



**Business report of**  
the SIJ Group and the company SIJ d.d.  
FOR THE FIRST HALF OF 2017

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# Introduction

## OPERATING HIGHLIGHTS

**+23.8%**

Revenues

EBITDA

**EUR 55,9  
Million**

### REVENUES INCREASED FOR 23.8 PERCENT

The revenues generated in the first half of 2017 amount to EUR 512.4 million and increased for EUR 98.5 million on the same period last year. In the metallurgy division, with the planned expansion of operations (acquisitions of companies and expansion to new markets), along with the increase in the prices of products, revenues increased for 18.2 percent, while the 3.2 percent increase in revenues in the poultry division was mainly due to higher volume sales of food products made of poultry meat.

### THE SHARE OF EXPORTS HAS GROWN TO 81.5 PERCENT

The share of exports in the SIJ Group has increased by 0.5 percentage points compared to the same period last year, which is primarily the impact of the metallurgy division – we expanded the sales and service network and so increased the number of end customers, and expanded the product portfolio.

### WE GENERATED AN EBITDA OF EUR 55.9 MILLION

With higher costs of raw materials, energy and labour, we improved the production mix and further optimised production processes to achieve an EBITDA in the amount of EUR 55.9 million last year. The EBITDA margin of 10.9 percent is somewhat lower than last year in the same period<sup>1</sup>, but remains above average in both the metallurgy and poultry divisions.

<sup>1</sup> This comparison does not take into account the business combinations revenue in 2016.

**EUR 39  
Million**

Investment  
Expenditure

The Share  
of Exports

**81,5%**

**7,474  
Employees**

Key Employer

## INVESTMENT EXPENDITURE AMOUNTED EUR 39 MILLION

In accordance with the SIJ Group's long-term investment strategy, investments far exceed the depreciation costs and will continue to be the basis for the growth and development of the Group as it focuses on the production of specialised high value-added products for niche markets. The largest investment in the value of EUR 30 million was in the AOD (argon oxygen decarburisation) converter in SIJ Acroni. It is an important element in the realisation of the strategy for the development of the Group's Steel Division, as it will significantly increase the production capacity of stainless steel sheets. By doing so, SIJ Acroni will maintain its leading market share in the segment of stainless steel quarto plates in the European Union, and indirectly also in special steels.

## WITH 7,474 EMPLOYEES, WE ARE A KEY EMPLOYER IN THREE SLOVENIAN REGIONS

The SIJ Group employs more than seven thousand people, which makes us one of the most important employers in Slovenia, and especially in the regions of Gorenjska, Koroška and Štajerska. Compared to the same period in 2016, 363 new workers were employed in the SIJ Group, or 5.1 percent more than last year. Most come from the aforementioned regions.

## STATEMENT OF THE PRESIDENT OF THE MANAGEMENT BOARD



Dear shareholders, business partners and employees of the SIJ Group, for the SIJ Group, the first six months of 2017 were full of challenges and changes, which required additional efforts from all of us. At the same time, the SIJ Group operated successfully and stable. For the first time in the Group's history, the revenues generated in the first half of 2017 exceeded half a billion euros, and increased for EUR 98.5 million compared to the same period last year. The rise in revenues was mainly due to higher prices of steel products, reflecting the 18.2 percent growth in revenues in the metallurgy division. Sales prices were important in shaping the situation on commodity markets - in the first half of the year, the prices of raw materials (steel scrap, nickel, etc.) increased, thus increasing the sales prices of steel products. In the metallurgy division, price fluctuations were absorbed using the so-called pass-through model, which allows us to transfer the input prices of raw materials to finished products.

We maintain the high profitability of our business, as reflected in the EBITDA generated in the amount of EUR 55.9 million. The EBITDA margin of 10.9 percent is lower than last year in the same period, but remains above average in both the metallurgy and poultry divisions of the SIJ Group.

In 2017, we are in the midst of the second investment cycle (2015-2020), in which we will make the transition from investments to increase production capacity to investments to eliminate bottlenecks and make upgrades that enable the production of technologically more advanced products. In accordance with such an investment policy, somewhat less, EUR 39 million was earmarked for investments. The most important investment in the value of EUR 30 million is the AOD converter in SIJ Acroni, which will, after full operation in the second half of 2017, have a significant impact on increased production capacity and competitiveness in the production of stainless steels. In the segment of stainless steel quarto plates, we have the leading market share in the European Union. The poultry division of our Group also successfully maintains its leading position in the markets of Slovenia and other markets in the region.

In addition to our customers, the banks also recognise us as a strong partner, with good business results, high profitability and a stable business model. In March, the companies SIJ Acroni and SIJ Metal Ravne concluded with a syndicate of seven banks (including the EBRD) a long-term agreement on a five-year syndicated loan to refinance the existing loan portfolio and ensure long-term funding for working capital totalling EUR 240 million, thus a reflection of the banks' trust in us.

In addition to successful business results, in the first half of the year, the SIJ Group was also marked by changes in its management, during which we constantly ensured the smooth operation of the Group. Our most important goal was also to find additional internal reserves for successful business operations and to reduce indebtedness. As an indicator of the internal reserves and improvements, we would like to point out the reduction in working capital by EUR 19.9 million in the first half of the year.

The planning process has also been redesigned. For the next ten-year period (2018-2028), we have been intensively introducing a new process of comprehensive strategic planning in both the metallurgy and the poultry divisions, with an emphasis on investment planning and maintenance. All this required additional efforts from all the employees of the SIJ Group, who together maintained the stability of the Group's operations.

The achieved business results testify to the global competitiveness of the SIJ Group and the soundness of the planned development strategy, which is why we expect good business also in the second half of this year and in the future.

President of the Management Board

ANDREY ZUBITSKIY



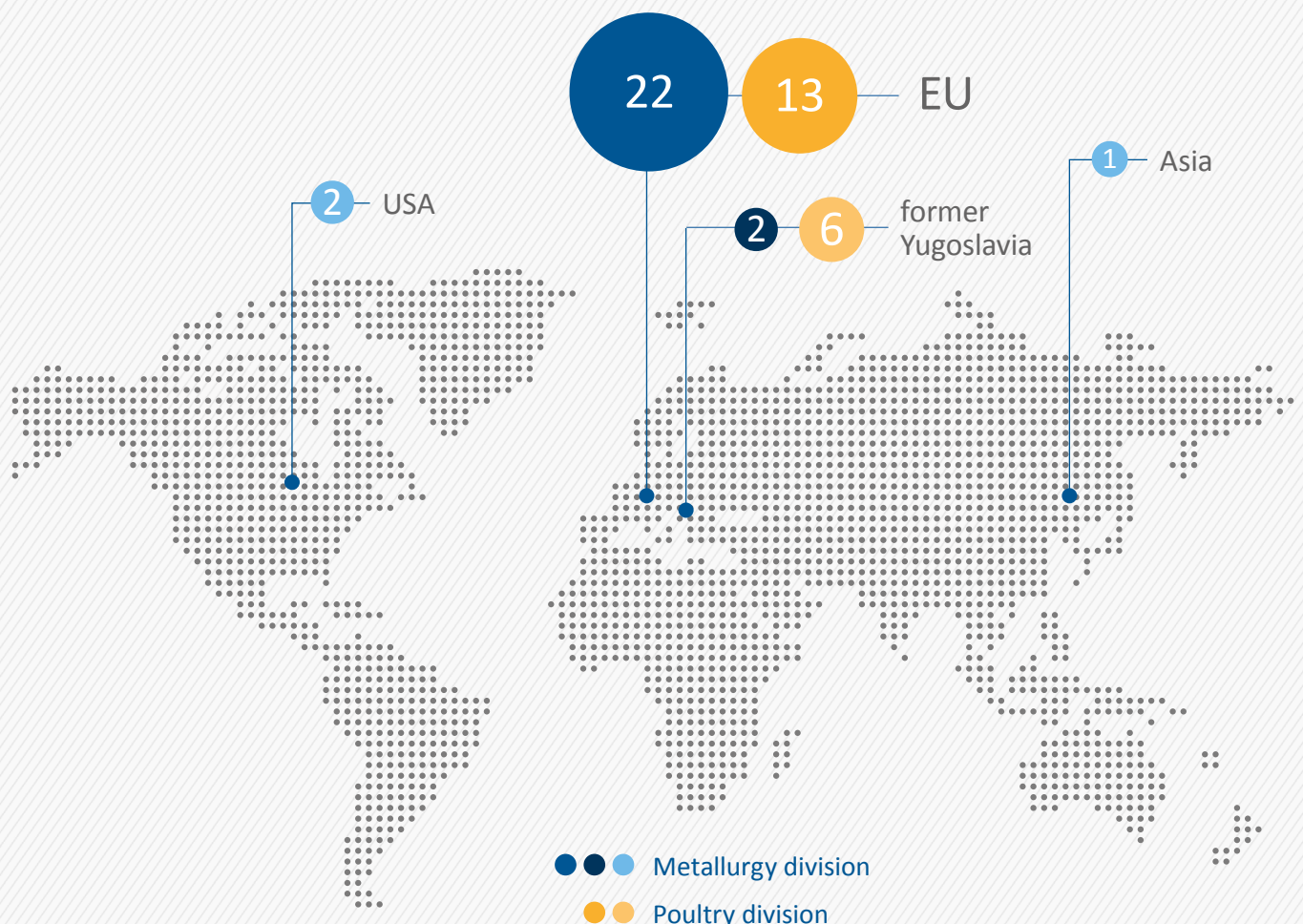


## OVERVIEW OF THE SIJ GROUP

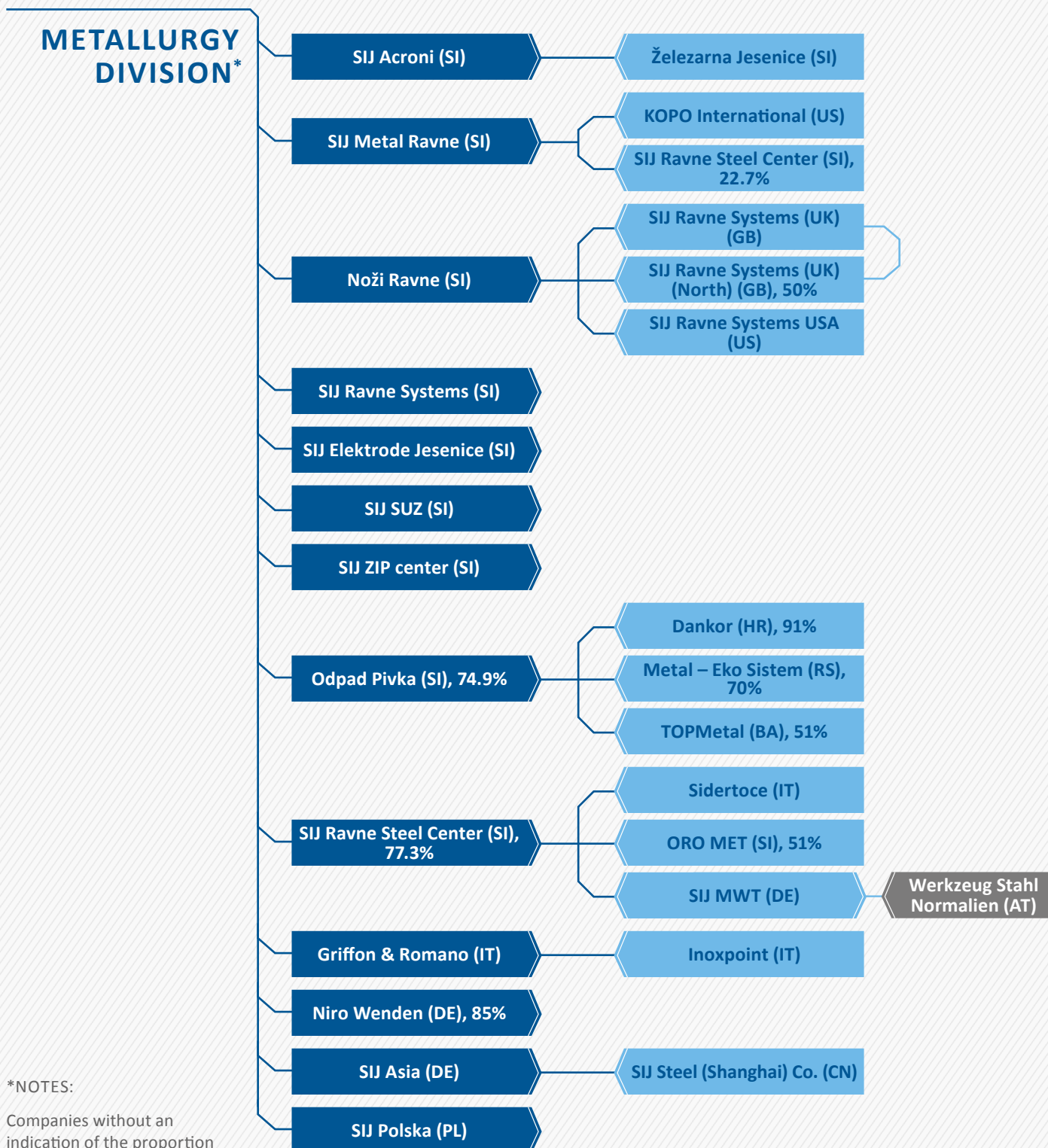
The SIJ Group is the largest Slovenian vertically integrated group. The group consists of two business divisions - the metallurgy division (core business) and the poultry division (the Perutnina Ptuj Group, hereinafter: the PP Group).

SIJ d.d. is the controlling company and founder or direct or indirect owner of subsidiaries of the SIJ Group active in both industries. SIJ d.d. performs, through its Management Board and Executive Management, its function as manager of investments in SIJ Group companies in both Slovenia and abroad directly, with a controlling agreement in place as the legal basis for that function.

The metallurgy division of the SIJ Group consists of 28 companies, of which 22 are established within the European Union, two in countries of the former Yugoslavia, while the remaining companies operate in Eastern Europe, the USA and Asia. The poultry division has 19 companies, of which 13 are in the European Union, and the rest are in countries of the former Yugoslavia.



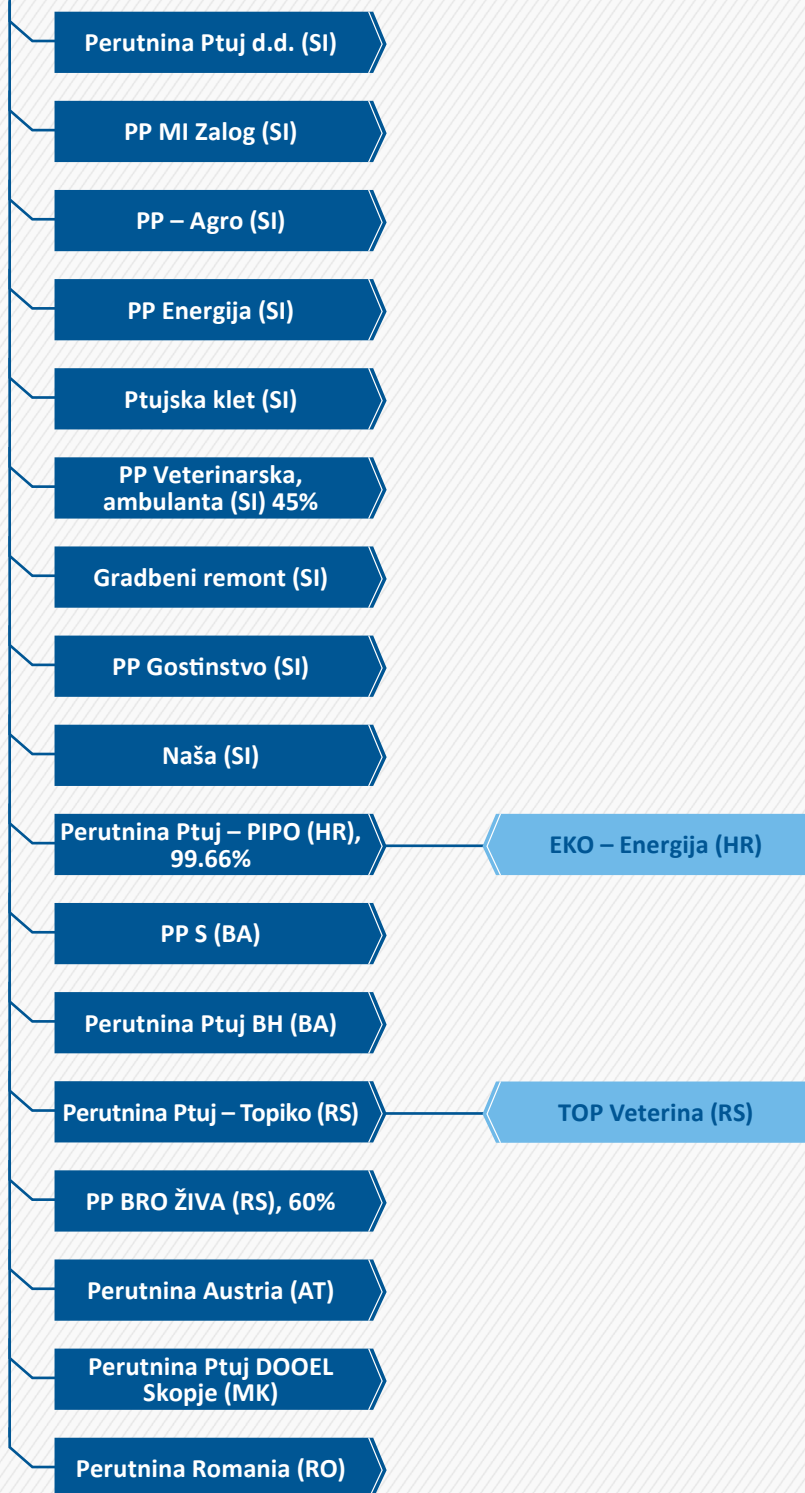
## ORGANISATIONAL STRUCTURE



**\*NOTES:**

Companies without an indication of the proportion of ownership are 100% owned by SIJ d.d. or its subsidiaries.

## POULTRY DIVISION\*



**\*NOTES:**

Companies without an indication of the proportion of ownership are 100% owned by Perutnina Ptuj d.d. or its subsidiaries.

## OVERVIEW OF THE CONTROLLING ENTITY SIJ d.d.

- **Company name:** SIJ – Slovenska industrija jekla, d.d.
- **Abbreviated company name:** SIJ d.d.
- **Registered office:** Gerbičeva ulica 98, 1000 Ljubljana, Slovenia
- **Primary activity:** 70.100 Activities of head offices
- **Registry entry:** SRG 1/03550/00, District Court in Ljubljana
- **Date of entry:** 22 February 1995
- **Registered share capital:** EUR 145,266,065.76
- **Number of shares:** 994,616 ordinary no-par-value shares
- **Ownership:**
  - 72.22 percent: DILON, d.o.o., Gerbičeva ulica 98, Ljubljana
  - 25.00 percent: Republic of Slovenia, Gregorčičeva ulica 20, Ljubljana
  - 0.00 percent (10 shares): Unior d.d., Kovaška cesta 10, Zreče
  - 2.77 percent: treasury shares
- **Registration number:** 5046432
- **VAT ID number:** SI 51018535

The company's main activity is "Activities of Head Offices".

## MANAGEMENT AND SUPERVISORY BODIES

### Management Board of SIJ d.d.:

- President of the Management Board: Andrey Zubitskiy
- Member of the Management Board: Dmitrii Bochkarev

### Supervisory Board of SIJ d.d.:

- President of the Supervisory Board: Evgeny Zverev
- Deputy President of the Supervisory Board: Janko Jenko
- Members of the Supervisory Board: Mitja Križaj, Dmitry Davydov, Sergey Frolov, Sergey Cherkaev

Due to resignations of Members of the Management Board and the Supervisory Board, in the first half of 2017, there were changes in the composition of the Management Board and the Supervisory Board.

First, on the occasion of the resignation of Anton Chernyk on January 18, 2017, Andrey Zubitskiy temporarily took over the position of President of the Management Board of SIJ d.d. for half a year. In addition, Denis Mancevič, former member of the Supervisory Board, was appointed a Member of the Management Board. Together with the former board member Igor Malevanov, at the beginning of the year, the company's Management Board thus had three members. After the appointment of Dmitri Bochkarev, on 17 May 2017, the Management Board consisted of four members, but Denis Mancevič, and Igor Malevanov announced their resignations, on the basis of which they were only responsible for current affairs - Igor Malevanov until 25 June 2017, and Denis Mancevič, until 10 July 2017. Given these rapid changes, the company only mentions Andrey Zubitskiy, who was appointed President of the Management Board for a full term on 18 July 2017, and Dmitrii Bochkarev, as its Management Board.

After the resignation, in January, of Denis Mancevič, on 15 May 2017, Tomaž Stare also resigned from the Supervisory Board. Thus, at the 30<sup>th</sup> General Meeting of the company on 9 June 2017, the shareholders appointed Mitja Križaj and Dmitry Davydov as Supervisory Board members for the next four years. In view of the appointment of Andrey Zubitskiy on 18 July 2017 for a full term in the Management Board of SIJ d.d., one additional member will likely be appointed to the Supervisory Board in the future, taking into account the statutory number of seven members.

### Audit Committee:

- President of the Audit Committee: Sergey Cherkaev
- Members of the Audit Committee: Sergey Frolov and Alan Maher



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# Business report

## MAJOR BUSINESS EVENTS AND ACHIEVEMENTS OF THE SIJ GROUP IN THE FIRST HALF OF 2017

### JANUARY

On 18 January 2017, the Supervisory Board of SIJ d.d. became acquainted with the current operations of the SIJ Group and the preliminary operating results for 2016. After its acquaintance with the resignation of the President of the Management Board Anton Chernykh, the Supervisory Board appointed two new members of the Management Board of SIJ d.d. Andrey Zubitskiy, until then the President of the Supervisory Board of SIJ d.d., was appointed as President of the Management Board, while Denis Mancevič, until then member of the Supervisory Board and Director of Corporate Communications of SIJ d.d., was appointed member of the Management Board and Chief Executive Officer (CEO) for a period of five years. Igor Malevanov remained Member of the Management Board and Executive Director for Finance of SIJ d.d. Evgeny Zverev was appointed President of the Supervisory Board.

On 1 January 2017, Perutnina Ptuj d.d. became 100 percent owner of the retailer Naša d.o.o. with two stores, one in Celje and the other in Maribor, thus expanding its sales network in the retail segment covering sales to individuals and the HoReCa segment (hotels, restaurants, catering).

### FEBRUARY

The SIJ Group rounded up the first year of the Working safely, staying healthy campaign aimed at raising employee awareness of safety and health at work, and named two facilities at Jesenice and Ravne the safest production facilities, as well as the healthiest backoffice unit for 2016.

### MARCH

The companies SIJ Acroni and SIJ Metal Ravne concluded with a syndicate of seven banks a long-term agreement on a five-year syndicated loan to refinance the existing loan portfolio and ensure long-term funding for working capital totalling EUR 240 million. Thus both companies ensured long-term funding, which will enable them continued financial strength, growth and development. The syndicate of banks is comprised of reputable domestic and foreign banks, including the European Bank for Reconstruction and Development.

On 13 March 2017, exactly 30 years passed since the Jesenice company SIJ Acroni started the newly built steel production plant 2 and produced its first heat. Since then, about 8.7 million tonnes of steel have been manufactured in the Jesenice steel plant. It was exactly 30 years and one day after the new steel plant started operating that SIJ Acroni reached a new milestone with the production of its 90-thousandth heat.

## APRIL

On 24 April 2017, SIJ Acroni launched this year's most important strategic investment of the SIJ Group - the AOD converter, worth EUR 30 million. With the new acquisition and the full utilisation of the converter in the second half of 2017, SIJ Acroni plans to increase its production capacity of stainless and special steels and strengthen its position in niche steel markets.

For its comprehensive internal awareness campaign on safety and health at work Working safely, staying healthy for 2016 the SIJ Group was awarded the highest Slovenian professional award for excellence in public relations. The prize was awarded by the Slovenian Public Relations Society within the framework of the Slovenian Public Relations Conference (SKOJ). In April, the SIJ Group also launched its 2017 campaign.

## MAY

At the 3<sup>rd</sup> correspondence session of the Supervisory Board of SIJ d.d., on 17 May 2017, the members of the Supervisory Board unanimously appointed a new member of the Management Board of SIJ d.d. Dmitrii Bochkarev, Doctor of Economic Sciences, was appointed for a five-year mandate. Bochkarev, thus became the fourth Member of the Management Board of the SIJ Group - besides Denis Mancevič, and Igor Malevanov, who conducted current business as Members of the Management Board during their resignation, and the President of the Management Board Andrey Zubitsky.

## JUNE

At the 30<sup>th</sup> regular Annual General Meeting on 9 June 2017, the shareholders adopted a resolution on the allocation of the profit for 2016 amounting to EUR 47,843,066.55:

- Part of the profit for 2016 in the amount of EUR 9,969,934.96 was earmarked for dividends. The gross dividend per share amounts to EUR 10.31 (treasury shares excluded). The dividend will be paid to shareholders no later than by the end of 2017 in several instalments, whereby the cut-off date is one working day before the day of payment. Thus the Annual General Meeting authorised the Management Board of SIJ d.d. to decide on each specific payment date.
- The remained of the distributable profit in the amount of EUR 37,873,313.59 shall remain undistributed.

Shareholders dismissed the Management Board and the Supervisory Board and appointed the auditor. Shareholders elected two new members to the Supervisory Board. Thus, on 9 June 2017, Mitja Križaj and Dmitry Davydov became Members of the Supervisory Board for the next four-year term.



The SIJ Group received the international award of the International Stainless Steel Forum (ISSF) for sustainable development for its project involving the use of waste heat for municipal heating in Ravne na Koroškem. The project involving the use of waste heat for municipal heating in the towns where SIJ Group companies operate was recognised as the third best project in the global competition of projects in the field of sustainable development.

On 8 June 2017, the Univerzitetni rehabilitacijski inštitut (URI) RS - Soča and the SIJ Group again organised the Day for a Better Step, which marked the donation of two important new devices worth EUR 42,000, donated by the SIJ Group, which will contribute to the more efficient rehabilitation of children. This is already the third donation in the long-term cooperation of the SIJ Group and URI - Soča.

The SIJ Group received four awards in the competition of the best innovations organised by regional chambers of the Chamber for Gorenjska and Carinthia. SIJ Acroni received a gold award, while SIJ Metal Ravne received a gold, silver and bronze award. The two golden regional innovations were admitted to the competition at the national level. The SIJ Group has once again proved that its innovation is at a very high level and is the foundation of its development, ensuring its further growth and competitiveness.

The 15<sup>th</sup> Poli marathon, one of the largest Slovenian recreational cycling events, organised by the Perutnina Ptuj Cycling Club and Perutnina Ptuj d.d., attracted around 4,500 cyclists to Ptuj this year with the support of more than 500 volunteers.

As part of the 38<sup>th</sup> International Quality Assessment of Meat and Meat Products under the auspices of the 55<sup>th</sup> International Agro-Food Fair AGRA in Gornja Radgona, Perutnina Ptuj again confirmed the highest quality of meat and products of the Perutnina Ptuj brands. Five products, which each received three golden medals at evaluations organised under the auspices of the AGRA fair, were awarded the title of Champion of Quality.

## MAJOR SUBSEQUENT BUSINESS EVENTS

### JULY

On 16 July 2017, more than 3,000 employees of the SIJ Group and their family members attended the celebration of the international vocational metallurgists' day in Jesenice. At the event entitled 4<sup>th</sup> Metallurgists Day, the Management Board thanked our employees of the year, employees celebrating 40 years of service and loyalty to the SIJ Group, as well as the best innovators in 2016.

At its correspondence session held on 18 July 2017, the Supervisory Board appointed Andrey Zubitsky for a full six-year mandate as President of the Management Board of SIJ d.d.

### SEPTEMBER

The 3<sup>rd</sup> SIJ Sales Conference took place between 6 and 8 of September 2017 in Ljubljana. More than 160 delegates from 29 countries visited SIJ's conference with the key topic Shaping the Future Together future together.

On 8 September 2017, SIJ Acroni officially launched its AOD converter at the grand opening. An honorary guest at the ceremony was Borut Pahor, the President of the Republic of Slovenia.

### Risk Management in the First Half of 2017

In the past, the SIJ Group established a comprehensive risk management system, which was in 2016 further expanded, deepened and strengthened by the acquisition of the poultry division. The identification, monitoring, control and risk management for both divisions is carried out centrally and is based on a well-rounded, systematic process of planning, coordinating and reporting. The risk management process is established at all levels of business management and decision-making, and priorities are determined according to the probability estimates for the occurrence of a particular risk and the impact assessment of individual risks on performance.

We monitor and regulate the following risks: research and development risks, financial risks (liquidity, credit, exchange rate and interest rate risks), commercial risks (purchasing, sales, investment, quality-related risks), environmental, IT, HR, reputation and goodwill risks, and legal risks.

All of these risks will be monitored and controlled in the second half of 2017. We do not expect these risks to have any negative effects on operations.

## ANALYSIS OF THE GROUP'S OPERATIONS

The presented performance indicators of the SIJ Group's metallurgy division also include the results of the acquired company Sistemska tehnika (today SIJ Ravne Systems) in the first half of 2017 and 2016, while the indicators of the acquired companies ORO MET and MWT (today SIJ MWT) are an integral part of the result for the first half of 2017. The results of the poultry division (PP Group) and Holding PMP are included for the period from March to June 2016 and for the entire first half of 2017.

The SIJ Group's revenues increased in both the metallurgy and poultry divisions compared to the same period last year and amounted to EUR 512.4 million in the first half of 2017, exceeding the half-billion euros mark for the first time.

The EBITDA of EUR 55.9 million is comparable to last year's; without taking into account business combinations revenues in the amount of EUR 28.4 million, the EBITDA reached EUR 55.9 million in the first half of 2016, while the net profit stood at EUR 19.3 million. The EBITDA achieved exceeds the results from the first half of 2015 by 35.2 percent and enables the continuation of growth and the reduction of the debt of the SIJ Group.

### SIJ Group: Key Operating Figures

	Unit of measure	1–6 2015	1–6 2016	1–6 2017
<b>Physical ratios</b>				
Cast steel production	t	236,029	236,130	221,481
Production of poultry meat	t	37,439	41,153	43,440
<b>Financial data</b>				
Revenues	EUR thousand	364,680	413,903	512,407
Exports	%	87.8	81.0	81.5
Amortisation and depreciation	EUR thousand	19,571	27,643	33,108
EBITDA	EUR thousand	41,301	84,342	55,858
EBITDA margin	%	11.3	20.4	10.9
Net profit	EUR thousand	15,518	47,667	11,635
Operating cash flow	EUR thousand	11,419	26,278	34,495
Capex	EUR thousand	35,017	53,196	39,016
<b>Statement of financial position as at 30 June</b>				
Total assets	EUR thousand	831,359	1,155,398	1,188,741
Equity	EUR thousand	360,067	418,653	425,246
Working capital	EUR thousand	159,933	167,464	147,578
NFD <sup>2</sup>	EUR thousand	244,624	396,976	385,955
NFD/EBITDA		3.4	3.7	3.9
<b>Employees as at 30 June</b>				
Number of employees	employees	3,142	7,111	7,474

<sup>2</sup> Net financial debt (NFD) = financial liabilities – cash and cash equivalents – current financial receivables.

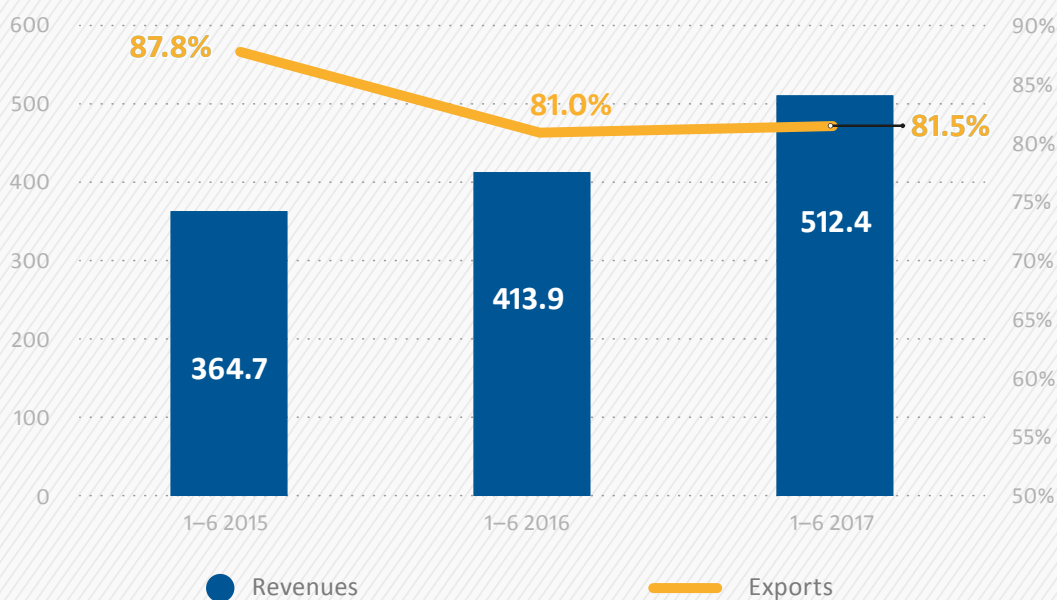
## OPERATING REVENUES INCREASED

In the metallurgy division, revenues increased for 18.2 percent. This growth is largely the result of a rise in the price of steel products, which is due to higher prices of raw materials (steel scrap, alloys). By increasing the share of sales of high value-added products, we have improved the product structure, and the volumes sold have increased by 2 percent. The acquired companies ORO MET and SIJ MWT also contributed to these operating results.

In the poultry division, revenues increased by 3.2 percent, mainly due to higher sales of poultry meat products.

Both divisions generate most of their revenues in foreign markets. In the first half of 2017, the share of exports of the SIJ Group was slightly up due to the increase in exports in the metallurgy division, while in the poultry division, it remained similar to that of the first half of 2016.

SIJ Group: Revenues (in EUR million)  
and Exports (in percent)

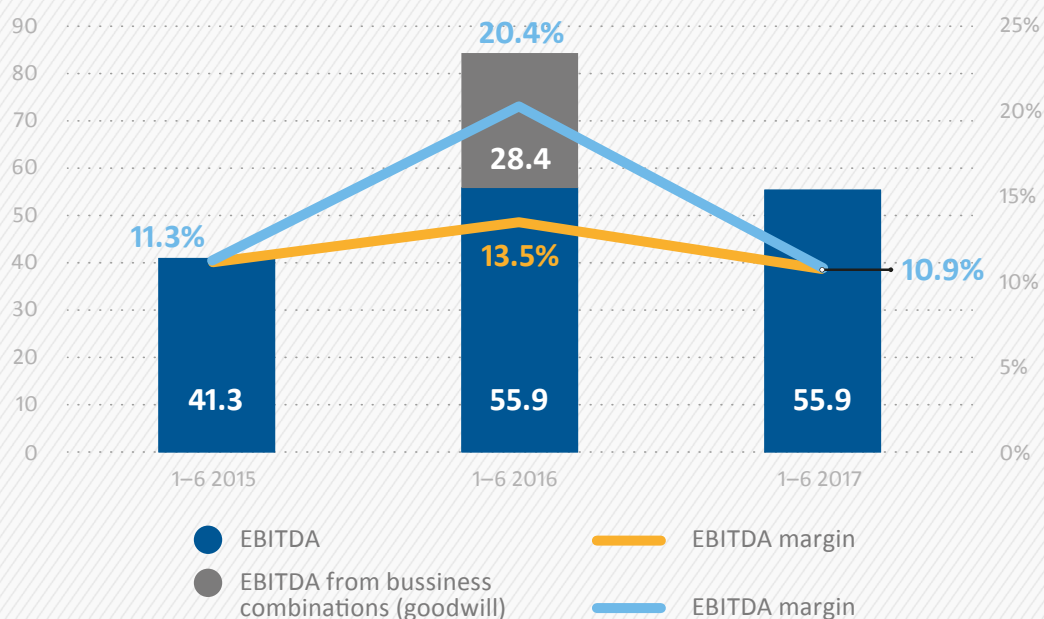


## THE BUSINESS CONTINUES TO BE HIGHLY PROFITABLE

The EBITDA of EUR 55.9 million remained at last year's level. Although revenues of the SIJ Group increased, the costs of raw materials, energy and labour also increased. We managed to neutralise the negative effects of higher costs by increasing the share of high value-added products and optimising production processes as a result of past and recent investments in machinery and equipment (for example, the new line for HTL in the metallurgy division). With the full utilisation of the AOD converter in the second half of 2017, SIJ Acroni expects steel production to grow, lower consumption of raw materials and shorter production times, which will have a positive effect on the result of both the metallurgical division and the SIJ Group as a whole.

The EBITDA margin of 10.9 percent is slightly lower than last year's, but still above the industry average in both divisions.

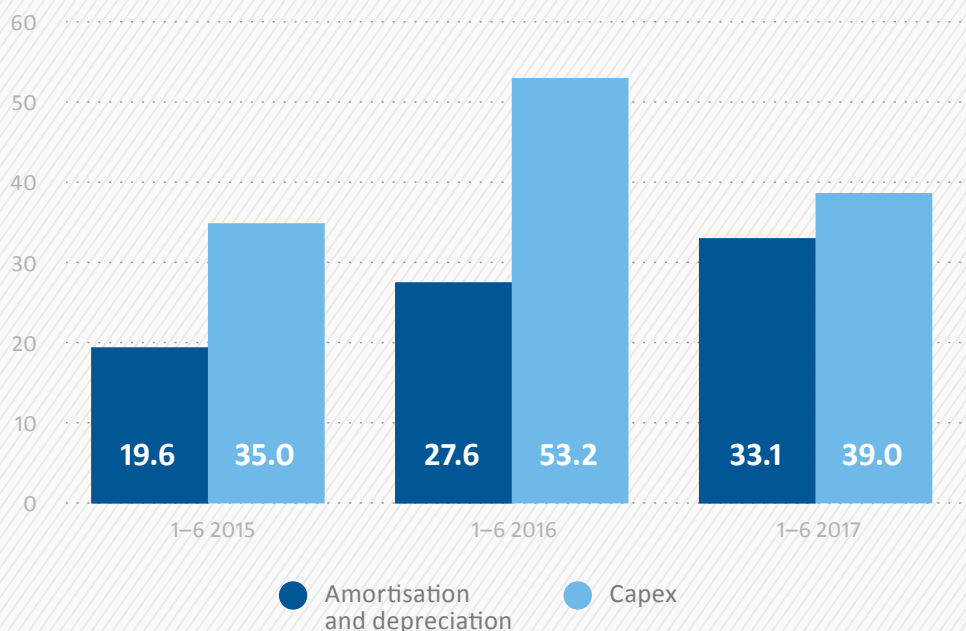
SIJ Group: EBITDA (in EUR million) and EBITDA Margin (in percent)



## GRADUAL SLOWDOWN OF THE INVESTMENT CYCLE

In accordance with the strategic orientation of the SIJ Group, the investment cycle is gradually slowing down. We are making the transition from major investments in new equipment to eliminating bottlenecks, increasing production capacities, and upgrading equipment, thus enabling the production of technologically more advanced products. Thus, investment expenditure amounting to EUR 39 million is down by more than a quarter compared to the first half of 2016. Investments are significantly above depreciation costs, which confirms the implementation of our long-term investment strategy, which serves as the basis for the growth and development of the SIJ Group in the future.

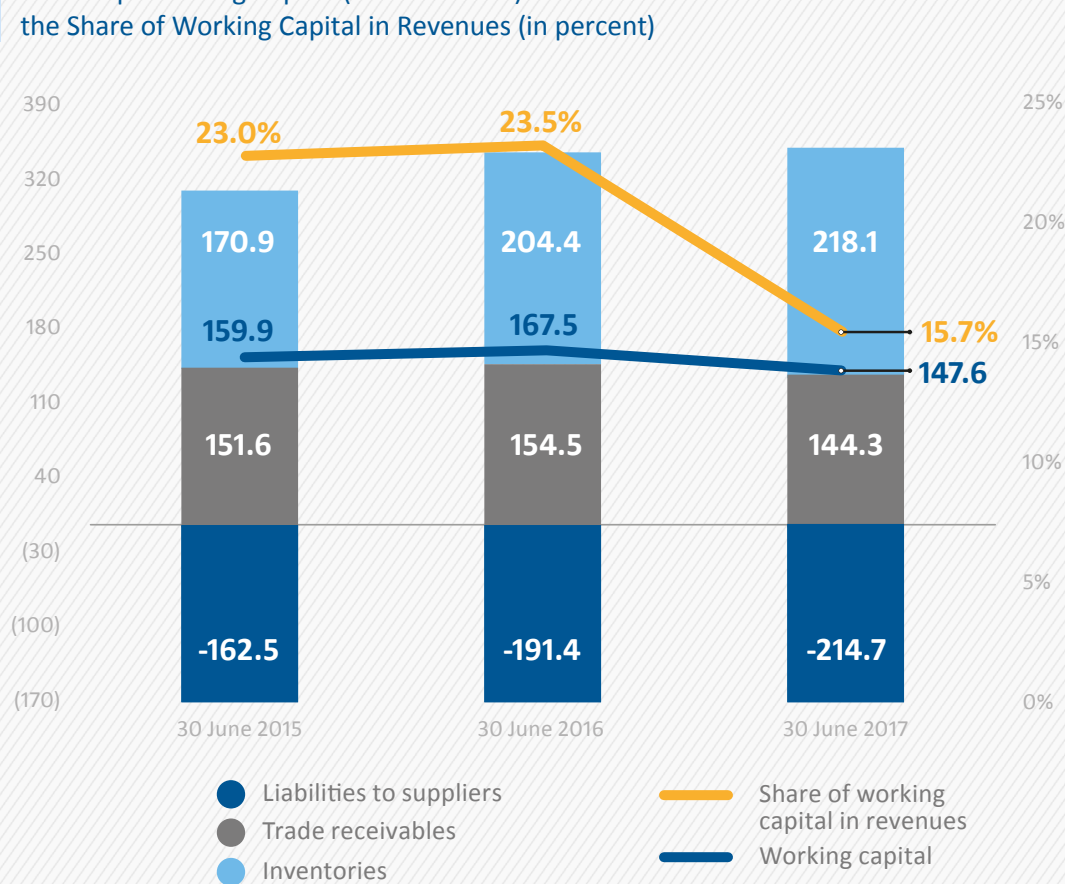
SIJ Group: Amortisation and Depreciation and Capex (in EUR million)



## REDUCTION IN WORKING CAPITAL

In the first half of this year, the SIJ Group paid special attention to the management of working capital. Due to the current high investments, the reduction of working capital is of key importance for reducing the debt of the SIJ Group. Despite the increase in revenues, working capital is down EUR 19.9 million.

SIJ Group: Working Capital (in EUR million) and the Share of Working Capital in Revenues (in percent)



## FINANCIAL POSITION

In order to ensure the stability of the SIJ Group, we are constantly pursuing financial debt structure that favours long-term funds. In the first half of 2017, the SIJ Group continued to implement its financial policy, according to which investment activities are covered by long-term financing sources. In March, the companies SIJ Acroni and SIJ Metal Ravne concluded with a syndicate of seven banks a long-term agreement on a five-year syndicated loan to refinance the existing loan portfolio and ensure long-term funding for working capital totalling EUR 240 million.

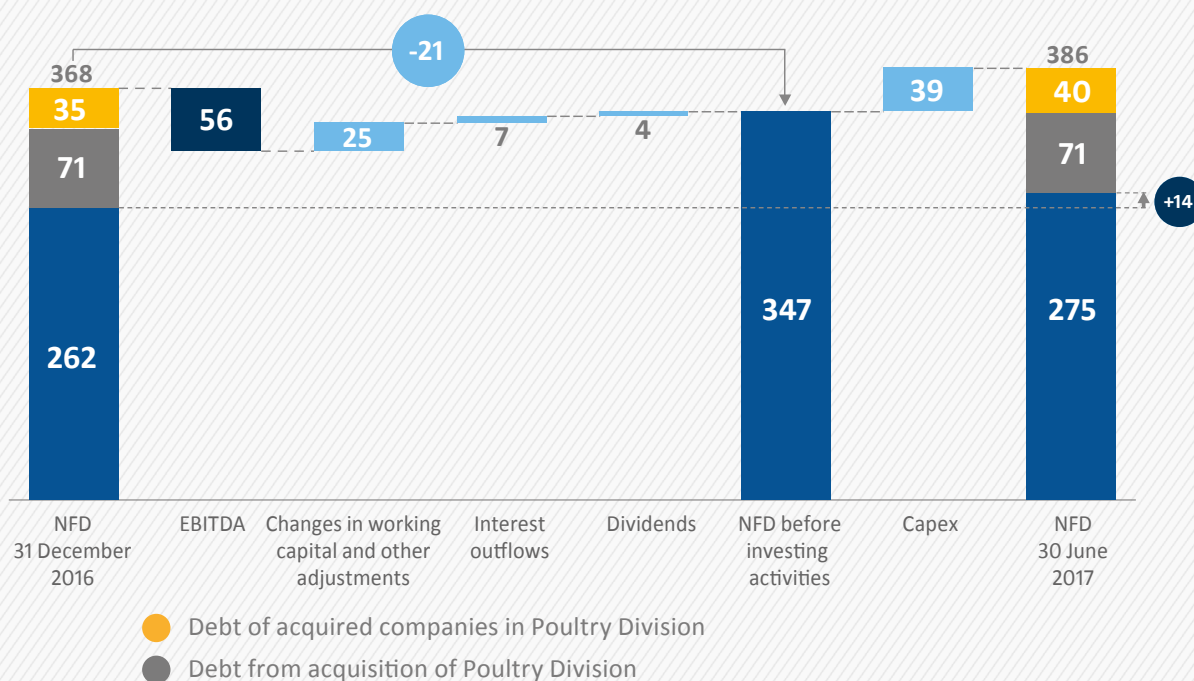
The structure of the statement of financial position is stable with a high share of long-term financing sources, which cover the entire long-term liabilities as well as an additional 76 percent of the working capital needed.

## FINANCIAL DEBT

The structure of liabilities remains stable with a high share of long-term sources of financing, as the proportion of long-term sources covers 65.1 percent of all liabilities.

The investment cycle is the main reason for the increase in the net financial debt of the SIJ Group in the first half of 2017, by EUR 14 million compared to the end of 2016. However, it should be noted that most of the debt was covered from the EBITDA generated during the period. The operating profit of EUR 56 million covers all regular activities up to net financial debt not covering investments, while reducing our net financial debt by EUR 21 million.

SIJ Group: NFD Bridge (in EUR million)





## ANALYSIS OF OPERATIONS - THE METALLURGY DIVISION

The metallurgy division of the SIJ Group includes the companies shown in the organisational structure of the metallurgy division of the SIJ Group on page 10. The results of operations in the first half of 2017 include ORO MET and SIJ MWT, while Sistemska tehnika (now SIJ Ravne Systems), acquired on 1 January 2016, is included in the results for both the first half of 2017 and 2016.

### SIJ Group - Metallurgy Division: Key Operating Figures

	Unit of measure	1-6 2015	1-6 2016	1-6 2017
Revenues	EUR thousand	364,680	329,276	389,046
Exports	%	87.8	85.0	86.6
Operating profit	EUR thousand	21,731	24,644	20,201
EBIT margin	%	6.0	7.5	5.2
EBITDA	EUR thousand	41,301	47,324	45,457
EBITDA margin	%	11.3	14.4	11.7
Profit before taxes	EUR thousand	15,215	15,744	10,864
Net profit	EUR thousand	15,518	16,251	10,094
Capex	EUR thousand	35,017	50,120	36,999
<b>Statement of financial position as at 30 June</b>				
Total assets	EUR thousand	831,359	943,899	987,938
Equity	EUR thousand	360,067	359,033	359,977
NFD	EUR thousand	244,624	284,598	275,007
NFD/EBITDA		3.4	4.1	3.8
<b>Employees as at 30 June</b>				
Number of employees	employees	3,142	3,404	3,655

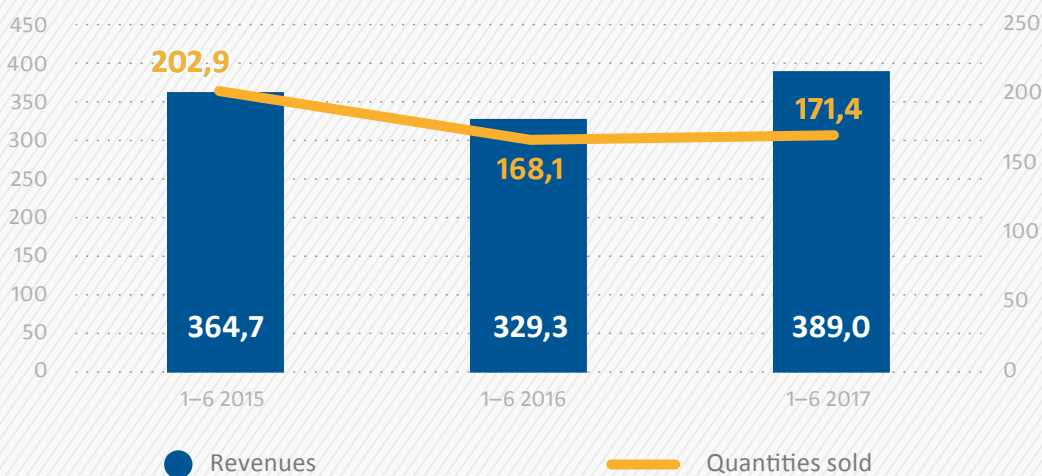
The result in the first half of 2017 lagged slightly behind that of last year, mainly due to the delayed introduction and longer testing of the new AOD converter in SIJ Acroni, which is this year's most important strategic investment of the SIJ Group. The costs of raw materials, energy and labour also increased, which had a negative impact on the operating results.

The full utilisation of the AOD converter will increase production capacity, reduce raw material consumption, ensure shorter production times and, consequently, lower production costs, especially in stainless steel. For the largest company in the SIJ Group, which significantly affects the performance of the entire metallurgy division, in the second half of 2017, we plan to improve operational performance due to larger quantities produced, lower production costs and an even higher share of products with higher added value.

## SALES AND SALES REVENUES

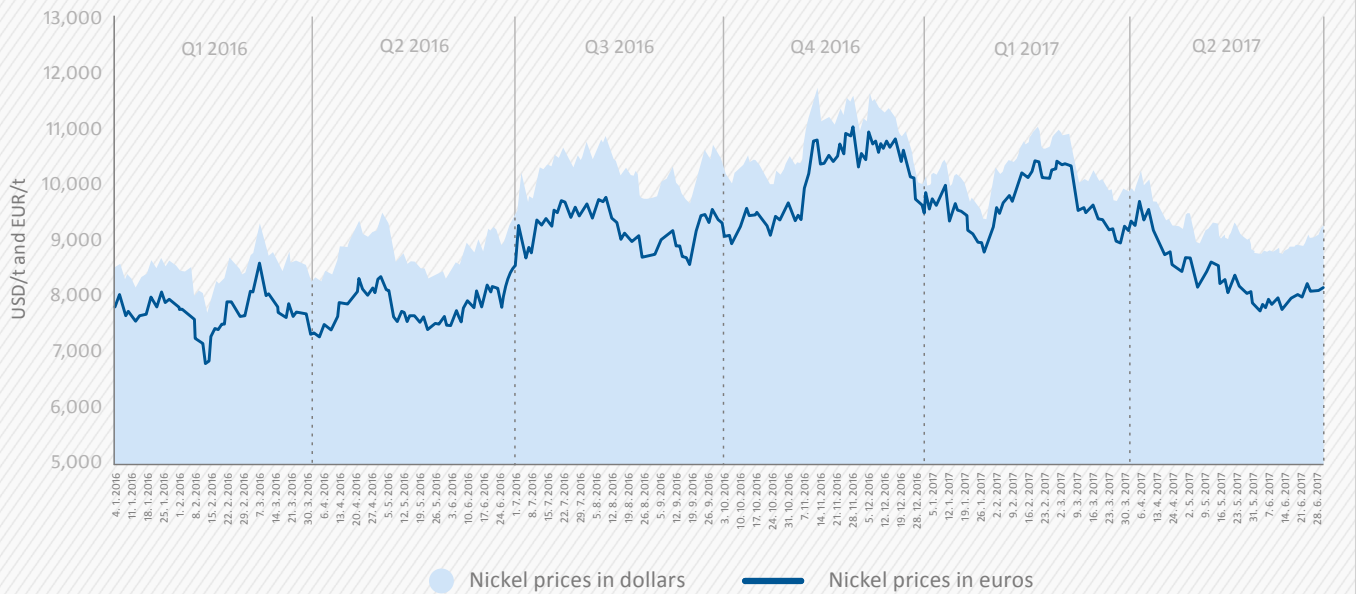
Revenues have increased due to higher sales prices of products following the changes in the prices of key raw materials for steel production. The quantities of steel sold increased by 2 percent, while the fluctuation of sales prices and somewhat lower demand in the second quarter of 2017 were successfully neutralised by the acquisition of new customers, as the volume of orders increased compared to last year.

SIJ Group - Metallurgy Division:  
Revenues (in EUR million) and Quantities Sold (in thousand tonnes)



In the final quarter of 2016 and the first quarter of 2017, commodity prices jumped, with steel consumption in the European Union increasing by 5.8 percent in the first quarter of 2017 compared to 2016. The rise in demand by steel-makers in the European Union was also a result of the introduction of safeguard measures in particular against producers from the East. The main reason for the increase was the strengthening of the pipe segment (construction of pipelines), followed by transport (trains, trucks, airplanes) and the automotive industry and construction.

**Movements of the Nickel Market Price From Early 2016 to 31 August 2017 (in USD and EUR per tonne)**



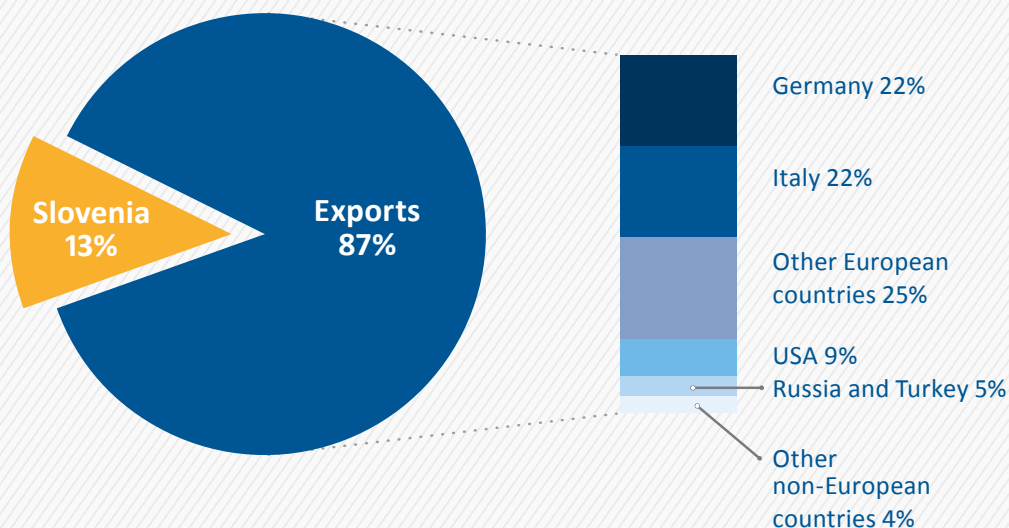
Source: London Metal Exchange, <https://www.lme.com/metals/non-ferrous/nickel/#tabIndex=0>.

Raw materials have a significant impact on prices and thus revenues. In stainless steel quarto plates, the largest product range of the SIJ Group, the price of nickel is a crucial component in the formation of market prices. As prices of raw materials rise, the sales prices of steel products also rise; however, as customers expect the trend of price rises to continue, they increase orders, which in turn additionally increases the pressure on sales prices. Thus, rises in raw material prices have a positive impact on the performance of companies in the steel industry. The price of nickel, the most important input raw material, especially for stainless steel quarto plates, is also expected to rise in the second half of 2017.

Activity in segments of steel users is expected to remain strong in the second half of 2017, primarily as a result of an increase in domestic consumption due to increased investment levels.

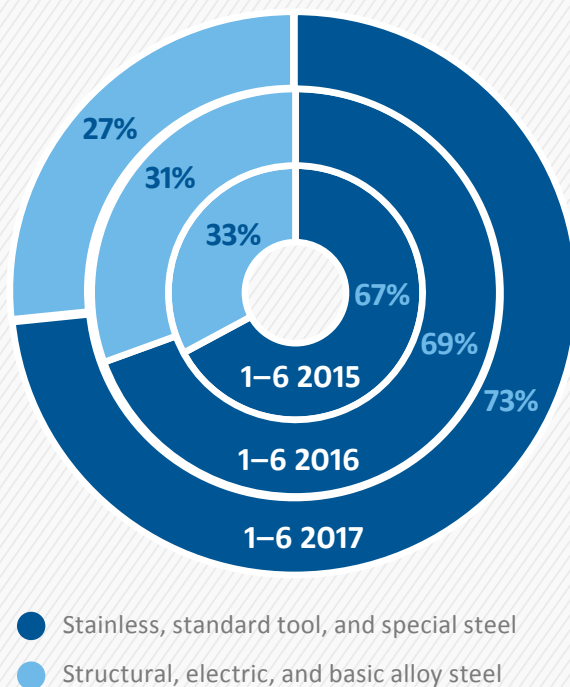
Germany and Italy remain the largest markets of the SIJ Group, but in the long-term, the share of sales there is declining as we strengthen our presence in smaller and new markets. This reduces sensitivity to negative economic trends in individual industries or markets.

SIJ Group - Metallurgy Division:  
Share of Sales (in terms of value) in the Most Important Markets (in percent)



In line with the long-term strategy of the SIJ Group, we are expanding our market portfolio and continuously improving the production and sales structure in order to increase the share of steels with higher added value (stainless steel quarto plates, special steels and demanding tool rod steel). By increasing the share of more demanding steels, we are achieving higher margins and maintaining high market shares in the most important segments, while reducing exposure to steel imports from third countries and the related price pressures.

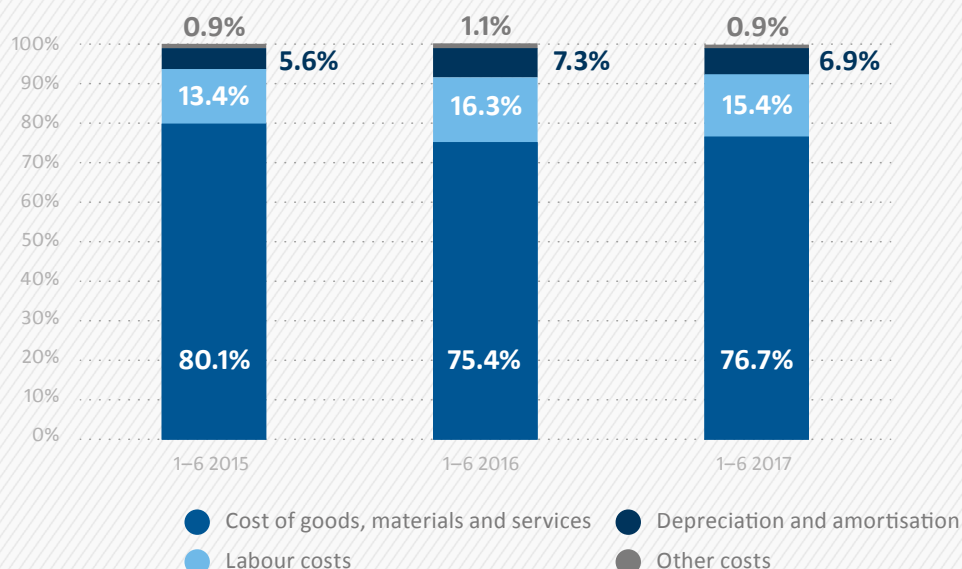
SIJ Group - Metallurgy Division:  
Proportion of Sales Volume of Certain Types of Steel (in percent)



## OPERATING EXPENSES

The highest costs are those of raw materials, which, together with the costs of goods, energy products and services, account for 76.7 percent of all operating expenses. The costs of steel scrap represent the greatest item of the cost of raw materials, followed by the costs of alloys, non-metallic additives, ore and semi-finished products.

SIJ Group - Metallurgy Division:  
Structure of Operating Expenses (in percent)



Labour costs, which account for 15.4 percent of the total, increased by 10 percent compared to the first half of 2016 due to new employees in SIJ Acroni (the impact of the investment in the AOD converter) and the acquisition of ORO MET and SIJ MWT. They are also higher due to the adjustment of wages with the collective agreement for the industry.

Due to intensive investments in the purchase of new machines and the modernisation of existing ones, depreciation costs are increasing in the long-term. Due to the increase in the prices of raw materials, the share of labour costs and depreciation has fallen, despite their increase in absolute terms.

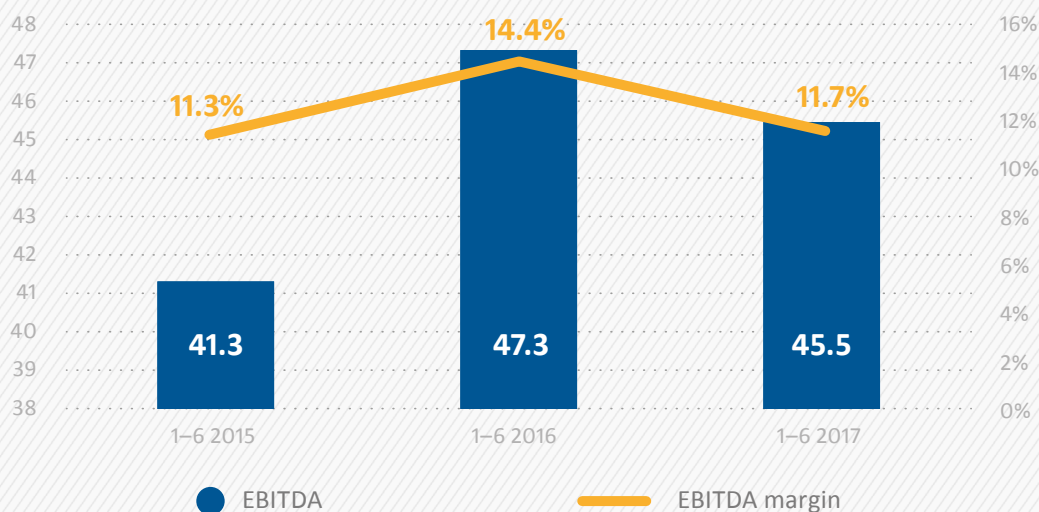
## BUSINESS RESULTS

EBITDA or earnings before amortisation, interest and taxes, in the amount of EUR 45.5 million, fell by EUR 1.8 million compared to last year, mainly due to the delay in the full launch of the AOD converter in SIJ Acroni and higher costs of raw materials, production services, energy and labour costs. The full utilisation of this important strategic investment is expected in the second half of 2017. The vast majority of other companies in the metallurgy division reached a higher EBITDA in the first half of 2017 than in the first half of last year, mainly due to the additional optimisation of production processes facilitated by high investments, improvements in the sales mix and expansion of the service and sales network.

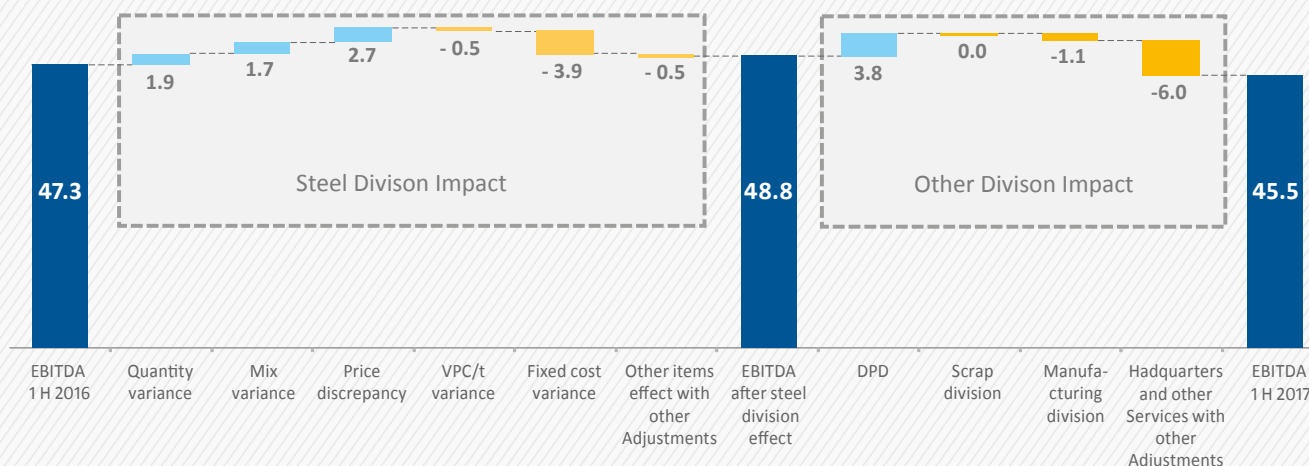
The long-term EBITDA trend exceeds the results from the first half of 2015 by 10 percent and enables the continuation of strategic investments and the reduction of the debt of the SIJ Group. The EBITDA margin achieved of 11.7 percent was one percentage point above the industry average<sup>3</sup>.

<sup>3</sup> Source: S & P 500; the EBITDA margin is the average of the following competitors: ArcelorMittal, Aperam, Thyssen Krupp, Outokumpu, Salzgitter, Schmolz & Bickenbach.

SIJ Group - Metallurgy Division:  
EBITDA (in million EUR) and EBITDA Margin (in percent)



SIJ Group - Metallurgy Division: EBITDA Bridge (in EUR million)



The core Steel Division<sup>4</sup>, which produces forged steel for further processing, is responsible for nearly 74 percent of the operating profit generated by the metallurgy division of the SIJ Group.

The growth of EBITDA in the Steel Division was mainly the impact of quantities in the amount of EUR 1.9 million and the impact of the sales mix with the harmonisation of sales and purchase prices, which together generated EUR 4.4 million.

The positive impact of quantities is a result of the increase in the production capacity of new machines and equipment, which support the strategic focus on products with a higher return on

4 Both SIJ Acroni and SIJ Metal Ravne comprise the Steel Division.

production costs. We responded to market demand by adjusting the sales mix, thus following current market needs, and generating an additional operational profit of EUR 1.7 million, mainly due to the increased quantities of stainless and special steels.

The fluctuation in sales prices was mitigated by lower costs in purchasing strategic raw materials, and thus successfully neutralising the major part of the negative impact of both variable and fixed costs.

However, management of costs posed additional challenges, especially management of fixed costs. Fixed costs resulted in a negative deviation of EUR 3.9 million, mostly due to labour costs and higher services due to the complexity of production processes.

The impact of the Steel Division on the EBITDA stood at EUR 1.5 million compared to the first half of 2016; however, due to the influence of other divisions and the effects of consolidation, the final result was down EUR 1.8 million.

## FINANCIAL POSITION

SIJ Group - Metallurgy Division: Data From the Statement of Financial Position as at 30 June

Statement of financial position	Unit of measure	30 June 2015	30 June 2016	30 June 2017
Total assets and liabilities	EUR thousand	831,359	943,899	987,938
Equity	EUR thousand	360,067	359,033	359,977
Non-current financial liabilities	EUR thousand	181,226	265,995	297,322
Current financial liabilities	EUR thousand	90,215	129,831	100,465
Cash and cash equivalents	EUR thousand	24,757	36,405	48,137
Current financial receivables	EUR thousand	116	9,367	24,650
NFD <sup>5</sup>	EUR thousand	244,624	284,598	275,007
NFD/EBITDA	EUR thousand	3.4	4.1	3.8

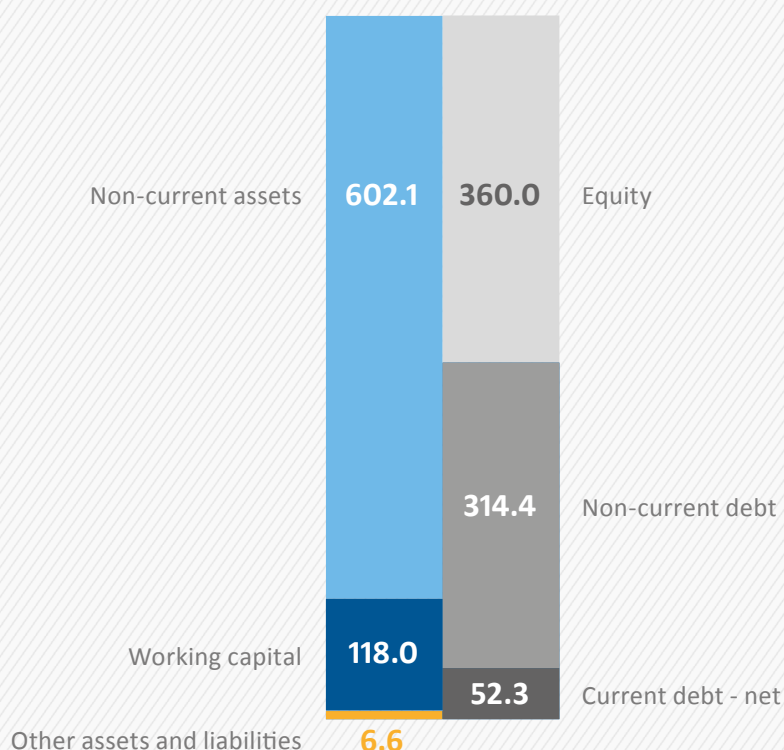
The metallurgy division of the SIJ Group continued implementing its existing financial policy, namely to use long-term funding to pursue its investment strategy, while short-term sources of funding are used to balance seasonal fluctuations in working capital.

The structure of the financial position was further improved in favour of long-term sources of financing by debt rescheduling and the approval of new long-term credit lines. Long-term financing sources cover the entire long-term liabilities as well as an additional 61.3 percent of the working capital needed.

<sup>5</sup> The investment or loan for the investment in the PP Group and Holding PMP has been excluded (applicable to 30 June 2016 and 30 June 2017).



SIJ Group - Metallurgy Division:  
Coverage of Assets by Liabilities as at 30 June (in EUR million)



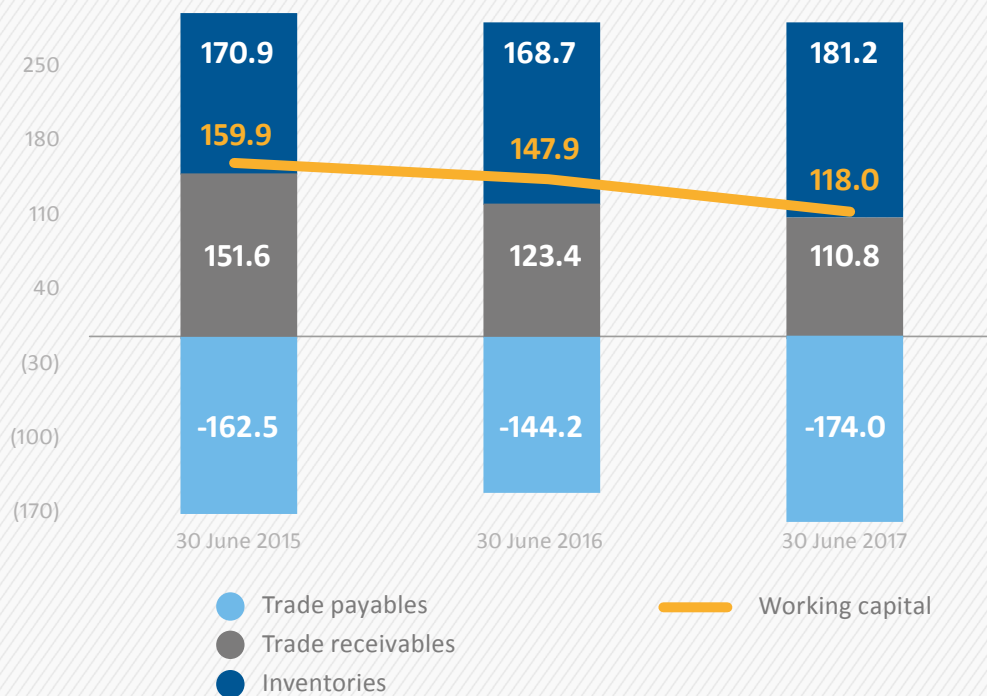
## WORKING CAPITAL

Management of working capital is of the utmost importance for the SIJ Group, since working capital management is, at high investment values, key to ensuring positive cash flow. With regular supervision and activities, the metallurgy division has managed to reduce the value of working capital by EUR 29.9 million compared to the same period last year.

With the acquisition of the PP Group, the SIJ Group gained even greater bargaining power to achieve better terms and conditions with suppliers, while at the same time, we monitor the level of receivables and inventories on a daily basis. As a result of the increase in operations, the value of inventories increased by EUR 12.5 million compared to 30 June 2016, partly also due to the price increase of raw materials.

Since steel production is continuous every day of the year, supplying production facilities with a sufficient quantity of inter-phase inventories, as well as movement and stock control, are an extremely important part of the business policy of the SIJ Group. Nevertheless, in the second half of 2017, we plan to reduce inventories.

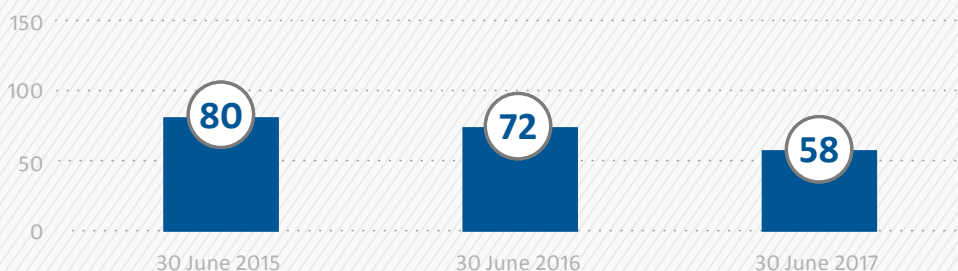
SIJ Group - Metallurgy Division:  
Working Capital from Operations as at June 30 (in EUR million)



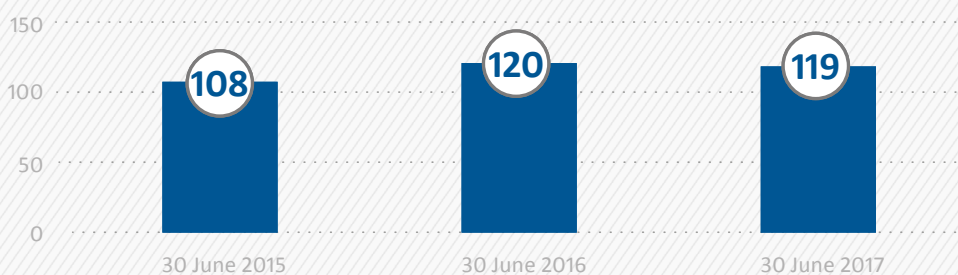
Days of trade receivables turnover were shortened to 58 days; inventory turnover days remained at last year's level, while due to the better negotiating positions of the entire SIJ Group, the days of trade payables turnover were extended to 114 days. Consequently, the days of working capital outstanding fell by 26 days compared to 30 June 2016.

SIJ Group - Metallurgy Division:  
Days Working Capital Outstanding as at 30 June

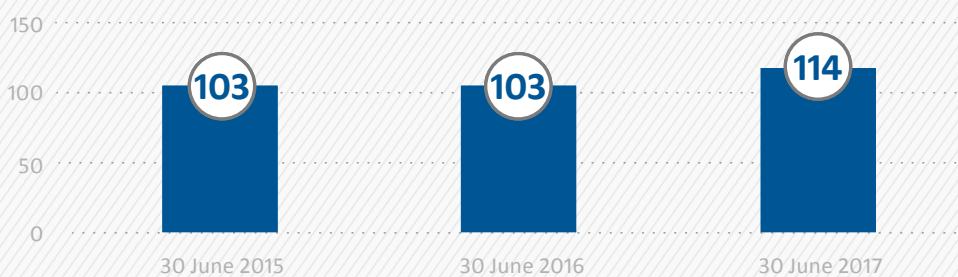
Days Trade Receivables Outstanding



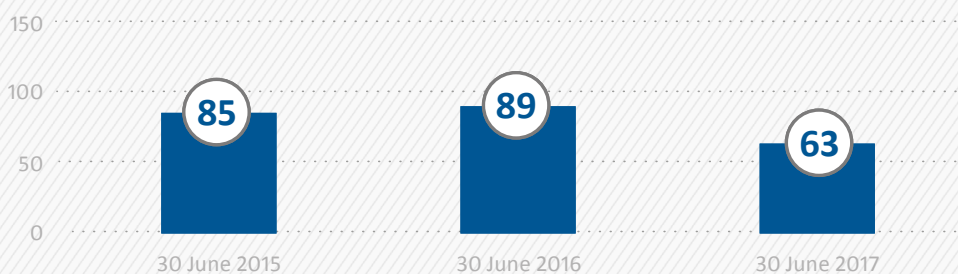
Days Inventories Outstanding



Days Trade Liabilities Outstanding



Days Working Capital

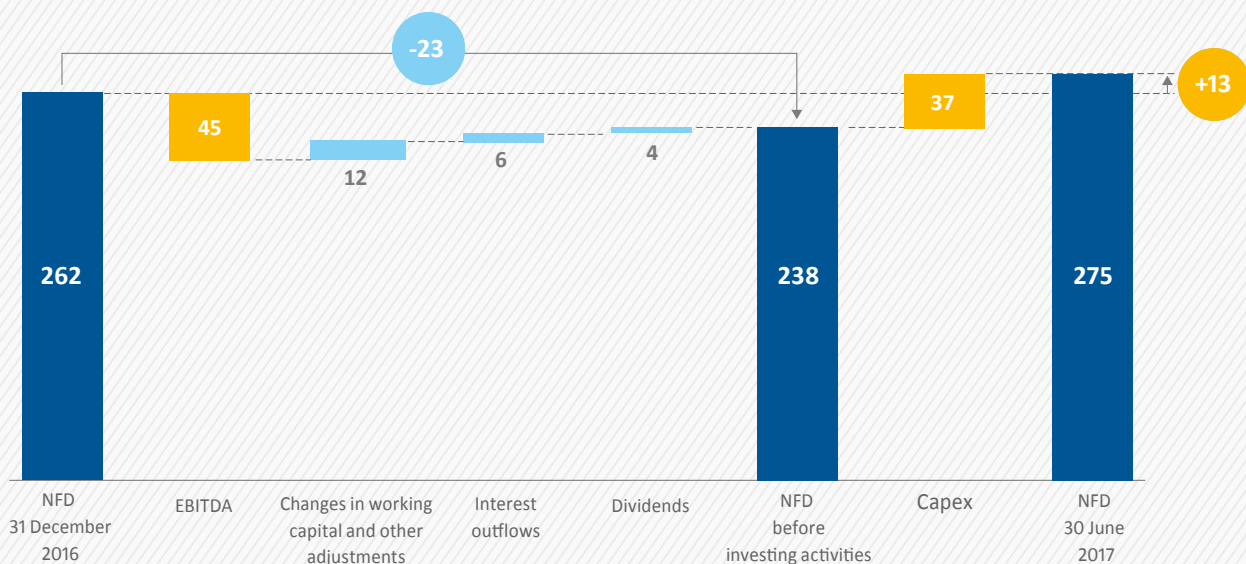


## FINANCIAL DEBT

Net financial debt of the metallurgy division is shown without debt from the acquisition of the poultry division in the amount of €70.5 million.

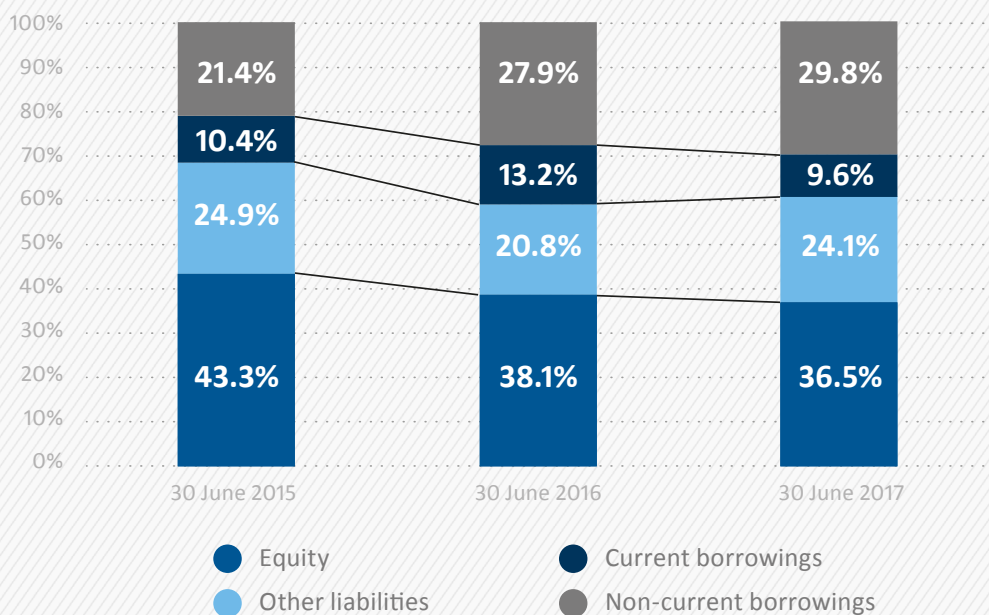
The current cycle of investment is the main reason for the increase in the net financial debt of the metallurgy division of the SIJ Group in the first half of 2017, with most of the debt being covered from the EBITDA during the period. The operating profit of EUR 45 million covers all regular activities up to net financial debt not covering investments, while reducing our net financial debt by EUR 23 million. EUR 37 million was earmarked for investments in the metallurgy division of the SIJ Group in the first half of 2017.

SIJ Group - Metallurgy Division:  
NFD Bridge (in EUR million)



The structure of liabilities remains stable, with long-term funds predominating. The share of long-term funding sources is at the same level as last year, and has grown from 66.0 percent to 66.3 percent of total liabilities.

SIJ Group - Metallurgy Division:  
Structure of Liabilities (in percent)



## EXTERNAL BUSINESS ENVIRONMENT

### Sales

General Economic Trends in the First Half of 2017:

- The economic situation in the international environment is improving. At the end of the first half of 2017, global economic growth strengthened somewhat: in the Eurozone, in the first quarter of 2017, economic growth strengthened by 2.1 percent and in the second quarter of 2017, by 2.2 percent, compared to the same period last year.
- In the Eurozone, GDP increased by 0.6 percent in the first quarter compared to the last quarter of 2016. Growth continues to be stimulated by domestic demand, while exports are rising due to the global economic recovery and trade (projected growth for 2017: 1.8 percent)<sup>6,7</sup>.
- In Germany, positive economic dynamics continued in the first half of 2017, as industrial production, retail trade and exports rose significantly (projected real GDP growth for 2017: 1.9 percent).
- The GDP of Italy rose most rapidly in the same period since 2010, mainly due to the bailout of Italian banks, favourable loans and increased investments (projected real GDP growth for 2017: 0.9 percent).
- Although negotiations between the UK and the European Union on the terms of Brexit began in April 2017, neither the negotiations nor Brexit will have a significant impact on the operations of the SIJ Group, as the United Kingdom is not a key market for us.

6 Source: [http://www.umar.gov.si/fileadmin/user\\_upload/publikacije/eo/2017/5-2017/Ekonomskoogledalo0517.pdf](http://www.umar.gov.si/fileadmin/user_upload/publikacije/eo/2017/5-2017/Ekonomskoogledalo0517.pdf) (14 August 2017).

7 Source: [https://ec.europa.eu/info/publications/economy-finance/european-economic-forecast-spring-2017\\_en](https://ec.europa.eu/info/publications/economy-finance/european-economic-forecast-spring-2017_en) (14 August 2017).

### Major Trends in 2017:

- In the first half of 2017, world steel production increased by 4.5 percent compared to the same period in 2016.
- EU steel production was up 4.1 percent compared to the first half of 2016.
- Steel consumption in the EU<sup>8</sup> in the first quarter of 2017 grew by 5.8 percent compared to the same period last year, and by 2.8 percent in the second quarter. Expectations for the second half of 2017 are positive; consumption growth of 2.7 percent has been forecast.
- In the first half of 2017, steel imports into the EU from third countries increased by 9.1 percent compared to the same period last year. In accordance with general steel trends, in the first half of 2017, in the segment of stainless steel sheets, imports increased by 24.9 percent, while in the tool steel industry, imports fell by 0.3 percent in the first quarter.

### Purchases

The key raw materials for metallurgy companies are scrap steel, alloy scrap and ferro-alloys, while raw materials for manufacturing companies include steel products and welding materials. Supplier management thus exceeds merely the scope of the price aspect. Other factors, such as the timeliness of deliveries, quality and responsiveness, support our competitive advantages.

In the last quarter of 2016, demand outstripping supply resulted in the rising price trend of raw materials, especially for the production of stainless and tool steels. This trend continued in the first two months of this year, while from the beginning of the second quarter of 2017, the trend is negative. Despite lowering prices compared to the beginning of this year, prices are above the average prices recorded in 2016.

Last year's price jumps have prompted manufacturers of alloys to increase their output, as the downward price trend in the recent period caused a decline in supply. Due to the relatively stable demand for raw materials, in the second half of the year, we expect an upward trend in commodity prices. This will be partly due to more stringent environmental legislation in China, where the production of graphite electrodes and flame refractory materials has drastically decreased. We have successfully transferred rises in the prices of raw materials into the sales prices of steel products so that they have no negative effect on our margin.

Scrap steel prices were relatively stable in the first half of 2017, with no significant surpluses or deficits on the market.

We continue to optimise the manufacturing and sales programme with products of high added value and thus expand the range of raw materials in accordance with the outlined strategy. In the first half of 2017, we tested new materials, which have already been introduced into production, and approved new suppliers.

8 Source: [http://www.eurofer.be/Issues%26Positions/Economic%20Development%20%26%20Steel%20Market/Market%20Report-2017-Q3\\_final.pdf](http://www.eurofer.be/Issues%26Positions/Economic%20Development%20%26%20Steel%20Market/Market%20Report-2017-Q3_final.pdf) (14 August 2017).

## RESPONSIBILITY TO EMPLOYEES

SIJ Group – Metallurgy Division: Key Data on Employees as at 30 June

	30 June 2015	30 June 2016	30 June 2017
Number of employees	3,142	3,404	3,655
Average age (in years)	43.5	44.6	43.6
Share of women (percent)	17.4	17.4	17.0
Number of disabled persons	321	339	327
Proportion of employees with at least secondary education (%)	25.2	25.0	26.0
Sick leave (%)	7.8	6.8	6.5
Number of accidents	90	81	101

The SIJ Group had a total of 3,655 employees as at 30 June 2017. The number of employees increased by 251, or 7.4 percent compared to the previous period.

The average age of employees is 43.6 years.

Due to the modernisation of production, in 2017, an upward trend of increasing the share of employees with vocational and secondary education and higher education is apparent.

In the first half of 2017 the number of accidents at work increased in the SIJ Group, but at the same time the incident frequency rate was reduced if we take into account million of working hours - when it stood at 33.96 in the first half of 2016 and it was 31.64 in the comparable period this year. This means that the frequency rate in the year 2017 decreased by 6.83% compared to the same period of 2016.

### Disabled Persons

In the metallurgy division of the SIJ Group, 327 employees were registered as people with disabilities as at 30 June 2017, compared to 339 employees in the same period of last year. In view of the increase in the overall number of employees, the proportion of disabled persons has fallen by one percentage point.

### Employee Development

In the first half of 2017, we successfully implemented the Potentials and Successors programme for the second generation, which included 29 potentials and 13 successors. We provide a supportive environment to develop our own promising employees, retain the best employees in the organisation and strengthen their potential. In April, we started to identify the third generation of potentials and successors of the SIJ Group.

From February to October 2017, the Management School for foremen will take place, which includes 124 employees.



This year, the SIJ Group has introduced a renewed and unified mentoring programme for ensuring knowledge transfer and training at the workplace. The programme focuses on the training of newly employed, re-assigned employees and future employees, i.e. secondary school students and university students who carry out practical training in the framework of regular schooling at one of our companies. Some 198 candidates applied for the first internal tender for mentors in the SIJ Group, and we are planning to repeat the tender in the second half of the year. Candidates who wish to act as mentors to secondary school students and university students in practical work training can thus obtain the legally required pedagogical-andragogical knowledge and pass the relevant exam.

In the demanding production environment, which is typical for metallurgical industry, we pay a lot of attention to safety and health at work. Early in the year, we rounded up the first year of the We can safely and healthily campaign aimed at raising employee awareness of safety and health at work. In April, we launched the campaign for 2017, focusing on the personal responsibility of employees for safety and health at work. Among other things, we organised 23 workshops on the topic of health promotion, attended by 390 employees, middle management and members of top management. Defibrillators have been installed at all locations of our companies, and in April, the month of safety and health at work in the steel industry, we trained employees in the use of defibrillators. This year's campaign focuses on our employees as ambassadors and their personal stories of accidents at work.

Throughout the year we continue to support and encourage the possibility of e-education, which adapts the pace of learning, the content and learning time to each individual participant. Courses on software tools and workplace safety and health training take place in e-classroom environments. In total, 36 e-courses are available.

In light of the results of the measurement of the organisational climate in 2016, we continued the activities from the previous year - we strengthened internal communication and information and established a system of knowledge transfer, the so-called SIJ Group mentoring programme. We are also establishing a system for monitoring the performance of the SIJ Group and individual subsidiaries. We have thus started negotiations with the workers' unions for a single collective agreement in five subsidiaries of the metallurgy division.

## ANALYSIS OF OPERATIONS - THE POULTRY DIVISION

The poultry division of the SIJ Group includes the companies shown in the organisational structure of the poultry division of the SIJ Group on page 11. In 2017, the PP Group welcomed two new companies: PP Energija d.o.o. was acquired by the PP Group in December 2016, and the company Naša d.o.o. was acquired on 1 January 2017. The results of the acquired companies are not included in the comparative periods for the years 2015 and 2016.

### SIJ Group - Poultry Division: Key operating Figures

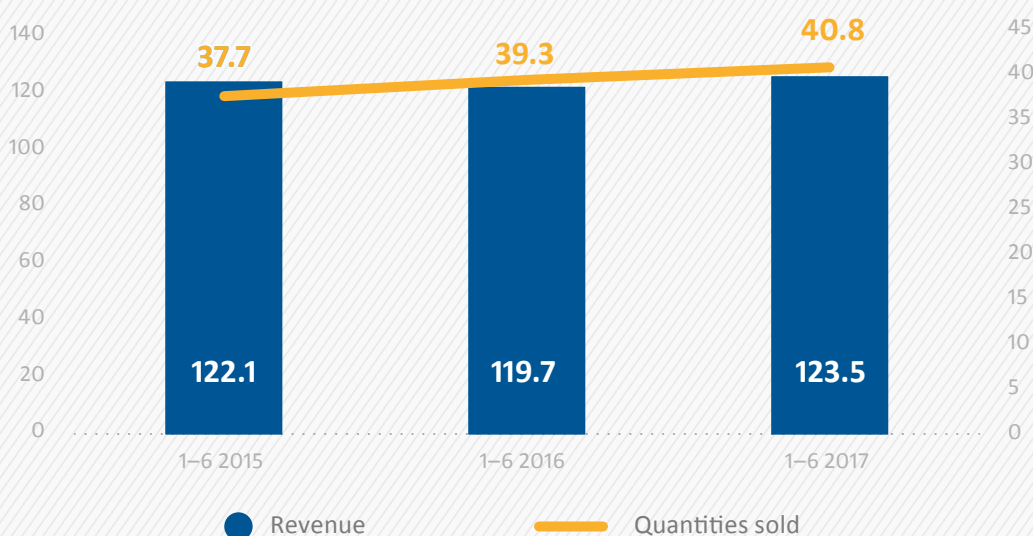
	unit of measure	1-6 2015	1-6 2016	1-6 2017
<b>Financial data</b>				
Revenues	EUR thousand	122,058	119,680	123,492
Exports	%	65.1	65.5	65.4
Operating profit	EUR thousand	5,622	6,313	5,614
EBIT margin	%	4.61	5.27	4.55
EBITDA	EUR thousand	10,740	11,469	10,643
EBITDA margin	%	8.80	9.58	8.62
Profit before taxes	EUR thousand	3,103	4,603	4,651
Net profit	EUR thousand	3,103	4,603	4,029
Capex	EUR thousand	3,155	3,101	1,612
<b>Statement of financial position as at 30 June</b>				
Total assets	EUR thousand	224,290	238,879	242,036
Equity	EUR thousand	61,717	99,763	106,668
NFD	EUR thousand	93,157	36,695	40,181
NFD/EBITDA		3.54	1.71	1.61
<b>Employees</b>				
Number of employees	employees	3,551	3,707	3,819

In the PP Group, in 2017, sales increased by EUR 3.8 million, both due to increased volume sales of poultry meat as well as due to slightly higher average sales prices. Due to higher production and sales, higher fixed costs exceeded the favourable effects from the increased sales volume, which is why the EBITDA is down EUR 0.8 million from the same period of the previous year.

## SALES AND SALES REVENUES

The sales generated in the first half of 2017 amount to EUR 123.5 million, and are up EUR 3.8 million compared to the same period last year. The increase in sales volume and hence of sales was accelerated by our export focus. Increased quantity of sales of the basic programme<sup>9</sup> was also supplemented with a 1.1 percent increase in sales prices.

SIJ Group - Poultry Division:  
Revenues (in EUR million) and Quantities Sold (in thousand tonnes)

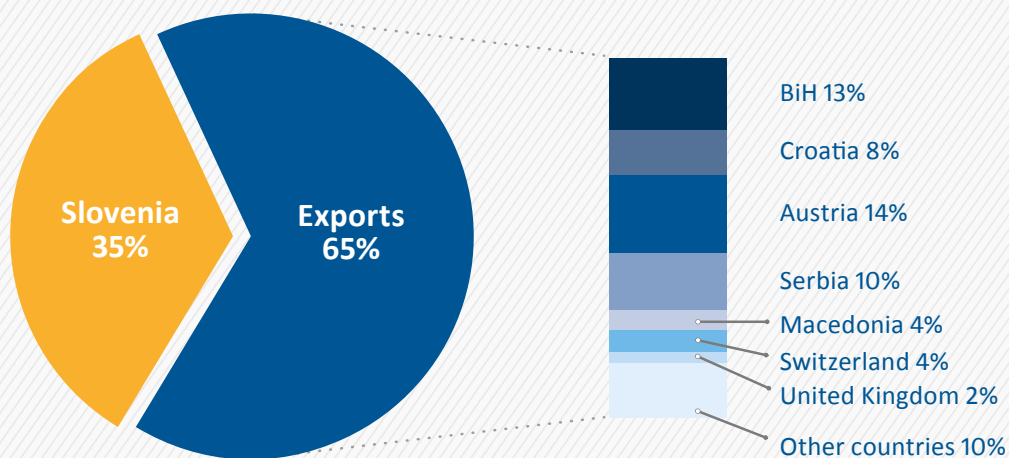


Weakening purchasing power and the aggressive pricing strategy of our competition, accompanied by the liquidity problems of the largest retail network in the wider region, have significantly shaped sales in 2017 both in the domestic market and in the key markets of the PP Group.

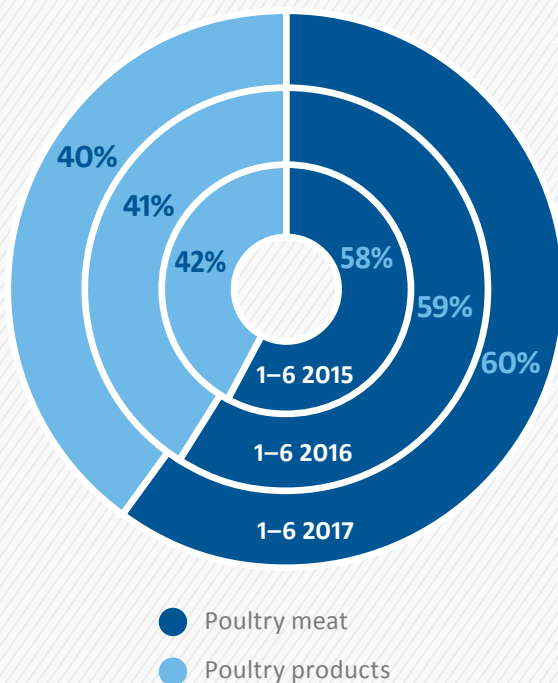
Exports of the PP Group remained at approximately the same level as last year in the same period. We have increased the share of sales in our key markets: most in Croatia and Switzerland, by as much as 0.7 percentage points. The largest export markets of the PP Group are Austria and Bosnia and Herzegovina.

<sup>9</sup> Basic programme = poultry meat (chicken, turkey and hen) and poultry products (sausage and prepared dishes).

SIJ Group - Poultry Division:  
 Share of Sales (in terms of value) in the Most Important Markets (in percent)



SIJ Group - Poultry Division: Proportion of Sales (in terms of quantities)  
 of the Major Product Groups of the Core Programme (in percent)

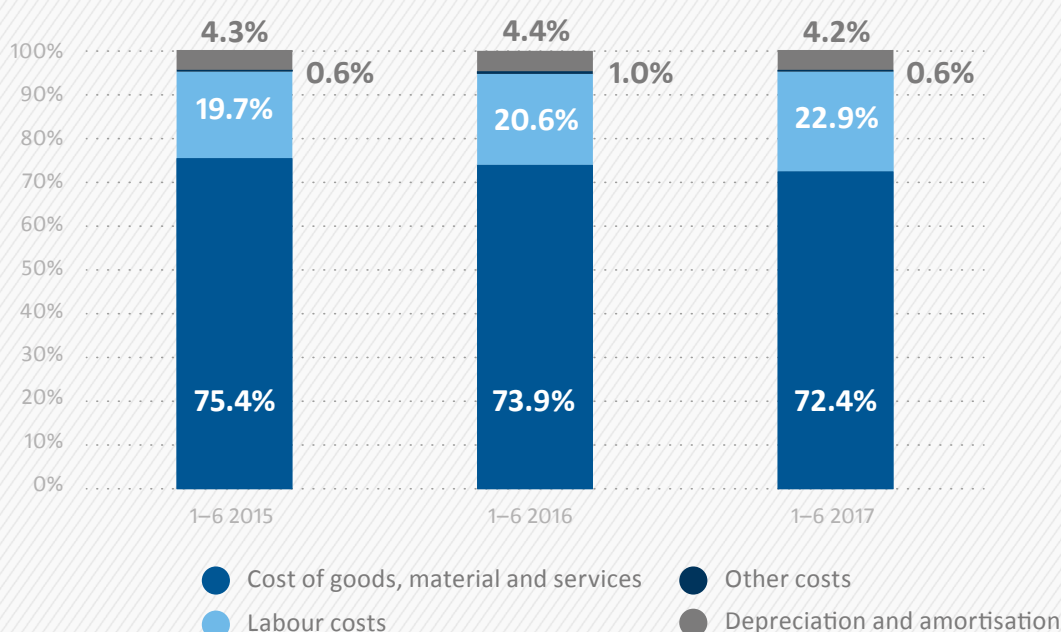


In the first half of the year, the share of poultry products decreased by one percentage point, since the increase in production and sales focused on the sale of meat. In the second half of 2017, we expect to lean the ratio slightly towards products that achieve higher sales margins.

## OPERATING EXPENSES

Operating expenses increased more than sales (+0.7 percentage points), but less than the gross profit, which increased by EUR 4.9 million or 16.4 percent compared to the same period last year.

SIJ Group - Poultry Division:  
Structure of Operating Expenses (in percent)

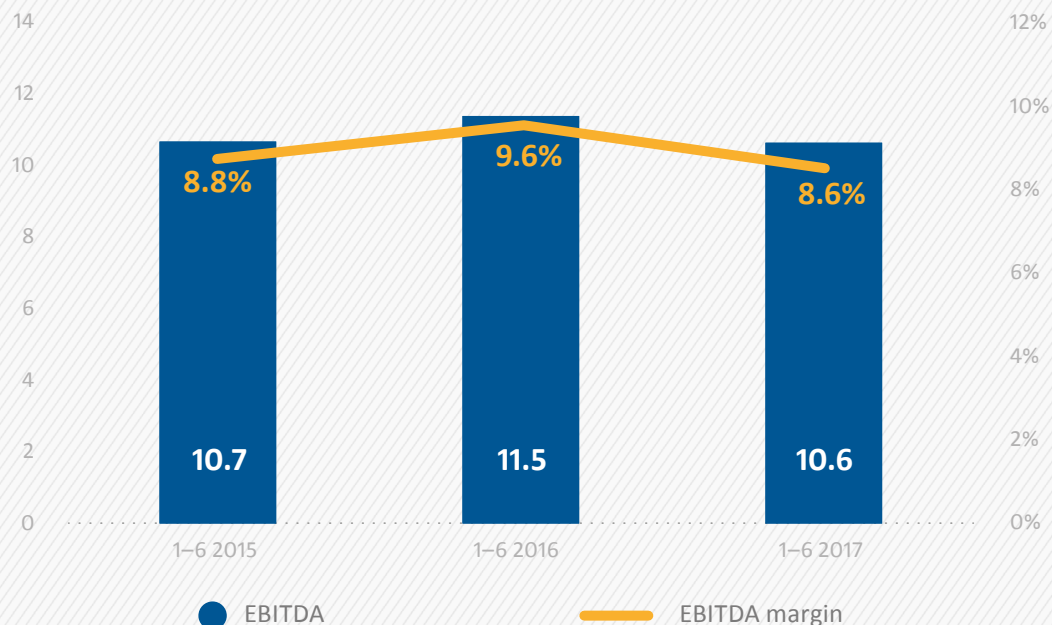


The largest share of operating expenses, 72.4 percent, represent the costs of goods, materials and services sold, which rose by 1.7 percent over the same period last year. Costs of material remained at approximately the same level as in the previous year; costs of services were down 3.2 percent, while energy costs increased by 5.5 percent, mainly due to increased production.

Labour costs increased due to 112 new employees in the PP Group.

## BUSINESS RESULTS

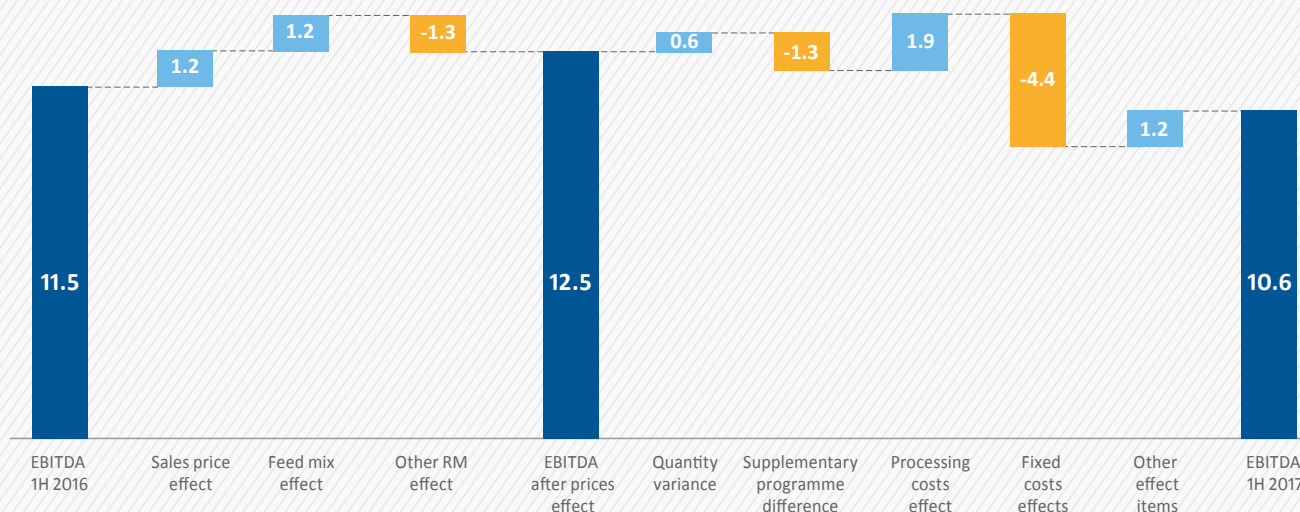
SIJ Group - Poultry Division:  
EBITDA (in million EUR) and EBITDA Margin (in percent)



The PP Group generated an EBITDA of EUR 10.6 million, which is comparable with the level in 2015. Compared with the first half of 2016, the EBITDA achieved was mostly affected by higher sales prices and increased quantities of products sold, lower prices of basic raw materials (maize, wheat) due to their timely purchase at the time of harvest, and higher costs of other basic materials. Labour costs also increased.

The EBITDA margin of 8.6 percent is still above the average of comparable companies in the wider region (3.7 percent in 2016), although it was down one percentage point compared to the first half of last year.

SIJ Group - Poultry Division:  
EBITDA Bridge (in EUR million)



## FINANCIAL POSITION

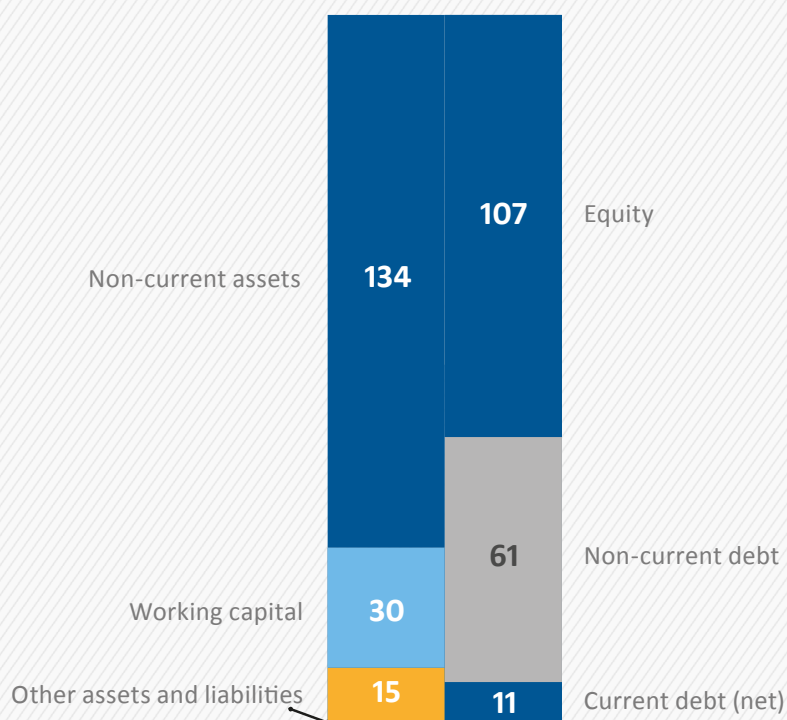
SIJ Group - Poultry Division: Data From the Statement of Financial Position as at 30 June

Statement of financial position	Unit of measure	30 June 2015	30 June 2016	30 June 2017
Total assets and liabilities	EUR thousand	224,290	238,879	242,036
Equity	EUR thousand	61,717	99,763	106,668
Non-current financial liabilities	EUR thousand	93,758	56,485	55,245
Current financial liabilities	EUR thousand	6,698	15,616	15,007
Cash and cash equivalents	EUR thousand	5,170	35,353	29,717
Current financial receivables	EUR thousand	2,129	293	272
NFD	EUR thousand	102,422	36,695	40,181
NFD/EBITDA		3.89	1.71	1.61

Following the financial restructuring completed in 2016, the PP Group is improving its financial stability.

Long-term debt covers all non-current assets, the entire working capital and about EUR four million of other assets.

SIJ Group – Poultry Division:  
Coverage of Assets by Liabilities as at 30 June (in EUR million)



## WORKING CAPITAL

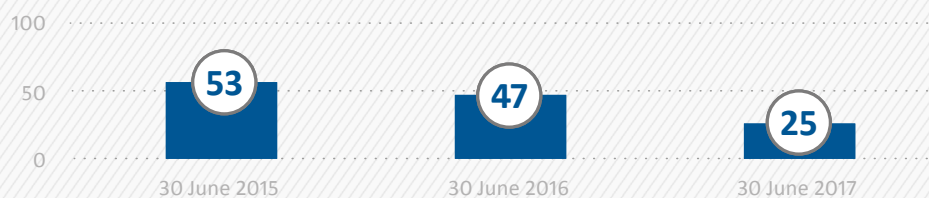
Working capital increased by EUR 8.7 million in the first half of 2017 compared to 30 June 2016 due to higher trade receivables and higher supplier payables. The ratio between working capital and revenues amounted to 11.8 percent.

Working capital turnover were shortened by eleven days, mainly due to shorter days trade receivables and trade payables outstandings.

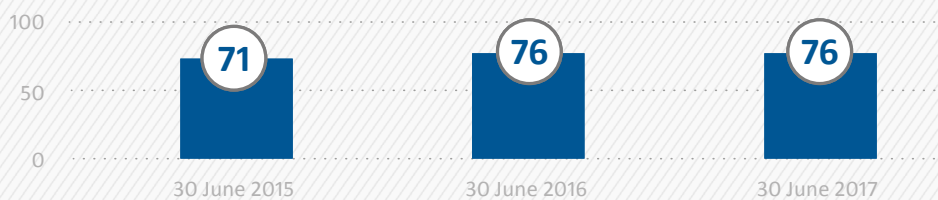


SIJ Group - Poultry Division:  
Days Working Capital Outstanding as at 30 June

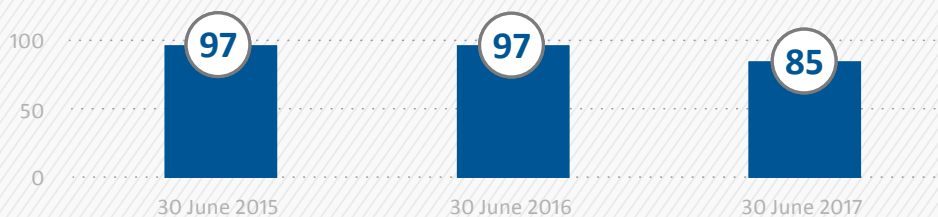
Days Trade Receivables Outstanding



Inventory turnover days



Supplier payables turnover days



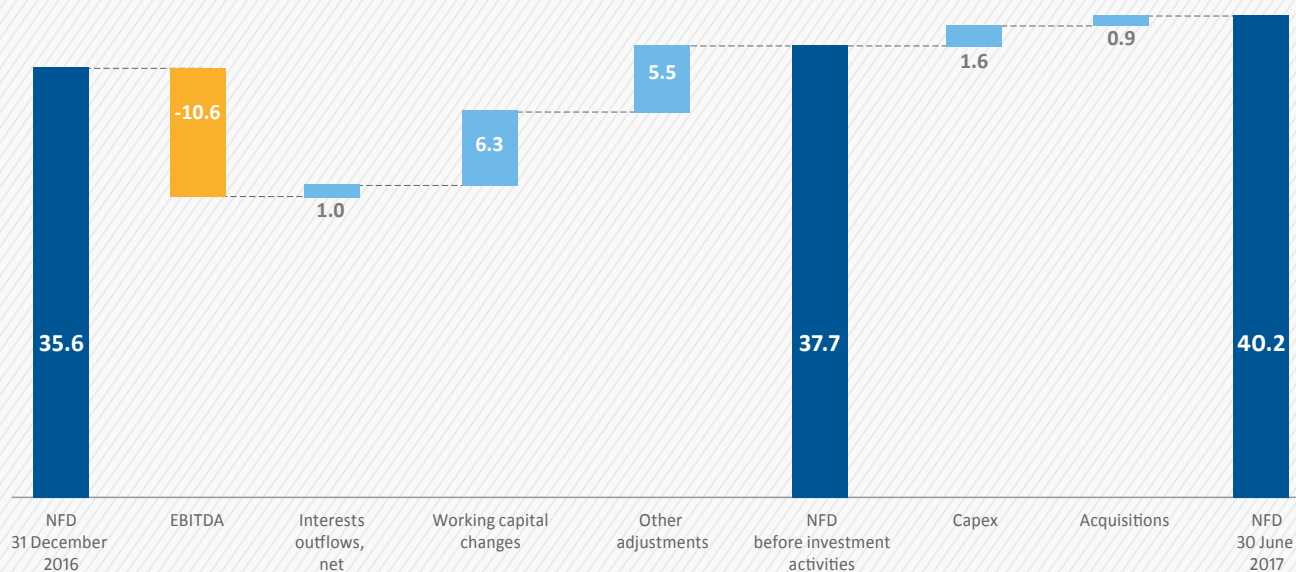
Days Working Capital outstanding



## FINANCIAL DEBT

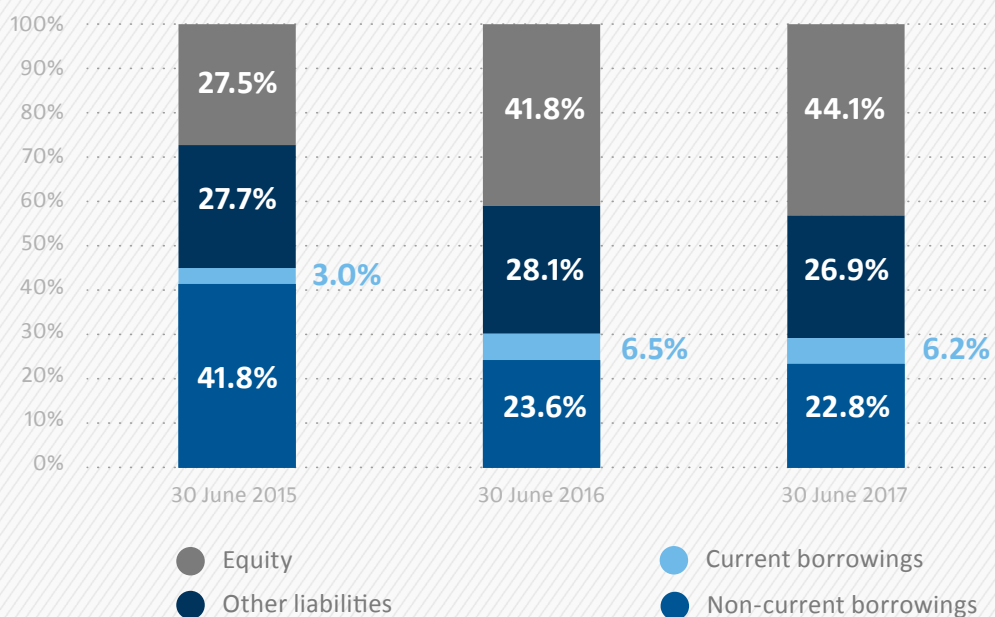
Compared to 30 June 2016, the net financial debt in the poultry division of the SIJ Group increased by EUR 3.5 million due to the increase in working capital. In the first half of 2017, we also made partial payments for investments in the companies PP Energija and PP BH.

SIJ Group - Poultry Division:  
NFD Bridge (in EUR million)



We have further enhanced the financial soundness of the SIJ Group in the past year. In the structure of sources of financing, the share of equity has increased by 2.3 percentage points, while all other sources have decreased.

SIJ Group - Poultry Division:  
Structure of Liabilities (in percent)



## EXTERNAL BUSINESS ENVIRONMENT

### Sales and production

Major trends in 2017<sup>10</sup>:

- The production of poultry meat continues to increase its market share in overall meat sales. The average annual growth will be 1 percent over the next few years.
- The EU poultry market is changing. Northwest Europe is moving from standard farming to slower poultry farming, while in Central and Eastern Europe, a growing trend of standard poultry farming is present. This trend will continue in the coming years.
- This trend is also followed by the poultry division of the SIJ Group, as we started implementing the state-of-the-art concept of differentiating PP Group from other poultry producers using standard farming a few years ago, and is being further developed.
- Brexit and increasing meat exports from Russia and Ukraine, as well as increasing meat imports from the US, South Africa and the Mercosul countries (Argentina, Brazil, Paraguay and Venezuela) will have a significant impact on the food industry in 2017 and in the coming years.
- In the first half of 2017 in Slovenia, poultry special sausages increased their market share by two percentage points, reaching a 52 percent market share in the poultry meat market, reflecting a slight increase. In Croatia and Serbia, we do not have a leading position in any of the categories of our products, although the market share of special sausages increased by 1.9 percentage points in Serbia. In Bosnia and Herzegovina, our market share of special sausages has grown, the most successful being the Poli sausage, as in all other markets.<sup>11</sup>

### Purchases

The key raw materials in poultry companies include the raw materials for the production of animal feed - a raw material mix comprised of soy bean meal, corn, wheat and fat. This raw material mix accounts for more than half the cost of materials and production services. The packaging for meat and meat products, materials for agricultural production (fertilisers, sprays, seeds), live animals and medicines and vaccines represent major cost drivers.

In the first half of 2017, the prices of raw materials fluctuated significantly on stock exchanges. In order to mitigate the impact of unexpected price fluctuations, we already purchased wheat at the time of harvest in 2016 for consumption until the new harvest in 2017. Also, during the harvest of maize, in 2016 we obtained a reserve for consumption in the first half of 2017 and purchased new quantities when prices were at their lowest. In the first quarter of 2017, prices of soybean were also high, and we managed them with futures purchases from 2016 and regular purchases of any missing

<sup>10</sup> Source: Rabobank analyses, 2017.

<sup>11</sup> Source: AC Nielsen market research, August 2017.

quantities. At the moment when the prices were lowest, we concluded future purchases of soybeans through the end of 2017.

In the second quarter of 2017, there were demands from suppliers to increase packaging prices for plastic and cardboard packaging due to the rise in commodity prices for these materials on global markets. We successfully rejected most of such requests or postponed them to future periods.

## RESPONSIBILITY TO EMPLOYEES

### SIJ Group - Poultry Division: Key Data on Employees as at 30 June

	30 June 2015	30 June 2016	30 June 2017
Number of employees	3,551	3,707	3,819
Average age (in years)	42	43	43
Share of women (percent)	41	41	55
Number of disabled persons	191	186	189
Proportion of employees with at least secondary education (%)	25.8	26.4	45.0
Sick leave (%)	3.6	3.9	8.1
Number of accidents	45	60	79

The PP Group had a total of 3,819 employees as at 30 June 2017. The number of employees increased by 112 persons or by 3 percent compared to the previous year, due to the increased production and the acquisition of PP Energija d.o.o. and Naša d.o.o., as well as employees who provided cleaning services in the PP Group.

In comparison with the first half of 2016, sickness leave has increased to 8.1 percent. Compared to 2016, the proportion of long-term sick leave due to illness and sick leave due to minor injuries at work both increased.

The average age of employees is 43 years.

The average educational structure improved in comparison with the first half of 2016. In 2017, the proportion of employees with higher secondary vocational and general education, and with higher education, increased, while the share of employees with primary and vocational education fell.

## Disabled Persons

As at 30 June 2017, the PP Group had 189 employees with the status of disabled persons, which is relatively stable compared to the past two years. The share of people with disabilities is slightly lower due to the higher number of employees.

## Employee Development

In the first half of 2017, 2,027 employees were included in training courses offered by the PP Academy. Every employee of the PP Group attended at least one course, and on average, we recorded 2.6 hours of training per employee.

We carried out activities to promote health, harnessing the benefits of the medical and recreational facilities of Terme Ptuj. Every year, employees can benefit from medical services provided at Terme Zreče and Rogla.

Holiday facilities owned by the company are also well visited, where employees with families can spend their summer or winter holidays by the sea, in the mountains or in the thermal spas.

In June, we organised the traditional Poli cycling marathon, in which employees could participate free of charge.



**Financial report of**  
the SIJ Group and the company SIJ d.d.  
FOR THE FIRST HALF OF 2017

# Financial report

for period ended on  
**30 June 2017**

## STATEMENT OF MANAGEMENT'S RESPONSIBILITY

The Management Board is responsible for drawing up consolidated financial statements and financial statements for company SIJ d.d. (hereinafter: Financial statements) according to the International Financial Reporting Standards (IFRS), adopted by the European Union and the Companies Act, so that they give a true and fair view of the SIJ Group's operations.

The Management Board legitimately expects the Group to have enough resources in the foreseeable future be able to continue its operations. The consolidated financial statements are therefore based on the premise that the Group will continue its operations without a set time limit.

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

- properly selected and consistently applied accounting policies;
- reasonable and rational assessments and estimates;
- the consolidated financial statements have been compiled in accordance with the IFRS adopted by the European Union.

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

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 individual companies in the Group. This can result in an 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 a possible liability in this title is known to the Management Board.

The Management Board declares that the consolidated financial statements have been compiled in accordance with the IFRS adopted by the European Union, without reservations about their application.

The Management Board approved the consolidated financial statements, accounting policies and notes on 27 September 2017.

President of the Management Board  
ANDREY ZUBITSKIY



Member of the Management Board  
DMITRII BOCHKAREV





# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR SIJ GROUP AND FINANCIAL STATEMENTS FOR SIJ d.d.

## REPORTING ENTITY

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

Given below are the unaudited consolidated financial statements for SIJ Group and financial statements for SIJ d.d. for the period ending on 30 June 2017. 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.

Consolidated financial statements for a selected group of subsidiaries are compiled by the SIJ d.d.. Consolidated financial statements for a wider group of subsidiaries are compiled by DILON Cooperatief U. A. The consolidated report for the period ending on 30 June 2017 isn't compiled by DILON Cooperatief U.A.. The consolidated annual report for the Group DILON Cooperatief 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 period ending on 30 June 2017 have been prepared in accordance with the IFRS as adopted by European Union. The standards have been applied directly in disclosures and valuations of items. The exception was the valuation of items for which the standards allow several methods of valuation.

The financial statements for the period ending on 30 June 2017 have been prepared in accordance with the same accounting policies as used in the annual report 2016.

In 2016, the group estimated the fair values of assets, obligations, and potential obligations of the companies Perutnina Ptuj d.d. and Holding PMP d.d. and considered their value from 31 December 2016 for the period between February and December during the initial accounting of the business combination. Because the Group considered the carrying amount for the initial recognition for the February-December period, the consolidated financial statements for the January-June period of 2016 differ from those published in 2016, the difference amounting to the fair values.

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

## BASIS OF MEASUREMENT

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

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

## FUNCTIONAL AND PRESENTATION CURRENCY

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

## APPLICATION OF ESTIMATES AND JUDGMENTS

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

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

- estimate of the useful life of assets subject to depreciation;
- impairment test of assets;
- estimate of the fair value of available-for-sale financial assets;
- estimate of the fair value of financial assets measured at fair value through profit or loss;
- estimate of the net realizable value of inventories;
- estimate of the collectible amount of receivables;
- estimate of the created provisions;
- estimate of the possibility for realization of deferred tax assets.

Since estimates are subject to subjective judgments and a level 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.

## 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 € thousand	Activity	% of voting rights	Value of assets on 30 June 2017	Value of equity on 30 June 2017	Net Profit (Loss) for period ended 30 June 2017
<b>Controlling company of the Group</b>					
SIJ – Slovenska industrija jekla, d. d., Gerbičeva ulica 98, Ljubljana, Slovenia	Activities of head offices		362,637	195,868	272
<b>SIJ - subsidiaries</b>					
SIJ ACRONI d.o.o., Cesta Borisa Kidriča 44, Jesenice, Slovenia	Steel production	100	467,353	176,938	1,613
SIJ METAL RAVNE d.o.o., Koroška cesta 14, Ravne na Koroškem, Slovenia	Steel production	100	232,753	95,072	4,342
NOŽI RAVNE d.o.o., Koroška cesta 14, Ravne na Koroškem, Slovenia	Industrial knives production	100	15,172	5,581	82
SIJ ELEKTRODE JESENICE d.o.o., Cesta železarjev 8, Jesenice, Slovenia	Welding materials production	100	11,899	4,800	283
SIJ SUZ d.o.o., Cesta Borisa Kidriča 44, Jesenice, Slovenia	Drawn wires production	100	5,162	2,129	311
SIJ ZIP CENTER d.o.o., Koroška cesta 14, Ravne na Koroškem, Slovenia	Education and training of the disabled	100	2,254	588	52
ODPAD d.o.o. Pivka, Velika Pristava 23, Pivka, Slovenia	Recovery of secondary raw materials from scrap	74.90	30,604	7,464	221
NIRO Wenden GmbH, Glück-Auf-Weg 2, Wenden, Germany	Steel cutting, engineering and trade	85	15,525	(242)	61
SIJ RAVNE STEEL CENTER d.o.o., Litostrojska cesta 60, Ljubljana, Slovenia	Trade	77.28	32,679	16,546	705
GRIFFON & ROMANO S.P.A., Via Dossetti 11, Loc. Casinello de Dosso, Italy	Heat processing and special steel trade	100	33,537	644	298
SIJ Asia GmbH, Berger Str. 2, 40213 Düsseldorf, Germany	Trade	100	827	392	87
SIJ RAVNE SYSTEMS d.o.o., Koroška cesta 14, Ravne na Koroškem, Slovenia	Metallurgic machines production	100	42,420	8,558	598
SIJ Polska Sp. Z o.o., ul.Zamkowa 7 lok.11, Poznan, Polska	Trade	100	1	1	-
PERUTNINA PTUJ d. d., Potrčeva cesta 10, Ptuj, Slovenia	Processing and preserving of poultry meat	77.56	192,981	100,473	2,074

in € thousand	Activity	% of voting rights	Value of assets on 30 June 2017	Value of equity on 30 June 2017	Net Profit (Loss) for period ended 30 June 2017
HOLDING PMP d. d., Vinarski trg 1, Ptuj, Slovenia	Financial service activities	100	10,965	10,730	(10)
<b>PERUTNINA PTUJ - subsidiaries</b>					
PP ENERGIJA, d.o.o., Potrčeva cesta 10, Ptuj, Slovenia	Electricity production	100	5,346	485	144
Perutnina Ptuj-Topiko d. o. o., Petefi Brigade 2, Bačka Topola, Serbia	Processing and preserving of poultry meat	100	25,599	16,209	316
PP MI ZALOG d. o. o., Hladilniška pot 37, Ljubljana, Slovenia	Processing and preserving of poultry meat	100	19,876	12,603	(126)
Perutnina Ptuj – Pipo Čakovec d. o. o., Rudolfa Steinerja 7, Čakovec, Croatia	Processing and preserving of poultry meat	99.66	26,018	13,779	186
Perutnina Ptuj-BH d. o. o., Potkrajaska bb, Breza, Bosnia and Herzegovina	Processing and preserving of poultry meat	100	21,291	8,937	582
Ptujska klet d. o. o., Vinarski trg 1, Ptuj, Slovenia	Viticulture and enology	100	5,981	2,660	(142)
Perutnina Romania S. r. l., Str. 13 Decembrie Nr. 96, Brasov, Romania	Trade	100	1,017	(152)	(8)
Perutnina Ptuj S d. o. o., Povelic b. b., Srbac, Bosnia and Herzegovina	Processing and preserving of poultry meat	100	14,836	1,899	444
PP Gostinstvo d. o. o., Dravska ulica 9, Ptuj, Slovenia	Restaurants and Catering	100	565	(408)	(37)
Gradbeni remont d. o. o., Žnidaričevo nabrežje 10, Ptuj, Slovenia	Construction activity	100	767	484	(28)
PP BRO ŽIVA d. o. o., Petefi Brigade 2, Bačka Topola, Serbia	Processing and preserving of poultry meat	60	903	113	(67)
Perutnina Ptuj dooel Skopje, Ul. Belasica št. 2, Skopje, Macedonia	Trade	100	2,657	523	89
Veterinarska ambulanta PP d. o. o., Potrčeva 6, Ptuj, Slovenia	Veterinary activity	45	916	341	30
Perutnina Austria GmbH, Haushammerstrasse 1, Seiesberg, Austria	Trade	100	1,804	754	168
PP - Agro d. o. o., Tržaška cesta 41A, Maribor, Slovenia	Mixed farming	100	11,282	7,532	411
NAŠA d. o. o., Potrčeva cesta 10, Ptuj, Slovenia	Trade	100	221	(124)	(59)
<b>Perutnina Ptuj - Pipo Čakovec - subsidiaries</b>					
Eko ENERGIJA d.o.o., Rudolfa Steinerja 7, Čakovec, Croatia	Electricity production	100	141	116	17

in € thousand	Activity	% of voting rights	Value of assets on 30 June 2017	Value of equity on 30 June 2017	Net Profit (Loss) for period ended 30 June 2017
<b>Perutnina Ptuj - Topiko - subsidiaries</b>					
TOP-VETERINA d. o. o., Dušana Popivode b.b., Bačka Topola, Serbia	Veterinary activity	100	309	84	16
<b>SIJ ACRONI - subsidiaries</b>					
ŽELEZARNA JESENICE, d.o.o., Cesta železarjev 8, Jesenice, Slovenia	Trading with own real estate	100	10,160	9,660	42
<b>SIJ METAL RAVNE - subsidiaries</b>					
KOPO International Inc., 100 Village Court, Suite # 202, Hazlet, New Jersey 07730, USA	Trade	100	26,342	1,924	171
<b>ODPAD - subsidiaries</b>					
DANKOR, d.o.o., Europske avenije 22, Osijek, Croatia	Recovery of secondary raw materials from scrap	91	1,471	305	81
METAL-EKO SISTEM DOO JAGODINA, Put Kneza Mihaila 107, Jagodina, Serbia	Recovery of secondary raw materials from scrap	70	4,223	1,637	198
"TOPMETAL" d.o.o. Laktaši, Karađorđeva 69, 78250 Laktaši, Bosnia and Herzegovina	Recovery of secondary raw materials from scrap	51	1,638	666	(224)
<b>SIJ Ravne Steel Center - subsidiaries</b>					
SIDERTOCE S. p. A., Via XX. Settembre 198, C. P. 34, Gravellona Toce, Italy	Trade	100	12,480	3,757	367
SIJ MWT GmbH, Celsiusstrasse 17, Germany	Trade	100	3,603	205	(109)
ORO MET d.o.o., Neverke 56, Košana, Slovenia	Manufacture of other tools	51	10,536	4,489	592
<b>NOŽI RAVNE - subsidiaries</b>					
Ravne Knives (UK) Limited, 12 Conqueror Court, Sittingbourne, Kent, ME10 5BN, United Kingdom	Trade	100	481	31	19
Ravne Knives USA Inc., 2711 Centerville Road, Suite 400, Wilmington, Country of New Castle, Delaware 19808, USA	Trade	100	591	(216)	(22)
<b>SIJ Asia - subsidiaries</b>					
SIJ Steel (Shanghai) Co., Ltd., Rm.320, 2449 Gonghexin Road, Zhabei District, Shanghai 200072, China	Trade	100	51	46	(3)

In 2017 the company Noži Ravne liquidated the company Ravne Knives UK (North). The effect amounted to €20 thousand and is shown in operating expenses.

In January 2017 the company Perutnina Ptuj d. d. acquired controlling influence over the company NAŠA d. o. o. The SIJ Group consolidates the company NAŠA d.o.o. from 1 January 2017. The effect of the acquisition is disclosed in the chapter Business Combinations.

**sij**

**Financial report  
of the SIJ Group**  
for period ended on  
**30 June 2017**

# CONSOLIDATED FINANCIAL STATEMENTS FOR SIJ GROUP

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

in € thousand	Note	1-6 2017	1-6 2016
Revenue	1	512,407	413,898
Cost of sales	2	(399,499)	(325,953)
<b>Gross profit</b>		<b>112,907</b>	<b>87,946</b>
Distribution costs	2	(43,698)	(34,143)
General and administrative expenses	2	(52,139)	(37,519)
Other operating income	3	8,212	41,412
Other operating expenses	3	(2,532)	(998)
<b>Operating profit</b>		<b>22,751</b>	<b>56,699</b>
Finance income	4	841	686
Finance expenses	4	(11,203)	(10,456)
<b>Net finance costs</b>		<b>(10,361)</b>	<b>(9,770)</b>
Share of profit in associates		56	6
<b>Profit before taxation</b>		<b>12,446</b>	<b>46,935</b>
Income tax expense		(1,282)	(659)
Deferred income tax		471	1,391
<b>Profit for the period</b>		<b>11,635</b>	<b>47,667</b>
<i>Items that will not be reclassified subsequently to profit or loss</i>			
Income tax related to components of comprehensive income		(13)	5
<i>Items that may be reclassified subsequently to profit or loss</i>			
Change in fair value reserves for available-for-sale financial assets		47	(29)
Exchange rate difference on translating foreign operations		285	114
Other changes in comprehensive income		76	7
<b>Comprehensive income</b>		<b>12,030</b>	<b>47,764</b>
<b>Profit, attributable to:</b>		<b>11,635</b>	<b>47,667</b>
Owners of the controlling company		10,963	46,882
Non-controlling interest		672	786
Basic and diluted earnings per share (in €)	5	11.34	48.48
<b>Comprehensive income, attributable to:</b>		<b>12,030</b>	<b>47,764</b>
Owners of the controlling company		11,250	46,981
Non-controlling interest		780	784

The notes to the 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 € thousand	Note	30 June 2017	31 December 2016
<b>ASSETS</b>			
<b>Non-current assets</b>		<b>694,979</b>	<b>708,858</b>
Intangible assets	6	48,076	47,825
Property, plant and equipment	7	606,865	620,694
Investment property		4,208	4,094
Investments in associates		1,678	1,622
Available-for-sale financial assets		1,280	1,225
Financial receivables		134	256
Operating receivables		1,101	2,239
Other assets		5,004	4,073
Deferred tax assets		26,633	26,829
<b>Current assets</b>		<b>493,762</b>	<b>439,299</b>
Assets held for disposal (disposal groups)		4,092	4,102
Inventories	8	218,062	238,397
Financial receivables		24,898	19,679
Operating receivables	9	154,541	112,099
Income tax assets		1,149	1,384
Cash and cash equivalents	10	77,856	59,443
Other assets	11	13,164	4,196
<b>Total assets</b>		<b>1,188,741</b>	<b>1,148,157</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>		<b>425,246</b>	<b>423,471</b>
<b>Equity attributed to owners of the controlling company</b>		<b>390,462</b>	<b>389,043</b>
Share capital		145,266	145,266
Capital surplus		11,461	11,461
Revenue reserves		811	811
Fair value reserves		(382)	(385)
Translation differences		433	149
Retained earnings		232,873	231,741
<b>Non-controlling interest</b>		<b>34,784</b>	<b>34,429</b>
<b>Non-current liabilities</b>		<b>381,869</b>	<b>328,473</b>
Employee benefits		15,833	15,763
Other provisions		1,237	1,365
Deferred revenues		5,398	5,532
Financial liabilities	13	352,567	298,413
Operating liabilities		621	612
Deferred tax liabilities		6,213	6,787
<b>Current liabilities</b>		<b>381,625</b>	<b>396,212</b>
Financial liabilities	13	115,448	131,193
Operating liabilities	14	257,607	259,237
Income tax liabilities		653	1,333
Other liabilities		7,917	4,450
<b>Total equity and liabilities</b>		<b>1,188,741</b>	<b>1,148,157</b>

The notes to the 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 on 30 June 2017

in € thousand	Equity attributed to the owners of the controlling company						Total	Non-controlling interest	Total
	Share capital	Capital surplus	Revenue reserves	Fair value reserves	Translation differences	Retained earnings			
<b>Balance as at 31 December 2016</b>	<b>145,266</b>	<b>11,461</b>	<b>811</b>	<b>(385)</b>	<b>149</b>	<b>231,741</b>	<b>389,043</b>	<b>34,429</b>	<b>423,471</b>
Decrease in non-controlling interest	0	0	0	0	0	140	<b>140</b>	(425)	<b>(285)</b>
Dividends	0	0	0	0	0	(9,970)	<b>(9,970)</b>	0	<b>(9,970)</b>
<b>Total transactions with owners</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(9,830)</b>	<b>(9,830)</b>	<b>(425)</b>	<b>(10,255)</b>
Profit for the period	0	0	0	0	0	10,963	<b>10,963</b>	672	<b>11,635</b>
Other changes in comprehensive income	0	0	0	3	285	(1)	<b>286</b>	108	<b>394</b>
<b>Total changes in comprehensive income</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>3</b>	<b>285</b>	<b>10,962</b>	<b>11,250</b>	<b>780</b>	<b>12,030</b>
<b>Balance as at 30 June 2017</b>	<b>145,266</b>	<b>11,461</b>	<b>811</b>	<b>(382)</b>	<b>433</b>	<b>232,873</b>	<b>390,462</b>	<b>34,784</b>	<b>425,246</b>

### Consolidated Statement of Changes in Equity in 2016

in € thousand	Equity attributed to the owners of the controlling company						Total	Non-controlling interest	Total
	Share capital	Capital surplus	Revenue reserves	Fair value reserves	Translation differences	Retained earnings			
<b>Balance as at 31 December 2015</b>	<b>145,266</b>	<b>11,461</b>	<b>129</b>	<b>(369)</b>	<b>221</b>	<b>188,207</b>	<b>344,915</b>	<b>3,802</b>	<b>348,717</b>
Acquisitions of non-controlling interest	0	0	0	(2)	0	138	<b>137</b>	(634)	<b>(498)</b>
Acquisitions of subsidiaries	0	0	0	0	0	0	<b>0</b>	29,884	<b>29,884</b>
Dividends	0	0	0	0	0	(5,811)	<b>(5,811)</b>	0	<b>(5,811)</b>
Creation of legal reserves	0	0	682	0	0	(682)	<b>0</b>	0	<b>0</b>
<b>Total transactions with owners</b>	<b>0</b>	<b>0</b>	<b>682</b>	<b>(2)</b>	<b>0</b>	<b>(6,354)</b>	<b>(5,674)</b>	<b>29,250</b>	<b>23,576</b>
Profit for the year	0	0	0	0	0	49,905	<b>49,905</b>	1,420	<b>51,325</b>
Other changes in comprehensive income	0	0	0	(15)	(72)	0	<b>(104)</b>	(43)	<b>(147)</b>
<b>Total changes in comprehensive income</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(15)</b>	<b>(72)</b>	<b>49,889</b>	<b>49,802</b>	<b>1,377</b>	<b>51,178</b>
<b>Balance as at 31 December 2016</b>	<b>145,266</b>	<b>11,461</b>	<b>811</b>	<b>(385)</b>	<b>149</b>	<b>231,741</b>	<b>389,043</b>	<b>34,429</b>	<b>423,471</b>

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

## CONSOLIDATED CASH FLOW STATEMENT

in € thousand	Note	1-6 2017	1-6 2016
<b>Cash flow from operating activities</b>			
<b>Profit before tax</b>		<b>12,446</b>	<b>46,935</b>
Adjusted for:			
Depreciation and amortisation	6, 7	33,108	27,643
Share of profit in associates		(56)	(6)
Excess of fair value of net assets acquired over cost of investments		0	(28,412)
Interest income	4	(649)	(296)
Interest expenses	4	8,118	8,123
Other adjustments		(137)	(6,320)
<b>Operating cash flows before changes in working capital</b>		<b>52,829</b>	<b>47,666</b>
<b>Changes in working capital</b>			
Change in operating receivables		(52,260)	(25,825)
Change in inventories		20,931	1,343
Change in operating payables		13,187	1,430
Change in taxes other than income tax		1,446	3,109
Other direct payments		(1,637)	(1,444)
<b>Changes in working capital</b>		<b>(18,334)</b>	<b>(21,388)</b>
<b>Net cash generated from operating activities</b>		<b>34,495</b>	<b>26,278</b>
<b>Cash flow from investing activities</b>			
Payments for investments in subsidiaries		(285)	(15,928)
Payments for property, plant and equipment		(35,374)	(37,161)
Receipts from property, plant and equipment		368	593
Payments for intangible assets		(1,929)	(973)
Payments for loans issued		(4,700)	(6,001)
Receipts from loans issued		259	66
Interests received		84	110
Receipts for other assets		103	17
<b>Net cash used in investing activities</b>		<b>(41,474)</b>	<b>(59,277)</b>
<b>Cash flow from financing activities</b>			
Receipts from borrowings		509,013	387,327
Payments for borrowings		(471,001)	(314,436)
Payments for financial lease		(1,339)	(909)
Payments for finance services		(1,109)	0
Interest paid		(6,699)	(6,160)
Dividends paid		(3,530)	(5,811)
<b>Net cash generated in financing activities</b>		<b>25,335</b>	<b>60,012</b>
<b>Cash and cash equivalents as at 1 January</b>		<b>59,443</b>	<b>44,587</b>
Translation differences		58	201
Increase		18,356	27,013
<b>Cash and cash equivalents as at 30 June</b>		<b>77,856</b>	<b>71,801</b>

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

## NOTES TO INDIVIDUAL ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS

### 1. Revenue

in € thousand	1-6 2017	1-6 2016
In Slovenia	94,809	78,763
In other countries	417,597	335,135
<b>Revenue</b>	<b>512,407</b>	<b>413,898</b>

### 2. Operating Expenses

in € thousand	1-6 2017	1-6 2016
Costs of goods, materials and services	367,028	296,498
Labour costs	83,917	67,283
Depreciation and amortisation costs	33,108	27,643
Other costs	4,032	4,004
Changes in the value of inventories	7,251	2,186
<b>Operating expenses</b>	<b>495,335</b>	<b>397,614</b>

### Review of Costs by Type on 30 June 2017

in € thousand	Cost of sales	Distribution costs	General and administrative expenses	Total
Costs of goods, materials and services	318,029	33,041	15,958	367,028
Labour costs	44,915	9,024	29,977	83,917
Depreciation and amortisation costs	27,216	1,416	4,476	33,108
Other costs	2,088	216	1,728	4,032
Changes in the value of inventories	7,251	0	0	7,251
<b>Operating expenses</b>	<b>399,499</b>	<b>43,698</b>	<b>52,139</b>	<b>495,335</b>

### Review of Costs by Type on 30 June 2016

in € thousand	Cost of sales	Distribution costs	General and administrative expenses	Total
Costs of goods, materials and services	257,141	26,626	12,731	296,498
Labour costs	40,069	6,443	20,771	67,283
Depreciation and amortisation costs	24,490	793	2,359	27,643
Other costs	2,066	280	1,658	4,004
Changes in the value of inventories	2,186	0	0	2,186
<b>Operating expenses</b>	<b>325,953</b>	<b>34,143</b>	<b>37,519</b>	<b>397,614</b>

### 3. Other Operating Income and Expenses

in € thousand	1-6 2017	1-6 2016
Capitalized own products	1,222	2,967
Revenues from received subsidies	2,705	1,421
Business combinations revenue	0	28,412
Reversal of impairments	1,789	33
Write-off of liabilities	8	6,726
Other income	2,487	1,854
<b>Other operating income</b>	<b>8,212</b>	<b>41,412</b>
Expenses for donations and sponsorships	(398)	(343)
Allowances for obsolete stock provision	(10)	(396)
Allowances for receivables	(1,139)	0
Other expenses	(985)	(259)
<b>Other operating expenses</b>	<b>(2,532)</b>	<b>(998)</b>
<b>Net other operating income</b>	<b>5,679</b>	<b>40,415</b>

Business combinations revenue for the period ended on 30 June 2016 represents the negative surplus of acquired assets and liabilities on the takeover date of the companies in the group Perutnina Ptuj in Holding PMP. On the date of financial report fair values of assets and liabilities were not available yet. The surplus was temporarily generated temporarily on cost value. When the fair values were established, the adjustments of temporarily amounts were made.

### 4. Finance Income and Expenses

in € thousand	1-6 2017	1-6 2016
Interest income	644	296
Exchange rate differences	197	31
Other income	0	359
<b>Finance income</b>	<b>841</b>	<b>686</b>
Interest expenses	(9,240)	(9,015)
Exchange rate differences	(173)	(47)
Other expenses	(1,791)	(1,394)
<b>Finance expenses</b>	<b>(11,203)</b>	<b>(10,456)</b>
<b>Net finance costs</b>	<b>(10,361)</b>	<b>(9,770)</b>

## 5. Net Earnings per Share

	1-6 2017	1-6 2016
Profit, attributable to owners of the parent company (in € thousand)	10,963	46,882
Weighted number of issued ordinary shares	967,016	967,016
<b>Basic and diluted earnings per share (in €)</b>	<b>11.34</b>	<b>48.48</b>

Net earnings per share are calculated by dividing the net profit for the financial year, allocated to the owners of the controlling company by the weighted average number of shares traded during the year, net of the number of treasury shares.

## 6. Intangible Assets

in € thousand	30 June 2017	31 December 2016
Non-current property rights	26,012	25,873
Goodwill	20,670	20,599
Assets under construction	1,394	1,353
<b>Present value</b>	<b>48,076</b>	<b>47,825</b>

Intangible assets, whose present value on 30 June 2017 amounts to €613 thousand are 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 € thousand	30 June 2017	31 December 2016
Land	59,298	59,821
Buildings	181,116	188,784
Equipment	315,627	322,838
Other	12,518	13,242
Assets under construction	38,306	36,009
<b>Present value</b>	<b>606,865</b>	<b>620,694</b>

Property, plant and equipment, whose present value on 30 June 2017 amounts to €104,704 thousand are pledged as security for liabilities.

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

## 8. Inventories

in € thousand	30 June 2017	31 December 2016
Raw material	85,891	94,439
Work in progress	74,592	76,101
Finished products	40,659	51,118
Trade goods	16,920	16,738
<b>Inventories</b>	<b>218,062</b>	<b>238,397</b>

Inventories on 30 June 2017 are not pledged as security for liabilities. On 30 June 2017 the Group checked the value of the inventories. It found that the net realizable value of the finished products was lower than their production value, and made the impairment of the inventories in the amount of €10 thousand.

## 9. Current Operating Receivables

in € thousand	30 June 2017	31 December 2016
Trade receivables	144,257	96,214
VAT receivables	3,362	6,406
Issued advance payments and cautions	3,642	3,120
Other operating receivables	3,279	6,359
<b>Current operating receivables</b>	<b>154,541</b>	<b>112,099</b>

The majority of the Group's trade receivables are insured against commercial risks with our insurance company. Trade receivables, whose present value on 30 June 2017 amounts €14,948 thousand, are pledged as security for liabilities.

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

## 10. Cash and Cash Equivalents

in € thousand	30 June 2017	31 December 2016
Cash in the bank account and petty cash	59,499	46,268
Cash equivalents	18,358	13,174
<b>Cash and cash equivalents</b>	<b>77,856</b>	<b>59,443</b>

Deposits in the amount of €18,358 thousand are in the national currency and have a maturity of up to three months. The interest rate for deposits is fixed.

## 11. Other Current Assets

in € thousand	30 June 2017	31 December 2016
Other assets	13,164	4,196
<b>Other current assets</b>	<b>13,164</b>	<b>4,196</b>

Current deferred expenses refer to the advance payments costs, which will in short term evenly debit profit or loss. Because most of the advance payments are deferred within the year, the amount of other current assets is higher as on 31 December 2016.

## 12. Equity

in € thousand	30 June 2017	31 December 2016
<b>Equity attributed to the owners of the controlling company</b>	<b>390,462</b>	<b>389,043</b>
Share capital	145,266	145,266
Capital surplus	11,461	11,461
Revenue reserves	811	811
Fair value reserves	(382)	(385)
Translation differences	433	149
Retained earnings	232,873	231,741
<b>Non-controlling interest</b>	<b>34,784</b>	<b>34,429</b>
<b>Equity</b>	<b>425,246</b>	<b>423,471</b>

The share capital of the controlling company is recognised in the amount of €145,266 thousand and is distributed among 994,616 shares. The face value of each share is €146,05. The number of shares did not change till the conclusion of the report.

## Ownership Structure of the Controlling Company

Shareholder	Number of shares 30 June 2017	Number of shares 31 December 2016
DILON, d. o. o., Gerbičeva ulica 98, Ljubljana, Slovenia	718,351	718,351
Republic of Slovenia, Gregorčičeva ulica 20, Ljubljana, Slovenia	248,655	248,655
SIJ d.d., Gerbičeva ulica 98, Ljubljana, Slovenia	27,600	27,600
UNIOR, d. d., Kovaška cesta 10, Zreče, Slovenia	10	10
<b>Total</b>	<b>994,616</b>	<b>994,616</b>

The ownership structure of the controlling company did not change till the conclusion of the report.

## Capital Surplus

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

## Revenue Reserves

in € thousand	30 June 2017	31 December 2016
Legal reserves	3.065	3.065
Treasury shares	(6.009)	(6.009)
Reserves for treasury shares	3.754	3.754
<b>Revenue reserves</b>	<b>811</b>	<b>811</b>

The controlling company acquired treasury shares in the amount of €2,255 thousand on the basis of the Act Regulating the Incurrence and Settlement of Liabilities of Slovenske železarne as regards the Restructuring Program (Official Gazette of the RS, nr. 111/2001) and in line with the Privatisation 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 authorized 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.

Till the conclusion of the report no treasury shares were acquired by controlling company. Shares are recognised at cost.

## 13. Non-current and Current Financial Liabilities

in € thousand	30 June 2017	31 December 2016
Borrowings	254,441	199,682
Liabilities for bonds issued	94,115	94,115
Liabilities arising from finance lease	4,011	4,614
Interest liabilities	0	3
<b>Non-current financial liabilities</b>	<b>352,567</b>	<b>298,413</b>
Borrowings	79,226	96,496
Liabilities for commercial papers issued	30,000	30,000
Interest liabilities	3,943	2,441
Liabilities arising from finance lease	2,162	2,256
Other financial liabilities	118	0
<b>Current financial liabilities</b>	<b>115,448</b>	<b>131,193</b>
<b>Total financial liabilities</b>	<b>468,015</b>	<b>429,606</b>



## Borrowings

Borrowings include loans from domestic and foreign banks. Borrowings in the amount of €77,705 thousand are secured with properties, receivables and inventories. Other borrowings are not secured. The interest rate for the majority of borrowings is flexible and based on EURIBOR.

## Liabilities for Bonds issued

Liabilities for bonds issued refer to the bonds issued with the ticker symbol of SIJ4. The controlling company issued bonds with the total nominal value of €42,897 thousand in November 2014. The entire bond issue contains 42,897 denominations of €1 thousand. The bond maturity date is 24 November 2019. The interest rate for the bonds is fixed, i.e. 4.50 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 have been traded on the Ljubljana Stock Exchange.

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 €51,218 thousand in July 2015. The entire bond issue contains 51,218 denominations of €1 thousand. The bond maturity date is 21 July 2020. The interest rate for the bonds is fixed, i.e. 4.00 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 have been traded on the Ljubljana Stock Exchange.

## Liabilities for Commercial Papers issued

Liabilities for commercial papers amounting to €30,000 thousand refer to 12-month commercial papers with the ticker symbol SIK03, issued as a 3<sup>rd</sup> issue by the controlling company on 16 December 2016. The total nominal value of the commercial papers is €30,000 thousand, and covers denominations of €1 thousand. The interest rate for a commercial paper is 1.20 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 16 December 2017. Commercial papers trading takes place at the Ljubljana Stock Exchange. The controlling company repaid the second issue of commercial papers with the ticker symbol SIK02 on the maturity day.

## 14. Current Operating Liabilities

in € thousand	30 June 2017	31 December 2016
Liabilities to suppliers	227,811	232,179
Liabilities to employees	10,991	9,101
Received advance payments	2,382	2,029
Tax liabilities	7,857	6,414
Other liabilities	8,565	9,513
<b>Current operating liabilities</b>	<b>257,607</b>	<b>259,237</b>

## 15. Segment Reporting

### Segment Reporting on 30 June 2017

in € thousand	Steel Division	Distribution & Processing Division	Scrap Division	Manufacturing Division	Headquarters and other Services	Poultry Division	Transactions between segments	Total	Consolidated Financial Statements
Revenues	299,822	99,167	45,806	39,095	9,823	123,492		617,205	
Eliminations	(1,984)	(5,287)	(3,347)	(5,470)	(65)	(131)	(88,515)	(104,798)	
<b>Revenues</b>	<b>297,838</b>	<b>93,880</b>	<b>42,460</b>	<b>33,625</b>	<b>9,757</b>	<b>123,361</b>	<b>(88,515)</b>	<b>512,407</b>	512,407
Operating Expenses	290,281	95,471	44,913	34,305	8,126	122,911		596,006	
Eliminations	(1,984)	(5,287)	(3,347)	(5,470)	(65)	(131)	(84,388)	(100,671)	
<b>Expenses</b>	<b>288,298</b>	<b>90,184</b>	<b>41,566</b>	<b>28,835</b>	<b>8,061</b>	<b>122,780</b>	<b>(84,388)</b>	<b>495,335</b>	495,335
Other operating income (expenses)	2,545	(100)	(120)	(3,007)	269	1,968	4,125	5,679	5,679
<b>Profit (loss) from operation</b>	<b>12,085</b>	<b>3,596</b>	<b>773</b>	<b>1,783</b>	<b>1,965</b>	<b>2,550</b>	<b>(2)</b>	<b>22,751</b>	22,751
Net finance income (costs)	(6,154)	(856)	(396)	(409)	(1,578)	(968)	0	(10,361)	(10,361)
Share of profit in associates	56	0	0	0	0	0	0	56	56
Taxes	24	(572)	(101)	(100)	(20)	(40)	0	(810)	(810)
<b>Net profit (loss) for the period</b>	<b>6,011</b>	<b>2,168</b>	<b>276</b>	<b>1,274</b>	<b>367</b>	<b>1,542</b>	<b>(2)</b>	<b>11,635</b>	11,635
<b>30 June 2017</b>									
Assets	689,209	133,411	34,896	69,216	369,178	284,578	(391,748)	<b>1,188,741</b>	1,188,741
Liabilities	417,198	105,833	24,825	48,148	163,062	141,603	(137,175)	<b>763,495</b>	763,495

## Segment Reporting on 30 June 2016

in € thousand	Steel Division	Distribution & Processing Division	Scrap Division	Manufacturing Division	Headquarters and other Services	Poultry Division	Transactions between segments	Total	Consolidated Financial Statements
Revenues	259,961	66,486	35,585	38,369	9,120	84,627		494,148	
Eliminations	(1,267)	(150)	(2,707)	(3,470)	(57)	(5)	(72,593)	(80,250)	
<b>Revenues</b>	<b>258,695</b>	<b>66,336</b>	<b>32,878</b>	<b>34,898</b>	<b>9,063</b>	<b>84,622</b>	<b>(72,593)</b>	<b>413,898</b>	413,898
Operating Expenses	249,831	66,088	34,789	36,334	8,296	82,481		477,818	
Eliminations	(1,267)	(150)	(2,707)	(3,470)	(57)	(5)	(72,548)	(80,204)	
<b>Expenses</b>	<b>248,564</b>	<b>65,938</b>	<b>32,082</b>	<b>32,864</b>	<b>8,238</b>	<b>82,476</b>	<b>(72,548)</b>	<b>397,614</b>	397,614
Other operating income (expenses)	2,642	1	(4)	1,141	35,379	1,970	(715)	40,415	40,415
<b>Profit (loss) from operation</b>	<b>12,773</b>	<b>400</b>	<b>792</b>	<b>3,175</b>	<b>36,204</b>	<b>4,116</b>	<b>(760)</b>	<b>56,699</b>	56,699
Net finance income (costs)	(5,318)	(758)	(422)	(49)	(2,352)	(863)	0	(9,770)	(9,770)
Share of profit in associates	6	0	0	0	0	1	0	6	6
Taxes	656	78	(44)	(206)	23	225	0	732	732
<b>Net profit (loss) for the period</b>	<b>8,118</b>	<b>(280)</b>	<b>326</b>	<b>2,920</b>	<b>33,875</b>	<b>3,470</b>	<b>(760)</b>	<b>47,667</b>	47,667
<b>30 June 2016</b>									
Assets	668,017	109,955	31,924	67,574	386,757	287,657	(403,726)	<b>1,148,157</b>	1,148,157
Liabilities	391,313	92,206	23,776	46,100	192,583	151,915	(173,208)	<b>724,685</b>	724,685

## 16. Business Combinations

On 1 January 2017 the Group acquired a 100 percent share and control in the company NAŠA d. o. o. Acquisition of this company is a strategic and long-term investment, allowing the Group the implementation of integration towards the end-customer.

Carrying amounts of assets and liabilities of the acquired company do not deviate significantly from the fair values, and were included as such in the first consolidation.

The statement of the financial position of NAŠA d.o.o. on the date when the Group acquired control is given below:

in € thousand	Fair value 1 January 2017	Cost value 1 January 2017
<b>ASSETS</b>		
Cash and cash equivalents	7	7
Property, plant and equipment, intangible assets	72	72
Inventories	50	50
Operating receivables	17	17
Financial receivables	10	10
<b>EQUITY AND LIABILITIES</b>		
Operating liabilities	135	135
Financial liabilities	86	86
<b>ACQUIRED NET ASSETS</b>	<b>(64)</b>	<b>(64)</b>
Acquisition price	8	
Acquired net assets	(64)	
<b>GOODWILL</b>	<b>72</b>	

In the 6 months following the acquisition of the company the Group generated €522 thousand of revenue and €59 thousand of loss for the year in this title.

## Related Parties

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

### Related Party Transactions Excluded from Consolidated Financial Statements

in € thousand	1-6 2017	1-6 2016
Revenues/expenses	113,128	83,168

	30 June 2017	31 December 2016
Operating receivables/liabilities	77,167	81,901
Financial receivables/liabilities	88,306	97,031
Investments in subsidiaries	271,883	271,507

## Carrying Amounts and Fair Values of Financial Instruments

in € thousand	30 June 2017		31 December 2016	
	Carrying amount	Fair value	Carrying amount	Fair value
Available-for-sale financial assets	1,280	1,280	1,225	1,225
Financial receivables	25,032	25,032	19,936	19,936
Operating receivables	155,642	155,642	114,338	114,338
Cash and cash equivalents	77,856	77,856	59,443	59,443
Financial liabilities	(468,015)	(473,535)	(429,606)	(435,519)
Operating liabilities	(258,228)	(258,228)	(259,849)	(259,849)
<b>Total</b>	<b>(466,434)</b>	<b>(471,953)</b>	<b>(494,514)</b>	<b>(500,427)</b>

## Fair Value Measurement

in € thousand	30 June 2017	31 December 2016
Financial assets at fair value of the first level	681	634
Financial assets at fair value of the third level	259,129	194,308
Financial liabilities at fair value of the first level	(124,115)	(124,115)
Financial liabilities at fair value of the third level	(602,129)	(565,341)

## Events After the Reporting Date

After the reporting date there were no events that would have a significant impact on financial statements in the period ended on 30 June 2017.

**sij**

**Financial report  
of the company SIJ d.d.  
for period ended on  
30 June 2017**

# FINANCIAL STATEMENTS FOR SIJ d.d.

## STATEMENT OF COMPREHENSIVE INCOME

in € thousand	Note	1-6 2017	1-6 2016
Revenue	1	8,154	7,615
<b>Gross profit</b>		<b>8,154</b>	<b>7,615</b>
General and administrative expenses	2	(6,167)	(6,444)
Other operating income	3	177	115
Other operating expenses	3	(233)	(186)
<b>Operating profit</b>		<b>1,931</b>	<b>1,100</b>
Finance income	4	2,564	2,200
Finance expenses	4	(4,223)	(4,637)
<b>Net finance costs</b>		<b>(1,659)</b>	<b>(2,438)</b>
<b>Profit (Loss) for the period</b>		<b>272</b>	<b>(1,338)</b>
<i>Items that will not be reclassified subsequently to profit or loss</i>			
Income tax related to components of comprehensive income		(13)	5
<i>Items that may be reclassified subsequently to profit or loss</i>			
Change in fair value reserves for available-for-sale financial assets		47	(29)
<b>Comprehensive income</b>		<b>307</b>	<b>(1,362)</b>
<b>Profit (Loss) for the period</b>		<b>272</b>	<b>(1,338)</b>
Basic and diluted earnings per share (in €)	5	0.28	-

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 € thousand	Note	30 June 2017	31 December 2016
<b>ASSETS</b>			
<b>Non-current assets</b>		<b>273,015</b>	<b>283,627</b>
Intangible assets		724	740
Property, plant and equipment		6,189	6,041
Investment property		2	2
Investments in subsidiaries		240,557	240,272
Available-for-sale financial assets		1,036	975
Financial receivables	6	22,815	33,787
Operating receivables		29	29
Other assets		519	626
Deferred tax assets		1,142	1,155
<b>Current assets</b>		<b>89,622</b>	<b>121,932</b>
Assets held for disposal (disposal groups)		30	35
Financial receivables	6	66,122	72,964
Operating receivables	7	20,594	39,363
Income tax assets		153	357
Cash and cash equivalents	8	1,026	8,286
Other assets	9	1,697	928
<b>Total assets</b>		<b>362,637</b>	<b>405,557</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>	<b>10</b>	<b>195,868</b>	<b>205,532</b>
Share capital		145,266	145,266
Capital surplus		11,461	11,461
Revenue reserves		811	811
Fair value reserves		185	151
Retained earnings		38,146	47,843
<b>Non-current liabilities</b>		<b>105,304</b>	<b>157,824</b>
Employee benefits		391	391
Financial liabilities	11	104,913	157,433
<b>Current liabilities</b>		<b>61,465</b>	<b>42,202</b>
Financial liabilities	11	52,856	38,017
Operating liabilities	12	8,451	4,002
Other liabilities		157	182
<b>Total equity and liabilities</b>		<b>362,637</b>	<b>405,557</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 on 30 June 2017

in € thousand	Share capital	Capital surplus	Revenue reserves	Fair value reserves	Retained earnings	Total
<b>Balance as at 31 December 2016</b>	<b>145,266</b>	<b>11,461</b>	<b>811</b>	<b>151</b>	<b>47,843</b>	<b>205,532</b>
Dividends	0	0	0	0	(9,970)	<b>(9,970)</b>
<b>Total transactions with owners</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(9,970)</b>	<b>(9,970)</b>
Profit for the year	0	0	0	0	272	<b>272</b>
Other changes in comprehensive income	0	0	0	34	0	<b>34</b>
<b>Total changes in comprehensive income</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>34</b>	<b>272</b>	<b>307</b>
<b>Balance as at 30 June 2017</b>	<b>145,266</b>	<b>11,461</b>	<b>811</b>	<b>185</b>	<b>38,146</b>	<b>195,868</b>

### Statement of Changes in Equity in 2016

in € thousand	Share capital	Capital surplus	Revenue reserves	Fair value reserves	Retained earnings	Total
<b>Balance as at 31 December 2015</b>	<b>145,266</b>	<b>11,461</b>	<b>129</b>	<b>157</b>	<b>34,390</b>	<b>191,403</b>
Dividends	0	0	0	0	(5,811)	<b>(5,811)</b>
Creation of legal reserves	0	0	682	0	(682)	<b>0</b>
<b>Total transactions with owners</b>	<b>0</b>	<b>0</b>	<b>682</b>	<b>0</b>	<b>(6,492)</b>	<b>(5,811)</b>
Profit for the period	0	0	0	0	19,946	<b>19,946</b>
Other changes in comprehensive income	0	0	0	(6)	0	<b>(6)</b>
<b>Total changes in comprehensive income</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(6)</b>	<b>19,946</b>	<b>19,939</b>
<b>Balance as at 31 December 2016</b>	<b>145,266</b>	<b>11,461</b>	<b>811</b>	<b>151</b>	<b>47,843</b>	<b>205,532</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 € thousand	Note	1-6 2017	1-6 2016
<b>Cash flow from operating activities</b>			
<b>Profit before taxation</b>		<b>272</b>	<b>(1,338)</b>
Adjusted for:			
Depreciation and amortisation		266	204
Interest income	4	(1,734)	(1,559)
Interest expenses	4	3,684	3,726
Other adjustments		(301)	(398)
<b>Operating cash flows before changes in working capital</b>		<b>2,188</b>	<b>635</b>
<b>Changes in working capital</b>			
Change in operating receivables		9,874	(10,862)
Change operating payables		(1,481)	6,398
Change in taxes other than income tax		(771)	(200)
Income tax paid		204	(888)
<b>Changes in working capital</b>		<b>7,826</b>	<b>(5,552)</b>
<b>Net cash generated (used) from operating activities</b>		<b>10,014</b>	<b>(4,917)</b>
<b>Cash flow from investing activities</b>			
Payments for investments in subsidiaries		(285)	(26,179)
Payments for property, plant and equipment		(146)	(44)
Receipts from property, plant and equipment		37	38
Payments for intangible assets		(43)	(47)
Receipts from other assets		36	0
Payments for loans issued		(17,198)	(64,650)
Receipts from loans issued		35,385	71,302
Interests received		1,229	1,434
Dividends received		8,265	0
<b>Net cash generated (used) in investing activities</b>		<b>27,280</b>	<b>(18,147)</b>
<b>Cash flow from financing activities</b>			
Receipts from borrowings		120,500	123,800
Payments for borrowings		(160,000)	(94,670)
Payments for financial lease		(92)	(14)
Receipts from finance services		400	365
Interests paid		(1,832)	(1,598)
Dividends paid		(3,530)	(5,811)
<b>Net cash (used) generated in financing activities</b>		<b>(44,553)</b>	<b>22,073</b>
<b>Cash and cash equivalents as at 1 January</b>		<b>8,286</b>	<b>9,217</b>
Decrease		(7,260)	(991)
<b>Cash and cash equivalents as at 30 June</b>		<b>1,027</b>	<b>8,226</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 THE FINANCIAL STATEMENTS

### 1. Revenue

in € thousand	1-6 2017	1-6 2016
In Slovenia	8,151	7,611
In other countries	4	4
<b>Revenue</b>	<b>8,154</b>	<b>7,615</b>

### 2. Operating Expenses

in € thousand	1-6 2017	1-6 2016
Costs of goods, materials and services	1,653	1,687
Labour costs	4,194	4,519
Depreciation and amortisation costs	266	204
Other costs	54	33
<b>Operating expenses</b>	<b>6,167</b>	<b>6,444</b>

### 3. Other Operating Income and Expenses

in € thousand	1-6 2017	1-6 2016
Dividends	65	65
Profit on sale of assets classified for sale	46	0
Other income	66	50
<b>Other operating income</b>	<b>177</b>	<b>115</b>
Expenses for donations and sponsorships	(233)	(183)
Other expenses	0	(3)
<b>Other operating expenses</b>	<b>(233)</b>	<b>(186)</b>
<b>Net other operating expenses</b>	<b>(56)</b>	<b>(71)</b>

### 4. Finance Income and Expenses

in € thousand	1-6 2017	1-6 2016
Interest income	1,734	1,559
Guarantee fees	829	639
Exchange rate differences	1	1
<b>Finance income</b>	<b>2,564</b>	<b>2,200</b>
Interest expenses	(3,684)	(3,726)
Other expenses	(538)	(911)
<b>Finance expenses</b>	<b>(4,223)</b>	<b>(4,637)</b>
<b>Net finance costs</b>	<b>(1,659)</b>	<b>(2,438)</b>

## 5. Net Earnings per Share

	1-6 2017	1-6 2016
Profit (Loss) for the period (in € thousand)	272	(1,337)
Weighted number of issued ordinary shares	967,016	967,016
<b>Basic and diluted earnings per share (in €)</b>	<b>0.28</b>	<b>-</b>

Net earnings per share are calculated by dividing the net profit or loss of the financial year, allocated to shareholders, by the weighted average number of shares, traded during the year, net of the number of treasury shares.

## 6. Financial Receivables

in € thousand	30 June 2017	31 December 2016
Loans issued	22,504	33,354
Receivables arising from financial lease	311	433
<b>Non-current financial receivables</b>	<b>22,815</b>	<b>33,787</b>
Loans issued	63,711	71,048
Receivables arising from finance lease	256	293
Interest receivables	1,551	1,047
Receivables arising from financial services	604	575
<b>Current financial receivables</b>	<b>66,122</b>	<b>72,963</b>

The interest rate for loans and for receivables from finance lease is fixed. The disclosed value of loans and the carrying value of the receivables arising from finance lease does not exceed their realisable value. The loans issued fall due in 2020, the receivables arising from finance lease fall due in 2019. The loans issued and receivables arising from finance lease are not pledged as security for liabilities.

## 7. Operating Receivables

in € thousand	30 June 2017	31 December 2016
Trade receivables	9,108	19,710
VAT receivables	20	16
Issued advance payments and cautions	137	124
Other operating receivables	11,329	19,513
<b>Current operating receivables</b>	<b>20,594</b>	<b>39,363</b>

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

## 8. Cash and Cash Equivalents

in € thousand	30 June 2017	31 December 2016
Cash in the bank account and petty cash	1,026	8,286
<b>Cash and cash equivalents</b>	<b>1,026</b>	<b>8,286</b>

## 9. Other Current Assets

in € thousand	30 June 2017	31 December 2016
Deferred expenses	1,697	928
<b>Other current assets</b>	<b>1,697</b>	<b>928</b>

Current deferred expenses refer to the advance payments costs, which will in short term evenly debit profit or loss.

## 10. Equity

in € thousand	30 June 2017	31 December 2016
Share capital	145,266	145,266
Capital surplus	11,461	11,461
Revenue reserves	811	811
Fair value reserves	185	151
Retained earnings	38,146	47,843
<b>Equity</b>	<b>195,868</b>	<b>205,532</b>

The share capital is recognised in the amount of €145,266 thousand and is distributed among 994,616 shares. The face value of each share is €146,05. The number of shares did not change till the conclusion of the report.

## Ownership Structure

Shareholder	Number of shares 30 June 2017	Number of shares 31 December 2016
DILON, d. o. o., Gerbičeva ulica 98, Ljubljana, Slovenia	718,351	718,351
Republic of Slovenia, Gregorčičeva ulica 20, Ljubljana, Slovenia	248,655	248,655
SIJ d.d., Gerbičeva ulica 98, Ljubljana, Slovenia	27,600	27,600
UNIOR, d. d., Kovaška cesta 10, Zreče, Slovenia	10	10
<b>Total</b>	<b>994,616</b>	<b>994,616</b>

## Capital Surplus

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

## Revenue reserves

in € thousand	30 June 2017	31 December 2016
Legal reserves	3,065	3,065
Treasury shares	(6,009)	(6,009)
Reserves for treasury shares	3,754	3,754
<b>Revenue reserves</b>	<b>811</b>	<b>811</b>

The Company acquired treasury shares in the amount of €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 Privatisation 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 the 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.

## 11. Financial Liabilities

in € thousand	30 June 2017	31 December 2016
Borrowings	10,000	62,500
Liabilities for bonds issued	94,115	94,115
Liabilities arising from finance lease	798	818
<b>Non-current financial liabilities</b>	<b>104,913</b>	<b>157,433</b>
Borrowings	18,836	5,836
Liabilities for commercial papers issued	30,000	30,000
Interest liabilities	3,410	1,557
Liabilities arising from finance lease	413	426
Other current financial liabilities	198	199
<b>Current financial liabilities</b>	<b>52,856</b>	<b>38,017</b>
<b>Total financial liabilities</b>	<b>157,769</b>	<b>195,451</b>

## Borrowings

Borrowings include loans from domestic banks, foreign banks and subsidiaries. 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 SIJ4. The Company issued bonds with the total nominal value of €42,897 thousand in November 2014. The entire bond issue contains 42,897 denominations of €1 thousand. The bond maturity date is 24 November 2019. The interest rate for the bonds is fixed, i.e. 4.50 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 have been traded on the Ljubljana Stock Exchange.

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 €51,218 thousand in July 2015. The entire bond issue contains 51,218 denominations of €1 thousand. The bond maturity date is 21 July 2020. The interest rate for the bonds is fixed, i.e. 4.00 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 have been traded on the Ljubljana Stock Exchange.

## Liabilities for Commercial Papers Issued

Liabilities for commercial papers amounting to €30,000 thousand refer to 12-month commercial papers with the ticker symbol SIK03, issued as a 3<sup>rd</sup> issue by the Company on 16 December 2016. The total nominal value of the commercial papers is €30,000 thousand, and covers denominations of €1 thousand. The interest rate for a commercial paper is 1.20 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 16 December 2017. Commercial papers trading takes place at Ljubljana Stock Exchange. The Company repaid second issue of commercial papers with the ticker symbol SIK02 on the maturity day.

## 12. Current Operating Liabilities

in € thousand	30 June 2017	31 December 2016
Liabilities to suppliers	869	1,604
Liabilities to employees	306	678
Tax liabilities	756	1,527
Other liabilities	6,521	193
<b>Current operating liabilities</b>	<b>8,451</b>	<b>4,002</b>

## 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 € thousand	1-6 2017	1-6 2016
Revenues	532	187

in € thousand	30 June 2017	31 December 2016
Receivables	24,124	19,042
Liabilities	4,784	0

### Related Party Transactions with Subsidiaries

in € thousand	1-6 2017	1-6 2016
Revenues	10,254	9,673
Expenses	722	772

in € thousand	30 June 2017	31 December 2016
Receivables	85,183	124,430
Liabilities	10,199	6,192

### Carrying Amounts and Fair Values of Financial Instruments

in € thousand	30 June 2017		31 December 2016	
	Carrying amount	Fair value	Carrying amount	Fair value
Available-for-sale financial assets	1,036	1,036	975	975
Financial receivables	88,937	88,937	106,750	106,750
Operating receivables	20,623	20,623	39,392	39,392
Cash and cash equivalents	1,026	1,026	8,286	8,286
Financial liabilities	(157,769)	(163,289)	(195,451)	(201,363)
Operating liabilities	(8,451)	(8,451)	(4,002)	(4,002)
<b>Total</b>	<b>(54,597)</b>	<b>(60,117)</b>	<b>(44,050)</b>	<b>(49,962)</b>



## Fair Value Measurements

in € thousand	30 June 2017	31 December 2016
Financial assets at fair value of the first level	653	606
Financial assets at fair value of the third level	110,970	154,798
Financial liabilities at fair value of the first level	(124,115)	(124,115)
Financial liabilities at fair value of the third level	(42,106)	(75,338)

## Events After the Reporting Date

After the reporting date there were no events that would have a significant impact on financial statements on 30 June 2017.