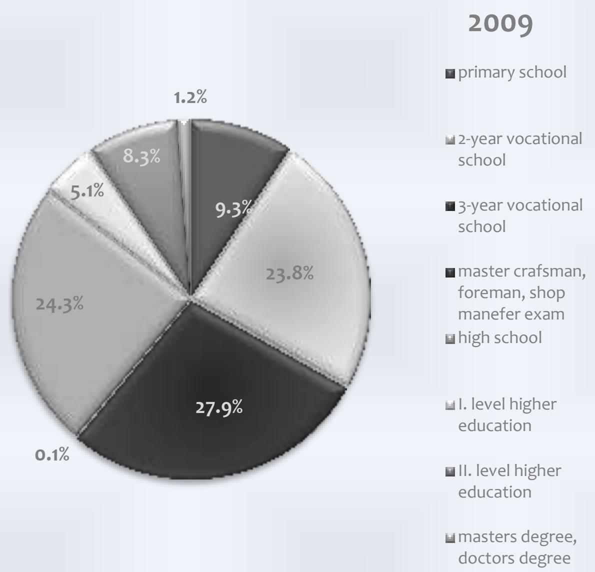
Of the employees in the SIJ Group, 18% (578) are women and 82% (2,721) are men. The number of employed women has not changed since last year, whereas the number of male employees rose by 31.

The average age of employees in 2010 was 44 years. In the last three years the average age of employees went up by one year.



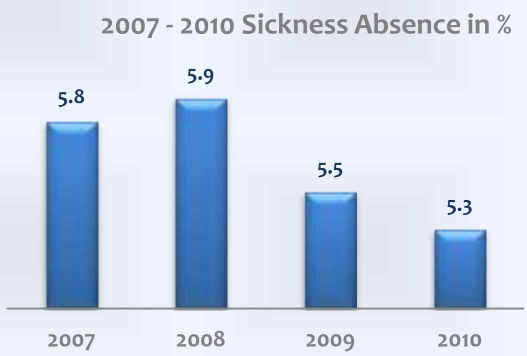
The educational structure has not changed much in the last few years. We are aware that our intensive investment into the development of new capabilities and technology requires highly qualified experts to get a competitive edge on the global markets. All our companies try to offer their employees the opportunity to take part in educational systems in the field of in-service training, with a special focus on part-time study. Depending on the specific characteristics of the individual companies extra knowledge is being acquired, especially in the area of metallurgy and mechanical engineering, electrotechnics, information technology, economics and management. Special attention also goes to training in occupational health and safety.



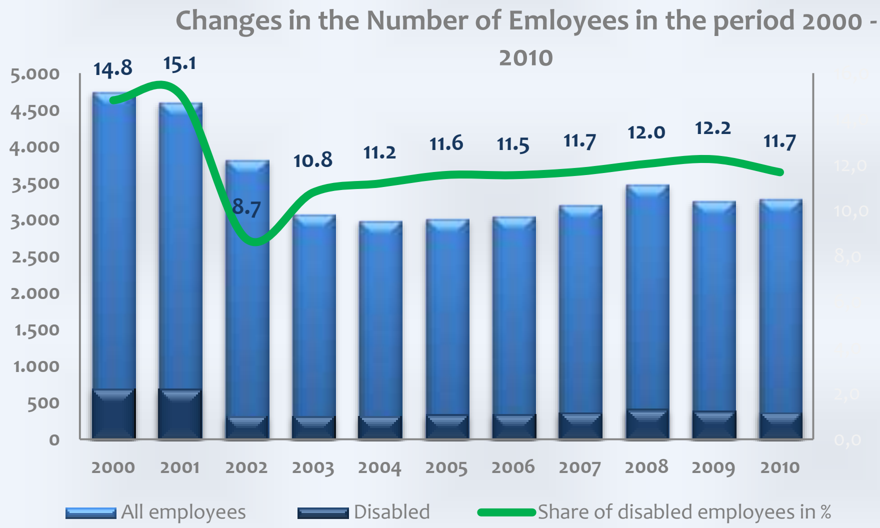


3.1.3 UTILIZATION OF WORKING TIME AND SICKNESS ABSENCE

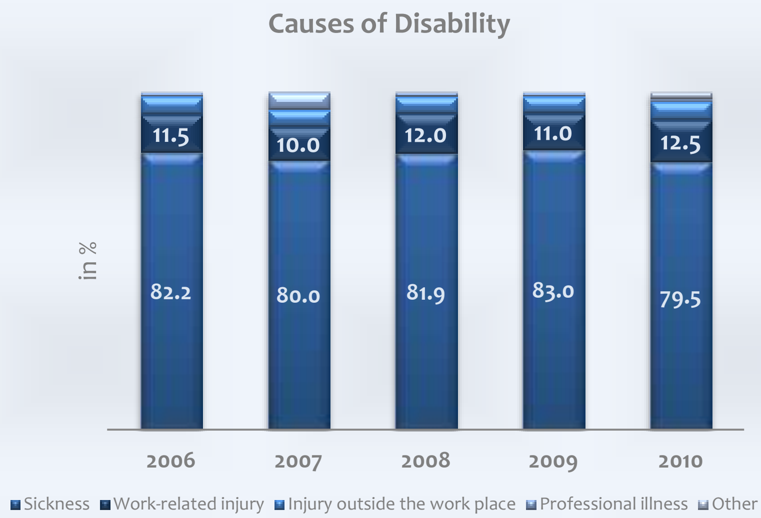
Sickness absence represented 5.3% of total working hours; in the past five years the percentage of sickness absence has fallen by 0.6 pp. Sickness absence paid by the state represents 1.6% and that paid by the company 3.7%. Of the total sickness absence, 68.6% of that paid by the company is due to sickness, 18.8% to injuries outside the work place and 12.6% injuries at work.



3.1.4 DISABLED PEOPLE



The number of the disabled fell by 15 compared to 2009. At the end 2010, 385 people employed by the Group had been given the status of disabled person. The fluctuation is mostly the consequence of retirement, with a smaller percentage leaving the system due to fixed-term contracts and personal reasons. The percentage of disabled employees has stayed the same for the past 4 years and represents around 12% of the total number of employees.



In 2010 the percentage of the disabled due to illness decreased by 3.5 pp, while the percentage of the disabled due to injuries at work increased by 1.5 pp. There were 0.5 pp more injuries outside the work place and 0.2 pp less disabled due to an occupational disease. The remainder of the disabled employees are those with the status of a disabled person according to ZZRZI[1], ZUZIO[2] and the law on the education and training of mentally and physically challenged children.

3.1.5 ADDITIONAL PENSION INSURANCE

Additional pension insurance of employees has been a key component of the SIJ Group's payment policy for several years now.

Our biggest company, Acroni, started the program of additional pension insurance for employees nine years ago, while most of the other companies have been using it for eight years. In most of the companies the payments of the employer and the employees that decided to join the pension plan of Pokojninska družba A are executed in parallel.

The money from the additional insurance will raise the regular pension in 2020 by 20% on average, and by 33% in the year 2040.

Additional pension insurance is the most favourable way of saving money for an additional pension due to the tax relief, whereas the voluntary additional pension insurance is basically a system of long-term savings, since the paid insurance premiums are added to the personal savings account of the insured person.

3.1.5.1 AWARDS AND MOTIVATION

Human resource management in the SIJ Group calls for well-planned employment politics. The system of awards and motivation, education, and the integrated development of employees enables us to increase the number of employees who are qualified for the work they are performing and to give them the opportunity of being promoted to new, more demanding work positions.

Most of the Group's wages include a fixed and a variable portion. Those employed in the production sector are subject to a system of measurable criteria, which allow for an increase/decrease in salaries depending on the criteria met. The wages of those employed on the basis of service contracts include a fixed portion and a variable portion. The variable portion depends on the agreed measurable criteria or goals that the employee has to meet based on his/her service contract.

For the past few years a Christmas bonus, which depends on the objectives met by the individual companies in the current year, has also been a part of the annual bonuses.

Employees are additionally motivated and rewarded through the system of idea management, where each employee has the opportunity to suggest and implement improvements in the company.

The employees are offered free or discounted use of sports facilities, activities and cultural events.

The SIJ Group has established a system of yearly appraisals with the employees in order to encourage individual development and improved work conditions within the company or the working environment of the individual.

[1] *Vocational Rehabilitation and Employment of Disabled Persons Act (ZZRZI)*
[2] *Act Regulating the Training and Employment of Disabled Persons (ZUZIO)*

3.1.5.2 EDUCATION AND TRAINING

In 2010 EUR 618.819 was spent on education and training, which is 8% less than in 2009. The decrease is the result of the percentage of the employees who successfully finished their part-time studies and gained a higher level qualification.

Education and training is part of the in-service training, part-time studies, the award of scholarships and the system of practice and mentorship.

3.1.5.2.1 In-service Training

Functional training and education takes place in all the companies of the group. In 2010 EUR 182,600 was spent on it, which is a 19% decrease compared to 2009. Functional training includes: knowledge upgrades of the individual, learning about changes in legislation, training of employees in their work position according to the binding legislation and gaining extra expertise using new, technologically advanced methods.
Also a part of this education is the internal training programme, for which EUR 12,743 was allocated in 2010. The key objective of internal training is using the knowledge gained in the work process or transferring technical and practical knowledge from employee to employee.

3.1.5.2.2 Part-time study

Part-time study is mostly practised in the areas of mechanical engineering, metallurgy, economics, management and information technology. In 2010 51 people joined the system of part-time study. Compared to last year 20% more assets were spent on part-time study. A total of 271 employees are participating, which is 18 more than in 2009.

3.1.5.2.3 Scholarships

The Group is trying to lower the risk linked to an under-qualified work force, especially in the field of metallurgy, mechanical engineering and electrotechnics. For this reason different kinds of motivational measures have been introduced to increase the percentage of those taking up study for occupations for which we have a shortfall of staff, including scholarships and presentations of companies and their work places. In 2010 EUR 194,392 EUR was spent on scholarships for a total of 122 students. The scholarship system focuses mainly on the study of metallurgy, mechanical engineering, mechatronics and electrotechnics.

3.1.5.2.4 Practice and mentorship

A way of introducing high school and university students to the work activities of the SIJ Group is by including them in the system of work experience and mentorship for different natural science and sociological professions, on which EUR 36,378 was spent in 2010. The system of work experience included 96 high school and university students and 37 mentors. During their work experience the students are put into groups according to the study area: metallurgy, mechanical engineering, mechatronics, computer science and metal shaping.

3.1.6 OCCUPATIONAL HEALTH AND SAFETY

3.1.6.1 EMPLOYEE TRAINING

According to legislation the companies perform periodical training and check that the employees are well-trained in the area of health and safety at work. This also includes occupational health and safety training for new employees, when an employee is transferred to a different position, and when introducing employees to new technologies.

3.1.6.2 WORK INJURIES

In 2010 the Group recorded 154 work injuries that resulted in 9% of the total amount of sickness absences.

3.1.6.3 STANDARDS

In order to ensure and control the occupational health and safety of their employees, the companies use the following quality management, environmental management and occupational health and safety standards:

- ISO standard 9001: Quality Management System
- ISO standard 14001: Environmental Management System
- ISO standard OHSAS 18001: System of Occupational Health and Safety

A photo from the marketing campaign (2006)

3.2 RELATIONSHIP WITH BUSINESS PARTNERS

3.2.1 RELATIONSHIPS TOWARDS CUSTOMERS AND USERS OF OUR PRODUCTS

Just as on any other market, the competition on the steel market is growing, and customers are becoming more and more informed. They adapt quickly to the changed market situation and are less loyal. For this reason having a joint strategically managed commercial department is of huge importance.

By using effective marketing we are trying to deal with the changing market situation and to adapt our product range to the needs, desires and objectives of our customers. Despite the changing market situation the number of our loyal customers has been increasing through the years. We have long-term agreements with many of them.

We consider managing customer relationships as one of the most important business factors for both the individual companies and the group as a whole. We tend to produce for the customers we already know, therefore being aware of their particular needs enables us to provide a more effective sales service, to adapt to the trends on the market more quickly, and to increase their satisfaction whilst keeping their loyalty. The following indicators are of special value to our customers: the quality of our products, prices, fast delivery and a high level of service throughout the sales process. Adjusting our products to the needs of our customers ensures the desirable properties of the product, such as: useful life, minimal environmental impact, and optimal cost of maintenance and repairs. We regularly keep in touch with our customers, both in person and by telephone. We are striving to develop a relationship of complete trust, respect and cooperation. We are aware that the price of the product is of key importance, but what is even more important is the customers' satisfaction with its quality, which we ensure by giving them expert advice and working with them on developing products according to their needs.

Just as in every other year, in 2010 we conducted individual research and customer satisfaction analyses, monitoring the results. We realize that they are the basis of our success. We also participated in several fairs. Acroni organized its first marketing conference for sales agents in May, and Metal Ravne organized their traditional marketing conference with the purpose of presenting themselves to agents or representatives in individual markets.

3.2.2 RELATIONSHIP WITH SUPPLIERS

The stabilization of the raw materials market and the recovering economy, especially in the Asian market, once again show the importance of long-term cooperation with our suppliers, who ensure a reliable supply tailored to the specific needs of the company as a niche producer of special steels, and who are globally competitive in the demanding market circumstances.

Strategic raw materials accounted for more than half of the total costs in 2010. The raw materials market largely reflects the trends in the steel market, which has been doing really well throughout 2010. There was no lack of raw materials on the market, since the suppliers have been working on gradually restarting the production stopped in the previous year.

In line with the agreed goals we have maintained a high rate of steel scrap supply from the domestic market. At the beginning of the year, we were able to meet our short-term needs by low-cost "spot" purchases, while in the second half of the year, we achieved flexibility by introducing a closer cooperation with our strategic suppliers. We continued to minimize inventories and paid special attention to maintaining the ratio between receivables and liabilities, where we managed to achieve all our goals. Recovery and economic growth continued throughout the year, filling us with optimism for the year 2011.

When it comes to relationships with our customers we are doing our best to follow good business practices, based on correctness, loyalty, precision, and protecting business secrets, by respecting the agreements made and by having all our employees (directly or indirectly involved in making and executing business deals) respect moral and ethical principles.

Good connections, excellent business relationships, loyalty and long-term partnerships are the conditions required for prompt and flexible response to the market situation. Our key suppliers are informed about our long-term plans, since this is the only way that we can plan the necessary activities in time.

3.3 RELATIONSHIP WITH THE ENVIRONMENT IN WHICH WE OPERATE

3.3.1 ENVIRONMENTAL PROTECTION AWARENESS

We are aware that ensuring a safe and healthy living environment is a vital condition for developing our activities. Environmental protection is one of the basic rights, obligations and responsibilities of all employees and is treated as an integral part of the management policy. We are striving to minimize the negative effects of our actions on the natural environment and to be actively involved in improving the environment. This is achieved by minimizing the use of all kinds of natural and non-renewable resources, reducing all types of waste and environmental emissions, providing recycling of waste materials, and taking care of a tidy internal and external environment. By educating our employees about the responsible handling of the natural environment we are raising the awareness of all the employees in the SIJ Group about the environment around us.

Our operations are guided by increasingly demanding standards and stricter environmental legislation, both in Slovenia and in the EU. The Group successfully follows those trends which determine the conditions and conduct of practice. Special attention is given to reducing emissions into the environment from waste water, as well as to reducing air, noise and waste pollution. We have integrated environmental protection into all our planning processes and decisions, making it a significant element of company management. According to the IPPC directive all companies that can cause significant environmental damage must get an environmental protection permit. Both of our steel companies gained this permit in 2010.

3.3.2 RELATIONSHIP TO THE LOCAL COMMUNITY

As a socially responsible Group we are open to helping out in all the local communities where the individual companies of the Group are present. By doing that we are improving the quality of life of both our employees and the environment in which we are present. We are therefore cooperating with other companies, organizations, institutions and the local inhabitants. We wish to settle any conflicts arising from the presence of individual companies in the local environment, which influence the inhabitants and organizations in the immediate environment, by introducing appropriate measures in a timely manner.

The scope of financial assets allocated for donations and sponsorship has been slightly reduced due to the economic crisis, but nevertheless Acroni has remained the general sponsor of the ACRONI Jesenice Hockey Club, and we sponsored (or donated assets for) Alpine skiing, volleyball and swimming in Ravne na Koroškem, and helped organize the steelworkers' hike, amongst other things. Altogether we spent EUR 375.6 thousand of assets in 2010.

We have also cooperated with the local communities and different interest groups in several other ways: organizing visits to our production premises for primary school students, high school students and university students, organizing different social and cultural events and so on.

We are aware of the importance of cooperating with the local communities as part of the presence of the companies in the environment, and promoting environmental loyalty and loyalty of the employees to the companies they work for and the SIJ Group as a whole.

3.4 COMMUNICATION WITH PARTICIPANTS

3.4.1 COMMUNICATION WITH THE OWNERS

We communicate with the owners daily through an established system of reporting, several times a year at the meetings of the Supervisory Board, and once a year at the General Meeting of Shareholders. Communication is made by the Board of Directors of the holding company, and the Department of Finance and Economics, which is the central point for collecting and processing information.

Next to the daily and monthly reports one of the key areas is planning, connected to annual as well as mid- and long-term periods.

3.4.2 COMMUNICATION WITH BANKS

The Group does its business with several banks, both domestic and foreign. Communication is made by the holding company's Department of Finance, which provides the banks with all the data necessary for them to have an up-to-date and regular overview of our operations, investment plans and activities in the periods to follow, which enables them to quickly decide on our credit applications.

3.4.3 COMMUNICATION WITH CUSTOMERS

In order to enable more efficient communication with customers, we have set up several channels and media types.

We have set up **websites** where our customers can find basic information on the individual companies, their products, their use and the ways to order.

Despite the possibilities offered by electronic media we are aware that what really counts is **personal contact.** Next to regular visits, which provide an exchange of direct information, opinion, experience and customer requirements, we present ourselves to a larger number of existent and potential customers at different thematic fairs.

We are always available for any questions that might arise and do our best to provide our customers with an answer in the shortest possible time.

However, the most important means of communication with our customers are our products and services, adapted to customers' requirements, and ensuring they are satisfied with our pre- and post-sales service.

3.4.4 COMMUNICATION WITH EMPLOYEES

Communication with employees is the basis of the successful business operation of any company.

We have set up a system of communication that provides our employees with all the necessary information. We use different tools for internal communication: notice boards, info points, an internal newspaper, an intranet and meetings.

All employees receive the monthly internal newspaper SIJ, providing them with information on the most important events in the SIJ Group. The newspaper includes information on the important events and achievements of individual companies, particularly different innovations in work technology; investments; human resources; and information on the Group in general or the most important events within the Group, managed by IMH (Industrial Metallurgical Holding). Some of the topics are dedicated to social events; we organize group travel, hiking and other sports activities. We have always encouraged our employees to actively co-create the SIJ newspaper and judging from the numerous contributions and valuable initiatives they provide, we can say that SIJ is definitely "our" newspaper, providing information and motivation for our employees.

Our internal newspaper also has an important role in the general scheme of communication, since it is used by the holding company and others to provide the employees and the general public (business partners, the local community and other important participants) with important information.

3.5 COMMUNICATION WITH THE MEDIA

The media is one of the most important sources of information for the key public: our employees, customers, owners, investors, suppliers, the local community and so on. They are an important factor in building trust, reputation and the good name of the group. In order to form long-term productive relationships with the media we use: news conferences, press releases, information publications, website publications, other events and (in)formal meetings. Communication with the media is run by the Public Relations Department of SIJ, d.d.

Covers of the internal newspaper SIJ from February, June and November 2010.

4 FINANCIAL REPORT

4.1 STATEMENT OF THE RESPONSIBILITIES OF THE BOARD OF DIRECTORS

The Board of Directors is responsible for drawing up consolidated financial statements for each individual financial year according to the International Financial Reporting Standards (IFRS) adopted by the European Union, and the Companies Act, so as to provide a true and fair view of SIJ Group's financial position.

The Board of Directors expects the Group to have enough resources in the foreseeable future to enable it to continue its operations. The financial statements are therefore based on the premise that the Group will continue operating without a given time limit.

The responsibility of the Board of Directors in drawing up consolidated financial statements includes the following:

- Properly selected and consistently applied accounting policies;
- Reasonable and well thought out assessments and estimates;
- The consolidated financial statements have been compiled in accordance with the IFRS adopted by the European Union. Any significant deviations are disclosed and explained in the report.

The Board of Directors is responsible for keeping suitable records, which give a clear and precise picture of the financial position of the Group at any given point in time, and for making sure that the consolidated financial statements of the Group are in accordance with the IFRS adopted by the European Union. The Board of Directors is also responsible for protecting the Group's assets, as well as discovering and preventing improper use and other irregularities.

The Board of Directors declares that the consolidated financial statements have been compiled in accordance with the IFRS, without reservations in their application.

The Board of Directors adopted the consolidated financial statements on 15 March 2011.

President of the Board of Directors
Tibor Šimonka

Vice-president of the Board of Directors
Viacheslav Korchagin

4.2 CONSOLIDATED FINANCIAL STATEMENTS

4.2.1 CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	31 Dec. 2010	31 Dec. 2009
ASSETS			
Non-current assets		**383,155,420**	**359,518,911**
Intangible assets	4.3.7.1	20,232,820	5,118,337
Property, plant and equipment	4.3.7.2	346,923,813	341,770,671
Investment property	4.3.7.3	284,524	317,892
Available-for-sale financial assets	4.3.7.4	855,805	1,066,700
Loans issued	4.3.7.5	2,434,961	-
Other assets	4.3.7.6	1,662,949	789,896
Deferred tax assets	4.3.7.7	10,760,548	10,455,415
Current assets		**355,564,004**	**264,596,274**
Assets classified as held for sale	4.3.7.8	4,553,811	4,993,167
Inventories	4.3.7.9	157,217,991	93,597,380
Financial assets at fair value through profit or loss	4.3.7.10	72,494	70,023
Loans issued	4.3.7.11	10,569,867	36,719,806
Operating receivables	4.3.7.12	158,757,907	109,368,647
Corporate income tax receivables	4.3.7.13	562,958	3,775,226
Cash and cash equivalents	4.3.7.14	22,227,460	15,814,460
Deferred costs and accrued revenues	4.3.7.15	1,601,516	257,565
Total assets		**738,719,424**	**624,115,185**
EQUITY AND LIABILITIES			
Equity	4.3.7.16	**313,636,485**	**308,702,836**
Capital and reserves attributed to the owners of the parent company		**310,429,383**	**306,668,361**
Share capital		145,266,066	145,266,066
Capital surplus		11,461,177	11,461,177
Revenue reserves		(1,504,366)	(2,005,997)
Revaluation surplus		57,734	244,415
Translation differences		(83,269)	(142,031)
Retained earnings		155,232,041	151,844,731

	Note	31 Dec. 2010	31 Dec. 2009
Non-controlling interests		**3,207,102**	**2,034,475**
Provisions		**16,384,815**	**15,649,031**
Retirement benefit obligations	4.3.7.17	11,361,033	9,568,129
Other provisions	4.3.7.18	4,487,290	5,544,768
Long-term deferred revenue	4.3.7.19	536,492	536,134
Non-current liabilities		**139,306,190**	**135,097,652**
Borrowings	4.3.7.20	120,504,818	128,337,634
Other financial liabilities	4.3.7.21	12,085,011	6,050,905
Operating liabilities	4.3.7.22	6,666,364	647,845
Deferred tax liabilities	4.3.7.7	49,997	61,268
Current liabilities		**269,391,934**	**164,665,666**
Borrowings	4.3.7.23	122,024,582	70,848,453
Other financial liabilities	4.3.7.24	5,062,116	2,790,153
Operating liabilities	4.3.7.25	135,964,667	85,255,520
Corporate income tax liabilities	4.3.7.13	510,034	48,915
Accrued costs and deferred revenues	4.3.7.26	5,830,535	5,722,625
Total equity and liabilities		**738,719,424**	**624,115,185**

The accompanying notes to the consolidated financial statements are an integral part of the consolidated financial statements and need to be read in connection with them.

4.2.2 CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	2010	2009
Revenue	4.3.7.27	590,916,742	371,152,894
Cost of sales	4.3.7.28	(508,106,088)	(340,586,629)
Gross profit		**82,810,654**	**30,566,265**
Distribution costs	4.3.7.28	(34,448,070)	(21,673,145)
General and administrative costs	4.3.7.28	(44,484,539)	(42,520,601)
Other operating revenue	4.3.7.29	8,869,908	7,088,495
Other operating expenses	4.3.7.30	(1,617,261)	(5,734,208)
Operating profit		**11,130,692**	**(32,273,194)**
Finance income	4.3.7.31	2,802,124	4,242,357
Finance costs	4.3.7.32	(8,987,369)	(6,001,665)
Finance costs – net		**(6,185,245)**	**(1,759,308)**
Share of loss of associates		-	(22,018)
Profit before tax		**4,945,447**	**(34,054,520)**
Corporate income tax	4.3.7.33	(697,703)	(326,606)
Deferred tax	4.3.7.33	(385,092)	7,490,981
Profit for the year		**3,862,652**	**(26,890,145)**
Change of revaluation reserve for financial assets available for sale	4.2.3	(210,863)	(205,900)
Exchange differences on translating foreign operations	4.2.3	55,614	(68,040)
Income tax related to components of the comprehensive income	4.2.3	46,670	41,572
Other changes in the comprehensive income	4.2.3	(22,488)	22,488
Comprehensive income		**3,731,585**	**(27,100,025)**

The accompanying notes to the consolidated financial statements are an integral part of the consolidated financial statements and need to be read in connection with them.

	Note	2010	2009
Profit attributable to		**3,862,652**	**(26,890,145)**
Owners of the parent company	4.2.3	3,887,840	(26,913,240)
Non-controlling interests	4.2.3	(25,188)	23,095

	Note	2010	2009
Comprehensive income attributable to		**3,731,585**	**(27,100,025)**
Owners of the parent company	4.2.3.	3,761,022	(27,123,512)
Non-controlling interests	4.2.3	(29,437)	23,487

	Note	2010	2009
Profit per share attributable to owners of the parent company			
Basic and diluted	4.3.7.34	3.94	(27.28)

4.2.3 CONSOLIDATED STATEMENT OF CHANGE IN EQUITY

4.2.3.1 CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2010

	Capital and reserves attributable to owners of the parent company							Non-controlling interests	Total equity
	Share capital	Capital surplus	Revenue reserves	Revaluation surplus	Translation differences	Retained earnings	Total		
Balance as at 31 Dec. 2009	**145,266,066**	**11,461,177**	**(2,005,997)**	**244,415**	**(142,031)**	**151,844,731**	**306,668,361**	**2,034,475**	**308,702,836**
Purchase of subsidiaries	-	-	-	-	-	-	-	1,202,064	1,202,064
Transactions with owners	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**1,202,064**	**1,202,064**
Profit for the year	-	-	-	-	-	3,887,840	3,887,840	(25,188)	3,862,652
Change of revaluation reserve for financial assets available for sale	-	-	-	(210,863)	-	-	(210,863)	-	(210,863)
Exchange differences on translating foreign operations	-	-	-	-	59,863	-	59,863	(4,249)	55,614
Income tax relating to components of the comprehensive income	-	-	-	46,670	-	-	46,670	-	46,670
Other changes in comprehensive income	-	-	-	(22,488)	-	-	(22,488)	-	(22,488)
Changes in comprehensive income	**-**	**-**	**-**	**(186,681)**	**59,863**	**3,887,840**	**3,761,022**	**(29,437)**	**3,731,585**
Forming of legal reserves	-	-	501,631	-	-	(501,631)	-	-	-
Other changes	-	-	-	-	(1,101)	1,101	-	-	
Changes in equity	**-**	**-**	**501,631**	**-**	**(1,101)**	**(500,530)**	**-**	**-**	**-**
Balance as at 31 Dec. 2010	**145,266,066**	**11,461,177**	**(1,504,366)**	**57,734**	**(83,269)**	**155,232,041**	**310,429,383**	**3,207,102**	**313,636,485**

The accompanying notes to the consolidated financial statements are an integral part of the consolidated financial statements and need to be read in connection with them.

4.2.3.2 CONSOLIDATED STATEMENT OF CHANGE IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2009

	Capital and reserves attributable to owners of the parent company								
	Share capital	Capital surplus	Revenue reserves	Revaluation surplus	Translation differences	Retained earnings	Total	Non-controlling interests	Total equity
Balance as at 31 Dec. 2008	**145,266,066**	**11,461,177**	**(2,134,473)**	**386,255**	**(72,184)**	**178,636,619**	**333,543,460**	**2,007,925**	**335,551,385**
Changes of non-controlling interests	-	-	-	-	(1,415)	79,280	77,865	3,063	80,928
Transactions with owners	**-**	**-**	**-**	**-**	**(1,415)**	**79,280**	**77,865**	**3,063**	**80,928**
Net profit for the period	-	-	-	-	-	(26,913,240)	(26,913,240)	23,095	(26,890,145)
Change of revaluation reserve for financial assets available for sale	-	-	-	(205,900)	-	-	(205,900)	-	(205,900)
Exchange differences on translating foreign operations	-	-	-	-	(68,432)	-	(68,432)	392	(68,040)
Income tax relating to components of the comprehensive income	-	-	-	41,572	-	-	41,572	-	41,572
Other changes in comprehensive income	-	-	-	22,488	-	-	22,488	-	22,488
Changes in comprehensive income	**-**	**-**	**-**	**(141,840)**	**(68,432)**	**(26,913,240)**	**(27,123,512)**	**23,487**	**(27,100,025)**
Forming of legal reserves	-	-	128,476	-	-	(128,476)	-	-	-
Other changes	-	-	-	-	-	170,548	170,548	-	170,548
Changes in equity	**-**	**-**	**128,476**	**-**	**-**	**42,072**	**170,548**	**-**	**170,548**
Balance as at 31 Dec. 2009	**145,266,066**	**11,461,177**	**(2,005,997)**	**244,415**	**(142,031)**	**151,844,731**	**306,668,361**	**2,034,475**	**308,702,836**

The accompanying notes to the consolidated financial statements are an integral part of the consolidated financial statements and need to be read in connection with them.

4.2.4 CONSOLIDATED CASH FLOW STATEMENT

	Note	2010	2009
Cash flow from operating activities			
Profit before tax		**4,945,447**	**(34,054,520)**
Adjusted for:			
Depreciation and amortisation	4.3.7.1 4.3.7.2	29,387,379	24,307,596
Share of loss of associates		-	22,018
Interest income	4.3.7.31	(2,714,468)	(3,779,015)
Interest expenses	4.3.7.32	8,725,700	5,919,758
Exchange differences, net		50,766	(24,939)
Profit on sales of financial assets	4.3.7.4 4.3.7.10	(1,291)	(366,289)
Accrual/(reversal) of allowances and provisions		(973,459)	4,760,891
Other adjustments		(2,355,679)	(3,605,392)
Operating cash flow before working capital changes		*37,064,395*	*(6,819,892)*
Changes in working capital			
Increase/decrease in operating receivables		(43,721,840)	49,917,960
Increase/decrease in inventories		(42,762,824)	32,446,555
Increase/decrease in operating liabilities		38,214,378	(6,558,295)
Increase/decrease in taxes other than income tax		563,465	(1,924,546)
Payments due to disposal of provisions		(140,574)	(122,053)
Payments received due to government grant		986,629	2,095,068
Income tax repaid / paid		3,229,498	(4,372,563)
Other direct payments	4.2.3	-	170,546
Net cash flow from operating activities		**(6,566,873)**	**64,832,780**
Cash flow from investing activities			
Acquisition of subsidiaries		(10,520,661)	(2,099,366)
Purchase of property, plant and equipment	4.3.7.2	(5,505,059)	(83,898,572)
Purchase of intangible assets	4.3.7.1	(695,300)	(1,517,634)
Proceeds from sales of property, plant and equipment		318,037	135,520
Proceeds of other non-current assets		1,193,881	421,627
Change in restricted cash		(1,458,788)	35,016
Loans issued	4.3.7.6 4.3.7.11	(13,584,000)	(24,695,000)

	Note	2010	2009
Loans repayment	4.3.7.11	37,377,133	13,917,452
Interest received	4.3.7.4 4.3.7.10	3,081,081	3,256,295
Dividend received		3,923	11,126
Net cash used in investing activities		**10,210,247**	**(94,433,536)**
Cash flow from financing activities			
Proceeds from borrowings	4.3.7.20 4.3.7.23	184,192,592	141,600,957
Repayment of borrowings	4.3.7.20 4.3.7.23	(156,996,053)	(124,493,690)
Repayments of financial leasing	4.3.7.21 4.3.7.24	(4,584,697)	(2,043,222)
Interest paid		(8,528,531)	(6,141,176)
Net cash used in financing activities		**14,083,311**	**8,922,869**
Cash and cash equivalents as at 1 Jan.		**15,814,460**	**32,892,340**
Change in restricted cash		1,458,788	(35,016)
Change in transaction account overdrafts		(12,603,277)	3,635,023
Translation differences		(169,198)	-
Increase/decrease		17,726,685	(20,677,887)
Cash and cash equivalents as at 31 Dec.		**22,227,458**	**15,814,460**

The accompanying notes to the consolidated financial statements are an integral part of the consolidated financial statements and need to be read in connection with them.

4.3 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4.3.1 REPORTING COMPANY

SIJ – Slovenska industrija jekla, d.d. is the parent company of the SIJ Group, registered in Slovenia. The registered address of the parent company of the Group is Gerbičeva ulica 98, 1000 Ljubljana. Given below are consolidated financial statements for the year ending on 31 December 2010.

Consolidated financial statements for a selected group of the subsidiaries are compiled by SIJ – Slovenska industrija jekla, d. d. Consolidated financial statements for a wider group of the subsidiaries are prepared by DILON Cooperatief U.A. The Consolidated Annual Report of the DILON Cooperatief Group will be available at the registered office of DILON Cooperatief, Amsteldijk 166 U.A., 1079LH Amsterdam, the Netherlands.

4.3.2 BASIS OF PREPARATION

Consolidated financial statements for 2010 have been prepared according to the IFRS as adopted by the European Union. The standards have been applied directly in disclosures and in valuation of items. The exception was at the evaluation of items where the standards allow several methods of evaluation.

Consolidated financial statements in the report are presented in euros (EUR) without cents. Due to the rounding of amounts, there may be insignificant deviations to the sums given in tables.

The Board of Directors selected the accounting policies and decided on their application and the compilation of consolidated financial statements by taking into account three requirements: financial statements are understandable if their users have no problems interpreting them; the information is suitable if it helps the user in making economic decisions; the information is relevant if its omission or inaccurate presentation could influence the economic decisions of users.

Consolidated financial statements have been prepared in compliance with the IFRS, adopted by the International Accounting Standards Committee (hereinafter: IASB), and with the interpretations issued by the International Financial Reporting Interpretations Committee (hereinafter: IFRIC as adopted by the European Union), namely:

a) Currently applicable standards and interpretations
The following amendments to the existing standards issued by the IASB and adopted by the European Union currently apply:

- IFRS 1 (revised) “First-Time Adoption of the IFRS”, adopted by the EU on 25 November 2009 (applies to annual periods beginning on or after 1 January 2010).

- IFRS 3 (revised) "Business Combinations", adopted by the EU on 3 June 2009 (applies to annual periods beginning on or after 1 July 2009).
- Amendments to the IFRS 1 "First-Time Adoption of the IFRS" - Additional exceptions for users who apply the IFRS for the first time, adopted by the EU on 23 June 2010 (applies to annual periods beginning on or after 1 January 2010).
- Amendments to the IFRS 2 "Share-Based Payment" – Settled payment transactions for shares in the group, adopted by the EU on 23 March 2010 (applies to annual periods beginning on or after 1 January 2010).
- Amendments to IAS 27 "Consolidated and Separate Financial Statements", adopted by the EU on 3 June 2009 (applies to annual periods beginning on or after 1 July 2009).
- Amendments to IAS 39 "Financial Instruments: Recognition and Measurement" – Eligible Hedged Items, adopted by the EU on 15 September 2009 (applies to annual periods beginning on or after 1 July 2009).
- Amendments to different standards and interpretations "Improvements to the IFRS (2009)", arising from the annual project of improving the IFRS, published on 16 April 2009 (IFRS 2, IFRS 5, IFRS 8, IAS 1, IAS 7, IAS 17, IAS 18, IAS 36, IAS 38, IAS 39, IFRIC 9 and IFRIC 16), mainly with the purpose of dealing with non-conformities and definitions of texts, adopted by the EU on 23 March 2010 (applies to annual periods beginning on or after 1 January 2010).
- IFRIC 12 "Service Concession Arrangements", adopted by the EU on 25 March 2009 (applies to annual periods beginning on or after 30 March 2009).
- IFRIC 15 "Agreements for the Construction of Real Estate", adopted by the EU on 22 July 2009 (applies to annual periods beginning on or after 1 January 2010).
- IFRIC 16 "Hedges of Net Investment in a Foreign Operation", adopted by the EU on 4 June 2009 (applies to annual periods beginning on or after 1 July 2009).
- IFRIC 17 "Distributions of Non-cash Assets to Owners", adopted by the EU on 26 November 2009 (applies to annual periods beginning on or after 1 November 2009).
- IFRIC 18 "Transfers of Assets from Customers", adopted by the EU on 27 November 2009 (applies to annual periods beginning on or after 1 November 2009).

The adoption of amendments to the existing standards did not in any way affect the accounting policies of the Group.

b) Standards and interpretations issued by the IASB and adopted by the European Union, but not yet effective:
On the date of adoption of these consolidated financial statements, the following standards, amendments and interpretations, adopted by the European Union, were issued, but are not yet effective:

- Amendments to IAS 24 "Related Party Disclosures" – Simplification of requests for disclosure for companies related to the government and interpretation of the definition of the related party, adopted by the EU on 19 July 2010 (applies to annual periods beginning on or after 1 January 2011).

- Amendments to IAS 32 "Financial Instruments: Presentation" – Classification of Rights Issues, adopted by the EU on 23 December 2009 (applies to annual periods beginning on or after 1 February 2010).
- Amendments to the IFRS 1 "First-Time Adoption of the IFRS" – Restricted exceptions of comparative disclosures according to IFRS 7 for users who apply the IFRS for the first time, adopted by the EU on 30 June 2010 (applies to annual periods beginning on or after 1 July 2010).
- Amendments to IFRIC 14 "IAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction" – Advanced payments of requests for minimum funding, adopted by the EU on 19 July 2010 (applies to annual periods beginning on or after 1 January 2011).
- IFRIC 19 "Settling Financial Liabilities with Capital Instruments", adopted by the EU on 23 July 2010 (applies to annual periods beginning on or after 1 July 2010).

The Group decided not to apply these standards, amendments and interpretations before their entry into force. The Group projects that the adoption of these standards, amendments and interpretations would not have a significant impact on the consolidated financial statements in their first-time application.

c) Standards and interpretations issued by the IASB, but not yet adopted by the European Union:
Currently there is no substantial difference between the IFRS adopted by the European Union, and the regulations adopted by IASB, with the exception of the following standards, amendments to the existing standards, and interpretations, which by 15 March 2011 had not yet been approved for use.

- IFRS 9 "Financial Instruments" (applies to annual periods beginning on or after 1 January 2013).
- Amendments to IFRS 7 "Financial Instruments: Disclosures" - Transfers of Financial Assets (applies to annual periods beginning on or after 1 July 2011).
- Amendments to different standards and interpretations "Improvements to the IFRS (2010)", arising from the annual project of improving the IFRS, published on 6 May 2010 (IFRS 1, IFRS 3, IFRS 7, IAS 1, IAS 27, IAS 34, IFRIC 13), mainly with the purpose of dealing with non-conformities and definitions of texts, (most amendments need to be applied to annual periods beginning on or after 1 January 2011).

The group projects that the application of these standards, revised standards and interpretations would not have a significant impact on the financial statements in the initial period. At the same time the hedge classification, dealing with the portfolio of financial assets and liabilities, the principles of which have not yet been adopted by the European Union, is not yet regulated. The Group believes that the use of hedge classification dealing with financial assets and liabilities is in accordance with the requirements of IAS 39: "Financial instruments: Recognition and Measurement", which would not have had a significant impact on the consolidated financial statements had it been used on the date of the statement of financial position.

4.3.3 BASIS OF MEASUREMENT

The consolidated financial statements have been prepared based on intrinsic value, except for the following assets and liabilities measured at fair value:

- derivatives,
- financial assets at fair value through profit or loss,
- available-for-sale financial assets.

4.3.4 FUNCTIONAL AND PRESENTATION CURRENCY

Consolidated financial statements in this report are presented in euros (EUR) without cents; the euro is also the functional currency of the parent company of the Group which prepares the consolidated financial statements.

4.3.5 THE USE OF JUDGEMENTS AND ESTIMATES

The preparation of consolidated financial statements requires the Board of Directors to provide judgements, estimates and assumptions which influence the disclosed amounts of assets and liabilities and the disclosed contingent assets and liabilities on the day of the preparation of the consolidated financial statements, as well as the disclosed sum of assets and liabilities in the period covered.

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

- estimating the useful life of assets subject to depreciation;
- testing the impairment of assets;
- estimating the fair value of available-for-sale financial assets;
- estimating the fair value of financial assets measured at fair value through profit or loss;
- estimating the fair value of derivatives;
- estimating the net realizable value of inventories;
- estimating the recoverable value of receivables;
- estimating the necessary provisions.

Since estimates are subject to individual judgments and a certain degree of uncertainty, the subsequent actual results can differ from those estimated. Estimates are checked on a regular basis. Amendments to accounting estimates are recognized during the period of amendment of these estimates if the estimate only applies to this period, or in the period of the amendment and in subsequent periods if the amendment applies to future periods.

4.3.6 SIGNIFICANT ACCOUNTING POLICIES

4.3.6.1 COMPOSITION OF THE GROUP OF ASSOCIATED COMPANIES

The consolidated financial statements of the SIJ Group comprise the financial statements of the parent company SIJ – Slovenska industrija jekla, d. d., and of the Group's companies.

The group of companies in which the parent company holds financial investmets comprises the following:

	Activity	% of voting rights	Value of assets as at 31 Dec. 2010	Value of equity as at 31 Dec. 2010	Profit for the year 2010
The parent company of the Group SIJ - Slovenska industrija jekla, d. d., Gerbičeva ulica 98, Ljubljana	Holding activity		201,559,551	167,513,204	10,032,522
SIJ – subsidiaries					
Acroni, d.o.o., Cesta Borisa Kidriča 44, Jesenice	Steel production	100	399,736,414	156,342,310	1,473,613
Metal Ravne, d.o.o., Koroška cesta 14, Ravne na Koroškem	Steel production	100	181,171,179	70,419,673	3,762,545
Noži Ravne d.o.o., Koroška cesta 14, Ravne na Koroškem	Manufacture of industrial knives	100	15,623,696	10,404,361	(438,924)
Elektrode Jesenice, d.o.o., Cesta železarjev 8, Jesenice	Manufacture of welding materials	100	11,708,930	5,236,615	(233,508)
SUZ, d.o.o., Cesta Borisa Kidriča 44, Jesenice	Manufacturing of drawn wires	100	3,535,805	602,340	(8,638)
ZIP Center, d.o.o., Koroška cesta 14, Ravne na Koroškem	Education and training of the disabled	100	1,294,386	82,987	6,219
Železarna Jesenice, d.o.o., Cesta železarjev 8, Jesenice	Trading in own real estate	100	21,981,997	21,213,166	178,799
Žična Celje, d.o.o., Cesta v Trnovlje 7, Celje	Other business and management consulting	100	1,745,323	1,725,448	34,208
Odpad d.o.o. Pivka, Velika Pristava 23, Pivka	Recovering of secondary raw materials from scraps	74.90	18,173,377	5,880,170	711,537
NIRO WENDEN GmbH, Glück-Auf-Weg 2, Wenden, Germany	Steel cutting, engineering and trading activity	85	9,298,826	1,540,663	1,349,907
SMG Edelstahl GmbH, Im Alber 4, Salach, Germany	Steel and machines trading	60	3,439,086	(1,877,398)	(741,988)
SIDERTOCE S.p.A., Via XX Settembre 198, C.P. 34, Gravellona Toce, Italy	Heat processing and special steels trading	100	12,543,063	2,410,616	(1,310,467)
Griffon & Romano Group, Via Tacito 8/10 – Corsico, Italy	Heat processing and special steels trading	60	29,465,589	1,982,862	(643,078)

	Activity	% of voting rights	Value of assets as at 31 Dec. 2010	Value of equity as at 31 Dec. 2010	Profit for the year 2010
ACRONI – subsidiaries					
Acroni Italia S.r.l., Via del San Michele 334, Gorizia, Italy	Trading activity	100	2,687,607	1,351,935	631,935
Acroni Deutschland GmbH, Paulsmuhlenstrasse 42, Duesseldorf, Germany	Trading activity	100	500,017	321,070	60,740
METAL RAVNE – subsidiaries					
Iuenna Stahl Productions und Handelsgesellschaft m.b.H., Pliberk, Austria	Trading activity	100	3,323,997	1,006,249	86,893
KOPO International Inc., New Jersey, USA	Trading activity	100	13,512,382	1,070,668	188,611
Serpa d.o.o., Koroška cesta 14, Ravne na Koroškem	Production of metallurgic machinery	85.61	7,069,437	3,375,884	(92,174)
Ravne Steel Center d.o.o., Litostrojska cesta 60, Ljubljana	Trading activity	100	12,286,119	2,780,248	727,364
ODPAD – subsidiary					
Dankor d.o.o., Europske avenije 22, Osijek, Croatia	Recovery of secondary raw materials from scraps	51	2,301,331	578,359	195,849

In 2010 the Group acquired business shares of new companies, including them in the consolidated financial statements in the following timeline:

- 1 April 2010 – NIRO Wenden GmbH,
- 1 July 2010 – SMG Edelstahl GmbH in SIDERTOCE S.p.A. and
- 1 September 2010 – Griffon & Romano Group.

The financial statements of the companies included in the consolidated financial statements are audited, except for the financial statements of Acroni Deutschland GmbH and Acroni Italia S.r.l. These two operate as agents and therefore (according to the local legislation) do not have to be audited.

4.3.6.2 FOREIGN CURRENCIES

Transactions measured in foreign currencies are translated into the functional currency according to the exchange rate on the day of the transaction. Cash assets and liabilities measured in a foreign currency at the end of the period are translated into the functional currency according to the current exchange rate. Positive or negative exchange rate differences are the differences between the amortised cost in the functional currency at the start of the period, corrected for the amount of effective interest, and the payments during the period as well as the amortised cost in the foreign currency, translated according to the exchange rate at the end of the period. Non-cash assets and liabilities, expressed in foreign currency and measured at fair value, are translated into the functional currency according to the exchange rate prevailing at the day when the fair value is set. Exchange rate differences are recognized in the income statement.

Companies of the Group

The income statement and the cash flow statement of individual companies of the Group abroad, where the company's functional currency is not euro, are translated into the parent company's reporting currency at the average exchange rate, and the statement of financial position is translated into the reporting currency at the exchange rate applicable on 31 December. In cases where a company abroad is sold, the exchange rate differences arising from the sale are recognized in the consolidated income statement as part of profit or loss arising from the sale.

4.3.6.3 INTANGIBLE ASSETS

At the initial recognition an intangible asset is recognised at cost. The cost also includes imported or non-refundable purchased receivables, after deducting business or other discounts, and including all the costs directly attributed to preparing an asset for its intended use.

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

The estimated useful life of individual assets is between 2 and 10 years.

Intangible assets with indefinite useful life are not subject to amortisation, they are tested for impairment.

Amortisation methods, useful life, and remaining group asset values are reviewed at the end of every business year and adjusted if necessary.

Subsequent costs connected to intangible assets are capitalised only if they enhance future economic benefits derived from the assets the costs refer to. All other costs in the income statement are recognized as expenses as incurred.

Goodwill arising on consolidation represents the excess of the purchase value over the fair value of the group's interest of the acquired identifiable assets, liabilities and contingent liabilities of a subsidiary at the date of acquisition. Negative goodwill is recognized immediately in the income statement on the date of acquisition. Goodwill is recognized as an asset and tested for impairment at least annually. Any impairment is recognized immediately in the income statement and is not subsequently reversed. Upon the disposal of a subsidiary, the attributable amount of goodwill is included in the determination of the profit or loss.

4.3.6.4 PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are carried at its cost, less any accumulated depreciation and accumulated impairment losses, except for land and other assets that are not subject to depreciation, shown at their cost, reduced by all relative impairments. The initial cost includes costs that can be directly attributed to the acquisition of each individual item of property, plant or equipment. Items of property, plant and equipment with different useful lives are accounted as individual property, plant and equipment. Borrowing costs attributable to the purchase, construction and production of a qualifying asset, that is, to the availability of an asset for use, are capitalised in the cost of such an asset. The cost model is used for any subsequent measuring of property, plant and equipment.
Depreciation is calculated on a straight-line basis over the useful life of each individual part (component) of the property, plant and equipment and the residual value. Land and some other assets are not depreciated. Depreciation is accounted when an asset becomes available for use. Assets under construction is not depreciated.

The estimated useful life of the individual property, plant and equipment type is:

	USEFUL LIFE
Real estate	between 20 and 66 years
Production machinery	between 5 and 25 years
Computer equipment	between 1 and 6 years
Motor vehicles	between 3 and 8 years
Other equipment	between 1 and 15 years

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

The replacement costs of parts of property, plant and equipment are assigned to the carrying amount of the asset if future economic benefits for the company are likely and provided its cost can be measured reliably. All other costs (for example maintenance costs) in income statement are recognized as expenses as soon as they are incurred.

Costs incurred in connection with property, plant and equipment increase their carrying amounts when they increase their future economic benefits in excess of the originally assessed ones.

4.3.6.5 INVESTMENT PROPERTY

Investment property is measured at cost model. After recognition the asset is carried at its initial cost, reduced by the accumulated depreciation and accumulated impairment losses.

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

4.3.6.6 INVESTMENTS IN ASSOCIATES

Investments in associates are accounted on the basis of the equity method. Associates are those companies in which the Group has 20%-50% of voting rights, and in which it has significant influence on the operations, but not control.
The equity method determines that the share of the Group in profit/loss of the associated company is recognized in the income statement.

4.3.6.7 FINANCIAL INSTRUMENTS

Financial instruments include the following items:

- Non-derivative financial assets,
- Non-derivative financial liabilities,
- Derivative financial instruments.

Financial instruments are carried at fair value. Fair value is the amount for which an asset can be exchanged or the liability can be settled between two well informed and willing parties in an arm's length business transaction.

When determining the fair value of financial instruments, the following hierarchy level of determining the fair value is considered:

- The first level includes quoted prices (unadjusted) on active markets for the identical assets or liabilities.
- The second level includes the input data (in addition to the quoted prices included in the first level), which are directly (that is, as prices) or indirectly (that is, as derivatives from prices) observable for the asset or liability.
- The third level includes input data for the asset or liability which is not based on the observable market data.

Quoted prices are used as a basis for determining the fair value of financial instruments. If a financial instrument is not quoted on the organized market or if the market is deemed non-active, input data at the second or third level are used to assess the fair value of the financial instrument.

4.3.6.7.1 Non-derivative Financial Assets

Non-derivative financial assets include cash and cash equivalents, loans and receivables, and investments. Financial asset is derecognised at the extinction of contractual rights towards cash flows from the asset, or when the rights to contractual cash flows are transferred from a financial asset on the basis of a business transaction in which all risks and benefits of ownership of the financial asset are transferred.

Financial assets at fair value through profit or loss

A financial asset is classified at fair value through profit or loss if it is meant for trading or is determined as such after the initial recognition. Financial assets are determined at fair value through profit or loss under the condition that such assets are manageable and that the sale or purchase of these assets can be decided on the basis of fair value. After the initial recognition the pertained costs of the business transaction are recognized in profit or loss upon their occurrence. Financial assets at fair value through profit or loss are measured at fair value, whereas the amount of change in the fair value is recognized in the income statement. The trading value of a group of equal financial assets is determined using the method of changing average prices.

Held-to-maturity financial assets

Held-to-maturity financial assets are non-derivative financial assets with fixed or determinable payments and a fixed held-to-maturity, which the Group is undoubtedly planning and capable of holding to maturity. Held-to-maturity financial assets are measured at amortised cost by applying the effective interest rate method.

Available-for-sale financial assets

Available-for-sale financial assets are those non-derivative financial assets designated as available-for-sale or not included in the category of loans and receivables or financial assets at fair value through profit or loss.

They are carried at fair value if the fair value can be determined, and profit or loss after the evaluation is recognized directly in the comprehensive income or equity, except for losses due to impairment, and profits and losses from the translation of exchange rate differences, until the financial asset is reversed. When reversing an investment the accumulated profits and losses, stated in the comprehensive income, are transferred to income statement.

If a reliable measurement of fair value is not possible, because of the importance of the wide range of estimates of reasonable fair values and because the probability of different estimates is hard to assess, the Group measures the financial asset at cost.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not listed on an active market. They are included in current assets, except for maturities exceeding 12 months after the date of the statement of financial position. In such cases they are classified into non-current assets. Loans and receivables are disclosed in the statement of financial position under operating, financial and other receivables at amortised cost, taking into account the applicable interest rate.

Cash and cash equivalents

Cash and cash equivalents include cash, bank deposits of up to three months, and other current readily realizable investments and original maturity of three months or less. They are carried at cost. Overdrafts on bank accounts are disclosed under current financial liabilities.

4.3.6.7.2 Non-derivative Financial Liabilities

The Group initially recognizes issued debt securities on the day they are settled (paid). All other financial liabilities are initially recognized on the trading date, when the Group becomes the contracting party in relation to the instrument. The Group reverses the recognition of a financial liability if the obligations stated in the contract are fulfilled, annulled or become obsolete.

Non-derivative financial liabilities include operating, financial and other liabilities. Financial liabilities are initially reported at fair value, increased by costs, directly assigned to the business transaction. After the initial recognition financial liabilities are measured at amortised cost by applying the applicable interest rate method. Financial liabilities are part of long-term liabilities, except for liabilities or parts of liabilities with a maturity shorter than 12 months after the date of the statement of financial position. This type of liability is disclosed as part of short-term liabilities.

4.3.6.7.3 Derivative Financial Instruments

Derivative financial instruments are initially recognized at fair value; costs connected to the business transaction are recognized in income statement when they are incurred. After the initial recognition the derivative financial instruments are measured at fair value.

4.3.6.8 INVENTORIES

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

The inventories of material and merchandise are measured at actual prices, while the inventories of finished and unfinished products are measured using the method of standard cost method. Inventories are held on weighed average cost.

The net realizable value is estimated on the basis of the sales price during normal operations, less the estimated costs of completion and the estimated sales costs. Write-offs of damaged and obsolete inventories are regularly performed during the year, by individual item.

4.3.6.9 ASSETS CLASSIFIED AS HELD FOR SALE

An asset or a group of assets (disposal group) classified as held for sale are those for which the carrying amount is assumed to be settled by sale within the next 12 months rather than being kept for further use.

Such an asset or disposal group held for sale is measured at its carrying amount or fair value, less costs to sell, whichever is lower.

4.3.6.10 IMPAIRMENT OF ASSETS

4.3.6.10.1 Financial Assets

A financial asset is considered to be impaired if objective evidences indicate that one or more events have had a negative effect on the estimated future cash flow, of that asset, which can be reliably measured.
Objective evidence of the impairment of financial assets can include: non-fulfilment or violation of the debtor; restructuring of the amount owed to the company (if the company agrees with this); signs that the debtor will declare bankruptcy; disappearance of the active market for the instrument at hand.

Impairment of receivables and loans issued

The Group assesses evidence regarding the impairment of receivables individually or collectively. All important receivables are measured separately for the purpose of special impairments. If it is assessed that the carrying amount exceeds the fair value, that is the recoverable value, receivables are considered to be impaired.
The impairment of receivables that are immaterial is collectively estimated by including these receivables in a group of risks with similar characteristics. The Group makes groups on the basis of the maturity of receivables. In the evaluation of total impairment we use past trends of the probability of non-fulfilment, the reimbursement period and the amount of incurred loss, which is revised according to the Board of Directors' judgement as to whether the actual losses due to the current economic and credit conditions could be higher or lower than the losses foreseen in the past trends.
The Group assesses the evidence of the impairment for each important loan individually.
An impairment loss in respect of a financial asset measured at amortised historical cost is calculated as the difference between its carrying amount and the estimated future cash flows discounted at the original effective interest rate. The loss is recognized in the statement of income.

Impairment of available-for-sale financial assets

The impairment losses of investment securities available for sale are recognized so that the potential accumulated loss, previously recognized in the comprehensive income of the period and stated in the reserve for the fair value, is transferred into the net profit. The subsequent growth of the fair value of the impaired equity security, available for sale, is recognized in the comprehensive income of the period or in the reserve for the fair value.

4.3.6.10.2 Non-financial Assets

At each reporting date, the Group tests the carrying value of its important non-financial assets, in order to determine the presence of impairments. If any such indication exists, the recoverable value of the asset is estimated.

The recoverable value of an asset or cash-generating unit is, the greater of its value in use or its fair value less costs to sell. While assessing value in use, estimated future cash flows are discounted to the present value, using a pre-tax discount rate that reflects current market assessments of the time value of cash and risks, specific to the asset. In order to test the impairment, the assets which cannot be tested individually are joined into the smallest possible group of assets, which creates cash flows from further use and which are largely independent of the inflow of other assets or group of assets (a cash-generating unit).

An impairment loss is recognized if the carrying amount of an asset or its cash-generating unit exceeds its recoverable value. The impairment is recognized in the statement of income.

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

At least once a year, namely at the date of financial statements, the Group evaluates the evidence on the impairment of inventories. The impairment of stock inventories is estimated for each individual type of stock. Individual types of stock are allocated to groups of stock with similar characteristics, on the basis of the time component of the movement in stock. The estimate of impairment for an individual group includes an expert assessment of the possibility of further use or sale.

4.3.6.11 EQUITY

4.3.6.11.1 Share capital

Ordinary shares are classified as equity. Transaction costs directly linked to the issue of new shares, not in relation to acquisition of a company, are presented as a decrease in share capital. The total equity of the parent company is its liability to the owners, which falls due if the company stops its operations, which brings about the adjustment of the equity value according to the currently attainable price of the total assets. It is defined by the amounts of the investment by the owners and by the amounts that arise during the operation and belong to the owners. It is decreased by operation losses and payments to the owners and increased by the profit generated in the period.

4.3.6.11.2 Capital Surplus

Capital surplus consist of amounts which the Group acquired from payments exceeding the lowest share amounts of issues or amounts of subscribed contributions; the amounts which exceed the carrying amount upon the disposal of previously acquired own shares; the amounts on the basis of simplified decrease of share capital; and the amounts on the basis of the general evaluation adjustment.
General revaluation adjustments of capital on 31 December 2002 included (according to the then applicable Slovenian Accounting Standards) a revalorization of the basic capital before the year 2002. The adjustment due to the transition to the new Slovenian Accounting Standards was transferred to capital surplus. The amount can only be used for the increase of the basic capital.

4.3.6.11.3 Legal and Other Reserves

Legal and other reserves are amounts of retained profit from previous years, which are mostly used to compensate for potential future losses. On their occurrence they are recognized by the body responsible for the preparation of the Annual Report, or by the decision of the same body.

4.3.6.11.4 Treasury shares

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

4.3.6.11.5 Dividends

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

4.3.6.12 PROVISIONS

Provisions are recognized if the Group, due to a past event, had legal or indirect obligations which can be reliably measured, and if there is a probability that settling the obligation will require an outflow of resources, enabling economic benefits.

4.3.6.13 RETIREMENT BENEFIT OBLIGATIONS

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

The provision is envisaged to be the amount of estimated future payments for loyalty bonuses and severance pay, discounted as at the end of the reporting period. The calculation is made for individual employee and includes the costs of severance pay upon retirement and the costs of all the expected loyalty bonuses up to retirement. The calculation is prepared by an actuary, selected at the Group level, on the basis of a projected unit.

4.3.6.14 LONG-TERM DEFERRED REVENUE

Long-term deferred revenues are deferred revenues expected to cover the estimated expenses during a period exceeding one year.

4.3.6.15 REVENUE

Sales revenue are recognized at fair value of received repayments of receivables, decreased by repayments, discounts, rebates for further sales and quantity discounts. Revenue are recognized when the buyer takes on all the important risks and benefits connected to the ownership of assets, when there is the certainty of the repayment of the compensation and related costs or the possibility of returning products, and when the Group stops deciding about the products sold.

Finance income includes income from interest, income from the disposal of available-for-sale financial assets, positive exchange rate differences resulting from financing and investing, and gains from hedging instruments, recognized in the income statement.

4.3.6.16 EXPENSES

Expenses are recognized if decreases in economic benefits during the accounting period are associated with a decrease in assets or an increase in liabilities (debts), and if the respective change can be measured reliably. Operating expenses are recognized when the costs are no longer held in inventories of finished products and work-in-progress, or once merchandise has been sold. The costs that cannot be held in inventories of finished products and work-in-progress are, on their incurrence, recognized as operating expenses.

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

4.3.6.17 TAXATION

Taxes include current income tax liabilities and deferred tax. Current income tax is shown in the income statement, except for that part that refers to business combinations or items, which is shown directly in the comprehensive income.

Current income tax liabilities are based on the taxable profit for the business year. Taxable profit differs from profit of the year, reported in the income statement, because it excludes the items of income or expenses that are taxable or deductible in other years, as well as items that are never taxable or deductible. The groups's current income tax liability is calculated using the tax rate applicable at the reporting date.

Deferred tax is shown in total by applying the method of obligations after the financial statement for temporary differences, arising from the tax base of assets and liabilities and their carrying amounts in financial statements. Deferred tax is calculated by using tax rates (and laws), applicable on the date of the financial statement, which are expected to be used when the deferred tax asset is realized or recovered.

Deferred tax assets are recognized if taxable profit is likely in the future, to which the deferred tax asset will be charged.

Deferred tax assets are recognized for all taxable temporary differences, unless they come from initial goodwill recognition, or the initial recognition of an asset or liability in a business transaction which is not a business combination, and which does not affect the accounting or taxable profits (tax loss) during the transaction.

4.3.6.18 EARNINGS PER SHARE

The Group recognizes basic and diluted earnings per share for ordinary shares. Basic earnings per share are calculated by dividing profit or loss allocated to ordinary shareholders by the weighted average number of ordinary shares in the financial year, net of the average number of treasury shares. Diluted earnings per share are calculated by adjusting profit or loss allocated to ordinary shareholders and the weighted average number of ordinary shares in the financial year, excluding the average number of treasury shares, for the effect of all potential ordinary shares that represent convertible bonds and share options for employees.

4.3.6.19 CASH FLOW STATEMENT

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

4.3.6.20 SEGMENT REPORTING

In the Annual Report, the Group does not disclose operations by segments. Segment reporting in the Annual Report is required from a company or a group whose debt or equity securities are publicly traded, and companies or groups that are in the process of issuing equity or debt securities in a public securities market.

4.3.7 NOTES TO THE INDIVIDUAL ITEMS OF FINANCIAL STATEMENTS

4.3.7.1 INTANGIBLE ASSETS

4.3.7.1.1 Table of Movement in Intangible Assets for 2010

	Non-current property rights	Other	Goodwill	Assets under construction	Total
Cost as at 31 Dec. 2009	**2,490,016**	**-**	**2,384,927**	**1,493,196**	**6,368,139**
Purchase of subsidiaries	524,700	7,500	14,865,034	17,834	15,415,068
Direct purchases	-	-	-	695,300	695,300
Transfer from construction	525,854	-	-	(525,854)	-
Write-offs and disposals	(66,586)	-	-	-	(66,586)
Other changes	(48,510)	-	-	(530,318)	(578,828)
Cost as at 31 Dec. 2010	**3,425,474**	**7,500**	**17,249,961**	**1,150,158**	**21,833,093**
Accumulated amortisation as at 31 Dec. 2009	**(1,249,802)**	**-**	**-**	**-**	**(1,249,802)**
Amortisation	(426,302)	(724)	-	-	(427,026)
Write-offs and disposals	54,505	-	-	-	54,505
Other changes	22,050	-	-	-	22,050
Accumulated amortisation as at 31 Dec. 2010	**(1,599,549)**	**(724)**	**-**	**-**	**(1,600,273)**
Present value as at 31 Dec. 2009	**1,240,214**	**-**	**2,384,927**	**1,493,196**	**5,118,337**
Present value as at 31 Dec. 2010	**1,825,925**	**6,776**	**17,249,961**	**1,150,158**	**20,232,820**

Intangible assets of the Group comprise computer and similar applications and licenses. The largest acquisitions in 2010 were purchases of new programs for monitoring production, which are still being tested. They are expected to be available for use by the end of the 2011 year. The disposals of intangible assets refer to licenses which the Group ceased to use in 2010. Other changes refer to rearrangements of intangible assets into property, plant and equipment. The useful lives of intangible assets in the Group is final, except for goodwill, which has an indefinite useful life.

In 2010 goodwill rose due to the acquisitions of subsidiaries, and represents the excess of the purchase value over the fair value of the Group's interest of the acquired identifiable assets, liabilities and contingent liabilities of subsidiaries at the date of acquisition. See point 4.3.7.36.

As at 31 December 2010 the Group has no liabilities arising from the purchase of intangible assets, nor are these pledged for liabilities.

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

4.3.7.1.2 Table of Movement in Intangible Assets for 2009

	Non-current property rights	Goodwill	Assets under construction	Total
Cost as at 31 Dec. 2008	**2,652,540**	**1,396,531**	**-**	**4,049,071**
Purchase of subsidiaries	4,566	912,327	-	916,893
Direct purchases	-	-	1,517,634	1,517,634
Transfer from construction	24,438	-	(24,438)	-
Write-offs and disposals	(242,900)	-	-	(242,900)
Other changes	51,372	76,069	-	127,441
Cost as at 31 Dec. 2009	**2,490,016**	**2,384,927**	**1,493,196**	**6,368,139**
Accumulated amortisation as at 31 Dec. 2008	**(1,225,633)**	**-**	**-**	**(1,225,633)**
Amortisation	(267,066)	-	-	(267,066)
Write-offs and disposals	242,900	-	-	242,900
Other changes	(3)	-	-	(3)
Accumulated amortisation as at 31 Dec. 2009	**(1,249,802)**	**-**	**-**	**(1,249,802)**
Present value as at 31 Dec. 2008	**1,426,907**	**1,396,531**	**-**	**2,823,438**
Present value as at 31 Dec. 2009	**1,240,214**	**2,384,927**	**1,493,196**	**5,118,337**

4.3.7.2 PROPERTY, PLANT AND EQUIPMENT

4.3.7.2.1 Table of Movement of Property, Plant and Equipment in 2010

	Land	Buildings	Equipment	Other	Assets under construction	Total
Cost as at 31 Dec. 2009	**22,427,445**	**244,083,148**	**659,654,139**	**19,465,631**	**40,787,418**	**986,417,781**
Purchase of subsidiaries	516,240	5,294,813	5,488,733	480,642	310,007	12,090,435
Direct purchases	-	-	-	-	21,675,543	21,675,543
Transfer from construction	5,418	4,361,003	44,334,970	960,139	(49,661,530)	-
Write-offs and disposals	(16,981)	(445,123)	(6,003,979)	(453,016)	-	(6,919,099)
Translation differences	(9,028)	(4,489)	(4,786)	1,777	(1,153)	(17,679)
Other changes	33,731	48,510	-	-	530,318	612,559
Cost as at 31 Dec. 2010	**22,956,825**	**253,337,862**	**703,469,077**	**20,455,173**	**13,640,603**	**1,013,859,540**
Accumulated depreciation as at 31 Dec. 2009	-	**(159,967,675)**	**(469,270,709)**	**(15,408,726)**	-	**(644,647,110)**
Depreciation	-	(3,970,598)	(23,654,612)	(1,305,966)	-	(28,931,176)
Write-offs and disposals	-	389,125	5,810,300	464,852	-	6,664,277
Translation differences	-	390	1,372	(1,430)	-	332
Other changes	-	(22,052)	-	-	-	(22,052)
Accumulated depreciation as at 31 Dec. 2010	-	**(163,570,810)**	**(487,113,649)**	**(16,251,270)**	-	**(666,935,729)**
Present value as at 31 Dec. 2009	**22,427,445**	**84,115,473**	**190,383,430**	**4,056,905**	**40,787,418**	**341,770,671**
Present value as at 31 Dec. 2010	**22,956,825**	**89,767,052**	**216,355,428**	**4,203,903**	**13,640,603**	**346,923,811**

New major acquisitions and finished investments in property, plant and equipment include:

- grinding machine for slabs,
- line for transporting heavy plates,
- line for mechanical cutting of heavy plates,
- chamber annealing furnace,
- pit furnace,
- optical network expansion,
- CNC milling machine with magnetic table,
- horizontal CNC milling machine HEBEI.

Assets under construction also include the unfinished construction of pickling bath 3 in the heavy plates processing plant and the running upgrades of the existing components of production capacities.

Disposals of property, plant and equipment consist mostly of sales and write-offs of equipment connected with the renovation of the grinding machine, the line for transporting heavy plates, and write-offs of other useless and out-dated equipment.

Other changes in property, plant and equipment refer to the transfer of intangible assets, free-of-charge purchase of land upon coordination of data from the land register and rearrangements of property, plant and equipment within the categories.

Property, plant and equipment with a present value equalling EUR 208,811,242 as at 31 December 2010 are pledged as collateral for liabilities. The Group's unsettled liabilities arising from the purchase of property, plant and equipment amounted to EUR 5,499,112 as at 31 December 2010 and EUR 47,513,682 of known contract liabilities for the purchase of property, plant and equipment to be realized in 2011. The present value of property, plant and equipment under financial leasing totalled EUR 19,502,753. The Group capitalised EUR 217,391 of borrowing costs with an interest rate of 2.74% to 3.58%.

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

4.3.7.2.2 Table of Movement to Property, Plant and Equipment in 2009

	Land	Buildings	Equipment	Other	Assets under construction	Total
Cost as at 31 Dec. 2008	**20,894,336**	**238,354,115**	**621,951,733**	**18,412,437**	**54,807,756**	**954,420,377**
Purchase of subsidiaries	1,482,053	1,654,453	839,984	263,587	93,482	4,333,559
Direct purchases	-	-	-	-	84,893,737	84,893,737
Transfer from construction	92,000	8,239,861	90,031,169	593,364	(98,956,394)	-
Write-offs and disposals	(49,395)	(4,090,016)	(52,733,668)	(319,896)	-	(57,192,975)
Translation differences	1,756	874	821	(967)	205	2,689
Other changes	6,695	(76,139)	(435,900)	517,106	(51,368)	(39,606)
Cost as at 31 Dec. 2009	**22,427,445**	**244,083,148**	**659,654,139**	**19,465,631**	**40,787,418**	**986,417,781**
Accumulated depreciation as at 31 Dec. 2008	-	**(159,981,967)**	**(506,052,350)**	**(11,531,174)**	-	**(677,565,491)**
Depreciation	-	(4,116,531)	(18,734,945)	(1,189,054)	-	(24,040,530)
Write-offs and disposals	-	4,063,126	52,546,995	298,561	-	56,908,682
Translation differences	-	(13)	(53)	670	-	604
Other changes	-	67,710	2,969,644	(2,987,729)	-	49,625
Accumulated depreciation as at 31 Dec. 2009	-	**(159,967,675)**	**(469,270,709)**	**(15,408,726)**	-	**(644,647,110)**
Present value as at 31 Dec. 2008	**20,894,336**	**78,372,148**	**115,899,383**	**6,881,263**	**54,807,756**	**276,854,886**
Present value as at 31 Dec. 2009	**22,427,445**	**84,115,473**	**190,383,430**	**4,056,905**	**40,787,418**	**341,770,671**

4.3.7.3 INVESTMENT PROPERTY

4.3.7.3.1 Table of Movement in Investment Property in 2010

	Buildings	Total
Cost as at 31 Dec. 2009	**1,350,926**	**1,350,926**
Other changes	(17,938)	(17,938)
Cost as at 31 Dec. 2010	**1,332,988**	**1,332,988**
Accumulated depreciation as at 31 Dec. 2009	**(1,033,034)**	**(1,033,034)**
Depreciation	(29,176)	(29,176)
Other changes	13,746	13,746
Accumulated depreciation as at 31 Dec. 2010	**(1,048,464)**	**(1,048,464)**
Present value as at 31 Dec. 2009	**317,892**	**317,892**
Present value as at 31 Dec. 2010	**284,524**	**284,524**

In the 2010 financial year, the Group generated EUR 69,457 of expenses and EUR 104,229 of revenues, respectively, by investment property. The carrying amount of investment property does not exceed its net realisable value.

Other changes refer to the transfer of real-estate to assets classified as held for sale.

Investment property refers to:

- The storage facility for lubricants, scrap and raw materials, and the narrow-gauge carriage shop in Jesenice, covering in total 1,844 m^2;
- The building of the special steel plant in Ravne na Koroškem, covering in total 1,334 m^2;
- Apartment at Milčinskega ulica 8 in Celje, covering 42.41 m^2;
- Apartment at Milčinskega ulica 11 in Celje, covering 34.80 m^2;
- Apartment at Zoisova ulica 3 in Celje, covering 48.15 m^2.

4.3.7.3.2 Table of Movement in Investment Property in 2009

	Buildings	Total
Cost as at 31 Dec. 2008	**1,283,778**	**1,283,778**
Other changes	67,148	67,148
Cost as at 31 Dec. 2009	**1,350,926**	**1,350,926**
Accumulated depreciation as at 31 Dec. 2008	**(936,711)**	**(936,711)**
Depreciation	(29,175)	(29,175)
Other changes	(67,148)	(67,148)

(continued)	Buildings	Total
Accumulated depreciation as at 31 Dec. 2009	(1,033,034)	(1,033,034)
Present value as at 31 Dec. 2008	347,067	347,067
Present value as at 31 Dec. 2009	317,892	317,892

4.3.7.4 AVAILABLE-FOR-SALE FINANCIAL ASSETS

	31 Dec. 2010	31 Dec. 2009
Available-for-sale financial assets – at cost	367,618	367,361
Available-for-sale financial assets – at fair value	488,187	699,339
Available-for-sale Financial Assets	**855,805**	**1,066,700**

Financial assets available-for-sale, carried at cost, refer to shares and interests in companies that are not traded on the regulated market of securities and the fair value of which cannot be measured reliably.

Financial assets available for sale and measured at fair value increased due to purchasing shares to the amount of EUR 59,450, and decreased due to the revaluation to the amount of EUR 210,863 in the comprehensive income and the value adjustment to the amount of EUR 59,739 in the operating profit. Dividends received totalled EUR 833 in 2010.

4.3.7.5 LOANS ISSUED

	31 Dec. 2010	31 Dec. 2009
Long-term loans issued	2,434,961	-
Loans Issued	**2,434,961**	-

A long-term loan issued to bank to the amount of EUR 2,332,000 is considered as caution money for purchasing a share of a subsidiary, which falls due in 2012. The interest rate for long-term loans issued is between 1.2% and 5.8%. Loans are not secured.

4.3.7.5.1 Table of Movement in Long-term Loans Issued

	2010	2009
Balance as at 1 Jan.	-	-
Purchase of subsidiaries	102,961	-
Current portion of long-term loans issued	(2,266,000)	-
Loans issued	4,598,000	-
Balance as at 31 Dec.	**2,434,961**	-

4.3.7.6 OTHER NON-CURRENT ASSETS

	31 Dec. 2010	31 Dec. 2009
Emission coupons	260,440	459,446
Operating receivables	1,467,372	395,313
Allowance of operating receivables	(64,863)	(64,863)
Other Non-Current Assets	**1,662,949**	**789,896**

The disclosed operating receivables do not exceed the net realisable value. Long-term operating receivables increased due to including new subsidiaries in the consolidated financial statements.

4.3.7.7 DEFERRED TAX ASSETS AND LIABILITIES

	31 Dec. 2010	31 Dec. 2009
Deferred tax assets	10,760,548	10,455,415
Deferred tax liabilities	(49,997)	(61,268)
Net Deferred Tax Assets/Liabilities	**10,710,551**	**10,394,147**

4.3.7.7.1 Table of Movement in Deferred Liabilities/Tax Liability

	31 Dec. 2009	Purchase of subsidiaries	Translation differences	Changes in the income statement	Changes in equity	31 Dec. 2010
Financial assets available-for-sale	(56,606)	-	-	-	42,172	(14,434)
Other	(4,662)	(57,732)	-	22,333	4,498	(35,563)
Deferred tax liabilities	**(61,268)**	**(57,732)**	**-**	**22,333**	**46,670**	**(49,997)**
Provision for environmental rehabilitation	449,020	-	-	(292,975)	-	156,045
Other provisions	-	-	-	39,862	-	39,862
Unused tax losses	6,841,702	813,767	10,981	(529,541)	-	7,136,909
Inventories	95,808	(202,638)	635	181,732	-	75,537
Operating receivables	998,532	-	109	46,721	-	1,045,362
Retirement benefit obligations	1,545,477	2,118	-	(32,995)	-	1,514,600
Property, plant and equipment	378,889	(41,386)	(55)	57,540	-	394,988
Other	145,987	129,027	-	122,231	-	397,245
Deferred tax assets	**10,455,415**	**700,888**	**11,670**	**(407,425)**	**-**	**10,760,548**
Net Deferred Tax Assets/Liabilities	**10,394,147**	**643,156**	**11,670**	**(385,092)**	**46,670**	**10,710,551**

Deferred tax assets do not include an asset arising from unused tax losses of the Group's parent company which as at 31 December 2010 amounted to EUR 68,643,818, as the parent company of the Group does not expect taxable profits in the future. Deferred tax assets arising from unused tax losses would amount to EUR 13,728,764. Unused tax loss pertains to unused tax loss from the financial years of 2001, 2002 and 2007, when we calculated the influence of the transition to the IFRS on the tax balance of the parent company.

4.3.7.8 ASSETS (OF THE GROUP) CLASSIFIED AS HELD FOR SALE

	31 Dec. 2010	31 Dec. 2009
Assets classified as held for sale	4,553,811	4,993,167
Assets (of the group) classified as held for sale	**4,553,811**	**4,993,167**

The Group owns land and buildings (economic buildings and apartments) in Jesenice and Celje. Sales activities are continuous, whereas assets are not pledged for liabilities.

The value of assets classified for sale changed in the past year due to the disposal of assets and the agreement on coordinating inter-relationships between Jesenice Municipality and an individual company of the Group. Based on the contract concerning the free-of-charge transfer of real-estate and the agreement on changing and free-of-charge transfer of real-estate, Jesenice Municipality received 21,913 m^2 of land to the total value of EUR 654,978. On the basis of these documents the Group received 29,040 m^2 of land to the total value of EUR 393,840 and buildings to the total value of EUR 278,707 from Jesenice Municipality. The value of land and real-estate recognized by the Group in the business records was appraised by a qualified real-estate appraiser.

The carrying amount of assets held for sale does not exceed their realisable value.

4.3.7.9 INVENTORIES

	31 Dec. 2010	31 Dec. 2009
Raw materials	64,413,475	31,494,345
Work-in-progress	29,280,024	24,721,662
Finished products	59,051,494	34,441,534
Merchandise	4,472,998	2,939,839
Inventories	**157,217,991**	**93,597,380**

The value of inventories pledged as collateral as at 31 December 2010 amounts to EUR 2,600,000. The Group reviewed the value of inventories as at 31 December 2010. For inventories of finished products, the Group estimated that the net realizable value is lower than the production value and made impairment of the inventories in the amount of EUR 212,273 in 2010.

4.3.7.9.1 Table of Movement in Allowances for Inventories

	2010	2009
Balance as at 1 Jan.	**5,052,396**	**4,803,376**
Changes of allowances with effect on profit or loss	(461,313)	986,803
Changes of allowances with no effect on profit or loss	(143,864)	(737,783)
Translation differences	(634)	-
Balance as at 31 Dec.	**4,446,585**	**5,052,396**

4.3.7.10 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	31 Dec. 2010	31 Dec. 2009
Financial assets at fair value through profit or loss	72,494	70,023
Financial Assets at Fair Value Through Profit or Loss	**72,494**	**70,023**

Financial assets at fair value through profit or loss refer to shares of companies quoted on the regulated market of securities.

4.3.7.10.1 Table of Movement of Financial Assets at Fair Value Through Profit or Loss

	2010	2009
Balance as at 1 Jan.	**70,023**	**90,787**
Revaluation to fair value	67,681	10,325
Sales	(3,609,774)	(68,703)
Purchases	3,544,564	37,614
Balance as at 31 Dec.	**72,494**	**70,023**

4.3.7.11 LOANS ISSUED

	31 Dec. 2010	31 Dec. 2009
Short-term loans and deposits issued	11,041,322	37,596,046
Allowances for loans issued	(471,455)	(876,240)
Loans Issued	**10,569,867**	**39,719,806**

The interest rate for short-term loans ranged from 1.3% to 9%. Short-term loans and deposits issued are secured by business shares and a letter of guarantee.

Under short-term loans and deposits issued the Group disclosed EUR 6,000,000 loans issued to other related parties with an interest rate of 9%, secured by received business shares.

Allowances for short-term loans issued decreased by EUR 404,785, due to the concluded bankruptcy proceedings of debtors in 2010.

4.3.7.11.1 Table of Movement in Short-term Loans Issued

	2010	2009
Balance as at 1 Jan.	**36,719,806**	**25,940,132**
Current portion of long-term loans issued	2,266,000	-
Loans issued	8,986,000	24,695,000
Repayments of loans issued	(37,377,133)	(13,917,452)
Translation differences	-	2,126
Other	(24,806)	-
Balance as at 31 Dec.	**10,569,867**	**36,719,806**

4.3.7.12 OPERATING RECEIVABLES

	31 Dec. 2010	31 Dec. 2009
Trade receivables	147,912,478	101,665,578
Allowance for trade receivables	(5,890,597)	(4,580,235)
Receivables from interest	77,492	602,095
Receivables from VAT	7,116,054	6,357,903
Advance payments made	7,485,747	3,430,994
Other operating receivables	2,056,733	1,892,312
Operating Receivables	**158,757,907**	**109,368,647**

4.3.7.12.1 Table of Movement in Allowances for Operating Receivables from Customers

	2010	2009
Balance as at 1 Jan.	**4,580,235**	**1,349,022**
Purchase of subsidiaries	1,397,829	-
Changes of allowances with effect on profit or loss	546,752	3,570,230
Changes of allowances with no effect on profit or loss	(634,472)	(339,915)
Translation differences	253	898
Balance as at 31 Dec.	**5,890,597**	**4,580,235**

The majority of the Group's receivables from customers are insured against commercial risks with the insurance company SID-PKZ d.d., Ljubljana. The value of receivables from customers pledged as collateral as at 31 December 2010 amounts to EUR 32,380,650.

The carrying amount of operating receivables does not exceed their net realisable value.

4.3.7.13 CORPORATE INCOME TAX RECEIVABLES/LIABILITIES

	31 Dec. 2010	31 Dec. 2009
Corporate income tax receivables	562,958	3,775,226
Corporate income tax liabilities	(510,034)	(48,915)
Net Corporate Income Tax Receivables	**52,924**	**3,726,311**

4.3.7.14 CASH AND CASH EQUIVALENTS

	31 Dec. 2010	31 Dec. 2009
Cash in national currency	20,460,374	15,132,907
Cash in foreign currency	295,713	668,968
Restricted cash	1,471,373	12,585
Cash and Cash Equivalents	**22,227,460**	**15,814,460**

Cash in national and foreign currency includes cash in hand and balances in transaction accounts totalling EUR 4,544,662 as at 31 December 2010. Deposits to the amount of EUR 16,211,425 are in national currency and have up to three month maturity. The effective interest rate is the same as the contractual interest rate.

Contractual interest rates on deposits with an up to three month maturity are fixed and amount from 0.3% to 1.6%.

Restricted cash represents assets under the cash management contract signed with the financial company.

4.3.7.15 DEFERRED COSTS AND ACCRUED REVENUES

	31 Dec. 2010	31 Dec. 2009
Short-term accrued revenues	1,002,422	20,642
Short-term deferred costs	599,094	236,923
Deferred Costs and Accrued Revenues	**1,601,516**	**257,565**

Short-term accrued revenues to the amount of EUR 1,000,000 arise from carrying into effect the contractual penalty towards the equipment supplier for its delay.

Short-term deferred costs refer to advance payments of costs, such as professional literature subscriptions, paid insurance policies and VAT payment according to written order debiting the profit in 2011.

4.3.7.16 EQUITY

	31 Dec. 2010	31 Dec. 2009
Capital and reserves attributed to owners of the parent company	**310,429,383**	**306,668,361**
Share capital	145,266,066	145,266,066
Capital surplus	11,461,177	11,461,177
Revenue reserves	(1,504,366)	(2,005,997)
Revaluation surplus	57,734	244,415
Translation differences	(83,269)	(142,031)
Retained earnings	155,232,041	151,844,731
Non-controlling interests	**3,207,102**	**2,034,475**
Equity	**313,636,485**	**308,702,836**

Share capital of the parent company is recognized to the amount of EUR 145,266,066 and is distributed among 994,616 shares. The book value of a share is EUR 146.05. The number of shares in 2010 remained the same.

4.3.7.16.1 Ownership Structure of the Parent Company

SHAREHOLDER	Nr. of shares as at 31 Dec. 2010	Nr. of shares as at 31 Dec. 2009
DILON d. o. o., Gerbičeva ulica 98, Ljubljana	550,569	550,511
Republic of Slovenia, Gregorčičeva ulica 20, Ljubljana	248,655	248,655
OAO KOKS, 1ST STAKHANOVSKAYA STR.6, Kemerovo, Russian Federation	167,762	167,762
D.P.R. d.d., Koroška cesta 14, Ravne na Koroškem	11,468	11,468
Stanovanjsko podjetje d.o.o., Ob Suhi 19, Ravne na Koroškem	8,205	8,205
SIJ – Slovenska industrija jekla, d.d., Gerbičeva ulica 98, Ljubljana	7,917	7,917
Lameta d.d., Cesta Borisa Kidriča 44, Jesenice	-	58
MERKUR d.d., Cesta na Okroglo 7, Naklo	20	20
HIDRIA ROTOMATIKA d.o.o., Spodnja Kanomlja 23, Spodnja Idrija	10	10
UNIOR d.d., Kovaška cesta 10, Zreče	10	10
Total	**994,616**	**994,616**

There were no major changes in the ownership of the parent company in 2010. On 12 January 2010 DILON d.o.o. bought 58 shares from Lameta d.d. The share of DILON d.o.o therefore increased by 0.58 basis points.

4.3.7.16.2 Capital Surplus

Capital surplus in amount of EUR 11,461,177 was formed during the simplified decrease of the capital of the parent company.

4.3.7.16.3 Revenue Reserves

	31 Dec. 2010	31 Dec. 2009
Legal reserves	750,361	248,730
Treasury shares	(2,254,727)	(2,254,727)
Revenue Reserves	**(1,504,366)**	**(2,005,997)**

Legal reserves increased by 5% of the net profit of the Group's parent company according to the Companies Act. The parent company acquired treasury shares on the basis of the Acceptance of and Method of Meeting Liabilities of Slovenian Ironworks in Connection with the Restructuring Programme Act (Official Gazette of the RS, no. 111/2001) and in line with the Privatization of the Slovenian Steelworks Act (Official Gazette of the RS, no. 13/1998). These own shares were acquired by swapping interest in subsidiaries for shares owned by authorized companies. The shares were acquired ex lege and not according to the Companies Act, which why the parent company did not establish a treasury shares fund. Treasury shares are carried at cost.

4.3.7.16.4 Revaluation Surplus

	31 Dec. 2010	31 Dec. 2009
Revaluation reserves for available-for-sale financial assets	72,168	283,031
Revaluation reserves for assets held for sale	-	22,488
Deferred tax liabilities	(14,434)	(61,104)
Revaluation Surplus	**57,734**	**244,415**

4.3.7.16.5 Distributable Profit

	2010	2009
Balance as at 1 Jan.	**151,844,731**	**178,636,619**
Profit for the year	3,887,840	(26,913,240)
Forming of legal reserves	(501,631)	(128,476)
Other changes	1,101	249,828
Balance as at 31 Dec.	**155,232,041**	**151,844,731**

The Group is not a legal entity nor holds the decision-making rights. Retained earnings and profit of the year of subsidiaries included in the consolidation financial statements are distributable at the level of the respective subsidiary.

4.3.7.17 RETIREMENT BENEFIT OBLIGATIONS

	31 Dec. 2010	31 Dec. 2009
Provisions for severance payment	8,854,550	7,534,035
Profisions for jubilee awards	2,063,993	2,034,094
Provisions for employee benefit plans	442,490	-
Retirement Benefit Obligations	**11,361,033**	**9,568,129**

4.3.7.17.1 Table of Movement of Retirement Benefit Obligations for 2010

	31 Dec. 2009	Purchase of subsidiaries	Establishment	Reversal	Consumption	31 Dec. 2010
Provisions for severance payment	7,534,035	1,262,703	273,847	(96,573)	(119,462)	8,854,550
Profisions for jubilee awards	2,034,094	-	73,651	(43,752)	-	2,063,993
Provisions for employee benefit plans	-	441,053	8,219	(1,793)	(4,989)	442,490
Retirement Benefit Obligations	**9,568,129**	**1,703,756**	**355,717**	**(142,118)**	**(124,451)**	**11,361,033**

4.3.7.17.2 Table of Movement of Retirement Benefit Obligations for 2009

	31 Dec. 2008	Purchase of subsidiaries	Reversal	Consumption	31 Dec. 2009
Provisions for severance pay	7,647,383	7,595	(75,487)	(45,456)	7,534,035
Profisions for jubilee awards	2,040,927	3,546	(10,379)	-	2,034,094
Retirement Benefit Obligations	**9,688,310**	**11,141**	**(85,866)**	**(45,456)**	**9,568,129**

Provisions were formed for the estimated payments of long service awards, severance pay and employee benefit plans as the consequence of long-service benefits, as at the statement of financial position date, discounted to the present value. The estimated liability was set up for expected payments.

Actuarial calculation has been made on the basis of actuarial model and assumptions, derived from the table of death rate, staff turnover, growth of wages in the country of the group and the individual companies of the group, and the yield curve, which represents the relationship between market yields on government bonds in the euro area and the time remaining to maturity, discounted by 0.498% to 3.756% interest rate, depending on employee age structure and maturity.

4.3.7.18 OTHER PROVISIONS

	31 Dec. 2010	31 Dec. 2009
Provision for environmental rehabilitation	3,118,111	3,989,839
Provisions for law suits	960,610	994,600
Other provisions	408,569	560,329
Other Provisions	**4,487,290**	**5,544,768**

4.3.7.18.1 Table of Movement of Other Provisions for 2010

	31 Dec. 2009	Purchase of subsidiaries	Establishment	Reversal and consumption	31 Dec. 2010
Provision for environmental rehabilitation	3,989,839	-	111,315	(983,043)	3,118,111
Provisions for law suits	994,600	-	4,375	(38,365)	960,610
Other provisions	560,329	4,809	2,000	(158,569)	408,569
Other Provisions	**5,544,768**	**4,809**	**117,690**	**(1,179,977)**	**4,487,290**

4.3.7.18.2 Table of Movement of Other Provisions for 2009

	31 Dec. 2008	Establishment	Reversal and consumption	Transfer to the current portion	31 Dec. 2009
Provision for environmental rehabilitation	5,800,211	-	(58,566)	(1,751,806)	3,989,839
Provisions for law suits	1,007,159	-	(12,559)	-	994,600
Other provisions	492,858	104,612	(37,141)	-	560,329
Other Provisions	**7,300,228**	**104,612**	**(108,266)**	**(1,751,806)**	**5,544,768**

Provisions for environmental rehabilitation refer to the rehabilitation of the bank of the river Sava, the rehabilitation of the slag disposal site, and the reduction of noise impact. The provisions for the rehabilitation of the bank of the Sava and the rehabilitation of the slag disposal site were established in accordance with IPPC directives by which the EU requires rehabilitation of the white slag disposal facility in Javornik and the stabilisation of the bank of the Sava, where the company waste material used to be deposited in the past. Both rehabilitations are expected to be finished by the end of 2012.

Other provisions refer to the provisions for complaints about products in the warranty period.

4.3.7.19 LONG-TERM DEFERRED REVENUE

	31 Dec. 2010	31 Dec. 2009
Assigned contributions	451,866	401,051
Other long-term deferred revenue	84,626	135,083
Long-term Deferred Revenue	**536,492**	**536,134**

4.3.7.19.1 Table of Movement of Long-Term Deferred Revenue for 2010

	31 Dec. 2009	Purchase of subsidiaries	Establishment	Reversal and consumption	31 Dec. 2010
Assigned contributions	401,051	-	1,376,285	(1,325,470)	451,866
Other long-term deferred revenue	135,083	1,277	1,124,461	(1,176,195)	84,626
Long-term Deferred Revenue	**536,134**	**1,277**	**2,500,746**	**(2,501,665)**	**536,492**

4.3.7.19.2 Table of movement of long-term deferred revenue for 2009

	31 Dec. 2008	Establishment	Reversal and consumption	31 Dec. 2009
Assigned contributions	518,940	1,308,415	(1,426,304)	401,051
Other long-term deferred revenue	168,367	2,260,632	(2,293,916)	135,083
Long-term Deferred Revenue	**687,307**	**3,569,047**	**(3,720,220)**	**536,134**

4.3.7.20 BORROWINGS

	31 Dec. 2010	31 Dec. 2009
Long-term loans payable	120,504,818	128,337,634
Borrowings	**120,504,818**	**128,337,634**

Borrowings include loans raised with banks, both domestic and foreign. The effective interest rate on borrowings ranges between 1.41% and 9%. Property was used as collateral for borrowings to the amount of EUR 105,720,697, whereas other borrowings were not secured.

4.3.7.20.1 Table of Movement in Long-term Loans Payable

	2010	2009
Balance as at 1 Jan.	**128,337,634**	**81,461,999**
Purchase of subsidiaries	4,210,804	1,437,945
Loans payable	48,297,374	68,297,891
Repayments of loans payable	(15,004,054)	(1,013,281)
Current portion of long-term loans payable	(45,333,620)	(21,847,835)
Exchange rate differences	2,398	-
Translation differences	(5,718)	915
Balance as at 31 Dec.	**120,504,818**	**128,337,634**

4.3.7.21 OTHER FINANCIAL LIABILITIES

	31 Dec. 2010	31 Dec. 2009
Other long-term financial liabilities	12,085,011	6,050,905
Other Financial Liabilities	**12,085,011**	**6,050,905**

The interest rate for financial liabilities ranges from 6.0% to 6.4%. The Group has EUR 19,502,753 of property, plant and equipment under finance lease.

4.3.7.21.1 Minimum Lease Payments through Lease Period

	Due within 1 year	Due within 1-5 years	Due after 5 years
Minimum lease payments	4,487,737	11,965,050	1,403,178
Future financial costs	(403,574)	(1,036,989)	(246,230)
Present value of minimum payment of liabilities as at 31 Dec. 2010	**4,084,163**	**10,928,061**	**1,156,948**

4.3.7.21.2 Table of Movement in Long-term Financial Liabilities Arising from Finance Lease

	2010	2009
Balance as at 1 Jan.	**6,050,905**	**6,942,221**
Purchase of subsidiaries	3,834,635	317,909
Liabilities arising from finance lease	7,977,705	1,005,933
Repayments of liabilities arising from finance lease	(892,549)	(56,900)
Current portion of long-term liabilities arising from finance lease	(4,910,400)	(2,158,741)
Exchange rate differences	26,673	-
Translation differences	(1,958)	483
Balance as at 31 Dec.	**12,085,011**	**6,050,905**

4.3.7.22 LONG-TERM OPERATING LIABILITIES

	31 Dec. 2010	31 Dec. 2009
Emission coupons	259,259	459,446
Other liabilities	6,407,105	188,399
Long-term Operating Liabilities	**6,666,364**	**647,845**

The Group has long-term liabilities from the purchase of business shares due in 2012.

4.3.7.23 BORROWINGS

	31 Dec. 2010	31 Dec. 2009
Short-term loans payable	120,545,893	56,766,487
Transaction account overdrafts	1,478,689	14,081,966
Borrowings	**122,024,582**	**70,848,453**

Borrowings include loans raised with banks, both domestic and foreign. Borrowings to the amount of EUR 24,806,012 are guaranteed by real estate, to the amount of EUR 2,600,000 by inventories and to the amount of EUR 15,001,733 EUR by operating receivables. Other borrowings are not secured. The effective interest rate on borrowings ranges between 1.3% and 9%.

4.3.7.23.1 Table of Movement in Short-term Loans Payable

	2010	2009
Balance as at 1 Jan.	**70,848,453**	**92,673,353**
Purchase of subsidiaries	24,561,037	2,869,384
Current portion of long-term loans payable	45,333,620	21,847,835
Short-term loans payable	135,895,217	73,303,066
Repayments of loans payable	(141,991,999)	(123,480,409)
Change in transaction account overdrafts	(12,603,277)	3,635,023
Exchange rate differences	2,389	-
Translation differences	(20,858)	201
Balance as at 31 Dec.	**122,024,582**	**70,848,453**

4.3.7.24 OTHER FINANCIAL LIABILITIES

	31 Dec. 2010	31 Dec. 2009
Short-term interest payable	977,953	596,227
Short-term liabilities arising from finance lease	4,084,163	2,193,926
Other Financial Liabilities	**5,062,116**	**2,790,153**

The interest rate for financial liabilities ranges from 6.0% to 6.4%. The Group has EUR 19,502,753 of property, plant and equipment under finance lease.

Minimum lease payments as at 31 December 2010 that fall due in the next business year is EUR 4,487,737, the net present value of rents being EUR 4,084,163.

4.3.7.24.1 Table of Movement in Short-term Financial Liabilities Arising from Finance lease

	2010	2009
Balance as at 1 Jan.	**2,193,926**	**1,803,532**
Purchase of subsidiaries	641,111	173,742
Liabilities arising from finance lease	28,943	44,057
Repayments of liabilities arising from finance lease	(3,692,148)	(1,986,322)
Current portion of long-term liabilities arising from finance lease	4,910,400	2,158,741
Exchange rate differences	2,862	-
Translation differences	(931)	176
Balance as at 31 Dec.	**4,084,163**	**2,193,926**

4.3.7.25 SHORT-TERM OPERATING LIABILITIES

	31 Dec. 2010	31 Dec. 2009
Trade payables	113,876,843	72,199,836
Short-term liabilities to employees	4,571,172	3,113,066
Advance payments received	1,503,080	896,188
Tax liabilities	3,612,650	4,993,205
Other operating liabilities	12,400,922	4,053,225
Short-term Operating Liabilities	**135,964,667**	**85,255,520**

Short-term liabilities to employees include liabilities for net salaries and compensation for December salaries paid in January 2011. Other operating liabilities include liabilities for contract work and work under author's contracts, VAT liabilities, liabilities for taxes and employer's contributions arising from December salaries, and liabilities from assignment contracts.

4.3.7.26 ACCRUED COSTS AND DEFERRED REVENUES

	31 Dec. 2010	31 Dec. 2009
Accrued costs of complaints	-	240,000
Accrued customer fees	662,634	682,324
Accrued audit costs	146,851	90,258
Accrued costs of unused holiday leave	1,622,677	1,403,629
Accrued costs arising from legal action	-	40,094
Accrued costs for employee bonuses	167,100	846,709
Current portion of non-current provisions (the river Sava bank)	1,269,975	1,751,806
Other accrued costs and deferred revenues	1,961,298	667,805
Accrued Costs and Deferred Revenues	**5,830,535**	**5,722,625**

4.3.7.27 REVENUE

	2010	2009
Revenue from sales in Slovenia	102,140,557	77,307,078
Revenue from sales abroad	488,776,185	293,845,816
- Germany	131,733,077	71,872,885
- Italy	137,928,415	76,857,680
- Austria	31,205,293	22,155,476
- USA	27,119,291	16,544,670
- other countries	160,790,109	106,415,105
Revenue	**590,916,742**	**371,152,894**

4.3.7.28 OPERATING EXPENSES

	2010	2009
Costs of goods, material and services	499,153,349	287,301,148
Labour costs	84,147,593	72,376,833
- wages and salaries	60,094,866	51,976,849
- costs of social security	12,250,150	10,155,831
- other labour costs	11,802,577	10,244,153
Depreciation and amortisation costs	29,358,202	24,307,596
Other costs	3,319,214	2,333,141
Change in the value of inventories	(28,939,661)	18,461,657
Operating Expenses	**587,038,697**	**404,780,375**

The cost of auditing the Annual Report for 2010 was EUR 231.221.

4.3.7.28.1 Review of costs by type for 2010

	Cost of Sales	Distribution Costs	General and administrative costs	Total
Costs of goods, material and services	456,617,080	28,343,816	14,192,453	499,153,349
Labour costs	54,015,851	5,747,804	24,383,938	84,147,593
Depreciation and amortisation costs	26,087,637	252,542	3,018,023	29,358,202
Other costs	325,181	103,908	2,890,125	3,319,214
Change in the value of inventories	(28,939,661)	-	-	(28,939,661)
Operating Expenses	**508,106,088**	**34,448,070**	**44,484,539**	**587,038,697**

4.3.7.28.2 Review of Costs by Type for 2009

	Cost of Sales	Distribution Costs	General and administrative costs	Total
Costs of goods, material and services	254,841,101	18,535,271	13,924,776	287,301,148
Labour costs	46,801,135	2,943,861	22,631,837	72,376,833
Depreciation and amortisation costs	20,443,784	189,137	3,674,675	24,307,596
Other costs	38,952	4,876	2,289,313	2,333,141
Change in the value of inventories	18,461,657	-	-	18,461,657
Operating Expenses	**340,586,629**	**21,673,145**	**42,520,601**	**404,780,375**

4.3.7.28.3 Average Number of Employees by Category According to their Level of Education

	2010	2009
Primary school	309	329
Shorter vocational education	751	802
Vocational upper secondary education	956	922
Master craftsmen, foremen, shop managers exam	3	13
Secondary general and technical education	808	807
Vocational college	224	248
University degree	238	185
Master’s Degree, Ph.D	32	39
Total	**3,321**	**3,345**

4.3.7.29 OTHER OPERATING REVENUE

	2010	2009
Reversal of allowances for inventories	461,313	-
Reversed provisions	1,632,312	138,976
Gain on sales of property, plant and equipment	96,942	-
Gain on sales of assets classified as held for sale	-	164,300
Revenues from government grant	2,501,665	3,720,222
Capitalised own products	208,884	143,533
Damage compensations received	1,270,698	253,020
Write-off of liabilities	30,701	1,945,856

(continued)	2010	2009
Contractual penalties	1,641,400	-
Gain from the sale of emission coupons	536,216	-
Other operating revenue	489,777	722,588
Other Operating Revenue	**8,869,908**	**7,088,495**

4.3.7.30 OTHER OPERATING EXPENSES

	2010	2009
Allowances for receivables	546,752	3,660,970
Allowances for inventories	-	986,803
Impairment of inventories	212,273	161,454
Accrual of provisions for severance payment	213,600	-
Loss on sales and disposal of intangible assets	12,081	-
Loss on sales and disposal of property, plant and equipment	-	148,902
Loss on sales of assets classified as held for sale	112,330	-
Expenses for donations and sponsorships	396,685	404,648
Other operating expenses	123,540	371,431
Other Operating Expenses	**1,617,261**	**5,734,208**

4.3.7.31 FINANCE INCOME

	2010	2009
Gain on sales and revaluations of available-for-sale financial assets	1,291	366,289
Positive exchange rate differences from financing activities	11,694	30,830
Positive exchange rate differences from investing activities	74,671	41,933
Interest income	2,714,468	3,779,015
Other finance income	-	24,290
Finance income	**2,802,124**	**4,242,357**

4.3.7.32 FINANCIAL COSTS

	2010	2009
Negative exchange rate differences from financing activities	79,511	84
Negative exchange rate differences from investing activities	57,620	79,308
Interest expense	8,725,700	5,919,758
Other finance costs	124,538	2,515
Finance Costs	**8,987,369**	**6,001,665**

4.3.7.33 TAXES

	2010	2009
Corporate income tax	(697,703)	(326,606)
Deferred tax	(385,092)	7,490,981
Taxes	**(1,082,795)**	**7,164,375**

	2010	2009
Profit before tax	4,945,447	(34,054,520)
Corporate income tax liability at the tax rate of 20%/21%	989,089	(7,151,449)
Tax effects from:		
- non-taxable income	(21,457)	(130,091)
- expenses not recognized for tax purposes	528,868	5,905,509
- unused tax losses	(3,833)	(5,569,728)
- tax relief	(409,872)	(218,616)
Taxes	**1,082,795**	**(7,164,375)**
Effective tax rate	**21.89%**	-

4.3.7.34 EARNINGS PER SHARE

Basic earnings per share are calculated by dividing the profit for the year allocated to shareholders by the weighted average number of shares being traded during the year, net of the number of treasury shares.

	2010	2009
Profit/loss of the owners of the parent company	3,887,841	(26,913,240)
Weighed number of issued ordinary shares	986,699	986,699
Basic and diluted	**3.94**	**(27.28)**

4.3.7.35 CONTINGENT ASSETS AND LIABILITIES

As at 31 December 2010 the Group has contingent assets to the amount of EUR 4,697,279, which refers to the received guarantees for the elimination of errors in the warranty period.

Contingent liabilities as at 31 December 2010 amounted to EUR 5,268,075. EUR 1,244,152 refers to collateral for borrowings, whereas EUR 4,023,923 EUR refers to guarantees for adequate performance of work and customs bond.

4.3.7.36 BUSINESS COMBINATIONS

On 31 March 2010 the Group bought an 85% share of the company NIRO WENDEN GmbH. The difference between the cost and carrying amount of the acquired interest was recognized in the consolidated statement of financial position as goodwill to the amount of EUR 4,039,944.

According to the first paragraph of the IFRS, 3.45, at the initial recognition of business combinations the Group used the carrying amount of assets, liabilities and potential liabilities of the acquired company as the fair value. The initial recognition will be repeated within twelve months after the acquisition and the recognition will be adjusted accordingly.

The statement of financial position of the company NIRO WENDEN as on the day the Group acquired the controlling interest is given below.

	Temporary fair value	Carrying amount before acquisition
ASSETS		
Cash and cash equivalents	2,141	2,141
Property, plant and equipment, intangible assets	3,771,375	3,771,375
Inventories	5,844,198	5,844,198
Operating receivables	1,974,972	1,974,972
Other assets	757,993	757,993
EQUITY AND LIABILITIES		
Provisions	39,888	39,888
Borrowings	7,082,239	7,082,239
Other liabilities	3,231,427	3,231,427
NET ASSETS	**1,997,125**	**1,997,125**
Non-controlling interest (15 %)	299,569	
NET ASSETS ACQUIRED	**1,697,556**	
Purchase price	5,737,500	
Carrying amount of net assets acquired	1,697,556	
GOODWILL	**4,039,944**	

On 30 June 2010 the Group bought a 60% share of the company SMG Edelstahl GmbH. The difference between the cost and carrying amount of the acquired interest was recognized in the consolidated statement of financial position as goodwill to the amount of EUR 764,402.

According to the first paragraph of the IFRS, 3.45, at the initial recognition of business combinations the Group used the carrying amount of assets, liabilities and potential liabilities of the acquired company as the fair value. The initial recognition will be repeated within twelve months after the acquisition and the recognition will be adjusted accordingly.

The statement of financial position of the company SMG Edelstahl GmbH as on the day the Group acquired the controlling interest is given below.

	Temporary fair value	Carrying amount before acquisition
ASSETS		
Cash and cash equivalents	261,812	261,812
Property, plant and equipment, intangible assets	1,738,250	1,738,250
Inventories	822,838	822,838
Operating receivables	424,798	424,798
EQUITY AND LIABILITIES		
Provisions	401,165	401,165
Borrowings	2,542,696	2,542,696
Other liabilities	1,042,840	1,042,840
NET ASSETS	**(739,003)**	**(739,003)**
Non-controlling interest (40%)	(295,601)	
NET ASSETS ACQUIRED	**(443,402)**	
Purchase price	321,000	
Carrying amount of net assets acquired	(443,402)	
GOODWILL	**764,402**	

On 30 June 2010 the Group bought a 90% share of the company SIDERTOCE S.p.A. The difference between the cost and carrying amount of the acquired interest was recognized in the consolidated statement of financial position as goodwill to the amount of EUR 4,008,627. On the day of the takeover the company SIDERTOCE S.p.A. had 10% of its proper shares, which gave the Group 100% voting rights on the day of the takeover.

According to the first paragraph of the IFRS, 3.45, at the initial recognition of business combinations the Group used the carrying amount of assets, liabilities and potential liabilities of the acquired company as the fair value. The initial recognition will be repeated within twelve months after the acquisition and the recognition will be adjusted accordingly.

The statement of financial position of the company SIDERTOCE S.p.A. as on the day the Group acquired the controlling interest is given below.

	Temporary fair value	Carrying amount before acquisition
ASSETS		
Cash and cash equivalents	70,496	70,496
Property, plant and equipment, intangible assets	4,886,913	4,886,913
Inventories	3,962,040	3,962,040
Operating receivables	4,274,153	4,274,153
Other assets	46,114	46,114
EQUITY AND LIABILITIES		
Provisions	676,878	676,878
Borrowings	3,982,820	3,982,820
Other liabilities	5,588,645	5,588,645
NET ASSETS	**2,991,373**	**2,991,373**
Non-controlling interest (0%)	-	
NET ASSETS ACQUIRED	**2,991,373**	
Purchase price	7,000,000	
Carrying amount of net assets acquired	2,991,373	
GOODWILL	**4,008,627**	

On 31 August 2010 the Group bought a 60% share of the parent company Griffon & Romano. The difference between the cost and carrying amount of the acquired interest was recognized in the consolidated statement of financial position as goodwill to the amount of EUR 6,052,061.

According to the first paragraph of the IFRS, 3.45, at the initial recognition of business combinations the Group used the carrying amount of assets, liabilities and potential liabilities of the acquired company as the fair value. The initial recognition will be repeated within twelve months after the acquisition and the recognition will be adjusted accordingly.

The statement of financial position of the company Griffon & Romano as on the day the Group acquired the controlling interest is given below.

	Temporary fair value	Carrying amount before acquisition
ASSETS		
Cash and cash equivalents	865,348	865,348
Property, plant and equipment, intangible assets	2,243,931	2,243,931
Inventories	9,982,553	9,982,553
Operating receivables	11,974,516	11,974,516

(continued)	Temporary fair value	Carrying amount before acquisition
EQUITY AND LIABILITIES		
Provisions	591,911	591,911
Borrowings	15,164,088	15,164,088
Other liabilities	6,364,313	6,364,313
Non-controlling interests	32,804	32,804
NET ASSETS	**2,913,232**	**2,913,232**
Non-controlling interest (40%)	1,165,293	
NET ASSETS ACQUIRED	**1,747,939**	
Purchase price	7,800,000	
Carrying amount of net assets acquired	1,747,939	
GOODWILL	**6,052,061**	

4.3.7.37 RELATED PARTIES

Related parties comprise the parent company, subsidiaries, associates, other related parties and the Management of the company. Other related parties include the companies of the Group of the parent company, the controlling companies of the parent company and companies included in their groups.

4.3.7.37.1 Related-party Transactions Eliminated from the Consolidated Financial Statements

	2010	2009
Revenue/Expenses	104,016,371	51,790,351

	31 Dec. 2010	31 Dec. 2009
Operating receivables/Operating liabilities	46,985,361	16,072,331
Loans issued/Borrowings	28,547,702	24,110,098
Financial investments in subsidiaries	162,457,393	139,606,598

4.3.7.37.2 Transactions with the Parent Company

	2010	2009
Revenue	847	-

	31 Dec. 2010	31 Dec. 2009
Receivables	276,272	-

4.3.7.37.3 Other Related Party Transactions

	2010	2009
Revenue	1,013,375	930,773

	31 Dec. 2010	31 Dec. 2009
Receivables	6,000,000	36,320,000

4.3.7.37.4 Transactions with the Management

Total earnings under agreement with the Management, received in the business year for the performance of functions or tasks within the company by the members of the Board of Directors, employees employed under contracts that are not subject to the tariff section of the Collective Agreement, and the Supervisory Board members.

	2010	2009
Management	4,797,250	2,862,604
Individuals under service contracts	7,095,315	6,649,192
Members of the Supervisory Board	21,200	46,925

Earnings include gross salaries, reimbursement of work-related expenses according to the decision (daily allowance, mileage, overnight accommodation, etc.) and bonuses.
In 2010, the Group approved no advances and loans nor issued any guarantees to the Management of the Group or the Members of the Supervisory Board.
The Management of the company represents the Management of the parent company and subsidiaries. Accordingly, data for the 2009 financial year are disclosed. In 2010 the receipts increased compared to 2009 due to the increase in the number of subsidiaries in the group.

4.3.8 FINANCIAL INSTRUMENTS AND RISKS

4.3.8.1 CREDIT RISK

The major exposure as at the reporting date arises from operating receivables, loans issued and deposits.

4.3.8.1.1 Structure of Outstanding Financial Assets

31 Dec. 2010	Group 1	Group 2	Group 3	Total
Trade receivables	15,931,986	88,677,652	12,111,919	116,721,557
Other operating receivables	5,102,300	7,004,201	143,822	12,250,323
Loans issued and deposits made	1,352,528	105,000	5,547,300	7,004,828
Total	**22,386,814**	**95,786,853**	**17,803,041**	**135,976,708**

31 Dec. 2009	Group 1	Group 2	Group 3	Total
Trade receivables	5,422,938	52,505,707	7,848,596	65,777,241
Other operating receivables	2,579,711	3,630,267	10,124	6,220,102
Loans issued and deposits made	36,659,806	60,000	-	36,719,806
Total	**44,662,455**	**56,195,974**	**7,858,720**	**108,717,149**

Group 1: exposure to companies where we have had business contacts for more than one year, without them ever being late in meeting their obligations (the business partner pays all obligations by the due date);

Group 2: exposure to companies where we have had business contacts for more than one year and where they are occasionally late in meeting their obligations (business partner does not always settle their obligations by the due date);

Group 3: exposure to companies where we have had business contacts for a period of less than one year.

4.3.8.1.2 Ageing of Financial Assets Fallen Due but not Impaired

31 Dec. 2010	Up to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Total
Trade receivables	16,121,973	5,016,476	4,161,875	-	25,300,324
Other operating receivables	11,717	2,276	63,791	-	77,784
Total	**16,133,690**	**5,018,752**	**4,225,666**	**-**	**25,378,108**

31 Dec. 2009	Up to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Total
Trade receivables	19,362,263	11,882,905	62,873	62	31,308,103
Other operating receivables	-	-	56,392	-	56,392
Total	**19,362,263**	**11,882,905**	**119,265**	**62**	**31,364,495**

4.3.8.1.3 Movement in the Allowance of Financial Assets

	Allowance as at 31 Dec. 2009	Purchase of subsidiary	Allowance made in the period	Repayment of assets subject to allowance	Write-off of assets subject to allowance	Allowance as at 31 Dec. 2010
Trade receivables	4,580,235	1,397,829	896,485	(349,733)	(634,219)	5,890,597
Other operating receivables	1,430,309	-	2,052,675	(845,862)	(464,665)	2,172,457
Loans issued and deposits made	876,240	-	-	-	(404,785)	471,455
Total	**6,886,784**	**1,397,829**	**2,949,160**	**(1,195,595)**	**(1,503,669)**	**8,534,509**

	Allowance as at 31 Dec. 2008	Purchase of subsidiary	Allowance made in the period	Repayment of assets subject to allowance	Write-off of assets subject to allowance	Allowance as at 31 Dec. 2009
Trade receivables	1,349,022	-	4,087,255	(517,025)	(339,017)	4,580,235
Other operating receivables	1,160,578	31,571	861,608	(384,110)	(239,338)	1,430,309
Loans issued and deposits made	876,240	-	-	-	-	876,240
Total	**3,385,840**	**31,571**	**4,948,863**	**(901,135)**	**(578,355)**	**6,886,784**

4.3.8.2 LIQUIDITY RISK

The Group is managing liquidity risk by suitable projection of cash flows and short-term credit lines from banks agreed in advance, within the scope of ensuring that the Group is capable of settling overdue obligations at any time.

31 Dec. 2010	Up to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years
Trade payables	110,319,250	3,557,543	-	-
Borrowings	68,002,048	54,022,535	81,136,544	39,368,271
Other operating and financial liabilities	15,455,114	8,062,559	16,901,528	1,590,590
Total	**193,776,412**	**65,642,637**	**98,038,072**	**40,958,861**

31 Dec. 2009	Up to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years
Trade payables	69,914,861	3,284,974	-	-
Borrowings	17,208,941	53,639,514	104,497,250	23,840,381
Other operating and financial liabilities	4,674,619	2,988,832	5,835,097	209,519
Total	**90,798,421**	**59,913,320**	**110,332,347**	**24,049,900**

Exposure to banks is estimated as moderate. The Group fully complies with the conditions stated in loan contracts in the part defining the disclosure of data, payment of interest and repaying the principal value. In 2010 the Group did not completely settle its liabilities from two loan contracts to the total value of EUR 6,600,000. Violation of the first contract does not give the bank the right to prematurely terminate the contract by default, while there is a very slight probability of assets from the second contract being collected on time. The assessment is based on an independent legal overview of the signed contract, as well as on a previous case from last year, when a major violation of the contract did not cause a premature collection of assets. Given the reasons stated above as at the day of the financial statement the Group does not classify these long-term liabilities as short-term liabilities.

4.3.8.3 EXCHANGE RATE RISK

The consolidated financial statements have been prepared based on the following exchange rates:

- EUR/USD 1.3362
- EUR/GBP 0.86075
- EUR/CHF 1.2504
- EUR/JPY 108.65
- EUR/HRK 7.383

Net exposure (assets – liabilities) in foreign currencies, expressed in EUR, is:

- USD (10,280,713)
- GBP 548,545
- CHF (86,784)
- JPY (91)
- HRK (40)

4.3.8.4 INTEREST RATE RISK

A change in interest rates by 100 or 200 basis points as at the reporting date would result in an increase (decrease) of net profit/loss by the amounts stated below. The analysis assumes that all other variables, in particular exchange rates, remain unchanged. The analysis for 2009 was prepared in the same manner.

	2010	2009
Change in profit due to an increase by 200 bp	(4,437,524)	(2,704,381)
Change in profit due to an increase by 100 bp	(2,220,877)	(1,350,880)
Change in profit due to a decrease by 100 bp	2,220,877	1,350,880
Change in profit due to a decrease by 200 bp	4,437,524	2,704,381

4.3.8.5 EQUITY MANAGEMENT

The Group monitors the status of overdue receivables on a daily basis, while reviewing 3-month plans twice a month with the aim of achieving optimal debt. Larger investments are financed by non-current sources.

	2010	Debt increase by 10%	Debt decrease by 10%
Level of debt on equity	82.8	91.1	74.5
Equity	313,636,485	313,636,485	313,636,485
Financial liabilities	259,676,527	285,644,180	233,708,874

4.3.8.6 CARRYING AMOUNTS AND FAIR VALUES OF FINANCIAL INSTRUMENTS

	31 Dec. 2010		31 Dec. 2009	
Type of Financial Instrument	**Carrying amount**	**Fair value**	**Carrying amount**	**Fair value**
Financial assets at fair value through profit or loss	72,494	72,494	70,023	70,023
Available-for-sale financial assets	855,805	855,805	1,066,700	1,066,700
Loans issued and deposits made	13,004,828	13,004,828	36,719,806	36,719,806
Operating receivables	159,760,327	159,760,327	109,369,609	109,369,609
Cash	22,227,460	22,227,460	15,814,460	15,814,460
Borrowings	(242,529,400)	(242,529,400)	(199,186,083)	(199,186,083)
Other financial liabilities	(17,147,127)	(17,147,127)	(8,841,057)	(8,841,057)
Operating liabilities	(146,996,299)	(146,996,299)	(89,451,109)	(89,451,109)
Total	**(210,751,912)**	**(210,751,912)**	**(134,437,651)**	**(134,437,651)**

4.3.8.7 FINANCIAL ASSETS DETERMINED AT FAIR VALUE BY FAIR VALUE HIERARCHY

	31 Dec. 2010	31 Dec. 2009
Financial assets at fair value of the first level	560,681	769,362
Financial assets at fair value of the third level	367,618	367,361
Financial assets at fair value in total	**928,299**	**1,136,723**

4.3.9 EVENTS AFTER THE DATE OF THE STATEMENT OF FINANCIAL POSITION

- In February 2011 a company Acroni signed a contract on a long-term syndicated loan to the amount of EUR 33,500,000 for financing the project of a new rolling frame.
- The Managing Director of Metal Ravne became the President of the General Assembly of the company SIDERTOCE.
- Should the compulsory settlement be approved, the companies SIJ, d.d. and Acroni will enter the ownership of Alpos. The compulsory settlement order is anticipated to realize in June.

5 AUDITOR'S REPORT

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INDEPENDENT AUDITORS REPORT TO THE OWNERS OF SIJ – SLOVENSKA INDUSTRIJA JEKLA d.d.

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of the SIJ-Slovenska industrija jekla group, which comprise the statement of financial position as at 31.12.2010, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entities' internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the SIJ-Slovenska industrija jekla group as of 31.12.2010, and their financial performance and their cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

Report on Other Legal and Regulatory Requirements

Pursuant to Article 57(1) of the Companies Act (ZGD-1), we have reviewed the Group's business report. In our opinion, the business report is consistent with the audited financial statements.

The group did not disclose information in the anual report regarding receipts of the members of management and supervisory bodies as required under Article 294 of the Companies Act (ZGD-1).

DELOITTE REVIZIJA d.o.o.

Maruša Tratnjek
Certified auditor

Yuri Sidorovich
President of the Board

Ljubljana, 15. March 2011

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FOR TRANSLATION PURPOSES ONLY- ORIGINAL PREVAILS