

sij | group

Business Report of
the SIJ Group and
SIJ d.d. **in the First
Half of 2015**

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[introduction]

Operating Highlights

SIJ Group: Important business performance indicators

		1-6 2013	1-6 2014	1-6 2015
Cast steel production	t	228,191	240,705	236,029
Financial data				
Revenues	EUR	353,581,831	377,032,500	364,679,729
Export	%	86.8%	86.3%	87.8%
EBITDA ¹	EUR	25,398,094	47,004,696	41,301,443
EBITDA margin	%	7.2%	12.5%	11.3%
Net profit	EUR	1,479,535	18,863,059	15,518,034
Capex	EUR	31,844,109	14,475,438	35,017,412
Statement of financial position on 30 June				
Total assets	EUR	781,048,169	801,190,790	831,359,157
Equity	EUR	329,527,814	342,605,039	360,066,703
NFD ²	EUR	268,645,157	225,911,786	246,568,133
NFD/EBITDA ³		7.40	3.62	3.42
Employees				
Number of employees on 30 June		3,202	3,133	3,142

1 EBITDA = operating profit + amortization

2 NFD = net financial debt = financial liabilities – cash and cash equivalents – short-term financial receivables

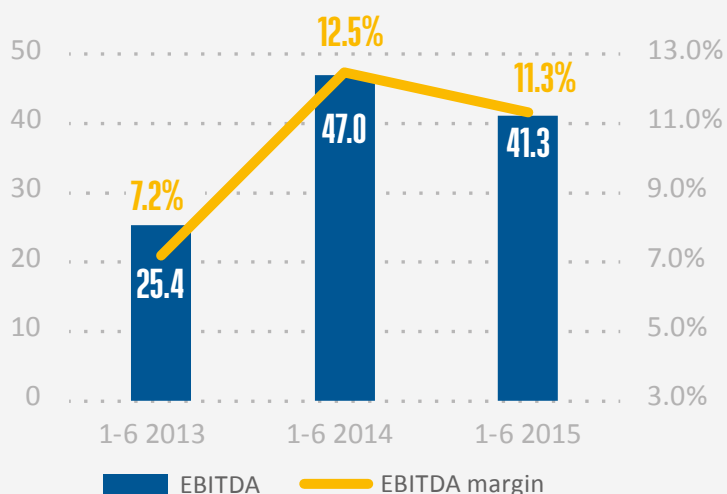
3 EBITDA for past 12 months

Key highlights:

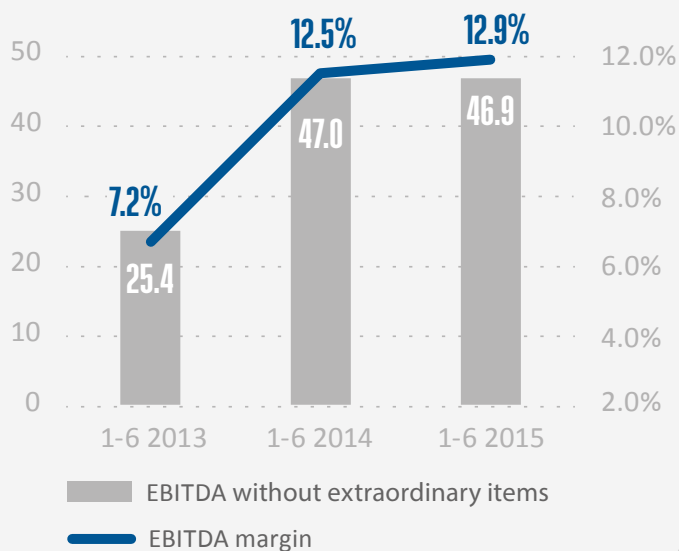
- The decrease in income is directly linked to the negative impact of one-off extraordinary items in the production volume in the first quarter of 2015, namely the introduction of a new central information system (ERP) at Acroni and, to a lesser extent, Metal Ravne, and the lengthy halt in production due to malfunctions in the Steel Division (the grinding machine, a fire in the machinery for continuous casting, a fire in the UHP furnace). The total negative impact on EBITDA is estimated at EUR 5.6 million.
- The high level of operational earnings was maintained, as the EBITDA margin at the end of the first half of 2015 was 11.3%, which means that we continue to rank among the world's most efficient steel groups.
- The successful implementation of the strategy for the diversification of financial sources continues, first in March 2015 with the issuing of commercial papers in the amount of EUR 20 million, and then in July 2015, i.e. shortly after the end of the financial period, with the second issuing of bonds in the amount of EUR 51 million.
- Compared to the first half of 2014, the demand for the Group's key steel programs did not decrease in the first half of 2015, a consequence of the fact that the products concerned are aimed at niche markets, which are growing because they are less exposed to the general macroeconomic impact and the import of steel from third world countries.
- Positive dynamics of the leverage decrease: the NFD/EBITDA ratio is now 3.42, compared to 3.62 at the end of the first half of 2014.



SIJ Group: EBITDA (in MEUR) and EBITDA margin (in %)

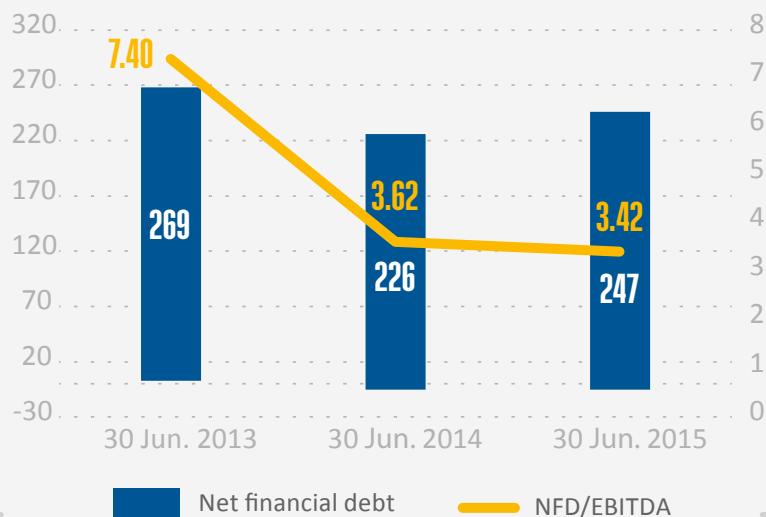


SIJ Group: EBITDA adjusted for extraordinary items (in MEUR) and EBITDA margin (in %)



In the first half of 2015, the EBITDA of the SIJ Group was EUR 41.3 million and the EBITDA margin was 11.3%. In the absence of the extraordinary items, whose negative impact on the EBITDA was EUR 5.6 million, the EBITDA would have totaled EUR 46.9 million, reaching the level of the first half of 2014, and the EBITDA margin would have been 1.6 percentage points higher.

SIJ Group: Net financial debt (in MEUR) and NFD/EBITDA



In first half of 2015 we succeeded in lowering the NFD/EBITDA ratio to 3.42, despite the fact that the net financial debt increased due to extensive investments in keeping with our long-term investment strategy (the purchase of new production capacities and the modernization of existing ones), and despite the increase in working capital.





Statement of the President of the Board of Directors

Dear Shareholders, Business Partners, and Associates of the SIJ Group,

In the first six months of 2015, the SIJ Group operated successfully. The implementation of last year's strategy of development until 2020 continued, aimed primarily at constantly improving the production structure in favor of products with high added value, enhancing the Group's financial stability, and entering new market segments.

The key indicator of operating performance in the first half of the year is the continued high level of operational earnings. We have been able to maintain a high EBITDA margin of over 11% despite slightly lower revenues, which means that we continue to rank among the world's most successful steel groups. The Group's operations in the first half of the year were strongly influenced by one-off extraordinary items, particularly the replacement of the information system (ERP) at the Group's largest steel company (Acroni), and three lengthy halts of individual production processes due to technical malfunctions in the Steel Division. These events contributed significantly to the lower production volume in the first months of the year, resulting in a decrease in revenues and EBITDA. The total negative impact on the EBITDA is estimated at EUR 5.6 million; had the Group operated normally, the individual financial indicators of the first half of last year would have been matched and even exceeded.

At the same time, it is important to note that there was no decline in demand for our key product groups in the relevant period; on the contrary, in some cases we have even seen an increase in demand, which is a positive sign for future operations. We continue to face pressure on prices, a consequence of the general macroeconomic slowdown in Europe and slower economic growth (e.g. in China), and the continued trend of third world producers entering European markets. The SIJ Group is actively and successfully adapting to these challenges, specifically by increasing the volume of direct sales on markets with high potential (68% growth of revenues in the USA compared to the same period last year), developing our own service and sales network, and expanding our product range with active marketing and new production programs (e.g. clad plates).

Measures in corporate management and the implementation of the financial source diversification strategy are just as important in order to maintain the stability of financial operations. Following the first issuing of bonds last fall, in March this year we issued commercial papers in the amount of EUR 20 million, followed by a second issuing of bonds in the amount of EUR 51 million in July 2015, after the end of the financial period. This provided us with suitably diversified financial sources for the next investment cycle, particularly in the Steel Division where the key investments up to 2017 have been clearly defined and evaluated. Meanwhile, the leverage (the NFD/EBITDA ratio) – 3.42 at the end of the period – is lower than in the same periods in 2013 and 2014.

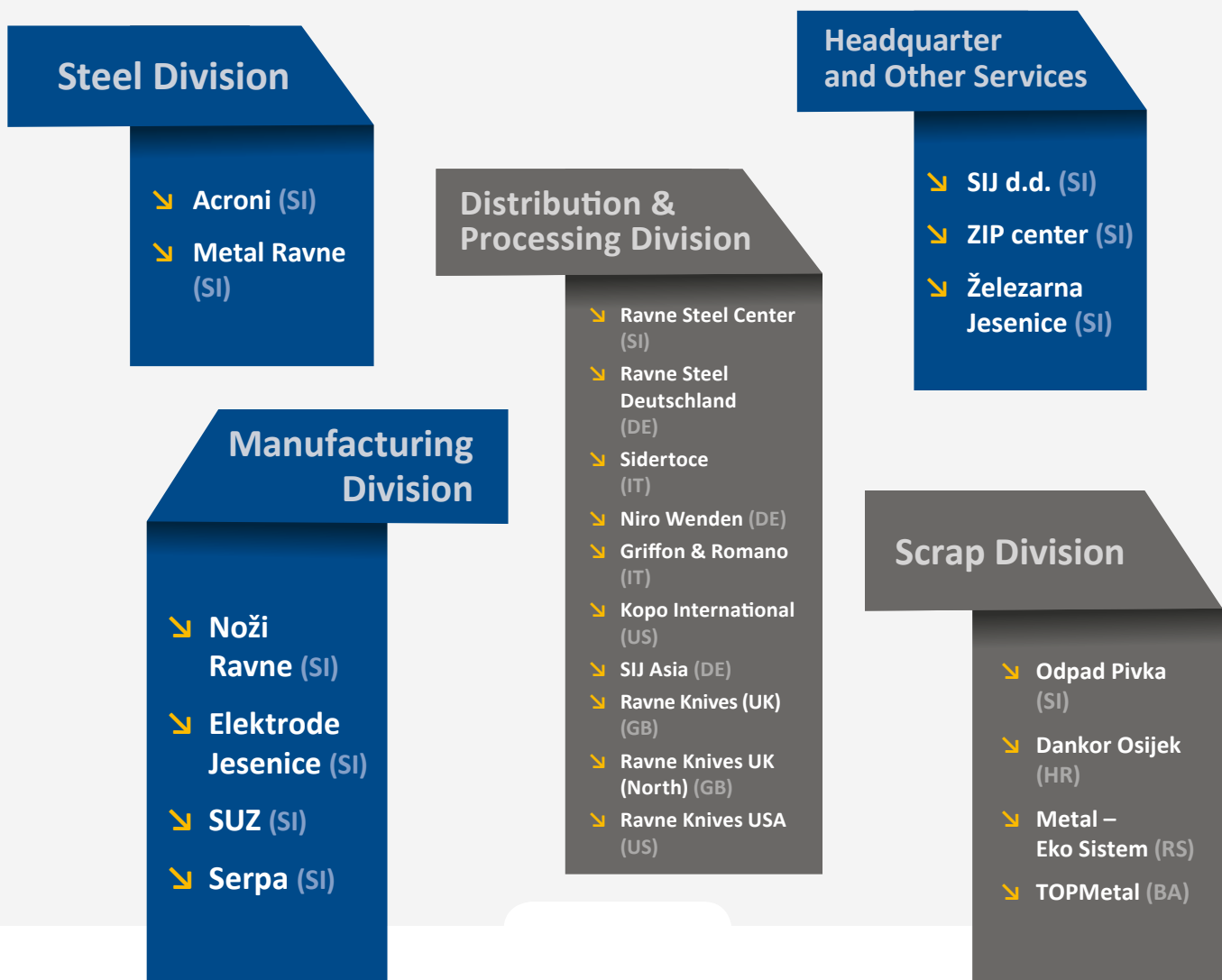
Anton Chernykh
President of the Board of Directors, SIJ d.d.



SIJ Group Profile

The SIJ Group comprises five mutually integrated divisions. In keeping with our long-term development strategy, further strengthening and development of the existing vertically-integrated structure are planned. The diversification of the divisions brings with it a number of business opportunities in sales and purchases, increases added value, has a considerable impact on the effective optimization of production processes within the Group, and lowers certain operating risks.

Program Structure of the Group

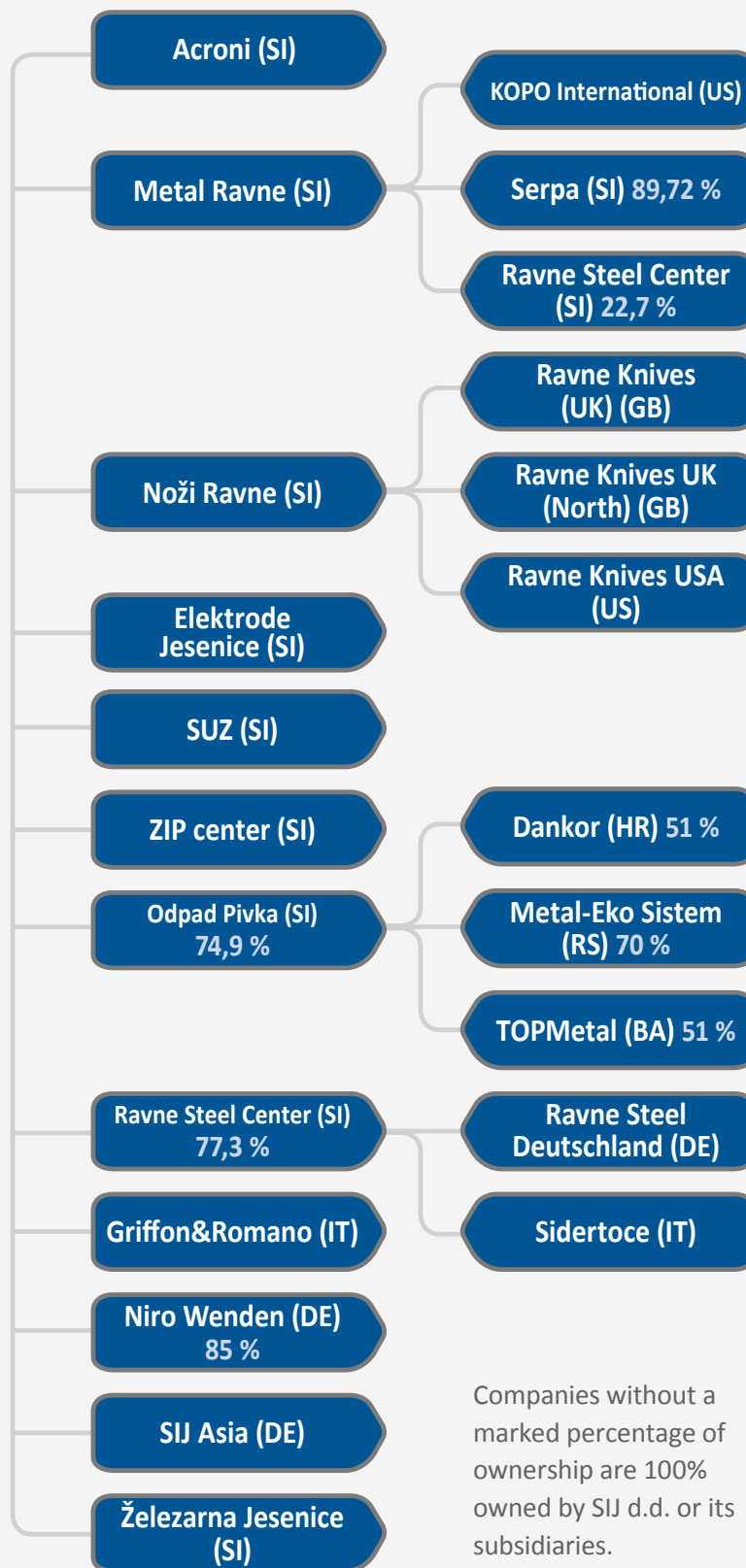




▪ **The following operating functions of the Group are centralized in the SIJ d.d. controlling company:**

1. Strategic management and decision-making;
2. Establishment of common grounds for the preparation of strategic plans:
 - a. Strategic development plans,
 - b. Annual plans,
 - c. Monthly operational plans;
3. Purchase of strategic raw materials;
4. Planning and coordination of production and sales;
5. Marketing and promotion of product sales, and management and coordination of price policies;
6. Optimization of technological processes and improvement of energy efficiency;
7. Execution of legal services in negotiating and signing contracts;
8. IT and software maintenance;
9. Financial planning and obtaining funding sources for debts;
10. Corporate communications;
11. HR.

▪ **Organizational Structure of the SIJ Group**



Notes: Ravne Steel Center is 100% owned by companies in the Group. Besides the majority partner SIJ d.d., marked in the table, the other partner is Metal Ravne, with 22.7% of voting rights.
The liquidation of Acroni Deutschland and Acroni Italia began in 2013, so they are not marked in this table. Both processes are still ongoing.

Companies without a marked percentage of ownership are 100% owned by SIJ d.d. or its subsidiaries.

SIJ d.d. Controlling Company Profile

Basic Information on SIJ d.d.

Company name:

SIJ – Slovenian Steel Group, d.d.

Short name:

SIJ d.d.

Registered office:

Gerbičeva ulica 98, 1000 Ljubljana, Slovenia

Main activity:

70.100 Activities of Head Offices

Registry number:

SRG 1/03550/00, District Court of Ljubljana

Founding date:

22 February 1995

Registered share capital:

EUR 145,266,065.76

Number of shares:

994,616 ordinary no par value shares

Ownership:

72.22% – DILON, d.o.o.,

Gerbičeva ulica 98, Ljubljana

25.00% – Republic of Slovenia,

Gregorčičeva ulica 20, Ljubljana

0.00% (10 shares) – Unior d.d.,

Kovaška cesta 10, Zreče

2.77% – treasury shares

Registration number:

5046432

Tax number:

51018535

The company's main activity is "Activities of Head Offices"; among other registered activities the most important are:

- other financial services, except insurance and pension funding;
- accounting, bookkeeping and auditing activities, tax consultancy;
- public relations and communication activities.

SIJ d.d. carries out consulting services for the SIJ Group in making strategic and operational decisions. Certain tasks are executed centrally while others are carried out separately or in cooperation with the companies. SIJ d.d. also carries out tasks which are directly connected to the business processes of our subsidiaries.

Management and Supervisory Bodies

Board of Directors of SIJ d.d.:

- **President of the Board of Directors:**
Anton Chernykh
- **Member of the Board of Directors:**
Igor Malevanov

Supervisory Board of SIJ d.d.:

- **President of the Supervisory Board:**
Andrey Zubitskiy
- **Vice-President of the Supervisory Board:**
Janko Jenko
- **Members of the Supervisory Board:**
Tomaž Stare,
Evgeny Zverev,
Denis Mancevič,
Sergey Frolov,
Sergey Cherkaev

(Business
report)

Important Business Events and Achievements of the SIJ Group in the First Half of 2015

- At the 27th meeting of the SIJ d.d. General Assembly on 8 April 2015, due to the end of the mandates, Andrey Zubitskiy, Janko Jenko, Tomaž Stare, Evgeny Zverev, Denis Mancevič, Sergey Cherkhaev and Sergey Frolov were re-elected as members of the Supervisory Board for a four-year mandate starting on 11 April 2015. At the meeting, as part of the approved amendments of the statute, the shareholders adopted the modernization of the short company name to SIJ d.d. At their initial meeting on 2 June 2015, the members of the Supervisory Board re-elected Andrey Zubitskiy as President of the Supervisory Board and Janko Jenko as Vice-President of the Supervisory Board.
 - In the first half of the year we continued activities aimed at diversifying our existing financial sources and ensuring the right financial sources for new development projects. In March, SIJ d.d. issued commercial papers on the Slovenian market in the amount of EUR 20 million, with a 2.20% interest rate. It is important to note that investor interest exceeded the target and end volume of the issue by as much as 60%.
 - In the first six months, our own service and sales network was considerably enhanced, thus strengthening the Group's vertical integration. Several companies were established operation, namely SIJ Asia (established in 2014), a distributor of steel products on the markets of South-east Asia, and three subsidiaries of Ravne Knives: Ravne Knives USA, Ravne Knives UK and Ravne Knives North, all aimed at expanding the distribution channels of the industrial knives production program on the US and UK markets.
 - On 18 June 2015, SIJ d.d. increased the share capital of Acroni with a non-cash contribution – the company Železarna Jesenice.
 - In June the Group took part in METEC, the world's largest specialist metallurgy fair, held every four years in Düsseldorf. At the same time we announced two major development projects in the Steel Division, namely the commencement of clad plate production and a tube production project.
 - With regard to HR development, we continued with various ongoing activities, such as the introduction of an internal sales academy and a management academy, and the establishment of a program for developing young talent. These programs represent the next step after the extensive competence analysis performed in the fall of 2014.
- Some of the largest investments that were put into operation in the first half of 2015 are highlighted below:**
- The replacement of the central information system (ERP) at Acroni, including business process reengineering and improving the transparency of operations. In early January 2015, a new information system was also introduced at Metal Ravne, although to a lesser extent.
 - The reconstruction of the Drever line for the heat treatment of plates and the hardening machine at Acroni, to increase their capacities and improve the quality of hardened plates. This investment is valued at over EUR 3 million.
 - The introduction of the new VOD and ladle furnace at Metal Ravne, representing additional capacities for the secondary treatment of the melt. The value of this investment was EUR 17.5 million.
 - The introduction of a CNC grinding machine and a CNC milling machine at Ravne Knives, at an estimated total value of EUR 0.5 million.

Important Business Events after the Financial Period

- In July 2015, SIJ d.d. successfully completed another issue of bonds on the Slovenian market. The assets thus obtained will be used to diversify the existing (secured) financial sources with non-current unsecured sources and to implement a new strategic investment cycle in the Steel Division by 2020.
- On 15 July 2015, SIJ d.d. signed a contract with Primetals Technologies for the delivery of an AOD furnace to Acroni at a total value of EUR 30 million. After 2017, this investment will make an important contribution to the increase in capacity in the production of stainless steel quarto plates, and to the reduction in specific consumption in production.
- On 29 July 2015, SIJ d.d. announced the intention to gradually strategically diversify operations and enter the food industry by participating in the capital increase in Perutnina Ptuj d.d. with an investment of EUR 40 million.
- In the first week of August 2015, SIJ d.d. submitted a binding bid for the purchase of an 88% share in LITOSTROJ JEKLO izdelava kakovostnih jeklenih ulitkov, d.o.o., and of the receivables from the same company, owned by Družba za upravljanje terjatev bank, d.d. (The Bank Assets Management Company).
- The 28th meeting of the General Assembly of SIJ d.d. took place on 14 August 2015. At the meeting, the shareholders approved the proposal of the Board of Directors and the Supervisory Board for the use of the distributable profit generated in 2014, in the total amount of EUR 25,188,177.35, that a share, of the amount EUR 5,810,642.63, be used for the payment of dividends, while the remainder, of the amount EUR 19,377,534.72, remain undistributed. The gross dividend per share amounts to EUR 6.01 (treasury shares not included). Any shareholder of the company, registered in the share register at the Central Securities Clearing Corporation, Ljubljana, on the date of the meeting of the General Assembly, is entitled to the payment of dividends. At the meeting, the shareholders granted discharge to the Board of Directors and the Supervisory Board for the work done in the 2014 financial year. At the proposal of the SIJ d.d. Supervisory Board, the auditing firm Deloitte Revizija d.o.o. in Ljubljana was appointed auditor for the 2015 financial year.
- On 14 August 2015, Ravne Knives submitted the final binding bid for the purchase of the full business shares of Sistemska tehnika d.o.o. and Sistemska tehnika Armas d.o.o., as well as the receivables from these companies, owned by Družba za upravljanje terjatev bank, d.d. (The Bank Assets Management Company).

Analysis of Operations

In the first half of 2015, the SIJ Group continued the implementation of measures for the optimization of production programs, sales programs and individual business processes, as well as the strengthening of the Group's vertical integration. The operating results reflect the difficult market conditions and individual one-off extraordinary items that had an impact on the EBITDA and the end profit or loss.

SIJ Group: Key operating data

		1-6 2013	1-6 2014	1-6 2015
Production				
Crude steel production	t	228,191	240,705	236,029
Financial data				
Revenues	EUR	353,581,831	377,032,500	364,679,729
Export	%	86.8%	86.3%	87.8%
EBITDA	EUR	25,398,094	47,004,696	41,301,443
EBITDA margin	%	7.2%	12.5%	11.3%
Net profit for the year	EUR	1,479,535	18,863,059	15,518,034
Cash flows from operating activities	EUR	-10,479,789	20,523,977	11,419,364
Investments	EUR	25,360,047	12,562,758	33,450,272
Capex	EUR	31,844,109	14,475,438	35,017,412
Statement of financial position		30 June 2013	30 June 2014	30 June 2015
Total assets	EUR	781,048,169	801,190,790	831,359,157
Equity	EUR	329,527,814	342,605,039	360,066,703
Net financial debt	EUR	268,645,157	225,911,786	246,568,133
NFD/EBITDA		7.40	3.62	3.42
Financial ratios		1-6 2013	1-6 2014	1-6 2015
Return on Sales (ROS)	%	0.4%	5.0%	4.3%
Return on Assets (ROA)	%	0.2%	2.4%	1.9%
Return on Equity (ROE)	%	0.4%	5.6%	4.4%
Average number of employees		3,113	3,077	3,057

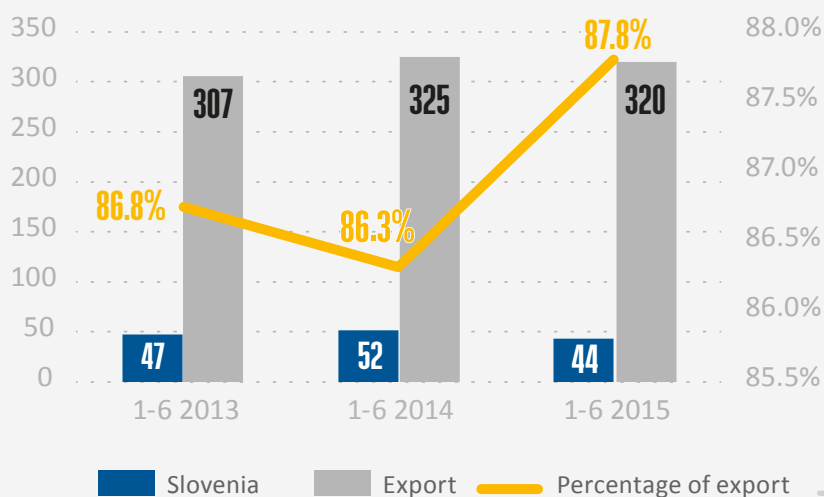
With a smaller production and sales quantity, the revenues generated were 3.3% lower, but at the same time we increased the export share in revenues by 1.5 percentage points. The EBITDA is EUR 5.7 million lower than in the same period last year; of this EUR 5.6 million at Group level resulted from the negative impact of one-off extraordinary items: the previously mentioned halts in production due to the implementation of a new information system in the Steel Division, the malfunctions of production equipment, and the start-up costs for the installation of new capacities in the Distribution & Processing Division.

The implementation of the investment policy continued, in keeping with the strategic guidelines, and EUR 35.0 million was spent on investments in the first half of the year. As a consequence of new investments in production capacities and the increase in working capital, the net financial debt increased by EUR 20.7 million (to EUR 246.6 million) in the first half of the year.

■ **SALES AND REVENUES**

In the first half of the year, our sales activities were focused on reaching new markets and customers. In this period, we reached over 100 new customers and won new markets, which is reflected in the geographical structure of sales. The export share in revenues has increased to 87.8%. Sales to non-European and non-US countries increased by 73.1 %, sales to the US increased by 68.2%, and sales to Turkey increased by 37.4 %.

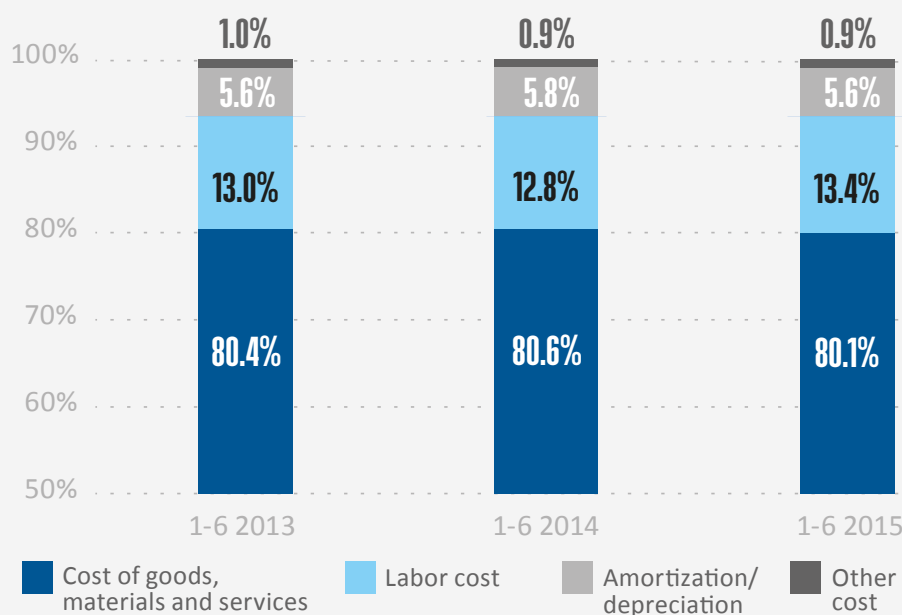
SIJ Group: Exports (in MEUR) and export share in revenues from products and services (in %)



We continue to strengthen our position on the European and global steel market as a leading producer of stainless steel quarto plates and special steels in the flat steel program, as well as tool and special steels in the long (bar) program. The production programs at the core of our exports include stainless steel quarto plates (45.3%) and molded forgings (15.7%), followed by cold rolled steel plates (9.1%) and rolled products (9.4%).

▪ **OPERATING EXPENSES**

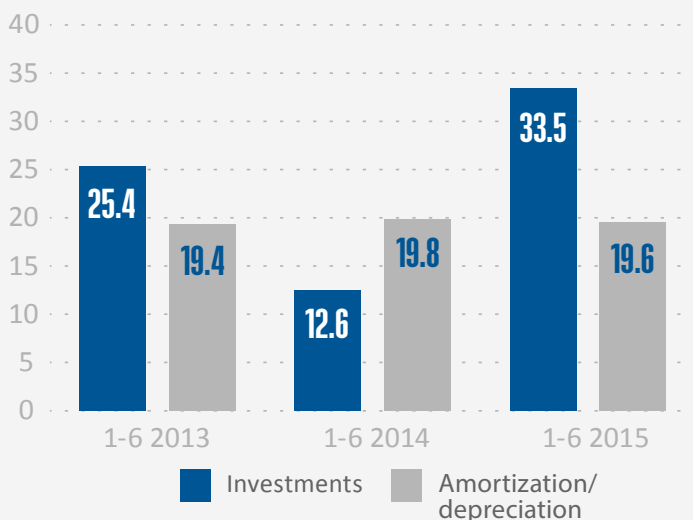
SIJ Group: Structure of operating expenses (in %)



The structure of operating expenses varied somewhat in the relevant periods. Compared to the first half of 2014, the share of labor costs increased by 0.6 percentage points, while the share of the costs of goods, materials and services decreased by 0.5 percentage points. In absolute figures, labor costs increased by EUR 2.7 million and the costs of goods, materials and services increased by EUR 3 million or 1.1%. This general trend does not apply to the production companies, where the lower volume of operations and lower purchasing prices caused these costs to decrease.

The amortization and depreciation share fluctuated between 5.6% and 5.8% in operating expenses and between 5.3% and 5.5% in income.

SIJ Group: Amortization and depreciation and coverage of investments with amortization and depreciation (in MEUR)



On average, investments exceed amortization and depreciation costs, which show a trend of growth in the long term. The share of investment coverage with amortization and depreciation was 82.4% on average and 59.0% in the first half of 2015.

■ BUSINESS RESULTS

Due to the previously-mentioned one-off extraordinary items in early 2015 (particularly in the Steel Division) and the lower production volume, the revenues in the first half of 2015 were 3.3% lower than in the first half of 2014. Across the entire period shown, the revenues grew by 1.6% a year on average.

The earnings before interest, tax, depreciation and amortization (EBITDA) totaled EUR 41.3 million in the first half of 2015. Taking into consideration that one-off extraordinary items had a negative impact amounting to EUR 5.6 million, the EBITDA would have totaled EUR 46.9 million, in which case the result would have been just EUR 0.1 million lower and the EBITDA margin 0.4 percentage points higher than in the first half of 2014.

SIJ Group: Business results for the first half of the year in the 2013–2015 period (in EUR)

	1–6 2013	1–6 2014	1–6 2015
Revenues	353,581,831	377,032,500	364,679,729
EBITDA	25,398,094	47,004,696	41,301,443
EBITDA margin	7.2%	12.5%	11.3%
Net profit	1,479,535	18,863,059	15,518,034
Cash flows from operating activities	-10,479,789	20,523,977	11,419,364

The EBITDA margin is 1.2 percentage points lower than in 2014; however, at 11.3% it is 4.1 percentage points higher than the EBITDA margin in the same period in 2013.

The net profit is EUR 3.3 million lower than in 2014 and ten times higher than in the first half of 2013. The reasons for the high EBITDA margin were mainly the continued optimization of the production process, the development of higher quality steels and the improvement in program structure. We continued the processes of restructuring the production and sales programs with the aim of increasing the share of higher added value products, attracting new customers and entering new markets.

■ FINANCIAL POSITION

SIJ Group: Data from the statement of financial position

		30 Jun. 2013	30 Jun. 2014	30 Jun. 2015
Total assets/equity and liabilities	EUR	781,048,169	801,190,790	831,359,157
Equity	EUR	329,527,814	342,605,039	360,066,703
Non-current financial liabilities	EUR	147,523,504	137,679,575	181,226,066
Current financial liabilities	EUR	142,552,288	133,939,041	90,214,729
Cash and cash equivalents	EUR	8,277,118	22,285,230	24,757,067
Current financial receivables	EUR	13,153,517	23,421,600	115,595
Net financial debt (NFD)	EUR	268,645,157	225,911,786	246,568,133
NFD/EBITDA		7.40	3.62	3.42

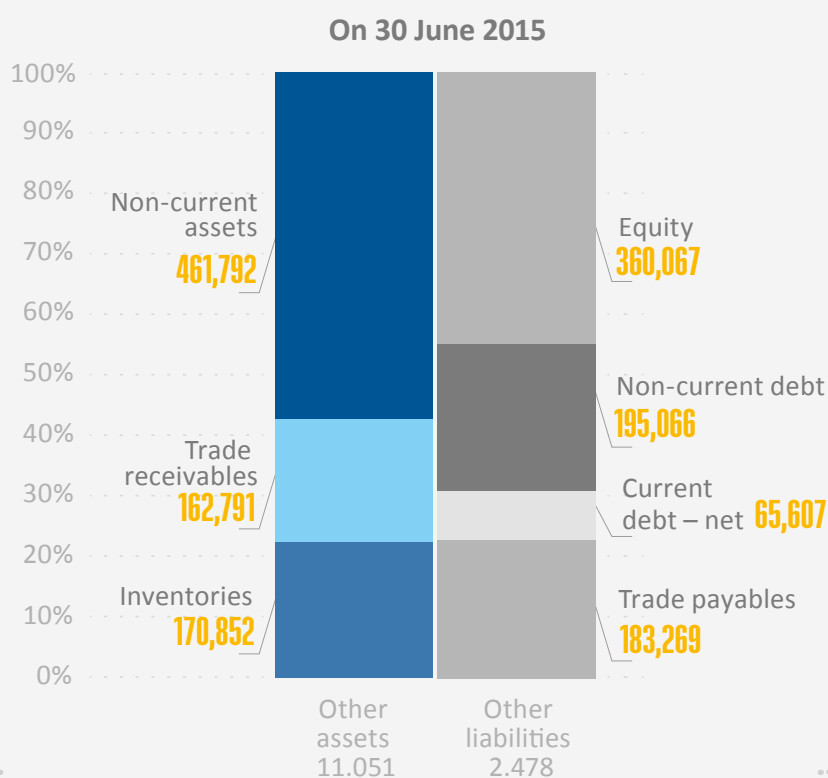
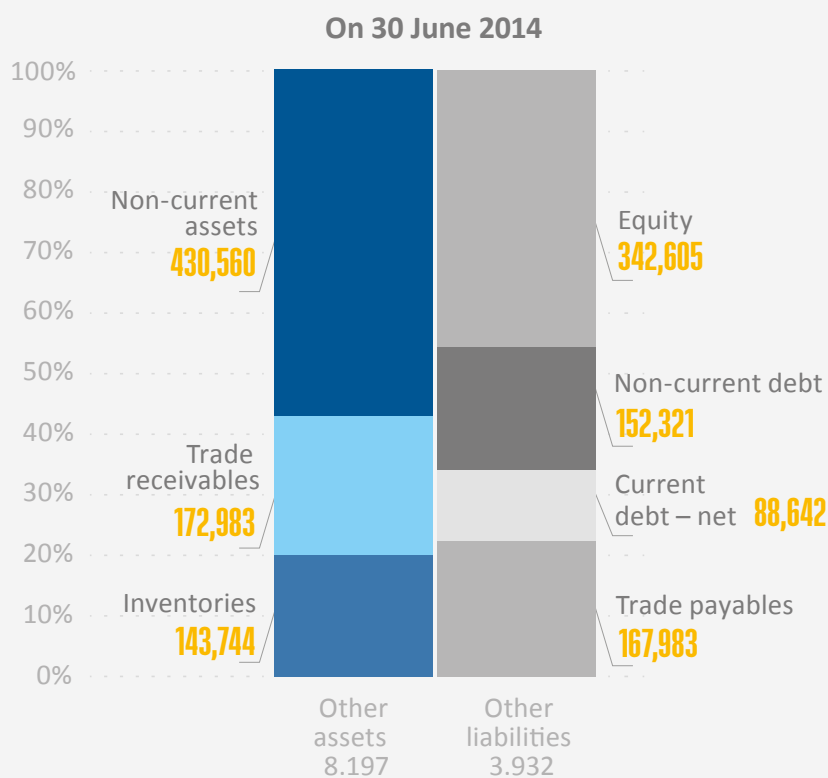
In March 2015, the first issuing of commercial papers in the amount of EUR 20 million was successfully completed. Investor interest exceeded the target and end value of the issue by as much as 60%. We issued nine-month commercial papers with a 2.20% annual interest rate. The papers were issued for the purpose of optimizing financing costs and continuing the implementation of the long-term strategy of diversifying the financial sources of the SIJ Group. As part of the strategy, five-year bonds with a face value of EUR 43 million were issued in November 2014.

Using current financial sources, the seasonal fluctuations of working capital are regulated, while the non-current sources are used for the implementation of the investment policy plans.

As a consequence, the structure of the statement of financial position is shifting towards non-current financial sources, supported by the diversification of financial sources by taking out loans on the capital market. This means that non-current sources cover the full non-current equity and liabilities, as well as 62.1% of the working capital⁴ requirements.

⁴ Working capital = trade receivables + inventories – trade liabilities

SIJ Group: Covering assets with sources (in TEUR)



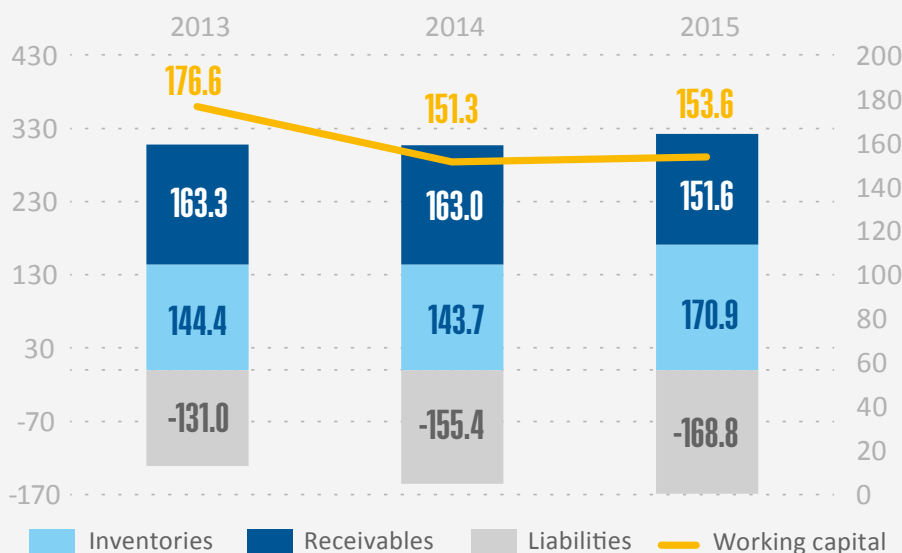
The graphs show the coverage of the Group's assets by its sources. The coverage of assets by non-current sources was further improved in 2015, as non-current financial sources were used to cover all non-current assets and 57.3% of current operating receivables, while just 37.0% of current operating receivables were covered on 30 June 2014. The large share of current asset coverage with non-current sources attests to the solidity of our financial structure, which has recently been strengthened even further.

■ **WORKING CAPITAL**

Working capital was EUR 2.3 million higher than on 30 June 2014 and EUR 23.4 million higher than on 31 December 2014, thus significantly contributing to the increase in financial debt. The share of working capital in revenues increased from 21.9% on 30 June 2014 to 23.0% on 30 June 2015.

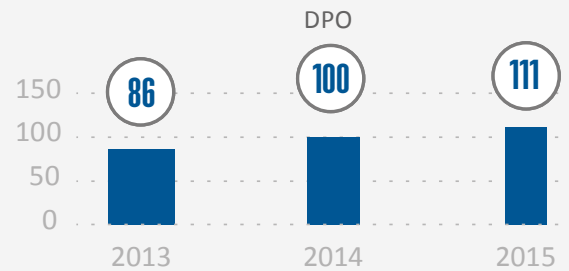
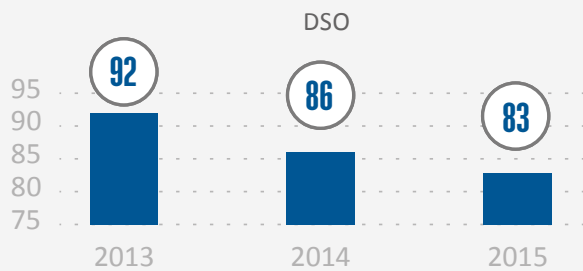
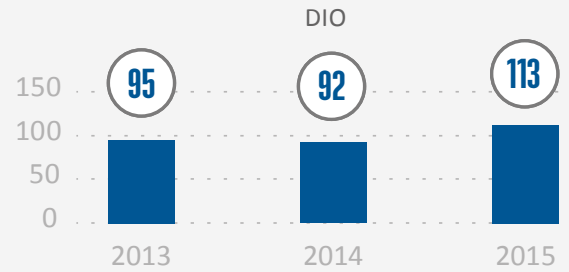
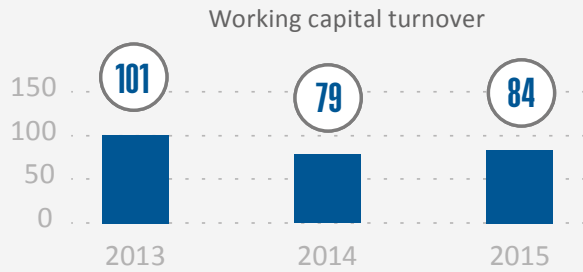
The increase in working capital was mainly due to larger inventories, particularly at Acroni, which saw an increase in inventories of unfinished products. Due to the introduction of the new information system and the related occasional halts in various stages of production, there was a considerable increase in the inventories of unfinished products, whose value has been dropping in recent months but is nevertheless EUR 14.4 million higher than at the end of 2014. In total, the value of inventories at Acroni has increased by EUR 21.1 million in the last year.

SIJ Group: Operating working capital on 30 June (in MEUR)



Corresponding with the increase in working capital, there was an increase in turnover, especially in inventories turnover. This is particularly true of Acroni, where there was an increase in the inventories of unfinished products due to the reasons previously mentioned.

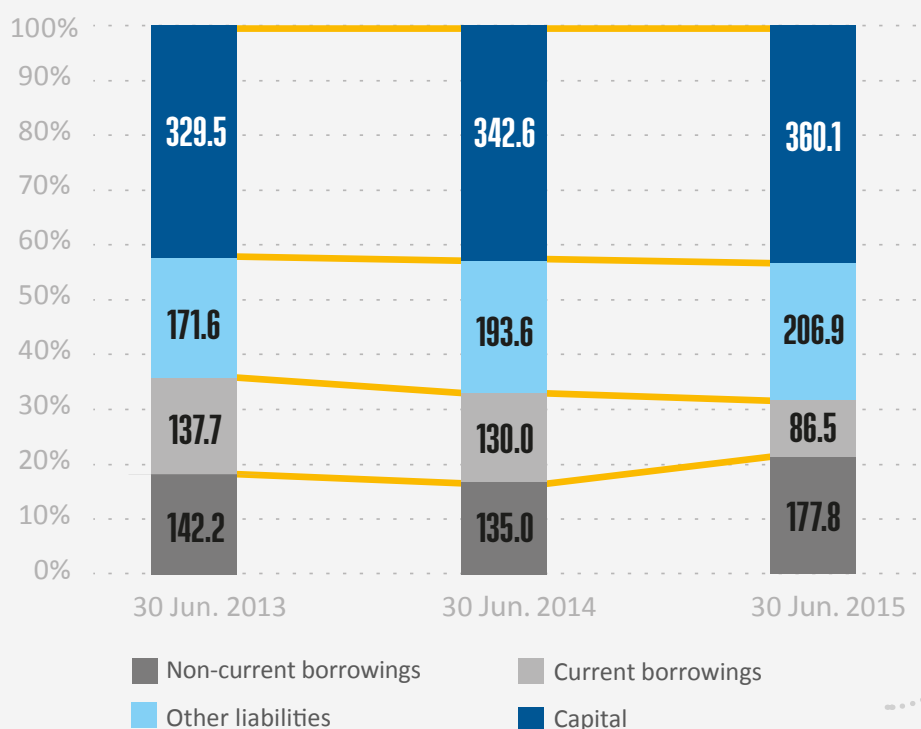
SIJ Group: Working capital turnover and working capital items turnover on 30 June



■ **FINANCIAL DEBT**

The structure of equity and liabilities shows that the share of non-current sources has increased from 59.7% to 64.7% of all equity and liabilities. In the last three periods, capital value has been increasing, mainly due to the generated profit. Non-current borrowings have increased by EUR 42.8 million, while current borrowings have decreased by EUR 43.5 million.

SIJ Group: The structure of equity and liabilities (in MEUR and %)



At the end of June 2015, the net financial debt was EUR 246.6 million, which is EUR 20.7 million more than on 30 June 2014, and EUR 28.7 million more than at the end of 2014. The outflows for investments in the first half of the year totaled EUR 35.0 million, and working capital increased by EUR 2.3 million over the same period.

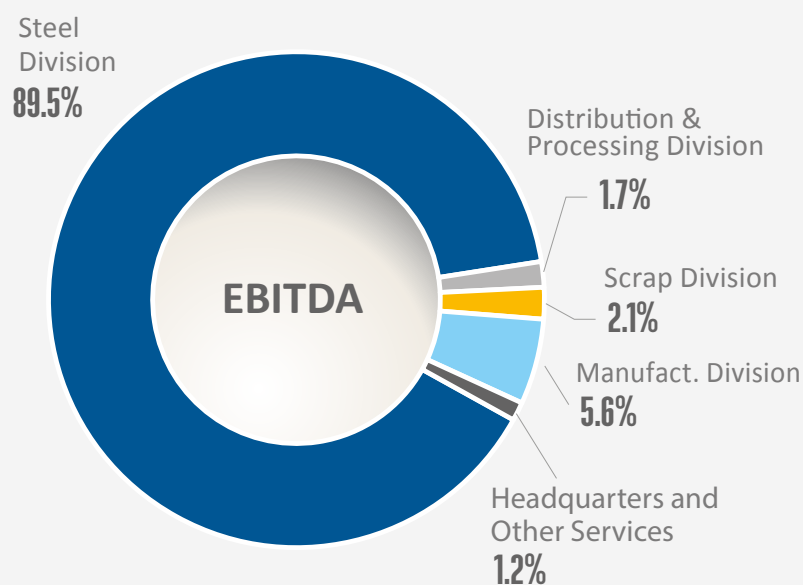
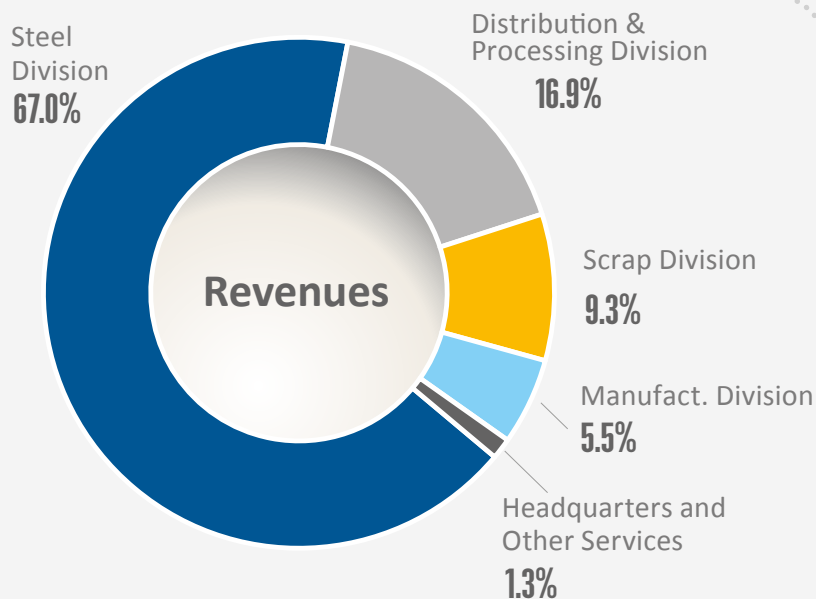
Operations by Division

The SIJ Group is composed of five divisions, which structurally reflect the vertical integration of the Group; we will continue to strengthen and develop them in the years to come. The diversification of the divisions brings numerous business opportunities with regard to sales (presence on various markets with different program groups), achieving an increase in added value, effective optimization of the production processes within the Group, and decreasing certain business risks (access to key raw materials, direct contact with end markets and customers). With regard to program structure we monitor the operations of the Group and its divisions from strategic planning to completion and financial operations.

SIJ Group: Key data on the division operations for the period 1–6 2015

		Steel Division	Distribution & Processing Division	Scrap Division	Manufacturing Division	Headquarter and Other Services
Revenues	%	292,514,223	74,030,151	40,493,279	24,045,459	5,770,407
EBIT	EUR	19,745,051	-309,337	531,881	1,432,505	263,892
EBITDA	EUR	36,698,874	684,152	843,659	2,288,763	499,556
EBITDA margin	%	12.55%	0.92%	2.08%	9.52%	8.66%
NFD	EUR	180,214,481	46,177,767	18,253,441	-5,896,153	22,961,692
NFD/EBITDA		2.46	33.75	10.82	-1.29	22.98

SIJ Group: Shares of revenues⁵ and EBITDA of the individual divisions for the period 1–6 2015 (in %)



The main activity of the SIJ Group is steel manufacturing. In the first half of 2015, the Steel Division generated 67.0% of all income and 89.5% of the Group's total EBITDA. Although the share in income decreased by 3.1 percentage points compared to the same period of 2014, the Steel Division share in EBITDA increased by 6.5 percentage points.

The second largest source of revenues is the Distribution & Processing Division, although it contributes less to the total EBITDA than the Manufacturing Division, which contributes a 5.5% share to income and a 5.6% share to EBITDA. The Scrap Division generated 9.3% of revenues and 2.1% of EBITDA.

⁵ The shares of revenues and EBITDA are calculated by the sum of all divisions, with consolidation carried out within divisions, but excluding mutual transactions between divisions.

Steel Division

The main production division of the SIJ Group, the Steel Division employs over two thirds of all Group employees. Its contribution to the total revenues of the Group is 67%. The key production programs of this division are stainless quarto plates (used in the energy sector, in tube manufacture, in the production of oil and natural gas, etc.) and bar products made of tool, special and structural steels in forged, rolled, peeled and ground types (used in the machine processing and automotive industries, construction, the metal processing industry, etc.).

With these programs we hold leading market positions on global and European markets, while also gaining recognition when it comes to special steel, especially wear-resistant and high-strength types of steel, high-alloy tool steels, reinforced steel plates and other types of steel.

Steel Division: Organizational chart of the division

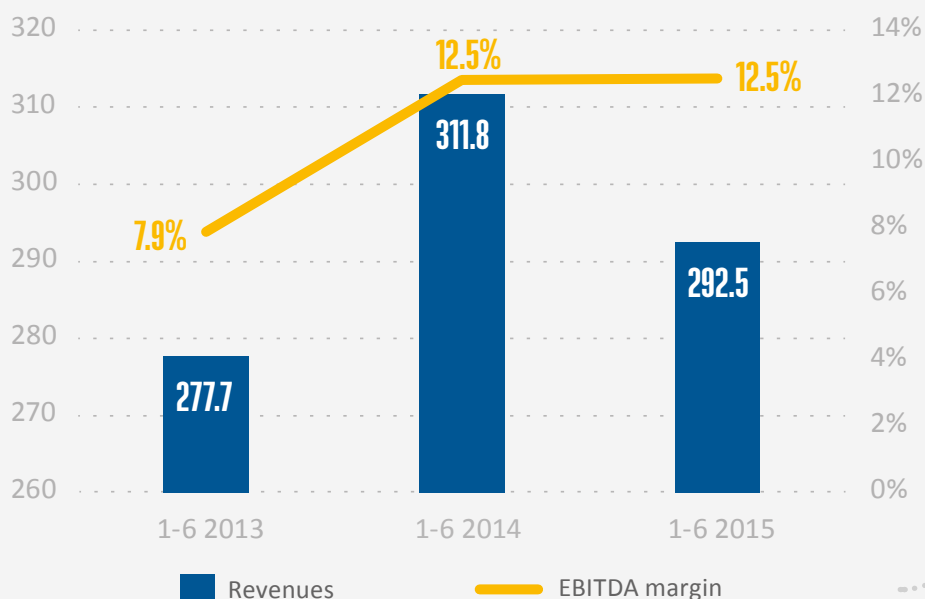


Steel Division: Key operating figures

		1-6 2013	1-6 2014	1-6 2015	Index 15/14
Revenues	MEUR	277.7	311.8	292.5	94
EBITDA	MEUR	21.9	39.0	36.7	94
EBITDA margin	%	7.9%	12.5%	12.5%	100
Net profit	MEUR	1.8	14.7	15.3	104
Net financial debt (NFD)	MEUR	223.2	187.9	180.2	96
NFD/EBITDA LTM		7.09	3.65	2.86	78
Investments	MEUR	21.4	10.5	26.8	255
Capex	MEUR	28.4	12.0	29.9	249
Average number of employees		2,115	2,091	2,050	98

Despite the slightly lower sales volume and EBITDA, the EBITDA margin of the division remained at a high level, totaling 12.5%. The net financial debt is EUR 7.7 million lower than at the end of the same period in 2014, while the NFD/EBITDA leverage is 0.8 points lower. The average number of employees matches the planned number and is 2% lower than in the same period in 2014.

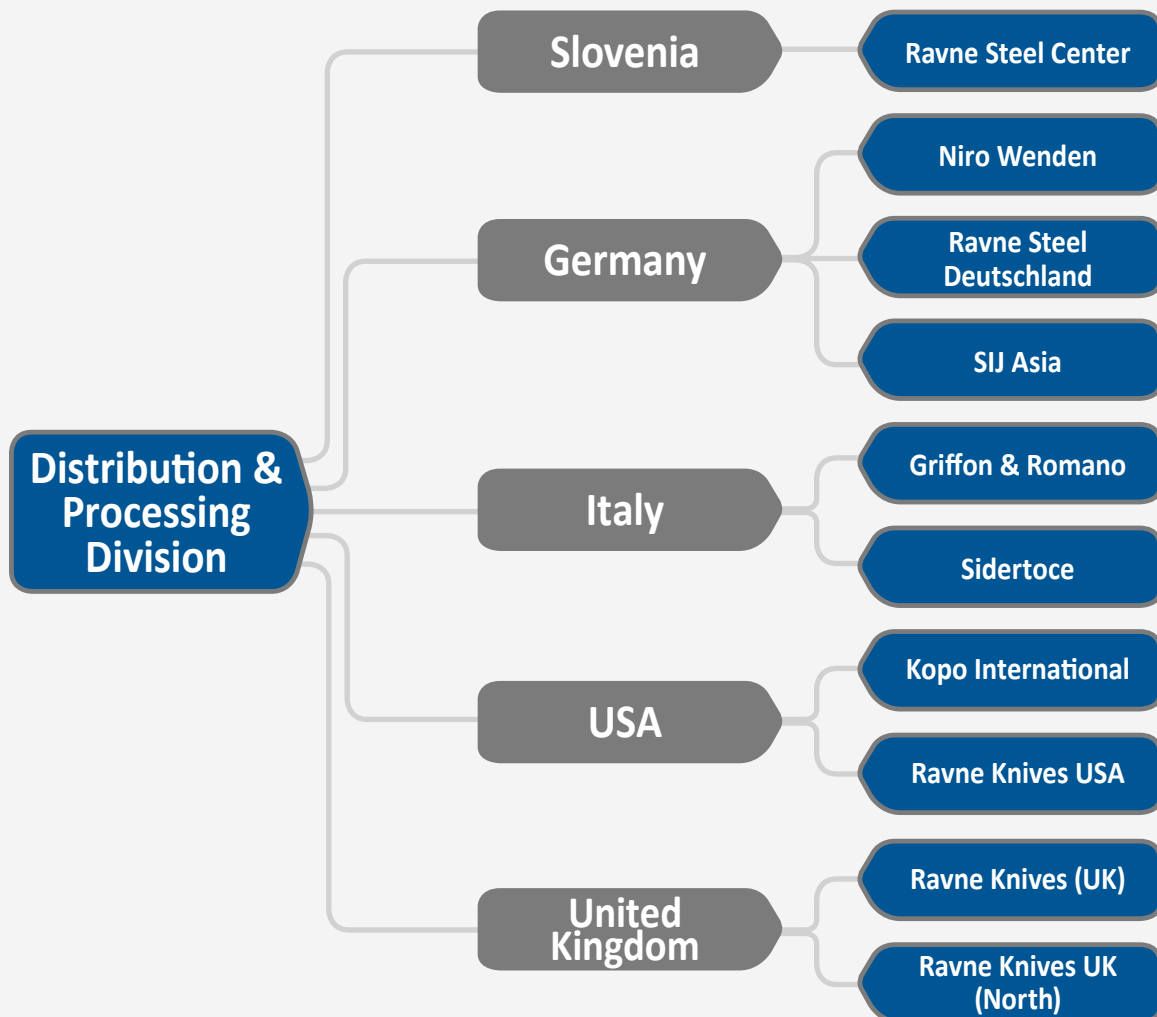
Steel Division: Revenues (in MEUR) and EBITDA margin (in %)



Distribution & Processing Division

The development of our own service and sales network on the key markets (Germany, Italy, USA, Slovenia, UK) is the main element of upgrading the vertical integration of the Group, since it enables us to have direct contact with customers and deliver steels in the required dimensions and quality with very short delivery times, as well as carrying out other service and after-sales activities. The primary activities of this division are storage and cutting, as well as additional thermal and mechanical treatments of steel, and the distribution of the steel products of the Group.

Distribution & Processing Division: Organizational chart of the division



In the first half of 2015, our sales network was expanded by three companies aimed at improving sales of industrial knives in the UK and the US.

The other companies offer mainly steel programs: Griffon & Romano and Niro Wenden sell the flat program, Ravne Steel Center and its subsidiaries the bar program, and KOPO International and SIJ Asia the full steel program.

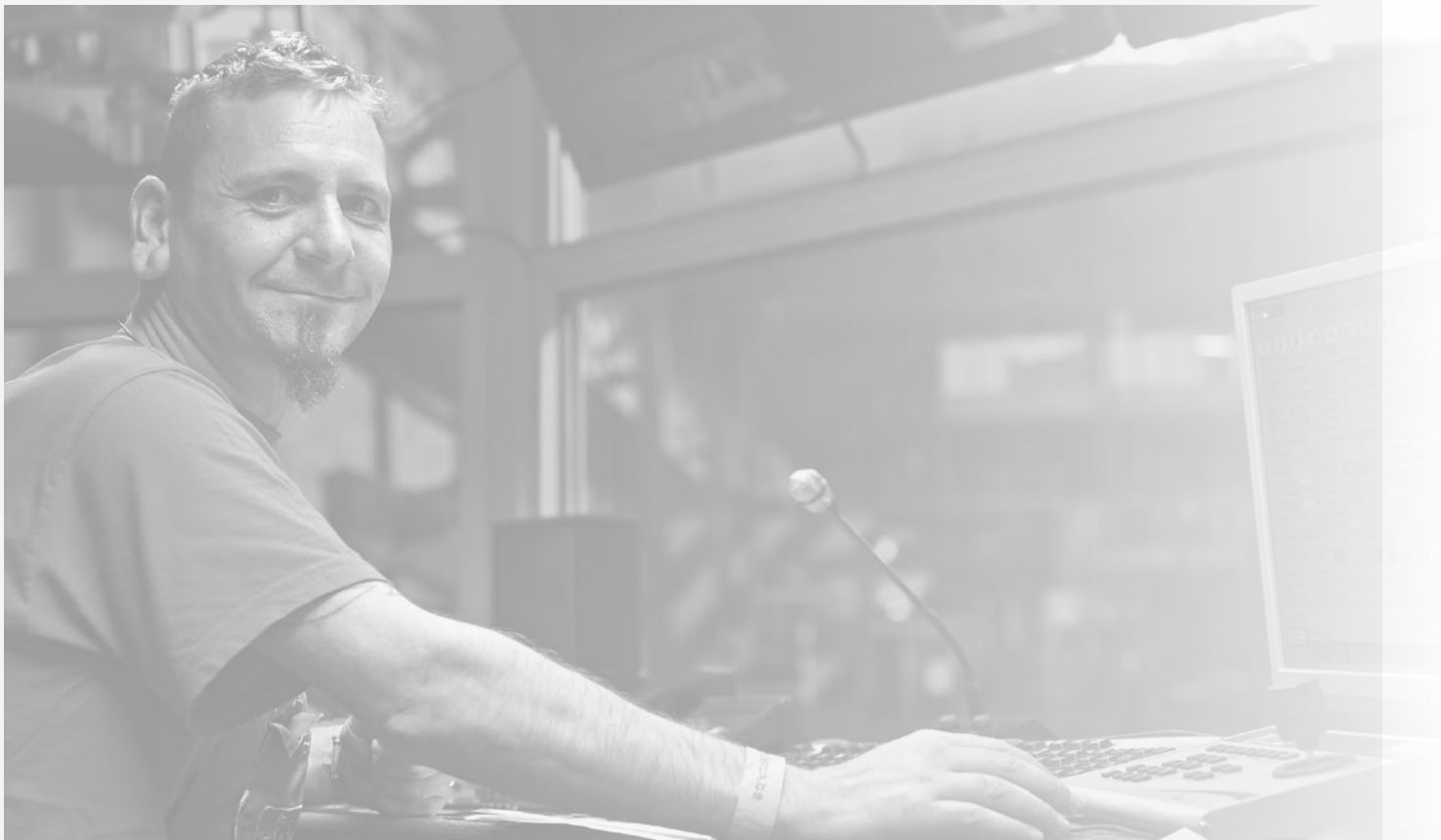
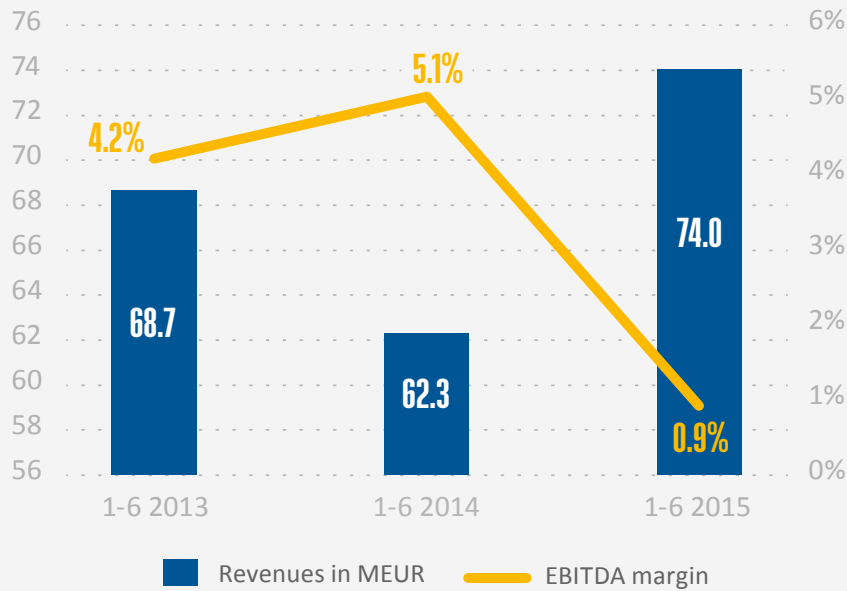
The Distribution & Processing Division brings our products closer to the end customers, meeting their demands of smaller quantities cut to their requirements using a variety of methods: water jet cutting, plasma cutting, sawing and shear cutting.

Distribution & Processing Division: Key operating figures

		1-6 2013	1-6 2014	1-6 2015	Index 15/14
Revenues	MEUR	68.7	62.3	74.0	119
EBITDA	MEUR	2.9	3.1	0.7	22
EBITDA margin	%	4.2%	5.1%	0.9%	18
Net profit/loss	MEUR	0.7	1.1	-0.6	-53
Net financial debt (NFD)	MEUR	35.5	33.7	46.2	137
NFD/EBITDA LTM		8.30	10.71	55.21	515
Investments	MEUR	0.6	0.2	4.6	2395
Capex	MEUR	0.6	0.2	4.6	2395
Average number of employees		143	137	149	109

While the division saw higher revenues, these were not reflected in EBITDA due to the difficult market demands in Italy and Germany (price pressures) and extraordinary items, all of which contributed to a EUR 0.9 million decrease in EBITDA. Due to major investments in new production facilities at Griffon & Romano and a new service center in Nuremberg, the net financial debt increased by EUR 12.5 million. To this can be added the higher working capital aimed at stimulating sales in new locations. The positive effect of these investments is expected to show in the last two quarters of this year and in 2016.

**Distribution & Processing Division: Revenues (in MEUR)
and EBITDA margin (in %)**



Scrap Division

The core activity of the division is the collection, processing and sorting of scrap metal, and its preparation for transport and material processing in the Steel Division. The technological processes are divided by type of metal and individual technological procedures used for processing scrap metal. The companies within the division are active in Slovenia and other countries of former Yugoslavia.

Scrap Division: Organizational chart of the division



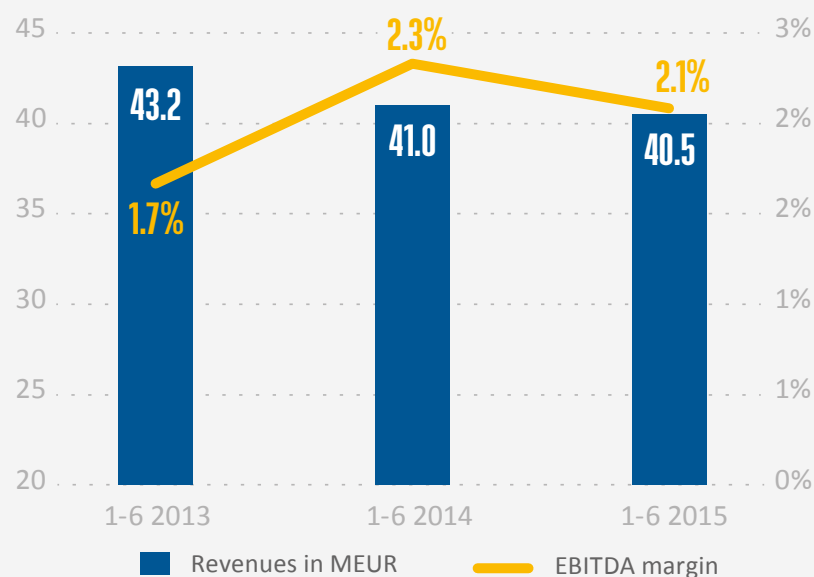
No organizational changes were introduced in the Scrap Division, since the volume of regular scrap steel collected exceeds the needs of the Steel Division almost twofold.

Scrap Division: Key operating data

		1-6 2013	1-6 2014	1-6 2015	Index 15/14
Revenues	MEUR	43.2	41.0	40.5	99
EBITDA	MEUR	0.7	1.0	0.8	88
EBITDA margin	%	1.7%	2.3%	2.1%	89
Net profit	MEUR	0.0	0.14	0.2	154
Net financial debt (NFD)	MEUR	13.8	21.6	18.3	84
NFD/EBITDA LTM		11.96	11.72	10.55	90
Investments	MEUR	0.6	0.3	0.2	54
Capex	MEUR	0.9	0.4	0.2	52
Average number of employees		85	87	93	107

There were no major investments in the first half of 2015 in this division. Most assets were used for major maintenance and repair.

Scrap Division: Revenues (in MEUR) and EBITDA margin (in %)

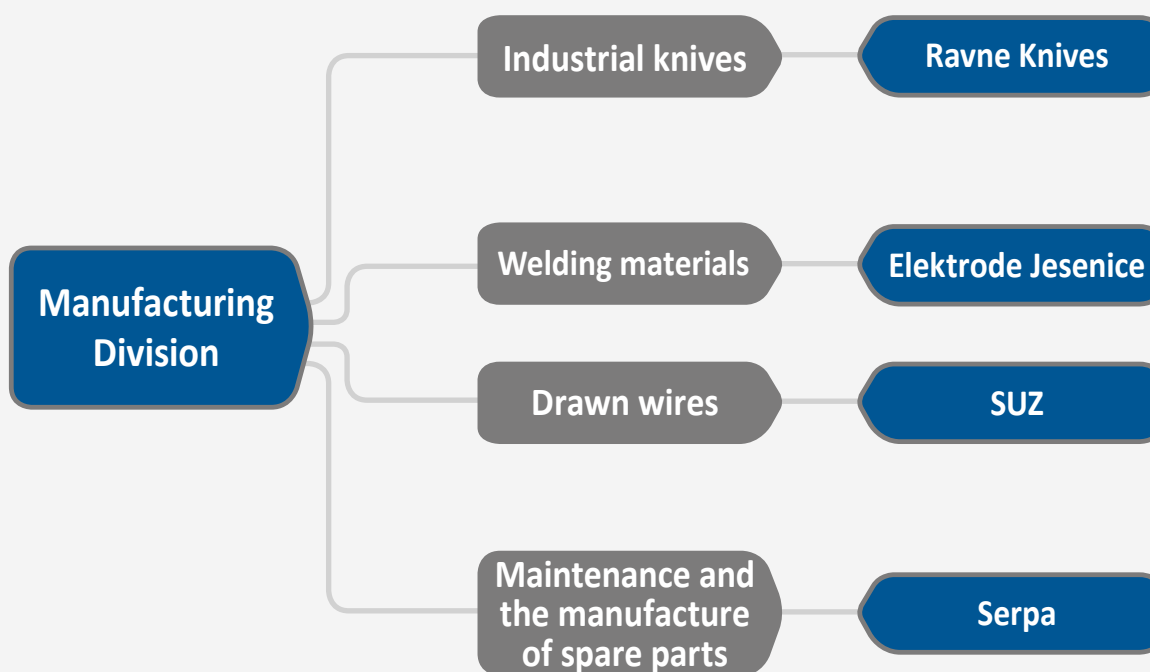


The revenues generated in the division are comparable to the revenues generated in the same period in 2014 and slightly lower than in the first half of 2013. EBITDA and the EBITDA margin are higher than in 2013. The average number of employees in the first half of 2015 was 7% higher than in the previous year; the biggest increase was at TOPMetal (BIH), where the revenues also doubled.

Manufacturing Division

This division consists of the companies, manufacturing intermediate and finished steel products, who make good use of the synergies of the production processes of the Steel Division (fast delivery, common development of new programs, quality monitoring, etc.). Among the key production programs are industrial knives (for metal, paper, wood, plastics, etc.), welding materials (coated electrodes, welding wires, etc.), and drawn, polished and peeled steel bars. The production program is completed by the manufacture of spare parts and maintenance services.

Manufacturing Division: Organizational chart of the division



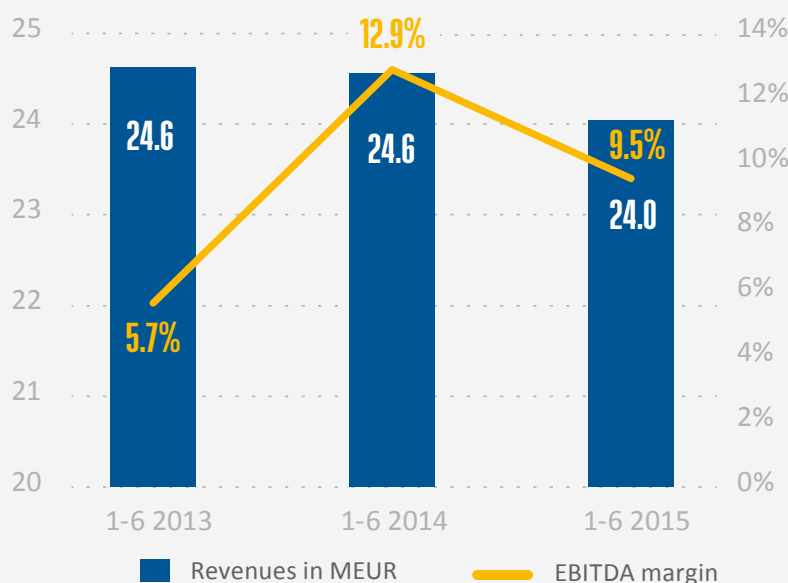
Manufacturing Division: Key operating figures

		1-6 2013	1-6 2014	1-6 2015	Index 15/14
Revenues	MEUR	24.6	24.6	24.0	98
EBITDA	MEUR	1.4	3.2	2.3	72
EBITDA margin	%	5.7%	12.9%	9.5%	74
Net profit	MEUR	0.5	2.0	1.3	64
Net financial debt (NFD)	MEUR	-1.5	-3.2	-5.9	183
NFD/EBITDA LTM		-0.59	-0.74	-1.50	203
Investments	MEUR	0.9	0.9	1.4	161
Capex	MEUR	0.8	0.8	1.2	153
Average number of employees		625	620	610	98

In the first half of the year, the Manufacturing Division was exposed to difficult market conditions within the EU; however, employing a variety of market activities, the companies succeeded in entering other markets, where demand for the individual product groups of the division, particularly industrial knives, is expected to increase.

The division has increased its negative net financial debt and further improved its financial stability and flexibility. The most important investments include: the purchase of two companies in the UK and the establishment of a company in the US aimed at selling industrial knives, the purchase of two CNC grinding machines, and the modernization of production facilities.

Manufacturing Division: Revenues (in MEUR) and EBITDA margin (in %)



Headquarter and Other Services Division

The main activities of this division include business, financial and other consulting activities for the companies of the SIJ Group (the latter is carried out by SIJ d.d. as the controlling company) and social and concessional services related to employing disabled people. Within the framework of these activities the ZIP Center effectively carries out a number of social responsibility programs, which are integrated into the broader policy of corporate management of the Group.

Headquarter and Other Services Division: Organizational chart of the division

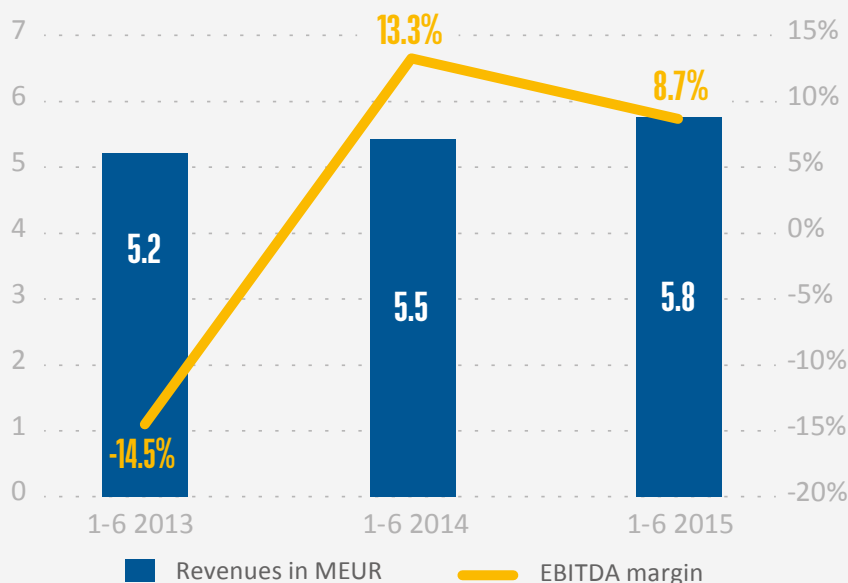


Headquarter and Other Services Division: Key operating data

Key operating data		1–6 2013	1–6 2014	1–6 2015	Index 15/14
Revenues	MEUR	5.2	5.5	5.8	106
EBITDA	MEUR	-0.8	0.7	0.5	69
EBITDA margin	%	-14.5%	13.3%	8.7%	65
Net profit/loss	MEUR	-0.7	0.9	-0.8	-84
Net financial debt (NFD)	MEUR	5.7	16.8	23.0	137
NFD/EBITDA LTM		-2.46	6.19	14.09	227
Investments	MEUR	1.7	0.7	0.4	67
Capex	MEUR	1.0	1.8	0.6	32
Average number of employees		143	142	155	109

The increase in revenues is mainly thanks to the increase in services provided by the controlling company. By pursuing the policy of centralizing business processes and individual business functions, we are taking advantage of synergies in energy policy management, marketing, technological process optimization, investment policy and the implementation of a unified financial policy.

Headquarter and Other Services Division: Revenues (in MEUR) and EBITDA margin (in %)



The External Business Environment

▪ Sales

Main trends in 2015:

- In the first six months of 2015, world steel production fell by 2% compared to the same period in 2014.
- Global producers have seen a 2% drop in the production of steel. Compared to the first half of 2014, steel production in the EU has decreased, e.g. by 1.5% in Germany and by 10.6% in Italy. In the same period, Slovenia has seen a 0.6% growth in steel production.
- Real consumption of steel in the EU in the first quarter of 2015 remained the same as in the same period last year. Compared to the first quarter of 2014, the gross domestic product of the Eurozone increased by 0.4%, while unemployment dropped by 0.3 percentage points. Industrial production in the EU in the first five months increased by 1.4% compared to the same period last year.
- Data on the economic activity of steel consumers in the EU shows that compared to 2014, the growth of production slowed down considerably in the first quarter of 2015. The SWIP ratio (weighted average of steel production) increased by 0.4% compared to the same period last year, while it increased by 6 percentage points in the first quarter of 2014.
- Current steel consumption in the EU increased by 0.3% in the first quarter of 2015 compared to the same period last year, while it increased by 7% in the same period in 2014. Expectations for the second half of 2015 are positive with predictions of a 1.5% growth in consumption.
- Regardless of the weak euro, the first quarter of 2015 saw a 2% increase of total imports into the EU, including intermediate products, compared to the same period last year, which indicates that suppliers from other countries benefited from the increase in demand for steel in the EU. In total we expect a 6% growth in imports from other countries in 2015.
- In the first months of 2015, the EU imported more steel than it exported for the first time in three years. Compared to the first five months of 2014, exports fell by 2%.
- Real consumption of steel in the EU is expected to increase by 1.4% in 2015, an adjustment down by 0.2 percentage points compared to predictions in April.

In the first half of the year, conditions on European markets remained difficult. The growth in imports from other countries exerts permanent pressure on the sales prices of standard and mass types of steel and steel products. The EU markets have seen an increase in low-cost Asian tool steel producers.

■ Purchasing

Scrap steel is of strategic importance for the SIJ Group Steel Division. With this in mind we created the Scrap Division. Our own network of scrap steel suppliers gives us a certain security even in difficult market conditions, helping us to overcome periods of scrap steel shortages on the market.

Over 50% of the demand for scrap steel is met by Slovenian suppliers, while the remainder is purchased from suppliers from nearby markets. In early 2015, prices and availability on the scrap steel market were stable. In the second quarter, there was a slight drop in prices, which remained lower than in the winter months. Due to adjustments for the negative price trends of iron ore and steel products, the negative trend of scrap steel prices is expected to continue in the third quarter. By introducing changes in the structure of production and sales, we are continuing the process of improving the scrap steel quality structure. Our key suppliers are following our guidelines and needs.

In keeping with our strategy, we are continuing the optimization of the production and sales programs, as well as using high added value products to strengthen our presence in niche markets, which are less exposed to price pressures due to the growing imports from other countries. Besides price pressures, it is also worth noting the increased geopolitical risks such as the severe conditions arising from the relationship between Russia and Ukraine (and consequently the EU). While the sanctions introduced to date have not directly affected our operations, they have nevertheless contributed to the slowdown of economic activities in the EU. Although market conditions are more difficult, we believe that this will not affect our competitive advantages – flexibility, short delivery times and an improved program structure. The latter is directly reflected in the high level of earnings (EBITDA margins) that we have maintained in the first half of 2015.

Compared to the first half of 2014, there was no drop in demand for the key steel programs in the first half of 2015. This is because the niche markets are growing, since they are less exposed to general macroeconomic impacts and the import of steel from third world countries.

These facts show that we have chosen the right strategy. Considering that factors such as flexibility and short delivery times play an important role in these difficult conditions, we expect our competitive advantages will be even more invaluable.

Risks

When it comes to risk management, our goal is the identification, evaluation and mitigation of risks from the perspective of our shareholders, customers, suppliers, employees, lenders and other stakeholders for the purpose of achieving our short- and long-term goals, as well as ensuring the sustainable development of the Group and increasing its value for the owners. The SIJ Group is exposed to various risks. The most pressing risks are listed below. These are the risks that we endeavor to identify, evaluate and manage appropriately and in a timely manner.

Financial risks

Area of Risk	Description of Risk	Means of management	Exposure
Foreign exchange risk	Potential loss of economic benefits due to fluctuations in the exchange rate	Coordination of purchases and sales in foreign currencies, no additional measures required	Low
Interest rate risk	Risk of increased finance expenses due to fluctuations in interest rates	Monitoring financial markets and changes in interest rates, contact with banks	Low
Credit risk	Risk of partial payments or non-payments of contractual liabilities of business partners	Active receivables management, monitoring of credit ratings, insuring operating receivables with first ranking pledges	Moderate
Solvency risk	Shortage of cash for the payment of current liabilities	Established system of daily monitoring of the SIJ Group cash flow and constant planning of needs for liquidity funds	Moderate

Commercial Risks

Area of Risk	Description of Risk	Means of management	Exposure
Supply chain risk	The purchase of poor quality and unsuitably priced raw materials, the risk of timely supply, changes in purchasing prices	Careful supply chain planning, negotiations and searching for suitable suppliers, long-term framework contracts with suppliers	Moderate
Sales risk	Decreased numbers of orders and loss of customers due to the poor economic situation and weaker purchasing power of companies	Responding to changes in operating conditions, finding new markets, adjusting our sales activities to the markets, innovative market approaches	High
Investment risk	Risk of making the incorrect decisions on investments in production and other facilities and risks of the implementation processes	Careful planning of implementation, systematic selection of contractors, and constant control of implementation	Moderate
Quality assurance	Inadequate quality of input materials for the production process, the improper performance of the development and production process and the inadequate quality of finished products	Upgrading certified management systems and, following changes in the quality system, careful implementation of quality control in all development and production processes and additional assurance of product quality with product liability insurance	Moderate

Other Risks

Area of Risk	Description of Risk	Means of management	Exposure
Environmental risk	Risk of incidents harmful to the environment	Preventive practices and internal procedures in the event of an incident and cooperating with external agencies for environmental protection	Moderate
	Risk of pollution due to the Group's activities		
Information technology risk	Risk associated with information system implementation	Monitoring according to the contractor's methodology, regular monitoring of project implementation by the contractor and users	Moderate
	Risk of interference due to faults or out-of-date IT technology and risk associated with data protection	Regular maintenance, updating and upgrading of the IT system, regular training of employees in information technology	Moderate
	Risk of disruptions due to faults or the failure of a leased network	Circular network layout, continuous maintenance	Moderate

Financial Statements
for the Period
Ending 30 June 2015

Statement of Management's Responsibility

The Board of Directors is responsible for drawing up consolidated financial statements for the SIJ Group and financial statements for the company SIJ d.d. (hereinafter referred to as financial statements) for each individual period according to the International Financial Reporting (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 Board of Directors legitimately expects the Group to have enough resources in the foreseeable future to enable it to continue its operations. The financial statements are therefore based on the premise that the Group will continue its operations without a set time limit.

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

- Properly selected and consistently applied accounting policies;
- Reasonable and rational assessments and estimates;
- Assurance that the financial statements have been compiled in accordance with the IFRS adopted by the European Union, and any significant deviations are disclosed and explained in the report.

The Board of Directors 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 financial statements of the Group are in accordance with the IFRS, adopted by the European

Union. The Board of Directors is also responsible for protecting the Group's assets, as well as discovering and preventing abuses and other irregularities.

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

The Board Of Directors 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 Board of Directors adopted the financial statements and the accompanying notes on 28 August 2015.

ANTON CHERNYKH

President of the Board of Directors, SIJ d.d.



IGOR MALEVANOV

Member of the Board of Directors, SIJ d.d.



Notes to the Financial Statements of the SIJ Group and the Company SIJ d.d.

■ Reporting Entity

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

Given below are the unaudited consolidated financial statements of the SIJ Group and the company SIJ d.d. for the period ending 30 June 2015. The consolidated financial statements include financial statements of the company SIJ, its subsidiaries and its shares in associates.

The consolidated financial statements for a selected group of subsidiaries are compiled by the company SIJ.

The consolidated financial statements for the wider group of subsidiaries are compiled by DILON Cooperatief U. A. The Company didn't compile consolidated financial statements for the period January–June 2015. The consolidated annual report for year 2014 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 2014 have been prepared in accordance with the IFRS as adopted by the European Union. The standards have been applied directly in disclosures and valuation of

items. The exception was the valuation of items for which the standards allow several methods of valuation.

In the preparation of financial statements for the period January–June 2015 the same accounting policies were considered as in the preparation of financial statements for 2014. The financial statements are prepared in accordance with IAS 34 – Interim Financial Reporting.

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

■ Basis of Measurement

The financial statements have been prepared based on historical cost, except for the 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 euros (EUR) without cents; 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 Board of Directors to make estimates, judgments and assumptions that influence the disclosed amounts of assets and liabilities, the disclosed contingent assets and liabilities on the day of the preparation of the financial statements, and the disclosed amounts of income and expenses during the reporting period.

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 recognized 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:

	Activity	% of voting rights	Value of assets as at 30 Jun. 2015	Value of equity as at 30 Jun. 2015	Profit (loss) for the period ending 30 Jun. 2015
Controlling company of the Group					
SIJ – Slovenska industrija jekla, d.d., Gerbičeva ulica 98, Ljubljana	Activities of Head Offices		255,830,496	176,599,398	(895,311)
SIJ – subsidiaries					
ACRONI, d.o.o., Cesta Borisa Kidriča 44, Jesenice	Steel production	100	449,597,142	182,895,728	8,142,370
METAL RAVNE d.o.o., Koroška cesta 14, Ravne na Koroškem	Steel production	100	220,808,436	99,314,444	7,170,623
NOŽI RAVNE d.o.o., Koroška cesta 14, Ravne na Koroškem	Industrial knives production	100	20,334,028	15,272,722	735,545
ELEKTRODE JESENICE d.o.o., Cesta železarjev 8, Jesenice	Welding materials production	100	11,504,804	5,880,756	141,092
SUZ, d.o.o., Cesta Borisa Kidriča 44, Jesenice	Drawn wires production	100	4,105,119	1,373,649	204,371
ZIP CENTER d.o.o., Koroška cesta 14, Ravne na Koroškem	Education and training of the disabled	100	1,708,915	357,212	89,297
ODPAD d.o.o. Pivka, Velika Pristava 23, Pivka	Recovery of secondary raw materials from scarp	74.90	28,547,314	7,027,792	208,019
NIRO Wenden GmbH, Glück-Auf-Weg 2, Wenden, Germany	Steel cutting, engineering and trade	85	16,501,910	2,446,485	(865,781)
RAVNE STEEL CENTER d.o.o., Litostrojska cesta 60, Ljubljana	Trade	77.28	26,748,298	14,205,299	811,674
GRIFFON & ROMANO S.P.A., Via Tacito 8/10, Corsico, Italy	Heat processing and special steel trade	100	20,655,795	332,955	(719,182)
SIJ Asia GmbH, Schwannstrasse 6, Dusseldorf, Germany	Trade	100	190,980	134,773	34,773



	Activity	% of voting rights	Value of assets as at 30 Jun. 2015	Value of equity as at 30 Jun. 2015	Profit (loss) for the period ending 30 Jun. 2015
ACRONI – subsidiaries					
ŽELEZARNA JESENICE, d.o.o., Cesta železarjev 8, Jesenice	Trading with own real estate	100	10,181,266	9,421,887	5,310
METAL RAVNE – subsidiaries					
KOPO International Inc., New Jersey, USA	Trade	100	24,100,736	1,695,624	(104,900)
SERPA d.o.o., Koroška cesta 14, Ravne na Koroškem	Metallurgic machines production	89.73	6,780,849	4,752,126	215,206
ODPAD – subsidiaries					
DANKOR, d.o.o., Europske avenije 22, Osijek, Croatia	Recovery of secondary raw materials from scarp	51	2,011,211	502,407	(85,363)
METAL-EKO SISTEM DOO JAGODINA, Put Kneza Mihaila 107, Jagodina, Serbia	Recovery of secondary raw materials from scarp	70	5,052,259	2,145,344	110,318
Topmetal d.o.o., Laktaši, Bosnia and Herzegovina	Recovery of secondary raw materials from scarp	51	1,948,800	930,903	(16,265)
Ravne Steel Center – subsidiaries					
SIDERTOCE S. p. A., Via XX. Settembre 198, C. P. 34, Gravelona Toce, Italy	Trade	100	14,356,360	2,762,420	255,892
Ravne Steel Deutschland GmbH, Celsiusstrasse 17, Germany	Trade	100	1,439,265	121,442	22,781

In March 2015 Noži Ravne d.o.o. acquired Ravne Knives (UK) Ltd., Ravne Knives UK (North) Ltd., and Ravne Knives USA Inc. At the time the financial statements were drawn up these companies had not yet had any significant influence on the SIJ Group.



Consolidated Financial Statements of the SIJ Group

Consolidated Statement of Comprehensive Income

	Note	1-6 2015	1-6 2014
Revenue	1	364,679,729	377,032,500
Cost of sales	2	(302,293,574)	(310,284,974)
Gross profit		62,386,155	66,747,526
Distribution costs	2	(19,064,781)	(20,076,106)
General and administrative expenses	2	(27,039,071)	(23,848,466)
Other operating income	3	5,851,779	4,817,949
Other operating expenses	3	(403,274)	(446,639)
Operating profit		21,730,808	27,194,264
Finance income	4	305,088	721,869
Finance expenses	4	(6,811,833)	(6,777,090)
Net finance costs		(6,506,745)	(6,055,221)
Share of (loss) profit in associates		(9,246)	330,843
Profit before tax		15,214,817	21,469,886
Income tax expense		(507,870)	(561,791)
Deferred income tax		811,087	(2,045,036)
Profit for the period		15,518,034	18,863,059
<i>Items that will not be reclassified subsequently to profit or loss</i>			
Income tax related to components of comprehensive income		(3,971)	(21,207)
<i>Items that may be reclassified subsequently to profit or loss</i>			
Change in fair value reserves for available-for-sale financial assets		23,359	124,745
Exchange rate difference on translating foreign operations		144,990	(8,792)
Comprehensive income		15,682,412	18,957,805
Profit or loss, attributed to:		15,518,034	18,863,059
Owners of the parent company		15,583,732	18,782,966
Non-controlling interest		(65,698)	80,093
Basic and diluted earnings per share	5	15.98	19.04
Comprehensive income, attributed to:		15,682,412	18,957,805
Owners of the parent company		15,745,835	18,887,060
Non-controlling interest		(63,423)	70,745

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

	Note	30 Jun. 2015	31 Dec. 2014
ASSETS			
Non-current assets		461,792,359	445,282,363
Intangible assets	6	26,811,739	24,806,217
Property, plant and equipment	7	411,000,268	398,081,532
Investment property		199,069	206,776
Investments in associates		1,538,948	1,548,194
Available-for-sale financial assets		925,682	906,282
Financial receivables		102,961	102,961
Operating receivables		2,047,888	1,891,519
Other assets		2,620,558	2,042,624
Deferred tax assets		16,545,246	15,696,258
Current assets		369,566,798	343,978,463
Assets held for disposal (disposal groups)		4,143,422	4,146,393
Inventories	8	170,851,623	160,633,584
Financial assets at fair value through profit or loss		0	467
Financial receivables		115,595	57,560
Operating receivables	9	162,791,435	138,430,076
Income tax assets		636,187	585,163
Cash and cash equivalents	10	24,757,067	38,993,236
Other assets	11	6,271,469	1,131,984
Total assets		831,359,157	789,260,826
EQUITY AND LIABILITIES			
Equity	12	360,066,703	348,135,458
Equity attributed to the owners of the parent company		355,543,075	343,549,510
Share capital		145,266,066	145,266,066
Capital surplus		11,461,177	11,461,177
Revenue reserves		(858,646)	(858,646)
Fair value reserves		190,205	170,817
Translation differences		175,402	32,687
Retained earnings		199,308,871	187,477,409
Non-controlling interest		4,523,628	4,585,948
Non-current liabilities		195,065,763	197,327,882
Employee benefits		10,408,667	10,438,433
Other provisions		1,595,864	1,677,279
Deferred revenues		870,979	865,983
Financial liabilities	13	181,226,066	183,382,044
Operating liabilities		886,380	913,667
Deferred tax liabilities		77,807	50,476
Current liabilities		276,226,691	243,797,486
Financial liabilities	13	90,214,729	73,440,512
Operating liabilities	14	183,269,260	166,905,565
Income tax liabilities		264,667	598,449
Other liabilities		2,478,035	2,852,960
Total equity and liabilities		831,359,157	789,260,826

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 for the Period Ending 30 June 2015

	Equity attributed to the owners of the parent company							Non-controlling interest	Total
	Share capital	Capital surplus	Revenue reserves	Fair value reserves	Translation differences	Retained earnings	Total		
Balance as at 31 Dec. 2014	145,266,066	11,461,177	(858,646)	170,817	32,687	187,477,409	343,549,510	4,585,948	348,135,458
Covering the loss	0	0	0	0	0	0	0	1,103	1,103
Purchase of treasury shares	0	0	(3,752,269)	0	0	0	(3,752,269)	0	(3,752,269)
Total transactions with owners	0	0	(3,752,269)	0	0	0	(3,752,269)	1,103	(3,751,166)
Profit for the period	0	0	0	0	0	15,583,732	15,583,732	(65,698)	15,518,034
Other changes in comprehensive income	0	0	0	19,388	142,715	0	162,103	2,275	164,378
Total changes in comprehensive income	0	0	0	19,388	142,715	15,583,732	15,745,835	(63,423)	15,682,412
Creation of reserves for treasury shares	0	0	3,752,269	0	0	(3,752,269)	0	0	0
Total changes in equity	0	0	3,752,269	0	0	(3,752,269)	0	0	0
Balance as at 30 Jun. 2015	145,266,066	11,461,177	(858,646)	190,205	175,402	199,308,871	355,543,075	4,523,628	360,066,703

Consolidated Statement of Changes in Equity for the Period Ending 31 December 2014

	Equity attributed to the owners of the parent company							Non-controlling interest	Total
	Share capital	Capital surplus	Revenue reserves	Fair value reserves	Translation differences	Retained earnings	Total		
Balance as at 31 Dec. 2013	145,266,066	11,461,177	(858,646)	71,177	(98,751)	162,967,674	318,808,698	4,776,480	323,585,178
Covering the loss	0	0	0	0	0	0	0	2,281	2,281
Purchase of treasury shares	0	0	(1,907)	0	0	0	(1,907)	0	(1,907)
Transactions with owners	0	0	0	0	0	(521,836)	(521,836)	0	(521,836)
Decrease of non-controlling interest	0	0	0	0	0	175,281	175,281	(175,281)	0
Total transactions with owners	0	0	(1,907)	0	0	(346,555)	(348,462)	(173,000)	(521,462)
Profit for the year	0	0	0	0	0	24,858,197	24,858,197	45,713	24,903,910
Other changes in comprehensive income	0	0	0	99,640	131,438	0	231,077	(63,245)	167,832
Total changes in comprehensive income	0	0	0	99,640	131,438	24,858,197	25,089,274	(17,532)	25,071,742
Creation of reserves for treasury shares	0	0	1,907	0	0	(1,907)	0	0	0
Total changes in equity	0	0	1,907	0	0	(1,907)	0	0	0
Balance as at 31 Dec. 2014	145,266,066	11,461,177	(858,646)	170,817	32,687	187,477,409	343,549,510	4,585,948	348,135,458

Consolidated Cash Flow Statement

	Note	1–6 2015	1–6 2014
Cash flow from operating activities			
Profit before tax		15,214,817	21,469,886
Adjusted for:			
Depreciation and amortisation	6, 7	19,570,635	19,810,432
Share of (loss) profit in associates		9,246	(330,844)
Interest income	4	(107,403)	(641,132)
Interest expenses	4	5,309,766	6,046,178
Other adjustments		(754,052)	(909,745)
Operating cash flows before changes in working capital		39,243,009	45,444,775
Changes in working capital			
Change in operating receivables		(29,118,887)	(43,357,855)
Change in inventories		(9,511,371)	10,598,285
Change in operating payables		14,430,023	6,449,623
Change in taxes other than income tax		1,373,466	1,737,789
Direct payments		(4,996,876)	(348,640)
Changes in working capital		(27,823,645)	(24,920,798)
Net cash generated from operating activities		11,419,364	20,523,977
Cash flow from investing activities			
Payments for investments in subsidiaries		(281,868)	(82,228)
Payments for property, plant and equipment		(30,641,219)	(9,054,936)
Receipts from property, plant and equipment		233,749	218,933
Payments for intangible assets		(1,647,685)	(1,800,662)
Payments for loans issued		(98,281)	(11,210,229)
Receipts from loans issued		31,891	5,158,326
Interests received		110,807	120,264
Receipts from other assets		7,494	1,209,954
Net cash used in investing activities		(32,285,112)	(15,440,578)
Cash flow from financing activities			
Receipts from borrowings		189,810,444	123,450,778
Payments for borrowings		(177,257,588)	(122,982,960)
Payments for finance lease		(1,445,713)	(1,851,817)
Interests paid		(4,452,057)	(6,322,203)
Net cash generated (used) in financing activities		6,655,086	(7,706,202)
Cash and cash equivalents as at 1 Jan.		38,993,236	24,909,911
Translation differences		(25,507)	(1,878)
Decrease		(14,210,662)	(2,622,803)
Cash and cash equivalents as at 30 Jun.		24,757,067	22,285,230

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. Revenues

	1–6 2015	1–6 2014
In Slovenia	44,481,899	51,578,290
In other countries:	320,197,830	325,454,210
- Germany	85,124,089	92,381,343
- Italy	82,834,034	92,976,116
- USA	37,395,644	22,228,224
- Austria	9,713,344	14,045,124
- Other countries	105,130,719	103,823,403
Revenue	364,679,729	377,032,500

2. Operating Expenses

	1–6 2015	1–6 2014
Costs of goods, materials and services	280,254,018	277,272,449
Labor costs	46,898,851	44,173,178
Depreciation and amortisation costs	19,570,635	19,810,432
Other costs	3,259,976	2,929,257
Changes in the value of inventories	(1,586,054)	10,024,230
Operating Expenses	348,397,426	354,209,546

Review of Costs by Type for the Period Ending 30 June 2015

	Cost of sales	Distribution costs	General and administrative expenses	Total
Costs of goods, materials and services	255,734,033	15,573,809	8,946,176	280,254,018
Labor costs	28,507,563	3,221,117	15,170,171	46,898,851
Depreciation and amortisation costs	17,981,278	235,676	1,353,681	19,570,635
Other costs	1,656,754	34,179	1,569,043	3,259,976
Changes in the value of inventories	(1,586,054)	0	0	(1,586,054)
Operating Expenses	302,293,574	19,064,781	27,039,071	348,397,426

Review of Costs by Type for the Period Ending 30 June 2014

	Cost of sales	Distribution costs	General and administrative expenses	Total
Costs of goods, materials and services	253,232,294	16,515,784	7,524,371	277,272,449
Labor costs	27,938,212	3,335,727	12,899,239	44,173,178
Depreciation and amortisation costs	17,731,979	195,992	1,882,461	19,810,432
Other costs	1,358,259	28,603	1,542,395	2,929,257
Changes in the value of inventories	10,024,230	0	0	10,024,230
Operating Expenses	310,284,974	20,076,106	23,848,466	354,209,546

3. Other Operating Income (Expenses)

	1-6 2015	1-6 2014
Capitalized own products	2,258,303	1,632,433
Received compensations	1,296,672	932,645
Reversal of allowances for inventories	916,064	284,651
Revenues from received subsidies	760,112	1,003,308
Other income	620,628	964,912
Other operating income	5,851,779	4,817,949
Expenses for donations and sponsorships	(227,533)	(132,105)
Allowances for receivables	0	(135,795)
Other expenses	(175,741)	(178,739)
Other operating expenses	(403,274)	(446,639)
Net operating income	5,448,505	4,371,310

4. Net Finance Income (Costs)

	1-6 2015	1-6 2014
Interest income	107,402	641,131
Exchange rate differences	151,613	18,782
Other income	46,073	61,956
Finance income	305,088	721,869
Interest expenses	(5,309,766)	(6,046,178)
Exchange rate differences	(78,781)	(103,385)
Other expenses	(1,423,286)	(627,527)
Finance expenses	(6,811,833)	(6,777,090)
Net finance costs	(6,506,745)	(6,055,221)

5. Net Earnings per Share

	1–6 2015	1–6 2014
Profit or loss, attributed to the owners of the parent company	15,583,732	18,782,966
Weighted number of issued ordinary shares	974,941	986,699
Basic and diluted earnings per share	15.98	19.04

Net earnings per share are calculated by dividing net profit or loss of 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

Movement of Intangible Assets for the Period Ending 30 June 2015

	Non-current property rights	Goodwill	Assets under construction	Total
Cost on 31 Dec. 2014	6,908,744	15,060,978	6,130,363	28,100,085
New additions	0	0	2,576,514	2,576,514
Transfer from assets under construction	8,375,838	0	(8,375,838)	0
Translation differences	1,726	0	0	1,726
Transfer to property, plant and equipment	(1,059,052)	0	88,440	(970,612)
Cost as at 30 Jun. 2015	14,227,256	15,060,978	419,479	29,707,713
Accumulated amortisation as at 31 Dec. 2014	(3,293,868)	-	-	(3,293,868)
Amortisation	(401,863)	-	-	(401,863)
Translation differences	(1,048)	-	-	(1,048)
Transfer to property, plant and equipment	800,805	-	-	800,805
Accumulated amortisation as at 30 Jun. 2015	(2,895,974)	-	-	(2,895,974)
Present value as at 31 Dec. 2014	3,614,876	15,060,978	6,130,363	24,806,217
Present value as at 30 Jun. 2015	11,331,282	15,060,978	419,479	26,811,739

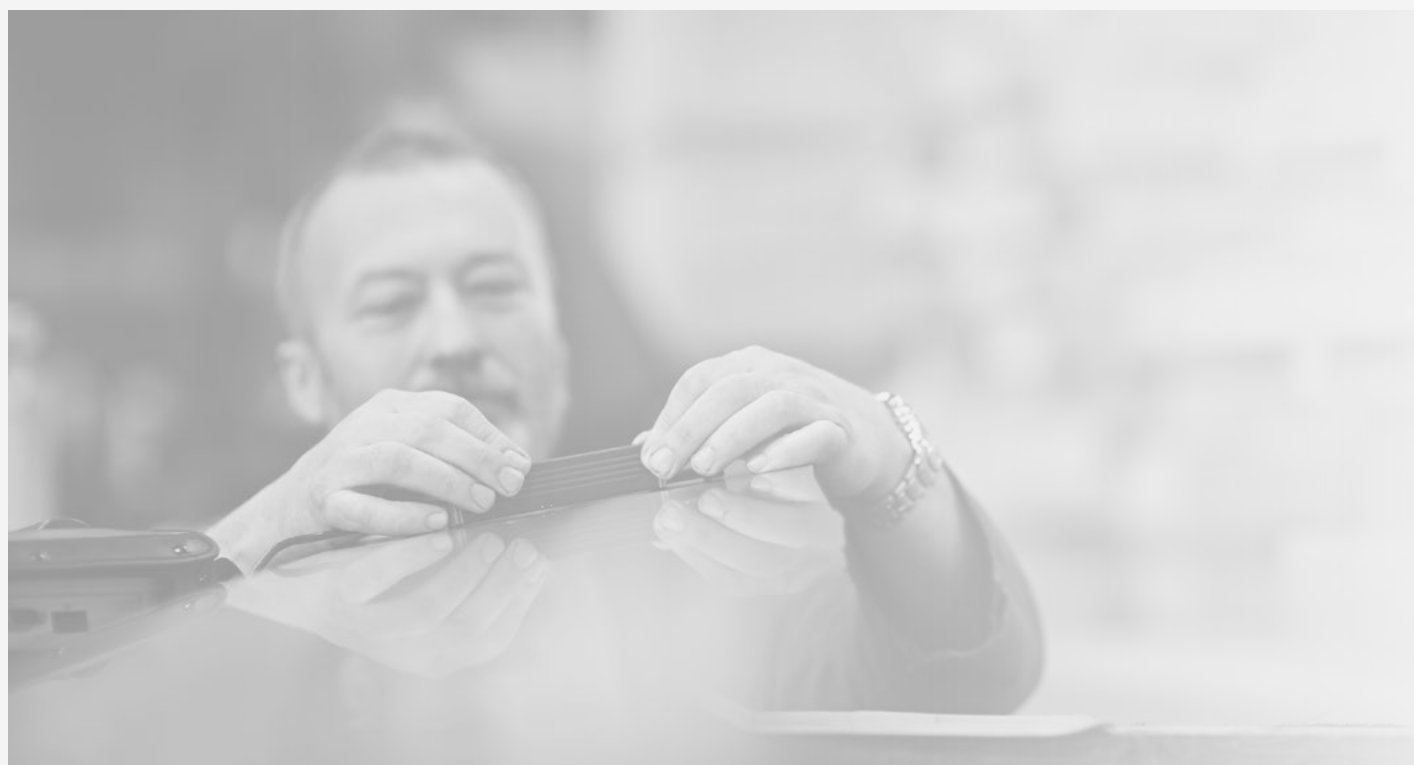
The useful life of intangible assets is final, except for goodwill, which has an indefinite useful life.

On 30 June 2015 the Group's outstanding liabilities arising from the purchases of intangible assets amounted to EUR 267,380. The present value of the intangible assets under finance lease is EUR 294,728.

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

▪ **Movement of Intangible Assets for the Period Ending 31 December 2014**

	Non-current property rights	Goodwill	Assets under construction	Total
Cost as at 31 Dec. 2013	6,334,975	15,060,978	3,098,245	24,494,198
New additions	0	0	4,054,717	4,054,717
Transfer from assets under construction	1,025,570	0	(1,025,570)	0
Write-offs and disposals	(459,348)	0	0	(459,348)
Translation differences	2,311	0	0	2,311
Transfer from property, plant and equipment	5,236	0	2,971	8,207
Cost on 31 Dec. 2014	6,908,744	15,060,978	6,130,363	28,100,085
Accumulated amortisation as at 31 Dec. 2013	(3,053,179)	-	-	(3,053,179)
Depreciation	(695,720)	-	-	(695,720)
Write-offs and disposals	459,348	-	-	459,348
Translation differences	(1,236)	-	-	(1,236)
Transfer from property, plant and equipment	(3,081)	-	-	(3,081)
Accumulated depreciation as at 31 Dec. 2014	(3,293,868)	-	-	(3,293,868)
Present value as at 31 Dec. 2013	3,281,796	15,060,978	3,098,245	21,441,019
Present value on 31 Dec. 2014	3,614,876	15,060,978	6,130,363	24,806,217



- 7. Property, Plant and Equipment
- Movement of Property, Plant and Equipment for the Period Ending 30 June 2015

	Land	Buildings	Equipment	Other	Assets under construction	Total
Cost as at 31 Dec. 2014	25,490,492	274,188,581	807,039,387	23,872,936	27,597,560	1,158,188,956
New additions	0	0	0	0	32,012,599	32,012,599
Transfer from assets under construction	900,000	2,866,661	14,918,649	1,572,534	(20,257,844)	0
Write-offs and disposals	(1,490)	(65,371)	(4,363,042)	(574,114)	0	(5,004,017)
Translation differences	7,692	4,060	7,552	6,041	0	25,345
Other changes	0	961,970	(13,675,636)	12,713,666	0	0
Transfer from intangible assets	0	0	1,018,173	40,879	(88,440)	970,612
Cost as at 30 Jun. 2015	26,396,694	277,955,901	804,945,083	37,631,942	39,263,875	1,186,193,495
Accumulated depreciation as at 31 Dec. 2014	-	(180,899,378)	(560,547,789)	(18,660,257)	-	(760,107,424)
Depreciation	-	(2,432,170)	(15,649,256)	(1,087,345)	-	(19,168,772)
Write-offs and disposals	-	65,371	4,294,002	533,222	-	4,892,595
Translation differences	-	(1,376)	(3,937)	(3,507)	-	(8,820)
Other changes	-	(1,076,401)	11,066,557	(9,990,156)	-	0
Transfer from intangible assets	-	0	(761,896)	(38,909)	-	(800,805)
Accumulated depreciation as at 30 Jun. 2015	-	(184,343,954)	(561,602,320)	(29,246,952)	-	(775,193,226)
Present value as at 31 Dec. 2013	25,490,492	93,289,203	246,491,598	5,212,679	27,597,560	398,081,532
Present value as at 30. 6. 2015	26,396,694	93,611,947	243,342,763	8,384,990	39,263,875	411,000,268

Property, plant and equipment, whose present value on 30 June 2015 amounted to EUR 266,858,768, are pledged as securities for liabilities. On 30 June 2015 the group had EUR 6,035,005 of outstanding liabilities for the purchase of property, plant and equipment, and EUR 32,365,228 of already-known contractual liabilities for purchases. The present value of property, plant and equipment under finance lease is EUR 6,179,293. The Group capitalized EUR 106,802 of borrowing costs, for which the interest rates were between 2.33 and 5.06 percent.

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

■ Movement of Property, Plant and Equipment for the Period Ending 31 December 2014

	Land	Buildings	Equipment	Other	Assets under construction	Total
Cost as at 31 Dec. 2013	25,320,147	268,705,156	806,604,248	24,147,452	11,478,070	1,136,255,073
New additions	0	0	0	0	41,493,042	41,493,042
Transfer from assets under construction	242,205	2,461,866	20,791,183	1,875,327	(25,370,581)	0
Write-offs and disposals	(8,610)	0	(18,647,499)	(917,953)	0	(19,574,062)
Translation differences	(63,250)	(2,456)	(66,809)	2,806	0	(129,709)
Redistribution	0	2,871,196	(1,641,736)	(1,229,460)	0	0
Other changes	0	152,819	0	0	0	152,819
Transfer to intangible assets	0	0	0	(5,236)	(2,971)	(8,207)
Cost as at 31 Dec. 2014	25,490,492	274,188,581	807,039,387	23,872,936	27,597,560	1,158,188,956
Accumulated depreciation as at 31 Dec 2013	-	(175,249,932)	(547,537,223)	(18,960,392)	-	(741,747,547)
Depreciation	-	(4,802,332)	(31,227,810)	(1,563,198)	-	(37,593,340)
Write-offs and disposals	-	0	18,557,043	737,530	-	19,294,573
Translation differences	-	630	14,279	(2,701)	-	12,208
Redistribution	-	(771,345)	(354,080)	1,125,425	-	0
Other changes	-	(76,399)	0	0	-	(76,399)
Transfer to intangible assets	-	0	0	3,081	-	3,081
Accumulated depreciation as at 31 Dec. 2014	-	(180,899,378)	(560,547,791)	(18,660,255)	-	(760,107,424)
Present value as at 31 Dec 2013	25,320,147	93,455,224	259,067,025	5,187,060	11,478,070	394,507,526
Present value as at 31 Dec. 2014	25,490,492	93,289,203	246,491,596	5,212,681	27,597,560	398,081,532

■ 8. Inventories

	30 Jun. 2015	31 Dec. 2014
Raw material	69,668,446	63,224,828
Work in progress	54,962,131	40,581,633
Finished products	32,201,631	41,533,610
Trade goods	14,019,415	15,293,513
Inventories	170,851,623	160,633,584

Inventories, whose value on 30 June 2015 amounted to EUR 17,978,503, are pledged as securities for liabilities. On 30 June 2015 the Group checked the value of the inventories and determined that the net realizable value of the inventories was higher than the purchase value, which is why the inventories were not impaired in the period which ended on 30 June 2015.

9. Operating Receivables

	30 Jun. 2015	31 Dec. 2014
Trade receivables	155,726,495	129,060,197
Allowances for trade receivables	(4,100,214)	(4,134,529)
VAT receivables	4,536,774	5,172,540
Issued advance payments and cautions	4,635,474	5,770,021
Other operating receivables	1,992,906	2,561,847
Current operating receivables	162,791,435	138,430,076

The majority of the Group's trade receivables are insured by an insurance company against commercial risks. Trade receivables, amounting to EUR 61,893,048, are pledged as securities for liabilities.

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

10. Cash and Cash Equivalents

	30 Jun. 2015	31 Dec. 2014
Cash in national currency	17,787,231	34,917,198
Cash in foreign currency	6,777,090	3,883,244
Restricted cash	192,746	192,794
Cash and Cash Equivalents	24,757,067	38,993,236

Cash in national and foreign currency includes cash in hand and balances on bank accounts, which amounted to EUR 17,268,912 on 30 June 2015. Cash in national currency entails issued deposits with an up-to-3-month maturity in the amount of EUR 7,295,409. The interest rate for issued deposits is fixed.

Restricted cash is cash on trust accounts intended for liabilities for the purchase of a subsidiary.

11. Other Assets

	30 Jun. 2015	31 Dec. 2014
Deferred expenses	5,933,756	1,036,504
Accrued revenues	337,713	95,480
Other current assets	6,271,469	1,131,984

Current deferred expenses refer to advance payments of costs that will debit the profit in the short term.

12. Equity

	30 Jun. 2015	31 Dec. 2014
Equity attributed to the owners of the parent company	355,543,075	343,549,510
Share capital	145,266,066	145,266,066
Capital surplus	11,461,177	11,461,177
Revenue reserves	(858,646)	(858,646)
Fair value reserves	190,205	170,817
Translation differences	175,402	32,687
Retained earnings	199,308,871	187,477,409
Non-controlling interest	4,523,628	4,585,948
Equity	360,066,703	348,135,458

The share capital of the controlling company is recognized in the amount of EUR 145,266,066, and is distributed among 994,616 shares. The face value of each share is EUR 146.05. The number of shares did not change in 2015.

Ownership Structure of the Parent Company

Shareholder	Number of shares	Number of shares
	30 Jun. 2015	31 Dec. 2014
DILON, d. o. o., Gerbičeva ulica 98, Ljubljana	718,351	718,351
Republic of Slovenia, Gregorčičeva ulica 20, Ljubljana	248,655	248,655
SIJ d.d., Gerbičeva ulica 98, Ljubljana	27,600	7,927
D. P. R., d. d., Koroška cesta 14, Ravne na Koroškem	0	11,468
Stanovanjsko podjetje, d. o. o., Ob Suhi 19, Ravne na Koroškem	0	8,205
UNIOR, d. d., Kovaška cesta 10, Zreče	10	10
Total	994,616	994,616

The ownership structure changed in the period from January to June 2015. The controlling company bought 11,468 shares from D.P.R., d.d., and 8,205 from Stanovanjsko podjetje, d.o.o., thereby increasing its share to 2.77 percent.

Capital Surplus

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

▪ Revenue Reserves

	30 Jun. 2015	31 Dec. 2014
Legal reserves	1,396,081	1,396,081
Treasury shares	(6,008,903)	(2,256,634)
Reserves for treasury shares	3,754,176	1,907
Revenue reserves	(858,646)	(858,646)

The controlling company acquired treasury shares in the amount of EUR 2,254,727 on the basis of the Acceptance of and Method of Meeting Liabilities of Slovene Ironworks in Connection with the Restructuring Program Act (Official Gazette of the RS, No 111/2001) and in line with the Privatization of the Slovene Steelworks Act (Official Gazette of the RS, No 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 recognized at cost.

The controlling company acquired 19,673 treasury shares from January to June 2015 based on the decision of the 25th meeting of the General Assembly held on 9 June 2014, and established reserves in the amount of EUR 3,752,269. Treasury shares are recognized at cost.

▪ 13. Financial Liabilities

	30 Jun. 2015	31 Dec. 2014
Borrowings	134,944,737	138,071,979
Liabilities for bonds issued	42,897,000	42,897,000
Liabilities arising from finance lease	3,384,329	2,413,065
Non-current financial liabilities	181,226,066	183,382,044
Borrowings	66,542,454	70,412,408
Liabilities for commercial papers issued	20,000,000	0
Interest liabilities	2,252,754	1,291,591
Liabilities arising from finance lease	1,419,521	1,736,513
Current financial liabilities	90,214,729	73,440,512
Total financial liabilities	271,440,795	256,822,556

▪ Borrowings

Borrowings include loans from domestic and foreign banks. Borrowings are secured by immovable and movable properties, receivables and inventories in the amount of EUR 141,572,617. Other borrowings are not secured. The interest rate for most of the borrowings is flexible and based on EURIBOR.

▪ Liabilities for Bonds Issued

Liabilities for bonds issued refer to bonds with the symbol SIJ2. The controlling company issued bonds to the total nominal value of EUR 42,897,000. The total bond issue covers 42,897 denominations of EUR 1,000. The expiry date is 24 November 2019. The interest rate for issued bonds is fixed at 4.50 percent per year. Interest is payable annually in arrears. The nominal value of the principal is payable in total as a one-off amount on the expiry date. Bonds trading has been taking place at Ljubljana Stock Exchange since 29 December 2014.

▪ Liabilities for Commercial Papers Issued

Liabilities for commercial papers issued amounting to EUR 20,000,000 refer to 9-month commercial papers with the symbol SIK01, which SIJ d.d. issued on 19 March 2015. The total nominal value of the commercial papers is EUR 20,000,000 and covers 20,000 denominations of EUR 1,000. The interest rate for a commercial paper is 2.20 percent per year. 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 18 December 2015. Commercial papers trading takes place at Ljubljana Stock Exchange.

▪ 14. Operating Liabilities

	30 Jun. 2015	31 Dec. 2014
Liabilities to suppliers	168,849,473	155,323,040
Liabilities to employees	5,559,904	3,945,616
Received advance payments	2,103,833	1,515,267
Tax liabilities	5,769,732	4,395,229
Other liabilities	986,318	1,726,413
Current operating payables	183,269,260	166,905,565

- 15. Segment Reporting
- Segment Reporting for the Period Ending 30 June 2015

1–6 2015	Steel Division	Distribu- tion & Processing Division	Scrap Division	Manu- facturing Division	Head- quarter and Other Services	Trans- actions between segments	Total	Consolidat- ed financial statements
Revenues on the segments	292,666,561	74,955,642	46,551,159	24,203,980	5,817,084	-	444,194,426	-
Eliminations	(152,338)	(925,491)	(6,057,880)	(158,521)	(46,677)	(72,173,790)	(79,514,697)	-
Revenues	292,514,223	74,030,151	40,493,279	24,045,459	5,770,407	(72,173,790)	364,679,729	364,679,729
Cost on the segments	277,552,046	75,324,367	46,091,697	23,130,689	5,808,940	-	427,907,739	-
Eliminations	(152,338)	(925,491)	(6,057,880)	(158,521)	(46,677)	(72,169,406)	(79,510,313)	-
Expenses	277,399,708	74,398,876	40,033,817	22,972,168	5,762,263	(72,169,406)	348,397,426	348,397,426
Other operating income (expenses)	4,630,536	59,388	72,419	359,214	255,748	71,200	5,448,505	5,448,505
Profit (loss) from operation	19,745,051	(309,337)	531,881	1,432,505	263,892	66,816	21,730,808	21,730,808
Net finance costs	(4,554,742)	(616,131)	(253,146)	(19,216)	(1,063,510)	0	(6,506,745)	(6,506,745)
Share of loss	(9,246)	0	0	0	0	0	(9,246)	(9,246)
Taxes	122,682	360,727	(62,031)	(117,075)	(1,086)	0	303,217	303,217
Net profit (loss) for the period	15,303,745	(564,741)	216,704	1,296,214	(800,704)	66,816	15,518,035	15,518,034
30 Jun. 2015								
Assets on segments	670,871,389	99,618,913	32,408,341	42,644,813	261,683,324	(275,867,623)	831,359,157	831,359,157
Liabilities on segments	387,423,530	81,021,002	24,033,441	15,365,560	75,472,373	(112,023,452)	471,292,454	471,292,454



■ Segment Reporting for the Period Ending 30 June 2014

1-6 2014	Steel Division	Distribution & Processing Division	Scrap Division	Manufacturing Division	Head-quarter and Other Services	Transactions between segments	Total	Consolidated financial statements
Revenues on the segments	313,882,800	63,001,398	48,957,424	24,725,642	5,822,876	-	456,390,140	-
Eliminations	(2,117,327)	(695,576)	(7,958,976)	(158,788)	(366,361)	(68,060,612)	(79,357,640)	-
Revenues	311,765,473	62,305,822	40,998,448	24,566,854	5,456,515	(68,060,612)	377,032,500	377,032,500
Cost on the segments	295,405,570	60,934,309	48,290,430	23,168,490	5,780,415	-	433,579,214	-
Eliminations	(2,117,327)	(695,576)	(7,958,976)	(158,788)	(366,360)	(68,072,641)	(79,369,668)	-
Expenses	293,288,243	60,238,733	40,331,454	23,009,702	5,414,055	(68,072,641)	354,209,546	354,209,546
Other operating income (expenses)	2,962,592	200,833	(3,628)	743,127	481,952	(13,566)	4,371,310	4,371,310
Profit from operation	21,439,822	2,267,922	663,365	2,300,279	524,412	(1,537)	27,194,264	27,194,264
Net finance income (costs)	(5,183,932)	(829,779)	(505,320)	(24,007)	487,817	0	(6,055,221)	(6,055,221)
Share of profit in associates	330,843	0	0	0	0	0	330,843	330,843
Taxes	(1,909,949)	(375,751)	(17,282)	(239,859)	(63,986)	0	(2,606,827)	(2,606,827)
Net profit for the period	14,676,784	1,062,392	140,763	2,036,413	948,243	(1,537)	18,863,059	18,863,059
31 Dec. 2014								
Assets on segments	628,872,206	93,775,553	29,607,932	39,445,068	238,737,895	(241,177,828)	789,260,826	789,260,826
Liabilities on segments	368,606,320	75,034,735	21,454,197	13,462,027	55,801,064	(93,232,975)	441,125,368	441,125,368

■ 16. Contingent Assets and Liabilities

Contingent assets amounted to EUR 2,551,790 on 30 June 2015, and refer to received guarantees for the elimination of errors during the warranty period. The Group expects no inflows from received guarantees.

Contingent liabilities amounted to EUR 5,145,016 on 30 June 2015. They include guarantees, given to others, in the value of EUR 1,071,946, and performance guarantees in the value of EUR 4,073,070. The Group expects no outflows from the pledged securities and guarantees.

■ 17. Carrying Amounts and Fair Values of Financial Instruments

Type of financial instrument	30 Jun. 2015		31 Dec. 2014	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets at fair value through profit or loss	0	0	467	467
Available-for-sale financial assets	925,682	925,682	906,282	906,282
Financial receivables	218,556	218,556	160,521	160,521
Operating receivables	167,459,881	167,459,881	142,364,219	142,364,219
Cash and cash equivalents	24,757,067	24,757,067	38,993,236	38,993,236
Financial liabilities	(271,440,795)	(271,440,795)	(256,822,556)	(256,822,556)
Operating liabilities	(184,155,640)	(184,155,640)	(167,819,232)	(167,819,232)
Total	(262,235,249)	(262,235,249)	(242,217,063)	(242,217,063)

18. Determination of Fair Value

	30 Jun. 2015	31 Dec. 2014
Financial assets at fair value of first level	639,619	616,726
Financial assets at fair value of third level	504,619	450,544
Financial liabilities at fair value of third level	(271,440,795)	(256,822,556)

Related Parties

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

Related Party Transactions Excluded from the Consolidated Financial Statements

	1-6 2015	1-6 2014
Revenues/expenses	42,516,414	40,153,622

	30 Jun. 2015	31 Dec. 2014
Operating receivables/liabilities	55,132,759	55,101,368
Financial receivables/liabilities	72,893,699	49,003,392
Investments in subsidiaries	171,289,421	171,214,421

Events After the Reporting Date

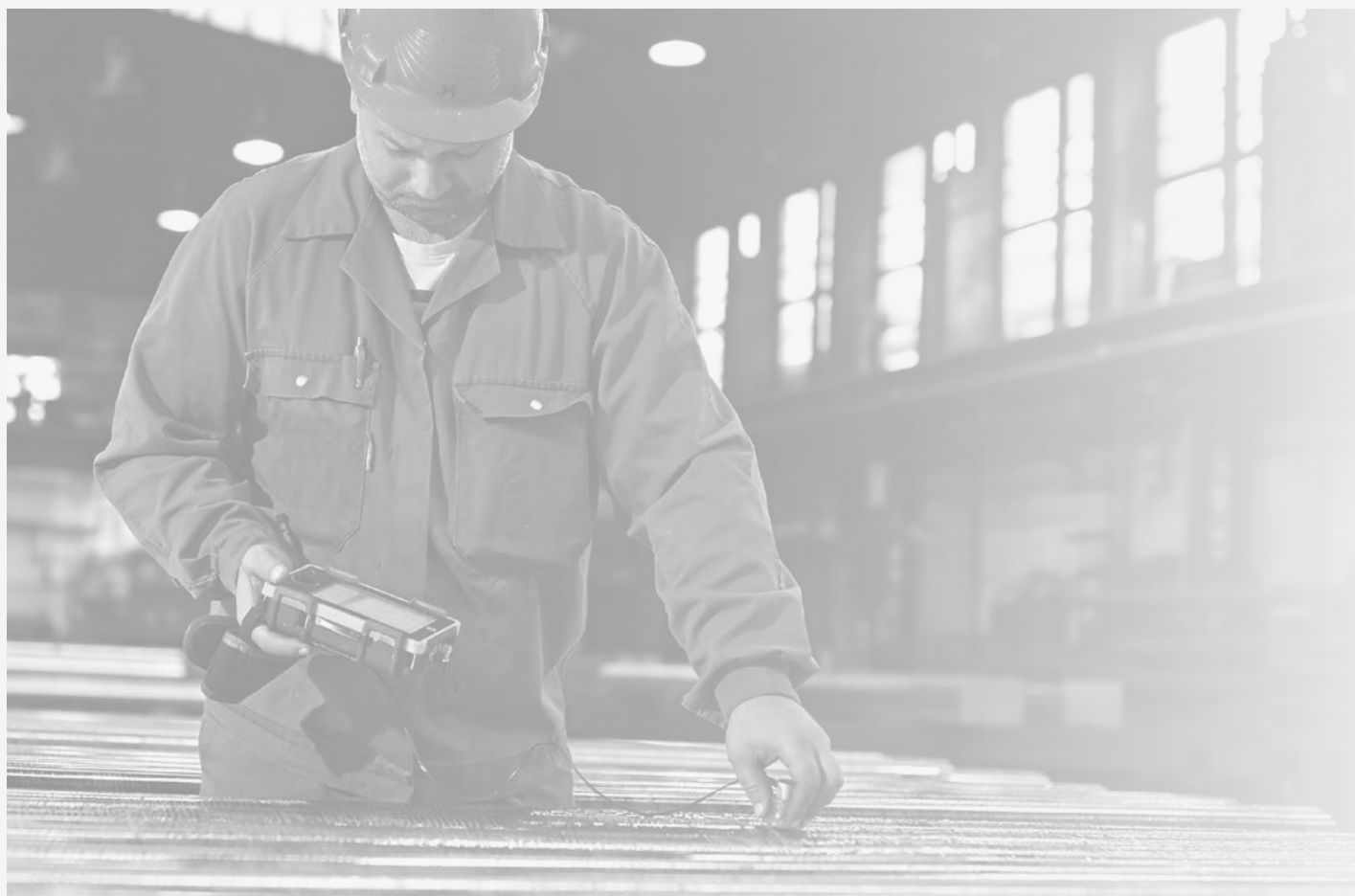
On 21 July 2015 SIJ d.d. issued 5 year bonds (symbol SIJ3) to the total nominal value of EUR 51,218,000. The terms and conditions of the bonds are published on the website of SIJ d.d. www.sij.si.

The Supervisory Board of subsidiary SIJ d.d. discussed and approved the proposal of the Board of Directors to participate in the equity restructuring and capital increase of the Slovenian poultry and meat producer Perutnina Ptuj, d. d. The offer for the EUR 40 million capital increase of Perutnina Ptuj, d. d. 28 July 2015 discussed by the Supervisory Board of Perutnina Ptuj, d. d. and unanimously approved. The decision has to be approved also by the General Meeting of Shareholders of Perutnina Ptuj, d. d. Medium-term business plan of Group is to acquire a majority share in Perutnina Ptuj, d. d. and obtain control of the company in accordance with the guidelines of corporate governance of the Group.

In the first week of August 2015, SIJ d.d. submitted a binding bid for the purchase of an 88% share in LI-TOSTROJ JEKLO izdelava kakovostnih jeklenih ulitkov, d.o.o., and of the receivables from the same company, owned by Družba za upravljanje terjatev bank, d.d. (The Bank Assets Management Company).

The 28th meeting of the General Assembly of SIJ d.d. took place on 14 August 2015. At the meeting, the shareholders approved the proposal of the Board of Directors and the Supervisory Board for the use of the distributable profit generated in 2014, in the total amount of EUR 25,188,177.35, that a share, of the amount EUR 5,810,642.63, be used for the payment of dividends, while the remainder, of the amount EUR 19,377,534.72, remain undistributed. The gross dividend per share amounts to EUR 6.01 (treasury shares not included). Any shareholder of the company, registered in the share register at the Central Securities Clearing Corporation, Ljubljana, on the date of the meeting of the General Assembly, is entitled to the payment of dividends. At the meeting, the shareholders granted discharge to the Board of Directors and the Supervisory Board for the work done in the 2014 financial year. At the proposal of the SIJ d.d. Supervisory Board, the auditing firm Deloitte Revizija d.o.o. in Ljubljana was appointed auditor for the 2015 financial year.

On 14 August 2015, Ravne Knives submitted the final binding bid for the purchase of the full business shares of Sistemska tehnika d.o.o. and Sistemska tehnika Armas d.o.o., as well as the receivables from these companies, owned by Družba za upravljanje terjatev bank, d.d. (The Bank Assets Management Company).



Financial Statements of the Company SIJ d.d.

Statement of Comprehensive Income

	Note	1-6 2015	1-6 2014
Revenues	1	4,499,324	4,276,258
Gross profit		4,499,324	4,276,258
General and administrative expenses	2	(5,497,450)	(4,380,075)
Other operating income	3	84,054	273,445
Other operating expenses	3	(131,792)	(98,491)
(Loss) profit from operation		(1,045,864)	71,137
Finance income	4	1,467,625	1,626,482
Finance expenses	4	(1,317,072)	(708,577)
Net finance income		150,553	917,905
(Loss) profit before tax		(895,311)	989,042
Income tax expense		0	(76,132)
Deferred income tax		0	86
(Loss) profit for the period		(895,311)	912,996
<i>Items that will not be reclassified subsequently to profit or loss</i>			
Income tax related to components of comprehensive income		(3,971)	(21,207)
<i>Items that may be reclassified subsequently to profit or loss</i>			
Change in fair value reserves for available-for-sale financial assets		23,359	124,745
Comprehensive income		(875,923)	1,016,534
(Loss) profit for the period		(895,311)	912,996
Basic and diluted earnings per share	5	-	0.93

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

	Note	30 Jun. 2015	31 Dec. 2014
ASSETS			
Non-current assets		186,801,776	177,941,586
Intangible assets		820,304	633,138
Property, plant and equipment		5,709,156	5,763,602
Investment property		386	1,157
Investments in subsidiaries		163,582,031	163,507,031
Available-for-sale financial assets		904,028	884,628
Financial receivables	6	14,643,095	5,992,414
Operating receivables		29,494	29,494
Other assets		89,472	102,341
Deferred tax assets		1,023,810	1,027,781
Current assets		69,028,720	62,886,136
Assets held for disposal (disposal groups)		34,560	34,560
Financial assets at fair value through profit or loss		0	467
Financial receivables	6	40,404,739	25,990,297
Operating receivables	7	18,260,467	19,265,869
Income tax assets		58,013	0
Cash and cash equivalents	8	7,254,725	17,517,260
Other assets	9	3,016,216	77,683
Total assets		255,830,496	240,827,722
EQUITY AND LIABILITIES			
Equity	10	176,599,398	181,227,591
Share capital		145,266,066	145,266,066
Capital surplus		11,461,177	11,461,177
Revenue reserves		(858,646)	(858,646)
Fair value reserves		190,205	170,817
Retained earnings		20,540,596	25,188,177
Non-current liabilities		43,498,891	43,562,751
Employee benefits		462,424	462,424
Financial liabilities	11	43,034,447	43,097,591
Operating liabilities		2,020	2,736
Current liabilities		35,732,207	16,037,380
Financial liabilities	11	33,372,596	12,240,489
Operating liabilities	12	2,223,159	3,534,815
Income tax liabilities		0	125,624
Other liabilities		136,452	136,452
Total equity and liabilities		255,830,496	240,827,722

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

Statement of Changes in Equity

Statement of Changes in Equity for the Period Ending 30 June 2015

	Share capital	Capital surplus	Revenue reserves	Fair value reserves	Retained earnings	Total
Balance as at 31 Dec. 2014	145,266,066	11,461,177	(858,646)	170,817	25,188,177	181,227,591
Purchase of treasury shares	0	0	(3,752,269)	0	0	(3,752,269)
Total transactions with owners	0	0	(3,752,269)	0	0	(3,752,269)
Loss for the period	0	0	0	0	(895,312)	(895,312)
Other changes in comprehensive income	0	0	0	19,388	0	19,388
Total changes in comprehensive income	0	0	0	19,388	(895,312)	(875,924)
Creation of reserves for treasury shares	0	0	3,752,269	0	(3,752,269)	0
Total changes in equity	0	0	3,752,269	0	(3,752,269)	0
Balance as at 30 Jun. 2015	145,266,066	11,461,177	(858,646)	190,205	20,540,596	176,599,398

Statement of Changes in Equity for the Period Ending 31 December 2014

	Share capital	Capital surplus	Revenue reserves	Fair value reserves	Retained earnings	Total
Balance as at 31 Dec. 2013	145,266,066	11,461,177	(858,646)	71,177	24,501,385	180,441,159
Purchase of treasury shares	0	0	(1,907)	0	0	(1,907)
Transactions with owners	0	0	0	0	(521,836)	(521,836)
Total transactions with owners	0	0	(1,907)	0	(521,836)	(523,743)
Profit for the year	0	0	0	0	1,210,535	1,210,535
Other changes in comprehensive income	0	0	0	99,640	0	99,640
Total changes in comprehensive income	0	0	0	99,640	1,210,535	1,310,175
Creation of reserves for treasury shares	0	0	1,907	0	(1,907)	0
Total changes in equity	0	0	1,907	0	(1,907)	0
Balance as at 31 Dec. 2014	145,266,066	11,461,177	(858,646)	170,817	25,188,177	181,227,591

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

	Note	1–6 2015	1–6 2014
Cash flow from operating activities			
(Loss) profit before tax		(895,311)	989,042
Adjusted for:			
Depreciation and amortisation		166,167	154,952
Interest income	4	(708,621)	(874,571)
Interest expenses	4	1,281,286	708,577
Other adjustments		(782,807)	(814,506)
Operating cash flows before changes in working capital		(939,286)	163,494
Changes in working capital			
Change in operating receivables		(1,863,702)	1,440,448
Change in operating payables		(866,179)	(1,503,470)
Change in taxes other than income tax		(476,003)	(3,887)
Income tax paid		(125,624)	(3,445)
Other payments		(3,752,269)	0
Changes in working capital		(7,083,777)	(70,354)
Net cash (used) generated from operating activities		(8,023,063)	93,140
Cash flow from investing activities			
Payments for investments in subsidiaries		(75,000)	0
Payments for property, plant and equipment		(69,607)	(469,512)
Receipts from property, plant and equipment		6,314	43,333
Payments for intangible assets		(231,253)	(65,631)
Receipts from other assets		4,142	0
Payments for loans issued		(63,890,000)	(14,010,000)
Receipts from loans issued		40,236,000	5,725,000
Interests received		755,715	389,313
Net cash used in investing activities		(23,263,689)	(8,387,497)
Cash flow from financing activities			
Receipts from borrowings		20,600,000	23,285,000
Payments for borrowings		(150,000)	(13,944,300)
Payments for finance lease		(85,705)	(300,232)
Receipts from financial services		1,019,448	23,449
Interests paid		(359,525)	(694,337)
Net cash generated in financing activities		21,024,218	8,369,580
Cash and cash equivalents as at 1 Jan.		17,517,260	380,415
(Decrease) increase		(10,262,534)	75,223
Cash and cash equivalents as at 30 Jun.		7,254,726	455,638

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

Notes to Individual Items in the Financial Statements

1. Revenues

	1-6 2015	1-6 2014
In Slovenia	4,495,724	4,271,452
In other countries	3,600	4,806
Revenues	4,499,324	4,276,258

2. Operating Expenses

	1-6 2015	1-6 2014
Costs of goods, materials and services	1,395,862	1,112,180
Labor costs	3,911,293	3,093,535
- wages and salaries	3,317,658	2,511,729
- social security costs	405,651	422,927
- other labor costs	187,984	158,879
Depreciation and amortisation costs	166,167	154,181
Other costs	24,128	20,179
Operating Expenses	5,497,450	4,380,075

3. Other Operating Income (Expenses)

	1-6 2015	1-6 2014
Dividends	65,240	56,025
Other income	18,814	217,420
Other operating income	84,054	273,445
Expenses for donations and sponsorships	(131,021)	(88,439)
Other expenses	(771)	(10,052)
Other operating expenses	(131,792)	(98,491)
Net other operating income (expenses)	(47,738)	174,954

4. Net Finance Income

	1-6 2015	1-6 2014
Interest income	708,621	874,570
Guarantee fees	744,823	751,159
Exchange rate differences	14,181	753
Finance income	1,467,625	1,626,482
Interest expenses	(1,281,286)	(708,577)
Other expenses	(35,786)	0
Finance expenses	(1,317,072)	(708,577)
Net finance income	150,553	917,905

5. Net Earnings per Share

	1-6 2015	1-6 2014
(Loss) profit for the period	(895,311)	912,996
Weighted number of issued ordinary shares	974,941	986,699
Basic and diluted earnings per share	-	0.93

Net earnings per share are calculated by dividing net profit or loss of 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. Financial Receivables

	30 Jun. 2015	31 Dec. 2014
Loans granted	14,550,000	5,850,000
Receivables arising from finance lease	93,095	142,414
Non-current financial receivables	14,643,095	5,992,414
Loans granted	39,495,092	24,541,092
Receivables arising from finance lease	261,760	479,585
Interest receivables	128,981	176,089
Receivables arising from financial services	518,906	793,531
Current financial receivables	40,404,739	25,990,297

The interest rate for loans issued and receivables arising from finance lease is fixed. The carrying value of the loans issued and the receivables arising from finance lease does not exceed their realizable value. The loans issued fall due in 2020. The receivables arising from finance lease fall due in 2017. The loans issued and the receivables arising from financial lease are not pledged as security for liabilities. Loans issued are secured with bills.

7. Operating Receivables

	30 Jun. 2015	31 Dec. 2014
Trade receivables	8,083,155	8,279,482
Allowances for trade receivables	(339)	(339)
VAT receivables	9,661	3,214
Issued advance payments and cautions	82,425	63,763
Other operating receivables	10,085,565	10,919,749
Current operating receivables	18,260,467	19,265,869

Operating receivables are not secured nor pledged as security for liabilities. The book value of operating receivables does not exceed their realizable value.

8. Cash and Cash Equivalents

	30 Jun. 2015	31 Dec. 2014
Cash in national currency	6,973,011	17,247,418
Cash in foreign currency	88,968	77,048
Restricted cash	192,746	192,794
Cash and cash equivalents	7,254,725	17,517,260

Cash in national currency entails issued deposits with an up-to-3-month maturity in the amount of EUR 5,510,139. The interest rate for issued deposits is fixed. Restricted cash is cash on trust accounts intended for liabilities for the purchase of a subsidiary.

9. Other Assets

	30 Jun. 2015	31 Dec. 2014
Deferred expenses	3,016,216	77,683
Other current assets	3,016,216	77,683

Current deferred expenses refer to advance payments of costs that will debit the profit in the short term.

10. Equity

	30 Jun. 2015	31 Dec. 2014
Share capital	145,266,066	145,266,066
Capital surplus	11,461,177	11,461,177
Revenue reserves	(858,646)	(858,646)
Fair value reserves	190,205	170,817
Retained earnings	20,540,596	25,188,177
Equity	176,599,398	181,227,591

The share capital of the parent company is recognized in the amount of EUR 145,266,066, and is distributed among 994,616 shares. The face value of each share is EUR 146.05. The number of shares did not change in 2015.

Ownership Structure

Shareholder	Number of shares	Number of shares
	30 Jun. 2015	31 Dec. 2014
DILON, d. o. o., Gerbičeva ulica 98, Ljubljana	718,351	718,351
Republic of Slovenia, Gregorčičeva ulica 20, Ljubljana	248,655	248,655
SIJ d.d., Gerbičeva ulica 98, Ljubljana	27,600	7,927
D. P. R., d. d., Koroška cesta 14, Ravne na Koroškem	0	11,468
Stanovanjsko podjetje, d. o. o., Ob Suhi 19, Ravne na Koroškem	0	8,205
UNIOR, d. d., Kovaška cesta 10, Zreče	10	10
Total	994,616	994,616

The ownership structure changed in the period from January to June 2015. The controlling company bought 11,468 shares from D.P.R., d.d., and 8,205 from Stanovanjsko podjetje, d. o. o., thereby increasing its share to 2.77 percent.

Capital Surplus

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

▪ Revenue Reserves

	30 Jun. 2015	31 Dec. 2014
Legal reserves	1,396,081	1,396,081
Treasury shares	(6,008,903)	(2,256,634)
Reserves for treasury shares	3,754,176	1,907
Revenue reserves	(858,646)	(858,646)

The controlling company acquired treasury shares in the amount of EUR 2,254,727 on the basis of the Acceptance of and Method of Meeting Liabilities of Slovene Ironworks in Connection with the Restructuring Program Act (Official Gazette of the RS, No 111/2001) and in line with the Privatization of the Slovene Steelworks Act (Official Gazette of the RS, No 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 recognized at cost.

The controlling company acquired 19,673 treasury shares from January to June 2015 based on the decision of the 25th meeting of the General Assembly held on 9 June 2014, and established reserves in the amount of EUR 3,752,269. Treasury shares are recognized at cost.

▪ 11. Financial Liabilities

	30 Jun. 2015	31 Dec. 2014
Liabilities for bonds issued	42,897,000	42,897,000
Liabilities arising from finance lease	137,447	200,591
Non-current financial liabilities	43,034,447	43,097,591
Borrowings	11,850,809	11,400,809
Liabilities for commercial papers issued	20,000,000	0
Interest liabilities	1,215,378	292,884
Liabilities arising from finance lease	306,409	546,796
Current financial liabilities	33,372,596	12,240,489
Total financial liabilities	76,407,043	55,338,080

▪ Borrowings

Borrowings include loans from companies in the Group. Borrowings are secured with bills. The interest rate for borrowings is fixed.

▪ Liabilities for Bonds Issued

Liabilities for issued bonds refer to bonds with the symbol SIJ2. The company issued bonds to the total nominal value of EUR 42,897,000. The total bond issue covers 42,897 denominations of EUR 1,000. The expiry date is 24 November 2019. The interest rate for issued bonds is fixed at 4.50 percent per year. Interest is payable annually in arrears. The nominal value of the principal is payable in total as a one-off amount on the expiry date. Bonds trading has been taking place at Ljubljana Stock Exchange since 29 December 2014.

▪ Liabilities for Commercial Papers Issued

Liabilities for commercial papers issued amounting to EUR 20,000,000 refer to 9-month commercial papers with the symbol SIK01, which SIJ d.d. issued on 19 March 2015. The total nominal value of the commercial papers is EUR 20,000,000 and covers 20,000 denominations of EUR 1,000. The interest rate for a commercial paper is 2.20 percent per year. 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 18 December 2015. Commercial papers trading takes place at Ljubljana Stock Exchange.

▪ 12. Operating Liabilities

	30 Jun. 2015	31 Dec. 2014
Liabilities to suppliers	986,700	1,399,522
Liabilities to employees	303,704	402,535
Received advance payments	4,575	4,575
Tax liabilities	672,835	1,148,838
Other liabilities	255,345	579,345
Current operating payables	2,223,159	3,534,815

13. Contingent Assets and Liabilities

Contingent liabilities for the guarantees, given to others, amounted to EUR 134,963,802 on 30 June 2015. The Company expects no outflows from the guarantees. The Company has no contingent assets on 30 June 2015.

14. Carrying Amounts and Fair Values of Financial Instruments

Type of financial instrument	30 Jun. 2015		31 Dec. 2014	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets at fair value through profit or loss	0	0	467	467
Available-for-sale financial assets	904,028	904,028	884,628	884,628
Financial receivables	55,047,834	55,047,834	31,982,711	31,982,711
Operating receivables	18,289,961	18,289,961	19,295,363	19,295,363
Cash and cash equivalents	7,254,725	7,254,725	17,517,260	17,517,260
Financial liabilities	(76,407,043)	(76,407,043)	(55,338,080)	(55,338,080)
Operating liabilities	(2,225,179)	(2,225,179)	(3,537,551)	(3,537,551)
Total	2,864,326	2,864,326	10,804,798	10,804,798

15. Fair Value Measurement

	30 Jun. 2015	31 Dec. 2014
Financial assets at fair value of first level	639,619	616,726
Financial assets at fair value of third level	55,312,243	32,251,080
Financial liabilities at fair value of third level	(76,407,043)	(55,338,080)

■ 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

	1-6 2015	1-6 2014
Revenues	1,007	519,019
	30 Jun. 2015	31 Dec. 2014
Receivables	634	1,597

■ Transactions with the Controlling Company

	1-6 2015	1-6 2014
Revenues	5,952,099	5,394,199
Expenses	438,866	995,621
	30 Jun. 2015	31 Dec. 2014
Receivables	73,598,937	52,411,718
Liabilities	11,938,644	11,532,235

■ Events After the Reporting Date

On 21 July 2015 SIJ d.d. issued 5 year bonds (symbol SIJ3) to the total nominal value of EUR 51,218,000. The terms and conditions of the bonds are published on the website of SIJ d.d. www.sij.si.

The Supervisory Board of subsidiary SIJ d.d. discussed and approved the proposal of the Board of Directors to participate in the equity restructuring and capital increase of the Slovenian poultry and meat producer Perutnina Ptuj, d. d. The offer for the EUR 40 million capital increase of Perutnina Ptuj, d. d. 28 July 2015 discussed by the Supervisory Board of Perutnina Ptuj, d. d. and unanimously approved. The decision has to be approved also by the General Meeting of Shareholders of Perutnina Ptuj, d. d. Medium-term business plan of Group is to acquire a majority share in Perutnina Ptuj, d. d. and obtain control of the company in accordance with the guidelines of corporate governance of the Group.

In the first week of August 2015, SIJ d.d. submitted a binding bid for the purchase of an 88% share in LITOSTROJ JEKLO izdelava kakovostnih jeklenih ulitkov, d.o.o., and of the receivables from the same company, owned by Družba za upravljanje terjatev bank, d.d. (The Bank Assets Management Company).

The 28th meeting of the General Assembly of SIJ d.d. took place on 14 August 2015. At the meeting, the shareholders approved the proposal of the Board of Directors and the Supervisory Board for the use of the distributable profit generated in 2014, in the total amount of EUR 25,188,177.35, that a share, of the amount EUR 5,810,642.63, be used for the payment of dividends, while the remainder, of the amount EUR 19,377,534.72, remain undistributed. The gross dividend per share amounts to EUR 6.01 (treasury shares not included). Any shareholder of the company, registered in the share register at the Central Securities Clearing Corporation, Ljubljana, on the date of the meeting of the General Assembly, is entitled to the payment of dividends. At the meeting, the shareholders granted discharge to the Board of Directors and the Supervisory Board for the work done in the 2014 financial year. At the proposal of the SIJ d.d. Supervisory Board, the auditing firm Deloitte Revizija d.o.o. in Ljubljana was appointed auditor for the 2015 financial year.



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