

# business report

A decorative horizontal band featuring a black and white photograph of sparks from a welding process. A blue hatched bar is overlaid on the left side of this band. The year '2020' is printed in large, light blue, semi-transparent numbers across the right side of the band.

of the SIJ Group and SIJ d.d.  
for the first half of

# 2020

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01

# introduction

# Operating Highlights

## LEADING MARKET SHARES IN STEEL NICHE MARKETS

No. **1** producer of stainless-steel quarto plates in the European Union

No. **3** producer of tool steels in the European Union

Top **10** producer of industrial knives in the world

## H1 2020 IN NUMBERS



## VISION

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

## MISSION

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

## VALUES

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

## VERTICALLY INTEGRATED BUSINESS MODEL

The majority of revenues comes from steel production, which is meaningfully integrated with other business divisions – from the collection and sale of steel scrap to steel distribution and its processing into finished products. The semi-finished steel products programme is supplemented by the production of high-added value finished metal products.

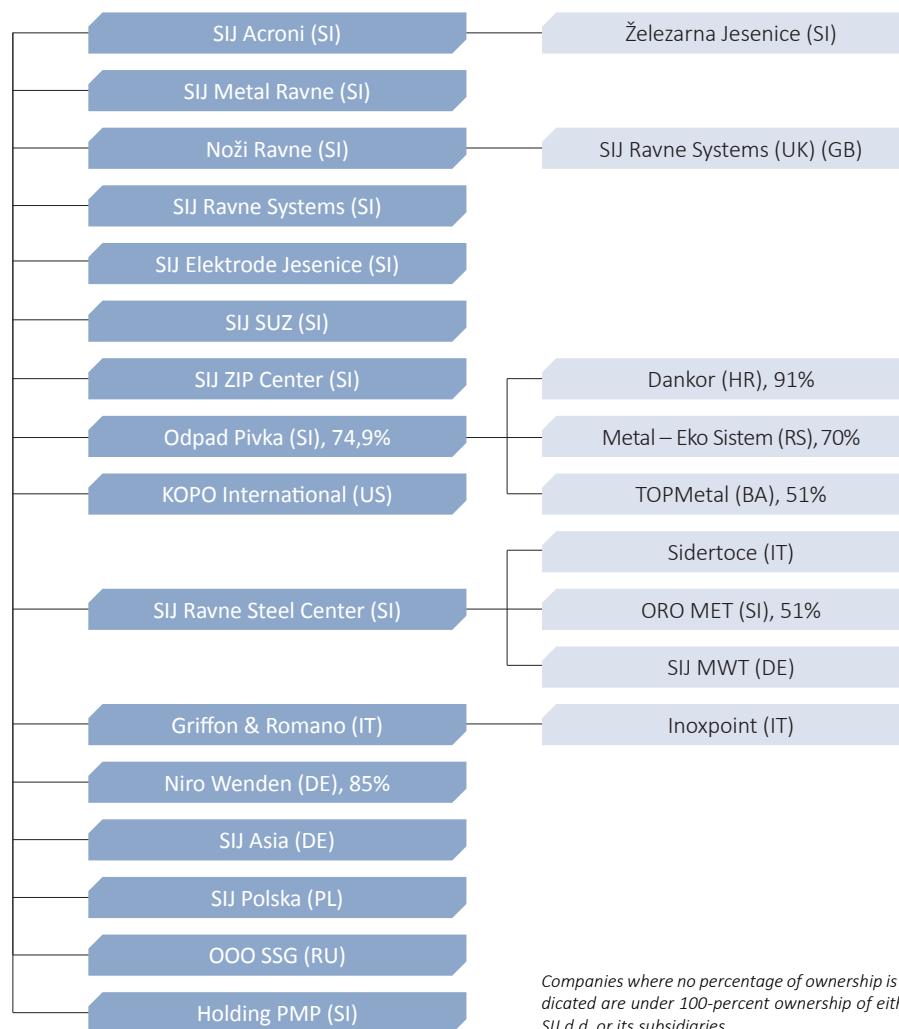


# SIJ Group at a Glance

SIJ Group is comprised of 25 companies. SIJ d.d. is the controlling company, founder and either the direct or indirect owner of the subsidiaries of SIJ Group, with no registered subsidiaries.

In accordance with the controlling agreement concluded between SIJ d.d. as the parent company and its directly controlled companies, the operations of the main production companies in Slovenia have been under the control of the controlling company since 2007. Once consent was given at the 38th shareholders' meeting, the agreement was updated in June 2020, so that the Contract on the Governance and Organisation of the Contractual Group under the Leadership of the Controlling Company SIJ d.d. includes the companies SIJ Acroni, SIJ Metal Ravne, SIJ Elektrode Jesenice, Noži Ravne, SIJ SUZ, SIJ ZIP Center and now also SIJ Ravne Systems, while the company Železarna Jesenice is no longer a party to the agreement. As a rule, other subsidiary companies are either 100-percent owned or under the predominant influence of the parent company SIJ d.d.

## ORGANISATIONAL STRUCTURE



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

# Overview of the Controlling Company SIJ d.d.

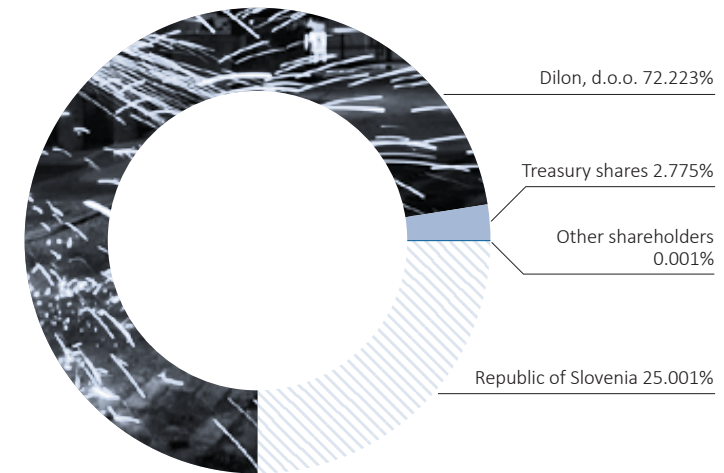
## ABOUT SIJ D.D.

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

## MANAGEMENT AND SUPERVISORY BODIES

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

Ownership structure as of 30 June 2020



### Management Board of SIJ d.d.

President of the Management Board:  
**Andrey Zubitskiy**

### Executive management of SIJ d.d.

Senior Vice-President: **Tibor Šimonka**  
 Vice-President and Chief Executive Officer:  
**Viacheslav Korchagin**  
 Vice-President and Chief Financial Officer:  
**Igor Malevanov**  
 Vice-President and Chief Legal and  
 Corporate Governance Officer:  
**Evgeny Zverev**

### Supervisory Board of SIJ d.d.

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

### Audit Committee

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

02

# business report

# Significant Business Events and Achievements in the First Half of 2020

## February

**On the way to the circular economy and climate-neutral products.** On 19 February 2020, members of the Strategic Council for Metallurgy, of which SIJ Group is a member, presented the Minister for Economic Development and Technology Zdravko Počivalšek and Minister of the Environment and Spatial Planning Simon Zajc with the challenges and proposed solutions for achieving the European Green Deal targets by the year 2050. They brought attention to the National Energy and Climate Plan (NECP), which anticipates lowering carbon dioxide emissions by 43 percent, with at least 30 percent utilization of renewable energy sources. Slovenian metallurgy companies are ranked among the world's top companies in terms of the energy efficiency of their business processes and low greenhouse gas emissions. We utilise the best available technologies (BAT) in our processes, and actively focus our investments on products with a low or neutral carbon footprint. The members welcomed the European Green Deal guidelines while urging the Slovenian government not to im-

pose stricter conditions compared to other countries for the transition to the green economy, considering the efficiency of Slovenian companies.

**SIJ Metal Ravne will invest in a heat treatment line in the metalworks.** SIJ Metal Ravne and the international technology group ANDRITZ signed a contract to build the entire hardening and tempering line which comprises two dual-chamber furnaces, a charging manipulator and steel improvement pools, as well as an automation system. The investment is expected to be launched in second quarter 2021. This investment will give SIJ Metal Ravne a special line in the metalworks production programme, allowing it to perform the most advanced heat treatment processes for products intended for use in the energy industry, aircraft industry and other complex sectors which the company is planning to expand in the coming years. These expansions are in line with the set business strategy.

## March

**Coronavirus epidemic.** The coronavirus epidemic was declared in Slovenia on 13 March. SIJ Group's crisis response team implemented more than 20 preventive measures to protect the health of employees. The crisis response team kept abreast of the situation and managed all identified risks across all key business areas (Sales, Procurement, Logistics, Human Resources, Finance), in addition to monitoring the measures introduced by the Slovenian government, the European Union, the European Steel Association (EUROFER) and other relevant organisations, with the aim of minimising the disruption of operations. SIJ Group regularly updated its customers, suppliers, investors and other business partners of the situation as it developed.

**SIJ Group enters the aircraft and space industry.** With its second-largest company SIJ Metal Ravne, SIJ Group obtained the EN 9100 international quality standard, allowing it to enter the demanding market of high-quality technologically advanced

products for use in the aircraft industry, space flight and other advanced industries. SIJ Metal Ravne is planning to sell two thousand tonnes of various types of steel to the aircraft industry by the year 2025, mostly for use in the production of components of the fuselage, doors, wings, flaps, turbine blades.



## April

**Business conditions in SIJ Group as the coronavirus epidemic developed.** SIJ Group companies adjusted the work processes in their production facilities to address the situation brought on by the coronavirus, constantly optimizing the business processes and switching to serial instead of continuous production. In this period, renovations and maintenance works were done in the production facilities, although these were initially planned to be performed later in 2020. Some employees were given temporary lay-off notices.

**Organisational changes in the management of SIJ d.d.** On 30 April 2020, the mandates of Tibor Šimonka, Viacheslav Korchagin and Igor Malevanov as members of the Management Board of SIJ d.d. ended. As of 1 May 2020, these former members of the Management Board took on new management positions related to the organisation and activities of the management of SIJ d.d. and SIJ Group. They became Vice-Presidents and were given powers and responsibilities

related to the centralised management and coordination of the key business functions of SIJ Group, in accordance with the new organisational matrix. SIJ Group now has a single-member management, which is still headed by the President of the Management Board Andrey Zubitskiy.

**Approval and publication of the 2019 Annual Report.** During its 11<sup>th</sup> session of 30 April, the Supervisory Board reviewed and adopted SIJ Group and SIJ d.d.'s Audited Annual Report for the financial year 2019.

## June

**38<sup>th</sup> general assembly of shareholders of SIJ d.d.** At the General Assembly session which took place on the 19<sup>th</sup> of June, shareholders took note of the 2019 Annual Report of SIJ Group and SIJ d.d., with a certified auditor's opinion, of the supervisory board's report on the annual report audit observations, as well as of the declaration of the earnings of the Management Board and Supervisory Board. The General Assembly of Shareholders issued a discharge for the financial year 2019 to the Management Board and Supervisory Board and passed the decision to keep the company's distributable profits of EUR 108,611,628.83 undistributed. The General Assembly granted its consent to the signing of the Agreement on the Control and Organisation of the Contractual Concern (business agreement) between the companies SIJ d.d. (i.e. the controlling company) and the controlled companies SIJ Acroni, SIJ Metal Ravne, SIJ Elektrode Jesenice, Noži Ravne, SIJ SUZ, SIJ ZIP Center and SIJ Ravne Systems. The aforementioned Agreement constitutes an

amendment to the Contract of Regulation of Mutual Relations and Unitary Management in the Group SIJ – Slovenska industrija jekla d.d., dated 12 June 2007.

### ANNIVERSARY YEAR

SIJ Group connects companies which developed in locations with an exceptional steel working tradition. We descend from the honourable 400-year steel-working tradition in the Mežica valley, Koroška, and we are celebrating the fourth centenary in 2020.

# Significant Business Events after the Reporting Period

## July

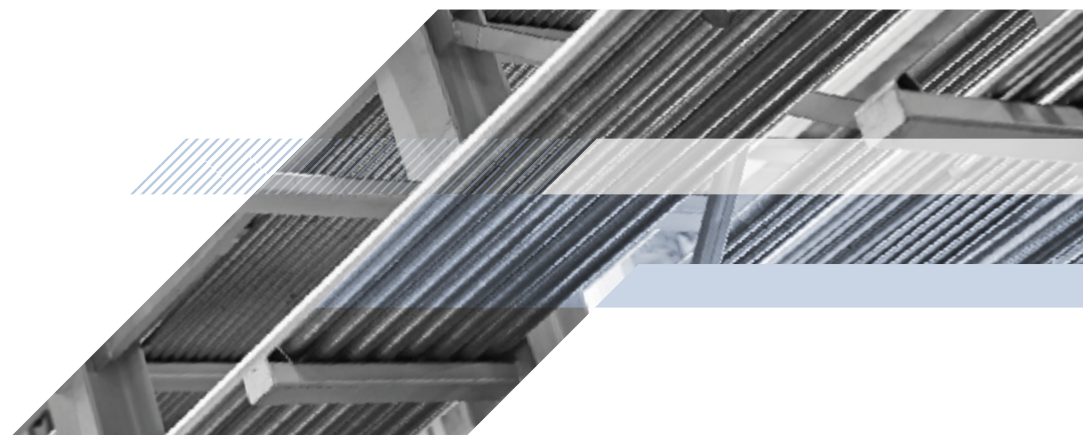
### **SIJ Group established a leading regional center supporting the tooling industry.**

The company SIJ Ravne Steel Center, which is part of the SIJ Group's Steel Processing and Distribution Division, began the process of strategic restructuring, which will lead to changing its corporate name to RSC Holding. Going forward, this company will be under 51 percent ownership of SIJ d.d., and will stay on as part of SIJ Group, whereas a 49 percent share will be held by the Ljubljana-based TPA tehnološki center d.o.o., which brings together several companies supporting the tooling industry. As part of the restructuring process, RSC Holding will thus absorb the companies Kaldera, HTS IC (SI), CTO, Steel, Alrotec Tehnologija, HTS IC (CZ), HTS IC (AT) and DCTL.

By taking this decision, SIJ Group made an important step forward in pursuance of its strategy for developing the group and implementing vertical expansion in the tool steels segment. With establishing RSC Holding a leading regional center supporting the tooling industry was created, which

will provide customers with products and services ranging from warehousing, cutting and distribution of tool steels, heat treatment services, mechanical treatment of steel plates and supplementary services. The range of products will be expanded to include production of aluminium extrusion tools, as well as development and production of innovative products for pressure die casting and injection moulding, produced using a patented innovative technology of additive manufacturing which transcends the production limits using conventional technologies.

The end users of these products will benefit from increased efficiency and lower cost, which provides great development potential for numerous applications. This will allow SIJ Group to gain an essential competitive advantage on the market, allowing it to achieve its strategic goals and long-term growth and development.



# Coronavirus and SIJ Group's Operations

On 13 March, as the coronavirus epidemic was declared in Slovenia, SIJ Group assembled a centralised crisis response team. The crisis response team monitored the spread of the epidemic in the Republic of Slovenia, neighbouring countries and on key markets. As the epidemic spread, the crisis response team introduced centralised measures to protect the health of our employees, following with the recommendations provided by the Slovenian Government and relevant healthcare organisations, and also implemented certain additional measures required by the nature of the work in SIJ Group companies. The crisis response team kept abreast of the situation and managed all identified risks across all key business areas (Sales, Procurement, Logistics, Human Resources, Finance), in addition to monitoring the measures introduced by the Slovenian government, the European Union, the European Steel Association (EU-ROFER) and other relevant organisations, with the aim of minimising the disruption of operations. SIJ Group regularly updated its customers, suppliers, investors, and other business partners of the situation as it developed. More information is publicly available at <https://www.sij.si/en/news-and-media/coronavirus/>.

## EMPLOYEES: MEASURES AIMED AT HEALTH PROTECTION

SIJ Group's production processes were not shut down when the epidemic was declared. As protecting the health of employees was treated as a priority at SIJ Group, over 20 precautionary measures were implemented, including:



### Hygienic measures,

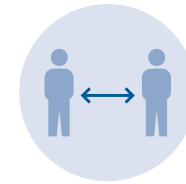
based on the instructions provided by the National Institute of Public Health, the following supplementary measures were introduced: hand washing and use of disinfectants; social distancing between employees and wearing face masks in cases where sufficient distance could not be assured, as well as in some more exposed positions (e.g. forwarding); cough hygiene; regular ventilation of rooms; care for clean work attire; taking temperature measurements; executing protocols in the event of discovered cases of infected employees; etc.

Particular attention was given to ensure sufficient personal protective equipment for employees, especially disinfectants and face masks. Our broad network of suppliers, partial supplies and economical but safe consumption all contributed to overcoming the initial general lack of protective equipment.



### Preventive measures,

including cancellation of all business trips and using digital communication channels; cancellation and prohibition of participation at training seminars; shutting down all canteens and suspension of resupplying of all vending machines (coffee, snacks).



### Reorganisation of work processes,

including weekly telecommuting for employees whose work allows for such reorganisation; cancelling student work and internships; reorganising work shifts so that employees would not meet in the workplace or in common areas during shift changes; introducing clean zones in technological production areas; bonuses for production workers; where possible, at-risk groups of employees (persons over 60, pregnant women and persons with chronic illnesses) were allowed to telecommute for the entire duration of the epidemic.



### Informing employees

about the urgency and proper execution of all the safety measures and providing them with key information about the operations of SIJ Group.

While infected employees were identified in four SIJ Group companies, the virus did not spread to other employees. SIJ Group therefore believes we were successful in implementing safety measures and curbed the spread of the epidemic among our employees, mitigating the risk of mass absences and disruption to the work processes.

## **SALE: FLEXIBILITY AND ATTRACTING NEW CUSTOMERS**

SIJ Group is a strongly export-oriented company with a presence in over 60 countries around the world, generating over 80 percent of its sales revenue on foreign markets. Due to the coronavirus we have tracked closely worldwide developments with particular attention on what measures individual countries introduced to curb the spread of the virus. We have adjusted and optimised our sales activities in specific markets in order to efficiently address sales risks.

### **Flexibility During the Time of Strict Anti-coronavirus Measures on the Domestic Market and on Foreign Markets**

The first decline in sales volumes was observed with customers whose business was strongly connected to supply or demand from China. The economic slow-down in Italy, which followed, has had a major impact on sales volume since Italy is SIJ's 2nd largest EU market. France and Spain followed suit. During these times, SIJ Group proved to be an extremely flexible business partner. We established daily communication with the customers and sent them frequent updates on the production or logistical phases of the ordered products. This was particularly important for customers who hold key producer status in individual countries during the time of quarantine (producers of medical equipment, food industry etc.). During this period, we were relatively successful in mitigating the decline in sales in high-risk markets by redirecting to lower-risk markets (USA, India, Russia, etc.).

At the time that the epidemic was declared in Slovenia, stricter measures were also introduced in the Slovenian

economic environment and SIJ Group made it a priority goal to retain its status as a reliable business partner for its customers. Throughout the process, our efforts were focused on ensuring to the maximum extent possible that the key business processes were not hindered (production, sales, purchasing, logistics) wherever possible. Despite this, the spread of the coronavirus and the progressing crisis in the automotive industry had a significant impact on the sales activities and on realizing the sales targets in the first half of the year. Sales targets thus deviated particularly in our key markets, which include Slovenia. From the end of April 2020, due to the rapid global spread of the virus, SIJ Group was no longer able to compensate for the decline in sales by redirecting its efforts to other markets, therefore additional sales activities were introduced.

### **Expanding Our Customer Base and Entry into New Industries**

SIJ Group products are used in a variety of industries, particularly mechanical engineering and the automobile industry, the oil, gas and petrochemical industry, in the production of power generating turbines, and the yellow goods industry. As a result, the adverse market conditions did not affect all SIJ Group's sales programmes equally. The largest decline was observed in the products directly or indirectly linked to the automotive industry.

To mitigate the decline in sales, we made additional efforts in attracting new customers, particularly those outside the automotive industry. In the first half of the year 2020 we gained approximately 170 new customers, 80 percent of which in the Steel Division, which has the greatest impact

on SIJ Group's business results. This measure allowed us to mitigate the trend of declining orders in the Manufacturing Division as well, namely industrial knives, tempered steel rolls and machine building.

In the first half of 2020, we grew our customer base in the nuclear industry, where we achieved the status of a certified supplier. We obtained the EN 9100 standard certificate for the aircraft industry, which greatly improved our options for increasing sales and expanding the share of products with the highest added value.

Based on our order volumes, we believe that it will be unlikely to compensate the lost sales volume by the end of 2020.

## **LOGISTICS: LOGISTICAL CHANNELS WITH THE LEAST DELAYS**

SIJ Group carries out most supplies to customers through road transport, using a wide network of over 100 partners. During the epidemic, SIJ Group's supply chain was performing well on all key markets, despite restrictions in individual countries. Occasional delays were due to increased control procedures on state borders.

## **PURCHASING: SUPPLY OF RAW MATERIALS**

In the first half of 2020, SIJ Group successfully managed all purchasing risks related to supply of strategic raw materials, therefore there were no disruptions of production in this regard.

### **Well-conceived Management of the Safety Reserves of Raw Materials**

Even before the onset of the coronavirus epidemic in Europe, SIJ Group was monitoring developments in China, which is the source of our strategic raw materials (e.g. graphite electrodes, nickel etc.) and we implemented various measures to manage purchasing risks. We drew up scenarios for the supply of strategic raw materials originating from outside Europe. We established geographic diversification of the warehouses of our most important alloys. As the transport restrictions intensified, we raised the minimum stock of raw materials originating from critical areas. During the first half of the year, supply of key raw materials was never disrupted, due to increased transit times there were only some difficulties in supply planning. As the safety measures relaxed, SIJ Group immediately reacted by reducing the levels of the safety reserves back to normal levels.

### **Positive Effects of Vertical Integration on the Supply of Steel Scrap**

SIJ Group uses steel scrap as a secondary raw material in steel production. In the context of vertical integration, we successfully mitigated the risks associated with non-delivery of steel scrap from outside the country by increasing supplies from own sources on the Slovenian market. The positive effects of vertical integration also brought shorter and more predictable transport routes and more flexibility in terms of adjusting supplies to meet our production requirements. Going forward, SIJ Group will continue implementing its supply policy on the domestic market, in line with availability and pricing of raw materials.

For tool steel production, SIJ Group uses scraps from the automotive industry. Due to the standstill of the European automotive industry, we mitigated the risk associated with the shortage of automotive industry scrap by introducing substitutes and adjusting the technological regulations on use of scrap materials, which allowed us to overcome the temporary shortage of car scrap bales on the market. Use of bales thus decreased by over 10 percent. We are maintaining this ratio going forward due to the still-steep pricing of the bales relative to other types of scrap.

### **Decline in the Prices of Raw Materials**

In the first half of the year, during the epidemic, we observed a falling trend in the prices of raw materials. By the end of June prices of exchange traded raw materials have almost made up for the loss incurred by the declaration of the epidemic. However, some alloys encountered negative pricing trend later, therefore prices are still lower compared to the beginning of 2020.

### **PRODUCTION: WE DID NOT SHUT DOWN DURING THE TIME OF THE EPIDEMIC**

Due to the nature of work at SIJ Group, where almost 70 percent of our employees work in production, the greatest identified risk to our operations, after declaring the epidemic, was our employees falling ill and the resulting absence from work. Therefore our priority was to take all the necessary precautions to protect our employees' health and prevent the spread of infection from potentially ill employees. These precautions are detailed in this chapter. Through introduction of a temporary bonus system we assured additional incentive for our employees to come to

work and achieve our production plans. In the initial period, after the epidemic was declared in Slovenia, this allowed us to ensure uninterrupted work process in the production segment, and we were also taking precautions to lessen the effects of the coronavirus epidemic on our operations and thus preserve jobs at SIJ Group.

As the coronavirus epidemic situation developed, in the second half of H1 2020, we also adjusted the work process in our production facilities based on the decline in demand. We were constantly optimizing the business processes and switching to serial instead of continuous production. Some employees in our production facilities and shared services were given temporary lay-off, introduced a shorter workday, which is explained further in this chapter. In this period, we carried out renovations and maintenance works, which were initially planned to be performed later in 2020. We also adjusted our maintenance budget by 13 percent to match the decline in production volumes.

### **INVESTMENTS: ADJUSTMENT OF PLAN**

SIJ Group re-assessed the investment plans for 2020 and made required adjustments. The lower-priority investments were postponed or prolonged, we kept strategic projects which impact SIJ Group's development going forward. This resulted in a 39 percent decrease in the investment budgets for 2020.

## EMPLOYEES: UTILISATION OF GOVERNMENT AID PACKAGES

SIJ Group is a key employer in the regions of Ravne na Koroškem and Jesenice. Regardless of the numerous adjustments and operational optimisations to mitigate the impacts of the crisis on the operations of SIJ Group, we have shown to our employees, their families and the local environment to be a stable employer and a trusted partner for the future.

Through a combination of our own incentives and government aid packages, we ensured sufficient employee attendance to allow us to reach our adjusted business targets, preserve jobs and provide job security for our employees.

In the initial period after the epidemic was declared, we invested more effort in ensuring the safety of our employees and adequate presence at work. These efforts included introducing extra bonus incentives for our employees to fill existing orders. In the second half of the half-year period, we faced a decline in orders and focused our efforts on preserving jobs.

We welcomed the government measures providing refunds for the compensation of employees in temporary lay-off, and for absences resulting from force majeure, as well as the waiving of social contributions for such employees, waiving of pension and disability insurance contributions, refunds for short-term sick leave absences, and subsidies for reduced working hours. We paid out crisis bonuses to eligible employees. In June, all Slovenian companies paid out the annual leave allowance to their employees.

SIJ Group is a key employer in the regions of Ravne na Koroškem and Jesenice. At the end of the half-year period, SIJ Group had 3,698 employees, which is 147 persons fewer year-on-year. The average age of employees increased and stood at 43.2 years in the first half of the year. Due to the specific nature of the work process in SIJ Group, its employ-

ees are predominantly male. The share of women employees remains at the same level as last year and stands at 16.7 percent. In the first half-year period, the absenteeism rate due to sick leave stood at 9 percent, and 41 work accidents were recorded.

### Key Data on Employees as at 30 June

	30 June 2019	30 June 2020
Number of employees	3,845	3,698
Average age (in years)	40.2	43.2
Share of women (%)	16.7	16.7
Number of persons with disabilities	338	328
Sick leave absenteeism (%)	7.8	9.0
Number of accidents	81	41
Accident frequency (F2)	27.0	19.5

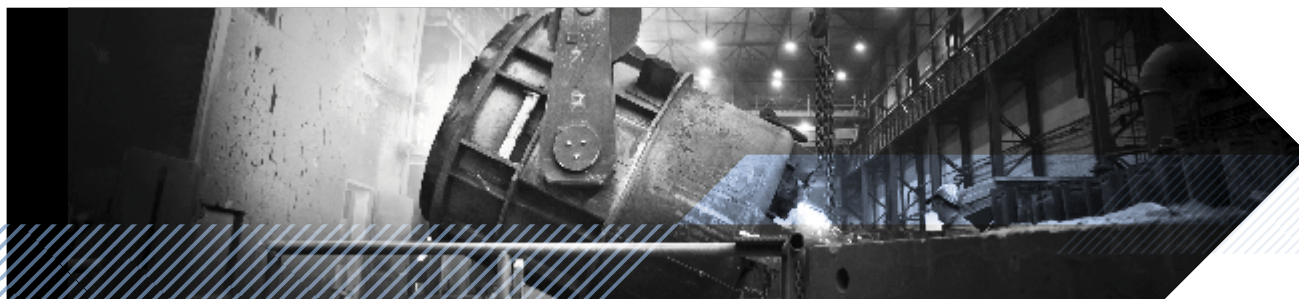
## LEGAL POINT OF VIEW: INTERVENTION LAW

During the time of the coronavirus epidemic and introducing restrictions and measures to aid the economy, the SIJ Group has a somewhat higher level of exposure to legal risk associated with changes or interpretation of the law. The legislative process was rapid, and in some ways not entirely thought through, regulations kept changing and we were facing difficulties with the implementation of their provisions. SIJ Group manages this elevated risk by placing even more attention to legislative changes, immediately checking the meaning and effects of regulations with other competent authorities, and through engagement of external legal experts with specific skill sets.

## FINANCE: STABLE FINANCE POSITION

Due to the coronavirus epidemic and the decline in economic activity, many companies are facing liquidity issues, which increases exposure to credit risk involving our customers. SIJ Group is aware of this and introduced daily checks of the structure of receivables, intensive communication with the customers, and tracking any indicators which may signal an increased customer related risks. While we are experiencing payment delays with some customers, we are addressing these individually by extending payment terms, whereas customers are fully meeting their payment obligations. Extensive daily follow-ups on the status of receivables and communication with customers, as well as a high percentage of first-class insurance of trade receivables enable SIJ Group not to register any significant adverse changes to payment discipline as a result of the coronavirus epidemic. By SIJ Group's assessment, there is an increased credit risk, however it was effectively managed in the first half of the year 2020.

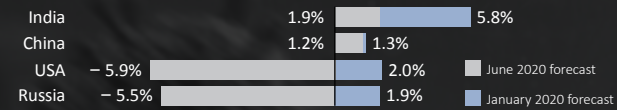
SIJ Group's strong liquidity position and liquidity reserve in the form of short-term and long-term credit lines with banks allow the Group to settle its liabilities as they fall due. The Group places even greater attention to managing and planning cash flows. We dedicate particular attention to preparing various liquidity scenarios and working capital projections. Maintaining an active attitude towards financial markets and renewing sufficient short-term and long-term credit lines while fulfilling commitments stipulated in the credit agreements allow SIJ Group to manage its liquidity appropriately. Much like credit risk, we also regard liquidity risk to be elevated, however we are managing it appropriately.



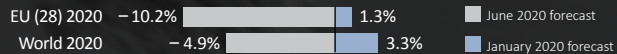
**PROJECTION FOR 2020: CHANGED EXTERNAL MARKET CIRCUMSTANCES AND IMPACTS AND OPPORTUNITIES FOR SIJ GROUP**

**GLOBAL ECONOMIC OUTLOOK**

**Economic Growth Forecast 2020**



**Economic Growth Forecast 2020**



**Observations and Trends**

**3.0%** decline in GDP in 2020 and forecast for it to rise to 5.8% in 2021.

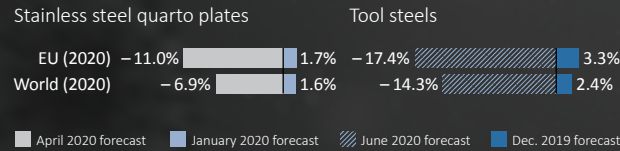
**6.3%** EU economic growth will not be sufficient to reach the level before the coronavirus epidemic.

**Impacts and Opportunities**

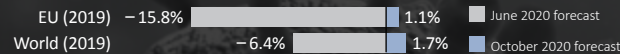
- Strengthening relations with existing customers and attracting new customers.
- Replacing sales activities on high-risk markets with those on lower-risk markets, in terms of the coronavirus.
- Seeking out opportunities for production of new high added value products.

**NEW STEEL DEMAND TRENDS**

**Growth in Steel Consumption**



**Growth in Steel Demand**



**Observations and Trends**

**12.5%** decline in steel production growth in the EU in the first four months of 2020.

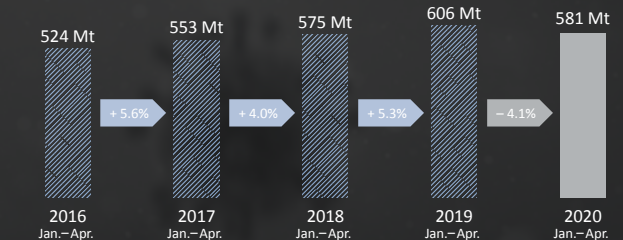
**4.6%** decline in global steel production in the first four months of 2020.

**Impacts and Opportunities**

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

**GLOBAL PROTECTIONISM + CORONAVIRUS**

**Global decline in steel production, January**



**Observations and Trends**

**50%** decline in EU steel demand during the coronavirus epidemic.

**40%** of the EU steel workforce temporarily or permanently inactive.

**Impacts and Opportunities**

- Extension of existing exemptions.
- 93% of the products we sell to the USA are exempt from tariff duties. Encouraging U.S. customers to further increase their support for requested exemptions for SIJ Group.
- Active involvement through EUROFER to protect the European steel market from "third country" steel imports.
- Utilising the complete range of SIJ Group's legal and business capabilities to protect its interests in the US market.

Sources:

1. European Commission. May 2020. European Economic Forecast, Spring 2020. Available at [link](#) (19. June 2020).  
2. International Monetary Fund. April 2020. World Economic Outlook: the Great Lockdown. Available at [link](#) (19. June 2020).

3. International Monetary Fund. Junij 2020. World Economic Outlook: Available at [link](#) (19. June 2020).  
4. World Steel Association. October 2019. Worldsteel Short Range Outlook. Available at [link](#) (6. July 2020).

5. SMR – Steel and Metals Market Research. April 2020. Stainless Steel Plate Mill Plate Market Data. Internal data.  
6. SMR – Steel and Metals Market Research. June 2020. Alloy Tool Steel Market Data. Internal data.



# Analysis of Operations

## Analysis of SIJ Group's Operations

### Key operating figures

	Unit of measure	1–6 2019	1–6 2020
<b>Physical ratios</b>			
Cast steel production	t	253,769	226,017
Production of finished steel products	t	197,044	176,776
<b>Financial data</b>			
Revenues	000 EUR	408,494	359,665
Export	%	84.0	84.8
Operating profit	000 EUR	13,810	-4,261
<b>EBITDA*</b>	<b>000 EUR</b>	<b>37,589</b>	<b>24,869</b>
Net profit or loss	000 EUR	81,160	-8,360
Capex	000 EUR	13,504	18,611
<b>Net financial debt as at 30 June</b>			
Net financial debt**	000 EUR	165,611	217,885
<b>NFD/EBITDA</b>		<b>3.0</b>	<b>4.7</b>
<b>Employees as at 30 June</b>			
Number of employees		3,845	3,698

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

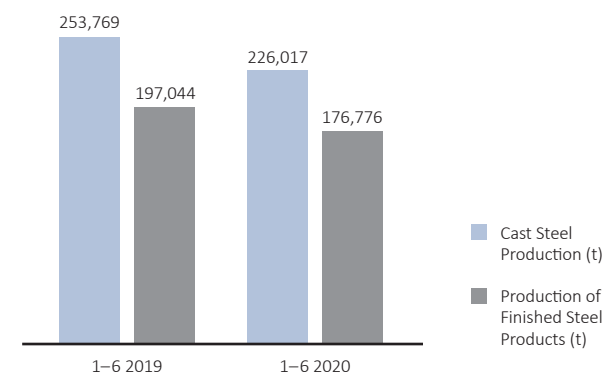
\*\* Net financial debt (NFD): non-current and current financial liabilities – cash and cash equivalents.

### CAST STEEL AND FINISHED PRODUCTS MANUFACTURING

Over the first six months of this year, cast steel production in the European Union decreased by 18.7 percent<sup>1</sup> and was strongly influenced by the coronavirus situation, as well as by steel imports from non-EU countries.

SIJ Group, which generates the largest share of its revenue on the European market, felt the effects of the changes in steel consumption and demand within the European Union. As a result, SIJ Group's cast steel production was thus down 10.9 percent year-on-year during the first half of the year 2020. Finished products manufacturing was also down 10.3 percent.

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

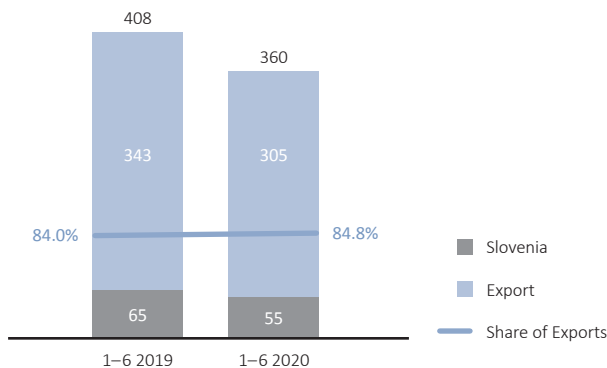


<sup>1</sup> European Steel Association – Eurofer. July 2020. Internal materials: data for members of the Association.

## LOWER NET SALES REVENUE, STABLE EXPORTS

Compared to the first half of 2019, net sales revenues were down 12 percent. During the second quarter in particular, sales were affected by a decline in demand for steel. The decline was mainly affected by decreased production and partial shutdown of EU production activity, which came as a result of the coronavirus crisis and related restrictive measures. Sales were significantly affected by the structure of products, as we constantly matched it to our current orders, and the realized sales structure deviated greatly from the plan, particularly in second quarter 2020.

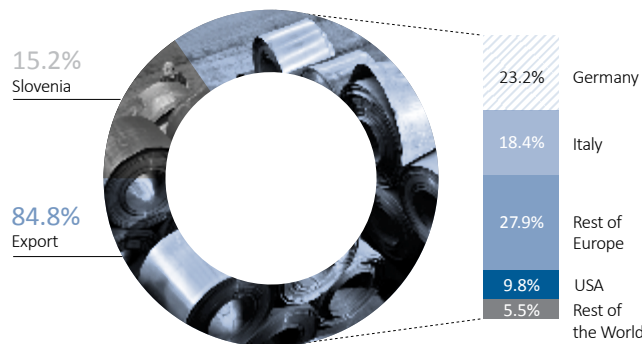
Revenues (in EUR million) and Share of Exports (in Percent)



SIJ Group remains one of Slovenia's top exporters. Despite export restrictions introduced in response to the extraordinary developments in international trade, we maintained a high share of exports in the first half of the 2020. They make up 84.8 percent of our total revenue.

In terms of our sales structure, we traditionally generated the highest share of our revenues on the German market, where we managed to retain a high share of 23 percent. Compared to the first half in 2019, our exports to the USA increased by 2.0 percentage points.

Share of Revenues by Market (in Percent)



## LEADING MARKET SHARES IN STEEL NICHE MARKETS FOR SIJ GROUP

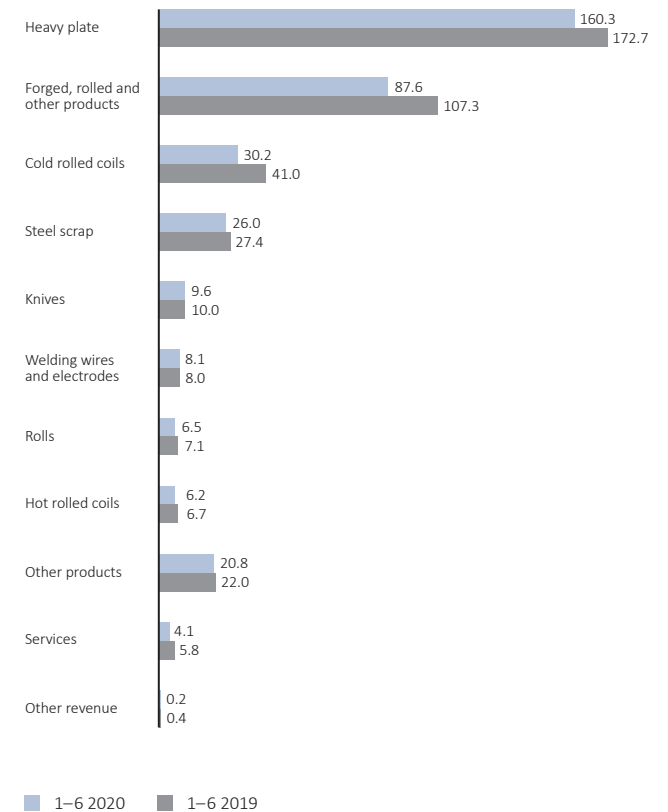
SIJ Group ranks among the very top producers of stainless-steel quarto plates in the European Union<sup>2</sup>, and holds a relatively high market share of 24.7 percent, despite challenging circumstances.

We are also the third largest producer of tool steels in the European Union<sup>2</sup>.

Despite the decline in sales we were able to maintain a

comparable sales structure in terms of product groups. Furthermore, our sales of industrial knives, industrial rollers and welding wire increased year-on-year.

Sales by Product Groups (in EUR Million)

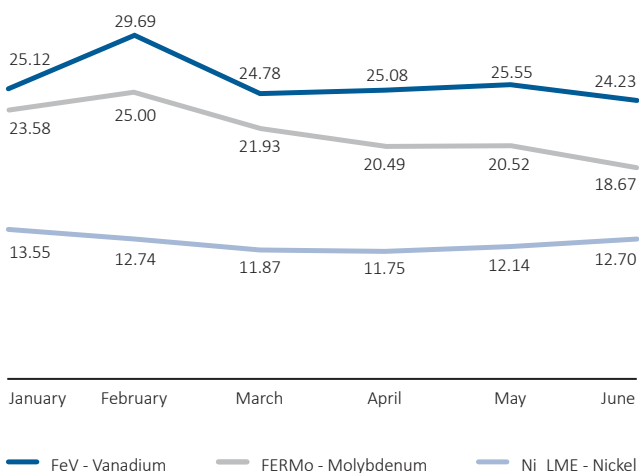


<sup>2</sup> Eurofer, data sourced from the Association's member database, interim data for July 2020.

### PRICES OF RAW MATERIALS REMAINED STABLE, FOR THE MOST PART

The prices of key raw materials used in production of stainless-steel and special steels remained mostly stable in the first half of the year 2020. There was a major deviation event during the second quarter of 2020, namely the price of Molybdenum declined sharply, however Molybdenum is less dependent on consumption in the steel industry. The trend of key raw materials prices did not match the decreased of production activities and pressures on the asking prices.

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

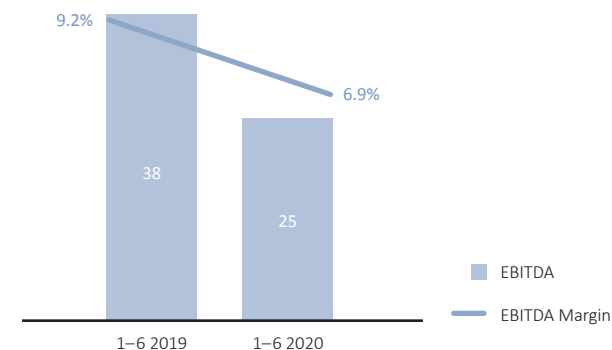


### EBITDA WAS STRONGLY AFFECTED BY THE ECONOMIC SITUATION

The lower operating result stems from several factors, which came into play mostly during the second quarter. Decreased sales, uneven production, difficulties in managing inventories of raw materials and the constantly changing business environment all played a role in EBITDA dropping by one-third year-on-year. As a result, the EBITDA margin also declined.

In the Steel Division, the quantity of products sold was lower compared to the preceding year, which drove down our EBITDA by seven million euros. Efforts to adapt to the market situation, redirect sales to other industries, and difficulties faced in raw resources management resulted in a lower sales margin. This caused additional worsening of the EBITDA by an additional six million euros. This result was also adversely affected by the adjusted sales structure.

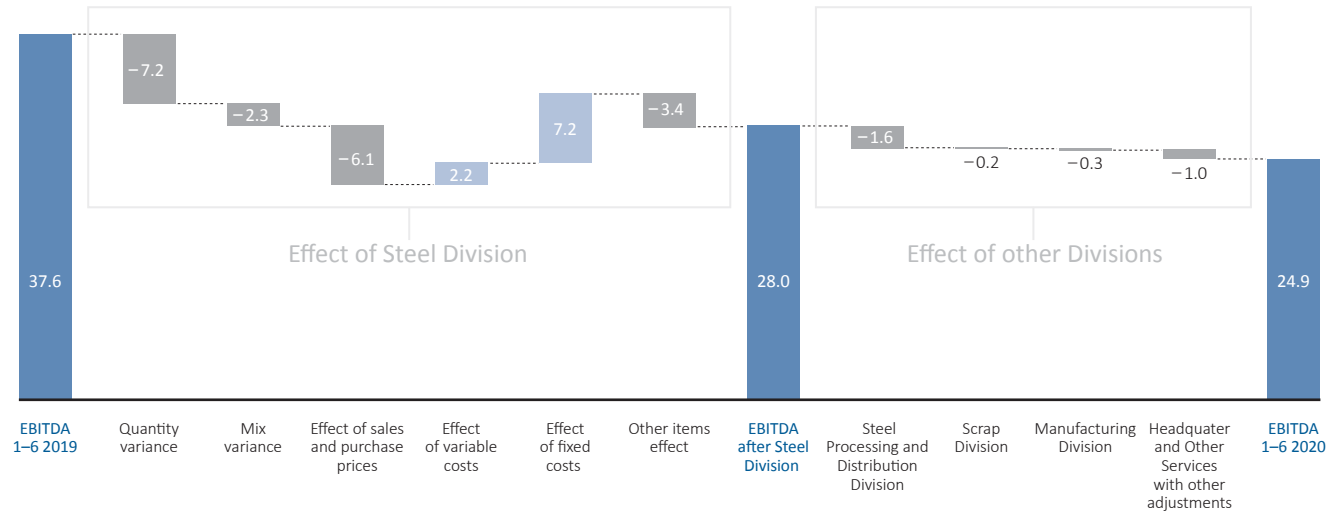
EBITDA (in EUR Million) and EBITDA Margin (in Percent)



Due to rapid and unanticipated changes on various markets during specific periods, production was sub-optimal. This was also reflected in stock management. While we were able to reduce our variable costs by two million euros and our overhead costs by seven million euros, which was partly due to the measures introduced by the government to counter the effects of the coronavirus epidemic, this was not enough to fully neutralize adverse market effects.

Mirroring negative trends in the steel-working industry, the Steel Processing and Distribution Division also finished with a lower result. The Scrap Division and Manufacturing Division were able to keep their results on the same level.

EBITDA Bridge (in EUR Million)

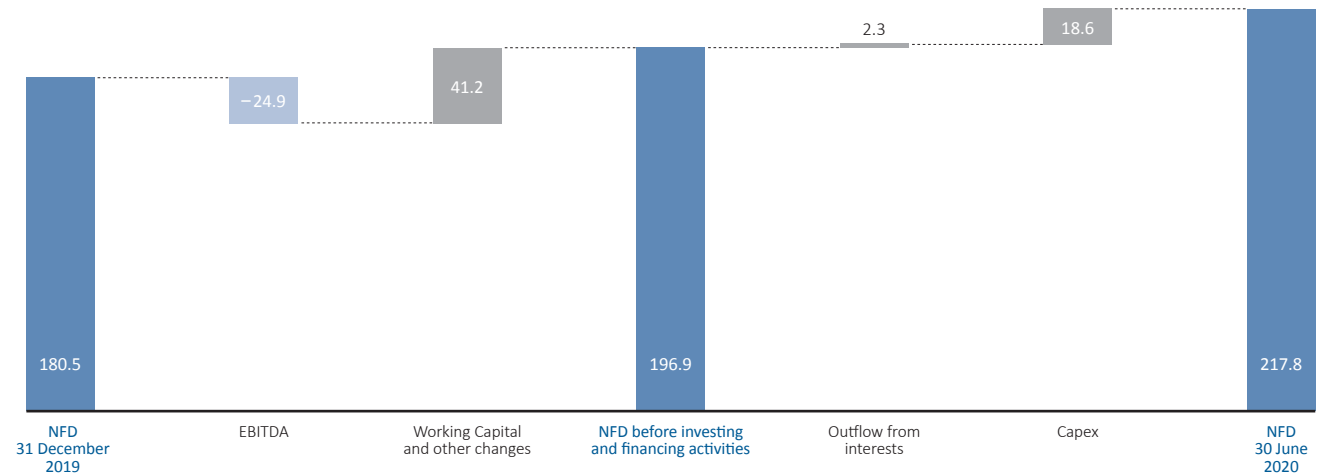


### INCREASED NET FINANCIAL DEBT

During the first half of the year, SIJ Group's net debt increased, mainly due to the increase of working capital.

The realized EBITDA was allocated to investments and interest repayment, and we increased our borrowing to increase our working capital.

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

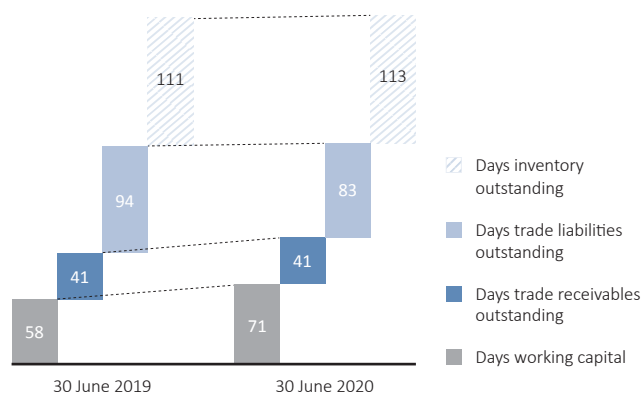


## WORKING CAPITAL

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

The days working capital increased year-on-year. During the epidemic, the increase in the inventory turnover ratio in days resulted in higher safety stock of materials and raw materials. We shortened the days in accounts payable, which ensured greater quantities and allowed us to improve our terms for purchasing materials and raw materials. By actively managing our receivables, we were able to retain the days in accounts receivable compared to the same period last year.

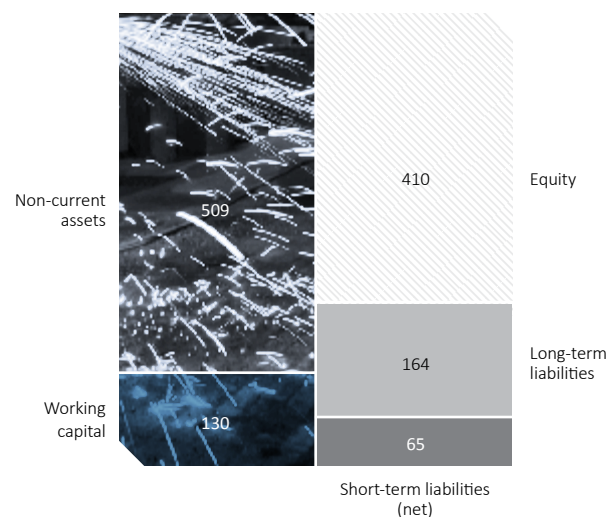
Days Working Capital from Operations as at 30 June



## HIGH SHARE OF CAPITAL AND LONG-TERM SOURCES

The statement of financial position continues to be stable and adequately structured. Long-term sources cover all our non-current assets, as well as half of our working capital needs. SIJ Group continues implementing the existing financial policy, whereunder we use long-term financing to implement the investment strategy and partially cover our working capital needs, while using minimal short-term sources of financing to address seasonal fluctuations in working capital.

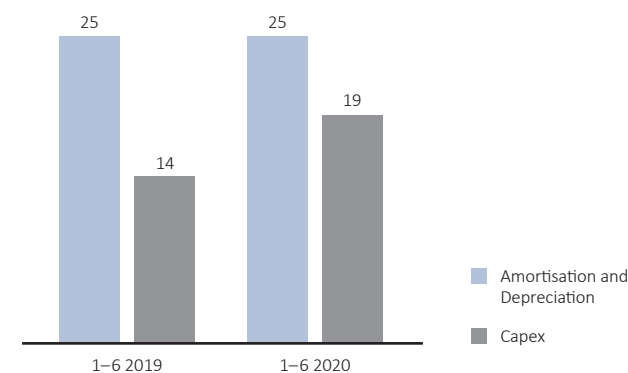
Structure of Financial Position as at 30 June (in EUR Million)



## PRUDENT INVESTMENTS

In 2020, SIJ Group began investing in accordance with the Strategy 2025. By the end of the first half-year period, we will review the investments planned for 2020 and stop those which can be postponed to later periods without major adverse impacts. Those investments which come with binding covenants will be carried out according to plan.

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



# Sustainable Development

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

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

## Commitments of Global Steel Producers and SIJ Group

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

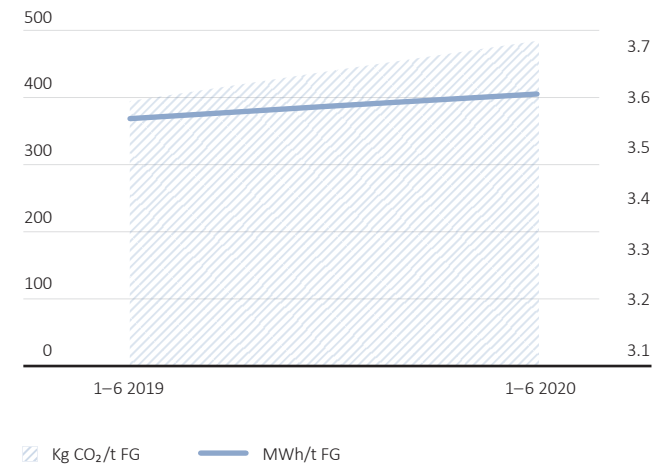
## CORONAVIRUS AND ITS EFFECT ON THE CARBON FOOTPRINT AND SPECIFIC CONSUMPTION OF ENERGY

According to the latest data from the World Steel Association for the year 2018, global ironworks and steel factories emitted an average of 1,830 kilograms of carbon dioxide per tonne of produced steel in 2018, while modern recycling steel factories comparable to SIJ Group produced an average of 690 kilograms of carbon dioxide per tonne of produced steel.

SIJ Group’s carbon emissions in the first half of 2020 amounted to 487 kilograms of carbon dioxide per tonne of produced steel, ranking us among the top 15 most efficient steel producers included in the measurements carried out by the World Steel Association on a global scale. Compared to integral ironworks, where the basic raw material is iron ore and the energy-generating product is coke, our steel plant technology allows us to adopt circular economy principles, since we are using steel scrap as the basic raw material for steel production.

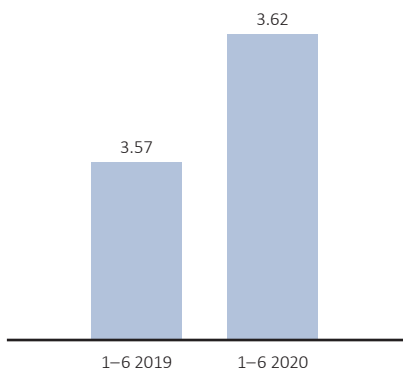
SIJ Group’s carbon footprint in the first half of this year was somewhat higher compared to the same period last year, when it amounted to 487 kilograms of carbon dioxide per tonne of produced steel. This is the result of serial production due to a decline in orders resulting from the coronavirus situation.

Carbon and Energy Footprint



The efficiency of energy consumption is monitored and managed through a unified centralized energy management IT system. In the first half of 2020, we increased specific energy consumption by 4.6 percent, which is also a result of serial production due to a decline in orders.

Specific Energy Consumption (MWh/t)



## SOCIALLY RELEVANT COOPERATION WITH LOCAL COMMUNITIES

We designed uniform guidelines for sponsorships and donations, which apply to the entire SIJ Group and related companies belonging to the Group. During the coronavirus epidemic, in the first half of the year 2020, SIJ Group proved itself as a reliable partner to the local communities, as a company which is aware of its social responsibility.

### Purpose of Participation in Socially Relevant Projects



## Humanitarian activities in light of coronavirus

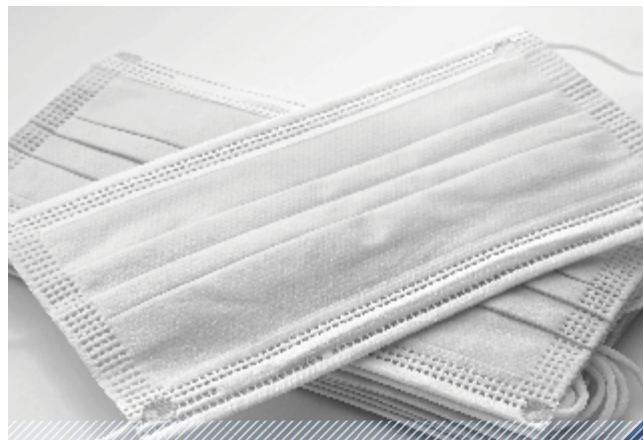
During the coronavirus epidemic, we also engaged in humanitarian activities supporting the communities in which our employees and their families live and work. Since we had sufficient protective equipment to protect the health of our employees, we also donated protective equipment to local hospitals in Jesenice and in the Koroška region, to address the shortages which emerged as the epidemic was declared. In collaboration with the Russian Embassy to the Republic of Slovenia, we also donated equipment to elderly care facilities. We donated a total of 17,000 masks to protect the health of hospital staff.

## Responsible partnership with sport organizations

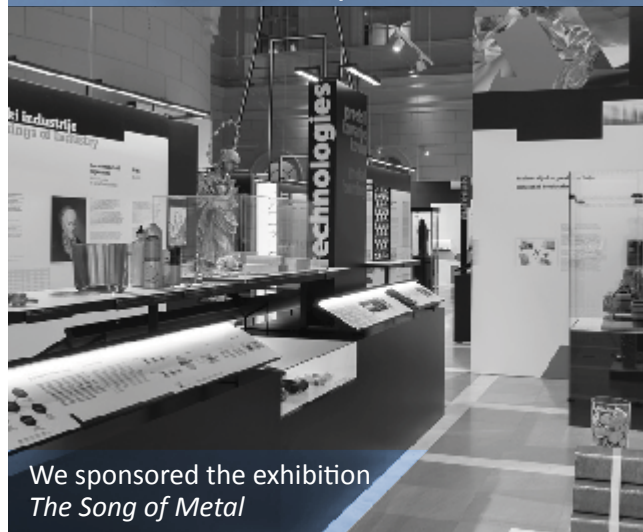
In the area of sports, SIJ Group preserved its existing partnerships with all sports organisations on the local level and in the local communities, which are part of our portfolio of strategic sponsorships. We are also continuing the initiative to promote steel as a material with a wide variety of uses, including in sports and sports infrastructure. Thus, in the first half-year period, we donated to the local community of Tržič a steel outdoor gym, which was the product of in-house development and was produced by SIJ Group. Two more outdoor gyms will be donated to the local communities in Slovenj Gradec and Pivka by the end of the year. This will bring outdoor exercise options to 14 local communities in Slovenia, allowing the inhabitants from these local communities to train their “mind of steel”.

### Our contribution to the preservation of the steel heritage

For the 4th centenary of the steel-working tradition in the Mežica Valley, we continued working with the Ravne na Koroškem Municipality and local partners to preserve the steel-working tradition and mark this impressive anniversary. We also sponsored the exhibition *The Song of Metal – Millennia of Metallurgy in Slovenia*, which was presented in the National Museum of Slovenia. The exhibition was created to commemorate the first centenary of the University of Ljubljana and metallurgy studies in Slovenia, with cooperation from National Museum of Slovenia and the University of Ljubljana, Faculty of Natural Sciences and Engineering, Department for Materials and Metallurgy. The exhibition highlights the often-overlooked role of metallurgy through history spanning several millennia, as it grew to be one of the most important and impactful industries in Slovenia.



We donated a total of **17,000** face masks



We sponsored the exhibition  
*The Song of Metal*



We enable the street workout  
in **14** local communities  
across Slovenia



# Risk Management

SIJ Group manages its risks with a comprehensive risk management system, which ensures that the key risks the company is exposed to are identified, assessed, managed, utilised and followed-up on.

The effect of the coronavirus epidemic on SIJ Group's operations and the measures taken in this regard are reported in the section Coronavirus and SIJ Group's operations.

Based on the probability of a certain risk occurrence, and, considering the coronavirus epidemic, the most significant and most likely risks are human resources risks, purchasing risks, sales risks, as well as financial risks.

## Human Resources Risks

Identified risk	Risk Description	Risk Management Method	Risk Exposure 1–6 2020
A higher percentage of employees falling ill, and increased rate of absenteeism among all employees	Spread of the virus among employees	Timely introduction of preventive measures, regular and consistent implementation thereof, and following-up on the implementation thereof  The risk exposure is rated High, but suitably managed by appropriate measures	
Increased absence of employees in key positions	Spread of infection among employees occupying positions which are of key importance to the process implementation	Regular and consistent implementation of preventive measures, adjusted handover process during shift changes  The risk exposure is rated High, but suitably managed by appropriate measures	
Risk associated with the epidemic resurging	Low regard among employees for preventive measures aiming to curb the spread of the virus	Recognised commitment of the leaders, setting an example in observing the preventive measures, and supervision of the implementation and observance of the prescribed preventive measures  The risk exposure is rated High, but suitably managed by appropriate measures	


## Financial risks

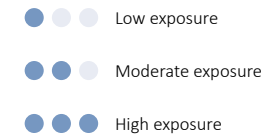
Identified risk	Risk Description	Risk Management Method	Risk Exposure 1–6 2020
Credit risk	The risk of default of monetary obligations, as one of the types of risk of the counterparty.	Introducing daily checks of the structure of receivables, intensive communication with the customers, and tracking any indicators which may signal an increased customer risk.  Insuring receivables, potential customer late payments are resolved individually  The risk exposure is rated Moderate and is suitably managed by appropriate measures	

- Low exposure
- Moderate exposure
- High exposure


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Identified risk	Risk Description	Risk Management Method	Risk Exposure 1–6 2020
Liquidity risk	The risk of insolvency due to a lack of liquidity	Strong liquidity position, liquidity reserve in the form of unutilised short-term and long-term credit lines with banks	
		Increased focus on cash flow management and planning. Preparing liquidity and working capital projections, active approach to financial markets, acquiring and renewing sufficient short-term and long-term credit lines while fulfilling the financial covenants	
		The risk exposure is rated Low and is suitably managed by appropriate measures	

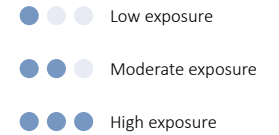


### Sales Risks

Identified risk	Risk Description	Risk Management Method	Risk Exposure 1–6 2020
Sales Risks	Inability to deliver already ordered goods due to the lockdown in specific countries - closed borders and temporary shutdowns of companies	Daily tracking of the impact of the coronavirus in key sales markets	
	Growing inventories of materials and products due to postponed deliveries or the customers' inability to pick up product deliveries	Constant direct communication with customers, with prompt adjustments to sales activities and commercial terms to accommodate the customers' market situation	
	Reduced volume of business from our customers, and decline in new orders	Flexible adjustment of inventories of ordered products for individual key customers, especially end-users and projects	
	Shrinking insurance coverage limits on individual customers from high-risk countries due to the coronavirus	Accelerated redirection of sales activities to take advantage of sales potentials and to attract new customers in lower-risk countries and in industrial segments showing commercial potential	
		Increased credit monitoring of customers from high-risk countries and establishing an internal limits system to reduce the sales decline due to decreasing insurance coverage limits	
		The risk exposure is rated High, but suitably managed by appropriate measures	

Procurement risks

Identified risk	Risk Description	Risk Management Method	Risk Exposure 1–6 2020
Procurement risks	Purchasing quality and suitably priced raw materials, the risk of late supply, changes in purchasing prices	<p>Careful supply chain planning, negotiations and identification of suitable suppliers, long-term framework agreements with suppliers.</p> <p>Geographically dispersed suppliers</p> <p>Planning and confirming alternative suppliers for key raw materials in the event of the regular suppliers' inability to make deliveries due to the conditions brought on by the coronavirus pandemic</p> <p>Testing substitute materials and introduction of possible substitutes</p> <p>Adjusting inventories in the event of identified logistical risks resulting from restrictions associated with the coronavirus</p> <p>The risk exposure is rated High, but suitably managed by appropriate measures</p>	



03

# financial report

for the period ending 30 june 2020

# Statement of the Management's Responsibility

The Management Board is responsible for the preparation of the consolidated financial statements and the financial statements of SIJ d.d. (hereinafter: financial statements) for the first half of 2020, together with accounting policies and notes, which give to the best of its knowledge and belief, a fair view of the development and results of the Group's operations and its financial position, including the description of material risks that the Group is exposed to.

The Management Board confirms that appropriate accounting policies have been applied consistently in the preparation of the financial statements, that accounting estimates were prepared based on the principles of fair value, prudence and sound management and that the financial statements give a true and fair view of the Group's financial position and the results of its operations in the first half of 2020.

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

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

Ljubljana, 31 August 2020

**Andrey Zubitskiy**  
President of the Management Board



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

## REPORTING ENTITY

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

Given below are the unaudited consolidated financial statements of the SIJ Group and the financial statements of SIJ d.d. for the period ending 30 June 2020. The consolidated financial statements include financial statements of the controlling company, its subsidiaries and its shares in associates.

The consolidated financial statements for a selected group of subsidiaries are compiled by SIJ d.d. The consolidated financial statements for the broader group of subsidiaries are compiled by DILON Cooperatief U. A. DILON Cooperatief U. A. did not compile consolidated financial statements for the first half of 2020. The consolidated annual report for 2019 is available at the registered office of DILON Cooperatief U.A., Luna Arena, Herikerbergweg 238, 1101 CM Amsterdam Zuidoost, Amsterdam, the Netherlands.

## BASIS OF PREPARATION

### Statement of Compliance

The financial statements for the first half of 2020 have been prepared in accordance with the International Financial Reporting Standards (IFRS) with associated notes, which are being adopted by International Accounting Standards Board (IASB), and the interpretations of the IFRS Interpretations Committee (IFRIC), adopted by the EU and in accordance with the Companies Act (ZGD).

In the preparation of financial statements for the first half of 2020 the same accounting policies were considered as in the preparation of financial statements for 2019. All the prior period errors have also been taken into account.

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

### Basis of Measurement

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

### Functional and Presentation Currency

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

### Application of Estimates and Judgments

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

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

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

- estimate of the useful life of assets subject to amortisation or depreciation;

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

## COMPOSITION OF THE GROUP OF RELATED PARTIES

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

in EUR thousand		Activity	% of voting rights	Value of assets as at 30 Jun. 2020	Value of equity as at 30 Jun. 2020	Profit (loss) for the period ending 30 Jun. 2020
<b>Controlling company of the Group</b>						
SIJ – Slovenska industrija jekla, d.d., Gerbičeva ulica 98, Ljubljana, Slovenia		Activities of head offices		411,424	277,257	5,725
<b>SIJ – subsidiaries</b>						
SIJ ACRONI d.o.o., Cesta Borisa Kidriča 44, Jesenice, Slovenia		Steel production	100	391,915	171,259	(5,773)
SIJ METAL RAVNE d.o.o., Koroška cesta 14, Ravne na Koroškem, Slovenia		Steel production	100	190,684	72,670	(4,783)
NOŽI RAVNE d.o.o., Koroška cesta 14, Ravne na Koroškem, Slovenia		Industrial knives production	100	1,079	484	(69)
SIJ ELEKTRODE JESENICE d.o.o., Cesta železarjev 8, Jesenice, Slovenia		Welding materials production	100	10,527	1,113	(171)
SIJ SUZ d.o.o., Cesta Borisa Kidriča 44, Jesenice, Slovenia		Drawn wires production	100	6,245	2,902	87
SIJ ZIP CENTER d.o.o., Koroška cesta 14, Ravne na Koroškem, Slovenia		Education and training of the disabled	100	2,246	788	19
ODPAD d.o.o. Pivka, Velika Pristava 23, Pivka, Slovenia		Recovery of secondary raw materials from scrap	74.90	32,425	808	110

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in EUR thousand		Activity	% of voting rights	Value of assets as at 30 Jun. 2020	Value of equity as at 30 Jun. 2020	Profit (loss) for the period ending 30 Jun. 2020
NIRO Wenden GmbH, Glück-Auf-Weg 2, Wenden, Germany		Steel cutting, engineering and trade	85	16,110	(4,049)	(623)
SIJ RAVNE STEEL CENTER d.o.o., Litostrajska cesta 60, Ljubljana, Slovenia		Trade	100/77.28*	32,425	18,761	572
GRIFFON & ROMANO S.P.A., Via Dossetti 11, Loc. Casinello de Dosso, Italy		Heat processing and special steel trade	100	16,110	(227)	(590)
SIJ Asia GmbH, Berger Str. 2, 40213 Düsseldorf, Germany		Trade	100	32,008	98	0
SIJ RAVNE SYSTEMS d.o.o., Koroška cesta 14, Ravne na Koroškem, Slovenia		Metallurgic machines production	100	22,163	11,484	(345)
SIJ Polska Sp. Z o.o., ul. Zamkowa 7 lok.11, Poznan, Poland		Trade	100	1,136	1	0
HOLDING PMP d. d., Gerbičeva ulica 98, Ljubljana, Slovenia		Holding activity	100	45,026	16,557	(24)
KOPO International Inc., 100 Village Court, Suite # 202, Hazlet, New Jersey 07730, USA		Trade	100	1	2,184	(101)
OOO SSG, 119019, Moscow, Novy Arbat, d. 21, pom. I, et. 21, kom. 29, Russia		Renting and managing of own and leased real estate	100	19,351	321	(126)
<b>SIJ ACRONI – subsidiary</b>						
ŽELEZARNA JESENICE, d.o.o., Cesta železarjev 8, Jesenice, Slovenia		Trading with own real estate	100	10,738	10,204	19

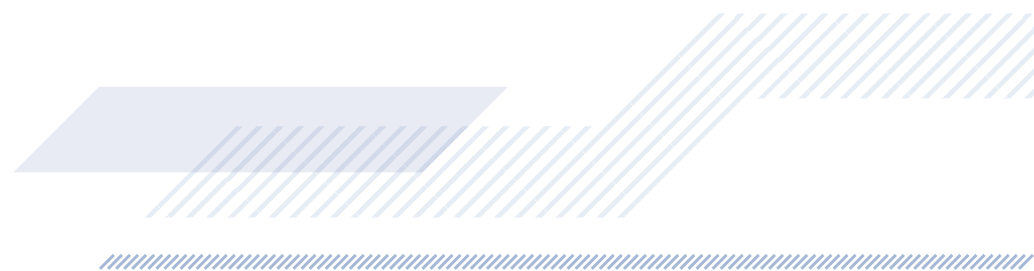
Continuation of the table →

\* In the end of 2019, the controlling company SIJ d.d. acquired from its subsidiary SIJ METAL RAVNE d.o.o. a 100% share of KOPO INTERNATIONAL and a 22.72% share of SIJ RAVNE STEEL CENTER, and became their 100% owner. The transaction did not change the composition of the Group.

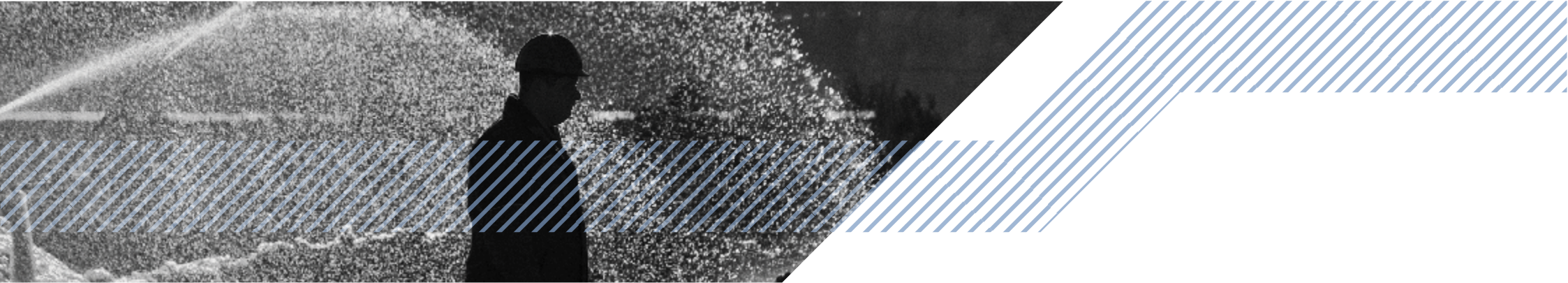
Continuation of the table

in EUR thousand					
Activity	% of voting rights	Value of assets as at 30 Jun. 2020	Value of equity as at 30 Jun. 2020	Profit (loss) for the period ending 30 Jun. 2020	
<b>ODPAD – subsidiaries</b>					
DANKOR, d.o.o., Vukovarska 436, Osijek, Croatia	Recovery of secondary raw materials from scrap	91	1,280	551	8
METAL-EKO SISTEM DOO JAGODINA, Put Kneza Mihaila 107, Jagodina, Serbia	Recovery of secondary raw materials from scrap	70	3,501	1,718	143
"TOPMETAL" d.o.o. Laktaši, Karađorđeva 69, Laktaši, Bosnia and Herzegovina	Recovery of secondary raw materials from scrap	51	844	(72)	(71)
<b>SIJ Ravne Steel Center – subsidiaries</b>					
SIDERTOCE S. p. A., Via XX. Settembre 198, C. P. 34, Gravellona Toce, Italy	Trade	100	13,002	5,525	254
SIJ MWT GmbH, Celsiusstrasse 17, Germany	Trade	100	4,079	(349)	(60)
ORO MET d.o.o., Neverke 56, Košana, Slovenia	Manufacture of other tools	51	13,764	8,080	544
<b>NOŽI RAVNE – subsidiary</b>					
SIJ Ravne Systems (UK) Limited, 12 Conqueror Court, Sittingbourne, Kent, ME10 5BN, Great Britain	Trade	100	1,104	112	45

In 2020, the winding-up activities of the SIJ Asia GmbH and sale activities of Metal-Eko Sistem are in progress. The Management Board estimates the winding-up activities and sale to be concluded in 2020.







# Financial Statement of the SIJ Group

for the period ending 30 june 2020

# Consolidated Financial Statements of the SIJ Group

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

in EUR thousand	Note	1–6 2020	1–6 2019
Revenue	1	359,665	408,494
Cost of sales	2	(302,349)	(333,811)
<b>Gross profit</b>		<b>57,316</b>	<b>74,683</b>
Distribution costs	2	(17,049)	(19,026)
General and administrative expenses	2	(40,991)	(44,615)
Other operating income	3	3,342	3,606
Other operating expenses	3	(6,717)	(956)
Impairment (gains/losses) of trade receivables		(161)	118
<b>Operating (loss) profit</b>		<b>(4,261)</b>	<b>13,810</b>
Finance income	4	1,933	1,359
Finance expenses	4	(5,939)	(7,808)
<b>Net finance costs</b>		<b>(4,007)</b>	<b>(6,449)</b>
Share of profit in associates		(1)	41
<b>(Loss) profit before tax</b>		<b>(8,268)</b>	<b>7,402</b>
Income tax	5	(147)	(1,379)
<b>Net (loss) profit from continuing operations</b>		<b>(8,415)</b>	<b>6,023</b>
Profit from discontinued operations (Note 8)		55	75,137
<b>(Loss) profit from the period</b>		<b>(8,360)</b>	<b>81,160</b>
<i>Items that will not be reclassified subsequently to profit or loss</i>			
Income tax related to components of comprehensive income		29	(7)

Continuation of the table →

Continuation of the table

in EUR thousand	Note	1–6 2020	1–6 2019
<i>Items that may be reclassified subsequently to profit or loss</i>			
Change in other reserves due to changes of financial assets at fair value		(151)	34
Exchange rate difference on translating foreign operations		(66)	14
Other comprehensive income from discontinued operations		(11)	0
<b>Comprehensive income</b>		<b>(8,559)</b>	<b>81,201</b>
<b>Profit or loss, attributed to:</b>		<b>(8,360)</b>	<b>81,160</b>
Owners of the controlling company		(8,588)	80,467
Non-controlling interest		228	693
<b>Comprehensive income attributed to:</b>		<b>(8,559)</b>	<b>81,201</b>
Owners of the controlling company		(8,778)	80,508
Non-controlling interest		219	693
<b>Comprehensive income attributed to the owners of the controlling company:</b>		<b>(8,778)</b>	<b>80,508</b>
Continuing operations		(8,827)	76,309
Discontinued operations		49	4,199

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

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

in EUR thousand	Note	30 Jun. 2020	31 Dec. 2019
<b>ASSETS</b>			
<b>Non-current assets</b>		<b>509,441</b>	<b>512,715</b>
Intangible assets	6	20,666	21,947
Property, plant and equipment	7	395,177	407,194
Investment property		1	63
Investments in associates		1,846	1,846
Financial assets at fair value through other comprehensive income		1,194	1,351
Financial receivables		62,354	54,067
Trade receivables		118	141
Other assets		2,400	1,005
Deferred tax assets		25,685	25,101
<b>Current assets</b>		<b>384,238</b>	<b>437,490</b>
Assets (groups) held for sale	8	4,495	4,993
Inventories	9	188,646	212,397
Financial receivables	10	19,883	18,942
Trade receivables	11	89,572	75,479
Income tax assets		524	659
Cash and cash equivalents	12	74,281	120,250
Contract assets		706	337
Other assets	13	6,132	4,433
<b>Total assets</b>		<b>893,680</b>	<b>950,205</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>	<b>14</b>	<b>410,368</b>	<b>418,928</b>
<i>Equity attributed to the owners of the controlling company</i>		<i>404,039</i>	<i>412,817</i>
Share capital		145,266	145,266
Capital surplus		11,461	11,461
Revenue reserves		5,940	5,940
Fair value reserves		(2,434)	(2,310)
Translation differences		137	205
Retained earnings		243,668	252,255

Continuation of the table →

Continuation of the table

in EUR thousand	Note	30 Jun. 2020	31 Dec. 2019
<b>Non-controlling interest</b>		<b>6,329</b>	<b>6,111</b>
<b>Non-current liabilities</b>		<b>164,220</b>	<b>182,668</b>
Employee benefits		15,593	15,552
Other provisions		767	770
Deferred incomes		1,640	1,732
Financial liabilities	15	144,683	162,840
Trade payables		775	937
Contract liabilities		762	837
<b>Current liabilities</b>		<b>319,091</b>	<b>348,609</b>
Liabilities included in disposal groups	8	408	889
Financial liabilities	15	147,484	137,954
Trade payables	16	158,079	198,891
Income tax liabilities		5,301	6,369
Contract liabilities		1,527	200
Other liabilities		6,292	4,306
<b>Total equity and liabilities</b>		<b>893,680</b>	<b>950,205</b>

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

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

### Consolidated Statement of Changes in Equity for the Period Ending 30 June 2020

in EUR thousand	Equity attributed to the owners of the controlling company							Non-controlling interest	Total	
	Share capital	Capital surplus	Revenue reserves	Fair value reserves	Actuarial gains/ losses	Translation differences	Retained earnings			
Balance as at 31 Dec. 2019	145,266	11,461	5,940	381	(2,691)	205	252,255	412,817	6,111	418,928
Sale of non-controlling interest	0	0	0	0	0	0	0	0	0	0
<b>Total transactions with owners</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
(Loss) profit for the period	0	0	0	0	0	0	(8,587)	(8,588)	228	(8,360)
Other changes in comprehensive income	0	0	0	(123)	(1)	(67)	0	(190)	(9)	(199)
<b>Total changes in comprehensive income</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(123)</b>	<b>(1)</b>	<b>(67)</b>	<b>(8,587)</b>	<b>(8,779)</b>	<b>219</b>	<b>(8,559)</b>
Balance as at 30 Jun. 2020	145,266	11,461	5,940	259	(2,692)	138	243,668	404,039	6,329	410,368

### Consolidated Statement of Changes in Equity for the Period Ending 31 December 2019

in EUR thousand	Equity attributed to the owners of the controlling company							Non-controlling interest	Total	
	Share capital	Capital surplus	Revenue reserves	Fair value reserves	Actuarial gains/ losses	Translation differences	Retained earnings			
Balance as at 31 Dec. 2018	145,266	11,461	1,696	317	(2,602)	857	222,285	379,280	19,976	399,256
Dividends paid	0	0	0	0	0	0	(10,000)	(10,000)	0	(10,000)
Sale of non-controlling interest	0	0	0	0	769	(642)	0	127	(14,549)	(14,422)
<b>Total transactions with owners</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>769</b>	<b>(642)</b>	<b>(10,000)</b>	<b>(9,877)</b>	<b>(14,549)</b>	<b>(24,426)</b>
Profit for the period	0	0	0	0	0	0	44,218	44,218	690	44,908
Other changes in comprehensive income	0	0	0	64	(858)	(10)	0	(804)	(6)	(810)
<b>Total changes in comprehensive income</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>64</b>	<b>(858)</b>	<b>(10)</b>	<b>44,218</b>	<b>43,414</b>	<b>684</b>	<b>44,098</b>
Creation of legal reserves	0	0	4,244	0	0	0	(4,244)	0	0	0
<b>Total changes in equity</b>	<b>0</b>	<b>0</b>	<b>4,244</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(4,244)</b>	<b>0</b>	<b>0</b>	<b>0</b>
Balance as at 31 Dec. 2019	145,266	11,461	5,940	381	(2,691)	205	252,255	412,817	6,111	418,928

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

## CONSOLIDATED CASH FLOW STATEMENT

in EUR thousand	Note	1–6 2020	1–6 2019
<b>Cash flow from operating activities</b>			
Profit (loss) before tax		(8,213)	96,679
Adjusted for:			
Depreciation and amortisation	6, 7	24,816	24,889
Share of profit in associates		1	(41)
Interest income	4	(1,806)	(1,303)
Interest expenses	4	4,587	7,002
Profit from sale of Perutnina Ptuj Group	8	0	(84,461)
Impairment of assets		4,301	0
Net other finance and operating income		(400)	(3,183)
<b>Operating cash flow before changes in working capital</b>		<b>23,286</b>	<b>39,582</b>
<b>Changes in working capital</b>			
Change in trade receivables		(16,744)	(17,801)
Change in inventories		18,920	6,403
Change in trade payables		(41,654)	(32,333)
Change in taxes other than income tax		(110)	(824)
<b>Changes in working capital</b>		<b>(39,588)</b>	<b>(44,555)</b>
Receipts from government grant		4,782	384
Direct payments		(2,569)	(1,318)
<b>Net cash used from operating activities</b>		<b>(14,089)</b>	<b>(5,908)</b>
<b>Cash flow from investing activities</b>			
Payments for investments in subsidiaries		0	(699)
Profit from sale of Perutnina Ptuj Group	8	0	202,617
Payments for property, plant and equipment		(17,085)	(11,856)
Receipts from property, plant and equipment		339	1,628
Payments for intangible assets		(557)	(591)
Payments for loans issued		(3)	(40,015)

Continuation of the table →

Continuation of the table

in EUR thousand	Note	1–6 2020	1–6 2019
Receipts from loans issued		105	59
Interests received		5	56
Receipts from other assets		0	91
<b>Net cash (used) generated in investing activities</b>		<b>(17,196)</b>	<b>151,290</b>
<b>Cash flow from financing activities</b>			
Receipts from borrowings		180,931	99,458
Payments for borrowings		(191,070)	(164,546)
Payments for lease		(1,213)	1,735
Payments for financial services		(1,070)	(865)
Interests paid		(2,301)	(4,277)
<b>Net cash used in financing activities</b>		<b>(14,723)</b>	<b>(71,965)</b>
<b>Cash and cash equivalents as at 1. 1.</b>			
Translation differences		38	(5)
Net change in cash and cash equivalents		(46,008)	73,419
<b>Cash and cash equivalents as at 30. 6.</b>		<b>74,319</b>	<b>157,242</b>

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

\* The Cash Flow Statement is presented together for continuing and discontinued operations.

# Notes to Individual Items in the Consolidated Financial Statements

## 1. REVENUE

in EUR thousand	1–6 2020	1–6 2019
In Slovenia	54,533	65,238
In other countries	305,132	343,256
<b>Revenue</b>	<b>359,665</b>	<b>408,494</b>

### Revenue by Products and Segments for the Period Ending 30 June 2020

in EUR thousand	Steel Division	Distribution & Processing Division	Scrap Division	Manufacturing Division	Total segments	Headquarters and Other Services	Total	Elimination of discon- tinued operations – Scrap Division	Revenue
Quarto plates	132,016	28,301	0	0	160,318	0	160,318	0	160,318
Cold rolled strip and sheets	28,923	1,230	0	0	30,153	0	30,153	0	30,153
Hot rolled strip and sheets	4,286	1,902	0	0	6,189	0	6,189	0	6,189
Forged, rolled and other products	56,188	28,131	0	3,295	87,614	0	87,614	0	87,614
Industrial knives	0	1,387	0	8,232	9,620	0	9,620	0	9,620
Industrial rolls	0	0	0	6,537	6,537	0	6,537	0	6,537
Welding wires and electrodes	0	0	0	8,125	8,125	0	8,125	0	8,125
Steel scrap	148	87	29,082	22	29,340	0	29,340	(3,386)	25,954
Services and other revenues	1,639	17,975	90	4,793	24,498	658	25,156	0	25,156
<b>Revenue</b>	<b>223,201</b>	<b>79,014</b>	<b>29,173</b>	<b>31,004</b>	<b>362,392</b>	<b>658</b>	<b>363,050</b>	<b>(3,386)</b>	<b>359,665</b>

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

in EUR thousand	Steel Division	Distribution & Processing Division	Scrap Division	Manufacturing Division	Poultry Division (discontinued operations)	Total segments	Headquarters and Other Services	Total	Elimination of discontinued operations	Revenue
Quarto plates	148,721	23,982	0	0	0	172,703	0	172,703	0	172,703
Cold rolled strip and sheets	39,685	1,283	0	0	0	40,968	0	40,968	0	40,968
Hot rolled strip and sheets	4,792	1,925	0	0	0	6,717	0	6,717	0	6,717
Forged, rolled and other products	72,412	30,823	0	4,107	0	107,342	0	107,342	0	107,342
Industrial knives	0	1,412	0	8,622	0	10,034	0	10,034	0	10,034
Industrial rolls	0	0	0	7,089	0	7,089	0	7,089	0	7,089
Welding wires and electrodes	0	0	0	8,039	0	8,039	0	8,039	0	8,039
Steel scrap	0	163	35,878	24	0	36,065	0	36,065	(8,698)	27,367
Services and other revenues	3,162	19,301	8	4,865	41,459	68,795	898	69,693	(41,459)	28,234
<b>Revenue</b>	<b>268,772</b>	<b>78,889</b>	<b>35,886</b>	<b>32,746</b>	<b>41,459</b>	<b>457,752</b>	<b>898</b>	<b>458,650</b>	<b>(50,157)</b>	<b>408,494</b>

## 2. OPERATING EXPENSES

in EUR thousand	1–6 2020	1–6 2019
Cost of goods, materials and services	256,570	307,324
Labour costs (Note 17)	56,958	62,263
Depreciation and amortisation costs	24,756	24,833
Other costs	4,079	4,317
Changes in the value of inventories	18,027	(1,284)
<b>Operating expenses</b>	<b>360,389</b>	<b>397,453</b>

## Review of Costs by Type for the Period Ending 30 June 2020

in EUR thousand	Cost of sales	Distribution costs	General and administrative expenses	Total
Cost of goods, materials and services	232,253	14,133	10,182	256,570
Labour costs	29,208	2,635	25,115	56,958
Depreciation and amortisation costs	21,244	220	3,291	24,756
Other costs	1,615	61	2,402	4,079
Changes in the value of inventories	18,027	0	0	18,027
Discontinued operations	3,141	95	91	3,327
<b>Operating expenses</b>	<b>305,489</b>	<b>17,144</b>	<b>41,082</b>	<b>363,716</b>
Elimination of discontinued operations	(3,141)	(95)	(91)	(3,327)
<b>Operating expenses</b>	<b>302,349</b>	<b>17,049</b>	<b>40,991</b>	<b>360,389</b>

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

in EUR thousand	Cost of sales	Distribution costs	General and administrative expenses	Total
Cost of goods, materials and services	278,800	15,899	12,625	307,324
Labour costs	33,435	2,878	25,951	62,263
Depreciation and amortisation costs	21,067	204	3,561	24,833
Other costs	1,793	45	2,478	4,317
Changes in the value of inventories	(1,284)	0	0	(1,284)
Discontinued operations	32,742	10,060	2,218	45,020
<b>Operating expenses</b>	<b>366,554</b>	<b>29,086</b>	<b>46,833</b>	<b>442,473</b>
Elimination of discontinued operations	(32,742)	(10,060)	(2,218)	(45,020)
<b>Operating expenses</b>	<b>333,811</b>	<b>19,026</b>	<b>44,615</b>	<b>397,453</b>

### 3. OTHER OPERATING INCOME AND EXPENSES

in EUR thousand	1–6 2020	1–6 2019
Revenues from received subsidies	1,367	1,042
Reversal of allowances for inventories	1,474	936
Profit from sales of fixed assets	118	855
Other income	383	772
<b>Other operating income</b>	<b>3,342</b>	<b>3,606</b>
Expenses for donations and sponsorships	(149)	(310)
Formation of provisions	0	(195)
Impairment of property, plant and equipment	(5,687)	0
Other expenses	(881)	(451)
<b>Other operating expenses</b>	<b>(6,717)</b>	<b>(956)</b>
<b>Net other operating (expenses)/income</b>	<b>(3,375)</b>	<b>2,649</b>

### EBITDA Calculation

in EUR thousand	1–6 2020	1–6 2019
Operating (loss)/profit	(4,261)	13,810
Amortisation and depreciation	24,756	24,833
Impairment (losses)/(gains) of trade receivables	161	(118)
Impairment of property, plant and equipment	5,687	0
Reversal of allowances for inventories	(1,474)	(936)
<b>EBITDA</b>	<b>24,869</b>	<b>37,589</b>

For drawing up the 2020 interim report, the Group reviewed the signs of impairment of property, plant, and equipment based on the performance valuation of individual cash-generating units (hereinafter referred to as CGU) and proceeded to an interim value assessment where such signs existed. Projections and assessments were prepared from the perspective of the majority owner where all the facts known up to the time of drawing up the report were taken into account. The group took into account the adjustments for coronavirus, where it was able to assess the impact with greater reliability.

When determining the recoverable amount of a CGU, the method of present value of the estimated free cash flows was applied. Among the most important assumptions used are a discount rate (WACC) of 9.30 to 9.42 percent and a long-term growth rate of 1.0 to 1.2 percent.

The impairment loss identified at the tested CGUs totaling EUR 5,687 thousand has been allocated to the individual assets of the CGUs based on their carrying amounts.



#### 4. NET FINANCE COSTS

in EUR thousand	1–6 2020	1–6 2019
Interest income	1,803	1,298
Exchange rate differences	130	57
Other income	0	4
<b>Finance income</b>	<b>1,933</b>	<b>1,359</b>
Interest expenses	(4,493)	(6,741)
Exchange rate differences	(237)	(42)
Other expenses	(1,209)	(1,025)
<b>Finance expenses</b>	<b>(5,939)</b>	<b>(7,808)</b>
<b>Net finance costs</b>	<b>(4,007)</b>	<b>(6,449)</b>

#### 5. INCOME TAX

in EUR thousand	1–6 2020	1–6 2019
Current income tax expense	(709)	(875)
Deferred income tax	562	(504)
<b>Income tax</b>	<b>(147)</b>	<b>(1,379)</b>

in EUR thousand	1–6 2020	1–6 2019
<b>(Loss)/profit before tax</b>	<b>(8,268)</b>	<b>7,402</b>
<b>Tax at effective tax rate 19%</b>	<b>(1,571)</b>	<b>1,406</b>
<b>Tax effects from:</b>		
- non-taxable income	(7)	(3)
- tax non-deductible expenses	218	261
- tax relief	(207)	(441)
- tax losses for which no deferred tax assets were recognised	1,571	149
- change in tax rates	143	7
<b>Income tax</b>	<b>147</b>	<b>1,378</b>
<b>Effective tax rate</b>	<b>0 %</b>	<b>18.63 %</b>

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

#### 6. INTANGIBLE ASSETS

in EUR thousand	30 Jun. 2020	31 Dec. 2019
Software	11,050	12,867
Development costs	684	0
Goodwill	7,847	7,847
Assets under construction	1,086	1,233
<b>Carrying amount</b>	<b>20,666</b>	<b>21,947</b>

The intangible assets are not pledged as security for liabilities.

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

#### 7. PROPERTY, PLANT AND EQUIPMENT

in EUR thousand	30 Jun. 2020	31 Dec. 2019
Land	32,629	32,803
Buildings	93,687	96,895
Equipment	252,112	261,724
Other	8,841	9,213
Assets under construction	7,908	6,559
<b>Carrying amount</b>	<b>395,177</b>	<b>407,194</b>

Major new additions and finished investments in property, plant and equipment are current upgrades and repairs, the biggest ones in the steel plant, purchase of a heat treatment furnace and shot blasting chamber, and a purchase of instruments for steel plant production. Disposals of property, plant and equipment mostly refer to the sale and write-off of equipment and to write-off of unusable and out-dated equipment.

The right-of-use asset is not stated as a separate item in the statement of financial position. It is included in property, plant and equipment. As at 30 June 2020 the Group has the right-of-use asset in carrying amount of EUR 7,743 thousand (2019: EUR 8,632 thousand). Finance expenses related to leases amounted to EUR 85 thousand in the first half of 2020 (2019: EUR 74 thousand).

Property, plant, equipment, whose present value as at 30 June 200 is EUR 4,707 thousand (2019: EUR 3,893 thousand) are pledged as security for liabilities.

The Group reviewed the signs of impairment of property, plant, and equipment based on the performance valuation of individual CGUs, and proceeded to a interim value assessment where such signs existed. On 30 June 2020, the remaining amount of EUR 5,687 thousand was recognized as impairment loss. Impairment of property, plant and equipment, assessments and methods are described in Note 3.

## 8. ASSETS (GROUPS) HELD FOR SALE

in EUR thousand	30 Jun. 2020	31 Dec. 2019
Assets held for sale	31	31
Assets of Metal-Eko Sistem – discontinued operations	4,464	4,962
<b>Assets (groups) held for sale</b>	<b>4,495</b>	<b>4,993</b>
Liabilities of Metal-Eko Sistem – discontinued operations	(408)	(889)
<b>Liabilities included in groups held for sale</b>	<b>(408)</b>	<b>(889)</b>

In 2020, the Group has ongoing disposal activities of the investment in Metal-Eko Sistem. The Management Board estimates the sale to be concluded in 2020, therefore it presents their assets and liabilities as assets and liabilities held for sale, and their profit as discontinued operations.

## DISCONTINUED OPERATION – INVESTMENT IN METAL-EKO SISTEM

### Results of Discontinued Operations

in EUR thousand	1–6 2020	1–6 2019
Revenue	3,386	8,698
Operating expenses	(3,327)	(8,723)
Other operating income (expenses), net	(6)	(16)
<b>Operating profit</b>	<b>53</b>	<b>(41)</b>
Net finance income (costs)	2	(1)
Income tax	0	0
<b>Profit for the period</b>	<b>55</b>	<b>(42)</b>

### Statement of Financial Position of Discontinued Operations

in EUR thousand	30 Jun. 2020	31 Dec. 2019
<b>Non-current assets</b>	<b>2,815</b>	<b>2,881</b>
Intangible assets (goodwill)	1,003	1,003
Property, plant and equipment	1,812	1,878
<b>Current assets</b>	<b>1,649</b>	<b>2,081</b>
Inventories	743	805
Trade receivables	666	1,010
Cash and cash equivalents	37	39
Other assets	203	227
<b>TOTAL ASSETS</b>	<b>4,464</b>	<b>4,962</b>
<b>Non-current liabilities</b>	<b>51</b>	<b>57</b>
Financial liabilities	44	50
Other liabilities	7	7
<b>Current liabilities</b>	<b>357</b>	<b>832</b>
Financial liabilities	230	231
Other liabilities	127	601
<b>TOTAL LIABILITIES</b>	<b>408</b>	<b>889</b>
<b>NET ASSETS</b>	<b>4,056</b>	<b>4,073</b>

## DISCONTINUED OPERATION – INVESTMENT IN PERUTNINA PTUJ GROUP

In the second half of 2018, the controlling company announced its intention to dispose Perutnina Ptuj d.d. shares and concluded a contract to sell totally 9,896,842 shares, i.e. 90.69 percent of Perutnina Ptuj d.d. in its direct or indirect ownership. At the beginning of 2019, the Slovenian Competition Protection Agency adopted a decision that MHP's enter into Perutnina Ptuj complies with competition rules. Based on the issued decision, the procedures for the completion of the transaction were made possible.

On 25 April 2019, MHP Group announced that it will increase the takeover price per share to acquire 90.69 percent of Perutnina Ptuj. It follows that, according to the acquisition agreement concluded by MHP and SIJ d.d. in November 2018, the final acquisition price is EUR 22.34 per share.

At the end of February 2019, the Ukrainian group MHP, one of the leaders in the international agricultural and food processing industry, acquired slightly more than a 90 percent share of Perutnina Ptuj. This means that as of that day, Perutnina Ptuj is no longer part of the SIJ Group.

### Results of Discontinued Operations

in EUR thousand	1–2 2019
Revenue	41,459
Operating expenses	(36,297)
Other operating income (expenses), net	196
<b>Operating profit</b>	<b>5,358</b>
Net finance income (costs)	(257)
Income tax	(413)
<b>Profit for the period</b>	<b>4,688</b>
Gain on sale of discontinued operations	84,461
Transaction costs and taxation on sale transaction	(13,970)
<b>Profit from discontinued operations, net of tax</b>	<b>70,491</b>

## 9. INVENTORIES

in EUR thousand	30 Jun. 2020	31 Dec. 2019
Raw material	83,300	90,318
Work in progress	49,414	54,488
Finished products	42,089	54,462
Trade goods	13,843	13,130
<b>Inventories</b>	<b>188,646</b>	<b>212,398</b>

As at 30 June 2020, any items of inventories are pledged as security for liabilities. On 30 June 2020, the Group reviewed the value of the inventories, and determined no signs of impairment.

## 10. CURRENT FINANCIAL RECEIVABLES

in EUR thousand	30 Jun. 2020	31 Dec. 2019
Loans issued	19,832	18,145
Other financial receivables	51	797
<b>Current financial receivables</b>	<b>19,883</b>	<b>18,942</b>

Loans issued include a loan issued to the controlling company amounting to EUR 13,000 thousand (2019: EUR 13,000 thousand). The interest rate for the loan issued is fixed and amounts to 5 percent. The loan will be repaid according to contractual provisions.

## 11. CURRENT TRADE RECEIVABLES

in EUR thousand	30 Jun. 2020	31 Dec. 2019
Trade receivables	83,639	73,400
Allowances for trade receivables	(4,174)	(4,262)
Receivables from government and other institutions	3,679	4,013
Issued advance payments and cautions	4,034	1,639
Allowances for advance payments	(201)	(199)
Other receivables	2,845	1,148
Allowances for other receivables	(250)	(260)
<b>Current trade receivables</b>	<b>89,572</b>	<b>75,479</b>

The majority of the Group's trade receivables are insured against commercial risks with an insurance company. Trade receivables whose present value on 30 June 2020 amounts to EUR 7,059 thousand (2019: EUR 10,600 thousand) are pledged as security for liabilities.

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

## 12. CASH AND CASH EQUIVALENTS

in EUR thousand	30 Jun. 2020	31 Dec. 2019
Cash in national currency	65,851	112,346
Cash in foreign currency	8,430	7,903
Restricted cash	0	1
<b>Cash and cash equivalents</b>	<b>74,281</b>	<b>120,250</b>

In the compared period, cash and cash equivalents were higher due to successfully completed sale of the Perutnina Ptuj Group. In the current year, cash and cash equivalents decreased due to the impact of coronavirus epidemic. Cash in national currency includes bank deposits in the amount of EUR 42,162 thousand with up to three months maturity (2019: EUR 119,136 thousand). The interest rate for deposits is fixed.

## 13. OTHER CURRENT ASSETS

in EUR thousand	30 Jun. 2020	31 Dec. 2019
Deferred expenses	5,622	4,013
Accrued revenues	510	420
<b>Other current assets</b>	<b>6,132</b>	<b>4,433</b>

Current deferred expenses refer to advance payments of costs, which in short-time will debit against profit or loss. Since the majority of advance payments are divided within financial year, in the reporting period these assets are higher than on 31 December 2019.

## 14. EQUITY

in EUR thousand	30 Jun. 2020	31 Dec. 2019
<b>Equity attributed to the owners of the controlling company</b>	<b>404,039</b>	<b>412,817</b>
Share capital	145,266	145,266
Capital surplus	11,461	11,461
Reserves	3,643	3,835
Retained earnings	243,668	252,255
<b>Non-controlling interest</b>	<b>6,329</b>	<b>6,111</b>
<b>Equity</b>	<b>410,368</b>	<b>418,928</b>

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

### Ownership Structure of the Controlling Company

Shareholder	Number of shares 30 Jun. 2020	Number of shares 31 Dec. 2019
DILON, d. o. o., Gerbičeva ulica 98, Ljubljana	718.351	718.351
Republic of Slovenia, Gregorčičeva ulica 20, Ljubljana	248.655	248.655
SIJ d.d., Gerbičeva ulica 98, Ljubljana	27.600	27.600
UNIOR, d. d., Kovaška cesta 10, Zreče	10	10
<b>Total</b>	<b>994.616</b>	<b>994.616</b>

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

### Capital Surplus

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

## Reserves

in EUR thousand	30 Jun. 2020	31 Dec. 2019
Legal reserves	8,195	8,195
Treasury shares	(6,009)	(6,009)
Reserves for treasury shares	3,754	3,754
<b>Revenue reserves</b>	<b>5,940</b>	<b>5,940</b>
Fair value reserve due to financial assets at fair value through other comprehensive income	319	470
Deferred tax liabilities	(61)	(89)
Net actuarial losses on pension programs	(2,692)	(2,691)
<b>Fair value reserves</b>	<b>(2,434)</b>	<b>(2,310)</b>
Translation differences	137	205
<b>Reserves</b>	<b>3,643</b>	<b>3,835</b>

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

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

## 15. FINANCIAL LIABILITIES

in EUR thousand	30 Jun. 2020	31 Dec. 2019
Borrowings	100,189	118,305
Liabilities for bonds issued (SIJ6)	39,760	39,729
Lease liabilities	4,734	4,806
<b>Non-current financial liabilities</b>	<b>144,683</b>	<b>162,840</b>
Borrowings	63,367	54,890
Liabilities for bonds issued (SIJ5)	51,140	51,096
Liabilities for commercial papers issued	28,086	28,072
Interest liabilities	2,680	2,057
Other financial liabilities	2,211	1,839
<b>Current financial liabilities</b>	<b>147,484</b>	<b>137,954</b>
<b>Total financial liabilities</b>	<b>292,167</b>	<b>300,794</b>

### Borrowings

Borrowings include loans from domestic and foreign banks. Borrowings in the amount of EUR 12,892 thousand (2019: EUR 11,863 thousand) are secured with real estate, movable property, receivables and inventories. Other borrowings are not secured. The interest rate for majority of borrowings is flexible and based on EURIBOR.

### Liabilities for Bonds Issued

Liabilities for bonds issued refer to the bonds issued with the ticker symbol of SIJ5. The controlling company issued bonds with the total nominal value of EUR 51,218 thousand in July 2015. The entire bond issue contains 51,218 denominations of EUR 1 thousand. The bond maturity date is 21 July 2020. The interest rate for the bonds is fixed, i.e. 4.0 percent per annum. Interest is accrued annually in arrears. The nominal value of the principal falls due, in full and in a single amount, on the maturity of the bond. The bonds are traded on the Ljubljana Stock Exchange. Ljubljana Stock Exchange closing quotation as at 30 June 2020 was 101.00, and was used for fair value calculation on the same date. Upon maturity of the bonds on 21 July 2020, the Group paid off its liabilities to investors in the nominal amount of EUR 51,218 thousand.

Liabilities for bonds issued refer to the bonds issued with the ticker symbol of SIJ6. The controlling company issued bonds with the total nominal value of EUR 40,000 thousand in November 2019. The entire bond issue contains 400 denominations of EUR 100 thousand. The bond maturity date is 25 November 2024. The interest rate for the bonds is fixed, i.e. 2.8 percent per annum. Interest is accrued annually in arrears. The nominal value of the principal falls due, in full and in a single amount, on the maturity of the bond. The bonds are traded on the Ljubljana Stock Exchange. Ljubljana Stock Exchange closing quotation as at 30 June 2020 was 100.00, and was used for fair value calculation on the same date.

#### Liabilities for Commercial Papers Issued

Liabilities for commercial papers amounting to EUR 28,100 thousand refer to 12-month commercial papers with the ticker symbol SIK06, issued by the controlling company on 13 December 2019 as a sixth consecutive issue. The total nominal value of the commercial papers is EUR 28,100 thousand and covers 281 denominations of EUR 100 thousand. The interest rate for a commercial paper is 0.9 percent per annum. Commercial papers are a discounted security. Interest is charged in advance and deducted on payment of a commercial paper in the form of a discount from the nominal value of the commercial paper. Liabilities from commercial papers are payable on 11 December 2020. Commercial papers are traded on Ljubljana Stock Exchange Ljubljana Stock Exchange closing quotation as at 30 June 2020 was 99.098, and was used for fair value calculation on the same date.

## 16. CURRENT TRADE PAYABLES

in EUR thousand	30 Jun. 2020	31 Dec. 2019
Payables to suppliers	141,373	182,909
Liabilities to employees	8,586	7,371
Received advance payments and cautions	2,554	2,962
Tax liabilities	4,559	4,688
Other liabilities	1,007	961
<b>Current trade payables</b>	<b>158,079</b>	<b>198,891</b>

## 17. CORONAVIRUS EFFECTS ON SIJ GROUP FINANCIAL STATEMENTS IN THE REPORTING PERIOD

Currently, it is not possible to predict solely consequences of the coronavirus and the introduced stabilization measures. Measures and restrictions adopted due to coronavirus are presented in the chapter "Coronavirus and SIJ Group's Operations". Based on the information available in the reporting period as of June 30, 2020, SIJ Group has reviewed:

- **Financial instruments:** SIJ Group regularly monitors and reviews the expected credit loss model according to IFRS 9. SIJ Group has not recognised an increase in credit risk due to coronavirus. Nevertheless, SIJ Group adjusted expected credit loss model as of June 30, 2020, as a result of the changed economic environment. Based on the performed calculation, SIJ Group realised that the effect on financial statements is not material.
- **Goodwill impairment test:** Based on currently known facts till the date of the report and the currently expected possible effects of coronavirus, there was no need for impairment of goodwill as at June 30, 2020.
- **Property, plant and equipment:** SIJ Group reviewed the signs of impairment of property, plant and equipment based on the performance valuation of individual cash-generating units and proceeded to an interim value assessment where such signs existed. Impairment is not solely due to coronavirus. A more detailed information is presented in Note 3.
- **Leases:** As a result of coronavirus, changes in lease payments may lead to the different accounting treatment of individual leases. All relevant matters have been reviewed by the SIJ Group as of June 30, 2020. There were no material changes of lease contracts so there was no need for adjustment of lease liabilities.
- **Employee benefits:** The review of the defined actuarial assumptions for employee benefits, including interest rate, did not result in any need for adjustment as of June 30, 2020.
- **Labour costs:** Government grants due to coronavirus totalling EUR 5,525 thousand have been disclosed as a decrease in labour costs.

SIJ Group will continuously review the possible effects on financial statements concerning future developments of the coronavirus and continue its efforts to take appropriate stabilization measures.

## 18. SEGMENT REPORTING

Segment Reporting for the Period Ending 30 June 2020

in EUR thousand	Steel Division	Distribution & Processing Division	Scrap Division	Manufacturing Division	Total segments	Headquarters and Other Services	Total	Eliminations	Elimination of discontinued operations	Consolidated financial statements
Operating income (external)	223,201	79,014	29,173	31,004	362,392	658	363,050		(3,386)	359,665
Operating income (between segments)	56,898	6,649	8,846	5,401	77,794	8,505	86,299	(86,299)	0	0
<b>Revenues</b>	<b>280,099</b>	<b>85,663</b>	<b>38,019</b>	<b>36,405</b>	<b>440,186</b>	<b>9,163</b>	<b>449,349</b>	<b>(86,299)</b>	<b>(3,386)</b>	<b>359,665</b>
<b>Profit (loss) before tax</b>	<b>(10,553)</b>	<b>8</b>	<b>193</b>	<b>(590)</b>	<b>(10,942)</b>	<b>2,788</b>	<b>(8,154)</b>	<b>0</b>	<b>(114)</b>	<b>(8,268)</b>
Interest income	3	7	67	0	77	2,724	2,801	(995)	(3)	1,803
Interest expenses	2,675	494	266	289	3,723	1,778	5,502	(1,009)	0	4,493
Amortisation and depreciation	21,086	1,535	312	1,494	24,427	518	24,945	(129)	(60)	24,756
<b>Impairment of assets</b>	<b>4,027</b>	<b>255</b>	<b>39</b>	<b>45</b>	<b>4,366</b>	<b>8</b>	<b>4,375</b>	<b>0</b>	<b>0</b>	<b>4,375</b>
Property, plant and equipment, and intangible assets	5,687	0	0	0	5,687	0	5,687	0	0	5,687
(Reversal of impairment)/impairment of inventories	(1,483)	0	0	9	(1,474)	0	(1,474)	0	0	(1,474)
Trade receivables (gains)/losses	(177)	255	39	36	154	8	161	0	0	161
Share of profit in associates	(1)	0	0	0	(1)	0	(1)	0	0	(1)
<b>Assets</b>	<b>580,081</b>	<b>111,049</b>	<b>34,888</b>	<b>62,538</b>	<b>788,557</b>	<b>105,123</b>	<b>893,680</b>	<b>0</b>	<b>0</b>	<b>893,680</b>
<b>Liabilities</b>	<b>307,313</b>	<b>55,964</b>	<b>13,862</b>	<b>26,287</b>	<b>403,426</b>	<b>79,885</b>	<b>483,312</b>	<b>0</b>	<b>0</b>	<b>483,312</b>

## Segment Reporting for the Period Ending 30 June 2019

in EUR thousand	Steel Division	Distribution & Processing Division	Scrap Division	Manufacturing Division	Poultry Division (discontinued operations)	Total segments	Headquarters and Other Services	Total	Eliminations	Elimination of discontinued operations	Consolidated financial statements
Operating income (external)	268,772	78,889	35,886	32,746	41,459	457,752	898	458,650	0	(50,157)	408,494
Operating income (between segments)	62,071	7,782	10,031	5,205	0	85,089	8,826	93,915	(93,915)	0	0
Revenues	330,843	86,671	45,917	37,951	41,459	542,841	9,724	552,565	(93,915)	(50,157)	408,494
Profit (loss) before tax	2,616	1,767	383	(344)	4,630	9,052	3,086	12,138	0	(4,735)	7,402
Interest income	29	6	56	6	2	99	2,482	2,581	(1,278)	(5)	1,298
Interest expenses	4,389	640	251	415	(260)	5,435	2,344	7,779	(1,298)	260	6,741
Amortisation and depreciation	21,201	1,491	316	1,531	0	24,539	471	25,010	(121)	(56)	24,833
Impairment of assets	(1,157)	109	(17)	8	0	(1,057)	7	(1,050)	0	(4)	(1,054)
Property, plant and equipment, and intangible assets	0	0	0	0	0	0	0	0	0	0	0
(Reversal of impairment)/impairment of inventories	(937)	0	0	1	0	(936)	0	(936)	0	0	(936)
Trade receivables (gains)/losses	(220)	109	(17)	7	0	(121)	7	(114)	0	(4)	(118)
Share of profit in associates	41	0	0	0	0	41	0	41	0	0	41
Assets	618,247	114,423	25,572	61,381	0	819,623	200,063	1,019,686	0	0	1,019,686
Liabilities	339,483	32,010	10,852	26,381	0	408,726	136,719	545,445	0	0	545,445



## Related Parties

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

### Transactions with the Controlling Company

in EUR thousand	1-6 2020	1-6 2019
Revenues	1,782	1,287

in EUR thousand	30 Jun. 2020	31 Dec. 2019
Receivables	81,338	71,266

## Carrying Amounts and Fair Values of Financial Instruments

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

in EUR thousand	30 Jun. 2020		31 Dec. 2019	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets at fair value through other comprehensive income	1,194	1,194	1,351	1,351
Financial receivables	82,237	82,237	73,009	73,009
Trade receivables	89,690	89,690	75,620	75,620
Cash and cash equivalents	74,281	74,281	120,250	120,250
Financial liabilities	(292,167)	(292,425)	(300,794)	(302,227)
Trade payables	(158,854)	(158,854)	(199,828)	(199,828)

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

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

in EUR thousand	30 Jun. 2020	31 Dec. 2019
Financial assets at fair value through other comprehensive income	718	869
<b>Financial assets at fair value of first level</b>	<b>718</b>	<b>869</b>
Financial assets at fair value through other comprehensive income	477	482
<b>Financial assets at fair value of third level</b>	<b>477</b>	<b>482</b>
Bonds and commercial papers	(119,577)	(120,330)
<b>Financial liabilities at fair value of first level</b>	<b>(119,577)</b>	<b>(120,330)</b>
Borrowings	(163,774)	(173,195)
Leases	(6,888)	(6,863)
Other financial liabilities	(2,736)	(1,839)
<b>Financial liabilities at fair value of second level</b>	<b>(173,398)</b>	<b>(181,897)</b>

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

In the first half of 2020, there were no transfers of financial instruments between different levels.

## Events After the Reporting Date

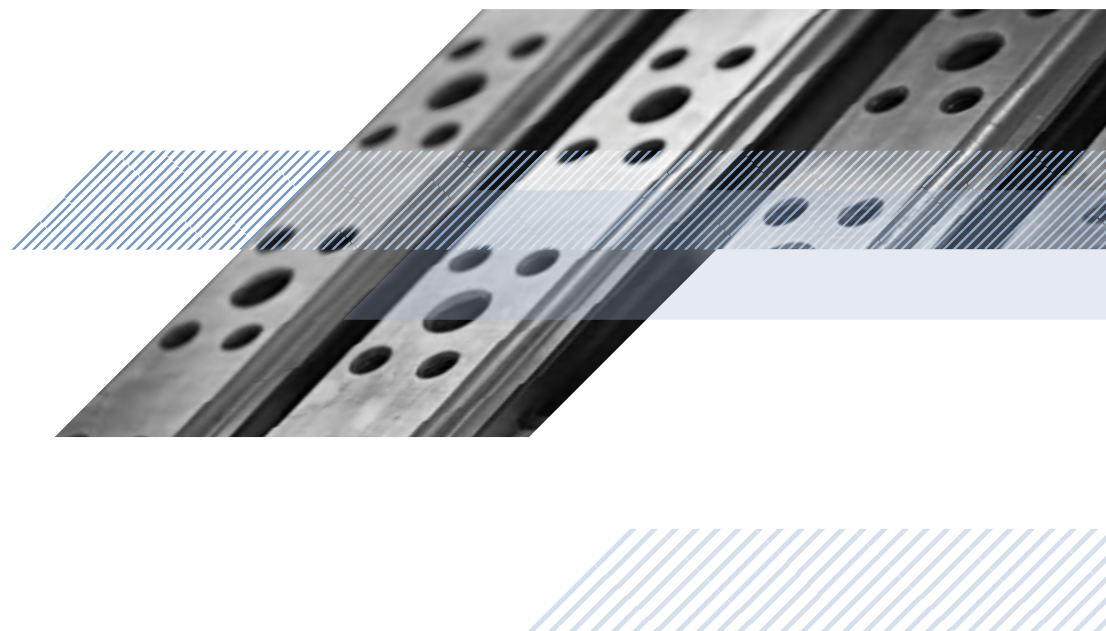
Events that would have a material effect on the financial statements presented for the period ended 30 June 2020 related to the coronavirus epidemic are described in the section “Coronavirus and SIJ Group's Operations”.

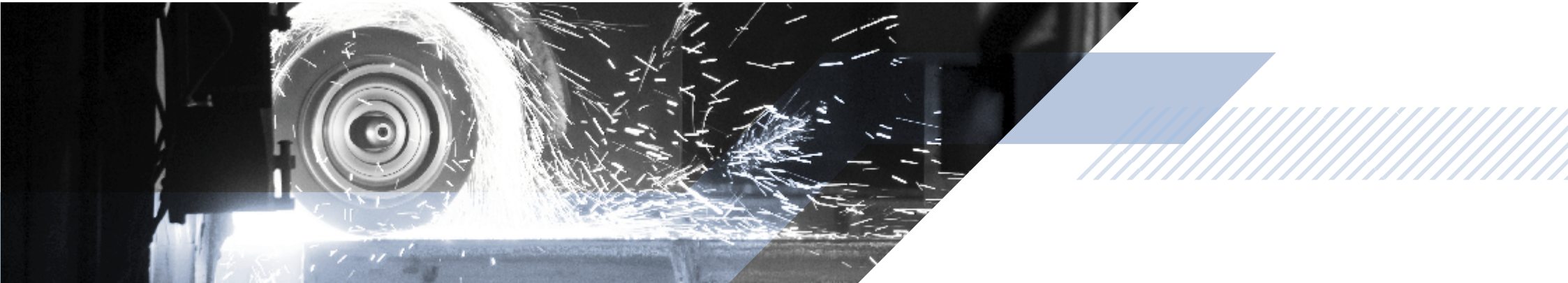
The company SIJ Ravne Steel Center, which is part of the SIJ Group's Steel Processing and Distribution Division, began the process of strategic restructuring, which will lead to changing its corporate name to RSC Holding. Going forward, this company will be under 51% ownership of SIJ d.d., and will stay on as part of SIJ Group, whereas a 49% share will be held by the Ljubljana-based TPA tehnološki center d.o.o., which brings together a number of companies supporting the tooling industry. As part of the restructuring process, RSC Holding will thus absorb the companies Kaldera, HTS IC (SI), CTO, Steel, Alrotec Tecnología, HTS IC (AT), HTS IC (CZ) and DCTL.

By taking this decision, SIJ Group made an important step forward in pursuance of its strategy for developing the group and implementing vertical integration in the tool steels segment. Within RSC Holding, the leading regional center supporting the tooling industry was created, which will provide customers with the full range of products and services, ranging from warehousing, scrapping and distribution of tool steels, heat treatment services, mechanically treated steel plates, and supplementary services. The range of products will be expanded to include production of aluminium extrusion tools, as well as development and production of innovative products for pressure die casting and injection moulding, produced using a patented innovative technology of additive production which transcends the production limits using conventional technologies.

The end users of these products will benefit from increased efficiency and lower cost, which offers unprecedented value and provides great development potential for numerous applications. This will allow SIJ Group to gain an essential competitive advantage on the market, allowing it to achieve its strategic goals in terms of long-term growth and development.

There were no other events after the reporting date that could influence the financial statements for the period ending 30 June 2020.





# Financial Report of SIJ d.d.

for the period ending 30 june 2020

# Financial Statements of SIJ d.d.

## STATEMENT OF COMPREHENSIVE INCOME

in EUR thousand	Note	1–6 2020	1–6 2019
Revenue	1	7,675	8,026
<b>Gross profit</b>		<b>7,675</b>	<b>8,026</b>
General and administrative expenses	2	(6,184)	(6,032)
Other operating income	3	16	132,677
Other operating expenses	3	(54)	(204)
Impairment (gains/losses) of trade receivables		(5)	(5)
<b>Operating profit</b>		<b>1,448</b>	<b>134,462</b>
Finance income	4	6,556	3,165
Finance expenses	4	(1,883)	(2,430)
<b>Net finance income</b>		<b>4,673</b>	<b>735</b>
<b>Profit before tax</b>		<b>6,120</b>	<b>135,197</b>
Current income tax expense	5	(299)	(12,845)
<b>Profit for the period</b>		<b>5,821</b>	<b>122,352</b>
<i>Items that will not be reclassified subsequently to profit or loss</i>			
Income tax related to components of comprehensive income		29	(7)
<i>Items that may be reclassified subsequently to profit or loss</i>			
Change in reserves due to change of financial assets at fair value		(151)	34
<b>Comprehensive income</b>		<b>5,699</b>	<b>122,379</b>

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

## STATEMENT OF FINANCIAL POSITION

in EUR thousand	Note	30 Jun. 2020	31 Dec. 2019
<b>ASSETS</b>			
<b>Non-current assets</b>		<b>286,349</b>	<b>278,542</b>
Intangible assets		458	512
Property, plant and equipment		5,966	6,249
Investment property		1	1
Investments in subsidiaries	6	197,266	197,266
Financial assets at fair value through other comprehensive income		1,183	1,334
Financial receivables	7	70,022	61,737
Trade receivables	8	10,300	10,300
Deferred tax assets		1,153	1,143
<b>Current assets</b>		<b>125,172</b>	<b>128,923</b>
Assets (groups) held for sale	9	31	31
Financial receivables	7	98,609	84,877
Trade receivables	8	5,199	6,159
Cash and cash equivalents	10	20,848	37,656
Other assets		485	200
<b>Total assets</b>		<b>411,521</b>	<b>407,465</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>	<b>11</b>	<b>277,354</b>	<b>271,655</b>
Share capital		145,266	145,266
Capital surplus		11,461	11,461
Revenue reserves		5,940	5,940
Fair value reserves		254	375
Retained earnings		114,433	108,613
<b>Non-current liabilities</b>		<b>40,629</b>	<b>40,786</b>
Employee benefits		452	452
Financial liabilities	12	40,177	40,334
<b>Current liabilities</b>		<b>93,538</b>	<b>95,024</b>
Financial liabilities	12	85,400	83,522
Trade payables	13	3,216	5,222
Income tax liabilities		4,774	6,015
Other liabilities		148	265
<b>Total equity and liabilities</b>		<b>411,521</b>	<b>407,465</b>

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

## STATEMENT OF CHANGES IN EQUITY

### Statement of Changes in Equity for the Period Ending 30 June 2020

in EUR thousand	Share capital	Capital surplus	Revenue reserves	Fair value reserves	Retained earnings	Total
<b>Balance as at 31 Dec. 2019</b>	<b>145,266</b>	<b>11,461</b>	<b>5,940</b>	<b>375</b>	<b>108,613</b>	<b>271,655</b>
Profit for the period	0	0	0	0	5,821	5,821
Other changes in comprehensive income	0	0	0	(122)	0	(122)
<b>Total changes in comprehensive income</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(122)</b>	<b>5,821</b>	<b>5,699</b>
<b>Balance as at 30 Jun. 2020</b>	<b>145,266</b>	<b>11,461</b>	<b>5,940</b>	<b>253</b>	<b>114,433</b>	<b>277,354</b>

### Statement of Changes in Equity for the Period Ending 31 December 2019

in EUR thousand	Share capital	Capital surplus	Revenue reserves	Fair value reserves	Retained earnings	Total
<b>Balance as at 31 Dec. 2018</b>	<b>145,266</b>	<b>11,461</b>	<b>1,696</b>	<b>325</b>	<b>37,975</b>	<b>196,723</b>
Dividends paid	0	0	0	0	(10,000)	(10,000)
<b>Transactions with owners</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(10,000)</b>	<b>(10,000)</b>
Profit for the period	0	0	0	0	84,882	84,882
Other changes in comprehensive income	0	0	0	50	0	50
<b>Total changes in comprehensive income</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>50</b>	<b>84,882</b>	<b>84,932</b>
Creation of legal reserves	0	0	4,244	0	(4,244)	0
<b>Total changes in equity</b>	<b>0</b>	<b>0</b>	<b>4,244</b>	<b>0</b>	<b>(4,244)</b>	<b>0</b>
<b>Balance as at 31 Dec. 2019</b>	<b>145,266</b>	<b>11,461</b>	<b>5,940</b>	<b>375</b>	<b>108,613</b>	<b>271,655</b>

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

## CASH FLOW STATEMENT

in EUR thousand	Note	1–6 2020	1–6 2019
<b>Cash flow from operating activities</b>			
Profit before tax		6,120	135,197
Adjusted for:			
Depreciation and amortisation		374	355
Interest income	4	(2,698)	(2,416)
Interest expenses	4	1,734	2,243
Profit from sale of assets (groups) held for disposal		0	(132,574)
Creation of allowances and provisions		5	5
Net other finance and operating income		(4,165)	(659)
<b>Operating cash flow before changes in working capital</b>		<b>1,370</b>	<b>2,151</b>
<b>Changes in working capital</b>			
Change in trade receivables		681	429
Change in trade payables		(2,433)	(20,838)
Change in taxes other than income tax		242	232
<b>Changes in working capital</b>		<b>(1,510)</b>	<b>(20,177)</b>
Change in assets (group) and liabilities held for disposal		0	(6,617)
Receipts from government grant		328	0
Income tax paid		(1,520)	(79)
<b>Net cash used for operating activities</b>		<b>(1,332)</b>	<b>(24,722)</b>
<b>Cash flow from investing activities</b>			
Payments for investments in subsidiaries		0	(699)
Receipts from sale of assets (groups) held for disposal		0	207,576
Payments for property, plant and equipment		(30)	(32)
Receipts from property, plant and equipment		14	17
Payments for intangible assets		0	(21)
Payments for loans issued		(41,370)	(111,548)
Receipts from loans issued		24,091	8,215
Interests received		909	2,897
Dividends received		0	91
<b>Net cash (used) generated in investing activities</b>		<b>(16,387)</b>	<b>106,496</b>

Continuation of the table →

Continuation of the table

in EUR thousand	Note	1–6 2020	1–6 2019
<b>Cash flow from financing activities</b>			
Receipts from borrowings		8,200	1,100
Payments for borrowings		(8,000)	(29,836)
Receipts for financial services		978	807
Payments from lease		(226)	(300)
Interests paid		(41)	(173)
<b>Net cash generated (used) in financing activities</b>		<b>911</b>	<b>(28,402)</b>
<b>Cash and cash equivalents as at 1. 1.</b>			
		<b>37,656</b>	<b>28,672</b>
Net change in cash and cash equivalents		(16,808)	53,372
<b>Cash and cash equivalents as at 30. 6.</b>		<b>20,848</b>	<b>82,044</b>

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

# Notes to Individual Items in the Financial Statements

## 1. REVENUE

in EUR thousand	1–6 2020	1–6 2019
In Slovenia	7,672	8,022
In other countries	3	4
<b>Revenue</b>	<b>7,675</b>	<b>8,026</b>

## 2. OPERATING EXPENSES

in EUR thousand	1–6 2020	1–6 2019
Cost of goods, materials and services	1,159	671
Labour costs (Note 14)	4,590	4,860
Depreciation and amortisation costs	374	355
Other costs	60	146
<b>Operating expenses</b>	<b>6,184</b>	<b>6,032</b>

## 3. OTHER OPERATING INCOME AND EXPENSES

in EUR thousand	1–6 2020	1–6 2019
Dividends	0	91
Profit from sale of assets (groups) held for disposal	0	132,573
Other income	16	12
<b>Other operating income</b>	<b>16</b>	<b>132,677</b>
Expenses for donations and sponsorships	(54)	(203)
Other expenses	0	(1)
<b>Other operating expenses</b>	<b>(54)</b>	<b>(204)</b>
<b>Net other operating income (costs)</b>	<b>(38)</b>	<b>132,473</b>

## 4. NET FINANCE INCOME

in EUR thousand	1–6 2020	1–6 2019
Interest income	2,698	2,416
Guarantee fees	758	749
Reversal of impairment of loans issued	3,100	0
<b>Finance income</b>	<b>6,556</b>	<b>3,165</b>
Interest expenses	(1,750)	(2,243)
Other expenses	(133)	(187)
<b>Finance expenses</b>	<b>(1,883)</b>	<b>(2,430)</b>
<b>Net finance income</b>	<b>4,673</b>	<b>735</b>

## 5. INCOME TAX

in EUR thousand	1–6 2020	1–6 2019
Current income tax expense	(280)	(6,520)
Deferred income tax	(19)	(6,325)
<b>Income tax</b>	<b>(299)</b>	<b>(12,845)</b>

in EUR thousand	1–6 2020	1–6 2019
<b>Profit before tax</b>	<b>6,120</b>	<b>135,197</b>
Tax at effective tax rate 19%	1,163	25,687
Tax effects from:		
- <i>non-taxable income</i>	(562)	(12,655)
- <i>tax non-deductible expenses</i>	15	58
- <i>utilisation of previously unrecognised tax losses</i>	0	(221)
- <i>tax relief</i>	(9)	(26)
- <i>tax losses for which no deferred tax assets were recognised</i>	(308)	0
<b>Income tax</b>	<b>299</b>	<b>12,845</b>
<b>Effective tax rate</b>	<b>4.89%</b>	<b>9.50%</b>

## 6. INVESTMENTS IN SUBSIDIARIES

in EUR thousand	30 Jun. 2020	31 Dec. 2019
SIJ ACRONI d.o.o., Cesta Borisa Kidriča 44, Jesenice, Slovenia	111,337	111,337
SIJ METAL RAVNE d.o.o., Koroška cesta 14, Ravne na Koroškem, Slovenia	46,714	46,714
GRIFFON & ROMANO S.P.A., Via Dossetti 11, Loc. Casinello de Dosso, Italy	0	0
SIJ RAVNE STEEL CENTER d.o.o., Litostrajska cesta 60, Ljubljana, Slovenia	11,987	11,987
NIRO Wenden GmbH, Glück-Auf-Weg 2, Wenden, Germany	0	0
NOŽI RAVNE d.o.o., Koroška cesta 14, Ravne na Koroškem, Slovenia	505	505
ODPAD d.o.o. Pivka, Velika Pristava 23, Pivka, Slovenia	4,981	4,981
SIJ ELEKTRODE JESENICE d.o.o., Cesta železarjev 8, Jesenice, Slovenia	957	957
SIJ SUZ d.o.o., Cesta Borisa Kidriča 44, Jesenice, Slovenia	616	616
SIJ ZIP CENTER d.o.o., Koroška cesta 14, Ravne na Koroškem, Slovenia	68	68
SIJ Asia GmbH, Berger Str. 2, 40213 Düsseldorf, Germany	100	100
SIJ RAVNE SYSTEMS d.o.o., Koroška cesta 14, Ravne na Koroškem, Slovenia	8,945	8,945
SIJ POLSKA Sp. Z.o.o., ul. Zamkowa 7 lok. 11, Poznan, Poland	1	1
HOLDING PMP d.o.o., Gerbičeva 98, 1000 Ljubljana, Slovenia	7,687	7,687
KOPO INTERNATIONAL, 100 Village Court, Suite 202, Hazlet, 07730 New Jersey, USA	2,670	2,670
OOO SSG, 119019, Moscow, Novy Arbat, d. 21, pom. I, et. 21, kom. 29, Russia	698	698
<b>Investments in subsidiaries</b>	<b>197,266</b>	<b>197,266</b>

## 7. FINANCIAL RECEIVABLES

in EUR thousand	30 Jun. 2020	31 Dec. 2019
Loans issued	70,022	61,737
<b>Non-current financial receivables</b>	<b>70,022</b>	<b>61,737</b>
Loans issued	92,034	84,317
Other	6,575	560
<b>Current financial receivables</b>	<b>98,609</b>	<b>84,877</b>

Loans issued include a loan issued to the controlling company amounting to EUR 75,340 thousand. The interest rates for loans issued are fixed as well as flexible and vary between 1.60 and 5.00 percent. The disclosed value of loans issued does not exceed their realisable value. The loans issued are not pledged as security for liabilities. Majority of loans issued is secured with bills. Due to increased credit risk and identified objective signs of impairment at the reporting date, an allowance for loans issued totaling EUR 17,989 was created.

## 8. TRADE RECEIVABLES

in EUR thousand	30 Jun. 2020	31 Dec. 2019
Receivables towards subsidiaries for unpaid dividends	10,300	10,300
<b>Non-current trade receivables</b>	<b>10,300</b>	<b>10,300</b>
Trade receivables	5,164	5,856
Allowances for trade receivables	(138)	(133)
Receivables from government and other institutions	106	401
Issued advance payments and cautions	31	6
Other receivables	36	29
<b>Current trade receivables</b>	<b>5,199</b>	<b>6,159</b>

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

## 9. ASSETS (GROUPS) HELD FOR SALE

in EUR thousand	30 Jun. 2020	31 Dec. 2019
Other assets held for disposal	31	31
<b>Assets (groups) held for sale</b>	<b>31</b>	<b>31</b>

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



## 10. CASH AND CASH EQUIVALENTS

in EUR thousand	30 Jun. 2020	31 Dec. 2019
Cash in national currency	20,848	37,656
<b>Cash and cash equivalents</b>	<b>20,848</b>	<b>37,656</b>

## 11. EQUITY

in EUR thousand	30 Jun. 2020	31 Dec. 2019
Share capital	145,266	145,266
Capital surplus	11,461	11,461
Revenue reserves	5,940	5,940
Fair value reserves	254	375
Retained earnings	114,433	108,613
<b>Equity</b>	<b>277,354</b>	<b>271,655</b>

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

### Ownership Structure

Shareholder	Number of shares 30 Jun. 2020	Number of shares 31 Dec. 2019
DILON, d. o. o., Gerbičeva ulica 98, Ljubljana	718,351	718,351
Republic of Slovenia, Gregorčičeva ulica 20, Ljubljana	248,655	248,655
SIJ d.d., Gerbičeva ulica 98, Ljubljana	27,600	27,600
UNIOR, d. d., Kovaška cesta 10, Zreče	10	10
<b>Total</b>	<b>994,616</b>	<b>994,616</b>

### Capital Surplus

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

### Revenue Reserves

in EUR thousand	30 Jun. 2020	31 Dec. 2019
Legal reserves	8,195	8,195
Treasury shares	(6,009)	(6,009)
Reserves for treasury shares	3,754	3,754
<b>Revenue reserves</b>	<b>5,940</b>	<b>5,940</b>

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

### Fair Value Reserves

in EUR thousand	30 Jun. 2020	31 Dec. 2019
Fair value reserve due to financial assets at fair value through comprehensive income	319	469
Deferred tax liabilities	(61)	(89)
Net actuarial gains on pension programs	(5)	(5)
<b>Fair value reserves</b>	<b>254</b>	<b>375</b>

## 12. FINANCIAL LIABILITIES

in EUR thousand	30 Jun. 2020	31 Dec. 2019
Liabilities for bonds issued (SIJ6)	39,760	39,728
Lease liabilities	417	606
<b>Non-current financial liabilities</b>	<b>40,177</b>	<b>40,334</b>
Borrowings	3,300	3,100
Liabilities for bonds issued (SIJ5)	51,140	51,095
Liabilities for commercial papers issued	28,086	28,072
Lease liabilities	377	418
Other current financial liabilities	2,497	837
<b>Current financial liabilities</b>	<b>85,400</b>	<b>83,522</b>
<b>Total financial liabilities</b>	<b>125,577</b>	<b>123,856</b>

### Borrowings

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

### Liabilities for Bonds Issued

Liabilities for bonds issued refer to the bonds issued with the ticker symbol of SIJ5. The Company issued bonds with the total nominal value of EUR 51,218 thousand in July 2015. The entire bond issue contains 51,218 denominations of EUR 1 thousand. The bond maturity date is 21 July 2020. The interest rate for the bonds is fixed, i.e. 4.0 percent per annum. Interest is accrued annually in arrears. The nominal value of the principal falls due, in full and in a single amount, on the maturity of the bond. The bonds are traded on the Ljubljana Stock Exchange. Ljubljana Stock Exchange closing quotation as at 30 June 2020 was 101.00, and was used for fair value calculation on the same date. Upon maturity of the bonds on 21 July 2020, SIJ d.d. As a issuer paid off its liabilities to investors in the nominal amount of EUR 51,218 thousand.

Liabilities for bonds issued refer to the bonds issued with the ticker symbol of SIJ6. The Company issued bonds with the total nominal value of EUR 40,000 thousand in November

2019. The entire bond issue contains 400 denominations of EUR 100 thousand. The bond maturity date is 25 November 2024. The interest rate for the bonds is fixed, i.e. 2.8 percent per annum. Interest is accrued annually in arrears. The nominal value of the principal falls due, in full and in a single amount, on the maturity of the bond. The bonds are traded on the Ljubljana Stock Exchange. Ljubljana Stock Exchange closing quotation as at 30 June 2020 was 100.00, and was used for fair value calculation on the same date.

### Liabilities for Commercial Papers Issued

Liabilities for commercial papers amounting to EUR 28,100 thousand refer to 12-month commercial papers with the ticker symbol SIK06, issued by the Company on 13 December 2019 as a sixth consecutive issue. The total nominal value of the commercial papers is EUR 28,100 thousand and covers 281 denominations of EUR 100 thousand. The interest rate for a commercial paper is 0.9 percent per annum. Commercial papers are a discounted security. Interest is charged in advance and deducted on payment of a commercial paper in the form of a discount from the nominal value of the commercial paper. Liabilities from commercial papers are payable on 11 December 2020. Commercial papers are traded on Ljubljana Stock Exchange Ljubljana Stock Exchange closing quotation as at 30 June 2020 was 99.098, and was used for fair value calculation on the same date.

## 13. TRADE PAYABLES

in EUR thousand	30 Jun. 2020	31 Dec. 2019
Payables to suppliers	908	2,442
Liabilities to employees	1,368	1,353
Tax and other liabilities	940	1,427
<b>Current trade payables</b>	<b>3,216</b>	<b>5,222</b>

## 14. CORONAVIRUS EFFECTS ON SIJ D.D. FINANCIAL STATEMENTS IN THE REPORTING PERIOD

The Company has taken measures and monitors restrictions due to coronavirus. Currently, it is not possible to predict solely consequences of the coronavirus and the introduced stabilization measures. Based on the information available in the reporting period as of June 30, 2020, the Company has reviewed:

- **Financial instruments:** The Company has not recognised an increase in credit risk due to coronavirus. As a result of the changed economic environment, the Company used the adjusted expected credit loss model as of June 30, 2020. Based on the performed calculation, the Company realised that the effect on financial statements is not material.
- **Leases:** All relevant matters have been reviewed by the Company as of June 30, 2020. There were no changes of lease contracts so there was no need for adjustment of lease liabilities.
- **Employee benefits:** The Company reviewed the defined actuarial assumptions for employee benefits, including the interest rate. The review did not result in any need for adjustment of employee benefits as of June 30, 2020.
- **Labour costs:** Government grants due to coronavirus totalling EUR 425 thousand have been disclosed as a decrease in labour costs.

The Company will continuously review the possible effects on financial statements concerning future developments of the coronavirus and continue its efforts to take appropriate stabilization measures.

## Related Parties

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

### Transactions with the Controlling Company

in EUR thousand	1–6 2020	1–6 2019
Revenues	1,782	1,287

in EUR thousand	30 Jun. 2020	31 Dec. 2019
Receivables	81,338	71,266

### Transactions with Subsidiaries

in EUR thousand	1–6 2020	1–6 2019
Revenues	9,400	9,848
Expenses	56	140

in EUR thousand	30 Jun. 2020	31 Dec. 2019
Receivables	119,446	111,124
Liabilities	100	862

### Transactions with Other Related Companies

in EUR thousand	1–6 2020	1–6 2019
Revenues	28	37
Expenses	25	26

in EUR thousand	30 Jun. 2020	31 Dec. 2019
Receivables	1,134	1,182
Liabilities	3,304	3,104

## Carrying Amounts and Fair Values of Financial Instruments

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

in EUR thousand	30 Jun. 2020		31 Dec. 2019	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets at fair value through other comprehensive income	1,183	1,183	1,334	1,334
Financial receivables	168,632	168,632	146,614	146,614
Trade receivables	15,499	15,499	16,459	16,459
Cash and cash equivalents	20,848	20,848	37,656	37,656
Financial liabilities	(125,577)	(125,836)	(123,857)	(125,291)
Trade payables	(3,216)	(3,216)	(5,222)	(5,222)

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

in EUR thousand	30 Jun. 2020	31 Dec. 2019
Financial assets at fair value through other comprehensive income	718	869
<b>Financial assets at fair value of first level</b>	<b>718</b>	<b>869</b>
Financial assets at fair value through other comprehensive income	465	465
<b>Financial assets at fair value of third level</b>	<b>465</b>	<b>465</b>
Bonds and commercial papers	(119,577)	(120,330)
<b>Financial liabilities at fair value of first level</b>	<b>(119,577)</b>	<b>(120,330)</b>
Borrowings	(3,300)	(3,100)
Leases	(795)	(1,024)
Other financial liabilities	(2,497)	(837)
<b>Financial liabilities at fair value of second level</b>	<b>(6,592)</b>	<b>(4,961)</b>

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

In the first half of 2020, there were no transfers of financial instruments between different levels.

## Events After the Reporting Date

Events that would have a material effect on the financial statements presented for the period ended 30 June 2020 related to the coronavirus epidemic are described in the section "Coronavirus and SIJ Group's Operations".

There were no other events after the reporting date that could influence the financial statements for the period ending 30 June 2020.

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A decorative horizontal band across the page featuring a black and white photograph of bright sparks or molten metal falling, with a semi-transparent grey geometric shape overlaid on the left side.

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*Translation only, Slovenian original prevails.*